Bulgaria Community Fund and
Social Enterprise Program

FINAL PROGRAM REPORT
BULGARIA COMMUNITY FUND & SOCIAL ENTERPRISE PROGRAM
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EXECUTIVE SUMMARY

The introduction of viable models of social economy in Bulgaria was facilitated under The Bulgaria Community Fund and Social Enterprise Program, implemented by Counterpart International with funding from the United States Agency for International Development (USAID). Program operations began on October 1, 2001 with an initial duration of four years. In February 2003, USAID invited Counterpart to extend the program by one year – through September 30, 2006.

The goal of this program was to enhance the sustainability of Bulgarian NGOs, which reinforced USAID Strategic Objective *2.1: Increased better informed citizens' participation in political and economic decision-making;* and also reinforced USAID Strategic Objective *2.3: Local governance more effective and accountable*.

The program and its partners reinforced the need to promote capacity to ensure partners' sustainable operations long after termination of the Counterpart Bulgaria program and USAID's departure from Bulgaria in 2008. The pending accession to the European Union, in 2007, represented new opportunities for social economy in Bulgaria. New "alternate/independent power centers" created under the USAID/Counterpart Bulgaria program integrated themselves in communities throughout the country, and demonstrated that they could effectively rally social partnerships to support local development. These innovative models of social economy not only enhanced the sustainability of Bulgarian NGOs, but also supported the creation of social capital. This capacity, together with ethical practices, introduced by these new "power centers" – Community Funds, Social Enterprises, and Social Contracts – under the program, galvanized the attention of the national government and international bodies. The increased recognition, by the national government and external donors, positioned the Bulgarian third-sector as effective partners qualifying for funding support from international donors, the European Union Structural Funds, and the national government.

Support from donors like the Mott Foundation, the Central and Eastern European Trust (CEE-Trust), and the Worldwide Initiative for Grant Makers Support (WINGS) will support increased capacity to ensure long-term sustainability of the Community Fund network in Bulgaria. Similarly, Social Enterprise parent NGOs are now primed to compete for European Union Structural Funds that will become a major source of funding for social economy in Bulgaria during 2007-2013. Lobbying efforts under the program have already succeeded in gaining the Bulgarian Government's support to include Social Enterprises into their draft "*Operational Program for Human Resource Development"*. Inclusion into the *"Operational Program"* will ensure future funding from EU Structural Fund support to social economy in Bulgaria. Social Contracting, through continued effective implementation and defined procedures in 13 practicing municipalities, will secure continued and future Bulgarian Government support and funding for decentralization of social services.

This "secured-support" for the sustainability and replication of the three main components of the program is the real legacy of the Bulgaria Community Fund and Social Enterprise Program.

Community Funds

The Community Fund Program succeeded in reviving forgotten philanthropic traditions, and to make local philanthropy better organized and more effective in 10 communities around the country. Philanthropic traditions in Bulgaria all but disappeared during the Communist period. Independent philanthropic activity was nearly impossible and would have been eyed with suspicion and even prosecution. The strong state control over the provision of social services drove a wedge between donors and the vulnerable and marginalized. In fact, under the communist system these distinctions would have disappeared. Thus, the more natural tendency for people to help each other, when there is a visible or expressed need, was replaced by a centralized state system. Though social services were essentially provided by the state, the ineffective provision and lack of transparent allocation of services increasingly gave rise to high-level mistrust of the state social agencies and of the services themselves.

The success of Counterpart's community fund component of the program may be measured by the fact that a return to practices of "traditional philanthropy", through use of models borrowed from the American and European experience, are once again firmly embedded within partner communities in Bulgaria. Civil Society, through the engagement of ordinary citizens, has become an integral force behind the creation of and support for community funds. Participatory community appraisals, together with participatory action planning proved to be a methodology that respects the local context, and introduced a new force in local development in Bulgaria. More detail about the four-step *Assess, Agree, Address, and Assist* methodology is provided later in this report.

Counterpart's program for community fund development build on the results of community mobilization piloted by the Swiss Agency for Development and Cooperation under their Public Forum Pilot Program in Gabrovo in 2001. The local priorities defined by the Swiss Public Forums became a basis for priorities under the Counterpart Community Fund and Social Enterprise Program. The community fund is considered to be an institutionalized continuation of the process that began under the Swiss project. Counterpart demonstrated that best practices could be replicated and further built on the experience of the Swiss program.

Counterpart, together with its Bulgarian partners, Civil Society Development Foundation (CSDF) and 3-NET Association, provided ongoing training and technical assistance to enhance the capacity of the community funds. This highly targeted support was supplemented with a series of seed grants, general purpose grants, and matching grants. A total of **$484,551 was released as grant support that was leveraged by community funds** with locally raised funds and in-kind support **totaling $584,143**.

Successful fundraising efforts by the 10 community funds demonstrated an important change in attitude that transformed passive beneficiaries into active donors and partners, and engaged citizens and local stakeholders into new forms of structured philanthropy that suited donor interests; i.e., donor-named funds and donor-clubs. This sophisticated yet practical approach allowed a level of flexibility that gave rise to the practice of **local "horizontal philanthropy" that reached yearly levels of $200,000.** These locally raised funds are significant amounts for communities in Bulgaria, which reveals not only the level of need in communities, but also the level of effective coordinated interests that partner to promote local development. The Association of Community Foundations in Bulgaria (ACFB), initiated and established by the community funds, serves as a key coordinating body and mechanism with which to continue and expand the community fund model in Bulgaria.

Social Enterprises

USAID requested that Counterpart expand the Social Enterprise Program to increase the pool of social enterprises from an original ten (10) to forty five (45). Counterpart pioneered the concept of social enterprises in Bulgaria. This was the first time when the term "social enterprise" was used in the public-arena in Bulgaria in an organized manner. The program included significant efforts to increase awareness about social enterprise among local institutions and non-profit organizations. During a 4-year period, the program provided training, technical assistance, loans, and small grant funding to 45 social service NGOs to start or develop existing business ventures. The main purpose of the program was to develop a cutting-edge social enterprise methodology applicable to the local context, socio-economic conditions, and existing legal frameworks. Counterpart's experience in Bulgaria demonstrates that comprehensive and well-structured programs and business training, together with soft loans and advocacy efforts, can strengthen social economy at regional and international levels.

Partnerships with NACHALA Cooperative, a Bulgarian micro-finance organization, and with the Bulgarian Center for Not-for-Profit Law (BCNL) allowed the creation of a loan facility together with on-going consultations on the changing legal context that provided critical support to nascent social enterprises.

By developing income-generating ventures as a social enterprise, and by enhancing the entrepreneurial culture, NGOs can overcome major challenges to financial sustainability and create opportunities for disadvantaged groups and communtities. Social enterprises are contributing to increased social capital in the Bulgarian communities through better-informed citizen-participation and local governance; and

through social inclusion and employment opportunities for disadvantaged people. Another major development of the social enterprises is that they have enhanced the capacity of the NGOs to apply for public-funding under social contracting procedures, and to improve their management skills as social service providers. The Association of Social Enterprises in Bulgaria (ASEB), initiated and founded by 26 social enterprises, will provide a mechanism for advocacy, access to resources, and international networks to further promote and expand the growing social enterprise sector in Bulgaria.

Social Contracting

Social Contracting was initiated in two pilot municipalities – Gabrovo and Stara Zagora – and expanded regionally to include 13 municipalities. The project was marked by a number of achievements that include the strengthening of s*ocial service public councils,* and lobbying for funding for social contracting from municipal budgets. The decentralization of social services involves a devolution process from the state to municipalities, as well as from municipalities to independent providers – NGOs and private businesses.

The extension and expansion of the Social Contracting component started in October 2005. This expansion effort during the final year of the Counterpart Bulgaria program proved to be crucial for the success and impact of the Social Contracting Program. The program enhanced the social contracting process by providing small grants to the municipalities to organize competitions. Late in 2005, the small grants competition for the municipalities was announced. Several program activities had been carried out such as: evaluation procedure of municipal proposals, trainings organized for municipality representatives dealing with social services, and technical assistance for the municipalities in the process of organizing competitions for social service providers. As a result, 13 competitions for contracting social services to NGO service providers were successfully completed.

The process of organizing social services competitions in the Bulgarian municipalities that had received grants within the small grants competition included: participation of experts from Counterpart and its partner he Bulgarian Center for Not-for-Profit Law (BCNL) in the local evaluation teams, contracting the selected social services providers, and on-going consultations given to the municipalities within the competition process.

One of the most important events was the International Conference on Social Contracting, which was held in May 2006. Counterpart and BCNL were two of the main organizers. They designed the event and provided expertise in selecting topics, lectors, and moderators. The Social Contracting component ended with the unprecedented and successful competition and implementation of active social contracts. Nearly $64,000 was released by Counterpart as grants. These **grants were matched from local municipal budgets** by nearly **$120,000** (cash and in-kind), and **by the contracting NGO social service providers** with nearly **$64,000** (cash and in-kind).

This was remarkable due to the relatively quick momentum adopted by three distinct groups – the municipalities, NGOs, and representatives from national level agencies. The actual period of activity to develop and implement the expanded program, between the announcement of the grants to municipalities and actual signing of social contracts, was only 6-7 months. Much of this concentrated activity could not have happened without the ground work that had previously been laid in 2004, when the social contracting concept was first introduced by USAID and Counterpart.

Dissemination of Information

Collaboration with media started as an increasingly effective practice encouraged and used by the local partners to promote their initiatives, and the concepts of community funds and social enterprises under the Counterpart program. Media outreach helped to further target and prioritize community support, and helped to develop an informed and engaged constituency. As a result of increased media relations with the partner organizations, and the initiation of different media activities, there was increased public recognition, trust, and acceptance of the social economic activity represented by the Community Funds, Social Enterprises, and Social Contracting. Information concerning the sustainability of concepts, best practices, and their implementation, together with results and achievements, was successfully promoted and distributed to a potential audience of more than **5,660,100 people** throughout the country.

PROJECT PURPOSE

USAID SO 2.3: Local Governance More Effective and Accountable
Program goal: To enhance the sustainability of Bulgarian NGOs

Program objectives:

- Facilitate the Process of Community Fund Development in Communities across Bulgaria
- Assist in the Development of Social Enterprises throughout Bulgaria
- Social Contracting - To synergize best practice of Community Funds and Social Enterprises to develop and implement model Social Contracting methodology in 2 pilot Bulgarian municipalities
- Document and disseminate best practices and lessons learned for Community Funds and Social Enterprises

PROJECT IMPACTS

Community Funds

The broader significance of the success behind the community fund component in 10 communities throughout Bulgaria is the level of increased community support. This level of support from ordinary citizens stems from new trust in local institutions that work together to promote local community development. Specifically, community funds, in local cross-sector partnerships, make their role and purpose more readily understood through participatory approaches that seek to engage the citizens as partners – and not as mere passive beneficiaries. This new level of integrated support to promote local sustainable development is an indicator of the successful transition away from a closed system of social service provision that was unaccountable to the community. The needy, marginalized and vulnerable, now have an institution that acts as a neutral convener through which they may feel empowered to seek increased day-to-day independent living as productive members in society.

Better Organized Local Philanthropy
The main impact, under the community fund component, was the creation of local pools of funding for civic initiatives. The community funds acted, since their inception, as intermediaries between local donors and beneficiaries and helped to make local philanthropy better organized and more effective. In 2002, the first 3 community funds were legally registered in Blagoevgrad, Chepelare and Gabrovo. Their example spread quickly throughout the country, and led to the creation of the community funds in Stara Zagora and Pazardjik in 2003, in Turtrakan – 2004, and in Lom, Sliven, Vratsa and Yambol - 2005. Counterpart International Bulgaria functioned as an external support organization that closely monitored the progress of the community funds, and assisted them in designing key steps to success. The community funds were created with the notion of permanence. Counterpart Bulgaria provided training and technical assistance on how to assess community needs and assets; and accordingly, how to structure their fundraising and grant-making efforts. Gradually, they began to influence “local-giving”, and to channel generated funds donations toward community goals that had been identified in a participatory way. The effect, which became more immediately apparent after the implementation of the first projects funded by the community funds, was that citizens began to realize the potential of uniting local-philanthropic resources and directing them towards common goals.

Enhanced Participatory Decision-making
In addition to attracting donations from a variety of donors, the community funds invested much effort to bring together local-stakeholders to decide where the philanthropic money should go. They applied Counterpart field-tested participatory methodology for community appraisal and action planning to ensure transparency and accountability of their activity. The immediate impact was enhanced participatory decision making, in the 10 communities that took part in the program, regarding civic initiatives that could

meet existing needs by making effective use of available local assets. Many citizens were stimulated to take part in focus group discussions, enquiries and public forums, organized by the community funds, and to voice their opinion about local development needs. Citizens were further convinced that their active participation could make a difference in the community development process.

New Horizontal Forms of Philanthropy

Another important impact of the participatory processes, organized in the 10 communities, was that many people who partook in them became donors of the community funds. In this way, the community funds attracted both larger and smaller donors, and gradually blurred the boundaries between donors and beneficiaries. People directly affected by the outcome of a civic-initiative were often the most active contributors with money or voluntary labor. Notions of self-help dating back to ancient times were revived, and this contributed to strengthening community integrity. In some communities, horizontal forms of philanthropy compensated for the lack of large-scale donors, and proved to local people that there is great potential in every community which knows how to make use of its assets effectively.

Association of Community Foundations in Bulgaria (ACFB)

The collective effort represented by the creation of the ACFB represents a next step in the evolution of community funds in Bulgaria, and a step taken to ensure their increased sustainability. ACFB was created late in 2005 when it was understood that a unified effort was required to act as a voice to lobby and represent its members before donors and other institutions. This concerted effort and priority lead to increased recognition of community funds and their activity in Bulgaria – both by local and international bodies. This recognition helped to solidify international support from groups like the Worldwide Initiative for Grant Making Support (WINGS) and other international donors, including the Mott Foundation and the Central and Eastern European Trust.

Illustrative Impact Stories:

Creating Facility for Prevention and Early Diagnosis of Widespread Women's Cancer Diseases

Gabrovo Community Fund renovated the Intensive Care Unit (ICU) of Gabrovo Regional Hospital, which provides medical services to approximately 100,000 people from five towns in the region. The Fund undertook a large-scale fundraising campaign to mobilize local resources and motivate citizens to come together and take steps towards solving local problems. With the help of local government, the principle donor in the campaign, the Community raised $37,770 in cash and over $2,000 in in-kind contributions for implementation of this project. USAID provided a Matching Grant for the locally raised funds. The community fund is partnering with local media, local government and the business sector to popularize the project's outcome and thus reinforce civic participation. Furthermore, the Gabrovo community fund completed the renovation of the regional hospital, creating a facility for prevention and early diagnosis of widespread women's cancer diseases. The Gabrovo Regional Hospital Cancer Prevention Center is the first of its kind in the region and will serve more than 30,000 women from Gabrovo, Sevlievo, Tryavna, and Dryanovo. The Center was invited to become part of a pilot national cancer prevention program implemented by the Ministry of Health which tests innovative approaches for raising awareness about cancer among women.

Public Swimming Pool in Blagoevgrad for Institutionalized Children

Blagoevgrad Community Fund renovated the only public swimming pool in Blagoevgrad and made it accessible for institutionalized children. The Fund successfully completed fundraising campaign, as well as negotiated with the Municipality of Blagoevgrad for free access to the swimming pool for institutionalized children. The Community Fund managed to raise $11,000 that was matched 1:1 by Counterpart. One of the sports clubs whose members trained at the pool, agreed to provide free coaching for the children from the social care institution. The successful completion of the pilot project of the Community Fund improved community's trust in the young charitable organization and increased its chances for future growth and sustainability.

Mobilizing Local Resources to Make a Difference

Community Fund Chepelare implemented "The Future for Bogutevo" project that was developed as an initiative of local people from the small village of Bogutevo, located in the Rodope Mountains. The aim of the project was to improve the conditions for tourism and thus improve the socio economic conditions of the village. The success of the project goes far beyond the collected amount of $3,835 that was matched

1:1 by Counterpart Bulgaria. Every family in the village gave cash and in-kind contributions to the project and 80% of the renovation work was completed by volunteers. The project activities included renovation of wooden fences; fronts of public buildings; bus stop shelters; installation of information signs; cleaning public areas and felling trees. The Mayor of the village, impressed by public enthusiasm, solicited $6,000 from the municipal budget for renovation of the street lights. The success of this project inspired other villages in the municipality of Chepelare to look upon the Community Fund as a reliable partner in solving grassroots problems. It increased local peoples' trust in their own ability to jointly make a difference in their quality of life through mobilizing local resources rather than waiting for the government or other outsiders to do it for them. *(Attachment: Community Fund Success Stories)*

Social Enterprise

Income generating activity through business ventures for non-profit NGOs is a proven approach to sustainable local community development that has a rich legacy world-wide. Training and technical assistance provided under the Counterpart Social Enterprise component helped to ensure the successful launch of operational social enterprises by the Bulgarian third sector. As is the case with countless thousand similar NGO business ventures around the world, Bulgarian social enterprises succeeded in identifying niches in the market that effectively help sustain a social mission. Most important perhaps is the fact that communities and market forces now begin to understand the role and value of social enterprises. More specifically, social enterprises and their services or products represent a social added-value to community development. The 26 operational social enterprises in Bulgaria are fast becoming recognized partners at the local level. Municipalities begin to increasingly rely on the services and expertise of provided by social enterprises and their parent NGOs.

NGOs to Improve Their Image and Credibility in Local Communities

One of the main outcomes of a successful social enterprise is that it helps the NGO to improve its image and credibility in the local community. This is especially important in an environment with a high level of mistrust towards the third-sector. All the social enterprises within the Counterpart program have demonstrated increased popularization in their communalities, improved image, and heightened credibility expressed by their constituents and local government. One of the reasons for this favorable credibility is that when the NGO operates a social enterprise it is more sustainable through the diversified-funding-base of its activities. It is no longer dependent only on donor funding; rather, it generates additional income through business activities and can support the operational costs of the NGO. "Open Door Center" in Pleven has been providing support to women that have suffered from domestic violence since 1995. In 2003, the organization started its social enterprise as a public laundry, which generated income to support the operational costs of the shelter, created temporary jobs for its clients, and increased the image of the NGO before the community and the local government. It has demonstrated its long-term commitment to support victims of domestic violence through investment in a social enterprise that is supporting the mission of the organization.

Bulgarian Business Consultants Gain Knowledge and Expertise on Social Enterprises

Part of the overall technical assistance provided by Counterpart, to the NGOs enrolled in the program, was a significant intervention to build the capacity of a group of business consultants to form a cadre of knowledgeable experts in social enterprise able to support social enterprise after the end of the Counterpart/USAID program. The program has done well at matching the skills set of business consultant support to NGO need for business-orientation when implementing a social enterprise. The NGOs understand well and can defend the social aspects of their social enterprise idea. What they require most are consultations on market-oriented business-skills necessary for a successful, profitable, and sustainable business. A total of 15 business consultants were selected to provide one-on-one business consultations to social enterprises throughout the country. Despite their business orientation, the business consultants demonstrated a good understanding of the challenges and success factors relevant to NGOs – independent of the social enterprise. It became apparent that the initial trainings for business consultants, *Social Enterprise Concept* and *Social Enterprise Business Planning*, raised their awareness to the importance of taking into account and measuring the social impact of a social enterprise. An analysis of the most successful social enterprises shows that one of the success factors was a good relationship with the business consultants – and making use of their advice and recommendations.

However, the process of developing a successful social enterprise requires patience, a mentoring attitude to understand the social mission of the NGO, skills to provide business consultations to a non-business person, and knowledge about broader socio-economic trends. Anelia Tsankova, a business consultant from Gabovo, said, "…w*orking with the social enterprises has been a learning journey for us, we have discovered a new planet – business with a social mission".*

Strategic Partners of Local Government in Bulgaria

Strategic partnerships with local government are of great value for social enterprise initiatives. They demonstrate the mutual benefit of public-private partnerships in the social sector, and maximize the efforts of NGOs in supporting disadvantaged groups and communities. Local governments can help with providing property for the social enterprise activities, awarding contracts for social services, and purchasing products produced by the social enterprises. Numerous examples from the social enterprises illustrate the importance of the strategic partnerships with the local authorities. "Gavrosh Association" in Varna has received permission for their trading activities, on the main street of the largest sea resort, which includes the sale of products with social-added-value. "The Center for Integration of Crime Manifested and Risk Groups" in Pazardjik identified the potential value that the municipality could bring to their social enterprise activities, and has negotiated a contract for use of municipal property – a 3-story building in the central part of the town to start income generating activities. Furthermore, the two municipalities of Dryanovo and Pazardjik that were pioneers in social contracting have selected two social enterprises as their service providers – "Mental Health Center "Chovekolubie" in Pazardjik, and "Association for Social Assistance" in Dryanovo.

External-Donors Recognize Social Enterprises as a Major Priority for Funding

With the development of more and more successful models of social enterprises throughout Bulgaria, the social enterprise concept has received recognition from external donor organizations as a funding priority. In 2003, the Department for International Development (DFID) within the British Embassy announced as a funding priority, within their Small Grant Scheme, the creation of sustainable models of social enterprises. Eighty (80) applicants competed for eight of the grants being offered. Three of the winners were social enterprises within the Counterpart program. "Open Door Center" in Pleven received funding to expand their social enterprise by starting a store and delivery services for detergents. This business idea effectively complemented their existing public laundry. Another social enterprise that was awarded a DFID grant was the "Our Birthplace Association" in the village of Batin, to create a sheep farm, which provides employment opportunities for Roma people in the village.

Another donor organization that has provided financial support to social enterprises is the Tulip Foundation (formerly the United Dutch Foundations) in Bulgaria. Their funding priority was inclined more to improve the social infrastructure in the country, through building the capacity of the social service providers. The Tulip Foundation supported 6 social enterprises under the Counterpart program – to improve their facilities and infrastructure for social services.

Social Enterprises Licensed as Vocational Training Providers

Vocational training and life-long learning are one of the key aspects of the human resource development strategy in Bulgaria for the next five years. This opens a new window of opportunity for NGOs that are specialized in providing trainings, vocational courses and educational activities. To be competitive in this market, the training providers should receive a license from the National Agency for Education and Vocational Training.

The provision of training and educational services is one of the key sectors for social enterprises in Bulgaria. There are 10 social enterprises, out of 45, that are currently providing vocational training and courses; and all of them have been licensed by the National Agency for Education and Vocational Training. This is becoming a major income generating activity for the social enterprises that have to constantly invest in improving the quality of their services. The "Open Society Club Training Center" in Ruse recently added language training courses to diversify their services. Recognizing the need for various language proficiencies and skills, as Bulgaria enters the European Union, the social enterprise training providers hope to increase their business competitiveness through diversification of the training courses.

Increased Market Access for Products with Social Added Value
The "Ten Senses Fair Trade Center", opened in Sofia by the INTEGRA Foundation, presented a huge opportunity for market access to social enterprises. 10 social enterprises from the Counterpart network were able to exhibit products with social-added-value. For the Roma craftsmen from "Tehnitari" in Stara Zagora; the "Halva" producers (also in Stara Zagora); the traditional crafts of "Eko 21" in Gabrovo; and the painted glass-ware of the street-children at "Gavroche Social Enterprise" in Varna, "Ten Senses" was the first major market-channel in Sofia, providing them with direct access to tourists and visitors to the Bulgarian capital. The average income from monthly sales of the social enterprises through "Ten Senses" was around $700.

Another market opportunity for the social enterprises and the products with social-added-value is the "Fair Trade Shop" in Stara Zagora, a joint initiative of the Stara Zagora Community Fund and four social enterprises from the town. Market access is crucial for the sustainability of the social enterprises and the new "Fair Trade Shop" serves to further popularize the fair trade concept, and to support social enterprises through direct access to markets.

Association of Social Enterprises in Bulgaria (ASEB)
The ASEB was created by 26 operational social enterprises in late 2005. The momentum generated by the social enterprises revealed a gap in effective promotion of and lobbying for social enterprise at local and national levels. On the one hand, developing a local market for products and services with social-value-added was a shared goal; while on a broader national level a unified approach was required to effectively lobby for a stronger enabling legislative environment. Creation of the association was seen as an appropriate mechanism through which the social enterprises could unify their efforts to effectively create a support structure empowered to help ensure expanded and continued growth for the sector. Furthermore, through the association the individual social enterprises achieved a greater opportunity to expand their markets through favorable legislative changes – a package of draft legislative changes was presented to the Ministry of Labor and Social Policy.

Illustrative Impact Stories:

Improved Capacity of Social Enterprises to Develop and Manage National Projects
"Health for Everyone Social Enterprise" in Pleven, which provides complex social services for people with disabilities, has been approved by the US Government for a project to establish a *National Network for Social Inclusion for People with Disabilities*. The social enterprise will disseminate know-how, experience, and best-practices through a network of local partnerships, training centers, and social enterprises for people with disabilities; and will create employment and training opportunities for more than 300 disabled people. This is the only project approved for funding from Bulgaria, and was selected in a competition drawing applicants from more than 60 countries.

Effective Networking of Social Enterprises Leads to Successful Partnerships
The benefits of working in a network of social enterprises have been demonstrated through the establishment of fruitful business relationships. "Chovekolubie Association" in Pazardjik, opened a shop offering tea, honey products and bee hive equipment in partnership with "Samaritans Association" in Stara Zagora which operates a honey-production social enterprise and delivers the honey for the shop in Pazardjik. The social enterprise shop is located in Pazardjik within the day-care centre for people with mental disabilities. The two social enterprises are actively building-up network opportunities and have entered into real business cooperation that increases their competitiveness, and is expanding the market for the social enterprises.

Social Enterprises Trigger Social Innovations in Bulgaria
Social entrepreneurship is a unique mixture of strong commitment to a social mission and an entrepreneurial spirit. Their strengths from the non-profit sector are broad public-support, in-depth knowledge of the disadvantaged groups, informal networks, and specific community expertise. These strengths are a pre-condition for social innovations, while launching an income-generating activity. Social innovations help social enterprises to compete successfully with commercial companies and to achieve bigger impact with limited resources. Social enterprises that have triggered social innovation in Bulgaria

are two organizations from Pleven and Pazardzhik that launched job advice and employment agencies as an income generating activity, while building expertise in human resource management and knowledge on specific target groups – prisoners and ex-prisoners. Social innovations are becoming more and more important in an environment with increasing social needs and limited resources for the social sector. The social enterprises are triggering a new attitude and practice that applies business-approaches and social-innovations to help meet social needs in Bulgaria.

Social Enterprises are Mainstreamed in Government Social Policy
Counterpart program worked successfully towards increased interest on behalf of the Bulgarian government to use the social enterprises as part of their national active employment policies for disadvantaged groups. Another aspect of the effectiveness of the social enterprise model is that social enterprises are more capable providers of social services, and can serve as service providers in deprived communities. Two strategic Government documents outline the role of the social enterprises in the employment policies and the national strategy for poverty reduction. *(Attachment: Social Enterprise Success Stories)*

Social Contracting

Cohesive partnerships between NGOs, local municipalities, and national level agencies are inherent in the social contracting practices currently implemented in 13 Bulgarian municipalities. The relative ease with which the accepted procedures, competitions, and awards were implemented during the final year of the Counterpart program, belies a significant change in attitude among all participants without which social contacting would not have be possible. Heretofore, adversarial relationships and lack of trust preempted any serious attempts to comply with the state's decentralization policy in the provision of social services. The role of external expert organizations, like Counterpart and its implementing partner BCNL, was necessary to act as neutral conveners and catalysts to bring the three groups together not only to introduce them to the concept of social contracting; but also, to guide them to develop an entire set of standardized procedures that would facilitate compliance with the Social Assistance Act. The on-going consultations provided under the program helped the municipalities, NGOs, and national level agencies to identify and accept each others role and capacity in the process of social contracting. The practice and experience currently being solidified in the 13 social contacting municipalities is being watched by other municipalities throughout the country. There remains little doubt that social contracting will remain as a strong feature of social service decentralization in Bulgaria.

Decentralization Procedures Established Under the Social Assistance Act
Counterpart, together with its sub-contracted Social Contract component co-implementer – the Bulgarian Center for Not-for-Profit Law (BCNL), worked to clarify and draft standard procedures that aid municipalities to implement social contracting competitions. The procedures are in accordance with the Social Assistance Act. In addition, Counterpart and BCNL worked to enhance the capacity of the local authorities to contract out social services. This resulted in 13 new social contract agreements between municipalities and third sector social service providers at the local level. In the longer-term, social contracting is envisioned as a main source of public funding for NGOs in the social sector. Furthermore, as a mutual endeavor, social contacting supports both the local authorities and the social service providers.

Standardized Financing of State-Delegated Social Services
Municipalities, together with the Ministry of Labor and Social Policy, and the Agency for Social Assistance, with support from the Counterpart program, drafted legal guidelines that clarified procedures to fund state delegated social services, through the social contracting mechanism, from the national level budgets to the local municipalities. Previously, control and implementation of state delegated social services was retained by the state and varied funding mechanisms were in use by municipalities. Furthermore, delays in payments from the national level to the municipalities, and lack of clear procedures and deadlines to prompt the State to release committed funds, caused poor performance or lack of implementation of state-delegated social services.

PROJECT ACTIVITY BY OBJECTIVE

Objective 1: Facilitate the Process of Community Fund Development in Communities across Bulgaria

10 community funds leveraged $484,551 in grant support from Counterpart through successful local fundraising and in-kind support totaling $584,143. The community fund initiated Association of Community Funds in Bulgaria applied for and was awarded a $60,000 start-up support grant from the Mott Foundation. $140,000 was specifically ear-tagged for community fund post-Counterpart Program support by USAID. This USAID "trust-fund" was supplemented with $270,000 from the Mott Foundation. The funds will be managed by the Central and Eastern European Trust (CEETrust).

The 10 currently operational community funds in Chepelare, Gabrovo, Blagoevgrad, Stara Zagora, Lom, Vratsa, Sliven, Yambol, Pazaradjik and Tutrakan, serve 18% of the country's population; and altogether raised over $200,000 per-year that was re-granted as small grants to grassroots organizations or directed to citizen-identified projects implemented by the foundations. The final participatory program evaluation shows that local citizens recognize the community funds as important agents of change, which help to solve local problems and advance local development. Civic trust in the foundations is growing as a result of their transparent operations and in-depth understanding of community needs.

The Counterpart program methodology for community fund creation included 4 main steps: Assess, Agree, Address, and Assist.

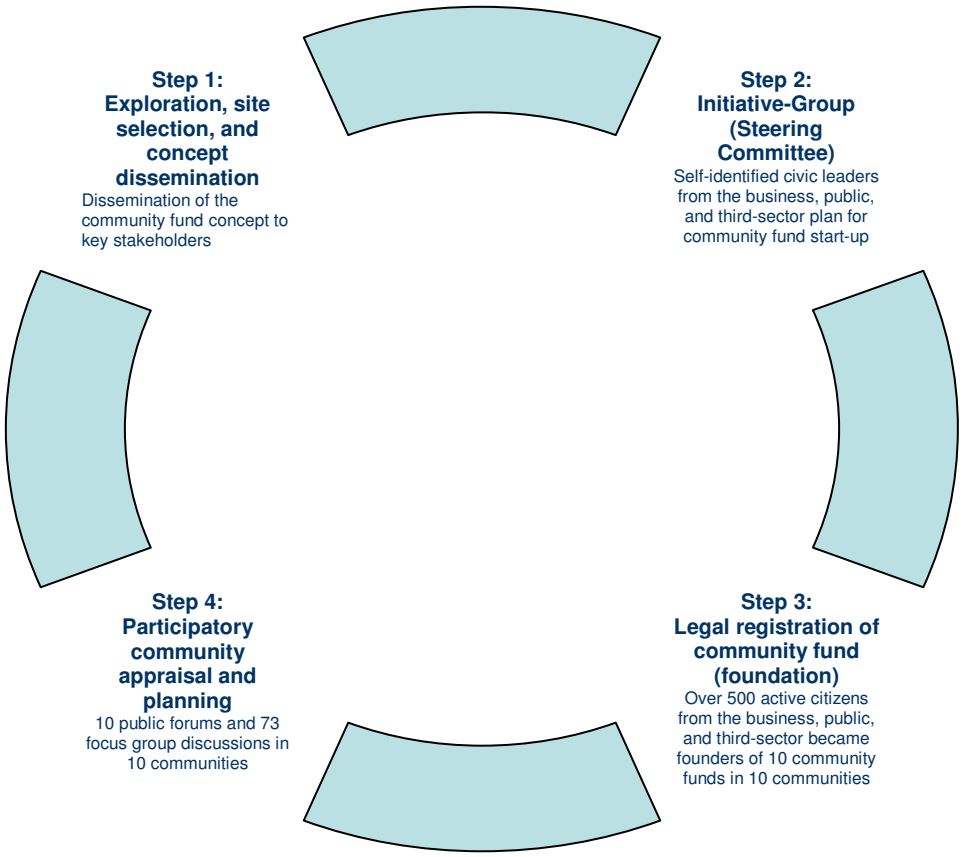
- Assess refers to participatory community assessment of the existing needs and assets-on-hand, which can be used to create a permanent source of funding for civic initiatives addressing those needs.
- Agree refers to the process of building community consensus about the priorities to be addressed by the philanthropic assets, and the decision that a community fund is necessary and beneficial for the community.
- Address refers to the actual steps taken by the community to create and develop a community fund, and to accumulate assets to support citizen identified projects.
- Assist refers to the on-going training and technical assistance provided by Counterpart to the local initiative-groups and legally registered community funds that were supported by the program.

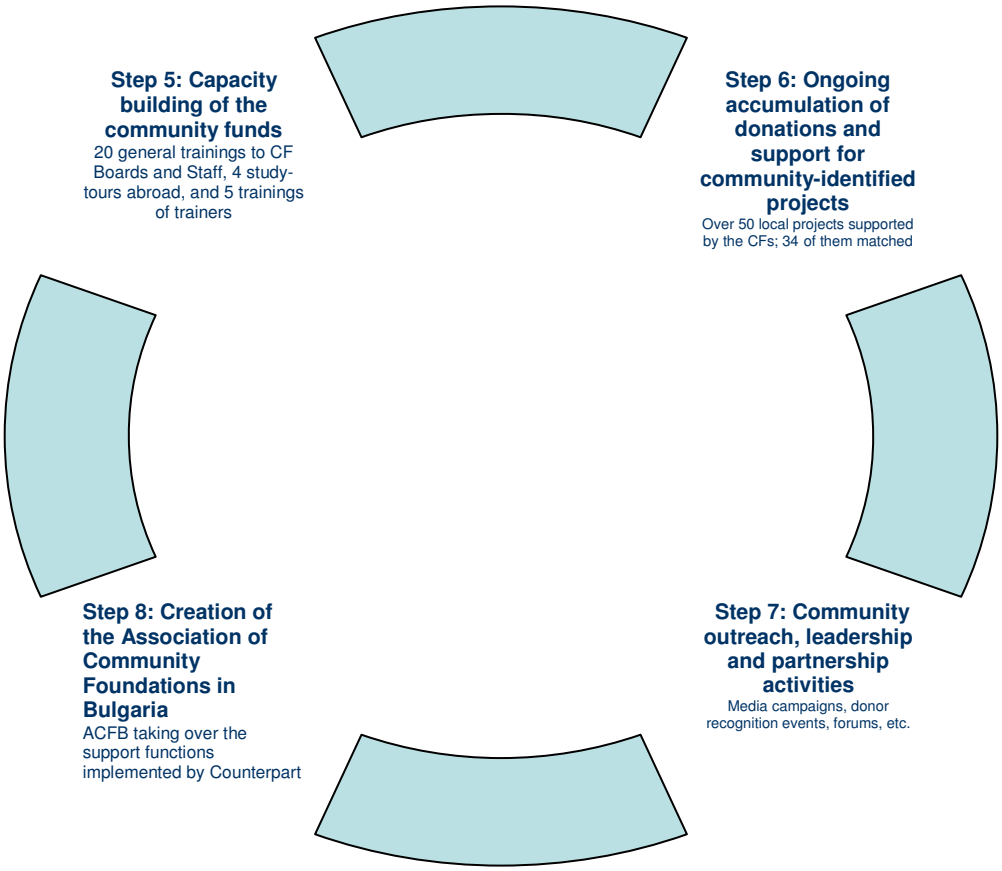
This methodology is participatory in nature, based on a common belief that, given the right tools, local people are better positioned to identify local community needs. Counterpart acted as an external support organization that catalyzes processes of civic participation, and inspired local leadership to direct community development to find solutions for locally identified goals.

The program can be divided into three phases; pilot phase, expansion phase, and sustainability/outreach phase. During the pilot phase, 3 community funds were created in pre-selected communities (pre-selected by USAID). These communities included Blagoevgrad, Chepelare and Gabrovo. During the expansion phase, the program expanded to include 7 additional community funds in communities which expressed interest to adopt the concept. The program provided flexible support through trainings, technical assistance, networking, and grants aimed to respond to the growing needs of the community funds. Counterpart stimulated the community funds to adopt a variety of approaches towards potential donors, and to avoid dependency on one single donor. During the sustainability/outreach phase, in addition to their accumulation of philanthropic contributions and their re-granting capacity, the community funds mastered a number of non-grant making roles that were critical for their sustainability. These expanded roles include the role of catalysts of civic participation; the role of bridge-builder or "convener" between groups of stakeholders; and the role of social entrepreneur investing in innovative projects that helped to solve existing problems in creative ways. In the final program year, Counterpart supported the newly created Association of Community Foundations in Bulgaria (ACFB), and helped it position itself as

a driving force towards the sustainability of its members. The support functions provided by Counterpart to the 10 community funds were taken over by the Association, which received a $60,000 start-up grant from the Mott Foundation, and is currently working to attract other external sponsors.

The Process of Community Fund Development and Main Achievements





Program Inputs:

1. Exploration, site-selection and concept dissemination
2. Assistance to the Initiative Group (Steering Committee) to organize the community fund start-up
3. Capacity building of the community funds
4. Financial assistance: seed grants, matching grants, and general purpose grants
5. International Networking and Experience Exchange

Program Outputs:

1. Founding Assembly and legal registration of the community fund
2. Participatory community appraisal and planning
3. Ongoing accumulation of donations by the community funds and support for community identified projects
4. Community funds' community outreach, leadership and partnership activities
5. Creation of the Association of Community Foundations in Bulgaria (ACFB)

Activity Overview

The main activity under the Community Fund component may be summarized as follows:

1. Community Fund Start-up
2. Participatory Community Appraisal and Planning
3. Capacity Building of the Community Funds

4. Study Tours
5. Grants: Seed-Grants, Matching-Grants, and General Purpose Grants
6. Monitoring and Evaluation
7. International Networking and Experience Exchange
8. Community Fund Re-granting and Project Implementation
9. Community Outreach, Leadership, and Partnership Activities
10. Development of the Association of Community Funds in Bulgaria

1. Community Fund Start-up

Site Selection

The selection of the pilot community fund sites was done by USAID on the basis of a feasibility study (assessment report), preceding the request for applications. The main criteria for selection included: general reputation of municipal leadership; the relative development of the NGO sector; reported good relations between the city government and both NGOs and the business sector; prior or current participation in related international donor initiatives; and economic well-being. All selected cities were in the upper echelon of the recent UNDP Human Development Index.[1] The assessment was carried out in two stages: stage one included desktop research and interviews of international and national development agencies operating around Bulgaria; stage two included field research in four nominated cities. The field research comprised a citizen survey including 50 households to assess attitudes towards philanthropic giving and volunteerism; a set of interviews with leaders from local government; the NGOs and the business sector; and a 2-3 hour focus group discussion with leaders from the three sectors (Government, private and public) to explore the feasibility and design options for achieving a more systematic mobilization of local resources through some form of community fund. After the completion of the two-staged assessment, three pilot sites were identified: Blagoevgrad (a town of 75,000 in South-West Bulgaria), Chepelare (a town of 5,000 in a tourist region in the Rhodopi Mountains), and Gabrovo (a town of about 70,000 in central Bulgaria).

In years 3 and 4 of program implementation, Counterpart modified the assessment and site-selection process, when it selected new sites for program expansion. A competitive process was organized in which locally shaped initiative groups for community fund creation presented their plans for community funds start-up and mobilization of community resources. In year 3, a full day meeting was organized and all candidates (local initiative-groups) were invited to deliver presentations in front of an audience consisting of the older community funds, Counterpart, and its training component partner 3-NET. In year 4, the process was simplified by requesting only written applications, but the application format was more rigorously structured, requiring detailed information about the constituency of the initiative groups, and the local donors who would be committed to financially support the community funds from its inception. The selection process of new community fund sites consisted of three stages: desktop research, application/presentation review, and field visits to meet with the initiative-groups and further explore local conditions for community fund creation. Criteria for selection of new sites included: geographic diversification, economic development, and community readiness to adopt the concept. The most decisive factor for new site selection was the human factor: commitment demonstrated by the people of the initiative group, capability to carry forward the process, and contacts/influence that would enable them to draw-in key stakeholders from different sectors.

It should be noted that the new site-selection in years 3 and 4 of the program implementation built on the already existing awareness of the community fund concept countrywide due to program achievements in years 1 and 2. This awareness inspired local interest in the community fund concept, and mobilized active citizens to quickly shape up initiative groups – following Counterpart field-applied methodology in the three original pilot-sites. Some local groups which partook in the site-selection competition were well-versed in Counterpart's methodology, and presented very well constructed plans for citizen involvement in the process of community fund creation.

[1] *Assessment and Pilot-Program Design, prepared for USAID, January 2001, p. 8.*

In year 3, the program expanded to include Pazardjik (110,000 population), Stara Zagora (160,000 population) and Tutrakan (10,000 population); and in year 4, it included Lom (20,000 population), Sliven (120,000 population), Vratsa, (80,000 population), and Yambol (70,000 population). After the initial concentration in small and average-size communities, the program now also included large communities (above 100,000 people). It spread to cover most of the country's geographic regions with a somewhat higher concentration in South-Central Bulgaria.

Concept Dissemination and Initiative Group Formation

In 2002, Counterpart organized a number of meetings in the 3 pilot communities, Blagoevgrad, Chepelare and Gabrovo. The meetings disseminated general information about the community foundations and the support which Counterpart was to provide to the communities, if they decide to adopt the concept. The purpose of these meetings was to inspire interest among key stakeholders from the three sectors towards creating a community fund (foundation) in their community. One-on-one meetings were conducted with the mayors and members of the municipal council, with business and NGO leaders. In addition, group meetings were organized with the help of some key figures from each sector at which Counterpart delivered presentations to larger groups of stakeholders. Between 50 and 100 people in every community took part in those meetings.

As a result of this approach, active citizens from every community came together to form initiative-groups (steering committees) for the creation of community funds (foundations). Counterpart allowed time for the local steering committees to consolidate on their own, based on common believe that local people know best who would be able to carry this process forward. In order to be able to maintain an on-going relation with the communities, Counterpart temporarily hired local coordinators, one in each of the pilot communities, who reported to the Community Fund Program Manager. Their role was to assist the local steering committees in the process of preparation of community fund legal registration, which was envisioned by the program as a participatory process. Counterpart guided the local steering committees along the way to community fund start-up. Each steering committee developed a detailed plan for community fund formalization, tailored to the local context. The plans included several key steps: disseminating the concept to a wider group of stakeholders; attracting people with commitment; capabilities and wealth as founders; organizing a founding assembly with broad civic participation; development of the community fund mission and by-laws; and accomplishing the legal registration of the foundation. In Chepelare, the initiative group decided to organize a community forum prior to the legal registration of the community fund, in order to be able to discuss the mission and goals of the fund with a large cross-sector group of stakeholders. The same approach was adopted in Gabrovo. In Blagoevgrad, the steering committee proceeded to attract founders and legalize the community fund before organizing a community forum for participatory identification of the priority areas of work of the community fund.

The process of initiative group formation and preparation for legal registration of the community funds took from about 6 months in Chepelare, to about 10 months in the larger communities of Gabrovo and Blagoevgrad. Some differences in the approach undertaken by the steering committees in organizing the preparation for legal registration of the foundations were noted. In Chepelare, the dissemination of the concept was done exclusively by means of one-on-one or public meetings, while in Gabrovo and Blagoevgrad, the steering committees actively used the local media to spread the information. Publications which referred to local charity traditions of the past were used to demonstrate how the community fund would fit into the local culture, and how it would build-up on existing traditions of giving. Initiative group members participated in TV talk shows and radio programs to discuss the need of better organized philanthropy, and demonstrate their personal commitment to the community fund idea. Working partnerships with the mass media were established from day one of the work of the local initiative-groups, and this contributed to greater public visibility of their actions, although it did not necessarily result in greater number of citizens involved in the founding assembly. One-on-one meetings proved to be the most effective way of motivating key stakeholders to become founders of the community funds.

Community Fund Legal Registration

The initiative groups in all community fund sites were responsible to organize and conduct founding assemblies that preceded the legal registration of the community funds. The founding assembly was only a legal requirement. Counterpart advised the groups to use the opportunity to popularize the official start-up of the community fund, and to organize a transparent democratic election of the governing bodies of the foundation. The program hired the Bulgarian Center for Not-for-Profit Law (BCNL) to consult the initiative groups on the preparation of the by-laws of the community funds, and other documents needed for registration. According to Bulgarian law for non-for-profit legal entities, there are two types of non-profits: associations and foundations. It was agreed by all initiative groups that the legal form of foundation was more appropriate for the community funds, because of their main activity--the accumulation and re-granting of donations. However, in order to ensure transparency and strong civic involvement in controlling the work of the foundations, the initiative groups of the 3 pilot sites, with the help of BCNL, developed a very complex governance structure, which combined elements of association and foundation.

The highest body, called *Council of Donors*, was formed by all founders who took part in the founding assemblies, and had the option to expand with future donors who supported the mission of the foundation, and made annual donation above certain thresholds established in the internal regulations. In addition to the Council of Donors, there were two other governing bodies: the *Managing Board*, responsible for overseeing all operations; and *Control Board* (that was named Board of Trustees), responsible for internal auditing. The Managing Board was responsible to select and appoint the Chief Executive. All pilot community funds accepted this structure, because they believed that a complex internal system of checks and balances would guarantee transparency and accountability of the community foundation, and greater civic involvement in its operations.

In the second and third year of their operation, the 3 pilot community funds understood that their organizational structure was rather cumbersome, but it was difficult to reform, because an internal structure reform would mean asking some people to leave. At the same time, they felt that one of their biggest advantages was the involvement of a huge number of local stakeholders. Consequently, the pilot community funds, and some of the community funds that joined the program in the third year of implementation, retained a complex governance structure. Counterpart advised the community funds that joined the program in the fourth year of implementation to use simpler and more manageable governance structure, consisting of one board only. But they felt that the local context required an internal system of strict financial control and easy to demonstrate internal audit procedures. Consequently, all of the community funds adopted organizational structures consisting of at least 2 boards: the Managing Board, overseeing the entire operation; and the Council of Donors, overseeing the Managing Board. The exception was the foundation “Stote Vojvodi” from Sliven that was independently created and joined the program one year after its inception.

The **complex multi-level governance structure, chosen by the Bulgarian community funds, presents a major difference with the American community foundations**. The existence of 2 or 3 different Boards with different functions matched the local expectations of internal distribution of powers, and was a prerequisite for easier social acceptance of the community foundation model. The internal division of functions and responsibilities within the governance of the foundation was seen as a guarantee of higher-transparency than could be provided by a one-board structure. The structure of the community funds was developed by the initiative-groups, which also prepared the draft by-laws. Counterpart encouraged the initiative-groups to make the founding assemblies open to citizens, so that any interested individual could drop-in and also become a founder if s/he decided to pay the proposed founding contribution. In this way, the community fund would demonstrate inclusiveness and openness to newcomers from its inception. At the founding assemblies, the initiative-group presented the draft by-laws for discussion and voting to the other founders, and after accepting the by-laws all founders elected the members of the different boards. (*Attachment # 2.Community Fund Board Resource Manual)*

In spite of the widely popularized founding assemblies and invitations published in the local media, the average number of founders in most cities ranged between 25 and 50. Only in Stara Zagora, the largest

city included in the program (population of 160,000) the number of founders exceeded 50, and was three times bigger than the average. This cannot be explained only due to the size of the city, but also due to the ability of the initiative group to draw-in a large number of people with various backgrounds. The creation of the community fund in Stara Zagora, unlike other cities, was the natural outcome of several years of coordination and collaboration between a group of social NGOs and local government. The group was large in numbers even before they set out to popularize the new idea. As a result, they managed to attract a variety of stakeholders, and soon after their inception, began to be recognized as an important agent for civil society development.

Different Start-up Models

The driving forces for creating of the community funds were somewhat different in every community, and consequently different start-up models emerged. Each of them had its strengths and weaknesses, and responded in its own way to the peculiarities of the local context. The following start-up models were observed within the scope of the program:

- Municipality-driven model
- Business-driven model
- One major donor- driven model
- NGO-driven model
- Balanced cross-sector model

The municipality-driven model emerged in Vratsa, where local government was the most active agent of civil society development. Local government had been the initiator of other forms of civic engagement, such as neighborhood councils, and it hoped to mobilize local resources to sustain them by creating a community foundation. Local government representatives had been familiarized with the community foundation model at a study tour for municipality workers in the USA, organized by Counterpart; and consequently, they became the driving force in organizing the start-up process. The risk which this model contains is that citizens will not be able to very clearly differentiate between municipality initiatives and community fund supported initiatives. Local donors may perceive the foundation as a new tool which the municipality has invented to tap into the resources of the private sector to “fill-in gaps” in the municipal budget. This might discourage some donors from trusting the foundation, while others would be happy for the same reason.

The business-driven model emerged in Pazardjik, where the initiative group for community fund start-up consisted largely from business people. Characteristic of this group was their unwillingness to accept a complex governance structure. They adopted a one board structure, which resembles the classical American community foundation structure. The business-driven model proved to be very efficient, because it played equally well in attracting support from local government, and from the business people. Today, Pazardjik is one of the fastest growing community funds, which generates constantly increasing amounts of donations from the private sector. It started some supplementary income generation activities to support its operation costs since the first year of operation. Its entrepreneurial spirit was noticed by a consultant of Allavida UK, who researched the community funds in Bulgaria; and an article featuring Pazardjik community fund’s experience appeared in the March 2006 issue of the *Alliance Magazine*.

The one major donor-driven model emerged in Sliven where an already existing public-benefit foundation, started by the Mayor, applied for assistance to Counterpart to transform itself into a community foundation. The founder and current Mayor, Yodan Lechkov, is a well known and respected throughout Bulgaria as a former national football player, and a very successful businessman. In 2004, Mr. Lechkov became familiar with the community fund component and the community fund model, and decided to create a community foundation in his town. He set up the foundation with private funds, appointed a Managing Board, and later invited some other local donors to contribute with donations. In early 2005, when Counterpart opened its final competition to attract new sites to the program, the foundation started by Mr. Lechkov submitted an application. It was approved to receive support by the program, because Counterpart believed that as a genuine local initiative, which has thrived on its own, it would be able to teach something to the other community funds – most of which suffered from constantly deficient local donor recognition. In 2004 and 2005, the foundation “Stote Vojvodi” of Sliven disbursed over $37,000 (*about BGN 60,000)*, coming from local donors, as small grants to individuals; institutions, such as

kindergartens and day-care centers; schools; and last but not least to NGOs such as sports clubs and other youth clubs. Once they became part of the program, it turned out that it would be difficult to influence the foundation to open-up and become more democratic in its governance. They preferred to have a small board acting independently, and although they organized a public forum to assess community needs, the final decisions about projects to be funded remained with the founders. In its decision-making "Stote Vojvodi" resembles a typical small community foundation, which prefers to develop a more "organic relationship" with grantees, instead of issuing a tender and going through a rigorous selection process.

The NGO-driven models in Plovdiv and Varna failed to attract a sufficient number of supporters to the initiative groups within the time limits imposed by Counterpart's Community Fund component; and consequently, they were omitted from the program. **A lesson learned was drawn that an initiative group dominated by NGOs cannot effectively serve as a driving force for the community fund;** because the NGOs are not trusted by the business sector; tend to become dominated by local government (if they enter into partnerships with it); and last but not least, are prone to conflicts with each other over the issue of who would be responsible for disbursing attracted funds.

The balanced cross-sector model emerged in Stara Zagora, Lom and Yambol. The same model of community fund start-up had developed with greater involvement by Counterpart in the 3 pilot sites (Blagoevgrad, Chepelare and Gabrovo). The rationale behind this model is that the community fund would develop more successfully if it united representatives from all sectors, from its inception, in the constituency of its governing bodies. In this way, when it began to attract donations, it would be able to tap into the diverse network of contacts of its founding members. The balanced cross-sector model proved to be most effective in building long-term support for the community fund. However, it took a bit longer to gain force in some of the communities, because of the many diverse interests mixed in the constituency of the governing bodies. Nevertheless, once it had taken off, this model showed capability to grow fast, because of the diverse support that it received within the community.

2. Participatory Community Appraisal and Planning

Citizen Participation

Chronologically, the activity of the community funds started with participatory community appraisal. Counterpart believed that only wide scale citizen participation in assessing and prioritizing the needs that would be addressed with philanthropic resources, generated by the community funds, would ensure the transparency and accountability needed to legitimize the new entity. Consequently, all community funds were consulted on how to organize participatory community appraisals and action planning, and received financial support to organize a series of focus group discussions followed by a public forum. The public forum was the culmination of the participatory needs identification and prioritization. It also served to legitimize the community fund as a new agent in the third-sector, which promised to provide tools for effective giving.

The public forum is a structured community meeting, attended by people representing the different segments in the community – local government, business, third sector, minorities, professionals, etc. It is moderated by an external moderator, who channels the discussion in an unbiased way. The public forum may have different purposes, which are preliminarily determined by the organizers (in this case the community fund boards), and announced to the participants when they are invited to attend. The community funds used the forums to popularize their mission before a wide group of community representatives, and to engage the latter in discussion of the priorities which would be addressed by the future re-granting process. In this way, the public forums provided the basis for strategic planning of the community funds. They also served to open up the organization to the voices of various local stakeholders. And last, but not least, the public forums positioned the community funds as agents inspiring civic participation and local decision-making about community priorities. Some local governments used decisions generated by the forums to modify local policies concerning the NGOs.

Each community fund supported by the program organized a public forum in the first year of its operation. A total of 780 local stakeholders attended the 10 community forums, and the focus group discussions preceding them, in the 10 communities. The forums advised the community funds to concentrate their grant-making in the following areas:

- Improving of the living environment;
- Education and improving the conditions for study at schools;
- Healthcare and prevention of addictions;
- Sport and tourism;
- Preservation of the historical and cultural heritage;
- Support for children and youth;
- Support for socially disadvantaged people.

3. Capacity Building of the Community Funds

The Role of the Training Program Co-implementer, 3Net Association

Counterpart provided ongoing training and technical assistance to enhance the capacity of the community funds together with a local co-implementing partner, 3NET Association, which was involved in the program since the beginning of the second year of program implementation. The program co-implementer, 3NET Association, was responsible for the provision of technical assistance that included on-line and over-the-phone consultations; as well as field visits to check progress on specific activity and provide hands-on support. 3NET also assisted with organizing and conducting most of the trainings, and provide support to externally hired consultants.

3NET Association was the offspring of the largest USAID-funded civil society development program in Bulgaria called Democracy Network (DemNet) that was implemented by the Institute for Sustainable Communities (ISC), Vermont, USA. The local staff of DemNet Program decided to start their own NGO that could continue providing assistance to civil society development in Bulgaria after the withdrawal of ISC. The role of the local co-implementer was significant. 3NET Association maintained ongoing communication with the community funds. The most important role which they played was that of providing a “reality check”. The community funds were much more inclined to share openly the challenges which they faced in their daily operations with an organization that was not the grant-maker itself. This enabled 3NET to obtain qualitative information which was as a rule hidden from Counterpart staff. All program interventions were discussed in detail with the input provided from 3NET. Although the final decisions about program policies and procedures; as well as specific activities were taken by Counterpart, 3NET’s input was seriously taken into account. The use of a local co-implementer provided an opportunity to double-check every step taken, and this was beneficial in helping to fine-tune program interventions. 3NET’s very good understanding of local communities’ dynamics helped to identify manipulated participatory processes and prevent the misuse of program funds. In general, they contributed largely to all program outcomes.

The Training Program

The training program included 20 core trainings and 5 training of trainers (TOT). The core trainings served to enhance the capacity of the community funds in 6 major areas, which reflect the core competences of successful community foundations:

- Governance: board development; relationship between board and staff; internal policies and procedures; strategic plan development; etc.
- Finance: financial management; financial control policies; annual budget; reporting; etc.
- Fund development: methods for attracting donations: one-on-one meetings; payroll schemes; organizing of special events; asset development – planning for financial sustainability; donor management; etc.
- Grant-making: how to organize effective grant-making streams; monitoring and evaluation of grants acquisition; conflict of interest policies; etc.
- Community leadership and engagement: participatory community appraisal and planning; partnership building; volunteer management; etc.
- Communications: PR training; working with the mass media; strategies for community engagement; etc.

Training of Trainers

In addition to the core trainings that involved representatives of the boards and staff members of all community funds, during the final year of the program, Counterpart organized a series of training of trainers (TOTs) to enhance the capacity of a core group of community fund practitioners to assist the community funds after program close out. The TOT involved a group of 10 people who have supported the establishment of the community funds, and have significantly contributed to the development of the foundations by working with a variety of stakeholders. Through the TOT these people deepened their understanding of the methodology used by Counterpart to facilitate the establishment and development of the community funds in Bulgaria. They developed skills for collecting, analyzing and disseminating information to the community funds and other stakeholders. Upon successful completion of their participation in the TOT, Counterpart awarded them with certificates.

The TOT included several modules dedicated to different areas of work of the community funds (Organizing Successful Training Events; Community Fund Mission Goals and Start-up Process; Strategies for Sustainability; Stakeholder Management; Organizational Assessment). These modules were delivered once per month. Following each training module, the participants were asked to implement different assignments, which enabled them to practice the skills acquired during the training. At the next training they reported before the entire group the outcome of their assignments, lessons learned, and successes achieved. *(Attachment # 1.Community Fund Training and TOT Summary)*

4. Study Tours

In addition to the trainings mentioned above, Counterpart provided all of the community funds with the possibility to learn directly from the experience of their colleagues in other countries. The community funds of Blagoevgrad, Chepelare, Gabrovo, Pazardjik, Stara Zagora, and Tutrakan had the opportunity to attend study tours in the United States; and the community funds of Lom, Sliven, Vratsa, and Yambol went on a study tour to Russia.

There were 2 study tours to Seattle, Washington (USA), organized and funded by World Learning (USAID), under a grant won by Counterpart. They included 20 participants in total. The participants visited a number of community-based non-profit organizations; such as neighborhood development associations, community-based environmental restoration organizations, college foundations, medical center foundations, and community foundations. This created a comparative perspective that clearly distinguished the Community Foundation from the other types of non-profits in a fully developed third-sector. The participants visited two rather different, and distinct from each other, Community Foundations: The Seattle Foundation, established in 1946, currently managing assets in the amount of 300-million-dollars; and The Greater Everett Community Foundation, established in 1993, and currently managing assets in the amount of 3 million dollars. These two meetings enabled a comparison between a Community Foundation functioning in a relatively rich and developed community, and one functioning in a relatively poor and underdeveloped community. The participants were also exposed to the private-sector involvement in the community development process in their visit to the nation's biggest retailer of consumer financial services - Washington Mutual. They also met with organizations providing innovative and still non-existent in Bulgaria community services; such as training for community leaders to enhance their stewardship capabilities. All meetings provided a great opportunity to the Bulgarian participants to experience the richness of American community life by putting them in contact with a variety of local people who work as volunteers in non-profit Boards and community service organizations. The participants also had the chance to work with experienced non-profit consultants and with a program-facilitator that attended all meetings together with the group, and assisted in the development of the action plans required by World Learning as part of the study tour. The intensive learning experience stimulated creative ideas that were incorporated in the action plans and became the basis for future projects of the community funds.

The study tour in Russia was organized at the invitation of the Russian Partnership of Community Foundations. The Bulgarian trainees attended the annual conference of the Partnership and familiarized themselves in detail with the achievements of the 18 Russian community foundations. One of the benefits

of this study tour was the possibility to learn directly from the experience of community foundations that are developing in a similar country context, as that in Bulgaria. Useful contacts were created and the trainees expressed interest in organizing similar exchanges with the Russian community foundations in the future.

5. Grants: Seed Grants, Matching Grants, and General Purpose Grants

Grants to support the development of community funds in Bulgaria were used strategically as a tool to further develop capacity and to promote outreach and sustainability. A series of well timed seed grants ($51,378), matching grants ($348,639), and general purpose grants ($84,534) were invoked with specific criteria to build on each other. *(Attachment # 3.Grants Summary)*

6. Monitoring and Evaluation

Grants monitoring included site visits and evaluation of progress reports that were submitted to Counterpart each quarter. Together with a financial and program section, the progress reports also included publications in local media, and opinions expressed by beneficiaries of the funded projects. In addition, Counterpart monitored the annual reports produced by every operational community fund – and distributed to its donors and the community at large.Once a year, Counterpart conducted an organizational assessment of the operational community funds to check their status of development, and help them set their annual and long-term goals regarding improvement of governance, asset development, grant-making, and community outreach. Furthermore, the community funds were trained how to conduct self-assessments and evaluate their performance against set goals, which would stimulate their progress towards sustainability.

7. International Networking and Experience Exchange

International Recognition

Through its membership in the World-Wide Initiatives for Grant Maker Support (WINGS), Counterpart International Bulgaria succeeded in promoting the Bulgarian community funds' achievement at the international level. As the program entered in its concluding phase, Counterpart focused on transfer of its local experience with community funds into neighboring countries, and to the wider region of Central and Eastern Europe. The program supported 2 regional exchanges and conferences that brought together community fund experts from transitioning countries to share experience and design common sustainability strategies.

In April 2006, the program hosted an International CEE Conference on Community Foundations that brought together over 70 participants from Belarus, Bulgaria, Macedonia, Serbia, Slovenia, Romania, Poland, Czech Republic, Slovakia, and Estonia to discuss the status of community foundation development of the region, common challenges, and steps ahead; as well as official guests from the WINGS Global Fund for Community Foundations (European Foundation Center, Brussels), UNDP-Bulgaria, and USAID-Bulgaria. The presentations and discussions during the 2-day conference focused on community foundation communication strategies: different experience from different countries; corporate social responsibility in the CEE region; developing strategy to attract corporate donors; community foundation effectiveness in addressing controversial issues and stimulating social change; community foundation support organizations – role, effectiveness, and functions; and vision for the future – potential improvements and possible new challenges.

The most significant outcome of this conference was that it provided a platform for critical reflection on community foundation development in the region; outlined some of the common challenges faced by the emerging community foundations; and gave food-for-thought to the representatives of countries that aim to create their first community foundations in the near future.

In May 2006, Counterpart supported community fund Lom to organize and host a Balkan Conference on Philanthropy that brought together over 50 representatives of NGOs, local government, and for-profit organizations from Bulgaria, Romania, Serbia, Kosovo and Turkey. The conference objectives included

mapping out of traditional philanthropic practices in the Balkan countries; presentation of new models of giving; and exchanging best practices of local collaboration between non-profit organizations and donors that stimulate local development. The international participants were familiarized with the Bulgarian Community Fund model and learned how it fits into the local philanthropic traditions, stimulates cross-sector partnerships, and enhances local development. The participants from each country presented their own philanthropic traditions and present-day status of philanthropy development. The conference created a platform for in-depth discussion of the common Balkan-trends in philanthropy development. Also, the event created a platform for cross-border partnerships; but more important than that, it created new friendships between people whose nations have often been in conflict in the process of reshaping the borders of the Balkan countries.

8. Community Funds' Re-granting and Project Implementation

The first projects of the community funds were identified by participatory decision-making at public forums and directly implemented by the funds. The reasons for the community funds direct engagement in project implementation were manifold. On one hand, they wanted to demonstrate to local donors an ability to effectively carry out activities, and achieve tangible results. On the other hand, many of these early projects were negotiated with the local government which became the primary donor of the campaign. For example, the renovation of the street lights in Chepelare and the repair of the hospital-wards in Gabrovo were projects that local governments were unable to implement on their own. The local governments in these two towns negotiated with the community funds to unite public and private resources to implement the projects. The community funds were asked to undertake the implementation of these large infrastructure projects by local government for two reasons: to reduce costs of implementation by assigning a not-for-profit organization with the responsibilities of project implementer; and to save time on contracting service-providers – because the non-profits were not required to abide by the law for public procurement.

In the second and third year of their operation, most community funds gradually stopped to implement projects, and began to re-grant to local grassroots organizations; such as parents' councils of schools and kindergartens, public libraries, "Chitalishta" (community cultural centers), and civic associations from the region served by the foundation. While the direct project implementation was mainly concentrated in the area of infrastructure development, the re-granting activity covered a broader scope of issues. Most included projects related to children and youth, and socially disadvantaged groups. Improving the conditions for education, sport and recreation of children and youth, stimulating the development of their talents, and prevention of addictions were among the most popular causes for which the community funds accumulated donations from local donors, and made grants to grassroots organizations.

Amounts of locally accumulated funds per year

Financial Year	Number of operational community funds	Locally raised funds	Counterpart matching grants	Number of grants disbursed by community funds per year
2002	1	$22,302	$22,302	0
2003	3	$57,449	$56,109	0
2004	4	$69,557	$37,625	6
2005	6	$223,984	$144,107	18
2006	10	$85,214	$90,447	41

The table features only amounts for projects that were matched by Counterpart. In addition to the amount shown for 2006, about $60,000 accumulated locally was not matched by Counterpart.

In the final program year, the matching funding of Counterpart for amounts raised locally by the community funds sharply decreased compared to the previous year. The community funds were challenged to meet their operation targets by relying to a greater extent on the locally accumulated funds. Although the number of community funds and grants made by them has gradually increased over the

years, the total amount of locally accumulated donations peaked in 2005 when the external matching funds were the biggest.

It is difficult to outline a tendency in the accumulation of local resources, because the method of work of the community funds has changed (from implementation of projects to grant-making, and mixed models), and the conditions for the external matching funds varied over the years. Overall, most community funds increased the amount raised from private sources (citizens and businesses) over the years, and decreased the amounts attracted from local government which corresponded with the transition from being a direct project implementer to being a direct grant maker. The reasons for this are mostly bureaucratic: municipalities hesitate to give grants which will be used for grant-making purposes by the recipient organization, although the law does not explicitly prohibit this option.

The sources of funding of the community funds underwent considerable change throughout the life of the program. Initially, the main local donor of the community funds was local government. Big amounts of money were transferred from the municipal budgets to the community funds' accounts to allow for implementation of projects that were a priority for the local authorities. The private donors were less active during the first couple of years in supporting the newly created foundations. However, efforts by the community funds to popularize some tangible achievements led to increased private donor interest in their work in the second and third year of operation. Consequently, the percentage of private donations was gradually increasing each successive year.

The charts above also demonstrate that the community funds' dependency on external sources of funding could not be overcome within the lifetime of the program. Several factors contributed to this:

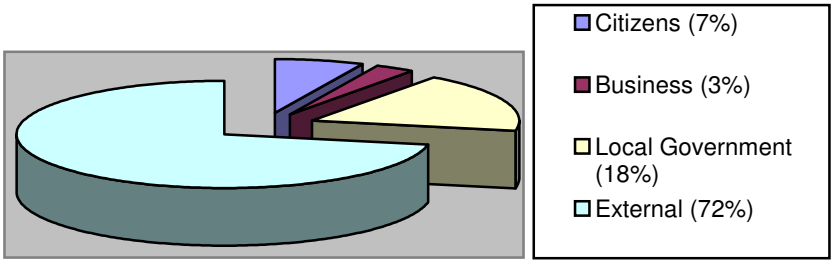
- Gradual withdrawal of local government funding for community fund projects, corresponding with the transition from direct implementation of projects to grant-making by the community funds;
- The disbursement of General Purpose Grants by Counterpart in the final program year to secure the operation-costs of the community funds, and to allow them to experiment with new forms of fund-development increased the percentage of external sources of funding in 2006;
- The expected withdrawal of Counterpart/USAID matching of locally accumulated funds shifted the focus of some of the community funds to attract external grants to compensate for the decreased matched funding and sustain the operational capacity of the foundation.

It can be concluded that matching funds and the conditions under which they are provided played a significant role for the growth of the community funds. Municipalities gradually withdrew support when their contribution was no longer matched 1:1 by Counterpart. The younger community funds, registered in 2005, did not have sufficient time to attract a large number of private donors. They felt insecure about their future as grant-making organizations without the support of an external partner that would strengthen their legitimization in the communities.

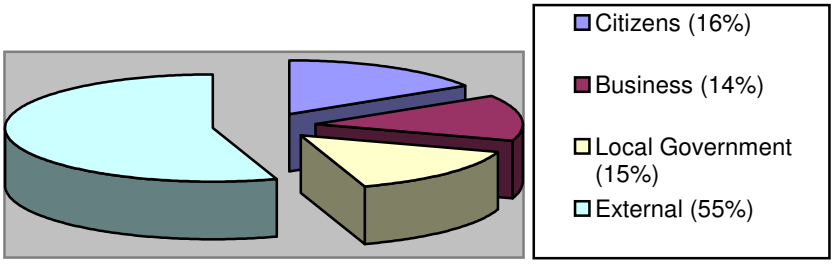
In the final evaluation conducted in 2006, all community funds expressed the opinion that they need a few more years of on-going external matching of locally accumulated funds, in order to be able to sustain their current level of operation as organizations serving local donors, and to expand their grant-making.

Sources of accumulated funds per-year by the Community Funds

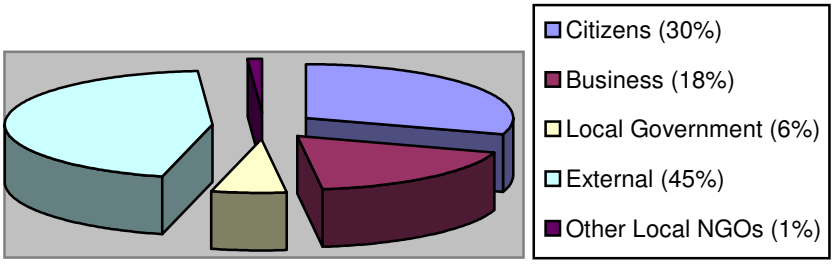
2002



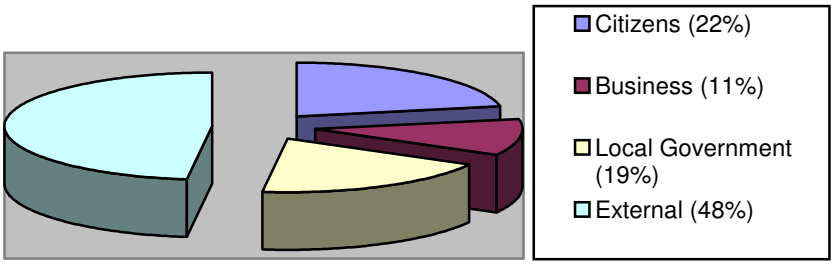
2003



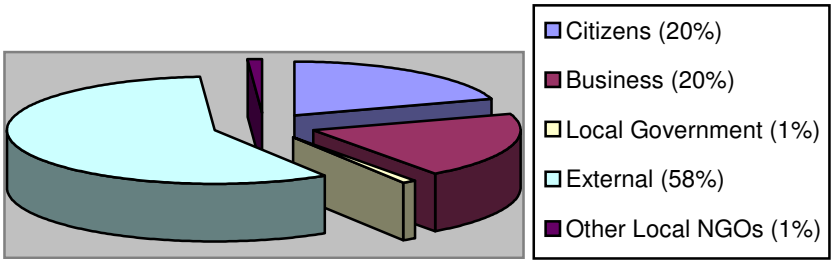
2004



2005



2006



9. Community Outreach, Leadership, and Partnership Activities

The Bulgarian community funds engaged in two-prong activities:

- Large scale civic participation in decision-making about philanthropic priorities, and
- Provision of individualized services to private donors who want to give back to the community.

Preferred Local Development Partners

Initially, the community funds were confronted with civic skepticism and disinterest in their philanthropic work, typical of the transition period from communism to democracy. In order to effectively handle these challenges, the community funds invested much effort in public outreach, leadership, and partnership-building activities. Their efforts paid off, and in the second and third year of their work, most community funds became preferred local development partners of the public authorities, and of the business associations. As a result, many of them became recognized leaders of the third sector that brought forward many civic-initiatives, and succeeded to unite the efforts of a variety of stakeholders. The work of community funds contributed to the revival of local philanthropy as a form of civic participation and strengthening community solidarity through the act-of-giving.

Although their grant-making was rather small-scale in the first few years of their existence, the Bulgarian community funds played distinct non-grant-making roles that stimulated the creation of new social capital and enhanced local development. These non-grant-making roles are:

- The role of catalysts of civic participation: defining local development priorities through organizing of community forums;
- The role of bridge-builders: linking people and resources of different sectors together;
- The role of advocates: helping promote community-identified problems before the municipal council, and seeking solutions together with local government; and
- The role of social entrepreneurs: encouraging new approaches to existing problems, and investing in innovative social projects, which helped to promote more effective ways of thinking and operating to address poverty, social exclusion, and other social issues.

There are many examples of the catalyzing and bridge building roles of the community funds: the renovation of the hospital wards in Gabrovo, the street-lights in Chepelare, and the computerization of 13 schools in Stara Zagora were achieved by linking together the resources and good will of the public-sector, the business-sector, and the non-profit sector. In Stara Zagora, the community fund became the leader of an NGO-driven initiative to organize public monitoring of the development of the municipal budget, and to lobby for allocation of a specific amount in the municipal budget to support third-sector activities. Similarly, in Chepelare and Lom, the community funds assisted local government in organizing forums for local development that brought together a variety of stakeholders to discuss the municipal development plan. The social entrepreneur role is exemplified by the social enterprise fair-trade shop supported by community fund Stara Zagora; and by the Future for Bogutevo project of community fund Chepelare that inspired the inhabitants of a small Rhodopi village to plan creatively their future; and the public video-screen projects in Pazardjik and Lom that contributed to increased public-awareness of important local issues, and also created a source of permanent income for the community funds.

Unlike government structures and external-organizations working for community development, the community funds are specifically positioned to play these roles and to stimulate positive social capital formation. This is because community funds are locally embedded and formed on a voluntary principle. In some communities, such as Stara Zagora, Pazardjik, Gabrovo, and Chepelare, the community foundations developed significant technical expertise and positioned themselves as community development leaders, able to bring together NGOs, local government, business and other stakeholders to solve local problems.

Local Media and Community Outreach

Community outreach was a priority area of the work of all community funds. Counterpart stimulated them to develop long term partnerships with the local media and involve the latter as co-organizers of public outreach campaigns and fundraising events. In this way, mass media not only helped popularize the

work of the community funds, but were also given an opportunity to exercise their own corporate social responsibility through involvement in public activities. In year 5, Counterpart supported 3 proposals for media outreach activities, developed by community fund Blagoevgrad, community fund Gabrovo and community fund Stara Zagora. These involved the production of many publications, audio and video clips raising public-awareness on the role of philanthropy in solving community problems, and popularizing the work of the community funds. The members of the community funds' boards participated in TV talk-shows and interviews to discuss various issues standing on the public agenda, and to propose innovative solutions. These media campaigns helped to increase the profile of the community funds at local and regional levels.

An important part of the community outreach activities of the community funds was to report back to the community on the amount of attracted donations per year, and achieved results; as well as to thank donors. Reporting back to the community on a regular basis and making their annual reports publicly accessible, contributed to maintaining standards of transparency and accountability, and building-trust in the community. Annual donor recognition events helped to increase the number of permanent donors who donated on regular basis to the foundations. The community funds were gradually becoming a preferred intermediary between private donors and beneficiaries, which alleviated the pressure of requests for financial help from rich individuals and companies. At the same time, it is important to underline, that the community funds attracted as clients not only rich individuals and companies; but also "average citizens", who wanted to give back to their community and to make sure that their money was used where it was most helpful.

The broad-based constituency of the community funds allowed them to easily make partnerships with a number of organizations from different sectors, and to stimulate cross-sector initiatives. Last, but not least, their participatory-approach to designing solutions to issues that were identified by the organizations and individuals requesting assistance, helped to increase civic participation and dissolve the artificial boundaries between donors and beneficiaries. Non-traditional forms of *horizontal-philanthropy* were the outcome of bringing donors and beneficiaries to the same table to discuss issues which affected community development, and to brainstorm creative solutions.

10. Development of the Association of Community Foundations in Bulgaria

As they matured, the Bulgarian community funds began to recognize the need to act in concerted and coordinated efforts, in order to continue exchanging information and ideas on their way to sustainability. They wished to maintain current levels of communication, even after the close out of Counterpart's Community Fund and Social Enterprise Program. In spite of their invaluable role in program implementation, 3NET Association was not foreseen as the national-level support-organization for the community funds after program completion. The main reason for that was the fact that the community funds developed a cadre of trained professionals, who were involved in field work right from the start. The latter were eager to undertake a more active role to ensure better recognition of the community funds at the national level. As the community funds grew in number and the oldest among them matured, they decided to start their own membership association, which was envisioned to replace Counterpart as a community fund support organization upon program completion. This is how the Association of Community Foundations in Bulgaria (ACFB) emerged in June 2005. The use of the term *"community foundations"* in the name of the association, instead of *"community funds"*, signaled the desire of the community funds to become part of the international community foundation movement that was gaining momentum across the globe since the 1990s. The birth of ACFB coincided with the growing emancipation of the community funds from the exclusive support of Counterpart's Program, and demonstrated a certain ability to control their future through jointly planned strategic action.

ACFB was created with the following purposes:

- Represent the community funds/foundations in communication with national government, mass media, and international networks of grant-makers;
- Advocate to improve the legal environment for community foundation and philanthropy development;

- Create partnerships between national corporate donors who want to give locally and the community funds/foundations;
- Network its members and provide them with guidance, training and technical assistance, and updates on national and international events affecting their development;
- Identify and support new initiatives for community foundation development around Bulgaria, and contribute to the replication of the concept.

ACFB represents the desire of the Bulgarian community funds to gradually become sustainable community foundations. The way ahead towards achieving this goal includes the following steps:

- Creation of long-term and permanent funds for grant making purposes;
- Laying the foundations of endowments;
- Strengthening the donor-oriented approach and expanding the local donor-network to include more large scale donors;
- Improving the solicitation of gifts for operational costs;
- Strengthening the grant-making programs and adopting standards for effective grant-making;
- Ensuring permanent streams of funding to continue the community fund development and transition into community foundations;
- "Branding" the community foundation model as an effective instrument for community development with the help of ACFB.

Within the few months of its existence, ACFB managed to spearhead some new initiatives that contributed to an increased profile of the Bulgarian community funds at the national level. One of them was the organizing of the Donor of the Year Awards for donors who had provided significant support to the 10 operating community funds. The awards ceremony, which was slated to become an annual event, took place at Radisson SAS hotel in Sofia in December 2005, and drew attention to projects accomplished at the local level with generous sponsorship from individuals and companies; as well as, to the coordinating and mediating role of the community funds.

ACFB won a general purpose grant ($60,000) from the Charles Stewart Mott Foundation for 2-years of operation, starting in July 2006. This provided the basis to enhance ACFB's capacity to coordinate the work of its members, and to attract additional sources that would support its sustainability.

Objective 2: Assist in the Development of Social Enterprises throughout Bulgaria

Social Enterprise component expanded to include 45 NGOs and as of the end of the Program, 30 became operational. An average of 22% of the total annual income from the social enterprises was used to support NGO operational costs, and to finance its social services. Another 57% of the income was reinvested in the operation of the social enterprise. Social enterprises that had at least one year of operational experience demonstrated an average increase in annual revenues of 142%. 58 new jobs created for disadvantaged people; 21 women from ethnic minorities, single-mothers, and people with disabilities were able to receive income and employment through the newly established social enterprises.

In line with the overall objective of the program, the Social Enterprise component aimed to enhance the sustainability of Bulgarian NGOs through the development of social enterprises. Furthermore, Counterpart aimed to: i) Establish pilot social enterprises within NGOs that provide social services to marginalized groups; ii) Strengthen the NGOs' business capacity for enterprise development and management; iii) Enhance the capacity of business consultants to support social enterprise development, and iv) Promote the social enterprise concept as the means to achieve sustainability. By promoting the social entrepreneurship concept, and disseminating successful models and practices, Counterpart implanted a new culture among the NGO community in Bulgaria and contributed to improved social sector performance.

A social enterprise is a business or income generating venture operated by an NGO with a social purpose, which creates economic opportunities for the NGO and its target group, while simultaneously furthering the social mission of the organization

The Bulgarian concept of social enterprises is focused on the socio-economic integration of marginalized members of society, and seeks to provide these individuals with income and employment opportunities they need to advance themselves economically, while also ensuring that the social enterprises generate sufficient income to support their social objectives. Experience under the Bulgaria program demonstrates that social enterprises have a high potential to become a self-financing strategy for non-profits in emerging economies where the markets are underdeveloped and the entry barriers are low.

Methodology

Counterpart's Social Enterprise component of the program in Bulgaria has been designed in response to the opportunities presented by the Law on Non-profit Legal Entities allowing NGOs to undertake economic activities in support of their mission, which subsequently provided the legal framework for social enterprise development in Bulgaria.

To select participants for the Social Enterprise component of the program, Counterpart conducted a nation-wide information campaign to popularize the new program and to announce a selection procedure for Bulgarian NGOs that provide social service to disadvantaged groups. NGOs have been selected on the base of six key success factors for social enterprise; including: (1) business culture and entrepreneurial spirit, (2) the desire to launch a social enterprise (and the willingness to make it a high institutional priority); (3) competency rendering services in core social service area; (4) some capitalization or financial stability; (5) institutional capacity to add a venture; (6) leverage-able assets, existing businesses or income-generating activities.

Subsequent to the selection process, Counterpart offered the organizations a well structured training and technical assistance support in order to build their business skills and to enhance the capacity of launching and developing an operational social enterprise. Regularly, the NGOs participating in the program were assessed and organized into "portfolio" groups according to their level of organizational development and corresponding with their capacity needs to prepare for, launch, and implement a successful revenue-generating activity. At all stages of social enterprise development, Counterpart Bulgaria provided demand-driven and customized technical assistance to ensure adequate resources, skills, and capacity to support growth and development. *(Attachment # 4.Development Stages of Social Enterprise)*

Trainings, Workshops and Study Tours (business training at a different level to develop and enhance business skills, basic social enterprise training; workshops for exchange of experience and best practices and study tours abroad to explore international experience in social enterprise development)

Technical Assistance (business consultants from business support organizations around the country provide one-on-one consultation to social enterprises; access to specialized legal advice and consultancy from the Bulgarian Centre for Not-for-Profit Law (BCNL); specialized technical assistance for product development of social enterprises; mentoring and exchanges with operational business and social enterprises, and access to markets through participation in trade fairs, exhibitions, contacts with shops.

Access to Financial Resources for Social Enterprise Development (no-interest loans for social enterprises through the Social Enterprise Loan Fund - up to $5,000 for working capital or investment with a 24 months repayment period; seed grants for start-up social enterprises - up to $2,000 for initial start-up expenses of a social enterprise, and social enterprise Development Grants - from $3,000 to $5,000 for development of new products/services, market expansion, promotion of a social enterprise)

A continued effort throughout program implementation was to raise awareness among public institutions, local government, other NGOs, and businesses about the social enterprise concept; and the benefits of social enterprises and the opportunities for the social economic sector. A major step towards main-streaming social enterprises, and institutionalizing them as part of the Bulgarian local-policy context, were the advocacy interventions and the consolidation of the social enterprises into an association.

Program Inputs:

1. Exploration, site selection and concept dissemination
2. Assistance to the start-up social enterprises
3. Capacity building of the social enterprises
4. Financial assistance: loans, start-up grants and social enterprise development grants
5. International Networking and Experience Exchange

Program Outputs:

1. Legal registration of a number of social enterprises as separate entities
2. Business training and strategic planning
3. Increased levels of income generated, jobs created and target population reached
4. Social Enterprises outreach, leadership and partnership activities
5. Creation of the Association of Social Enterprises in Bulgaria (ASEB)

Activity Overview

The main activities of the Social Enterprise component during the period of program implementation may be summarized as follows:

1. Initial social enterprises assessment and on-going data collection.
2. Selection and enrollment of NGOs to participate in the program.
3. Training and technical assistance for social enterprises.
4. Training of Trainers for social enterprises.
5. Market Access for Social Enterprises.
6. Enhancing the capacity of business consultants.
7. Monitoring and re-categorization of social enterprises.
8. International exchanges and study tours.
9. Social Enterprise Loan Fund.
10. Awareness and outreach activities for social enterprises.
11. Implementation of grant mechanisms in support of social enterprises.
12. Advocacy and lobbying.
13. Association of Social Enterprises in Bulgaria (ASEB).

1. Initial Social Enterprise Assessment and On-going Data Collection.

The initial assessment was conducted during the first year of the program in order to obtain base-line information on the current status of existing regulations, the NGO sector, and the readiness of local organizations to start social enterprises. The objective of the assessment was to obtain a clearer perspective of the actual situation in Bulgaria, and the opportunities and challenges facing the creation and development of social enterprises. The program team identified the following areas to be assessed: i) scope and nature of existing social enterprise activities; ii) legal and taxation aspects of social enterprises, both challenges and opportunities as defined by Bulgarian law; iii) identification of the extent to which NGOs are ready to start their own business activities; iv) research the extent to which NGOs understand the social enterprise concept, legislation, the process of business planning and management of a social enterprise; and v) identification of NGOs with the potential to develop social enterprises. Part of the assessment included site-visits to potential social enterprises, and a round table to raise awareness on the topic. The results of the assessment demonstrated a need to popularize the concept of social enterprises; enhance knowledge on social enterprise models and practices; and to conduct a broad information campaign in order to reach the most capable NGOs with an interest to develop social enterprises.

On-going Data Collection

Based on results obtained from the initial assessment, and on the experience from the first program year working with social enterprises in Bulgaria, Counterpart continued to gather relevant information from NGOs, financial institutions, and the government on a regular basis. The data captured changes that occurred in legislation, and helped to ensure that the team's approach and activities continued to be

effective and appropriate, especially with regard to financial information. Counterpart's data-base on training-capacity included information on various trainers, training modules, and specific expertise was constantly updated in order to respond to the changing training needs of the social enterprises. The result is a social data base of NGOs, training providers, consultants, training modules, and best practices that can serve as an information clearinghouse for future social enterprise programs or initiatives.

2. Selection and Enrollment of Social Enterprises

A significant step in program implementation was the selection and enrollment of social enterprises into the program. Counterpart Bulgaria conducted two rounds for selection of NGOs to participate in the Social Enterprise component of the program. The first round was in 2002 and aimed to identify pilot social enterprises and to test the selection procedure. The second round was announced in 2003 and aimed to identify capable social enterprises in order to meet program expansion objectives.

The selection process consisted of three main stages.

I. Selection procedures with detailed eligibility criteria for NGOs included:

- Income generating activity (or proposed activity) must reinforce, or be related to the mission of the social service NGO;
- Social enterprise must provide financial contributions to the NGO's activities;
- Sound business idea for income generating activities and identified market for products and/or services;
- Social enterprise must provide employment opportunities for their beneficiaries, and/or in-kind products and services to NGO constituents;
- Special consideration may also be given to social enterprises that are operated by, or target women and/or minorities, and
- Organizational commitment and readiness to start a social enterprise.

II. Announcement of Competition and Dissemination of Application Form

Counterpart disseminated information about the competition through different NGO networks and information channels – existing NGO support organizations, and local media outlets – to reach as wide a population as possible. Information seminars were conducted in all regions of Bulgaria in order to reach small community-based organizations that provided social services and that were interested to launch income generating activities.

III. Selection of participants

Step 1: Application registration and basic criteria review conducted by project staff; applications screened to ensure they met basic criteria.

Step 2: Review: Applications reviewed by a Review Board - an independent review committee that was comprised of business experts from relevant USAID contractors, the UN community, and representatives of local businesses, and business support organizations. In reviewing the applications, members of the Review Board assessed the nature of the social enterprise (especially with regard to how it contributes to the NGO's mission); the viability of existing or proposed products and services from a market perspective; management and financial capacity; and prospects for sustainability.

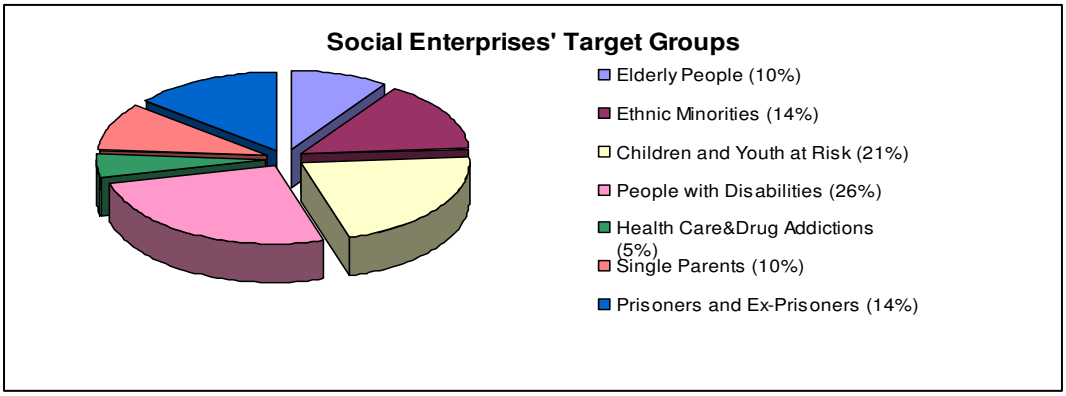
Step 3: Site visits to selected NGOs to assess their organizational readiness to participate in the program.

First Round of Selection of Social Enterprises

The first competition for selection of NGOs for the Social Enterprise component was conducted during April – July 2002. In total, 35 applications were received, out of which 23 NGOs were recommended for site visits. The Review Board approved all 23 NGOs to be included in the initial phase of Social Enterprise component. *(Attachment # 5.List of Social Enterprises (I round))*

Second Round of Selection of Social Enterprises

The second competition for selection for NGOs for the Social Enterprise component was conducted at the end of 2003. In total, 38 applications were received, out of which 37 had qualified with the basic criteria and were screened and evaluated. After the evaluation, 15 NGOs were selected for site visits and were approved for enrollment in the program. *(Attachment # 6.List of Social Enterprises (II round))*



*This chart is representing 42 social enterprises that work with certain target group *(please, note that one social enterprise can target more then one group,)*

3. Training and Technical Assistance for Social Enterprises

The social enterprise concept is still relatively new in Bulgaria and initial observations indicated that skills and abilities to successfully operate such businesses were lacking. Counterpart Bulgaria provided training and technical assistance through conventional training events, learning exchanges between organizations; networking sessions of portfolio members; affinity groups organized by industry or technical area; and customized small group training aimed to help organizations overcome similar constraints.

Training and Technical Assistance Approach

The main focus of Counterpart program intervention, in developing social enterprises in Bulgaria, was the provision of customized training and technical assistance as a capacity building component for the Bulgarian NGOs. After the initial assessment conducted through the Bulgarian Association of Regional Development Agencies and Business Centers (BARDA), Counterpart designed a training and technical assistance program to address the lack of skills and knowledge among the social enterprises. The training provided the trainees with skills and tools necessary to create and implement viable business plans, marketing strategies and financial management practices; and also to direct their thoughts and efforts towards accomplishing these complex tasks. This learning process was concurrently supported by local business consultants who provide one-on-one technical assistance that closely followed and related to the previous training module. In addition, the Counterpart team provided demand-driven and customized support through its training and technical assistance plans, to effectively meet the needs of the individual organizations

Counterpart Bulgaria was responsible for the organization of a training program which included training to both the NGO management/staff responsible for developing and operating the social enterprise; as well as to the business consultants. The training program began in September 2002 and included group trainings on a monthly basis. *(Attachment # 7.Social Enterprise Training Summary)*

Training and workshops	
· ***Legal Framework for NGO Business Activities***	· ***Human Resource Management***
· ***Social Enterprise Concept and Models***	· ***Feasibility Study and Business Planning***
· ***Strategic Management***	· ***Social Enterprise Business Planning***
· ***Change Management***	· ***Financial Planning and Management***
· ***Marketing and Market Planning***	· ***Accounting for NGOs Conducting Business***
· ***Cost & Pricing***	· ***Changes in the Social Service Delivery and Social Contracting***

Evaluation of Training and Technical Assistance

In order to increase impact and capacity building program, Counterpart Bulgaria contracted an independent consultant to conduct an evaluation of the training and technical assistance provided in the first year. A major outcome and impact of the training program relates to the greater level of clarity and focus demonstrated by NGOs' new understanding of the social enterprise concept. Taking into account the major findings of the evaluation, Counterpart introduced a *Three-Phase Integrated Training and Technical Assistance Methodology* in the second program year.

- **The First Phase** introduced the NGO to the social enterprise concept. More importantly, the NGOs were provided with tools to clarify and focus their social enterprise idea; and ultimately, to determine if the idea was feasible.
- **The Second Phase** was applicable only to those NGOs who had a feasible social enterprise idea. During this phase, the NGO was expected to design and implement an action plan to ready the social enterprise for start-up. The NGO was also required to create a social enterprise business plan to serve as a guide for through the start-up phase. The business plan could also be used to apply for financing, if necessary.
- **The Third Phase** was applicable to those social enterprises who either had received the necessary financing, or to those that do not need financing to implement their social enterprise idea. During the this phase, the NGO developed or updated policies and procedures for its economic operations, hired and capacitated human resources, and installed financial management systems. Also during this phase the NGO designed and implemented a promotion/advertising plan to attract potential customers.

Technical Assistance

The technical assistance portion of the Social Enterprise component of the program demonstrated its value to the overall success of the program through the implementation of the *Three-Phase Integrated Training and Technical Assistance Methodology.* The role of the business consultant was essential to the effective implementation of the integrated plan. In fact, on-on-one business consultations were integrated into the methodology.

Throughout the program implementation a total of *6,320 hours of one-to-one business consultations were provided to the 45 social enterprises* in the program.

Counterpart Bulgaria contracted 15 business consultants throughout the country who had been providing general business support to the social enterprises (an average of 10 hours per month, per individual social enterprise). The role of the business consultants was crucial in order to move the social enterprises from one stage to another, and to provide adequate support at each stage of development

Specialized Technical Assistance

In the forth year of the program, Counterpart introduced a new component of the technical assistance in order to respond to the individual and sector specific needs of the social enterprises. The new initiative called *Competitive Social Enterprises* provided a new opportunity for the social enterprises to improve their products and services, and to enhance the viability and marketability of the social enterprises. Enterprises received access to one or more of the following types of assistance: specialized training, tailored consulting support, or an apprenticeship to obtain specific knowledge or skills related to their product or service. Social enterprises in the program were divided into four main sectors: production and trading (souvenirs and crafts, bee products, agricultural goods); training and educational services and

information technologies; social and health services; and child care services. The assistance was tailored to the participant's specific sector, in order to better support the organization's competitiveness.

Product Development for Social Enterprises

Understanding the need of the social enterprises to enhance the quality of their products and to become more competitive in the market, Counterpart identified and contracted a product development consultant. The assignment consisted of an evaluation of social enterprises' potential to develop and produce arts and crafts, followed by the development of a marketing strategy for production with a focus on potential markets. As a result of the product development assistance, the consultant identified areas for product improvement and developed a strategy for marketable products to be produced by the arts-and-crafts social enterprises. Nine social enterprises received specialized crafts product development consulting, and as a result they introduced new products in their social enterprises and have improved their marketing performance.

Strategies for Sustainable Development

Understanding the importance of long-term sustainability of its programs, Counterpart utilized its cutting edge financial sustainability training modules to address challenges to the sustainability of the social enterprises, and to adopt and practice tools for strategic financial action planning and asset diversification. The training emphasized the importance of income and asset diversification to the long-term sustainability of social enterprises. 55 participants from 32 social enterprises took part in the training. They expanded their knowledge and skills in asset diversification and strategic action planning. The training helped the Bulgarian social enterprises to be more open and flexible to new ideas, and to think of identifying and leveraging their assets. The asset diversification model engaged the social enterprise trainees to actively prepare for their operational and financial future through strategic asset diversification and long-term sustainability planning.

4. Market Access for Social Enterprises

One of the most critical aspects for an operational social enterprise is access to markets which can provide a steady flow of revenues and income back to the NGO. In order to facilitate market access for the social enterprises, Counterpart developed relationships with organizations that have a trading network, whole sale facilities, and shops.

Support to Social Enterprises to Participate in Exhibitions and Trade-Fairs	**Linden Tree Fair**
Counterpart provided technical assistance to two social enterprises to organize exhibitions and events to popularize their social enterprise activity. The Roma social enterprise "Technitari" received support to participate in a Roma Crafts Fair in Plovdiv, where they have demonstrated the crafts production process and exhibited their products. The economic effect was increased access to market and income for the Roma crafts producers. "Eko 21 Gabrovo" was supported in organizing a Christmas exhibition to present their products before public institutions, guests, and tourists.	*Counterpart was a co-organizer of the Linden Tree Fair in Stara Zagora, in 2005, together with "Samaritans Social Enterprise", the Municipality and Local Chamber of Commerce of Stara Zagora. The purpose was to provide market access to 10 social enterprises that produce honey, arts and crafts, and traditional souvenirs through a specialized exhibition. This was the first organized attempt for market support to the social enterprises, and it demonstrated the need to popularize the social-added-value of products produced by social enterprises.*
Christmas-Fair of Social Entrepreneurs	**Integra Foundation and "Ten Senses" Fair-Trade Center**
At the end of 2005, Counterpart and Partners Bulgaria, hosted a Christmas fair at the Radisson Hotel SAS in Sofia, where the social enterprises presented their projects and exhibited and sold their products. The event helped to further increase the visibility of the program and to provide new market opportunities for the social enterprises. This initiative also demonstrated the synergy between the USAID partners and increased the visibility and awareness of social-added-value of the social enterprises.	*Counterpart's major partner in promoting social-added-value of social enterprise products was the INTEGRA Foundation. At the end of 2005, INTEGRA established the first Fair-Trade Center in Bulgaria under the brand of "Ten Senses" and invited Counterpart and the social enterprises to submit products which could be exhibited in the shop. Ten social enterprises received direct market access and an increased opportunity to popularize their products with social-added-value. Counterpart contributed by also popularizing the shop, supporting its marketing strategy, and organizing joint awareness raising events.*

Participation in trade fairs and exhibitions was another way to improve the sales capacity of the social enterprises. Counterpart provided support for operational social enterprises to participate in specialized trade-fairs where they could popularize their products and generate income from sales. The market access support also included marketing advice, product development, and technical assistance in pricing and packaging.

5. Training of Trainers for Social Enterprises

In the final program year, Counterpart designed and launched training of trainers for *social enterprise development experts* to be prepared as a key group of social enterprise practitioners that would continue to replicate the knowledge and skills among other social enterprises in the country. The training included five distinct modules dedicated to different areas of work of the social enterprise development experts, and aimed to develop skills for business development of social enterprises. Following each training module, the participants implemented different assignments, which enabled them to practice the skills acquired during the training.

6. Enhancing the Capacity of the Business Consultants

The quality of services and business support provided to the social enterprises by the business consultants is closely related to the capacity and the knowledge of the consultants on the social enterprise concept and stages of development. Counterpart provided guidance and training to the 15 business consultants to ensure that the consultancy they provide was adequate to the program objectives. On the one hand, the experience of working on business issues of NGOs provided the consultants an opportunity to diversify their skills set and knowledge. On the other hand, Counterpart believes that enhancing their capacity to better support the NGOs to conduct business activity is a very important part of the long-term objective – to form a pool of well educated and experienced consultants who provide support to social enterprises beyond the implementation of the program.

Counterpart improved the capacity of the business consultants through a variety of workshops, meetings, and trainings. Four trainings on social enterprise concept, social return on investment, training of trainers for social enterprises, and businesses planning for social enterprises were organized during the program. As a result, the business consultants become aware of the possible new markets for social enterprises, more responsive, and responsible for the non-profit mission-led aspects of NGO ventures. The continuous training and materials provide to business consultants enabled them to better provide professional and adequate consultancy to NGOs interested in starting a business venture.

7. Monitoring and Re-categorization of Social Enterprises

The Counterpart Bulgaria *Monitoring & Evaluation System* corresponds to the applied methodology for social enterprise organizational development following the three stage model of: 1) Pre-social enterprise; 2) Start-up social enterprise; and 3) Operational social enterprise. *(Attachment # 4.Development Stages of Social Enterprise)* To ensure adequate response to changing conditions and opportunities, Counterpart designed and used two monitoring tools:

- The *Assessment Questionnaire* included questions about the NGO, the organizational culture, the social enterprise idea or initiative, and the overall training impact. The questionnaire tracked changes in attitude, allowing the program team to evaluate the progress of the individual organizations in developing a social enterprise. Assessments were conducted on an annual basis and provided Counterpart with the information necessary to determine the willingness and readiness of the NGOs to move ahead in developing their social enterprise.
- The *Impact Measurement Tool* assessed the overall impact and level of implementation of the program's objectives and was used by the business consultants on a bi-annual basis. It included both direct and indirect impact measurements, using qualitative and quantitative indicators.

Categorization of Social Enterprise

The last categorization of the social enterprises was conducted in July 2006, after the assessment of the results of the social enterprise development grants. The final program results showed that 67% of the organizations included in the program had an operational social enterprise (30 operational social enterprises out of 45 NGOs). Five organizations were at a stage to start-up their income generating activity, which was expected to happen within a months after termination of the Counterpart program. Two of the newly operational social enterprises – *halva* producers of "Health and Ethics" in Stara Zagora, and the "Personal Development and Civil Communities Association" in Pleven became fully operational through a development grant; and from extensive technical assistance and business support delivered by the program team. *(Attachment # 8 Social Enterprise Categorization Matrix)*

Increased Income Levels

The results from the final program assessment conducted in August 2006 also demonstrated a significant increase in income generated from the social enterprises and used by the NGO for social activities. An average of 22% of the total annual income from the social enterprises was used to support the operational cost of the NGO and to finance its social services. Another 57% of the income was reinvested in the operation of the social enterprise. The assessment revealed that the social enterprises that had started their income generating activities one year earlier demonstrated a significant growth in revenues and could be classified as "mature social enterprises". The average increase in the revenues was 142% on an annual basis.

Asset Diversification and Acquisition

In terms of another indicator for the progress of social enterprises – acquisition of new assets – the assessment revealed that several social enterprises had acquired significant tangible assets over the previous year. Except for computers, office equipment, and different tools for their every day activities, social enterprises had purchased land ("Samaritans Association" in Stara Zagora); built, rented or renovated premises ("Chovekolubie", Pazardjik, "DAR", Burgas, "Health for Everyone", Pleven, "IGA", Pazardjik, "JANETA",Razgrad and World for Everyone", Silistra); different machines and equipment for their production activities ("CEPSI" in Yambol, "Friends of the Sea" in Varna, "Open Door" in Pleven, "Samaritans" and "Tehnitari" in Stara Zagora). Due to the increased capability and enhanced production capacity of the social enterprises through the final program year, the new tangible assets were effectively utilized to generate higher income for social enterprises.

8. International Exchanges and Study Tours

Due to the relatively nascent nature of the social enterprise field, training seems to be more effective if practitioners are exposed to social enterprise outside of its theoretical context. In other words, successful application of technical program material is higher if NGO practitioners can experience/study concrete examples of social enterprise methodology in practice, thus dispelling its elusiveness. It helps them to understand that social enterprise is a tool for both NGO financial sustainability and mission accomplishment. At the same time, study tours enabled the participants to develop wider global-linkages with other ventures and thus synergize internationally, share lessons learned, avoid duplication of mistakes, and to observe best practices.

With support from USAID and World Learning, Counterpart Bulgaria organized two major study tours for the social enterprises in the program. The first study tour was hosted by NESsT in the Czech Republic in October 2002, and included 23 Bulgarian social enterprise representatives. The second study tour was hosted by UNILOB Poland in June 2005, and included 15 social enterprise representatives and one business consultant.

Social Enterprise Study Tour to Czech Republic

The purpose of the social enterprise study tour was to respond to the expressed need among Bulgarian social enterprise leaders to learn from the practical experience of their peers in Central Europe in an effort to develop their knowledge and skills, and thus be able to further their individual social enterprise goals; as well as to foster the overall social enterprise field in Bulgaria. One representative from each of the 23

NGOs included in the program participated in the study tour hosted by NESsT – a worldwide leader in the field of social enterprises. The NESsT training curriculum was delivered in the Czech Republic during 14-20 October 2002. This training opportunity fundamentally influenced the understanding and approach of the Bulgarian organizations to the development of a social enterprise. The social enterprises understood the context of self-financing and social enterprise, which gave them a better feel for the types of ventures which might be successful. Participants left with individual and group action plans to foster social enterprise in Bulgaria.

Social Enterprise Study Tour to Poland

As part of its strategy to strengthen the capacity of social enterprises in Bulgaria, Counterpart Bulgaria held a study tour to Poland for representatives of 15 social enterprises and one business consultant. The study tour was conducted in June 2005 and aimed to provide an opportunity for the social enterprises to be acquainted with the legal/policy context in the host country; learn about different effective income generating strategies performed by social enterprises through business /trading activities; explore fees and charges (possibilities to deliver entirely or partially paid social services); and public funding (state financing of NGOs, contractual provision of state social services); meet with representatives of such organizations and their partners in local government and business; identify strategies for development of partnerships; and explore opportunities for market access and leveraging business resources. The study tour was conducted with the support of World Learning and the training program was designed by UNILOB, a leading training provider in Poland.

International Exchanges in Social Enterprise Development

In September-November 2005, Counterpart Bulgaria organized individual exchanges for two social enterprises – winners in the competition for a social enterprise business plan. The first exchange was for 3 people from "Eyes on four Paws" (Sofia) to visit an operational school for dogs for blind people in the Czech Republic. The second international exchange was for two representatives from the "CEPSI" (Yambol). They spent one week in Scotland, visiting social enterprises, business support organizations, government agencies and umbrella organizations of the Scottish Social Enterprises. The specialized study tour was hosted by *Argentix*, a Scottish business management company with extensive experience in raising EU funding for development of social enterprises. The two international exchanges provided a great opportunity for exposure to successful operational social enterprises in Europe, with an interest in transferring their experience to Bulgaria.

9. Social Enterprise Loan Fund

Part of the program implemented by Counterpart Bulgaria was to initiate and establish a viable local-source of funding that could effectively service social enterprises after the life of the program. "Nachala Cooperative" was identified as an experienced micro-finance institution to serve as a loan administrator for the Social Enterprise Loan Fund. After extensive research for the legal options for the operation of the Social Enterprise Loan Fund, in 2003 Counterpart and Nachala registered a *Social Enterprise Foundation (SEF)* as a legal-mechanism for the administration of the loan fund. $120,000 was committed for no-interest loans to social enterprises to start or expand their income-generating activity.

In 2004-2005, SEF received a total of six loan applications. By the end of the year, the Loan Review Committee approved four of them and as a result $10,343.75 were disbursed as no-interest loans.

"Social Enterprise Nadezhda Association of People with Disabilities", Dobrich

Business activities of the social enterprise included a bookstore, a computer center with 5 computers and a student enrollment center. In line with its long-term goals, the social enterprise applied for a loan to purchase additional equipment (computers, scanner, copy machine, laser printer, an air-conditioner) to expand the current activity of the computer center and provide new services such as printing, scanning, and copying to the general public for fees. The revenues were directed towards supporting the center offering services to people with disabilities as well as to sponsor computer classes for such people.

"Social Enterprise Open Door", Pleven
With the loan, "Social Enterprise Open Door Center" established a commercial laundry in Pleven. The income generated by the economic activities were used to support a shelter for women suffering domestic violence. The social enterprise offered laundry services to the general public and expanded its service to include small hotels and restaurants. Additional services, to supplement the main activity, included starching and door-to-door service.

"Association Our Birthplace", Batin"
Prior the loan application. "Association Our Birthplace" had established a dairy-farm, sheep-farm, and apiary and utilized the loan to expand its activities; to buy additional cattle and to purchase fodder for the winter months. The income generated was used to expand social activities of the Association which included diary products donation to an orphanage in the village of Brestovitza..

"Health and Ethics Association" Stara Zagora
"Health and Ethics Association" in Stara Zagora submitted a loan application for the production of *halva* (confectionary made from sun-flower seed). The production was made in partnership with a cooperative of visually impaired people and aimed at both creation of employment for these people within the social enterprise and generating fund for the establishment of a consulting center for HIV/AIDS positive.

Phase-out of the Social Enterprise Loan Fund
During the final year, after assessing the impact and effectiveness of the loan component under the Social Enterprise component, Counterpart presented an option paper to USAID; and with their concurrence, the loan program was phased-out to introduce a small grants component. It was decided that the effectiveness of the loan program could be reinforced through the use of small grants. Based on the impressive performance of the existing loan recipients at the time, it became apparent that expanded loan activity during the final program year, with only 6-months of effective loan portfolio activity remaining, would truncate the recipient's performance and hamper effective loan absorption to achieve significant results. Thus, unused available resources at the end of 2005 were channeled into the grants program to further support the social enterprises and to expand the Social Contracting component of the program. Consequently, in 2006, the Board of Trustees of SEF took the decision to terminate the foundation as a legal entity.

10. Awareness and Outreach Activities for Social Enterprises

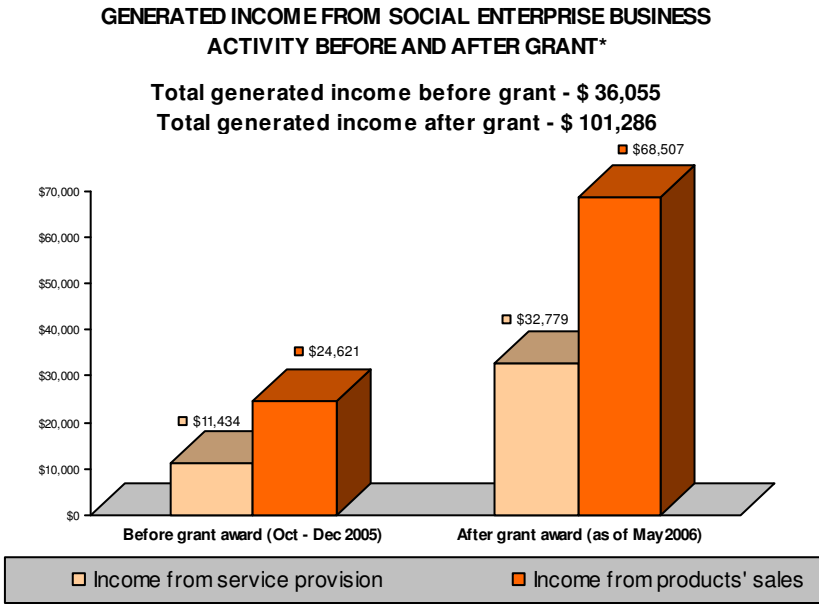
Since the start of the Social Enterprise component of the program, Counterpart Bulgaria was very active to raise public awareness for the social enterprises by popularizing the achievements of the social enterprises not only at the local level; but also at the national level. Public awareness activities related to popularizing the achievements of the social enterprises, supporting productive linkages with businesses and local authorities, and organizing round tables for multi-sector stakeholders in all regions of Bulgaria.

During the first and second year, Counterpart Bulgaria focused on conducting information seminars for the social enterprise concept to raise awareness of Bulgarian NGOs to the opportunities about income-generating activities. More than 15 information seminars throughout the country with representatives of NGOs were conducted in 2002-2003. Concurrently, and including 2004, more than 20 major round tables, conferences, and competitions were conducted; together with other awareness raising events with a focus on social enterprises and their value for social inclusion, employment of marginalized groups, and more effective social policy. *(Attachment # 9 Media Outreach Summary)*

11. Implementation of Grant Mechanisms in Support of Social Enterprises

Grants were introduced to the Social Enterprise component the final year with the main objective to further enhance the financial capacity of the social enterprises to generate income from business activities. The small grants served to reinforce the expanded financial capacity demonstrated by social enterprises under the small loans portfolio. 18 social enterprises were approved and implemented successfully to support start-up and expansion of their business ventures (grand total seed-grants awarded: $33,416). Counterpart approved 19 development-grants to social enterprises (grand total

development-grants awarded: $61,616). Also in 2006, seed-grants were released to five new operational social enterprises included in the program (grand total awarded $9,854). The total amount of grants released under the Social Enterprise component was $104,886. *(Attachment # 3.Grants Summary)*



** The chart presents data for 23 Social Enterprise NGO grant recepients.*

12. Advocacy and Lobbying

The process of establishing viable social enterprises is very much dependent on the external legal and policy environment, especially for a country like Bulgaria that is in the process of adjusting legislation and policy in the social field. Counterpart recognized the importance of introducing a two-pronged approach to the creation of a more favorable legal-environment for the social enterprises. This approach included intensive work on two levels: (1) local level to develop operational models of social enterprises and use them as working examples to advocate for legislative and policy change, and (2) national level to collaborate with other organizations to advocate for legislative changes and improved legislative framework for social enterprises.

BCNL as a Leading Partner in the Advocacy Campaign

The Bulgarian Centre for Not-for-Profit Law (BCNL) was an implementing partner sub-contracted by Counterpart Bulgaria to assist with planning and initiating of an advocacy campaign for more favorable legislative environment for social enterprises. The collaborative effort between the two organizations was further supported by European Union funding awarded to BCNL to implement a project aimed at improving the conditions for disadvantaged people through social enterprises. The result was a comparative analysis of legislation with a summary on the existing practice in Bulgaria which was distributed through the Counterpart network to around 100 NGOs and local authorities in Bulgaria.

Working Group to Draft Legislative Changes for Social Enterprises

Counterpart participated in a working group formed in early 2006 by representatives of BCNL, the Ministry of Labor and Social Policy, and the Ministry of Finance with the main objective to review the existing legislative framework regarding social enterprises and propose recommendations ensuring a cooperative political arena for the development of social enterprises. At Counterpart's request, BCNL conducted a research on the existing legislative framework for specialized institutions, working with people with mental and physical disabilities (former specialized cooperatives), that received public funding, tax deductions, and incentives, while at the same time having similar operations and objectives as the social enterprises.

Legislative Changes for Social Enterprises

In May 2006, 60 representatives from public institutions, local authorities, and NGOs, together with leading social enterprises of the Counterpart network participated in a BCNL-held conference on the legislative changes for social enterprises. The conference provided an opportunity for public institutions and NGOs to discuss existing obstacles in the operations of the social enterprises in Bulgaria, and to popularize the package with legislative changes. Prior to the conference, Counterpart and the Association of Social Enterprises in Bulgaria actively engaged the media in an attempt to raise awareness about the subject. The major outcome of the conference was an official statement on behalf of the Bulgarian government in support of the proposed legislative changes. Counterpart was at the heart of exploring and sharing best practices and experience, and was able to promote consensus on the need for recognition of the term *social enterprise* to be adopted in public policy and legislation. Following the conference, the proposed legislative changes were officially submitted to the Ministry of Labor and Social Policy.

13. Association of Social Enterprises in Bulgaria (ASEB)

The original program design had no focus to support the formation and establishment of an association. However, the need for a local support organization was seen to be necessary to help reinforce sustainability and lobby efforts for social enterprises in Bulgaria. Already in the final year, Counterpart provided extensive support to the existing network of social enterprises to gradually consolidate the organizations into an association. The main driving force for this initiative was the expressed need and willingness of the social enterprises to form an organization which could represent their specific interests and provide services to its members. The first step in this direction was the formation of an initiative group of 13 social enterprise leaders who were given the responsibility to draft by-laws and founding documents for the association. This “platform” was circulated for discussion among all the social enterprises in the program.

In November 2005, a founding assembly of ASEB was organized in Varna. The 13 members of the initiative group drafted and distributed by-laws and a platform for the association specifying the objectives of the association, common values, and principles. The founding assembly was attended by 40 people representing 32 social enterprises and was chaired by a legal expert from BCNL. The main objectives were to review and vote for the by-laws, to elect a managing structure, to define the membership fee, and to accept the code of ethics. The results were as follows: 26 legally registered social enterprises became founders of the association and members of the general assembly; ASEB’s’ management body is a managing board consisting of 5 people and an executive director; the control and monitoring body consists of 3 people, elected from the general assembly. The first chairman of ASEB was elected by the general assembly.

The main principles for the ASEB’s establishment are based on a bottom-up approach with wide representation of stakeholders. These include leading social enterprises from various sectors (social services, training and education, crafts production, work integrating agriculture, and child care services); communities (20 cities and municipalities); and target groups (people with disabilities, children at risk, elderly, women, ethnic minorities). Another main principle for the association is that all its members accept the code of ethics for social enterprises and adhere to it in their operations.

Objectives of ASEB:

- Popularize the model of social enterprises and support social entrepreneurship in Bulgaria;
- Create more favorable environment for social enterprises to improve their operations and services, and
- Advocate and participate in policy formulation.

Participation in Government Working Groups on EU Structural Funds

ASEB was included and participated actively in working groups at the national governmental level related with the planning and programming process of the EU Structural Funds. ASEB participated in preparing the final draft of the Operational Program for Human Resource Development which led to the recognition of social economy and social enterprises in the Operational Program and their inclusion of the major priorities for future funding.

ASEB's strategic priority is to participate in coalitions for lobbying and advocacy; to represent social enterprises before public institutions; and to participate in drafting legislative changes which would improve the environment for social enterprises. Another key task of the association is to facilitate better access to decision-making and funding for its members – the social enterprises. The period before the accession of Bulgaria into the European Union was crucial for positioning the social enterprises in the government's strategy for the social sector. This is directly related to having access to programming for utilization of *EU structural funds*, which will be the main source of funding during the period 2007-2013. Although the social enterprises are recognized in few strategic government documents, the association has to work actively to continue to raise awareness and to gain the government's recognition.

Objective 3: Social Contracting – To synergize best practices of Community Funds and Social Enterprises to develop Model Social Contracting Methodology and its Implementation in Two Bulgarian Municipalities

13 municipalities implement social contracting competitions; $63,839 awarded under the Counterpart Bulgaria Social Contracting component; $184,448 contributed from local resources including $121,993 contributed from local municipal budgets; 11 out of 13 social services provided are new services; i.e., without the small grant competition there would likely have been no services provided; 13 new public-private partnerships established.

The Social Contracting component of Counterpart's program was directly based on the success of the Community Fund and Social Enterprise components that had begun to galvanize public-private partnerships, specifically partnerships between NGOs and local municipalities, as effective models supporting local and regional development. In 2004, USAID agreed to expand the Counterpart Bulgaria program to include social contracting as a priority to promote decentralization in the social service sector. Activity during 2004 included training and consultations to municipalities on the concept and legal framework for social contracting. As noted previously, it was in late 2005, that a strategic decision was made by USAID and Counterpart to expand social contracting with increased grant funding. *(Attachment # 16.Social Services Analysis)* The Bulgarian Center for Not-for-Profit Law (BCNL) was sub-contracted in late 2005 as a co-implementer to aid in the expansion of active social contracting through a new grant program for municipalities.

Activity Overview

The main activity under the Social Contracting component may be summarized as follows:

1. Small Grants Competition
2. Social Contracting Competition
3. Capacity Building

1. Small Grants Competition

Momentum at the local level took a significant leap in late 2005, with the announcement of a small grants competition targeting all Bulgarian municipalities interested in social contracting. The aim was to stimulate municipalities to start the practice of social contracting. The maximum grant was $ 5,000 per municipality. There were two conditions for the grants – i) the municipalities had to provide a one-to-one match to the grant amount from their own funds which have to be used for the provision of social services; and ii) the grant and the respective (and equal) municipal cost-share should be awarded to a

social service provider after a competition had been organized (under the requirements of the Social Assistance Act and its Implementing Regulations).

Small Grants – Evaluation Procedure
The evaluation of the applicant municipalities started in the beginning of January, 2006. A team composed of Counterpart Bulgaria and BCNL reviewed and discussed the project proposals of 19 municipalities. 17 of them were found to meet program criteria. A unanimous decision by the reviewing team was made to approve and provide grants to 17 municipalities totaling $83,658. Finally, 13 municipalities actually competed and signed social contract awards. A total of $63,839 was awarded under the Counterpart Bulgaria Social Contracting component; $184,448 was contributed from local resources including local municipal budgets.

Small Grants – Signing Agreements with Municipalities
After the final results of the small grants competition were announced Counterpart and BCNL signed grant agreements with the selected municipalities in February 2006. Prior to signing the agreements, BCNL carried a process of negotiations and consultations with municipal representatives on the general rules and the detailed provisions within their grant agreements. The agreements were signed by the mayors of the selected municipalities during an awards ceremony which took place in February in Sofia. The awards ceremony was attended by the USAID Mission Director in Bulgaria, the Deputy Minister of Labor and Social Policy, Government officials, representatives of the National Association of Municipalities in the Republic of Bulgaria, media, and other official guests.

2. Social Contracting Competition

Social Contracting – Participation of Counterpart/BCNL on Evaluation Teams
In April-May 2006, the social contracting competitions were announced and conducted according to procedures in adherence with the Social Assistance Act. Applications were received by the municipalities from NGO social service providers seeking a social contract with the municipality. Counterpart/BCNL representatives were included in local evaluation teams to review the social contract applications. The evaluation teams also reviewed procedures employed in the competition to guarantee that the legal requirements had been met, and that the grant would be used for the purposes stated. Information concerning the local community and the level of public-private partnerships within the respective regions was collected and used in the preparation of a "*Study on Social Contracting in Bulgaria*" *(Attachment # 10. Study on Social Contracting in Bulgaria)*

Social Contracting – Signing Social Contracts with NGO Social Service Providers
After completing the competitions and selecting the NGO social service providers, based on the quality of their proposals/applications, the municipal authorities signed social contracts with the social service providers in May 2006. Day-to-day consultations with municipal representatives on the general rules and the detailed provisions under the individual social contracts were conducted. Documentation was prepared using standard procedures and template-forms drafted by BCNL, and in accordance with Social Assistance Agency requirements.

3. Capacity Building

Training for municipalities and mayors, conducted under the new Social Contracting component if the program in 2006, emphasized *practical issues* concerning the social service competitions and process. The first seminar (held in February 2006) provided more general guidelines on social contracting process, and clarification on relations and communication procedures between municipalities and Counterpart. The second seminar (held in March 2006) was focused on the *detailed procedures* of the social service competitions. BCNL presented model documentation for social contracting and successful practices in social contracting from two municipalities - Pazardjik and Dryanovo. The financial dimension of decentralization of social services, possible risks and challenges, were discussed with a public finances expert.

Capacity Building – International Conference on Social Contracting

An international conference presenting the best practices in European Union countries was organized by Counterpart in May 2006. The conference was attended by 120 participants from 80 municipalities, different NGOs, governmental officials, and the media. The participants were welcomed by the USAID Mission Director in Bulgaria, the Deputy Minister of Labor and Social Policy and the Executive Director of the National Association of Municipalities in the Republic of Bulgaria. Foreign experts from Scotland, Germany, Poland and Hungary presented the working models of social contracting and social entrepreneurship in their home countries. The participants had the chance to attend different working groups where they shared their experiences and discussed social contracting experience with the foreign experts.

Capacity Building – Seminar on Best Practices in Social Contracting

A seminar for municipalities that had received the Counterpart small grants, and had successfully competed and awarded social contracts, was organized at the end of June 2006. Special emphasis was placed on practical issues concerning the organization and management of the specific social services to be provided by the selected NGOs. A key expert from the Social Assistance Agency stressed the importance of mechanisms for quality control of social services to be provided. Successful practices in social contracting, as experienced by the 13 municipalities, were presented by the respective municipal representatives. Main problems and challenges faced were also discussed at the seminar. Future partnership and cooperation between BCNL and the local authorities, upon termination of the Counterpart program in September 2006, were discussed and outlined.

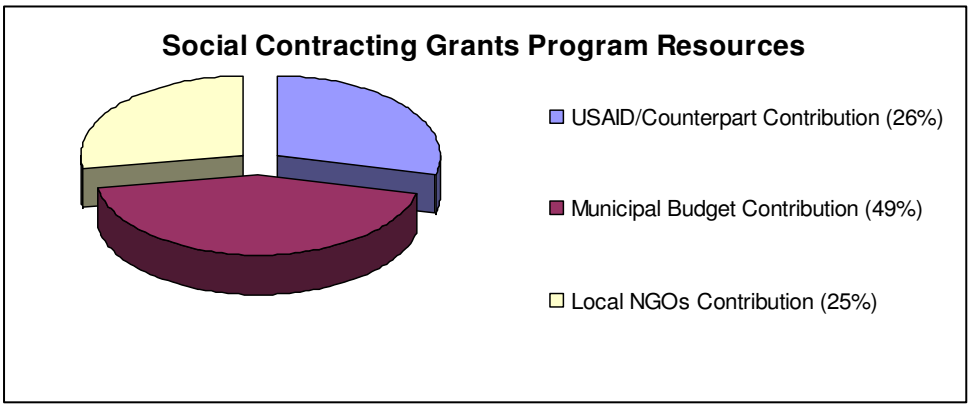
Capacity Building – Consultations

On-going consultations were provided to the municipalities (grant recipients) on social contracting procedures. Documentation for competitions conducted by the municipalities; as well as draft contracts between the municipalities and the NGO social service providers were reviewed and corrected by BCNL. Further guidelines and direction on concrete-steps in the social contracting procedures were provided.

Accomplishments

The introduction and wide approval of social contracting procedures in 13 municipalities was crucial for the successful implementation and positive impact of social contracting. In addition to the ethical and transparent process established, the capacity of the NGOs together with the quality of provided social services remain key factors that require on-going support and monitoring. Guidelines and requirements under the Social Assistance Act, as clarified and refined under the USAID/Counterpart program, will serve to ensure that decentralization through social contracting will establish models that may be replicated throughout Bulgaria in coming years. Results of the small grants competition, during a less than 9-month period were as follows:

- 19 municipalities applied for grants;
- 17 approved municipality proposals;
- 13 organized social contracting competitions;
- $63,839 granted under the Social Contracting component;
- $184,448 contributed from local resources including $121,993 contributed by municipal budget and $62,455 contributed by social contracting competition winners as illustrated by the chart below.
- 10 out of 13 social services are local, and local funds matching the Counterpart small grants are from the local municipal budgets;
- 11 out of 13 social services provided are new services; i.e., without the small grant competition there would likely have been no services provided;
- 13 new public-private partnerships were established.



The trainings, permanent consultations, and technical assistance provided to the local authorities increased the capacity and the awareness of local administrations for social contracting. The small grants competition developed and promoted the outsourcing mechanism to new municipalities – the number of municipalities implementing social contracting doubled since the small grants were announced during the final program year; compared to the previous 3-years (since the mechanism was adopted in the Social Assistance Act). The shared experience from EU countries, and the established networking within the Social Contracting component supported the newly founded public-private partnerships in the field of social economy.

Objective 4: Document and Disseminate Lessons Learned and Best Practices for Community Funds and Social Enterprises

Country-wide broadcast media campaign with the support of Europa TV, a private cable TV operator with over 5.5 million subscribed viewers. 18 individual episodes were taped and broadcast over a 9-month period beginning in November 2005 (54 individual broadcasts aired – 6 per month). A community fund case study, social enterprise best practices and handbook, and social contracting guide were prepared and released electronically and via CDs.

Efforts to popularize and disseminate information about community fund and social enterprise activities intensified over the course of 5 years. In late 2005, however, there was a concerted effort by Counterpart and its local partners to increasingly integrate community and media outreach components into their initiatives. A special media event was organized jointly by Counterpart and BCNL to popularize the social enterprises as a vehicle for employment, skills development, and social inclusion for marginalized groups. Ten journalists from radio stations and newspapers participated in the event where a special "CD business-card" of the social enterprises was distributed. Similarly, in September 2005, ten local journalists met with community fund representatives in Tryavna, where they were introduced to strategies and approaches to effectively engage mass-media – including how to develop and deliver the correct message.

One key aim was not only to disseminate information about successful activity; but also to educate the community about the role and purpose of social enterprises and community funds. The success of local development initiatives may be based on the level of community support and involvement in trusted social enterprise and community fund activity. Broad community outreach and support is a large factor in the sustainability of social enterprises and community funds. Thus, already in the final program year, Counterpart made a strategic decision to launch a country-wide broadcast media campaign with the support of Europa TV, a private cable TV operator with over 5.5 million subscribed viewers.

Broadcast Media (Community Outreach)

During the final program year, in addition to print and electronic media that broadcast or promoted activities under the program, there was a concerted effort to raise civic awareness and foster the creation of a "civic-position" that would change attitudes and engage people to "take-a-stand" -- to participate in and contribute to local decisions on existing social issues in their communities.

Video Series "Social Change" on Europa TV

The main purpose of the Europa TV - series was to reinforce local values that would support a broader vision to make people understand the need for their indispensable and deeper involvement in the local development processes. The Counterpart program experience shows that promoting civic literacy with the support of broadcast-media is an effective means to aid in the creation of *social capital,* and to establish and promote new *alternate/independent power-centers* at the local level – specifically, community funds and the practice of social enterprises and social contracting in Bulgaria.

Social Issues and Public Debate: Counterpart Bulgaria used social issues as an umbrella to promote public debate and to build a more active citizenry in support of the key program components. In May 2006, for example, a public debate on "Anti-Trafficking" was held in Sofia. The largest NGOs in Bulgaria that operate within the scope of anti-trafficking were invited. Journalists from the top three national newspapers were invited for the purpose of strengthening their collaboration with the third sector on this issue; and to discuss ways to establish more effective communication with each other. Participants identified that this was the first time that professionals and media had been brought together to identify common ground and to unify efforts in order to more effectively help stem anti-trafficking and related problems.

In addition to public debate, continued provision of information to the public and communities was made through follow-up broadcasts on the Europa TV series "Social Change". 18 individual episodes were taped and broadcast over a 9-month period beginning in November 2005. 6-broadcasts were aired per month (during prime-time on Saturdays and mid-day on Wednesdays). The exposure introduced ordinary citizens to not only to the models philanthropy, social enterprise and social contracting; but also identified the specific organizations and institutions in their communities through which they could become more informed and active citizens.

Corporate Social Responsibility: The concept of raising public awareness to broaden individuals' and communities' vision towards social problems and best practices led to new topics for discussion; including enhanced communication and collaboration between NGOs and business organizations to support community initiatives that respond to local problems -- support for structured philanthropy and Corporate Social Responsibility (CSR). This acquainted the audience to the concept of CSR and the possibilities for development of sustainable partnerships between business and third sector organizations.

Increased-ratings: Broadcasting continued as the program progressed into a close-down mode. A final drive was made to combine topics related to existing social problems with interesting best practices that were presented by experts and individuals in public life; including USAID, the UN Representative, and Ministry-level officials. This resulted in increased-ratings for the TV-series "Social Change". One meaning behind the increased ratings is the formation of permanent viewership that regularly tunes-in to the talk show. This captured or consistent-attention-levels marked the increased interest towards and awareness of local issues.

Articles and Media Publications

Together with public awareness events, Counterpart was active in keeping media informed about social enterprise activities through articles, media publications, and radio interviews. The most important outreach channels for the program were: National Radio, Darik radio, "Europe TV", and the following newspapers with national coverage: "Dnevnik", "Trud" and "24 hours". *(Attachment # 9 Media Outreach Summary)*

Publications

While implementing Objective 4 of the program - document and disseminate lessons learned and best practices for community funds and social enterprises – Counterpart prepared publications, manuals and studies on community funds, social enterprises and social contracting in Bulgaria. The intent behind these publications was not only to leave documented account of processes, methodologies, and best practices/lessons learned; but also to inform, introduce, and guide new interested NGOs, communities, governmental agencies, and donors to the models implemented in Bulgaria under the program.

Booklets "Best Practices of Community Funds" and "Best Practices of Social Enterprises"

A booklet on "Best Practices of Community Funds" was published in both Bulgarian and English languages in late 2005. Nearly 2000 copies were distributed locally to partners through conferences and public events, through the Association of Community Funds in Bulgaria, and at international events. The concerted outreach at the international level led to a redefinition of "community foundation activity" by the Worldwide Initiative for Grant-Makers Supports (WINGS Foundation, Brussels), which then qualified Bulgarian community funds to apply for community foundation Global Funds managed by WINGS. *(Attachment # 11.Best Practices of Social Enterprises in Bulgaria)*

In late 2005 and early 2006, Counterpart also developed and produced in both languages a booklet on "Best Practices of Social Enterprises". The booklet features 7 best-practices of social enterprises which illustrates various models and sectors of the social enterprises, and was used to broadly popularize the Counterpart Bulgaria experience in developing social enterprises in Bulgaria. Nearly 1600 copies were distributed at international conferences, public discussions, and at international events.

How-to-Manuals on Community Funds and Social Enterprises

One important program output was the development of the *"How-to Manual on Community Funds" and "How-to Manual on Social Enterprises". Both publications* present and analyze Counterpart program methodology used to establish community funds and social enterprises in Bulgaria.

The community fund how-to manual outlines some key lessons learned from the Community Fund component of the program. The manual focuses on community fund start-up, board development, fundraising and asset management, and communications and community outreach. It presents some key considerations related to the legal and social environment for philanthropy development, local culture and attitudes towards the non-profits, which should be taken into account by community foundation support organizations that work in developing or transitioning countries like Bulgaria. The manual was distributed to Counterpart local partners during a closeout event in September 2006. It was also made available to other Bulgarian and international philanthropy development organizations electronically by CD-copy distribution through the Association of Community Funds in Bulgaria. *(Attachment # 12 How-to Manual on Community Funds)*

A "How-to Manual on Social Enterprises" was finalized in 2006, for electronic and CD-copy distribution. The manual compiles practical applications and best practices; together with know-how and process of developing social enterprises in Bulgaria. The manual was distributed to all participants in the program, and will serve as a reference guide for other Bulgarian NGOs that wish to start a social enterprise *(Attachment 13.How-to Manual on Social Enterprises).*

Study on Social Contracting in Bulgaria

Counterpart and BCNL analyzed Social Contracting component impact to identify major problems faced during its implementation. Based on practical experience gained, a "*Study on Social Contracting in Bulgaria"* was developed. The study begins with program results and constraints, and is organized as a guide-book that includes basic recommendations and key steps that should be followed by municipalities in social contracting. The recommendations consist of practical advice to facilitate and ensure that the process of social contracting and decentralization will be successfully implemented in Bulgarian municipalities. *(Attachment # 10.Study on Social Contracting in Bulgaria), (Attachment # 16.Social Services Analysis)*

GRANTS AND LOANS

Over $1,164,000 were awarded as grants during the life of the project. Actual disbursement of $859,000 was absorbed by 53 partners in a total of 116 grants. More detail of grant funding support to community funds, social enterprises, and social contracting is provided immediately below.

Grants for Community Finds

Community Fund Seed Grants (establish viable structures)
Counterpart provided seed grants to the newly registered community funds supported by the Community Fund component. A total of $43,313 was disbursed as seed grants, varying from $2,000 to $9,000, to the 10 legally registered community funds.

The aim of the seed grants was to help the new foundations establish an office, popularize themselves in the communities, and start developing relationships with local donors. The seed grants were used to purchase technical equipment for the office (computer, printer, telephone and fax machine), produce promotional materials, and web site of the foundation, cover part of the salary of a key staff member, and organize outreach activities with local donors, local NGOs, etc.

Community Fund Matching Grants (stimulate donor engagement)
The matching grants supplemented funds raised by the community funds through their own fundraising events. A total of $377,298 was disbursed by the Counterpart Bulgaria program into 37 matching grants to the 10 operational community funds supported by the program.

The matching grants aimed to inspire giving in the communities and stimulate donor engagement. In the first year of program implementation, the matching grants were provided at 1:1 level for all funds raised locally by the community funds. However, the experience gained in that year demonstrated that a 1:1 matching arrangement did not stimulate giving by individuals; as much as the transfer of funds from the municipal budget into the community fund budget, upon negotiated undertaking of a municipal project by the community fund. This motivated Counterpart to change its initial matching grants policy, and provide a 1:1 match only to funds raised from private sources. When the community funds raised money from public sources (local government), these were matched at 1:3. The purpose of this policy was to stimulate giving from private donors, who were seen as the main source of sustainability of the community funds after the closeout of Counterpart program. The match level decreased in year five as the funds became better skilled at fundraising, and public awareness of philanthropy was increased. The declining match levels were intended to prevent dependency on international funding.

The matching grants were disbursed to support projects and “grant-making streams” of the community funds in the following areas: improving the living environment, healthcare, prevention of drug addiction, sports and recreation, children and youth programs, improving the study environment at schools and kindergartens, arts and culture.

Community Fund General Purpose Grants (diversified services)
In the final year of the program, Counterpart Bulgaria provided a new type of matching grant to the community funds called general purpose grant. A total of $63,940 were disbursed as general purpose grants, ranging from $4,000 to $10,000, to 8 community funds.

The aim of the general purpose grant was to stimulate the community foundation’s growth by helping the organization diversify the services that it offered to local donors. The general purpose grant was given as a match to cost share (cash and in-kind contribution raised locally) for overhead operations of the foundation. The general purpose grant was utilized for the following types of activities:

- On-going communication with donors, organization of meetings and special events with the purpose to:

  - establish donor-advised funds (named funds) and to set-up grant-making programs based on the donor's will.
  - establish donors' clubs (for smaller donors, who could not open a donor-advised fund on their own) and to engage the donors from the clubs in the foundation's grant-making.
- Organization of special events, and outreach activities;
- Covering office costs and staff salaries;
- Staff and board development activities, annual assemblies, etc., and
- Production of promotional materials, web-site maintenance, production of annual reports, etc.

Grants for Social Enterprises
There were two rounds of seed grants for social enterprises, and one round for social enterprise development grants. A total of $104,886 were disbursed to social enterprises as grants.

Social Enterprise Seed Grants (improved financial management)
In 2005 Counterpart Bulgaria introduced seed grants to support social enterprises. Seed grants were designed to strengthen the capacity of the social enterprises to further develop their business ventures. The aim of the seed grant was to cover the costs related with a service or product, equipment, promotional materials, or other tangibles to enable social enterprises to add value to their business and to enhance their capacity.

In total, 20 social enterprises applied for seed grants up to $2,000 each. 18 social enterprises were approved and implemented successfully to support start-up and expansion of their business ventures (total seed grants $33,416). All the NGOs conducted active advertisement and popularization campaigns for their social enterprises; thus increasing awareness for the value and benefits of social enterprises. A spin-off effect of the seed-grants was the improved financial management capacity of the social enterprises. As an immediate result of the seed-grants, the number of the operational social enterprises within the Counterpart pool was increased to include 5 new organizations; thus reaching the objective of 25 operational social enterprises.

Social Enterprise Development Grants (increased Income for social enterprises)
Also in December 2005, Counterpart has launched a new grant scheme for social enterprises in order to build upon the seed grants provided, and to increase the competitiveness of the social enterprises. The purpose of the social enterprise development grants was to enhance the business capacity of the social enterprises to develop and operate viable income-generating venture and to increase the income generated from business activity.

The maximum amount of the development grants was up to $3,000 with a requirement for a 10% financial contribution and 15% in-kind contribution. Development grant proposals were required to be directly related to developing the capacity of the social enterprise to generate more income from business activity. This included but was not limited to increasing the service/production capacity; improving the quality of product/service; achieving a competitive advantage (e.g., equipment to increase production efficiency); and developing new markets for the social enterprises.

Early in 2006, Counterpart approved 19 development grants to social enterprises (total amount $61,616). The implementation of the development grants contributed to increased competitiveness of social enterprises, expanded markets, new products and services, and promotion and advertising. The impact of the development grants was that the social enterprises were able to open 58 new jobs for disadvantaged people; and to provide services to 150 to people with disabilities, minorities, and long-term unemployed women. The Counterpart social enterprise team conducted 18 monitoring visits to all the grant beneficiaries, and helped to ensure the timely and effective implementation of the grantee activity.

Second Round of Social Enterprise Seed Grants
Counterpart launched a second round of the seed grants, early in 2006, for the five new operational social enterprises included in the program. Five applications from new social enterprises were approved for a total amount $9.854. The result of the $2,000 awarded to each organization, were the new business-

ventures launched by the NGOs. A tourist information center opened in Sillistra; a new sewing-workshop was created in Burgas; new arts-and-crafts products were developed by Turkish women in the village of Dulgach; and women in wheelchairs from Stara Zagora established a new distribution channel for their knitting-products. The social impact of the 5 seed grants was that 21 women from ethnic minorities, single mothers, and people with disabilities were able to receive income and employment through the newly established social enterprises.

Social Contracting Grant Support

13 municipalities implemented successful social contracting competitions. This achievement was possible not only due to the expert on-going consultations provided under the program by the Bulgarian Center for Not-for-Profit Law (BCNL); but also due to grant funding. Strategic support totaling $63,839 captured the interest of municipalities ready to launch social contracting competitions, and leveraged municipal budgets and other local resources totaling $184,448. More detail is available under the Objective 3 Social Contracting earlier in this report.

MONITORING AND EVALUATION (M&E)

M&E was an on-going integral component of the overall program. Successful partner activity derived from a step-by-step review and consultative process that ensured timely implementation of partner work plans. The activity detailed within the partner project proposals, or capacity building activity was aimed not merely to achieve the broadest positive outreach; but also was aimed to be directly aligned to the partner project/activity budgets. This direct alignment between community activity and budgeted available resources became a key process in the introduction and practice of ethical standards that would prove to be one of the single highest achievements of the program – specifically the rekindled trust conveyed by ordinary citizens and local leaders to the third-sector in general.

The M&E process though patently similar with regard to the three key program components, did have distinct phases. For example, under the Community Fund component, local implementing partner CSDF and later replaced by 3-NET Association, together with Counterpart program staff oversaw the effective follow-through activities emanating from training provision. Similarly under the Social Enterprise component, program staff together with local business consultants oversaw the partner's implementation of and adherence to existing business plans. Under the Social Contracting component, BCNL and program staff monitored the effective drafting and understanding of procedures established by a team of municipal representatives, NGO leaders, and national social service agency representatives.

Monitoring to reinforce strengthened levels of capacity, lead to the provision of self-evaluating techniques that would better measure the newly developed organizational structures, their governing bodies, and diversification and sustainability strategies.

One key aim of the M&E program was to firmly embed transparent practices that would allow the ready and available provision of information (for example, annual reports) to the community and interested parties.

More commentary on the achievements facilitated through effective M&E are found within the respective objectives and their components above.

PROJECT MANAGEMENT

Finance and Administration

The Counterpart finance office team focused on support and monitoring of all grants implemented under the three main program components – Community Funds, Social Enterprise, and Social Contracting.

Over $1,164,000 were awarded as 124 grants during the life of the project. Actual disbursement of $858,000 was absorbed by 53 partners in a total of 116 grants. 8 grants were terminated due to the grantees' inability to implement the project or re-focus of the program.

Community fund projects and re-granting activity supported priority areas identified by each local community; such as renovation of schools and kindergartens, drug prevention of youth, and re-socialization of marginalized groups. As a result, they were able to increase their fundraising capacity and successfully established donor clubs and donor-named funds.

28 operational and start-up social enterprises implemented projects to increase their income generating activities.

13 Bulgarian municipalities successfully concluded tender procedures and identified local NGO social service-providers as partners under social contracts.

Transparent practices in financial and grant management were a priority at all times, in order to maintain full adherence with US Government (USAID) regulations. As important was on-going financial management and training support and consultations provided to partners in order to impart ethical practices at all levels of their operations whether Community Funds, Social Enterprises, or Social Contracting components – this approach was closely linked with the M&E program summarized earlier in this report. This focus on adherence to strict accounting standards became even more critical during the final program year (September 2005 – September 2006) when over $600,000 were released in direct grant support across all program components. This required an intense level of effort from the program's finance office in order to develop and implement a grant program process that would meet the highest auditing standards (both Bulgarian and US). Over 60 grants were administered during the final program year alone.

The impact of the grants program progressively increased throughout the project and were measured by the sustainability of local partners – through their increased level of fund raising (community funds), increased revenues and job creation (social enterprises), and transparently competed and awarded active social contracts (13 municipalities). However, it becomes clear that despite the impressive impacts on record, even higher levels of sustainability may have been achieved had there been more program time available to allow longer periods of performance under the individual grantee projects. (See further comments on capacity-building and grant absorption-rates in the section on Best Practices/Lessons Learned – later in this report.)

Human Resources/Staff Development

The program had relatively little staff turnover during the 5-year period. Significant, but compatible changes did occur however. For example, in May 2005, Tilly Reed, Chief of Party, and Shehzad Mehmoud, Director of Finance and Administration, both were transferred to assume similar positions on a USAID funded civil society program in Afghanistan. A brief overlapping transition was effected with the new Chief of Party, Hugh C. Orozco, who was transferred from a similar post on the USAID Belarus Civil Society Strengthening Program. The financial position was filled during an interim period by two key Bulgarian financial assistants, Desislava Dzhurkova and Assya Assenova, until the full-time relocation of Tomas Verteletskyy who was transferred off the terminated USAID Belarus Civil Society Strengthening Program in March 2006.

Counterpart Bulgaria prides itself not only with building capacity of local partners; but also building increased capacity of its program staff (core of 9 Sofia-based staff).

Assya Assenova, Office Manager and Financial Assistant, continued her Masters studies at Sofia University and was promoted to position of Finance and Administrative Officer. Velimir Drumev, the Social Enterprise Business Expert, completed the TOT series and was awarded a certificate "*Expert Trainer on Social Enterprise*". Monika Pisankaneva, Community Fund Component Manager, received a scholarship for a Masters program on International Studies on Philanthropy at Bologna University in Italy. Maria Ilcheva, the Social Enterprise Component Manager, was accepted for and successfully completed a one-year MBA program in England. Tania Kapoor, Social Enterprise Business Expert, completed a Masters certificate with the Williams Davidson Institute (University of Michigan) on social enterprise development. Maria Stoicheva, Program Office Assistant, and Velimir Drumev, Social Enterprise Business Expert, continued English language courses in the final year of the program. Maya Todorova, Social Enterprise Coordinator and Office Manager, headed a team of Bulgarian social entrepreneurs on a study tour to Scotland – as a result, she coordinated several leveraged consultancies on EU Structural Fund access provided to social enterprise partners in Bulgaria by Argentix, Scotland (an expert consultancy with successful experience on EU access funding).

COORDINATION AND COOPERATION

Community Funds

Cooperation at National Level

At the national level, Counterpart Bulgaria regularly cooperated with the Bulgarian Charities Aid Foundation (BCAF), the Bulgarian Donors' Forum (since its inception in 2003) and other organizations working in the field of philanthropy and community development. Experts from BCAF conducted several trainings to the community funds. Counterpart supported research and advocacy campaigns led by the Bulgarian Center for Not-for-Profit Law (BCNL) and BCAF to create an enabling environment for philanthropy. In 2004, Counterpart cooperated with the Foundation for Local Government Reform (FLGR) to distribute information about the community fund model of structured giving in 15 municipalities throughout the country, which were grantees of FLGR. Together with Allavida UK, Counterpart organized one workshop on social entrepreneurship, which targeted representatives of the community funds and of national government and larger companies.

Cooperation at International Level

At the international level, Counterpart Bulgaria, in its capacity as a community fund support organization, cooperated mostly with the Worldwide Initiative for Grant Makers Support Foundation (WINGS) and the Community Philanthropy Initiative of the European Foundation Center (CPI/EFC). Counterpart became a member of WINGS in 2004, thus entering a broad international network of community foundation support organizations. WINGS headquarters in Brussels regularly provided Counterpart with information on international events related to community philanthropy, and opportunities for staff development and exchange. Counterpart cooperated with WINGS and CPI/EFC in the distribution of information about the Counterpart's International Conference on Community Foundations in Central and Eastern Europe, held in April 2006. Program staff regularly attended WINGS peer learning events and international forums; as well as the annual networking meeting of the Community Philanthropy Initiative of EFC.

Leveraging

Other leveraging that served to strengthen capacity within the Community Fund component was mostly connected to capacity building of local partners and staff. Six community funds took part in study tours to the USA with support from World Learning grants under their Participatory Training Program. Ten community funds participated in in-country training in Hissar, Bulgaria in 2005, with international lecturers from Slovakia, Poland, and Russia – sponsored under another World Learning grant. The Community

Fund component manager participated in the WINGS Global Symposium on Community Foundations in 2004, and in two WINGS-sponsored peer learning events with full or partial scholarships from WINGS Foundation (Estonia and Canada). The director of the Association of Community Funds in Bulgaria participated in a one-month internship at an Irish community foundation in 2006 under a foundations capacity building program sponsored by Bosch Foundation and Mott Foundation.

Social Enterprise

Bulgarian Center for Not-for-Profit Law

The Bulgarian Centre for Not-for-Profit Law (BCNL) was a key partner for Counterpart during the implementation of the entire Social Enterprise component of the program. BCNL was involved in the initial assessment of the environment and in the review committee for NGOs to be included in the component. BCNL also participated as trainers in the capacity building program for social enterprises with a focus on legal framework, tax, and social benefits issues. They provided legal advice on registration of social enterprises as trade entities. Social enterprises became a key priority for BCNL. During this period, BCNL had received funding from the European Union to develop legislative changes for the support of social enterprises. The coordination and cooperation between the two organizations, and the concerted drive to improve the legal-framework, was critical to the development of the current/existing practice of social enterprise in Bulgaria.

A joint advocacy campaign for legislative changes for social enterprises was carried out. A major outcome of the advocacy campaign was that a draft definition of a social enterprise, based on the existing practice in Bulgaria, was adopted for needs of public policy and legislation by national government agencies.

Nachala Cooperative

Nachala Cooperative was a strategic partner for Counterpart Bulgaria in setting up the Social Enterprise Loan Fund. As a key micro-finance institution in Bulgaria, Nachala Cooperative provided advice and support to develop rules and regulations for the administration of the loans. Also, they participated on the Loan Review Committee and administered the four loans disbursed through the Social Enterprise Foundation (a legal-entity registered for the disbursement of program loans).

Partners Bulgaria Foundation

Partners Bulgaria Foundation was a key USAID implementing partner in Bulgaria. They partnered on several occasions with Counterpart Bulgaria in planning and organizing a *Fair on Social Change* held in December 2005. The objective was to promote philanthropy, social entrepreneurship, and inter-ethnic interaction. During the event, significant donors of the community funds were recognized; products from social enterprises were exhibited; and a roundtable was held to discuss social capital, social entrepreneurship, philanthropy, and partnerships for community development. This significant event increased awareness about USAID programs in support of local development and social inclusion, and was visited by more than 200 guests.

Joint Activities with Integra Foundation

A result of the close cooperation between Counterpart and Integra Foundation was the establishment of the first f*air trade center* in Bulgaria. An open house event to promote the center and invite other NGOs, partner organizations, and businesses was organized in mid-November 2005. The result was increased popularization of the shop, and generated income of $1,200 during a two-hour period from the sales of products with *social-added-value*. A second event was the official opening of the shop which took place in December 2005, as a way to promote the efforts and initiatives to combat poverty. Number of social enterprises participating in Counterpart's program exhibited at the center. Counterpart and Integra jointed efforts to attract important guests and media attention, and to raise awareness about socially-responsible-trade and social-added-value. The benefit for Counterpart social enterprises was the direct access-to-market, and the increased opportunity for popularization of their products with social-added-value.

Collaboration with the "Family on Social Policy" – a Key Lobbying Body in the Social Sector

The Family of Social Policy NGOs was initiated under an Open Society Initiative to consolidate the NGOs in Bulgaria, so that they may be better prepared to lobby and participate in policy formulation. Counterpart was invited to participate in policy discussions with its partners from the social enterprises, and to present opinions on the issues related with social enterprises and social contracting. The first issue on which "The Family" requested expertise was on the process of *decentralization of social services*. As a result of the discussions, a position-paper with key recommendations on how to better involve NGOs in the decentralization process was delivered to the Government. *The Family on Social Policy NGOs* is a well recognized expert body for the NGO sector, which was actively promoted as the platform for key NGOs in the social sector, with capacity to participate in the policy-making.

Cooperation with OECD Center – Trento, Italy

Counterpart Bulgaria began cooperation with the OECD (Organization for Economic Cooperation and Development) center in Trento. One of the main priorities of the OECD center in Trento is to contribute to policy debate on the *role of the social economy in Europe*, and to develop capacity within the countries from South-Eastern Europe. That is why they became very interested in the experience of nascent and developing social enterprises in Bulgaria. In July 2005, two Counterpart Social Enterprise component officers submitted papers for participation in a conference "The Social Economy in Central and Eastern Europe: Emerging Trends of Social Innovation and Local Development" The papers presented Counterpart's effective methodology in developing social enterprises in Bulgaria, and provided policy recommendations on the role of social enterprise in social inclusion in front of 150 policy-makers, practitioners, and academics from 40 countries around the world.

Joint Workshop with Allavida UK to Popularize Social Enterprises

As a result of the close cooperation between Counterpart and Allavida UK, the first seminar from a series on social investment was jointly organized in June 2006. The purpose of the workshop was to introduce the European context for social economy; to present best practices of social enterprises working to support marginalized groups; and to discuss the challenges for social enterprise development in Bulgaria. The benefit for Counterpart's social enterprises was the opportunity to champion the debate on social enterprise. As a result of the workshop, 35 representatives of local authorities, government institutions, and NGOs gained useful information, inspiration, and new insight about the potential role of social enterprises in combating poverty and social exclusion. An important outcome of the workshop was the interest of government institutions, especially the Agency for People with Disabilities, to get a better understanding about the European models and to apply best practices in Bulgaria.

Collaboration with Williams Davidson Institute – University of Michigan

One of the main areas of intervention for the Williams Davidson Institute at the University of Michigan is social entrepreneurship. They are coordinating an NGO-alliance for organizations from Central and Eastern Europe that are interested in social enterprise models. During two years, Counterpart Bulgaria was an active member of the alliance through sharing information, best practices, and experience from Bulgaria. Counterpart presented a paper on "Social Enterprises in Bulgaria – A Mixture of Business Tools and Social Innovation to Bridge the Gap in the Social Sector", during a conference on "Civil Society and Business: Bridging the Gap" held in Belgrade in July 2006. The event was attended by 60 participants from USA, Europe, and Asia. Another policy-brief was submitted in 2005 for a conference in Slovakia. Counterpart regularly submitted information and success stories for the Williams Davidson Institute newsletter.

Social Contracting

The 13 municipalities that committed to the principles of decentralization of social services became valuable partners. Cooperation with the Ministry of Labor and Social Policy, the Agency for Social Assistance, and the National Association of Municipalities in the Republic of Bulgaria increased across significant areas related to policy and procedures on decentralization of social services. The partnership with municipalities was further advanced through the participation of Counterpart and BCNL in the local evaluation-teams. Strict adherence with the social contracting procedures marks a new benchmark in the transparency and accountability in the decentralization process of social service provision in Bulgaria.

COST SHARE / LEVERAGING

Cost Share

Counterpart generated $1,084,319 in cost share from local cash and in-kind contributions. The cost share generated was from non-US Government origin; specifically, from private contributions of humanitarian assistance, and other private funding from international donors. The cost share amount reported represents 25.4% of the total value of the USAID cooperative agreement – $4,271,273.

The largest item of the Counterpart International cost-share to this program was provided by Counterpart International's Community Humanitarian Assistance Program (CHAP) – Non-Federal Funding. During the implementation period of the Bulgaria Community Funds and Social Enterprise Program, Counterpart International delivered to Bulgaria humanitarian cargos valued at $807,723. Goods delivered included wheel-chairs and medical supplies contributed from private U.S. sources. Goods delivered were distributed to Bulgarian NGOs who further provided these goods to their beneficiaries.

Other international donors, non-US Government/federal funding, supported various training and technical assistance events for program beneficiaries in Bulgaria and abroad; and scholarships and internships for Counterpart Bulgaria staff members. *Mark Webster Communications* provided their experts to conduct a consultancy and training, for the Bulgaria Community Funds and Social Enterprise Program, on "Effective Communications and Public Relations". *Euro Citizens Action Service* awarded a scholarship for Counterpart Bulgaria Community Funds component manager; and the *Anti-Poverty Information Center* awarded a similar scholarship to the Social Enterprise component manager. *Bologna University* awarded full-tuition for Monika Pisankaneva's enrollment in their Master's program on philanthropy – though Monika's expert capacity was recognized well before her enrollment on the Master's program, she is now an internationally recognized expert on community foundations and philanthropy. *The Charles Stewart Mott Foundation* and the *Bosch Foundation (Germany)* sponsored a fellowship in Ireland for Daniela Dimitrova, leader of the Association of Community Foundations of Bulgaria. Total value of generated training, technical assistance, and international educational events donated to this program was $27,360. The Association of Community Foundations in Bulgaria also received a general purpose grant from *Charles Stewart Mott foundation* – total $60,000.

The cost share assistance provided from private donors was largely made possible by the strong facilitation, networking, and outreach efforts of the Counterpart Bulgaria program team and its partners. The support received from international donors is also significant due to the recognition gained from international experts and organizations. These new relationships offer new opportunities for future partnerships, and potential funding sources. Similarly, within Bulgaria, local, regional and national level agencies and officials recognized the capacity and expertise the Program's partner organizations, not only as a result of their local activities; but also due to international recognition that highlighted the changes in Bulgarian social economy.

Counterpart International's social contracting initiatives in Bulgaria resulted not only in the award of 13 social contracts to local NGOs in 13 municipalities; but also one of the outcomes of this process was the attraction of public funding support to the program – $121,993 cash and in-kind contribution from different municipal-budgets was provided as a match to the Counterpart program grants. In addition, 10 out of 13 NGOs who won social contracts in their municipalities, contributed local cost share equivalent to $62,455 as cash and in-kind contributions to match the social contracts supported under the Counterpart program grants.

In addition to this, the Counterpart Bulgaria grantees – community funds and social enterprises – also leveraged their programs with their own cash and in-kind cost-share to their grant projects.

Leveraging

Counterpart grantees were able to leverage the Counterpart grants and provide a match from their own local resources – cost share levels ranged from 22% of total grants awarded by Counterpart, to as high as 222%. The overall final amount of grants disbursed to community funds and social enterprises was $570,055. Grantees matched the Counterpart grants by $623,725 as cash and in-kind – exceeding the

grants received by 9.41%. This figure is **NOT** included in Counterpart International's cost share to the program. However, it is important to mention this leverage, presented by the program grantees, because the level of the local match clearly shows that, overall, the community fund and social enterprise models did succeed in obtaining recognition and acceptance in their communities. *(Attachment # 14 Cost Share and Leveraging)*

BEST PRACTICES / LESSONS LEARNED

Capacity Building and Grant Absorption Rates

The use of more standard 12-month performance periods for grantee initiatives would have allowed more flexible time schedules during implementation of grantee projects. It would have also allowed more time for beneficiaries and communities to assimilate activities and benefits provided – and thus to more accurately measure levels of permanence in local developmental impact.

However, due to a relatively limited absorption capacity of funds (already in the final year) by partner community funds, social enterprises, and municipalities, more modest periods of performance were required. These smaller, but more frequent, two, three, or four-month grants were necessitated in order to promote practical applications of skills learned under the on-going training and technical assistance; and to intensify the momentum around grantees and their initiatives in local communities.

Shorter-term, but more frequent, grants worked well during the final year when partners were being asked to intensify their focus on the relatively new areas of sustainability, and on media access and community outreach. These more "truncated" periods of grantee performance required more effective implementation of carefully crafted proposals compatible to expressed local need. In essence these shorter-term grants developed into an intensive course that firmly embedded the partners' expert capacity to the local context in individual communities.

Strategic assumptions made at the beginning of the Counterpart program supported three distinct phases of program operation during an original 4-year program:

Phase I – Start-up phase (2001- 2003)
Start-up of a pilot project that targeted three communities for the creation of community funds and ten social enterprises.

Phase II – Program Expansion (2003-2004)
In addition to the expansion of the pilot program Counterpart also expanded the training program to continue building capacity of the older pilot program partners, and to build capacity of new partners – seven new community funds initiative groups, and 35 new NGOs interested in start-up of social enterprises.

Phase III – Sustainability of community funds and social enterprises (2005-2006)
Under a one year extension and extension period Counterpart focused on the sustainability of the community funds and the operational social enterprises.

Community Funds

The Advantages and Limitations of Participatory Methodology
Participatory methodology (organizing of community appraisal and action planning with wide participation of all stakeholders) proved to be a great way to engage citizens in local development initiatives under the Community Fund component of the program. They contributed to tapping into community wisdom and previously untapped resources. They also contributed to establishing of standards for transparency and accountability by the community funds, and building trust in their work. At the same time, there are several limitations of the participatory methodology in community foundation start-up and development, which need to be pointed out to the leaders of the process.

First, addressing a wide variety of stakeholders in the process of determining the philanthropic goals of the community fund tends to drive the larger donors away. Big, private donors usually do not attend public forums, and other events, which are attended by people from various walks of life. Consequently, the community fund should adopt a different strategy of involving large-scale donors, and not rely exclusively on the participatory methods. **Second,** the participatory processes can be easily manipulated by local power struggles and people in power. If the Mayor attends a community forum, often this influences the outcome of the decision-making. Sometimes, political actors try to influence public decisions for the sake of private interests. The organizers of the public forum and its moderator should be vigilant to identify such manipulations and counter-balance them, or ignore the decisions of the forum – if they feel that they have been manipulated. **Last,** but not least, participatory processes often lack technical expertise in determining the value of an initiative. People can be misled by their own very strong desire to improve the quality of their lives to undertake initiatives which are not viable market-wise.

To prevent this, it is highly recommended that the community funds use public forums only to identify broad needs and to inspire commitment among potential donors and volunteers; and not for taking decisions about specific projects to be accomplished, unless detailed research has been conducted before-hand on the viability of the proposed projects. In summary, the participatory methodology of community foundation start-up should be used in combination with other methods (one-on-one meetings with larger donors, experts' research on priority issues, etc.) in order to achieve best results.

Fundraising and Fund Development are Two Distinct Approaches

Initially, all community funds started their work with fundraising for specific projects, which were identified by citizens at community forums. In this approach, the community funds did not differ largely from other NGOs that would conduct fundraising for a specific social cause. Fundraising for one-time activities is justifiable in two instances: first, at the early stages of community fund development, because it increases the visibility of the community fund through quick-impact initiatives and helps it to earn recognition in the community by supporting one or two important social projects; second, in cases of emergency, when urgent wide-scale action is needed to counter-balance effects of natural disasters, or urgently solve a problem that endangers the community.

Community funds should not side-step partnership campaigns to solve urgent community problems; these allow funds an opportunity to demonstrate their ability to respond flexibly to emerging and changing needs. However, the approach that differentiates community foundations from other fundraising NGOs is *fund development*, which enables the foundation to develop long-term mutually beneficial relationships with its donors. Through managing long-term and permanent donor-advised, field of interest, designated or unrestricted funds, the community fund/foundation perpetuates the philanthropic will of their donors; and also achieves sustainability and relative independence from pervasive markets and governments.

The way to sustainability for the Bulgarian community funds passes through enlarging the number of permanent donors and long-term or permanent funds managed by the foundations. At the same time, fundraising for specific one time activities may continue, especially if there is a community demand and a large number of small scale donors with shifting philanthropic interests.

Transparency and Accountability

Working in a transparent and accountable way was the only option for the Bulgarian community funds to distinguish themselves from pseudo-philanthropic organizations, cheating donors and beneficiaries; and to demonstrate to the local communities that foundations are important civil society actors. Transparency was guaranteed by the by-laws and internal regulations of the foundations, but most importantly by their internal systems of checks-and-balances in decision making and fund disbursement; and the inclusion of a great number of stakeholders as monitors of the process. Accountability was achieved through the production of detailed annual reports that were distributed among donors and beneficiaries, and made accessible to all stakeholders. Close monitoring of community fund grantee performance and reporting back to donors became a regular practice for all community funds, which were intensively trained and monitored by Counterpart to ensure adherence to principles of transparent operations. In grants

disbursement, the community funds abided by detailed conflict of interest prevention policies. Although the municipalities were the main donors of some of their projects, in organizing bidding competitions for sub-contractors and service providers, the community funds managed to counter-balance public officials who tried to sneak in their protégé companies. In this way, they set an example for transparent operations that helped to prevent corruption.

Cadre of Community Fund Experts

As the program entered into its concluding phase, it became obvious that the future viability of the community funds depended a lot on "local movers", who could coordinate the exchange of information and shared initiatives. Counterpart invested in training a cadre of community fund experts, people who were involved with the community funds since their inception, and who demonstrated interest to lead them to sustainability. A cadre of 10 people was trained to provide assistance to the existing and emerging community funds throughout the country; and inspired to practice what they had learned by coordinating some of the program activities during the phase-out period. These people comprise a core group of professionals involved in the community fund association, and are expected to carry forward the process of community foundation development in Bulgaria.

Social Enterprise

Complex and Integrated Training and Technical Assistance

Well organized professional trainings, coupled with technical assistance, effective combination of group trainings, local business consultant support, and TOT support to the business consultants comprised the core of the capacity building program for social enterprises. Counterpart conducted a rigorous selection of training providers and individual trainers that could respond to the changing needs of the social enterprises. The role of the consultants was critical in the implementation of a training and technical assistance plan. Counterpart also provided training and guidance to the business consultants in order to ensure that they would be able to deliver competent consultations and business advice to the social enterprises. Another factor in planning training and technical assistance was that it should be customized to concrete needs of the organizations (demand driven), and should include follow-up assignments so the participants could apply their new knowledge.

Business Consultants and Social Enterprises – Crucial Relationship

Implementing a wide scope capacity building program required large human resources, and experience in establishing trusting relationships within a collaborative environment. This triggered Counterpart to put more efforts in developing good relationships with the business consultants – they had already been found to be key success factor for the social enterprises. Throughout the program it became clear that participating NGOs and business consultants needed to ensure that they had a shared understanding of the objectives and approaches followed by the social enterprise. Clear roles and responsibilities between the social enterprises and business consultants helped to avoid crisis with the organizations. The business consultants were very creative in the support they provided to the social enterprises, which included customized one-on-one technical assistance, product and sector specific advice, and mentoring and coaching.

The most successful and growing social enterprises developed a high level of trust and a mentoring relationship with their business consultants. By comparison, the social enterprises that constantly experienced business difficulties had no adequate support from the business consultant. Thus, business consultants became a very important factor for the overall success of the Social Enterprise component. Counterpart introduced a more flexible and result-oriented approach that targeted and promoted active business consultants who consistently demonstrate high performance and quality support to social enterprises.

Viable Networks – Continuous Support

Workshops involving all NGOs participating in the program were beneficial because participants could share information and experience; learn from each other; and improve their organizational culture. Workshops and information sharing events were key program components which allowed the participants to collaborate and form partnerships to address the challenges encountered with start-up of viable social enterprises.

Networking helped participants to disseminate best practices and share resources for specific joint-initiatives. The benefits from networking become more visible at later-stages and require openness and readiness to share experience and ideas. Social entrepreneurs have created a favorable environment that allows individual social enterprises to share concerns, receive advice, and find solutions.

Social Enterprise Loan Fund and Grant Support

Although Counterpart was successful in developing an operable mechanism for no-interest loans for social enterprises, and disbursed no-interest loans to four social enterprises; it became clear that the loan program should be complemented with grant-funding to help the NGOs to start-up their social enterprises. Thus in the final program year, Counterpart terminated the loan fund and provided increased grant support to the social enterprises through seed-grants and development-grants.

Monitoring & Evaluation of the Social Enterprise Development Process

Counterpart methodology for developing social enterprises included three districts phases: pre–social enterprise, start-up social enterprise, and operational social enterprise. At each stage of development social enterprises require specific technical assistance and support. Monitoring and evaluation was an integral part of the process to assess progress and provide adequate technical support to social enterprises. It helped to effectively direct the resources towards the operational social enterprises, provide intensive hand-in-hand business training support to the start-up social enterprises, and continue to stimulate the pre-social enterprises to explore new market opportunities. Monitoring and evaluation was conducted through site visits, annual assessment of the operations, and bi-annual re-categorization of the social enterprises. It turned to be an effective tool in defining the current needs of the organizations at each stage of social enterprise development, and helped to effectively use program resources.

Stimulating Mentoring Relationship between Operational and New Social Enterprises

In the final program year, Counterpart recognized the importance of facilitating mentoring relationships between operational social enterprises, the so called sector champions, and the new social enterprises which were launching similar business ventures. In this manner, the new social enterprises could access first-hand experience and valuable practical advice and thus diminish the risks to the new business. It became obvious that the most successful and growing social enterprises developed large capacity and good understanding of the development process, and could serve as peer advisors for new social enterprises. Counterpart introduced a more flexible and results-oriented approach that promoted active mentoring relationships through specialized study-tours, internships, and staff exchanges that stimulated social enterprise development.

Social Enterprises Intermediaries in Local Policy-Making

One of the main challenges for public participation in local decision making was the lack of an organized communication channel between local NGOs and the municipality. The absence of a local coalition or platform of NGOs, to champion the process and to communicate with local authorities with one voice, was an obstacle. Understanding this problem, one of the leading social enterprises in Pleven – “Open Door Center” initiated a *Public Council for Partnership* between the NGOs and local authorities. Furthermore, it championed a project to raise awareness of the local authorities in Pleven about the opportunities of social contracting. As part of the project, a meeting with the representatives of the municipality and the Municipal Council was organized to present to them best practices of social contracting. Counterpart attended the meeting and presented best practices and experience in social contracting, and stressed the role of the partnership between the municipality and local NGO sector.

Key Social Enterprise Practitioners Become Drivers of Social Entrepreneurship in Bulgaria

In the final program year, Counterpart launched a training of trainers (TOT) to prepare a key group of *social enterprise experts* that would be willing and able to popularize, train, and mentor new social enterprises. Through this group of trainers the new social enterprises could access first-hand experience and valuable practical advice; the trainers could also serve as peer advisors for new social enterprises. The trainers are a valuable resource for the Association of Social Enterprises in Bulgaria (ASEB), whose main mission is to support the development of social entrepreneurship and social enterprises. Together, as an internal support organization, ASEB and the *social enterprise experts* can trigger success by

imparting the Counterpart methodology and experience to new social enterprises after the termination of the Counterpart program. *(Attachment # 15.Social Enterprises TOT Summary)*

Social Contracting

One main challenge is the allocation of public finances through the municipal budgets for s*tate-delegated social services*. The need remains for continued development of the legal framework.

The creation of a working model of partnership between the municipalities and the social service providers is critical to the successful process of *decentralization in the social sphere*; and to attracting new local authorities to be involved in the social contracting mechanism. Positive development of the legal framework needs to continue to solve problems with financial decentralization related to s*tate-delegated social services* and social contracting.

Social Contracting Procedures Aid the Reform of State-Budget Allocation Process
As a result of the social contracting mechanisms developed by Counterpart, BCNL, and local and national-level authorities, reform in the financing of s*tate-delegated social services* is now a recognized priority. The legal framework surrounding the multi-tiered allocation of state budget resources to the municipalities, and then to the NGO social services providers is complex. Different practices in the allocation of state budget funds resulted in different municipalities during the social contracting competitions. The inability to arrive at legally acceptable financial allocation procedures caused the failure of the competition in Stara Zagora, and similarly stalemated the success in other municipalities. Similar concerns related to the payment of fees by the users of the specific services provided, i.e., to which budget should these collected fees be paid – especially in the case of partial self-financing by the NGO social service provider.

The decrease from 17 down to 13 selected municipalities within small grants competition to support social contracting competitions indicated an existing lack of capacity in some municipalities and NGOs to deal with social services. In the city of Vidin, the competition failed because the municipality was “too busy” solving problems that appeared after the spring floods; in Medkovec and Kajnardga – because the local administrations did not want to re-allocate the state-provided funding to local NGO social service providers.

Draft provisions presented by BCNL were approved by municipalities and introduced in the social contracts. The successful implementation of the 13 competed and awarded social contracts will serve as models to further refine the financing mechanisms – in accordance with the Social Assistance Act and its implementing regulations.

RECOMMENDATIONS

Community Funds

The Bulgarian community funds achieved an incremental increase in fund accumulation over their few years of operation, and increased visibility at the local level. They managed to revive forgotten philanthropic traditions, but the time was too short to change existing donor attitudes. Most donors were interested to see immediate results from their philanthropic contributions, and hesitated to dedicate money for long-term use by the community fund. To date, all community funds assisted under the USAID/Counterpart program, operate on pass-through funds, and have not started to build endowments. The road to sustainability passes through the creation of permanent sources of funding that will help them sustain their activity. Continued external donor support would be necessary to help the community funds sustain and expand their current level of grant-making, and to take steps towards endowment building. The following measures will help the community funds advance their way to sustainability:

- Exchanges and peer-learning with community funds from other transitioning countries, such as Russia, Poland, and Slovakia;

- Analysis of the existing possibilities for endowment-building in Bulgaria, and developing a strategy towards this goal;
- Working together (in the association) to attract national-level donors that could gradually replace international donors to provide matching funds;
- Cooperation with other philanthropic organizations to impact positive legal changes towards the creation of an enabling environment for philanthropy.

The main recommendation for external support organizations is to continue to provide matching funds to money raised locally – with an increased challenge-element that will help the community funds reach set financial targets. Matching funds should continue for two to four years, in which period the community funds would be challenged to develop a feasible sustainability strategy that fits the local context.

Social Enterprise

In addition to all the valuable results and lessons learned under the program, the need remains for a comprehensive national policy to support social enterprises as tools for social inclusion and employment of disadvantaged people. Counterpart, as a pioneer of the *"social enterprise concept"* in Bulgaria, has provided milestones for such a policy; but continuous support in the following areas is required:

- Advocacy and lobbying to improve the environment for social enterprises
- Capacity for training and technical assistance
- Resource center / information clearinghouse for social enterprises
- International exchanges and networks
- Improved access to markets
- Consolidating the social enterprise sector
- Access to financial resources for social enterprises

In most of the areas listed above, Counterpart conducted program interventions and reached results, however continuous efforts beyond the program are necessary in order to create a more favorable environment for social enterprise development in Bulgaria. Lobbying for policy recognition and governmental support has been identified as a major priority for the social enterprise sector. In a recent survey, 80% of Bulgarian social enterprises noted the lack of governmental policy as a major obstacle to social enterprise.

In order to establish a coherent and accessible knowledge base, and to avoid fragmenting the support infrastructure, it is crucial to develop an infrastructure to provide business support services for the initial stages of social enterprise development. While much of the support available to mainstream business — primarily through business centers and agencies that focus on small business — is relevant to social enterprises, the particular requirements and characteristics of social enterprise require better recognition from Government, business, and professional business-advisors. It is also important that the sector share knowledge and experience through networks.

International networking and collaboration, and opportunities to share experience and best practices with other EU member countries, is critical for social enterprises in Bulgaria. Initiating joint-projects to transfer experience and knowledge that assists social economy organizations throughout the European Union will help to expand market opportunities for social enterprises. Possible future initiatives in this direction could be:

- Mapping out the social enterprises in Bulgaria – a survey to map out the role of social enterprises, and to value their social and economic impact;
- Virtual Incubator for social enterprises – establish an Internet-based resource center with links to business consultants, legal advice, and resources for social enterprises;
- Capacity building events for NGOs, local government, and public institutions on social investment and social economy, and focus on positioning social enterprise models as part of the wider social economy sector in Bulgaria;
- Establishment and development of market places or trade-marks for products of the social enterprises with social-added-value (produced by marginalized groups with no access to

markets); and direct access to the market through specialized "fair-trade shops" that would significantly contribute to the sustainability of social enterprises;

- Resource center for social enterprises – a collection of tool boxes for start-up and development of social enterprises: best practices, case studies, database of consultants and resources, books/manuals and training modules/materials;
- Disseminating "best practices" and "know-how" on social enterprises and drawing the attention of central and local government to the benefits of the social enterprises;
- Preparing amendments to legislation for social enterprises, and developing strong political support within the government;
- Supporting the state policy for social inclusion, and active social and employment policy through technical assistance and replication of successful operational models of social enterprises;
- Create a support organization for social enterprises that is able to provide a wide range of services for non-profits that want to start or expand income generating activities. The services would include training, research, database, exchange and site visit programs that will help the non-profits to make wise economic decisions. Another key objective of the support organization would be to develop contacts with different sectors – academic, business, governmental, and to raise awareness and promote the model of the social enterprises.

Social Contracting

Despite many valuable results achieved during the program, widespread impact from social contracting in Bulgarian municipalities remains undocumented. The public-private partnerships between NGOs and local authorities in the social sector remain a rare phenomenon. To date, the number of the municipalities that "risked" to contract-out some of their social services is not more than 20, and all of them are supported (including financially) through different donor programs. Reform still needs to be supported with different tools and resources.

Possible initiatives in this direction could be:

- Conducting trainings for municipal representatives to promote "best practices" in social contracting and sharing achievements;
- Cooperation with different municipal associations and representative structures to popularize social contracting and to outline positive impact from public-private partnerships;
- Organizing trainings for NGO social service providers to support their capacity in social contracting and advocacy skills in their relationship with the local and central authorities;
- Supporting and helping the local authorities to organize competitions for contracting social services (the small grants scheme is a very successful tool for this);
- Disseminating "best practices", and program outreach through publications on social contracting;
- Preparing amendments to legislation to eliminate some legal constrains, and
- Supporting state policy to popularize the decentralization of social services.

After five years of engaging NGOs and municipalities in the social service sector, the accomplishments under the Community Fund, Social Enterprise, and Social Contracting component have created momentum and effective models that will serve to overcome challenges and push for reform in the legislative environment and achieve multiplied results.

ATTACHMENT # 1 Community Fund Training and TOT Summary

Trainings Provided by Counterpart under Community Fund (CF) Component

Training Title	Consultant	Number of Participants	Purpose	Results
Community Fund 101 (group 1)	Jan Surotchak	55	Introduce the nascent CFs to the core areas of activity of community foundations	Gained knowledge about history, current status and core practice areas of CFs in the USA and Slovakia; Provided tailored assistance to Bulgarian CFs
Community Fund 101 (group 2)	Shannon St. John	43	Introduce the nascent CFs to the core areas of activity of community foundations	Gained knowledge about CF mission, fund development, grant making, marketing of the concept, and PR
Strategic Planning Workshops	Monika Pisankaneva Marieta Tsvetkova, Iren Stephanova	97	Assist CFs in developing their strategic goals and outlining their strategic plans for the first 3 to 5 years of activity	Practical hands-on experience in strategic planning of the Managing Boards of all CFs
ACFB Strategic Planning	Tomas Verteletskyy	7	Assist the CF Association in developing its strategic plan for the first 3 years	Outlined ACFB strategic goals for the period 2005-2008; Gained experience in strategic planning by ACFB Board
Board Development I	Chriss Doherty	15	Enhance CF board members' skills for implementing the roles and responsibilities of non-profit boards	6 CF boards practiced development of annual plans, discussed relationships with donors and the community; board diversification, and internal roles distribution
Board Development II	Greta Gornert	30	Introduce the Board Resource Manual and discuss the basic responsibilities of the non-profit boards	6 CF boards were introduced to the Board Resource Manual, which features the roles and responsibilities of the non-profit boards, policies and procedures for running the organization
Fundraising and Fund Development	Carla Cesare	15	Familiarize the CFs with types of funds managed by community foundations(unrestricted, donor-advised, field-of-interest, etc.) and approaches for attracting different donors	Increased understanding of CF's fund development process; discussed methods and techniques for attracting donations by the Boards and Executive Directors of CF Blagoevgrad, Chepelare, and Gabrovo
Financial Planning Workshops	Giovanna Sedilo	21	To help CFs develop realistic financial budgets for operation costs and project implementation	Gained hands-on experience on financial planning by the Boards of CF Chepelare, Gabrovo, and Blagoevgrad
Accounting and Financial Management	Shehzad Meehmood, Desislava Dzhurkova, Chronica	12	Familiarize the CFs with the Bulgarian legislation requirements for financial management and accounting of NGOs	CF staff and accountants familiarized with Counterpart financial reporting procedures, and accounting requirements for Bulgarian NGOs

	Accounting			
Induction Training for New CFs	Monika Pisankaneva and 3NET	30	Familiarize the staff of new CFs with Counterpart program objectives and methodology, with grant application and reporting requirements	New CF staff familiarized with the CF concept, and with Counterpart program objectives, methodology, and procedures
Project Development and Management Workshops	Tilly Reed, Monika Pisankaneva and 3NET	40	Increase CF skills for proposal writing, and deepen their understanding of the project cycle management	The staff members of all 10 CFs increased their skills for proposal development and project management
Payroll Donations	Bulgarian Charities Aid Foundation (BCAF)	35	Familiarize CFs with the payroll donation method for attracting ongoing support from individual donors	CF staff, board members, and accountants increased knowledge for payroll donation; practiced skills for introducing the method in large corporations
Organizing of Special Fundraising Events and Working with Corporate Donors	BCAF	20	Increase CF skills for organizing of special fundraising events, and reporting back to donors; enhance skills for providing services to corporate donors	10 CFs developed detailed plans for Christmas fundraising initiatives; strategy for attracting corporate donors developed
Community Foundations Asset Development	Shannon St. John	25	Increase CF skills for asset development and sustainability planning	6 CFs and 4 initiative-groups developed detailed plans to raise funds for operation costs and for grant making for the current year; CFs learned strategies for planning for growth and sustainability
Grant-making	Monika Pisankaneva and 3NET	21	Enhance CF skills for implementing transparent and effective grant-making competitions	CFs learned about the stages of a grant-making cycle, with a special focus on monitoring and evaluation of grantees
PR and working with mass media	Iren Stephanova (3NET) and Dobromir Borislavov (Counterpart)	25	Enhance CF skills to effectively communicate their messages to the community, and develop long-term relationships with local media	The training was attended not only by CF staff and board members, but also by local journalists who had expressed interest to learn more about the CF activities; new partnerships between media and CFs emerged
Participatory Community Appraisal and Planning	Methodi Methodieff, 3NET	100	Increase the capacity of the initiative-groups and boards of the CFs to conduct effective public forums	This training was delivered to the initiative-groups or the boards of newly created CFs. As a result of this training they managed to engage a larger number of local people in identifying local needs and prioritizing philanthropy goals.
Volunteer Management	3NET	15	Increase CF staff skills to attract, train and effectively manage volunteers	Increased number of volunteers retained for long-term service at the CFs
Networking and Partnership Building for Local Development	Stara Zagora Economic Development Association (contracted by World Learning)	15	Enhance CF skills to develop cross-sector partnerships and networks that boost local development	The 3 pilot CFs received information about all major development programs operating in Bulgaria, and improved their understanding on the role of NGOs as catalysts of cross-sector partnerships

TOT Training Modules Developed/Modified by Counterpart under Community Fund Component

Training module	Consultant	Number of participants	Purpose	Results
TOT 1: Organizing Successful Training Events	Iren Stephanova (3NET)	10	Introduce the participants to the principles of adult learning, and increase their skills to organize information meetings and training events	Participants deepened their understanding of the principles of adult learning; improved skills for successful training preparation; practiced interactive training methods; training evaluation; techniques of audience management; and public speaking skills
TOT 2: Community Fund Mission, Goals and Start-up Process	Monika Pisankaneva	10	Discuss CF mission, structure and goals, and the skills which the expert assisting CF development must have in order to assist CF institutional strengthening	The participants discussed the difference between community funds and other NGOs; different ways to start-up a community fund; board roles and responsibilities; what makes a successful community fund; how to assist initiative-groups to start the process
TOT 3: Strategies for Sustainability	Caesar Layton, Counterpart International	10	Enhance the participants capacity to assist community funds in asset development, financial management, and donor relationship management	The participants conducted asset evaluations of their organizations, and developed plans on how to diversify sources of income in order to achieve financial sustainability
TOT 4: Stakeholder Management	Jeremy Condor, UK	10	Enhance participant skills to identify and prioritize community fund stakeholders, and develop mutually beneficial relationships with them	Participants practiced stakeholder analysis, developed communication strategies, and customer satisfaction surveys
TOT 5: Organizational Assessment	Monika Pisankaneva and Iren Stephanova	14	Introduce the participants to CF organizational development assessment tool	Participants practiced organizational self-assessment, discussed methods and tools for collecting information from a wide range of local stakeholders, developed a vision for the future of Bulgarian community funds over a 10-year span

ATTACHMENT # 2

COMMUNITY FUND
BOARD RESOURCE MANUAL

A SUMMARY OF GUIDELINES AND SUGGESTED PRACTICES FOR BOARD MEMBERS OF COMMUNITY FUNDS IN THE COUNTERPART INTERNATIONAL-BULGARIA COMMUNITY FUND PROGRAM

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2. INTRODUCTION

Counterpart International-Bulgaria Community Fund Program is called upon frequently to provide suggestions or information on "best practices" in the area of organizational governance. This Resource Manual is an attempt to answer some of these questions and help Community Foundation's (CFs) more easily orient new Board members to their responsibilities in the governance of a CF. The manual provides suggestions, overviews, and key points with respect to many of the situations which may confront Board members during their tenure on the Board. The manual is NOT an official policy document.

The manual is a DRAFT. If it proves valuable, please use and update it regularly. Board members are free to suggest inclusions, revisions, and clarifications for future versions.

The use of this draft, or of a completed manual, will be entirely at the discretion of the Board of each CF. Boards will be free to add additional material of their own -- we will ask only that such material not contradict the guidelines outlined herein. It is recommended that each CF consider developing its own Board Manual, with important documents about Board responsibility, the legal and organizational structure of the CF, its history and its programs. The CF Program Manager will be glad to assist any Board interested in putting together such a manual.

The responsibility for the contents of this manual is ours, and any disagreements, comments or questions should be addressed to Monika Pisankaneva, CF Program Manager.

Community Fund Program
Bulgaria Community Fund and Social Enterprise Program
Counterpart International-Bulgaria

3. PRINCIPLES OF GOVERNANCE

The manual is based on the following Principles of Governance, which are more thoroughly addressed in the body of the manual.

1. A governing body - board, executive committee or other supervisory body (hereafter "the Board") - is the highest authority of any CF. It should establish the policies of the CF; authorize its main programs; approve an annual budget; appoint the Director of the CF; and exercise care that the operations of the CF are carried out effectively, conscientiously, and with fiscal integrity.

2. Members of the Board should serve for fixed renewable terms, ordinarily two or three years at a time. Their designation as members of the Board should follow the procedures provided in the CF's charter or bylaws. In circumstances in which they serve for two-year terms, half should leave the board or should be reappointed in any year; in the case of three-year terms, one third. The purpose is to ensure both continuity and the regular infusion of new ideas and approaches. (See 9. Board Rotation)

3. In ordinary circumstances, Board members serve without compensation. If a Board proposes to compensate a member on the grounds that he or she performs operational duties that consume a substantial part of their time, in addition to taking part in governance, a super majority (2/3) of the Board should approve such compensation.

4. The Board should meet regularly and frequently: no less than once every two months and, preferably, every month. In ordinary circumstances, meetings should be scheduled well in advance so that members may make arrangements to attend. Many Boards will find it convenient to set a fixed time (for example, the second Tuesday of each month). In any case, Board members should receive a written schedule of meetings covering no less than a six-month period.

5. In the event of emergencies, the Chairperson of the Board may convene the Board on short notice. A good faith effort must be made to notify all Board members in such a manner that they have an opportunity to attend.

6. Minutes should be kept of all Board meetings. The minutes should record the decisions of the Board and copies should be distributed to the Board and approved, or amended and then approved, by the Board at subsequent meetings.

7. The Board should adopt rules providing for the removal of members who regularly miss meetings. In addition, such rules may provide for removal in the case of conduct that does serious damage to the mission of the CF.

8. The appointment of a Director is one of the important responsibilities of the Board. This should be done by a consensus of the Board or, where that is not possible, by the agreement of at least two-thirds of the members of the Board. The Board sets the salary and benefits of the Director. In such circumstances, the Director is responsible to the Board in carrying out the activities of the CF. The duties and

authority of the Director should be set forth in a job description that is approved by the Board. The relationship between the Director and the Chair, and their respective authority, should be spelled out.

9. The appointment of other members of the staff is the responsibility of the Director. The Board may provide that appointments to top positions - such as deputy director or financial director - require its advice and consent.

10. The Board should be entirely or largely composed of persons with no material interests in the projects supported by the CF. Proposed new Board members should be asked to declare whether they have such material interests. Under any circumstances it is essential that Board members should take no part in decisions by the Board in which they have a material interest. It is not sufficient that Board members recuse themselves when projects in which they are directly engaged are considered as it is essential that Board members should avoid circumstances, or the appearance of circumstances, in which they divide among themselves the resources of the CF. In cases in which a number of Board members have material interests in projects of the CF, recusal by the member directly affected by a decision could nevertheless convey the impression that the Board members protect each other's interests.

In cases in which a Board has delegated to a committee or other body decision-making power on projects to support, that body should not itself act on matters in which its members have material interests; rather, the matter should be referred to the Board.

The underlying principles that each Board should strive to uphold in dealing with such matters are that all potential and actual conflicts of interest should be declared; no person should be a judge in his or her own case; and that furtherance of the principles of the organization require that the opportunity to obtain support should be equitably open to all and not restricted or partially restricted to a clique.

11. Though the promotion of community development may be considered political - in the broadest use of that term - it is essential that CFs should not be partisan and should not appear to be partisan. This does not preclude service on the Board by those who are identified publicly as being politically partisan. However, in order to avoid the appearance or actuality of political partisanship, it is essential that Boards that include members who are identified politically should balance their membership by enlisting those of other political parties or tendencies to serve on the Board, provided of course that all members of the Board should share a commitment to community development and should otherwise be appropriate members of a board. In no circumstance should a particular partisan position, or the government, be so heavily represented on the Board that the CF comes to be identified with that partisan position or with the government. Also, the Board should take care to ensure that the CF does not engage in partisan activity that is, activity for or against a candidate or political party, and does not act as a lobby in support of or in opposition to legislative proposals.

12. The principal criteria for service on the Board are: commitment to the principles of an community involvement and development; understanding of how to promote the

goals of the CF in areas of particular concern; prestige; association with institutions or professions or segments of society with which the CF wishes to cooperate in carrying out the projects of the CF; diversity; and capacity to work collegially with other members of the Board and with the staff of the CF. In communities in which the population is divided along ethnic, national, linguistic, or religious lines, it is important for the CF to work with all sectors of society in carrying out its programs and, in every way possible, to demonstrate its respect for all, minorities as well as the majority. Accordingly, the CF should make an effort to ensure that different sectors of society are included on its Board and among its staff. Where divisions in society are at the heart of the struggle to establish community involvement, it is especially important that the Board's own composition should reflect a commitment to the civic concept of citizenship and ethnic-linguistic pluralism.

13. Cooperation with government is necessary for the CF to accomplish its goals. In some communities, governments have expressed their appreciation for the work of the CFs by providing direct support through grants of funds or contributions of buildings or other property.

Though CFs welcome cooperative relations with governments because these may facilitate CF projects and because the support of governments extends the reach of the CF, Boards should take care to ensure that these relations do not compromise the independence of the CF.

14. In general, members of the staff should not serve as members of the Board. However, if it wishes, a CF may have its Director serve on the Board.

15. In general, Board members should have advance notice if major matters are to be considered at meetings; the hiring or firing of a Director; selection of a new Chair; authorization of the annual budget; a major policy change or innovation; and the addition or deletion of a major project.

16. The Chair should preside at meetings. In his or her absence, or at the designation of the chairman, another Board member should preside. If there is a Vice Chair, that person should preside in the absence of the Chair. Decisions may be made by consensus; in the case of division, majority rule should prevail, except in the special cases noted above, and in cases mentioned in the charter or bylaws, such as a change in the bylaws.

17. The Board may appoint committees or advisory boards to guide the management of particular projects. In general, the members of such advisory boards are selected because of their expertise or special interest in the project area. Advisory Boards have only such authority as is delegated to them by the Board and they serve for such periods as the board may determine.

4. THE ROLE OF THE BOARD

The highest decision-making body of a Community Foundation is called the Board or, sometimes, the Managing Board. Its powers are specified in the CF's Charter or Statutes. As the highest authority of a CF, the Board has primary responsibility for deciding how the work of the organization will be pursued in its municipality. The Board will work with the Boards of Trustees and Donors and the Director to develop the CF's strategy and ensure that effective programs are developed in response to this strategy. The Board then acts as the guarantor of the CF's activities and operations.

Boards govern. This gives them specific responsibilities in a number of areas. The more important ones are summarized below, and many of these are spelled out in more detail in following sections.

Developing Strategy

- articulating a vision for community involvement in development of the municipality;
- developing and updating a mission statement;
- establishing the overall priorities for the coming year(s);
- approving the CF's programs and grantmaking areas; and
- approving the budget.

Finding the Right People

- hiring the Director;
- assisting the Director in the process of hiring staff;
- ensuring that good members are recruited to the board and its committees;
- providing committees with clear guidelines and occasional consultation;
- identifying possible new members who will contribute to the diversity, competence,
  and long term relevance of the Board; and
- devising a fair mechanism for rotation of Board and committee members, in order to permit a continuous influx of new ideas and perspectives.

Overseeing the Work of the CF

- guiding, evaluating and, if necessary, replacing the Director;
- ensuring that good financial and management systems are in place;
- monitoring the grant-making process to ensure that it is fair and transparent;
- evaluating programs and major grants to ensure that they are effective;
- directly approving large grants and the annual budget;
- ensuring that potential conflict of interest situations are dealt with fairly; and
- serving as a mediator in case of staff grievances with the Director.

Communicating

- encouraging and guiding debate at the highest levels on community development;
- liaising with the government, other foundations/funds, and the academic community;
- defending the work and staff of the CF in the event of attacks; and
- inspiring CF staff and others who work for the promotion of Community Foundations.

The importance of various aspects of CF governance will change over time. In the early stages, in a crisis, or after major personnel changes, the Board may need to devote a great deal of time to ensuring that the CF is run efficiently and accountably and that grants are made fairly. Once experienced and talented staff is in place, the Board's most valuable contribution will be to ensure that the CF's work creatively addresses current and evolving needs, by devoting sufficient time to questions of mission, strategy and program evaluation.

Managing the day-to-day work of the CF is the job of the Director and staff. Except in unusual circumstances, it is generally best if Board members are very cautious about becoming involved in the details of CF management. The work of promoting community development requires that Board members focus their efforts at the highest level, in the areas outlined above, rather than becoming concerned with managerial details.

5. THE ROLE OF THE BOARD CHAIR

The Board elects a Chair to guide its work and to serve as the CF's highest representative. The Board Chair in turn agrees to represent the interests of the Board rather than his or her own. He or she has several critical responsibilities. Among them:

- to build agreement among Board members about the CF's mission, its priorities, the programs it should support and the grant requests it should fund. In formal Board meetings and in informal interactions with Board members, the Chair will clarify important choices and developments, look for areas of agreement and attempt to reconcile competing interests and priorities;

- to be the primary liaison between the Board and the Director. The Chair will meet regularly with the Director to ensure that Board directives are being implemented and Board objectives achieved. The Director will consult first with the Board Chair in dealing with unforeseen or complex situations;

- to ensure that Board meetings are well prepared and well run. This means ensuring that the Director and staff have prepared and distributed adequate materials, that Board members are notified in advance of important issues to be addressed, that the Board meeting is run as democratically and effectively as possible, and that Board decisions are formally ratified and recorded;

- to serve as the CF's chief spokesperson. This means articulating its position on important issues, justifying its decisions if necessary, and defending it against attacks. In this respect, the Chair must be willing to take unpopular stands and perhaps alienate powerful people opposed to the activities of the CF or its principles;

- to ensure that the grant-making process is open, transparent, and fair. This may mean resisting demands for his or her personal intervention from persons whose grant applications have been turned down for legitimate reasons. He or she must be willing to disappoint, and possibly anger, friends, colleagues, and important persons by denying their requests for additional consideration not given the ordinary grant seeker;

- to ensure compliance with the principles of governance. This may include monitoring possible conflict-of-interest situations involving Board and Committee members. The Chair should ensure that these are dealt with in such a way that the work and reputation of the CF are not compromised. This may require the Chair to risk the displeasure of other members. As Board Chair, he or she must also, of course, be extremely careful about possible conflict-of-interest situations involving himself or herself and the institutions he or she represents.

A Board Chair can be expected to give at least 20 hours per month to CF affairs and sometimes considerably more. A person who for professional or personal reasons cannot give this much time should strongly consider not accepting this position.

6. THE BOARD MEETING

Formal meetings are the venue in which Board members guide the work of the CF. Well-run meetings make this a rewarding task and help the CF do its work effectively. Poorly-run meetings are debilitating to all involved. Some basic guidelines follow.

Scheduling: It is generally more convenient for members if meetings are held at regular intervals. After the Board has agreed to a schedule, the Director will generally take responsibility for ensuring that meetings are held as planned. The distribution of materials well in advance will remind members of the schedule, and permit those who cannot attend to let the Board Chair know.

Setting: Board meetings are best held in a comfortable setting, where participants will not be distracted by people or telephones. Though the CF office is an obvious location, if the Board is discussing highly confidential matters it may be better to meet at another location.

Preparation: It is the responsibility of the Director and Board Chair to prepare the agenda and assure that members receive well prepared material at least a week in advance of the meeting. Except in unusual circumstances, Board members should not be presented with new and controversial information at a Board meeting, without having had time to reflect on it beforehand.

Length: The length of the Board meeting will depend upon the work to be done and the ability of the Chair to run an efficient meeting. It is important to remember that attending Board meetings is only part of a Board member's responsibilities. A monthly Board meeting of no longer than 4 hours, for example, permits members to spend more time preparing, visiting programs and grantee projects, and meeting informally to discuss important developments.

Staff Participation: As the executor of the Board's will, the Director will generally attend all Board meetings, except when matters related to his or her performance and compensation are being discussed. It is generally not advisable to open Board meetings to a large number of guests. Many issues which must be addressed require frank debate, and many decisions require tactful announcement. If non-Board members are present, the Board must feel free to ask them to leave when their presence is no longer required.

Decision-making: Strong Boards generally contain a diversity of opinions. Nonetheless, it is generally best if members can reach consensus on a subject. Members are expected to make decisions based on reasoned judgment rather than personal opinion, and it should generally be possible for Board members to arrive at agreement on an issue. Where consensus is not possible, majority voting is appropriate, and all decisions must be ratified by a formal vote.

Minutes: Formal minutes must be kept for each Board meeting. It is generally best if these are taken by a trusted assistant, rather than by a Board member or the Director, in order that these latter may participate fully in the meeting. Minutes must show: the date and duration of the meeting; who was present; what decisions were taken; what if any material interests were declared by members; and how conflicts-of-interest were resolved. These minutes should be circulated to all members for approval or amendment, signed by the Chair and formally adopted at the next meeting. The Director will generally keep the minutes on file.

Confidentiality: Board members, staff, and invited participants must respect the confidentiality of the Board meeting. Board members must know that their individual comments and votes will be kept entirely confidential and that the general nature of any discussions will be shared only with great circumspection. In general, it is inappropriate for anyone other than Board members to explain the nature of any debate or the reasoning behind any decision, and Board members themselves must be extremely cautious in divulging this kind of information.

7. PRINCIPLES OF OPERATION

The day-to-day operation of the CF is the responsibility of the Director and his or her staff. They, under the Board's supervision, are responsible for ensuring that the CF's mission is translated into concrete action. An "operationally mature" CF is one which can be relied on to meet its mission efficiently, reliably, creatively, and with accountability. In talking about such a CF, the following areas are of concern:

- the ability to formulate and implement effective programs and initiatives to meet Board priorities;
- the existence of systems for generating, evaluating, and funding the proposals of others;
- the ability to supervise grantees and to evaluate the programs/projects of the CF and of these grantees;
- the ability to manage funds accountably, including the ability to draw up and keep to program and project budgets and the ability to monitor expenditures for possible fraud, misappropriation, and conflict of interest;
- establishing clear channels of authority, responsibility and accountability among personnel;
- hiring, promotion, and compensation of staff based on abilities and accomplishments, with little or no traces of nepotism, cronyism, or favoritism;
- the ability to effectively and fairly terminate staff who either transgress CF procedures or are unable to perform to the required standards; and,
- the creation of a professional work environment in which staff are free from internal racial, ethnic, sexual, or other forms of harassment.

8. CONFLICT-OF-INTEREST & SELF DEALING

Conflict of Interest

Dealing with real or apparent conflict-of-interest situations is one of the most sensitive and difficult tasks of a Board. Badly handled, conflict-of-interest situations will undermine the work of the CF by leading grant applicants, staff, and observers to believe that the CF's funds and activities are being manipulated for the benefit of individuals rather than being dedicated to the promotion of community development. Well handled, potential conflict-of-interest situations will demonstrate to all that Board members put principle above personal gain and thus can be trusted to guide the work of the CF and decide upon the allocation of its resources. Some basic considerations follow.

Conflict-of-interest can be defined as a situation in which a Board member has a personal interest in the way CF funds are used, in addition to his or her interest in being an impartial Board member. Most obviously, a conflict-of-interest may exist if CF funds go to an organization which directly employs a Board member or members of his or her family. This may not be wrong. The majority of people may agree that this organization is best suited to do the work required, and the Board member may be universally acknowledged to be honest. However, the Board member has at least two potential interests -- interest in the fairness of CF resource dissemination and grant-making and interest in his or her personal well-being or professional career (or that of a family member) -- and steps must be taken to ensure that these interests have been dealt with separately. The principle for dealing with these situations is clear: the interests of the CF must always come first, and it must be clear to all interested parties that they do come first.

There is one clear-cut solution to a conflict-of-interest situation:

- the Board member can resign from the CF Board, or the Board member or relative could resign from the organization applying for funds, before any decisions are reached and preferably before any serious deliberations are held.

In this case, the conflict of interest disappears. When this solution is not desirable or possible, and the Board as a whole determines that an unavoidable conflict-of-interest exists, it should consider which of the following steps can be taken to mitigate the situation:

- the Board member can take steps to see that he or she or relatives do not gain any material benefit from grant money. This might mean no salaries, no support for personal research, no benefit from administrative funds and no travel support, for example; or

- if the Board member or a relative does receive financial support, this should clearly be equal or less than he or she would normally have received, had funds come from other sources.

The Board member whose interests are in conflict must ensure that the extent of his or her material interest in the situation is made clear. He or she must take steps to ensure that other Board members are free to discuss the matter in confidence. At a minimum, this will involve taking no role in any discussions or votes, and, in fact, being completely absent when the matter is being discussed by the Board.

All of these considerations obviously apply as well to conflicts-of-interest involving committee members and staff at the CF.

Self-dealing

Self-dealing is the deliberate use of CF resources for personal gain. This might mean the awarding of contracts, the purchase of equipment or supplies, the rental of buildings, or the awarding of grants or CF funds in such a way that CF staff, Board members, or committee members or their families or friends derive an unfair personal or business advantage. In general, the appearance of self-dealing is possible whenever individuals associated with the CF provide it with services or goods for which they, their relatives or their close friends are paid. Steps must be taken to ensure that goods and services are obtained on a competitive basis, and, if it is possible, it is generally best if Board members and CF staff and their relatives are excluded from this competition. When these provisions cannot be followed, the matter must be dealt with openly and decisions should be well-documented.

Whereas conflict-of-interest situations may be difficult to resolve when they involve competing views of what is good, self-dealing is virtually always impermissible. Anyone who engages in self-dealing must be replaced; this applies to Board and expert committee members as well.

9. BOARD ROTATION

Regular rotation of board members is a widely accepted principle of organizational management. The health of a CF is directly involved, as such changes are essential to revitalize the leadership of the organization as it grows and changes. Only with a constant source of new information and ideas can boards move through the phases necessary for the CF's development.

By-laws

Provisions for rotation should be included in the bylaws of each CF. The bylaws should specify the length of terms and the consecutive numbers of terms a board member can serve.

A sample rotation policy could be based on the following guidelines and principles:

- Board members have staggered 2 to 3 year terms, renewable twice.
- Renewal is not automatic, but is conferred when there is a particular reason for extending a board member's service.
- The Board Chair serves 2 to 3 years, renewable once.
- The Board Chair's term is served in addition to his/her term as a board member.
- Provisions are adopted for removal of a member based on failure to attend meetings and/or support the organization's mission and principles, and/or persistent conflict of interest.
- Changes to rotation policies are approved by a super (2/3) majority of the board.

Nominating Process

It is the responsibility of the board (or board committee) to nominate new board members. Nominations should come after the Board or Nominating Committee has developed criteria for selecting new members and vetted a number of candidates. In other words, Board members should be identified for the skills they can bring to the board (see section below on Composition). Board members or nominating committees should submit to the entire board the CV's of their preferred candidates, along with supporting information as to why they should be approved.

Look at the current strengths of the board, consider where the organization is and where it needs to go, and then decide what kind of people should be included.

Nominating Committee

The nominating committee determines the composition of the board by identifying, recruiting, and proposing board members. On small boards, the nominating committee may be the full board or an external body.

The nominating committee leads the board in identifying the types of board members the CF needs. The committee develops written descriptions of board members' responsibilities and creates a plan for identifying prospective members. Once the process is under way, the committee plays an active part in cultivating new board members; screens and interviews candidates; and recommends candidates to the full board for approval.

Composition
A well diversified board takes a number of factors into account including age, sex, ethnic origin, location of business or residence, areas of expertise (administration, finance, fundraising, business, legal, marketing, planning, public relations, media, etc.), organizational experience (business, government, nonprofit), and background. It is not difficult to identify the kind of board members you need. The hard part is to secure the ideal individuals to fulfill those needs. To do so, the nominating committee should not wait until the last minute to identify good prospects. Because some potential candidates might need to complete current commitments, it may be necessary to approach certain candidates well in advance (6 months to 1 year) before the time you would like them to serve on the board.

Job Description for Board Members
Develop a job description and recruitment plan. Nominating board members, whether by a nominating committee or as a function of the full board, is an important part of creating dynamic and continuous leadership for the CF. A description might include:

- Supporting the mission of the CF.
- Attending board meetings and actively participating in decision-making.
- Reading written materials in preparation for board meeting.
- Sharing particular areas of expertise with the board and staff.
- Being an advocate for the organization; promote the CF in way appropriate to the board member's profession and contacts.

Board Chairs
With few exceptions, a board chair will have been a board member for at least one term prior to their appointment to the position. Chairpersons should not select their successors, but should offer their opinion. Because chairpersons know what the position demands, they are often able to advise other board members about who has the right qualities and should therefore be involved in the nominating process. A two to three year term for the chairperson is advised as this allows for adequate time to grasp the role and yet not long enough to lose interest or have too personal an impact on the CF such that the chairperson fails to entertain new ideas and concepts. The term is renewable once, except under extraordinary circumstances.

Systematic Selection
A systematic process of identifying and selecting the kinds of people who are desirable members of the board is critical in building a successful board. This includes:
- a formal job description and a statement of responsibilities
- a written profile that identifies the ideal composition of the board and compares current composition against that ideal
- a plan for reaching out to other constituencies that can help identify prospects
- a process for cultivating prospective new members to educate them about their role and to increase the chances of their willingness to serve
- an orientation program for new members that sets the stage for them to learn about the mission and values of the CF and the role of the board

The quality and commitment of those selected to serve on the board will influence its effectiveness.

Vetting
Identifying potential board candidates is an ongoing process. Boards with staggered terms will have at least one board member rotating each year. As the search never ends, it is important for board members and directors to continually identify potential candidates. Once a candidate is found, invite him/her to participate in a board meeting, seminar, or retreat; serve on a committee; make a presentation to the board; and/or dine with the board chair and members. Such contacts provide opportunities to examine his/her appropriateness as a board member.

Terms and Limits

Term limits for board members offer several advantages: they ensure a variety of perspectives, help an organization expand its base of contacts in the country, and prevent inordinate concentration of power among a small group of leaders. The CF should balance the advantages of experience with the changing needs of the organization.

Staggered Terms
Staggered terms for directors means that a certain number of directors, but not the entire board, will be chosen in any given year. It is advisable that no more that one-half of the board members rotate in any one year.

Removal of Board Members
A board member must meet the fiduciary duties of careful and prudent judgment, adherence to the CF's purposes and rules, and avoidance of conflicts of interest. To discharge fiduciary duties, board members must be able to attend meetings. Bylaw provisions should include removal of board members who miss a specified number of meetings. Bylaws should also include provisions that describe the removal of board members for cause, such as continued and pervasive conflict of interest issues.

Description of Board Member's Responsibilities

Planning
- Approve the CF's philosophy and review management's performance in achieving it.
- Annually assess the ever-changing environment and approve the CF's strategy in relation to it.
- Annually review and approve the CF's plans for funding its strategy.
- Review and approve the CF's long-range program and financial goals.
- Annually review and approve the CF's budget.
- Approve major policies.

Community Foundation

- Elect, monitor, appraise, advise, support, and, if necessary or desirable, change the director.
- Ensure that management succession is properly provided.
- Verify that the internal resources of the CF are equal to the requirements of the long-range goals.
- Approve appropriate compensation and benefit policies and practices.
- Propose directors to fill vacancies as needed.
- Annually approve the performance review of the director.
- Annually review the performance of the board and take steps to improve its performance.

Operations

- Review the results achieved by management as compared with the CF's philosophy and annual and long-range goals.
- Provide candid and constructive criticism, advice, and comments.
- Approve major actions of the CF, such as capital expenditures, grants over authorized limits, and major changes in programs.

Audit

- Be sure that the board is adequately and currently informed – through reports and other methods - of the condition of the CF and its operations.
- Appoint independent auditors.

10. RECRUITING A DIRECTOR

Choosing a good Director is perhaps the single most important responsibility of the Board. The Director is the senior-most staff person at the CF and is, in general, the only one who works for and reports directly to the Board. He or she manages the work of the CF and hires, supervises, and replaces the remaining staff as necessary. A good Director will motivate a staff to work hard in pursuit of the CF's objectives; a poor one may demoralize them. Replacing a poor Director is often a painful process for the CF; for this reason selecting a good Director and providing him or her with adequate support and supervision is vital.

The selection process should be as open and transparent as possible. In particular, it must be clear that considerations of competence and commitment have been the primary ones in selecting the Director. It hurts the reputation and work of the CF if the ED is perceived to have been given the post due to friendship with Board members, family or clan ties, ethnic or religious reasons, or due to political affiliation.

Hiring a Director should generally involve most of the steps outlined below. It will generally be necessary for the Board to develop a plan and timeline for the hiring process, and to create a "search committee" of 3 - 5 members to manage the process.

1. Developing a job description, terms and criteria: the Board must know as well as possible what the job of the Director is, what personal qualities they want to see in the Director and what the most important selection criteria will be. The Board must also know what general range of compensation can be offered to the right candidate. Prospective candidates have a right to see the job description before being interviewed, and the most likely candidates need to know the range of compensation they can expect.

2. Publicize the search: through word-of-mouth, nominations, or formal advertisement, enough people must know that a new Director is being sought to generate a range of applicants for the Board to choose from. The effort to get good candidates does not always need to involve a great deal of publicity, but it must be active -- the Board cannot simply wait for good applicants to come along. Except in unusual circumstances, outside observers should feel that the process was "open", in that a wide range of candidates were given the opportunity to apply or were otherwise considered.

3. Interview: Many candidates can be dismissed by reading their CVs, but it is unlikely that the best candidate will be found unless at least six to eight are interviewed. The search committee, or representatives of the Board, should meet all potential candidates and the Board as a whole should interview the most serious ones. A good interview is more than a conversation -- Board members will generally agree in advance on the criteria according to which the candidates will be evaluated, and ask specific questions during the interview which allow them to do this evaluation. After the interview, it is very useful for individual Board members to rate the candidate with respect to the agreed upon criteria and make other notes about their impressions.

4. Selection: the choice of the Director should either be unanimous or by a minimum of two-thirds of the votes of the full Board. If the final selection is deadlocked, it may be necessary to expand the Board or bring in outside advisors. A Board which cannot unite around the selection of an Executive Director is in a troubling situation. Members who cannot agree to give a new Director their active support should consider whether they can remain on the Board.

5. Hiring: when the new Director is hired, he or she must clearly understand the job and the terms, and the Board should understand as clearly as possible what it expects from the Director. The Board should consider establishing a six-month probationary period, ending in an in-depth evaluation of the Director's performance and an opportunity for the Board and Director to agree on their expectations of each other in the future.

Evaluating the Director

As stated earlier, the selection of a Director is a critically important Board function, as is the annual assessment of the Director. Normally, evaluation takes place annually or more often if the Board members have some reason for concern.

Questions for assessing the Director's performance include:

- What are the major objectives of the organization?
  - Short term (1-2 years)
  - Long term (5-10 years)
- How well are these objective being realized?
- Does the Director have the necessary skills and knowledge?
- Does the Director have the necessary personal characteristics?
- Does the Director recruit and supervise good staff?
- What are the Director's major strengths?
- What are the Director's chief weaknesses?
- What external factors interfere with the Director's ability to achieve CF goals? How?
- Is the Board a positive, negative, or neutral force in achieving CF goals?
- What specific decisions and actions are necessary to:
  - strengthen the Director's performance?
  - clarify the proper role of the Board?
  - enhance the contribution of the organization?

The three cardinal rules for assessment are:

1. Do it;
2. Do it in a humane and sensitive way; and
3. Make it a constructive, regular exercise for the Director, Board, and CF.

11. STAFF AND COMMITTEES

Staff Compensation

The compensation of employees is a sensitive matter. The Board plays a limited role in this area, but it is crucial to play this role well.

- The Board decides upon the compensation level of the Director. On occasion, it will decide on the compensation level for the Financial Director. Deciding compensation for other staff is a matter for the Director. The Board's responsibility is to ensure that the compensation system is fair. The Board should not intervene on behalf of individual staff in their salary negotiations with CF management.

  Within the community, there will generally exist standards to which CF staff pay can be compared, such as the salary range of local employees at comparable NGOs.

  These standards will not provide absolute figures for staff salaries, but they will allow the Board, Director and Financial Director to make general comparisons. If a CF develops a reputation for extravagant pay, it will be compromised in the eyes of grantees and the general public. If the CF gets a reputation for paying badly, it will have a difficult time attracting and keeping qualified staff.

Working With Staff

The Director is the head of the staff and supervises them in the day-to-day work of the CF. The Board works with other staff primarily through the office and person of the Director. The Board may also work closely with the Finance Director (FD. The Director may direct staff to seek guidance from individual Board members, but it is otherwise best if the Board and staff maintain enough professional distance between each other that each can perform its tasks with relative autonomy.

Job Descriptions

- As noted earlier, it is very useful to have the Director's job responsibilities outlined in a Job Description and to have the terms of employment outlined in a contract or letter of agreement. The same considerations also apply to other staff at the CF. Formal job descriptions permit the Board to evaluate the Director and the Director to evaluate other staff more objectively, and formal contracts can make situations involving termination of employment clearer to all parties.

Working with the Director

- The Director works directly for the Board and is entrusted with carrying out Board directives. The Board sets standards of performance for the Director and evaluates him or her. It is generally useful to have at least one formal evaluation session yearly, during which the Board can review the Director's performance in the past year, both parties can agree on the important tasks of the coming year, and the Board can adjust compensation as appropriate.

- Since the Director is entrusted with managing the CF, it is important that he or she have the confidence of the Board. Except when discussing matters of extreme sensitivity, he or she should be present at Board meetings and strategy sessions. However, the Board will generally grant the Director ex-officio non-voting status on the Board, rather than full membership, in order to avoid concentrating too much authority in the hands of one individual.

- A good Director will develop a professional relationship with each Board member, and each Board member is entitled to interact with the Director as he or she feels necessary. The Board Chair in particular will work closely with the Director. However, it is important to remember that the Director reports to the Board as a whole and must avoid the appearance of favoring the interests of opinions of some Board members more than others. Board members can assist in this process by not attempting to influence the Director privately in ways other Board members might object to.

Working with the Financial Director

- The Board may interact regularly with the Financial Director without the presence of the Director. This has the advantage of permitting the Board to acquire a broader perspective on developments in the CF. Caution is required not to create rivalry between the Financial Director and Director for the Board's approval. Except when they believe that grave mistakes are being made, all staff must work as committed members of the Director's management team, rather than independently or in opposition to him or her.

- It is particularly important that the Board is familiar with the financial situation of the CF. The Board as a whole may require the Financial Director to update them regularly on the CF's expenditures and commitments and compare these to project budgets and projected expenditures.

Working with Program Staff

- As members of the highest governing body of the CF, it is important that Board members distinguish between their individual opinions on various matters, which can be carefully shared but not imposed, and the position of the Board, which can be forcefully articulated if necessary.

- The Director generally sets performance criteria and directly evaluates staff performance; Board members who have concerns about staff performance must address these to the Director, not to the staff person concerned. Equally importantly, Board members must be careful never to express criticism of the Director in the presence of other staff. Criticism of the Director must be shared with this individual privately.

- In their interaction with staff, Board members can provide inspiration and encouragement and help create an atmosphere which enhances motivation and commitment. It is an ideal situation when staff members feel that the Board is an active participant in developing creative grant and project initiatives rather than

merely a critical body to be approached cautiously. The Board can create these conditions by understanding the constraints under which staff labor, by providing clear policy directives, by encouraging innovation and creativity among staff members, and by consistently evaluating proposals fairly.

Terminating Employment

- In most cases, the Board will deal directly only with the terms of employment of the Director. Terminating the employment of other staff will generally be the responsibility of the Director. It is the responsibility of the Director to establish fair termination mechanisms and to be willing to use them when conditions warrant.

- Though terminating employment of the Director must be approached cautiously, a Board must be willing to act decisively in cases where he or she:
  - willfully fails to follow legitimate Board directives;
  - is guilty of fraud, dishonesty, negligence, breach of trust, or criminal activity;
  - conducts himself or herself in a manner which is unprofessional, unethical or brings disrepute to the CF; or
  - engages in self dealing or creates a conflict-of-interest for the CF.

- Even if the Director is not guilty of any of the charges mentioned above, the Board should consider replacing the Director if it has lost confidence in his or her ability to effectively lead the CF. This will include situations where the Director's managerial ability is inadequate in the face of growing operational complexity and situations where he or she fails to devise programs which effectively meet needs articulated by the Board. Replacing a Director for these reasons may be painful and merits caution, but it is the Board's responsibility to see that the Director is effective.

- When the Board has decided to replace an ED, decisive action is generally called for. It can harm the work of the CF and staff morale if a departing Director stays in office longer than is absolutely necessary. In cases of fraud, criminal activity, unprofessional conduct or self-dealing, departure should be immediate. In other cases where the ED is leaving involuntarily, a brief transition period is optimal. Reasonable financial or other incentives can be considered to make the transition as painless as possible for the Director, keeping in mind the overall interests of the CF.

Working with Committees

Once the Board has established the CF's direction and priorities, it must delegate the responsibility for implementing these to the Director and CF staff, and to various committees which assist them. The Board will need to decide how much decision-making autonomy rests with the staff and various committees and how much remains with the Board. A balance must be struck between ensuring that the Board's fiscal and legal oversight responsibilities are fulfilled while ensuring that competent staff and committees are allowed to exercise their professional judgment.

Conflict of Interest & Self-dealing

Members of committees are bound by the same constraints as members of the Board. They are expected to monitor themselves for possible conflicts of interest, self-dealing, questions of favoritism and concerns about the fairness of CF projects. Conflict-of-interest situations, such as grants involving a member's institution or relative, must be referred to the Board, and the Board must address these with the CF's reputation in mind.

12. PUBLIC RELATIONS

CFs are generally highly visible institutions in their communities. The Board will want to ensure that the CF has an effective public relations strategy and that Board members understand their responsibilities in this area.

Making Information Available

- Because they are generally tax-exempt organizations, it is important for nonprofit CFs to make information about their activities readily available to all who legitimately inquire. It is also important to make such information available because grant-giving institutions are often accused of being cliquish or unfair in their allocation of funds. A CF which widely publicizes the availability of grants and makes information about its practices and procedures readily available will be less vulnerable to such accusations. In times of crisis, the CF's best ally is broad public support for its activities.

- In addition to making information widely available, it is also important to pay attention to the manner in which your CF is presented to the public and how its goals and mandate are articulated. The public statements and actions of the CF's officials, including Board and staff, are important in determining the organization's public image.

Answering Questions

- In every CF, there should be a person designated as the **PUBLIC RELATIONS CONTACT**. Questions from the press or from officials relating to CF policies are referred to the Board Chair. The most important consideration is that the various representatives of the CF should coordinate their public statements.

Private Opinions and "Board" Positions

- In interviews and public appearances, differentiate your views as a private individual from the position of the CF on an issue. As public figures in your own right, the CF respects your freedom to express your personal opinion on issues of concern to you. However, you are asked to ensure that listeners distinguish when you are speaking as an individual from when you are speaking on behalf of the CF. Remember that the CF is a non-partisan organization.

- Differences of opinion between Board members on non-CF matters do not need to be hidden from the public; it may even be healthy for the public to see that Board members have different opinions on political or socio-economic matters, provided all these opinions are consonant with the principles of community involvement and development. However, Board members should be very careful about disagreeing publicly on the activities of the CF or the decisions of the Board. This will indicate to some people that the CF is disorganized and unprofessional and to others that they can attempt to manipulate these divisions for their own ends.

In a Crisis

- When the CF faces hostility from powerful forces in society, public relations becomes a delicate and crucial process. Board members should be very clear to:

  - know what the CF's position is on a particular issue;
  - know what can be addressed and what should not be addressed publicly;
  - coordinate among themselves and with the Director and public relations contact before making any statements.

- In times of crisis, it is especially important to designate one person as the spokesperson for the CF, although this should be standard procedure.

ATTACHMENT # 3

SUMMARY REPORT ON SMALL GRANTS

Grants Program Components	# of grantees	# of grants	Total grant amount initially awarded	# of grants by final status			Total actual grant amount absorbed	Total Grantees contributions
				Completed	Partially completed	Cancelled		
COMMUNITY FOUNDATIONS	11	59	$503 302	55	2	2	$484 551	$584 143
SOCIAL ENTERPRISES	26	42	$105 814	42	0	0	$104 886	$39 581
SOCIAL CONTRACTING	17	17	$83 658	13	0	4	$63 839	$184 448
GRANTS TO LOCAL IMPLEMENTERS	5	6	$472 041	2	2	2	$205 553	$0
TOTALS	**59**	**124**	**$1 164 815**	**112**	**4**	**8**	**$858 829**	**$808 173**

The next Section of this attachment provides detailed list of small grants with their status and impact made

DETAILED REPORT ON SMALL GRANTS

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
1	CF Chepelare	Lighting	$27 956	20.08.2002 31.03.2003	$27 956	$26 971	$54 927	completed	Improved living conditions in Chepelare. Complete renovation of the street lights in the town of Cheplare, and 60 % cost reduction for street lightening. More than 500 new energy efficient lamps installed. More than 10,000 citizens and more that 5,000 tourists per year benefit the new lightening system in the town.
2	CF Chepelare	Seed Grant	$4 685	01.04.2003 31.12.2003	$4 571	$0	$4 571	completed	Enhanced operational capacity of the community fund. Renovated office premises, equipped with one PC, printer, telephone, fax and internet. Operation costs covered for the 1st year of work of the community fund.
3	CF Chepelare	Bogutevo I	$3 835	01.07.2003 31.10.2003	$3 838	$6 482	$10 320	completed	Improved conditions for tourism in Bogutevo. Renovated and beautified center of the village of Bogutevo. Tourist development needs assessment conducted. Improved conditions for village tourism.
4	CF Chepelare	Bogutevo II	$4 562	01.09.2004 31.12.2004	$4 531	$6 374	$10 905	completed	Reconstruction of the local Chitalishte (community center) to transform it into a major tourist facility; a place where folk groups perform; local craft-producers (20 people) display their products and young people of the village work; play and communicate.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
5	CF Chepelare	Sports Field	$38 664	01.07.2005 15.09.2006	$36 420	$38 664	$75 084	partially completed	Purchased artificial turf and accomplished preparatory work for the construction of multifunctional sports field. Project was not completed within the time frame due to undertaken supplementary activities by the municipality, which were delayed. Expected completion of the work – October 2006. The project will improve the existing sports infrastructure in Chepelare and contribute to diversification of the sources of income of the community fund.
6	CF Chepelare	Street Lights II	$41 967	01.09.2005 30.11.2005	$41 938	$57 272	$99 210	completed	Improved living conditions in the villages of Chepelare municipality. Renovated street lights in 8 villages of Chepelare municipality; installed over 800 energy saving bulbs; reduced expenses for street lighting; improved conditions for tourism.
7	CF Chepelare	General Purpose Grant	$9 950	15.10.2005 15.08.2006	$9 950	$4 500	$14 450	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 10 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.
8	CF Chepelare	Kindergarten Elhitsa	$1 281	15.03.2006 31.07.2006	$1 281	$2 312	$3 593	completed	Improved educational materials and facilities at Kindergarten Elhitsa, Chepelare.
9	CF Chepelare	Children Free Time	$4 234	15.03.2006 31.05.2006	$4 234	$5 090	$9 324	completed	Improved equipment of a children sports club, enhanced conditions for children free-time activities.
10	CF Gabrovo	Seed Grant	$4 739	01.05.2003 31.12.2003	$4 740	$0	$4 740	completed	Enhanced operational capacity of the community fund. Renovated office premises, equipped with one PC, printer, telephone, fax and internet. Operation costs covered for the 1st year of work of the community fund.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
11	CF Gabrovo	Hospital ICU	$37 770	01.06.2003 31.10.2003	$35 264	$40 021	$75 285	completed	Improved conditions for emergency-care in Gabrovo through renovation of the intensive care unit of the regional hospital. Reduced risk of infection for the patients (800/year) of the intensive-care department of the regional hospital. Improved work conditions for the health-care workers (20) in the intensive-care department. Regional impact of improved health services: more than 100,000 people benefit from the project.
12	CF Gabrovo	Hospital 2	$16 082	15.04.2004 15.02.2005	$16 082	$98 874	$114 956	completed	Improved conditions in the kidney-dialysis unit of the hospital. Reduced risk of infection for patients (600 per year). Renovate premises for cancer-prevention center, unique for the region. Regional impact: more than 100,000 people benefit from the project.
13	CF Gabrovo	General Purpose Grant	$10 000	01.09.2005 15.08.2006	$10 072	$5 010	$15 082	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 10 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.
14	CF Gabrovo	Media Campaign	$6 431	12.01.2005 31.08.2006	$6 535	$6 413	$12 948	completed	Improved visibility of the community fund, developed long-term partnerships with local media, enhanced community outreach.
15	CF Gabrovo	Support to Dryanovo SE	$4 753	10.10.2005 10.12.2005	$4 753	$5 068	$9 821	completed	Enhanced operational capacity of the community fund. Renovated roof of the day-care center for elderly people in Dryanovo benefiting over 100 people.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
16	CF Gabrovo	Schools	$12 151	01.01.2006 31.05.2006	$12 151	$12 273	$24 424	completed	Nine School Boards of Trustees conducted participatory school needs identification and developed projects to meet those needs. Improved conditions for study and sport at 9 schools in Gabrovo. Over 10,000 students benefit from this project.
17	CF Gabrovo	Schools II	$12 719	15.03.2006 31.07.2006	$13 108	$13 438	$26 546	completed	One school, six kindergartens and one NGO received small grants from the community fund to support improvement of their facilities or free-time activities. In one of the projects, 350 students attended open-air swimming lessons in the summer time. The total number of beneficiaries is 2,500.
18	CF Blagoevgrad	Seed Grant	$4 838	01.05.2003 31.12.2003	$4 838	$0	$4 838	completed	Enhanced operational capacity of the community fund. Renovated office premises, equipped with one PC, printer, telephone, fax and internet. Operation costs covered for the 1st year of work of the community fund.
19	CF Blagoevgrad	Pool Project	$11 000	01.09.2003 30.11.2003	$11 000	$13 405	$24 405	completed	The only public pool in town was renovated by the project. Provision of free access and free swimming classes for 30 institutionalized children. 7,200 people use the pool per year.
20	CF Blagoevgrad	Schools	$13 837	15.08.2004 31.12.2004	$13 838	$20 164	$34 002	completed	Six School Boards of Trustees' capacities were built to identify actual schools' needs and implement effective measures for addressing them. 4 children playgrounds reconstructed and 3 newly built playgrounds. Improved the conditions for sports in 2 schools. Improved information-technology conditions in 2 schools. A school's library created. 4,300 students benefit from the project.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
21	CF Blagoevgrad	Schools II	$3 973	01.09.2005 31.12.2005	$3 973	$4 054	$8 027	completed	Four school Boards of Trustees conducted participatory identification of school needs and designed projects. Over 3,000 students benefited from improved conditions for study and sport at their schools.
22	CF Blagoevgrad	General Purpose Grant	$10 000	01.09.2005 15.08.2006	$6 084	$1 943	$8 028	partially completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 11 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image. However Community Fund Blagoevgrad was not able to complete project in full due to lack of human recourse.
23	CF Blagoevgrad	Media Campaign	$6 000	11.01.2005 31.08.2006	$6 371	$4 429	$10 800	completed	Improved visibility of the community fund, developed long-term partnerships with local media, enhanced community outreach.
24	CF Blagoevgrad	Schools III	$9 800	01.04.2005 31.07.2005	$9 800	$10 430	$20 230	completed	Nine School Boards of Trustees conducted participatory identification of school needs and designed projects. Over 10,000 students benefited from improved conditions for study and sport at the 9 schoools.
25	CF Stara Zagora	Seed Grant	$3 018	01.07.2003 30.09.2003	$3 018	$1 328	$4 346	completed	Enhanced operational capacity of the community fund. Operation costs for the first 3 months of operation covered. Successfully implemented start-up activities and popularization of the CF.
26	CF Stara Zagora	Seed Grant II	$8 065	01.03.2004 28.02.2005	$8 065	$3 523	$11 588	completed	Enhanced operational capacity of the community fund. Renovated office premises, equipped with one PC, printer, telephone, fax and internet. Operation costs covered for the 1st year of work of the community fund.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
27	CF Stara Zagora	Playground	$3 144	20.05.2004 30.06.2004	$3 144	$3 613	$6 757	completed	Improved conditions for children's play in Stara Zagora. A new children's playground in one of the biggest housing areas of Stara Zagora was constructed. 9,000 beneficiaries.
28	CF Stara Zagora	Better Schools	$14 184	01.11.2004 30.05.2005	$14 184	$33 665	$47 849	completed	Improved computer literacy of the children of Stara Zagora. 92 new computers and 14 printers donated to 13 schools and the Children's Parliament. 13,000 students and more than 300 children in the Children's Parliament benefited from the project.
29	CF Stara Zagora	Food Bank	$11 440	05.05.2005 30.04.2006	$11 440	$16 096	$27 536	completed	300 pensioners with low incomes, who live alone, have chronic diseases and acquire an income of BGN 80 pension and 50 chronic-diseased children from low-income families, who have severe chronic diseases and take expensive life-sustaining healing supplied with food packages over a period of 1 year. The project was implemented by Red Cross St.Zagora which enhanced its capacity to manage a food bank.
30	CF Stara Zagora	Library Project	$4 530	01.05.2005 31.07.2005	$4 530	$4 997	$9 527	completed	Two public libraries equipped with modern technology for digitalized library services. A rise in the number of library subscribers. Increase in the percentage of young people who subscribe to the libraries. Libraries accessible for people with disabilities.
31	CF Stara Zagora	Better Schools II	$3 136	01.09.2005 31.10.2005	$3 136	$4 062	$7 198	completed	Four schools received small grants to improve the facilities for study and sport of the students. Beneficiaries were 4,000 students.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
32	CF Stara Zagora	Joy for Children	$4 547	01.06.2005 31.08.2005	$4 547	$5 616	$10 163	completed	As a result of the project, the material and technical equipment in 5 kindergartens, 1 pre-school institution and 1 social-care institution for abandoned children in Stara Zagora were improved. Project beneficiaries: 650 children aged between 3-6 years.
33	CF Stara Zagora	General Purpose Grant	$10 000	15.09.2005 15.08.2006	$10 000	$6 598	$16 598	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 11 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.
34	CF Stara Zagora	Media Campaign	$7 186	01.12.2005 31.08.2006	$7 690	$6 964	$14 654	completed	Improved visibility of the community fund, developed long-term partnerships with local media, and enhanced community outreach.
35	CF Stara Zagora	Monument	$11 623	10.10.2005 10.12.2005	$11 623	$10 702	$22 325	completed	Constructed monument of a local hero; improved community historical memory. 3,000 beneficiaries.
36	CF Stara Zagora	Creating playground area in the center of Radnevo	$10 311	15.03.2006 31.07.2006	$10 536	$9 539	$20 075	completed	Improved conditions for children play through construction of a playground in the center of Radnevo, 10,000 beneficiaries.
37	CF Berkovitsa	Seed Grant	$10 761	01.06.2004	$3 178	$0	$3 178	cancelled	Grant was cancelled due to grantee's incompliance with Grant Agreement
38	CF Tutrakan	Seed Grant	$2 141	15.04.2004 15.01.2005	$2 141	$1 057	$3 198	completed	Enhanced operational capacity of the community fund. Conducted community forum, produced promotional materials, and successfully accomplished CF start-up activities.
39	CF Tutrakan	Belitsa Street Lights	$2 502	15.09.2005 15.12.2005	$2 502	$2 970	$5 472	completed	Improved lighting system in the village of Belitsa, Tutrakan municipality. Decreased public spending on street lighting. 2,000 beneficiaries.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
40	CF Tutrakan	General Purpose Grant	$9 727	15.10.2005 15.08.2006	$9 804	$2 484	$12 288	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 10 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.
41	CF Tutrakan	Business resource center	$3 033	15.03.2006 31.07.2006	$3 033	$4 152	$7 185	completed	Renovated premises and purchased equipment for a resource center in Tutrakan that will supply with information small business and NGOs. Over 100 companies and 10 NGOs benefited from the project.
42	CF Pazardjik	Seed Grant	$2 141	01.06.2004 30.11.2004	$2 141	$2 980	$5 121	completed	Enhanced operational capacity of the community fund. Conducted community forum, produced promotional materials, and successfully accomplished CF start-up activities.
43	CF Pazardjik	Monument	$13 315	25.04.2005 25.06.2005	$13 315	$34 012	$47 327	completed	Created monument of St. St. Kiril and Methodij in the center of Pazardjik. Preservation of historical memory and improved citizen knowledge of their cultural heritage. Beneficiaries – the entire population of Pazardjik, 100,000 people.
44	CF Pazardjik	Video Wall	$5 849	01.06.2005 30.06.2005	$5 849	$8 069	$13 918	completed	Created information center with video wall that broadcasts information about NGOs and advertisements of companies. Improved civic awareness of NGO work. Created a new source of income for the community fund.
45	CF Pazardjik	General Purpose Grant	$10 000	15.09.2005 15.08.2006	$10 115	$5 000	$15 115	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 11 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
46	CF Pazardjik	Drug Prevention Project	$2 900	15.03.2006 31.07.2006	$2 975	$4 150	$7 125	completed	Enhanced drug effect awareness among students from Pazardjik region, aged 12 to 18. Produced drug prevention materials and distributed at information sessions with over 10,000 students from the region of Pazardjik.
47	CF Pazardjik	Talented Children Project	$3 467	01.04.2006 31.07.2006	$3 467	$4 092	$7 559	completed	Conducted master's class for 35 talented young piano players. Parents committed to sustain this activity with donations over the years.
48	CF Vratsa	Seed Grant	$4 054	01.12.2005 28.02.2006	$3 995	$1 928	$5 923	completed	Enhanced operational capacity of the community fund. Renovated and equipped office premises for the normal functioning of the CF; operation costs covered for 3 months.
49	CF Vratsa	Improving the conditions for re-socialization of prisoners	$2 334	15.03.2006 30.04.2006	$2 334	$2 616	$4 950	completed	Improved conditions for re-socializing of prisoners. Renovated video hall at the local prison and purchase of equipment for video sessions. Over 2,000 beneficiaries.
50	CF Vratsa	Creation of a children playground and mini football field	$3 756	15.03.2006 31.05.2006	$3 773	$3 944	$7 717	completed	Improved conditions for children play in one of the densely populated areas of the town of Vratsa. Constructed playground and mini-football field that benefit 2,000 children.
51	CF Vratsa	General Purpose Grant	$3 994	15.03.2006 31.07.2006	$3 914	$1 250	$5 164	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 4.5 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.
52	CF Sliven	Seed Grant	$4 850	01.12.2005 28.02.2006	$4 828	$1 078	$5 906	completed	Enhanced operational capacity of the community fund. Renovated and equipped office premises for the normal functioning of the CF; operation costs covered for 3 months.
53	CF Sliven	Video Wall	$4 120	01.04.2006 30.06.2006	$0	$0	$0	cancelled	Grant was cancelled due to grantee's incompliance with Grant Agreement

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
54	CF Yambol	Seed Grant	$4 866	01.01.2006 31.03.2006	$4 866	$1 307	$6 173	completed	Enhanced operational capacity of the community fund. Renovated and equipped office premises for the normal functioning of the CF; operation costs covered for 3 months.
55	CF Yambol	Schools Project	$3 135	15.03.2006 15.07.2006	$3 135	$3 988	$7 123	completed	Replaced old blackboards with modern white boards at 6 schools in Yambol; improved conditions for study for over 5,000 children.
56	CF Lom	Seed Grant	$4 997	01.01.2006 31.03.2006	$4 997	$1 699	$6 696	completed	Enhanced operational capacity of the community fund. Renovated and equipped office premises for the normal functioning of the CF; operation costs covered for 3 months.
57	CF Lom	Creation of information center with video wall	$3 700	01.04.2006 31.05.2006	$3 700	$3 700	$7 400	completed	Created information center with video wall that broadcasts information about NGOs and advertisements of companies. Improved civic awareness of NGO work. Created a new source of income for the community fund.
58	CF Lom	Grantmaking to local NGOs	$1 250	01.04.2006 31.05.2006	$1 250	$1 419	$2 669	completed	Improved facilities for study at 8 local schools and enhanced awareness about philanthropy among students. Organized national level literary competition for students essays on philanthropy.
59	CF Lom	General Purpose Grant	$3 999	15.03.2006 31.07.2006	$3 999	$2 358	$6 357	completed	Enhanced operational capacity of the community fund. Operation costs of the community fund covered for 4.5 months; improved capacity to manage donor-advised funds; enlarged donor base; strengthened public image.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
60	Open Door Center, Pleven	Seed Grant	$1 988	01.10.2005 30.11.2005	$1 988	$497	$2 485	completed	Open Door Center Pleven has improved themarket position of its social enterprise – laundry services, through attracting 19 new corporate clients, introducing subscription services on regular basis and improving the quality of the services. As a result the Social Enterprise has opened 2 new temporary jobs for women - victims of domestic violence.
61	Open Door Center, Pleven	Development Grant	$3 357	01.01.2006 28.02.2006	$3 357	$840	$4 197	completed	Increased technical capacity of Social Enterprise "Open door" Ltd. for improving the services and launching a new service - "Home master (craftsman)". Expanded productivity of the Social Enterprise with 65% and increased client satisfaction. 2 temporary jobs opened for youth from disadvantaged families.
62	Health for Everybody	Seed Grant	$2 000	01.10.2005 15.12.2005	$2 000	$531	$2 531	completed	The social enterprise has enhanced its capacity through the purchase of new equipment and has opened a new Hearing prosthesis Center in South Bulgaria /Stara Zagora branch. 500 people with disabilities are receiving an access to new services for people with disabilities on monthly bases.
63	Open Society Club - Rousse	Seed Grant	$1 903	01.11.2005 31.12.2005	$1 903	$500	$2 403	completed	Open Society Russe and its training center has introduced new English language course with an improved quality of the teaching process. It has contributed to enhanced competitiveness of the social enterprise and increased revenues that are used to finance the training of disadvantaged youth in the town of Russe.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
64	Regional Association Tehnitari	Seed Grant	$1 434	01.10.2005 30.11.2005	$1 433	$618	$2 051	completed	Technitari Social Enterprise has improved its capacity to market the crafts products of Roma people and to generate sufficient income for the Roma extended families. 10 Roma craftsmen have received new equipment for their crafts production, which provided an income and employment for them.
65	Center for Educational Programs and Social Initiatives - Yambol	Seed Grant	$1 936	01.10.2005 30.11.2005	$1 936	$656	$2 592	completed	The Center for Educational Programs and Social Initiatives has launched its social enterprise - a new service hourly babysitting in the town of Yambol. The social enterprise has opened 3 new jobs for women and is providing a new service in support of the facilities.
66	Our Birthplace Association – Batin	Seed Grant	$2 000	01.10.2005 30.11.2005	$2 000	$563	$2 563	completed	The social enterprise “Our Birthplace” in the village of Batin has increased the capacity of its cow-farm by purchasing 4 new caws. This reflected in an increased quantity and quality of the milk produced by the social enterprise. With the donated products to the social services, 50 elderly people in the village of Batin had received an access to food.
67	Health and Morality Non-Profit Association	Seed Grant	$1 922	01.10.2005 30.11.2005	$1 904	$763	$2 667	completed	The grant has contributed to strengthening the social enterprise capacity at its start-up phase by improving the production of halva, its packaging and marketing. Through the production of high quality halva the social enterprise is sustaining 4 jobs for blind people, who are directly involved in the production process.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
68	Beloslava Association - Beloslav	Seed Grant	$1 900	01.10.2005 31.10.2005	$1 900	$625	$2 525	completed	The Info Business Center in Beloslava has introduced new services with IT and computers for the small community of Beloslava and the social enterprise has expanded its market to 80 people per moth visiting the info center. The increased revenues of the social enterprise are used to support talented children from disadvantaged families with scholarships.
69	NGO Club – Targovishte	Seed Grant	$1 572	01.10.2005 30.11.2005	$1 572	$928	$2 500	completed	The social enterprise has established a new facility within their community café – a children playground that attracts young families and their children. The result was an improved public image and more clients for the social enterprise which is supporting the NGO Club as a NGO resource center in the town of Targovishte.
70	"NGOs Center in Razgrad" Association – Razgrad	Seed Grant	$1 962	01.10.2005 30.11.2005	$1 962	$631	$2 593	completed	The seed grant has contributed to enhanced capacity of NGO Center in Razgrad to plan and start the activities of the social enterprise – an ethnic jewelry workshop for women from ethnic minorities. It has improved the motivation of ethnic minorities in a small village to launch a social enterprise as a way to secure employment and income for their families.
71	NGO "EKO 21" - Gabrovo	Seed Grant	$1 904	01.10.2005 30.11.2005	$1 904	$670	$2 574	completed	The social enterprise "Eko 21" in Gabrovo has improved its operational capacity through product development of crafts and manufacturing of craftsman goods type "home folk crafts" from art textiles. 5 disadvantaged and long-term unemployed women have found new employment opportunities in the crafts social enterprise and have earned income for their families.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
72	"Samaritans" Association – Stara Zagora	Seed Grant	$1 531	01.11.2005 31.12.2005	$1 531	$500	$2 031	completed	The project has improved the main business activity of the social enterprise – production and distribution of honey products through enhancing the business capacity and marketing of the activity. It contributed to an increase in the income from sales that are used to support more at risk children in Stara Zagora. 50 children without parents received and access to counseling and care services.
73	Association for Social Assistance – Dryanovo	Seed Grant	$1 849	01.10.2005 30.11.2005	$1 849	$670	$2 519	completed	The grant has contributed to expanding the business capacity of the social enterprise – a day care center for elderly people to provide two new services – organizing cultural trips and copying services for elderly in the small town of Dryanovo. The impact was on increased number of clients with 10 % on a monthly bases and the increased provision of daily social services to elderly people within the social enterprise.
74	Marine Club "Friends Of The Sea"- Varna	Seed Grant	$1 940	01.10.2005 30.11.2005	$1 940	$520	$2 460	completed	The seed grant has increased the capacity of "Together on board" social enterprise through developing new service "skipper up to 20GT at sea course". It has supported a marketing campaign for better popularization and better market positioning which reflected in an increase in the provision of training courses for orphans in the town of Varna.
75	UNION LTD/ SE of "Association of Parents of Children with Cerebral Palsy" - Varna	Seed Grant	$1 932	01.10.2005 31.10.2005	$1 932	$1 072	$3 004	completed	The social enterprise of the parents of children with cerebral palsy has improved the productivity and the competitiveness of their products – vegetables from a greenhouse production. It has created 5 working places for people with mental disabilities in the vegetable greenhouse production.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
76	Knowledge Association – Lovech	Seed Grant	$1 688	01.10.2005 30.11.2005	$1 687	$888	$2 575	completed	The social enterprise of Knowledge association in Lovech has improved its capacity to offer a high quality training courses and educational services, has introduced new training modules and methods. A significant impact of the project was the creation of new employment – 1 permanent staff and 2 temporary trainers that were hired in the social enterprise.
77	Association "Center for Integration of Criminals and Risk Groups" – Pazardjik	Seed Grant	$1 975	01.10.2005 30.11.2005	$1 975	$533	$2 508	completed	The project has contributed to enhanced capacity of the social enterprise to move from a start-up phase to operational social enterprise. The social enterprise of "Center for integration of criminals and risk groups" in Pazardjik has provided recruitment advice to 28 ex-offenders and prisoners to find jobs and integrate into the society.
78	Empathy Foundation - Varna	Seed Grant	$2 000	01.11.2005 31.12.2005	$2 000	$675	$2 675	completed	With the project implementation "Empathy" foundation has increased the capacity of the social enterprise to manage a transportation service for people with disabilities in Varna and has supported the provision of transport services for 250 people with disabilities in two months.
79	Beloslava Association - Beloslav	Development Grant	$3 000	15.03.2006 15.05.2006	$3 000	$841	$3 841	completed	The Social Enterprise of Beloslava Association has expanded its computer center to provide information services to the whole community. It has also increased its resources and capacity to provide support and services to its target group - children and youth from minorities.
80	Association for Social Assistance – Dryanovo	Development Grant	$5 000	01.04.2006 30.06.2006	$5 000	$1 895	$6 895	completed	The Association for Social Assistance in Dryanovo has expanded its social enterprise with the opening of a mini care home for elderly people. The result was an increased asset base of the social enterprise, new jobs for the village of Gostilitsa and 6 elderly people with an option to have a decent life within the care home.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
81	NGO "ЕКО 21" - Gabrovo	Development Grant	$2 991	15.03.2006 15.07.2006	$2 991	$1 868	$4 859	completed	The project has contributed to enhanced capacity of NGO "Eko 21" in Gabrovo to manage business activity and to generate income from crafts sales. It has supported the design and introduction of 10 new products and the social enterprise had opened 5 new temporary jobs for at-risk women.
82	Health for Everybody	Development Grant	$3 000	15.03.2006 15.06.2006	$3 000	$1 511	$4 511	completed	The development grant has contributed to expansion of the social enterprise of "Health for everyone" by opening a Center for people with disabilities in Sofia and recruiting 24 new employees, as consultants for people with disabilities. The social enterprise has expanded its market by offering consulting and counseling services and technical devices to 800 people with disabilities in Sofia.
83	Open Society Club - Rousse	Development Grant	$2 806	15.03.2006 15.06.2006	$2 806	$1 100	$3 906	completed	The social enterprise of "Open Society Club" in Russe has increased its capacity by developing and offering 10 new courses as part of the services of the vocational training center. As a result of the expanded services the social enterprise it has doubled its income from training courses in two months and has provided free training to 8 youth from disadvantaged families.
84	Marine Club "Friends Of The Sea"- Varna	Development Grant	$3 000	15.03.2006 15.06.2006	$3 000	$901	$3 901	completed	The Marine club "Friends of the sea" has improved its financial self-reliability and expanded the asset base of its social enterprise. The social impact of the project is increased number of disadvantaged youth trained in marine courses – 49 people trained for half of the year.

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85	Health and Morality Non-Profit Association	Development Grant	$2 094	15.03.2006 15.06.2006	$2 094	$813	$2 907	completed	Through the expansion of the sunflower halva production the social enterprise has accelerated the business development, expanded their market and created more jobs for people with disabilities. The grant has contributed to improved contacts with retailers and clients that reflected in signing new contracts and increase in the revenues from sales.
86	Center for Educational Programs and Social Initiatives - Yambol	Development Grant	$2 998	15.03.2006 15.07.2006	$2 998	$1 167	$4 165	completed	The social enterprise of Center for Educational Programs and Social Initiatives has diversified its assets and launched a new service for construction and home repair. The grant has contributed to new jobs opportunities for youth unemployed and to increased income for social services. 5 youth from roma minorities are employed in the construction and repair workshop of the social enterprise in Yambol.
87	Knowledge Association – Lovech	Development Grant	$2 940	15.03.2006 15.06.2006	$2 940	$778	$3 718	completed	With the implementation of the development grant, the social enterprise of “Knowledge” association has improved its services by offering new training courses and has strengthened the capacity of the training center. As a result the social enterprise has increased with 30% the number of disadvantaged youth that are participating in the training courses and receiving vocational training.

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88	"NGOs Center in Razgrad" Association – Razgrad	Development Grant	$2 963	15.03.2006 15.06.2006	$2 055	$0	$2 055	completed	The development grant of "NGO Center in Razgrad" has contributed to enhancing the skills for the production of ethnic jewelry and decorations of the roma women in the village of Strajets. The social enterprise workshop is providing employment for ethnic minorities to be engaged in the SE and to enlarge the scope of ideas for manufacturing ethno-style jewellery and accessories.
89	NGO Club – Targovishte	Development Grant	$2 700	15.03.2006 15.06.2006	$2 700	$311	$3 011	completed	The development grant has contributed to enhanced potential of the Social Enterprise to generate income with the operations of the café-restaurant. It has increased the sales with 20% on monthly bases and improved the client satisfaction. The social impact is the sustained 2 jobs for roma people that are employed by the social enterprise.
90	Our Birthplace Association – Batin	Development Grant	$3 000	15.03.2006 15.06.2006	$3 000	$838	$3 838	completed	The project has contributed to enlarging the beehive of the social enterprise and to improving its capacity to generate income. "My Birthplace association" in the village of Batin has trained 10 unemployed young people in beekeeping and has increased their chances for employment in the rural areas.
91	"Samaritans" Association – Stara Zagora	Development Grant	$4 997	15.03.2006 15.06.2006	$4 997	$2 063	$7 060	completed	Samaritans Social Enterprise in the town of Stara Zagora has increased the business capacity, has improved the productivity and the quality of bee products. With the implementation of the new production line it has increased the income generated by the social enterprise and reinvested in social services for at risk children.

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92	Regional Association Tehnitari	Development Grant	$3 695	15.03.2006 15.06.2006	$3 695	$792	$4 487	completed	The development grant of Technitari Association in Stara Zagora has increased the potential of the social enterprise to generate income from crafts products. With the expanded capacity of the social enterprise 4 new jobs were opened for roma people. In addition to that 215 roma families are securing their only income through the increased access to markets of their crafts products.
93	Association "Center for Integration of Criminals and Risk Groups" – Pazardjik	Development Grant	$4 999	15.03.2006 15.06.2006	$4 999	$1 348	$6 347	completed	The Center for crime manifested and risk groups in Pazardjik have expanded the activity of the social enterprise by starting the operation of Vocational Training Center for supporting the financial stability of the NGO. The social enterprise has supported 10 ex-prisoners to find employment and be reintegrated in the society. In addition to that the social enterprise has increased 3 times the income from business activity compared with the previous quarter.
94	Diabetic Foot, Burgas	Development Grant	$2 997	15.03.2006 15.06.2006	$2 997	$806	$3 803	completed	The Diabetic foot Social Enterprise in the town of Burgas has increased its market outreach at regional level – establishing services for people with diabetics in 4 new towns. With its expansion the social enterprise is providing regional access to care for people with diabetics. The social enterprise has created 2 new jobs for people with diabetics and has sustained the employment of 4 people.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
95	Chovekolubie Association - Pazardjik	Development Grant	$2 991	15.03.2006 15.06.2006	$2 991	$981	$3 972	completed	With the development grant Chovekolubie Mental Health Center has equipped the newly constructed shop for bee products. With the new business activity the social enterprise has opened 3 new jobs for people with mental disabilities. The social enterprise is providing new service for the town a specialized shop for bee and honey products.
96	Personal Development and Civil Communities Association	Development Grant	$2 996	15.03.2006 15.06.2006	$2 996	$775	$3 771	completed	The Personal Development and Civil Communities Association has launched its income generating activity as a new service in the town of Pleven – employment advice and job agency. The new operational social enterprise has high potential to generate income and to provide job placement for former prisoners and excluded from the labor market. The social enterprise has provided free social services to 12 ex-prisoners to find jobs and to be re-integrated into the society.
97	Social Workshop, Dalgach	Seed Grant	$1 986	15.03.2006 15.06.2006	$1 986	$975	$2 961	completed	The social workshop in the village of Dulgach has enhanced its capacity to produce marketable crafts products through the traditional ethnic crafts techniques and has expanded its market. 4 Muslim women are permanently employed in the social enterprise and receive their only income in a poor area with high unemployment.
98	World for everyone	Seed Grant	$2 000	15.03.2006 15.06.2006	$2 000	$4 438	$6 438	completed	World for everyone in the town of Silistra has started its social enterprise – a tourist information center and has established first contracts with tour operators. A significant impact of the social enterprise is that it has creased a new service in the town of Silistra and has opened 6 part-time jobs for youth people.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
99	WAIETA – Women's Alternative for Independence, Ethnic Tolerance, Razgrad	Seed Grant	$1 981	15.03.2006 15.06.2006	$1 981	$950	$2 931	completed	The Women's association in the town of Razgrad has started the operations of its social enterprise – a child care center and hourly baby sitting. The social enterprise has contributed to improved social infrastructure with new services for children and their families. 4 women are partially employed at the social enterprise.
100	Association DAR, Burgas	Seed Grant	$1 894	15.03.2006 15.06.2006	$1 894	$831	$2 725	completed	With the start of the operations of the social enterprise of DAR association in Burgas it has contributed to opening a tailor and sewing workshop for lonely parents – 5 women who are taking care for their children by themselves. The social enterprise has increased the motivation of the disadvantaged women and expanded the chances for a better future of their children.
101	Social workshop and REDA, Stara Zagora	Seed Grant	$1 993	15.03.2006 15.06.2006	$1 993	$919	$2 912	completed	The social workshop for women in wheelchairs in the Home for people with disabilities in the town of Stara Zagora has increased its production capacity and improves the marketing strategy and product development. 8 women in wheelchairs that are participating in the social workshop have increased their personal income and opportunities for social integration through work and participation in the social enterprise.
102	Smolyan Municipality	Smolyan Social Contracting	$5 000	22.02.2006 31.05.2006	$5 181	$39 735	$44 916	completed	The grant has contributed to enhanced capacity of the municipality of Smolyan to implement social contracting and to award a contract for social services to an NGO Bulgarian Red Cross. The quality of the social service specifically, home care for elderly and disabled people, is improved significantly and 1000 beneficiaries have an access to it every day.
103	Kainardja Municipality	Kainardja Social Contracting	$5 000	22.02.2006 31.05.2006	$0	$0	$0	cancelled	Grant was cancelled due to grantee's inability to implement social contracting.

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104	Pazardjik Municipality	Pazardjik Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$7 210	$12 210	completed	The municipality of Pazardjik and its contractor Bulgarian Red Cross have established a new community-based service for elderly people – personal social assistants that are providing home care to 20 elderly people and people with disabilities. The project has contributed to the establishment of a new partnership for social service delivery and has enhanced the capacity of social service provider.
105	Kostinbrod Municipality	Kostinbrod Social Contracting	$3 658	22.02.2006 31.05.2006	$3 658	$10 647	$14 305	completed	The project has raised the awareness and capacity of the local government in Kostinbrod for the opportunities to contract out social services. The municipality has established a new community-based social service – a Day Care Center for children from socially disadvantaged families. This project is implemented by Step by Step Foundation. The Day Care Center provides services to more then 40 children.
106	Stambolovo Municipality	Stambolovo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$6 149	$11 149	completed	Stambolovo municipality is located in a remote area and the project has contributed to enhance the capacity of the local government to form partnerships for better delivery of social services. This was the first social contracting competition in the whole region and the home social patronage activity has been delegated to a local NGO - ARDA 2003 Association. The quality of the home care service has been improved and increased in terms of number of beneficiaries and geographic coverage.
107	Medkovec Municipality	Medkovec Social Contracting	$5 000	22.02.2006 31.05.2006	$0	$0	$0	cancelled	Grant was cancelled due to grantee's inability to implement social contracting.
108	Stara Zagora Municipality	Stara Zagora Social Contracting	$5 000	22.02.2006 31.05.2006	$0	$0	$0	cancelled	Grant was cancelled due to grantee's inability to implement social contracting.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
109	Dryanovo Municipality	Dryanovo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$11 875	$16 875	completed	Dryanovo municipality has improved the capacity of the local social service providers and quality of social services through contracting one more social service to an NGO. The winner of the competition - MOGA (I CAN) Association - now runs a Center for social and educational support for youth and children. This center is attended by 16 children every day.
110	Gabrovo Municipality	Gabrovo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$8 121	$13 121	completed	The project has enhanced the capacity of the local government to mobilize stakeholders in planning and establishing a new social service. For a first time the municipality has conducted a competition for social services and selected a local NGO - Municipal Association of Disabled - as social service provider. The new Day care center for people with disabilities and elderly people in Gabrovo is providing an access for 200 beneficiaries – elderly and people with disabilities to social and health services, consulting and social life.
111	Lyaskovec Municipality	Lyaskovec Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$5 783	$10 783	completed	Lyaskovets municipality and its contractor International Social Service - Bulgaria Foundation launched the first community-based social service for the children of the small town – a new day care Community center for children and families, which is providing support and care to 254 disadvantaged children. The project has enhanced the capacity of the local government to contract out social services and to work in a partnership with NGOs in social service delivery.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
112	Silistra Municipality	Silistra Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$15 562	$20 562	completed	The municipality of Silistra, which is very deprived community with high unemployment, has established a new social service for the community – a sheltered center for women victims of domestic violence. The municipality has enhanced its capacity to implement social contracting and the local social service provider - Women Association "Ekaterina Karavelova"- has improved the quality of the service.
113	Sevlievo Municipality	Sevlievo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$18 292	$23 292	completed	The project has stimulated the local government in Sevlievo to develop a new community-based social service and to implement social contracting through an open competition. The winner of the competition- Vsichki iskame promyana (We All Want Change) Association- implements a Day care center for youth and children with disabilities. This center provides access of 719 youth and children with disabilities to everyday care and support.
114	Vidin Municipality	Vidin Social Contracting	$5 000	22.02.2006 31.05.2006	$0	$0	$0	cancelled	Grant was cancelled due to grantee's inability to implement social contracting.
115	Shumen Municipality	Shumen Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$16 524	$21 524	completed	Shumen municipality and its NGO-contractor Union of Disabled in Bulgaria established a new service for the community – a Center for social rehabilitation and integration for people with disabilities. The new center is providing services to 400 people with disabilities and 300 disabled children which is the only way for a social inclusion and integration. The project has enhanced the capacity of the municipality to plan and develop social services and to implement social contracting.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
116	Oryahovo Municipality	Oryahovo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$5 049	$10 049	completed	The first case when local social service was contracted out to an NGO took place in the small and deprived community of Oryahovo. Social contract winner - AZARA Association - has established a new community-based social service while at the same time creating jobs for 5 unemployed people. They are working as social care assistants and provide home care and support to 10 elderly and sick people. Tengible result of this project is a further promotion and stimulating the development of public-private partnerships in social service sector n Oryahovo.
117	Veliko Tyrnovo Municipality	Veliko Tyrnovo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$34 582	$39 582	completed	Veliko Tarnovo municipality has contracted International Social Service - Bulgaria Foundation to create and run a new sheltered home for young orphans leaving institutions (18 – 25 years old) and thus provided opportunities for 8 orphans to have independent living at the sheltered home. The municipality has enhanced its capacity to implement social contracting. The project stimulated the development of new partnerships in social service delivery.
118	Antonovo Municipality	Antonovo Social Contracting	$5 000	22.02.2006 31.05.2006	$5 000	$4 919	$9 919	completed	The small and underdeveloped municipality of Antonovo has launched a new community-based social service - food delivery to children from socially disadvantaged families (public soup-kitchen). The social contract to implement this program was awarded to Antonovo Center for Youth Initiatives. With this new service 145 children from socially disadvantaged families in the town and 5 nearby villages have an access to warm food every day.

#	Name of Organization	Name of Project	Grant Amount Awarded	Grant Term	Grant Amount ACTUAL	Cost-Share ACTUAL	Grand Total Project Value	Grant Status	Grant Impact
119	BCNL	Social Contracting	$90 492	15.10.2004 15.09.2006	$73 566	$0	$73 566	completed	Enhanced capacity of BCNL as a resource center on social contracting through the development and implementation of model methodology for contracting out social services to NGO. Improved capacity of local governments for private-public partnerships in the social sector and improved capacity of social service providers.
120	3NET	Co-Implementor BPCFSE	$90 000	01.02.2003 30.09.2005	$90 000	$0	$90 000	completed	Enhanced capacity of 3 NET Association to provide support to community foundations. Strengthened program team operational capacity and improved technical assistance to the community funds.
121	Social Enterprise Foundation	Operation Grant	$22 200	01.01.2004 30.09.2006	$4 601	$0	$4 601	partially completed	Social Enterprise Foundation was established as a mechanism for administration of Social Enterprise Loan Fund jointly by Nachala cooperative and Counterpart. The Foundation has establish its detailed rules of business for the management and administration of the loans, financial and accounting responsibilities, operation of bank accounts, audits, reporting and other administrative and legal formalities. Grant was not completed in full due to the re-focus of Social Enterprise program component from loans to grants.
122	Social Enterprise Foundation	Loan Fund	$48 750	01.01.2004 30.09.2006	$9 248	$0	$9 248	partially completed	Social Enterprise Foundation has disbursed 4 no-interest loans to social enterprises. The loans were used to support the establishment of a computer training center for people with disabilities in Dobrich, cow farm for support of an orphanage in a remote village of Batin, equipment and washing machines for a laundry service in Pleven and launching a halva production from partially blind people in Stara Zagora. Grant was not completed in full due to the re-focus of Social Enterprise program.
123	Civil Society development Foundation	BPCFSE	$130 599	01.11.2001 30.04.2004	$28 138	$0	$28 138	cancelled	Grant was cancelled due to grantee's incompliance with Grant Agreement
124	Nachala	Loan Fund	$90 000	12.01.2003 30.09.2006	$0	$0	$0	cancelled	Grant was cancelled due to the re-focus of Social Enterprise program component from loans to grants.

ATTACHMENT # 4

DEVELOPMENT STAGES OF SOCIAL ENTERPRISE

	PRE-SOCIAL ENTERPRISE	START-UP	OPERATIONAL
Characteristics	Entrepreneurial NGO with no current business activities; strong desire to start a venture.	NGO is in the process of launching a Social Enterprise or income-generating venture.	NGO Social Enterprise operations that are less than two years old.
Program Objectives	Prepare NGOs for sustainability by strengthening knowledge and understanding of basic business concepts, venture requirements, cultural readiness, and financial and human resource capacity to generate revenue through a Social Enterprise.	Strengthen institutional base of NGO to achieve sustainability by starting a Social Enterprise with which to augment organizational funding through earned income and affect social impact.	Enable long-term NGO sustainability by developing a Social Enterprise as a means to mitigate the need for donor-funding through commercially generated revenue and increase program outreach and higher social impact.
Technical Inputs	Formal training using comprehensive curriculum and customized technical assistance, study tours and learning exchanges with Bulgarian NGOs in start-up phase or with existing Social Enterprises; networking sessions with other organizations in portfolio group; targeted small group training aimed at helping organizations struggling with similar issues.	Formal training and increasing focus on demand-driven customized TA. Learning exchanges; networking sessions for portfolio members, affinity groups organized by industry; targeted group training to overcome constraints; guidance by Venture Committee; Social Enterprise Marketplace and Business-plan Competition.	Formal training diminishes, emphasis on customize one-on-one technical assistance, mentoring, and coaching by leaders of the local business community. Participate in networking sessions organized by industry or technical area technical assistance; mentoring; Social Enterprise Marketplace and Business-plan Competition.
Technical focus	Introduction to social entrepreneurship and to Social Enterprise; Venture preparedness including Financial stability, Human resource capacity, and Cultural orientation; Business idea generation, screening and selecting ideas; Mapping and leveraging assets; Setting business and social objectives.	Business concept development and testing; feasibility analysis; market research techniques; basics of marketing; basic budgeting and accounting; financial management and reporting; competitive analysis; market and industry orientation; operations and human resources management; measuring social impact; planning tax and legal issues.	Advanced marketing management (pricing ; sales techniques, product diversification or development, market responsiveness); double-bottom-line accounting (segregating social costs and subsidy); advanced financial planning and management; customer satisfaction; social impact systems to gather and analyze data; human resource development; introduce Social Return on Investment (how to monetize social and economic value created by enterprise).
Financial inputs	Contributions from external sources (not Counterpart)	Small loans for start-up; small amount of earned income to recover some costs (partial self-sufficiency).	Small to medium loans for working capital, productive assets and investments in growth. Cash flow to operating self-sufficiency through earned-income (revenue recovers business cash-flow or operating costs at lower than market rates).
Outcomes	Knowledge and understanding of Social Enterprise; ability to generate and test realistic business ideas; basic understanding of financing and HR requirements for venturing; cultural cohesion regarding income-generation; understanding of how to map and leverage organizational capacities/expertise, and set dual-objectives for a Social Enterprise.	Developed and tested business concept; conducted feasibility study and market research for Social Enterprise; achieved stakeholders buy-in for Social Enterprise; gained basic understanding of enterprise financial management, including ability to prepare financial statements; applied basic marketing principles (price, product distribution and promotion) to business model; market tested product/service sales in market; earned revenue on product sales; developed enterprise business plan.	Established functioning Social Enterprise; achieved expansion through market or product diversification; competent financial management; capitalized business through income and borrowed sources; ability to qualify social costs and subsidies of social program from enterprise; installed system to collect and analyze social impact; responsive and adaptive to changing forces in the market environment; financial reporting indicates business performance from social programs; manages debt, business objectives and social interest; developed industry competence; generates significant income from commercial revenue.
Duration	Up to 18 months	Up to 18 months	Three or more years before moving to an advanced level

ATTACHMENT # 5

List of Social Enterprises (I round)

List of selected NGOs in the first competitive round for social enterprises

Organisation	Location	Target group	SE idea
Association "Our Birthplace"	Batin village, Borovo municipality, Ruse district	Solitary old and people who live in Borovo municipality and those who need urgently support in order to have their daily food portions.	Existing SE. Expansion of cattle farm, buying out at least 6 lacteous cows from the selection centre, Ruse town. Increase the revenue from the sold milk. Expand the vegetable production and submit it free of charge to the social patronage in Tzenovo, involving around 100 solitary old people in need from the region..
Gavroche Association	Varna	Roma street children in Varna, Roma children at risk of being left without parental care and control.	New SE. Young people of Roma origin, living at Gavroche Home, will be involed in woodworking and wood production, metalworking, repair of office and home equipment. Activities will be done in partnership with an already existing company.
Association for Social Assistance	Dryanovo	Elderly people over 65 years old and living alone; disabled people – visually impaired mentally disabled, etc.	New SE. Start a medical checkroom for non-traditional medical care; different payments for the same service according to incomes of clients and their ability to pay.
Bulgaria Family Planning and Sexual Health Association (BEPA)	Sofia	By age: people 12-55 years old By sex:: women and men (90% of the consultations are provided to women) Target groups: youngsters from ethnic minorities, blind and death young people, young offenders, socially marginalized youngsters.	Existing SE. BEPA's branch in Plovdiv realizes income for fulfilling its activities - venerological, sexological and family consultations and examinations. Expansion of this already existing enterprise will consist in the fact that BEPA clients will be able to obtain consultations using contemporary and reliable equipment /ultrasound machine/.
NGO Club	Targovishte	Marginalized communities and groups of unequal position, children and women at risk, ethnic minorities, juveniles.	New SE. Establishment of a "Club for Informational Technologies"" offering services to the young people /14-22 years of age/ with high interests in computer fields.

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Organisation	Location	Target group	SE idea
Targovishte Mental Health Association	Targovishte	Mental health users (either former or present patients) and their relatives	New SE. Produce linen, hand-knit clothes (mainly for children), nylon packs and sacks, cardboard boxes, and baskets for rubbish and dirty underwear. This activity will be within patients and ex-patients specifics and abilities. They intend also to offer a mission type of services in the hospital area – namely, photocopying.
Foundation "Vctoria 21"	Sofia	Single parents' families, especially the single mothers' families.	Existing SE. Expand a working tailor's atelier: - enlargement of the range and the number of the products; - advertisement of the products of the atelier; - transport expenses for goods; - hiring marketing and advertising specialist; - widening the range of the trade contacts
Open Door Centre	Pleven	Women who had suffered physical, philological or sexual violence.	New SE. Establish a public laundry.
Open Society Club –	Veliko Tarnovo	Drug dependents, families of the drug dependents, ill people in terminal stage of their disease, disabled people.	New SE. Establish a farm and agricultural production where the drug addicts will work. The production will be used for social support to elderly people and for the Drug Rehabilitation Center.
Centre for Mental health "Chovekolubie"	Pazargik	People with mental health and psychiatric problems; people who take mental health as a value.	New SE. Production of souvenirs for advertisement, and at the same time in addition to the advertising materials for different firms our priority will be the manufacture a product that will reflect the way of life in our town.
Association of Parents of Children with Cerebral Palsy	Varna	Children with cerebral palsy and children with congenital and hereditary impairments and their parents.	Existing SE. Production and distribution of vegetables/ according to provide alternative employment for parents of children with disabilities from Varna, etc
Marine Club "Friends of the sea"	Varna	Young roma people over the age of 16 years who would like to acquire marine specialty.	Existing SE. Provide skin-driving courses; 20dwt vessels navigation courses; sea trips – attractive itineraries offered by the Club.
BAPID	Pernik	People with intellectual and physical problems with mild and moderate intellectual retardation.	New SE. Production of packing bags; jobs and skills provision for mentally disabled children.
Society of disabled people "Nadegda"	Dobrich	Disabled people - I category	New SE. Knitting; shoemaker's services; transport services; repair of invalid's wheel chairs; making souvenirs.

ATTACHMENT # 5

Organisation	Location	Target group	SE idea
Regional Diabetic Care Union	Bourgas	Diabetic people inhabitants of Bourgas municipality.	Existing SE. Diabetic Step Study & Daily Station and Hot Care Line Information Group.
Centre for Integration of Crime Manifested and Risk Groups	Pazardjik	Direct target group: offenders (imprisoned people, released from prison, young offenders)	New SE. Establish a social enterprise that will mediate actively among the imprisoned people who produce souvenirs and sell them.
Open Society Club	Ruse	Children and young people with unequal social opportunities.	New SE. Training, information and consultancy services in the sphere of additional and life-long learning.
"Eyes on four paws" Foundation	Sofia	Blind citizens on the territory of Bulgaria.	New SE. Establish a school for guide dogs in Bulgaria, where the following auxiliary activities will be developed along with the core activity: Developing of own breeding farm for purebred dogs Organization of Production of materials (souvenirs, badges, printed materials) designed for the market competitions Import and distribution of dry food and accessories for dogs & cats Paid courses in common tame, etc.
"WAD" Foundation /Women Alliance for Development/	Sofia	Women and their families	New SE. Provide the Training Centre with permanent building and excellent training facilities. License of the training services provided. Establish a consultation center.
Psychological Center for Research (PCRD)	Sofia	People with physical, mental and sensory disabilities	New SE. Social enterprise will focus on conveying formally and informally the positive aspects of inclusion by giving practical, informal and E-formal education and training.
Center of Independent Living	Sofia	People with physical disabilities of working age from Sofia and groups and organizations of people with disabilities from all over the country.	New SE. Provision of paid social services in the community to people with physical disabilities of working age in Sofia area. The incomes will come from fees for services and from delivery of paid training and consultations for other organizations, institutions and universities as well as from publications.
European Information Centre	Veliko Tarnovo	Young people with unequal social opportunities, children at risk, orphans, women and kids victims of domestic violence.	New SE. "Open Door Child day care" to offer different innovative approach and model for children's care by providing a broad spectrum of services for aged 2-18 years old.

ATTACHMENT # 5

Organisation	Location	Target group	SE idea
Open Society Club –	Stara Zagora	People in unequal position – elderly people, orphans, disadvantaged people.	New SE. Establish centre for elderly people "Mutual help" to connect the two groups – people who need help and people who can supply help. Supply food preparation and delivery.

ATTACHMENT # 6

List of Social Enterprises (II round)

List of selected NGOs in the second competitive round for social enterprises

Name of NGO	Location	Target group	Existing SE/ SE idea
Regional Center for Social Integration	Batin village	People with ethic minority origin from the village of Batin, Borovo municipality /more than 300/	**SE idea** - to create a poultry farm as a new social enterprise that is going to be located in the village of Batin.
Association "Beloslava"	Beloslav	Children and young people, social groups at risk, ethnic minorities groups, and people with disabilities. Institutions, local self-government, business circles: with view to establishing sustainable partnerships.	**SE idea** - to establish a new social enterprise for provision of Internet services to citizens and training of people from the disadvantaged groups.
Association "DAR"	Burgas	Single parent families; children from single parents' families	**SE idea** - to establish a social enterprise in the sewing business to serve the needs of people with low incomes, hospitals, Children homes, Old people homes
Association "Shans i Zakrila" (Chance and Protection)	Haskovo	Children, young people and their families.	**SE idea** - to establish an enterprise for services related to organizing children's free time as well as services related to assisting the parents in the bringing up and education of their children.
Association "Znanie" ("Knowledge")	Lovech	Youths and adults from Lovech region. / Around 1 400 people per year participate in the different educational courses of Association "Znanie". /	**SE idea** - to cerate an independent business entity which would use the existing public reputation, experience and potential that Znanie Association has built. This entity will be developed in following main areas: 1. Educational activities; 2. Sale of intellectual products; 3. Consulting services; 4. Translation and administrative services office

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Name of NGO	Location	Target group	Existing SE/ SE idea
Association "Health for Everyone"	Pleven	People with disabilities and people with chronic illnesses.	**Existing SE** - The present project aims to enlarge the scope of the existing social enterprise by encompassing 10 more towns in Bulgaria. In the course of more than seven years now the Association Health for All managed to create a successful model for complex health services for the people with disabilities in the town of Pleven and the region.
Association Personal Development and Civil Communities	Pleven	Ex-prisoners - 32 people with criminal record.	**SE idea** - to establish a Center for copying which will deliver complete set of services to the clients: typing, copying, printing, laminating, documents binding and address delivery. The enterprise will take a market niche by introducing the so-called Full service. There will be 5 jobs open for people in disadvantaged position on the labor market and for ex-prisoners.
Foundation "Alternatives 11"	Shumen	Children and youths in unequal social status	**SE idea** - to establish a Resource Center for Educational Services. Our observations and research show that in the contemporary conditions children need specialized approach to make best use of their free time. This can be done in two directions: - preparation for school - development and expression of their interests and abilities
Center for Youth and Students Initiatives	Shumen	Young people, students, ethnic minorities, disadvantaged young people, orphans and young people with single parent families (“half-orphans”).	**SE idea** - to create an atelier for production of boutique children clothes, complete production of environmental friendly soft dolls/puppets and accessories for unique dolls/puppets for collectors and people who love dolls/puppets. Another product of the atelier will be puppets and stage settings of a puppet theatre type “a theatre in a suitcase”. This is something not available on the market at present while it is very suitable for places where children go as well as for home use.
Association "Information Center for Municipality Sitovo Development"	Sitovo	The young 18-35 years old people of mixed origin (Bulgarian, Roma, Turkish)	**SE idea** - Reduction of poverty in the region and improvement of the opportunities for alternative employment of women and unemployed young people by: - development of the rural and river tourism, - development of alternative agricultural methods.

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Name of NGO	Location	Target group	Existing SE/ SE idea
Association "Samaritans"	St. Zagora	- children with deviant behavior and /or those living in families at risk of divorce; - children in crisis situation; - children in pre-school or school age from high risk communities; - children, families and adults form disadvantaged groups' all living or currently residing on the territory of Stara Zagora municipality.	**Existing SE** - The aim of the social enterprise is to develop income generation business opportunities and skills of the organization through production of bee products. In this way we shall fund the social services delivered to disadvantaged children, young people and families in Samaritans Day center.
Foundation "Saprichastie" /Empathy Foundation/	Varna	Children and adults with disabilities and their families /around 800 - 1000 people/	**SE idea** - The social enterprise of the Empathy Foundation will be in the form of a network comprised of one central and five branch offices located in different parts of the city. It will offer copying and computer services which are going to be delivered by people with disabilities and /or members of their families. Empathy Foundation will take a credit and purchase 6 copy machines, 6 tills, and one computer with a printer.
Center for training programs and social initiatives	Yambol	Children without parents care; children with intellectual disabilities; youth volunteers /assistants during the trainings/; Specialists from organizations and institutions working with children and youths. Our organizations serve through different programs around 400 people.	**SE idea** - The Center will render different social services to children and young people. The services envisaged are: training in social skills, training in acquiring labor skills, health education, efficient communication skills, career development, problem solving etc. In the Center we shall also organize and carry out charity initiatives, public campaigns for protection of the children at risk, competitions, quizzes, contests, etc
Bulgarian Red Cross	Sofia	People from marginalized groups: orphans, children form in unequal social status, people in third age, people with disabilities, minorities, etc.	**SE idea** - to establish a Center for Home-Delivered Cares, the BRC will try to reduce the extent of vulnerability of the above group of people and to provide access to social and health services to the most vulnerable elderly people, people with permanent disabilities and people with chronic diseases who spend most of their time at home.

ATTACHMENT # 7

Social Enterprise Training Summary					
Training module	**Dates**	**# of NGOs**	**# of participants**	**# of women**	**% of women participants**
2002					
Kick off training workshop	11 - 13 September 2002	23	41	32	78%
TOT training	5 November 2002	9	11	7	64%
SE Development	6-7 November 2002	23	23	17	74%
NGO Accounting	25 November 2002	23	26	21	81%
Marketing and marketing planning - level I	9-11 December 2002	10	16	15	94%
Marketing and marketing planning - level II	15-17 December 2002	13	17	10	59%
2003					
Financial Management - level I	3-6 February 2003	9	11	10	91%
Financial Management - level II	10-13 February 2003	14	17	12	71%
Human Resources Management	1-2 April 2003	8	11	8	73%
Seminar Borsa	21-22 April 2003	19	27	23	85%
SROI	13-14 May 2003	11	15	11	73%
Business Plan preparation	28-30 May 2003	9	12	11	92%
Business Plan preparation	4-6 June 2003	10	15	11	73%
Social Assistance Workshop	23 July 2003	13	16	13	81%
2004					
Accounting/revision of the changes in the legislation	2 March 2004	17	21	19	90%
Kick off and SE Concept Training	1-2 April 2004	15	27	19	70%
Strategic Management & Change Management	29 June-02July 2004	14	22		0%
Marketing and marketing planning - level I	27-29 July 2004	13	22	13	59%
Financial Management and planning- level I	28-30 September 2004	12	19	10	53%
Counterpart's business consultants Workshop	10 December 2004	9	9	7	78%
Financial Management and planning - level II	16-17 December 2004	14	23	14	61%
2005					
Social Enterprise Workshop	3-4 February 2005	30	42	27	64%
Accounting training for NGO's	7-8 February 2005	10	16	11	69%
Feasibility and business planning training	17-18 February 2005	10	13	10	77%
Feasibility and business planning training (follow-up session)	12-13 May 2005	13	18	10	56%
Business plan Award Ceremony	14 July 2005	48	61	37	61%
Crafts Development Worshop	27-28 July 2005	6	8	7	88%
Sustainability Startegies for NGOs, Aset Diversification for Social Enterprises	3-5 Sept. 2006	32	55	34	62%
HR Management	29 September-01.October 2005	17	18	11	61%
Round table:Social Enterprise a way to enhance NGO sustainability	10 October 2005	21	29	18	62%
Communication strategies, staff motivation and public private parthership building for SE training	9-11 November 2005	15	17	11	65%
Round table:Social Enterprise - partners of local authorities for more effective social policy	18 November 2005	40	50	30	60%
2006					
Access to EU Funds	23 January 2006	42	53	34	64%
Sales and Negotiation skills	24-26 January 2006	12	12	5	42%
TOT - Module 1	18-19 February 2006	10	10	5	50%
EU Structural Funds-how to write projects	6-8 March 2006	21	21	13	62%
TOT - Module 2	17-18 March 2006	10	10	5	50%
EU Structural Funds-how to write projects-part II	3-7 April 2006	21	21	13	62%
TOT - Module 3	18-19 April 2006	10	10	5	50%
TOT - Module 4	29-31 May 2006	10	10	5	50%
EU Structural Funds-how to write projects-part III	7-8 June 2006	21	21	13	62%
TOT - Module 5	22-24 June 2006	10	10	5	50%
Alavida workshop on SEs	14 June 2006	35	35	21	60%
Total:		**530**	**728**	**489**	**67%**

ATTACHMENT # 8

Social Enterprises Categorization Matrix

Organization	Town	As of Sept '04	As of June '05	As of Nov '05	As of July '06
Association Our Birthplace	Batin village, Ruse	***Operational***	***Operational***	***Operational***	***Operational***
Regional Diabetic Care Association	Burgas	***Operational***	***Operational***	***Operational***	***Operational***
Association of Disabled People Nadezhda	Dobrich	***Operational***	***Operational***	***Operational***	***Operational***
Open Society Club	Ruse	***Operational***	***Operational***	***Operational***	***Operational***
Association Gavroche	Varna	***Operational***	***Operational***	***Operational***	***Operational***
European Information Centre	Veliko Tarnovo	***Operational***	***Operational***	***Operational***	***Operational***
Bulgaria Family Planning and Sexual Health Association	Sofia	***Operational***	***Operational***	***Operational***	***Operational***
Bulgarian Association for People with Intellectual Disabilities	Pernik	***Operational***	***Operational***	***Operational***	***Operational***
Open Door Center	Pleven	***Operational***	***Operational***	***Operational***	***Operational***
Center for Psychological Research	Sofia	***Operational***	***Operational***	***Operational***	***Operational***
Health for Everyone Association	Pleven	***Operational***	***Operational***	***Operational***	***Operational***
Samaritans Association	Stara Zagora	***Operational***	***Operational***	***Operational***	***Operational***
Association for Social Support	Dryanovo	***Start-up***	***Operational***	***Operational***	***Operational***
Marine Club Friends of the Sea	Varna	***Start-up***	***Operational***	***Operational***	***Operational***
Centre for Mental Health Chovekolubie	Pazardgik	***Start-up***	***Operational***	***Operational***	***Operational***
Beloslava Association	Beloslav, Varna district	***Start-up***	***Operational***	***Operational***	***Operational***
Association Euroknowledge	Silistra	***Pre-Se***	***Operational***	***Start-up***	***Start-up***
Center for Educational Programs and Social Initiatives (CEPSI)	Yambol	***Pre-Se***	***Operational***	***Operational***	***Operational***
Znanie (Knowledge) Association	Lovech	***Start-up***	***Operational***	***Operational***	***Operational***
NGO Club	Targovishte	***Write-off***	***Operational***	***Operational***	***Operational***
Association health and Moral	Stara Zagora		***Start-up***	***Start-up***	***Operational***
Personal Development and Civil Communities Association	Pleven		***Start-up***	***Start-up***	***Operational***
Empathy Foundation	Sofia		***Start-up***	***Start-up***	***Start-up***
Technitari	Stara Zagora		***Pre-SE/expected Operational***	***Operational***	***Operational***
Center for Integration of Crime Manifested and Risk Groups	Pazardgik	***Pre-Se***	***Pre-SE/expected Operational***	***Operational***	***Operational***
EKO 21	Gabrovo		***Pre-SE/expected Operational***	***Operational***	***Operational***
Rojestvo Hristovo Social Day Care Centre	Sofia		***New Organisation***	***Operational***	***Operational***
Eyes on Four Paws Foundation	Sofia	***Pre-Se***	***Start-up***	***Start-up***	***Start-up***
Association of Parents of Children with Cerebral Palsy	Varna	***Pre-Se***	***Pre-SE/expected Operational***	***Start-up***	***Operational***
Association Shans Zakrila Chance and Protection Association	Haskovo	***Pre-Se***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Foundation Alternatives 11	Shumen	***Pre-Se***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Regional Center for Social Integration	Batin	***Pre-Se***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Center of Independent Living	Sofia	***Write-off***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Open Society Club	Stara Zagora	***Write-off***	***Pre-SE***	***Pre-SE***	***Pre-SE***
DAR Association	Burgas	***Pre-Se***	***Write-off***	***Pre-SE***	***Operational***
NGO Center	Razgrad		***New Organisation***	***Pre-SE***	***Start-up***
Women Alliance for Independence, Ethnical Tolerance and Association	Razgrad		***New Organisation***	***Pre-SE***	***Operational***
World for Everyone Association	Silistra		***New Organisation***	***Pre-SE***	***Start-up***
Bulgarian Red Cross	Sofia	***Pre-Se***	***Pre-SE***	***Pre-SE***	***Pre-SE***

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Organization	Town	As of Sept '04	As of June '05	As of Nov '05	As of July '06
"Victoria 21" Foundation	Sofia	***Write-off***	***Pre-SE***	***Pre-SE***	***Pre-SE***
WAD Foundation /Women Alliance for Development/	Sofia	***Write-off***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Targovishte Mental Health Association	Targovishte	***Write-off***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Open Society Club	Veliko Tarnovo	***Write-off***	***Pre-SE***	***Pre-SE***	***Pre-SE***
Crafts women workshop	Dalgach		***New Organisation***	***Operational***	***Operational***
Workshop for women in wheelchairs	Stara Zagora		***New Organisation***	***Operational***	***Operational***

Final re-categorisation SE:	
Operational SEs	30
Start-up SEs	5
Pre- Ses	10

ATTACHMENT # 9

Media Outreach Summary

The following summarizes the national, regional, and local print and electronic major media outreach. Collaboration with media has become an increasingly effective practice encouraged and used by the local partners to promote their initiatives, and the concepts of community funds and social enterprises under the Bulgaria Community Foundation and Social Enterprise Program. Media outreach helps to further target and prioritize community support, and helps to develop an informed and engaged constituency.

Year 2004

Bulgarian Telegraph Agency Wire Service
October 15, 2004
The Forthcoming Events Bulletin of the Agency, reaching almost all the Bulgarian media provided information on the forthcoming Community Fund and Social Enterprise Conference.

Bulgarian Telegraph Agency Wire Service
October 16, 2004
The Agency transmitted both in Bulgarian and English an article that briefly described the achievements of the program using information from Counterpart's Mid Term Report.

Bulgarian National TV – Channel 1
October 16, 2004
Half of the live TV Show Vizhte Koi was dedicated to the Community Fund and Social Enterprise Program. The achievements of Counterpart were summarized in a 10-minute video that presented some of the most successful organizations in the program and their activities. The video was followed by an interview with Tilly Reed, Chief of Party and a discussion in the studio on the sustainability of the program and the potential for success of both the Community Fund and Social Enterprise models in Bulgaria.

Briefing with Media Representatives
October 17, 2004
This informal meeting gave an opportunity to introduce the journalists with the program and the forthcoming Community Fund and Social Enterprise Conference. The briefing was attended by journalists from the Bulgarian National Radio - Horizon Channel, Radio Net, and the daily newspapers Sega, Duma and 24 Hours.

Radio NET
October 18, 2004
Maria Ilcheva, Program Director participated in a radio show that discussed the achievements of the program and the type of assistance that Counterpart provides. She explained how the Community Funds contribute for the better future of their communities, giving as an example the success of Chepelare Community Fund's Street Lights project and its initiatives in the village of Bogutevo The various business activities and the social impact of the Social Enterprises were also presented.

Sega Newspaper
October 18, 2004
An article named *Bulgarians Donate USD 210,000 to Community Funds* was published on the front page of Sega Newspaper. It gave an overview of the Community Fund Program. In a positive manner the article gave detail on how the residents of six Bulgarian towns - individuals, businesses, NGOs and local authorities had donated more than USD 210,000 to the Community Funds to meet needs of their communities. The article pointed out that Counterpart introduces two innovative American models in Bulgaria with the financial support of USAID.

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Duma Newspaper
October 18, 2004
An information box with headline *Civic Unions Solving Community Issues* announced the forthcoming Community Fund and Social Enterprise Conference.

Bulgaria National TV – Channel 1
October 19, 2004
The prime time *At Home and Around the World* news show broadcasted a video from the Community Fund and Social Enterprise Conference and its official opening. It transmitted a brief interview with Maria Ilcheva, Program Director on the Community Fund's concept.

Sega Newspaper
October 20, 2004
Sega Newspaper published a picture of the American Ambassador, Arlene Lear, Counterpart's Senior Vice President and Don Feil, Counterpart's Vice-President for Enterprise Development while at the Conference.

Duma Newspaper
October 20, 2004
Duma Newspaper elaborated upon the efforts made by the Community Funds in mobilizing local citizens to improve their lives in an article named *Pensioners Collecting Money for Fitness Center - One Fence or to Create the Change We Want to See.*

Dnevnik Newspaper
October 20, 2004
A comprehensive article explaining the Community Fund and Social Enterprise models introduced Counterpart's methodology and the financial support provided by USAID. The text gave general information on the organizations participating in the program. It highlighted that during Counterpart's Conference, the US Ambassador had noted the extremely successful partnerships established during the program and had praised the achievements of local people and their communities. The narrative ends with a statement that Counterpart's program has the potential to establish tangible and sustainable models that can become an integral part of the Bulgarian NGO sector.

Bulgarian National Radio - Horizon Channel
October 22, 2004
Tilly Reed, Chief of Party was interviewed on issues that relate to the civil society sector during the prime time radio-show "12+3". She highlighted the results of Counterpart's Conference too.

Dnevnik Newspaper
October 26, 2004
The article *The Third Sector is Learning How to Do Business* highlighted some of the current problems of Bulgarian NGOs. It explained what a Social Enterprise is and that Counterpart trains the NGOs in starting their own businesses. Some of the most successful Social Enterprises were presented too. An overview made by Maria Ilcheva, Program Director described the Social Economy in Europe.

Sega Newspaper
October 28, 2004
One page article about Community Fund Chepelare titled *Future for Bogutevo - the Rodopian Village Serves as an Example How the Old Bulgarian Tradition to Donate for Community Needs Can Be Revived.*

Hristo Botev Radio
November 02, 2004
Tania Kapoor, Social Enterprise Associate and four social enterprise representatives participated in the Civil Culture radio show, where in an open discussion the Social Enterprise concept and how

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Counterpart supports the development of sustainable Social Enterprise models in Bulgaria were presented to the wide public.

24 Hours Newspaper
November 29, 2004
24 Hours devoted two pages to the Social Enterprise Program with a headline *Giving Loans of up to 8000 $ to NGO Businesses*. The newspaper published articles telling the story of four Social Enterprises participating in Counterpart's program, an interview with Shehzad Mehmood, Director Finance and an overview of the current situation of the Bulgarian third sector where foreign assistance is withdrawing and that civic organizations can survive if they learn how to earn money.

Dnevnik Newspaper
December 08, 2004
Maria Ilcheva, Program Director wrote an article for Dnevnik named *The Social Economy – Between the State and the Business*. The text provided various European examples for Social Economy organizations and elaborated on topics like reasons for the social economy rapid development, social economy enterprise forms, social co-operatives, benefits from the social economy, the role of the State and the Bulgarian experience.

Hristo Botev Radio, Civil Culture Program
December 07, 2004
Maria Ilcheva, Program Director and three community fund representatives participated in the Civil Culture radio show, where in an open discussion the Community Fund concept and the achievements of the Community Funds participating in the program were presented to the wide public. The show broadcasted an interview with Monika Pisankaneva, Community Fund Program Manager
.

Year 2005

During July - September 2005, a total of 11 newspapers (4 national and 6 regional), 4 televisions (2 with national coverage and 2 with regional) and 5 radio stations have provided program coverage. Information concerning the sustainability of the concepts, best practices and their implementation, together with gained results and achievements, has been successfully promoted and distributed to a potential audience of more then **3,193,300 people** throughout the country.

Radio: Bulgarian National Radio (BNR)
Date: July 6th, 2005
Broadcasts: 1 broadcast in the show "12+3"dedicated to the interview of Shanon St. John for the Training on "Community Foundations in Central and Eastern Europe" in the city of Hissar.
Rating: Bulgarian National Radio is leading electronic media for the country with history of 70 years. (www.bnr.bg)
Outreach: Covers the whole Sofia region and surrounding territories. Reaches more than 2 000 000 listeners from this west region of the country.

Newspaper: "Konkurent" - Vratza
Date: July 14th (Thursday), 2005, Issue 136.
Page: 6th
Title: "The Community Foundations – Return to the Donation Traditions"
Highlight: The article is presented as an interview by the General Secretary of the City Municipality in Vratza. Community Foundations are for ever. Their sustainability is built on the creation of the eternal capital. Given is substantial information for the existing Community Foundations within Bulgaria and the role for their establishment by Counterpart international – Bulgaria. The goals are to be revived Bulgarian donation traditions and to get the people involved in the planning process on local level. To be established stable sources for funding of various types of civil and local NGO activities. This is the only way for the people to solve their problems but not to rely only on the Government and other institutions for doing that.

ATTACHMENT # 9

Rating: The top rated daily local newspaper in Vratza.
Outreach: Circulation of 500 issues daily.

Newspaper: "24 hours"
Date: July 15th (Friday), 2005
Page: 7th
Title: "Guide dogs will be donated to blind people"
Highlight: Described is the idea of "Eyes on Four Paws" Foundation as a winner of the "First Annual Business Plan Competition for Social Entrepreneurs" financed by the American Agency for International Development. The award is one week of practical experience in Social Enterprise in Britain.
Rating: The second rated newspaper on national level in Bulgaria.
(http://www.24chasa.bg/)
Outreach: Circulation of 60 000 issues daily with growth of the number for the weekend(undefined).

Newspaper: "Dnevnik"
Date: July 18th (Monday), 2005
Page: 20th
Title: "USAID awarded Social Entrepreneurs"
Photo: Illustrates the 3 awarded social entrepreneurs in the organized by Counterpart International in Radisson Hotel Sofia "Business Plan Competition Award Ceremony".
Rating: One of the top 5 public-economic issues in Bulgaria with audience mainly by the business oriented people. Provides very good outreach due to the on-line version of the newspaper. Gives precise analytical and practical information for the national and international economic environment. (http://www.dnevnik.bg/)
Outreach: Circulation of 15 000 issues daily.

Newspaper: "TRUD"
Date: July 20th (Wednesday), 2005
Page: 6th
Title: "'Smart" Dogs will Guide Blind People"(Foundation "Eyes on Four Paws" will teach the true helpers)
Highlight: The accent is on the fact specially trained dogs will guide blind Bulgarian people as it is well known world practice. Described is the idea of the "Eyes on Four Paws" Foundation to start school for guide dogs for blind people but also to teach the people themselves how to care of the dogs. The project won the first award at the competition for the best business plan organized by Counterpart International. Given are details about the practical realization of the process e.g. costs, time frame, etc. Focused is also on the fact the Ministry of Labor and Social Policy in Bulgaria has given to the "Eyes on Four Paws" Foundation a license as the one and only for the moment in the country deliverer of this social service.
Rating: The top rated newspaper on national level in Bulgaria.
(http://www.trud.bg/)
Outreach: Circulation of 60 000 issues daily.

Newspaper: "Shans Eskspres" - Vratza
Date: July 21st (Tuesday), 2005, Issue 139
Page: 4th
Title: "The Establishment of the Community Foundation will be in September"
Sub Title: "The Sponsorship of Talented Children, Renovation of the Monastery 'St. Ivan Pusty' and Organization of Beer Fest are Three of the Main Priorities"
Highlight: Given are details concerning the gathering of the initiative group for the establishment of the Community Foundation in the city of Vratza. Described are the purposes and the benefits related to the development and priorities of the local communities which might be achieved by the new Community Foundation. Through broad public participation in the forum main priorities of the future fund are defined following the concept for the usage of local resources for the local community development. The focus was put on social activities, tourism and regional development. Described is

the plan of the initiative group to submit a project to Counterpart International – Bulgaria for match financing.
Rating: The second rated daily local newspaper in Vratza.
Outreach: Circulation of 300 issues daily.

Newspaper: "Nov Zov" - Vratza
Date: July 21st (Tuesday), 2005, Issue 114
Page: 1st and 2nd
Title: "Community Foundation in Vratza"
Highlight: Donation Foundation within the program of Counterpart International – Bulgaria funded by the American Agency for International Development is to be established. In the preliminary discussion took part representatives by eight social groups: business, media, culture, local authorities, youth organizations, NGOs, education, sport and health. The continuation of the second page gives detailed information about the formulation of the three main priorities of the future Community foundation e.g. social activities, tourism and regional development. After completion of the first project will be applied to Counterpart International - Bulgaria for match financing.
Rating: A bit behind the second rated local newspaper ("Shans Ekspres") in Vratza.
Outreach: Circulation of 300 issues daily.

Newspaper: "24 hours" – Varna Issue
Date: September 5th (Monday), 2005
Page: 3rd
Title: "Without taxes for Revenue directed to disadvantaged and poor people."
Highlight: The article describes in generally the legislative current situation in the Country and the need of change to improve the legislative environment for the reason to increase the quality of social services. Short description about the organized by Counterpart International conference in Varna "Strategies for sustainable development of Community Funds and Social Enterprises". Photo material was presented.
Rating: The second rated newspaper on national level in Bulgaria.
(http://www.24chasa.bg/)
Outreach: Circulation of 60 000 issues daily with growth of the number for the weekend (undefined).

Radio: Radio Varna
Date: September 3 (Saturday), 2005
Highlight: Announcement in the news with comments and interviews by the participants for the organized by Counterpart International – Bulgaria conference "Strategies for Sustainable Development of the Community Funds and Social Enterprises".
Rating: Branch of the Bulgarian National Radio and leading electronic media for the region with history of 70years. (http://www.radiovarna.com/)
Outreach: Covers the whole east Bulgarian shore and the hinterland territories. Reaches more than 500 000 people from the region.

Newspaper: "Narodno Delo" – Varna
Date: September 5th (Monday), 2005
Highlight: Announcement of the event "Strategies for sustainable development of Community Funds and Social Enterprises" initiated by Counterpart International Bulgaria
Rating: Local small newspaper with audience mainly by local people interested mainly in the regional development.
Outreach: Circulation of 10 000 issues daily.

Newspaper: "Dnevnik"
Date: September 13th (Tuesday), 2005
Title: "Social Enterprises look for the 'Golden Hen'".
Highlight: The article is very detailed analysis of the relation between the business and the NGO sector in the context of the strategies for sustainable development. Described are success stories within the social entrepreneurship scope. The focus is on the balance between social and economic

purposes of the social enterprises and their mission for the people with inequilateral social status. Priority is given also to the asset diversification for the non-government organizations as a very good instrument for increasing their incomes. The article relates the training for sustainability of the NGOs organized by Counterpart International and the mission to instruct the same NGOs how to transfer their assets into profitable "Golden Hen". The explanation of the optimistic approach for the business assessment is a very positive conclusion of the article. The article was on-line posted also.
Rating: One of the top 5 public-economic issues in Bulgaria with audience mainly by the business oriented people. Provides very good outreach due to the on-line version of the newspaper. Gives precise analytical and practical information for the national and international economic environment. (http://www.dnevnik.bg/)
Outreach: Circulation of 15 000 issues daily.

Newspaper: "Capital"
Date: September 17th – 20th, 2005, Issue 37, Year XII
Title: "Financial Assistance for Social Services"
Highlight: Outlined is the funded by USAID pilot Community Fund and Social Enterprise Program in Bulgaria and its implementer in the country Counterpart International – Bulgaria. Basic information is given for the main parameters of the organization and the services provided. Additional information for the possibilities for subscribing the program and the consequent funding follow up for started Social enterprises accompanied with the explanation of the social enterprise idea and the relation with the business itself.
Rating: Top business and economic weekly newspaper with highest rating and bigger audience. The handbook of the business oriented people and entirely related to economy issues, analysis and development. Reaches more than 80% of the active business people every weekend. (http://www.capital.bg/)
Outreach: Circulation of 20 000 issues weekly.

TV: MSAT
Date: September 10th, 2005
Program: Live TV Show "Na Vtoro Chetene"
Highlight: The participation in the TV show was an open discussion with our Counterpart International Community Funds Program Manager designated to the topic of philanthropy and giving in the context of the civil society development in Bulgaria. Focused was also on the possibilities, the activities and the concept of the Community Foundations in Bulgaria. Discussed were the necessity and the perspectives for project management and development in the country and how we can support the people to gain experience on this important issues as a part of the third sector.
Rating: MSAT is one of the four most watched cable televisions with national coverage.
(www.m-sat.bg)
Outreach: Reaches 100 000 people from various Bulgarian cities throughout the country.

Radio: Bulgarian National Radio (BNR) - Blagoevgrad
Period: July - September, 2005
Broadcasts: 1 broadcast dedicated to Community Foundation Blagoevgrad
Rating: One of the fifth regional radio stations of the Bulgarian National Radio and leading electronic media for the Blagoevgrad region. (http://radiobl.com)
Outreach: Covers the whole Blagoevgrad region. Reaches more than 120 000 people from this south-west region of the country.

Electronic Media: Darik radio, Oko TV, Pirin TV
Event: Press Conference for the Schools Project
Broadcasts: 3 related to the project initiated by Community Foundation Blagoevgrad.
Highlight: Announcement and basic information for the initiated Schools Project.
Rating: Darik Radio is the second sized and private Bulgarian radio station with national coverage and rating following the leader Bulgaria National Radio (BNR). Oko TV and Pirin TV are small regional

cable televisions.
(http://www.darik.net/)
Outreach: By the issues on both the radio and the regional televisions the outreach is defined of 20 000 people.

Radio: Bulgarian National Radio (BNR) - Shumen
Period: July - September, 2005
Broadcasts: 10 broadcasts dedicated to Community Foundation Tutrakan and its activities.
Rating: One of the fifth regional radio stations (branches) of the Bulgarian National Radio and leading electronic media for the Shumen region.
Outreach: Covers the whole Shumen region. Reaches more than 80 000 people from this north-east region of the country.

Newspaper: "Tutrakanski glas"
Period: July - September, 2005
Articles: 2 and 1 announcement.
Highlight: Publications related to the activities of Community Foundation Tutrakan.
Rating: Small local newspaper with audience of local people only.
Outreach: Covers the region of the city of Tutrakan. Outreaches 1500 people.

Radio: Radio Montana
Period: July - September, 2005
Broadcasts: 3 dedicated to the strat-up of the Community Foundation in Lom
Rating: Small radio station with regional coverage for the cities Montana and Lom and the surrounding regions.
Outreach: Reaches more than 50 000 people from this north-west region of the country.

TV: Evrokom TV
Period: July - September, 2005
Broadcasts: 4 dedicated to the establishment of the Community Foundation in Lom.
Rating: **:** Evrokom TV is one of the four most watched cable televisions with national coverage for the country.
(http://www.ekk.bg/)
Outreach: Reaches more than 120 000 people throughout the country.

Newspaper: "Lom Press"
Period: July - September, 2005
Articles: 3 dedicated to the future initiatives and priorities of the Community Foundation in Lom.
Rating: Small local newspaper with audience of local people only.
Outreach: Outreaches 3000 people.

Issue: Information Bulletin
Period: July - September, 2005
Content: Publications dedicated to the start-up of the donation Community Foundation in Lom. Basic information on of the Community Foundation Concept. Definition of the alternatives for the city development. History of the donation traditions for the city of Lom. Results by survey of the public opinion related to the necessity of Community Foundation in the city. Foreign experience in the scope. Lots of picture material.
Rating: The issue is funded by the American Agency for International Development.
Outreach: The issue outreaches 2700 people across the region.

Newspaper: "Maritsa"
Period: July - September, 2005
Articles: 1 dedicated to the Training on "Community Foundations in Central and Eastern Europe" in the city of Hissar.

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Rating: Local newspaper with audience of people from the region.
Outreach: Outreaches 30 000 people.

Issue: Information for the Bulgarian Telegraph Agency (BTA)
Period: July - September, 2005
Content: Information for the Training on "Community Foundations in Central and Eastern Europe" in the city of Hissar.
Rating: Official wire state run Agency.
Outreach: The Agency outreaches the whole system of the Bulgarian Media.

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Bulgarian Telegraph Agency(BTA) and its web based news portal http://newsweb.bta.bg
Date: May 22nd, 2006, Monday
Content: "Municipalities – Social Contracting - Conference".
Highlight: "It is still tough to talk about effective de-centralization of the social services", this was concluded by the participating NGOs at the international conference on Social Contracting and Decentralization of the Social Services held in Sofia. News was released at the web page of the agency at 17:32 pm.
Rating: Official wire state run Agency.
Outreach: The Agency outreaches the entire system of Bulgarian Media.

Internet News Agency: "CROSS"
http://www.cross-bg.net
Date: May 23rd, 2006, Tuesday
Title: "Launched is Conference for the Possibilities of the Social Contracting"
Rating: One of the top five on-line News Agents for the country. The information is in Bulgarian and English. Some of news services are paid to be obtained. The agency delivers news and monitors various print issues and electronic shows on radio and television. The agency presents one-line summaries of various news items published on-line with picture material and various expert comments.
(http://www.online-bg.net/)
Outreach: The information basically doesn't reach more than 10,000 on-line viewers, but is used for outreach purposes by other media -- press, newspapers, TV information issues, and talk-shows.

Newspaper: "Dnevnik" - Sofia
Date: May 16th, 2006, Tuesday
Page: 6
Title: "Organizations Look for Incentives for Social Enterprises"
Highlight: NGOs, together with representatives from two ministries, discussed legislative changes. About 20% of the NGOs in Bulgaria identify themselves as social enterprises. This is presented in research conducted by BCNL (Bulgarian Center for Non-Profit Law). 50 Bulgarian non-profit organizations with the support of two ministries (Ministry of Finance and the Ministry of Labor and Social Policy) are trying to develop amendments for legislative-changes to introduce and legally define the term "Social Enterprise", and to obtain its recognition at the national level. Another aspect relates to taxation on commercial activities of the Social enterprises (as part of their NGO activities) to be reduced or cancelled. The role to help develop Bulgarian social enterprises is assigned to Counterpart International Bulgaria through implementation of its program in Bulgaria.
Rating: One of the top 5 public-economic issues in Bulgaria with an audience comprised mainly of business oriented people. The newspaper's on-line version provides very good outreach. Presents precise analytical and practical information for the national and international economic environment.
(http://www.dnevnik.bg/)
Outreach: Circulation of 30,100 issues daily.

Newspaper: "Duma" -Sofia

ATTACHMENT # 9

Date: May 16th, 2006, Tuesday
Page: 7
Title: "Social Enterprises Make Amendments for Changes in Social Legislation"
Highlight: The social enterprises to some NGOs in the country use commercial activities provided by their organization to make profits for the specific groups of disabled and other vulnerable or marginalized groups. Jointly with the representatives of the Ministry of Labor and Social Policy and the Ministry of Finance amendments were made for changes in the social legislation. The amendments include the legislative recognition of the term "Social Enterprise", and government subsidy for social enterprises which are not employers and provide therapy to the vulnerable groups.
Rating: One of the first politically oriented newspapers and forum for political journalist with social orientation. Daily newspaper with distribution in Sofia and the countryside. Articles and materials published focus primarily on social issues and social policy.
Outreach: Circulation of 20,000 issues daily.

Radio: Bulgarian National Radio (BNR) - Sofia
Date: April 28th, Central News
Broadcasts: 1 broadcast dedicated to the international conference "Strategy for Effective Communication of the Community Foundations in Central and East Europe" during the mid-day news block. Published also at the news web-page of the electronic media. On-site telephone interview was conducted with representative of Counterpart Bulgaria regarding the conference and its purposes and international participants.
Rating: Bulgarian National Radio is leading electronic media for the country with history of 70 years. (www.bnr.bg)
Outreach: Covers the entire Sofia region and surrounding territories. Reaches more than 2,000,000 listeners from this western-region of Bulgaria.

Evropa TV
Date: April 8th, 2006 (Repetition on April 12th and 15th)
Program: TV Show "Social Change" with topic "'Drug Prevention / Youth At Risk'"
Highlight: The purpose of this issue of the TV series was to present the topic with drug addiction, and link its importance with the people who are most exposed or vulnerable to be introduced to drugs and to become drug addicts. Presented were the activities of the Community Foundation in Pazarjik working on substance-abuse and developing a prevention-culture for youth in the community. Also focus was placed on the problems of orphanages working with homeless Roma children for their integration and protection through inclusion in the social life. Key answers for the relation between the existing problem of drug-addiction between young people and the marginalized risk-groups, and ways of prevention were presented by experts from various NGOS with expertise in the field.
Rating: Evropa-TV is one of the four most watched cable televisions with national coverage. Media with news panels on each half-hour.
(http://www.tvevropa.com/)
Outreach: Reaches 200,000 people from various Bulgarian cities throughout the country.

Evropa-TV
Date: April 22nd, 2006 (Repetition on April 26th and 29th 2006)
Program: TV Show "Social Change" with topic "Social inclusion of Marginalized Groups in Society"
Highlight: The purpose of the show was to present the audience with the existing situation for social inclusion of people from different marginalized groups in Bulgarian society. Starting with former-prisoners, and ranging through the homeless Roma children in the orphanages and institutions, and ending with mature children from vulnerable groups in society. The debate was on how these groups will manage to integrate or re-integrate in the society as they haven't had equal opportunities like many others. And, what are the options and opportunities that the Bulgarian system and society presents to them. Focus was placed on the success stories when single people due to their desire and capacity with the assistance of some NGOs have managed to integrate and become legal part of the society. Comments were made by NGO experts and civic organizations about the necessity for appropriate government policy and concrete actions to address the very difficult and slow process of integration.

ATTACHMENT # 9

Rating: Evropa-TV is one of the four most watched cable televisions with national coverage. Media with news panels on each half-hour.
(http://www.tvevropa.com/)
Outreach: Reaches 200,000 people from various Bulgarian cities throughout the country.

Evropa TV
Date: May 6th, 2006 (Repetition on May 10th and 13th, 2006)
Program: TV Show "Social Change" with topic "Social Valued-Added: The Community and the Open Market -- Is There a Market for Social Enterprises Production?"
Highlight: This TV issue was dedicated to the not very well know term "Social Value-Added" (SVA) and the social enterprises involved in the production of social value-added products. The main task was to present a simple meaning and an explanation of its importance to the audience. The link was made to the products produced by the Social Enterprises that actually possess social value added with regard to the community. Discussed with their representatives was the problem of finding markets for these social value-added products. Also presented were the difficulties to convince big chains and markets to sell the SVA products within their trade-networks; and thus to support people with disabilities and other marginalized or groups-at-risk. Presented was the success story of one organization which has already managed to find a big market for its products due to their in-house production capacity.
Rating: Evropa-TV is one of the four most watched cable televisions with national coverage. Media with news panels on each half-hour.
(http://www.tvevropa.com/)
Outreach: Reaches 200,000 people from various Bulgarian cities throughout the country.

Evropa-TV
Date: May 20th, 2006 (Repetition on May 24th and 27th, 2006)
Program: TV Show "Social Change" with topic "Anti –Trafficking: (vol. I) Traffic of People for Sexual Exploitation"
Highlight: The purpose of the show was to use this media product as an effective tool to open a dialogue on the serious and existing problem of trafficking of people for sexual exploitation. Presented was the story of a girl victim of trafficking for sexual exploitation. Comments and opinions from experts on fighting and preventing this social problem, and the role played by local NGOs in fighting it, were also presented. The idea of the show was to dedicate two episodes of the series of on "Social Change" to this problem, and to present the entire cycle of a real case on trafficking. That is why the first volume was a story about how a person might get involved in trafficking and how their life changes dramatically there-after. The second part was about the existing options of re-integration, if a woman manages to escape from this vicious-cycle and becomes an "ex-victim".
Rating: Evropa-TV is one of the four most watched cable televisions with national coverage. Media with news panels on each half-hour.
(http://www.tvevropa.com/)
Outreach: Reaches 200,000 people from various Bulgarian cities throughout the country.

Evropa -TV
Date: June 3rd, 2006 (Repetition on June 7th and 10th, 2006)
Program: TV Show "Social Change" with topic " Anti –Trafficking: (vol. II) Traffic of People for Sexual Exploitation"
Highlight: This issue was the continuation of the topic of trafficking of women for sexual exploitation. The main focus was placed on the difficulties that lay before a trafficked individual "ex- victim" trying to return to her previous life. Presented were the options and the support that the NGO sector is providing and for the re-integration of victims. Attention was given to the comments of some US experts working in the field on human rights, and on police action related to this topic.
Rating: Evropa-TV is one of the four most watched cable televisions with national coverage. Media with news panels on each half-hour.
(http://www.tvevropa.com/)
Outreach: Reaches 200,000 people from various Bulgarian cities throughout the country.

ATTACHMENT # 9

Evropa-TV
Date: June 17th, 2006 (Repetition on June 21st and 24th, 2006)
Program: TV Show "Social Change" with topic "Is Social Responsibility the Responsibility of a Business?""
Highlight: This was the issue of the TV show dedicated to the meaning, best practices, and the future of the Corporate Social Responsibility (CSR) in the country. Explained was the real meaning of CSR and why it is necessary for business in Bulgaria to be socially responsible. Found were two opinions: one opinion from business and one from the beneficiaries towards concrete CSR projects. Also presented were answers of many questions on reasons for business to donate and be concerned about social issues in communities. Examples of what an effective CSR practice might be were presented; especially cases in partnership with NGOs. Value comes when the business manages to partner with the NGO to use the experience of NGOs to implement business/CSR projects in the social field. Comments were made on the importance of CSR by representatives from business, the NGOs, and the Bulgarian government.
Rating: Evropa-TV is one of the four most watched cable televisions with national coverage. Media with news panels on each half-hour.
(http://www.tvevropa.com/)
Outreach: Reaches 200,000 people from various Bulgarian cities throughout the country.

BULGARIA COMMUNITY FUND AND SOCIAL ENTERPRISE PROGRAM

October 2001 – September 2006

SOCIAL CONTRACTING IN BULGARIA

September 30, 2006

COUNTERPART INTERNATIONAL
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PREFACE

The nascent Social Contracting experience in Bulgaria was a logical evolution after years of US Government and other international-donor support to strengthen the development of the third-sector, and the improved provision of social services at the local-level. More specifically, the ensuing partnerships under the 5-year USAID-funded Counterpart-Bulgaria Community Fund and Social Enterprise program (September 2001 through September 2006), gave rise to new and strengthened "social partnerships"; primarily between NGOs and local authorities.

It was late in 2005 that USAID and Counterpart International announced increased funding to support the expansion of Social Contracting. The increased funding-levels allowed USAID and Counterpart to build onto and continue the momentum that had been achieved over a five-year period of focused support from several international-donors, through targeted projects implemented by the Bulgarian Center for Not-for-Profit Law (BCNL).

Since 2001, BCNL has worked closely with Bulgarian government institutions; for example, with the Ministry of labour and Social Policy. This partnership aimed to improve the quality of the social-service-delivery through active awareness-raising campaigns among representatives from the civil society sector and civil servants; as well as among municipal administration experts that work in the social sector.

BCNL has also worked to provide information on the international experience that supports the effective improvement and implementation of the legal framework regulating social services. BCNL has also worked to increase the capacity of social sector experts employed by State and Municipal agencies, and of experts working for social-service-provider organisations. BCNL experts helped to draft the amendments of the Social Assistance Act of 2002, and the Social Assistance Act Implementing Regulations. These two documents enabled local-authorities to contract the provision of social services to private legally-recognized providers.

Other activity implemented by BCNL, between 2002 and 2005, and funded by UNDP, European Union – PHARE, Open Society Institute Sofia, and the British Ministry for International Development further solidified support for community-based-services, for social inclusion of vulnerable groups, for quality control of social services, for capacity to support decentralization and cooperation under social contracting, and for the development of the social service system in Bulgaria through partnerships between non-profit organizations and municipalities.

These efforts have contributed greatly to the success of the Social Contracting component under the USAID/Counterpart Bulgaria Community Fund and Social Enterprise Program. Though the Social Contracting component was approved in 2004, momentum was gained, as previously noted above, in 2005 with the increased funding provided under the Counterpart program. In addition to the training support provided to local authorities in organizing competitions, key players in the social contracting

process (local NGOs, representatives of the municipalities and the state institutions), were introduced to the opportunities provided by the actual legal framework.

The knowledge acquired by NGOs, and their tendency to radiate towards local-partnerships, served as a model approach upon which to base a Social Contracting program. *The Social Contracting program aimed to develop the process of social contracting in the Bulgarian municipalities, and was directed to encourage the delegation of social services to NGOs by the Municipalities.*

This decentralization effort in the provision of social services continues today through a process supported by public-private partnerships and by existing Bulgarian legislation under the Social Assistance Act.

The report which follows, encapsulates the approach and methodology used by Counterpart International and its sub-contractor, the Bulgarian Center for Not-for-Profit Law (BCNL), who helped to implement the Social Contracting program in Bulgaria.

Hugh C. Orozco
Chief of Party
Counterpart Bulgaria Community Fund and Social Enterprise Program
Sofia, Bulgaria, 30 September 2006

I. INTRODUCTION

The Bulgarian government policy for reform in the social service sector has two major priorities in the field of social service provision to citizens during the past 5-6 years. The first priority is decentralization of the social services which is seen as an opportunity for local-authorities to assess local needs and to offer the services itself; or service delivery is contracted to external-providers under social contracting tender procedures. This comes as a reflection of a common tendency in Europe during 1980s in which the state gradually withdrew from its direct-engagement to "provide" services to specific vulnerable-groups, and is instead controlling the delivery of social services by external-suppliers. The second priority is de-institutionalisation – the services are delivered within the community and only after all other opportunities are exhausted, the persons are accommodated at specialized institutions.

This policy, aimed at long-term reform, in the social service sector resulted in the adoption of legislative changes (this is one of the specifics of reform in Bulgaria – legislative changes came first, followed by the first case of practical implementation). It was the first time that the state was authorized to *delegate* a part of the public-services in the critical social service sector to external-providers (such an opportunity is still not available in the field of education or health care).

1. Social Contracting Program

Counterpart Bulgaria, under its Bulgaria Community Fund and Social Enterprise Program (September 2001 to September 2006), made an attempt to encourage the decentralization of social services under is Social Contracting Project, implemented with the assistance of the Bulgarian Center for Not-For-Profit Law (BCNL). This was done mostly through strengthening the public-private partnerships between local-authorities and NGOs. The Social Contracting project started in 2004, as a component under the larger community fund and social enterprise program funded by the United States Agency for International Development (USAID).

Main initiatives:

- Technical assistance for the organisation of *competitions* through which NGOs are delegated the delivery of social services;
- Setting up and strengthening of Public Councils;
- Conducting surveys and needs assessments with the purpose to develop local social policy;
- Increase the capacity of the main participants in the social contracting process.
- Exchange of experience and good practices;
- Preparation of a study on Social Contracting in Bulgaria.

The most essential part of the Social Contracting program were the competitive small grants announced for municipalities at the end of 2005. A competition was announced that aimed to stimulate local authorities to organize tenders for delegation of social services to local non-profit NGOs. $5,000 USD were awarded to each Municipality with an approved proposal with two major requirements: 1) the Municipality was

obliged to delegate the service to an external-provider, and 2) the Municipality should provide a matching-grant (minimum match equal to the grant amount of $5,000). The overall delegated amount made by a Municipality was $10,000 USD.

The results from the Small grants competition:

- 19 municipalities applied in the competition;
- 17 municipalities were approved;
- 13 grants disbursed and consequently 13 competitions organized;
- $63,658 USD provided by the Program;
- $175,332 USD attracted as a match by Municipal contributions;
- 10 of the services are local activities funded by local-budgets; and
- 11 of the services are new (newly established).

The services that were delegated:

- Social services at home;
- Social Assistants;
- Day-care center for children from socially disadvantaged families;
- Prevention-center for social and educational support of children and adolescents-at-risk;
- Day-care center for people with disabilities and elderly;
- Consultative center for children;
- Centers for temporary accommodation of women victims-of-domestic-violence;
- Day-care center for children and adolescents with disabilities;
- Center for social rehabilitation and integration;
- Home shelter; and
- Free-meals to children from socially disadvantaged families.

2. Main Difficulties in Program Implementation

Diffusion of Roles: The services provided by the municipalities are secured with funding by the State or Municipal budget, but the access to such funding by other suppliers depends *entirely* and *only* on the decision of the Mayor of the specific municipalities. A conflict-of-interest exists because the local-authorities hold both the role of a supplier, and the role of contracting-authority. This explains the lack of motivation in the municipal-administrations to delegate the social service provision to other suppliers.

Change in Attitude: Due to the fact that for a long time the State and the municipalities have been the main suppliers of social services, inertia exists in the thinking and process of provision of such type of services; i.e., provision of social services is not only a task of the State; but also should be done *only* by the public-authorities. This can be viewed as a result of the negative influence of the experience gathered under the conditions of a strongly centralized State.

Lack of Trust in the Partner: There are no traditions in building partnerships

between the State, the local authorities, and private entities. Quite often the municipal social strategies do not envisage any participation or partnership with NGOs.

Effective Quality Control Mechanism: The existing system for control of the quality of the social services is ineffective. There is a real need for improvement of quality-control, criteria, and standards of social services provided. An efficient monitoring system should be developed.

Lack of Sufficient Capacity and Information: The lack of information about the legally constituted opportunities for partnership-building and contracting of services, and also the lack of high-quality social service providers, impedes the development of the reform.

The assignment of social services implemented as a State-delegated activity became a serious impediment during the course of the Social Contracting program. Practice shows that in some municipalities the transfer-of-funds for salaries, to the winner of the competition, for management/provision of social services paid from the State budget was rejected by the municipalities. The argument supporting this practice was "there is no such column in the reporting-sheet filled in by the municipality". This troubled many suppliers since their staff was formally-hired by the mayor; and thus, technically and in fact, there was no delegation of the service. This negative practice continues to exist in some municipalities. One of the small-grants competitions failed exactly because the supplier was not willing to accept this dual status – from one side the role of a supplier that manages (takes responsibility) for the service delivery, but on the other hand – the personnel of the supplier is employed by the mayor and are his/her subordinates respectively.

Another very important tendency needs attention – there are negative financial stimuli for the municipalities to sustain the current way the social services are divided – delegated and state ones. They do not pay for the delegated services – the ones provided within the institutions and the day care centers thus they (the municipalities) perceive as beneficial to expand the institutionalized services in comparison to the community based ones which are cheaper. In this case local authorities limit their legal rights for receiving secured funding.

Main conclusions:

Despite the above mentioned difficulties in Program implementation, the BCNL team, having already worked 5-years to encourage social contracting in Bulgaria, believes that good practices and the positive results (mostly for the customers) will support the faster development of reform and help to overcome challenges. In spite of the low percentage of interested municipalities (19 applied out of 264), the potential of newly established partnerships are promising to achieve a multiplier effect. All of this leads to the conclusion that each reform takes longer time and requires serious investments, including human capital.

II. METHODOLOGY of SOCIAL CONTRACTING

Social contracting (social offer) is a form of public-private partnership between the state represented by the local authority, and private legal entities - suppliers of social services. The framework of this partnership is laid out in Bulgarian legislation[1].

- **Scope of the partnership**: The state/the local governance delegates the activities related to social services delivery to legal private suppliers. The role of the state/local governance is limited to provision of funding and to the execution of control in the way the funding is being absorbed, and on the quality of the provided services.

- **Subject of the partnership**: assigning all types of social services no matter the funding source (State and/or local budgets).

- **Partners**: the municipalities[2] and the private legal entities - suppliers of social services. In order to have legal-capacity to be a social service provider, the social service provider must be registered with the Agency for Social Assistance (ASA). If the services they deliver to target children, then they must also be licensed by the State Agency for Child Protection (SACP).

In order to recognize the social contract as a successful form of partnership, it is necessary that all legal requirements be strictly followed during the process of conducting the competitions. It is also necessary to analyze and to apply already existing best-practices of social contracting in a number of Bulgarian municipalities. The present methodology is developed in a series of separate-steps that should be followed when implementing the different phases of the competition procedure and the contracting process.

1. Legal Mechanism

The social contracting process as a complex public-private partnership, since different legal parties and institutions are involved – public institutions (mayor and municipal administration, Agency for Social Assistance, State Agency for Child Protection) and private legal organisations (NGOs and bodies registered under the Trade Act). A legal system is developed to address the specifics surrounding the relationship and interactions among the different "players". The legal regulations are supposed to combine the principles of *publicity*, *imperative* and *effectiveness;* and on the other hand the principles of *freedom-of-contracting* and *volunteerism,* and thus aim to contribute to the achievement of the specific objectives under the decentralization-process in the social sphere.

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[1] Social Assistance Act and Social Assistance Act Implementing Regulations. Legal conclusions expressed in this text are based on analysis of the legislation as of July 2006.

[2] The term "municipality" herein means and describes one of the major players in the process of social contracting. To be legally correct, it should be stated that this provision concerns the mayor who has the delegated right to assign the social contract.

This is the first time that Bulgarian social-legislation, based on Art. 24a from the Social Assistance Act, establish a legal requirement that private legal entities as providers of social services be given the opportunity to apply for funding from the State or municipal budgets for provision of social services. According to the SAA (Art. 18 Par. 5, Par. 6, and Par. 8), and to the SAA Implementing Regulations (Art.37 and the rest), social contracting may be viewed as the opportunity to delegate the delivery of social services; including management of specialized institutions and community based service, to private legal entities through a contract based on a competition process. Per the SAA Implementing Regulations, the decision-making authority in regard to the assignment of social service delivery is vested with the mayor of the specific municipality.

According to the SAA, all activities – state or municipal – in the field of social services are assigned through a ***competition*** or through a contract, even if only one candidate applies. In practice, a competition must always be held in order to proven that there is at least one candidate. If the candidate is eligible under the competition requirements then a process of direct-contracting might be started.

As the only legal-mechanism for identification of a social services provider, the **competition** creates the needed competitive environment among the providers being treated on an equal basis. Under conditions of free-market competitiveness, the selection is made among the best proposals which correspond to the greatest extent to the needs of the recipients and the community.

The main steps in the social contracting process are set by legislation, the basic competencies of the relevant public authorities are outlined, as are the minimal required contents of the issued documents (orders, decisions, contract). The combination of key legal requirements, together with the possibility for various forms of specific documents and their content, allows to combine the uniformity of the process with the diversity and the specifics of local practices and conditions for conducting competitions.

2. The Competition Procedure: steps and terminology

Several main stages in the competition procedure are legally outlined/required by law:

- Opening the competition with an order issued by the mayor of the municipality
- Assigning a competition committee
- Evaluation of the competition proposals and ranking of the participants
- Determining the winning applicant
- Signing a contract with the winning applicant.

Mayor's order for opening the competition

The content of the order issued by municipality-mayor to open the competition procedure is specified by the SAA Implementing Regulations (SAAIR)[3]. In order to

[3] Art. 37 of SAAIR.

guarantee a tender's transparency, and to secure the future work of the committee that will evaluate the submitted proposals, it is necessary to develop the order in detail, and to include a detailed description of legally specified requirements. The legal requirements are as follows:

Terms of participation and requirements of the applicants

Who can participate? W*hat* are the general and specific requirements for applicants? For example, except for the requirement of being listed in the Agency for Social Assistance *register*, as a provider of the specific service assigned, it is possible that the *mayor's order* may state that only non-profit organizations for public-benefit that are listed in the register of the Ministry-of-Justice are eligible applicants; or that an applicant's cost-share may be required (similar to the European Commission projects), with possible criteria that includes the availability of facilities where the services would be administered, etc.

Characteristics and specifics of the contracted social service

These include a description of the type and the size of the social service to be assigned, together with all accompanying detail related to the specific competition; i.e., what are the contracting authorities' expectations for service delivery, needed resources, etc.

Funding and ways to provide funds

This includes the amount to be provided, the source, for what period, the schedule of installments, will there be any facilities provided, etc.

What documents should be provided by the applicants

These include documents proving the applicant's legal-status: copies of court decisions on registration and subsequent changes; a certificate on current legal standing; documents verifying the needed relevant administrative registrations; reports for previous periods to check the financial sustainability of the applicants; other declarations and recommendations (they would prove the image and the experience of the applicant); etc. The contracting authority must guarantee that any information – trade secret of the applicant – will not be publicized and will carefully be held by the committee, and will be used only for purposes of the competition.

Each applicant must present a proposal, a program, for the development/implementation of the social service. This is a major document – an applicant's proposal that presents its perspective, together with an offer to administer and deliver the contracted service. There are no specific requirements cited in the SAA-Implementing Regulations for the development and implementation of the social service. The integral elements may be similar to those that would be included in a "mini-project".

Sample content[4] of a proposal may include:

- Objectives of the social service program;
- Duration;
- Program activities schedule;
- Financial spending schedule (budget);
- Relevance to the criteria and standards of the social service;
- Performance capacity of the applicant;
- Personnel qualification;
- Experience in the social services field;
- Financial sustainability;
- Sub-contractors' participation;
- Multiplier effect of the program

Date, time, and way of holding the competition

How and how many stages will there be in the competition (i.e., two stages must be planned: submission of documents and interview), time of the competition, etc.

Deadline and place for submission of applications

Deadline for submission of applications, packing, specific place for submission, etc.

Deadline for announcing competition results

Deadlines (if there are two stages), for announcing the results.

Evaluation method

All criteria to be used by the evaluation committee must be listed in detail; the evaluation method must point out the criteria that will bring the biggest benefit to the applicants.

The text of the order must be strictly fixed; and thus not permitting any interpretation of the orders' separate components.

Other requirements to the candidates may come from the specific social service that is being contracted; and may also be included in the text of the order.

Publicity

An important requirement, to ensure the legitimacy and publicity of the competitions, is the obligatory announcement in the newspaper about the forthcoming competition. Announcements must be in at least one national and one local newspaper at least 45-days prior to the competition. This is a positive decision, in view of the fact that in

[4] Requirements for the social service development program are not explicitly determined in legal documentation. Nevertheless, municipalities must state in the competition order all requirements that applying providers are expected to meet within the program. This will give detailed and clear information for providers on how to structure their program proposal.

some municipalities there may not be social service providers with sufficient capacity. In this way, the competition becomes open for providers that are not registered within the specific region of a specific municipality, but are nevertheless experienced in the social field and are qualified to provide the social service[5]. This was the case with the competitions in Liaskovets and Kostinbrod, held under the Social contracting program, where participating NGOs were from nearby administrative regional-centers.

Except for the legal requirement to announce the competition through the press, it would be an advantage if the announcement could also be done through other means – through regional radio or TV stations, cable networks, and information events with potential social service providers in the region. Attracting more applicants would have positive impact on the proposals – selection among alternative and well developed programs for implementation of the social service would be possible.

Delegated State-activities and Local-activities

All social services can be assigned following competition procedures presented above for delegated State-activities or Local-activities. This division is done through a governmental decision on an annual basis. This divides the activities in the social, educational, and health sectors into those funded from the State-budget, and the others to be funded from Local-budgets. The decision further states specific financial standards and funding scheme for delegated State-activities. As for Local-activities in the social sector, only the more *typical* ones are listed; i.e., home social services, soup-kitchens, etc., but does not outline or detail a funding scheme/mechanism. Each municipality, on the basis of its financial independence, decides what services it will offer and how much are they going to cost. Based on their actual need the municipalities may take the decision to start and to fund alternative services[6].

The opening of the delegated State-activities follow requirements pointed out in SAA Implementing Regulations, which are based on a declaration from the Director of the Regional Directorate for Social Assistance. Thus, the Executive Director of Agency for Social Assistance permits the opening or the closure of specialized-institutions providing social services, and of community-based services when they are delegated State-activities; and when they meet the standards and the criteria for social services. A proposal to provide services under a delegated State-activity must be accompanied by a decision from the Municipal Council to open or close the specialized-institution by a specific date; based on information presented about the capacity of the applying non-profit organization, the number of employees and amount for salaries paid, and the allowance standard. A copy of the document proving ownership of the building where the services will be provided must also be presented.

[5] In this sense, it is possible for a municipality to decide that one of the requirements will be that the social service provider be locally registered.
[6] Art. 36, Par. 5 of SAAIR.

3. Evaluation Committees: structure, members, evaluation of proposals, decision-making

Assigning a committee for holding a competition

The Mayor of the municipality appoints, with an order, a committee to coordinate and manage the process to hold the competition. The SAAIR does not say a lot about the membership of this committee. It only states that a representative of the SAA must be present within the committee. It is up to the mayor to decide the composition of the committee.

From the competitions that have been conducted to date, it is possible to conclude that usually the committee includes the heads of the economy, the social, and the juridical departments of the municipality.

For the sake of transparency, it is recommended that a member of the Public council, established under Art. 52, Par. 1 of SAAIR, also participate in the committee. In this regard, Dryanovo Municipality invited a representative of the local Municipal Public Council. Through participation of its representative in the evaluation committee, the Public Council contributes to fulfilling its purpose, and to the transparency of committee decisions. The committee is to be formed after all competition-applications are submitted. In order to avoid any external pressure, it is recommended that the members of committee keep themselves anonymous at least until the decision is announced.

Evaluation of proposals and ranking of participants

During evaluation process, the committee must follow the deadlines set by legal-requirements; and also the deadlines that are announced in the mayor's proclamation to hold the competition. According to SAAIR the committee has 14-days to evaluate proposals. Every delay or decisions made-in-advance or prematurely by the committee, may lead to doubts in regards to the committee's effective and unprejudiced performance, and may further become a point of contention over any decisions taken.

Principle evaluation criteria (the obligatory ones) noted in the SAAIR; include:

- applicant's relevance to the announced requirements;
- applicant's experience in social services provision and its business reputation;
- applicant's performance capacity and staff qualification;
- applicant's financial capability;
- program for development of the social services presented by the applicant;
- other requirements.

It is recommended that within the specific competition the set of criteria be expanded according to the specific needs for implementing the services and achieving the objectives of the assignment.

Evaluation matrix

In order to ensure the effectiveness of the evaluation; including effective discussions within the Committee and the transparency of the competition-procedures, it is necessary to develop a proposal evaluation matrix. This matrix should be developed in accordance with the evaluation approach described in the Mayor's order to open the competition, and the criteria of Art. 38 Par. 4 of SAAIR. Certain criteria might have relatively higher weight in the evaluation, and give an advantage to certain applicants, but this is only acceptable if these criteria were previously announced part of the Mayor's proclamation announcing the open competition. The committee members must have this matrix at their disposal.

During the competitions held under the Social contracting program the matrixes were fully utilized by the different committees. This contributed to a faster and consensual decision making in the process to identify the best proposal for social service provision.

The results of the evaluation must be written down in a *protocol*. The proposals have to be reviewed and evaluated in accordance with the mayor's proclamation. The committee must also certify that all deadlines were met and that the applications themselves were delivered and processed within the deadlines and requirements of the competition-order. Each envelope that contains a proposal may be opened only after the previous one is reviewed, discussed, and evaluated according to the evaluation matrix; and the results are tabulated into the committee's *protocol*. After reviewing all submitted proposals the committee ranks them in an ascending order. The first position is taken by the applicant's proposal with the highest score per the evaluation matrix. The ranking is noted in the *protocol* which is signed by all members. The *protocol* is presented to the Mayor of the municipality who then issues a proclamation, announcing the results, according to requirements under Art.39, Par.1 of SAAIR.

In the instance that only one proposal is submitted under an active competition; i.e., there is only one applicant, then there is a procedure for *direct negotiations*. The committee discusses the budget and the program issues directly with the applicant. The committee might require revisions of the proposal received in order to improve it for the interest of the customers and the community.

The practice of the competitions held to date show that even in instances when several candidates apply, and after the best proposal is identified, the process of *direct negotiations* takes place.

As an additional measure to ensure transparency of the committee's evaluation process and decisions taken, it is recommended that committee meetings must be open for the participation of observers: representatives of the Public Council, and the respective commissions of the Municipal council related to the tendered social service.

One good approach in practice within some municipalities (Antonovo, Silistra), is that each committee member signs a declaration on avoidance of conflict-of-interest. Such a practice contributes to the prevention of unfair competition. The practice of inviting local journalists as observers, and even to participate in the process of the negotiations with the candidates (Dryanovo municipality), is a positive-steps towards increasing the community's access-to-information on the decision-making process; as well as towards increasing public-awareness about the principles of fair and transparent competition.

Announcing the winning candidate

The municipality-mayor issues an order that assigns the candidate that wins the competition, in accordance with Art.39 Par.1 of SAAIR. This order must be issued within the time limit set out by the Art. 39 of SAAIR:

- the order that announces the winning candidate must be issued within 3-days since the committee's final selection decision;
- all applicants should be informed about the results of competition not later then 7-days from release of the mayor's proclamation that announces the winner.

4. Contracts: legal requirements, contents, highlights

The competition procedure ends with signing a contract between the municipality and the person that wins the competition. The SAA Implementation Regulations describe the obligatory basic minimum contents of this contract. The contract outlines:

Subject of the contract – type and size of the social services offered per the competition announcement and the program for development and implementation of the social services of the winning candidate. In order to avoid future disputes and problems with contract implementation, its subject should be very clearly formulated. The social service subject of the contract should be specified not only as a type, but also by the separate activities that it includes. The contract should also clearly specify the size of the social service. It is possible that the number of users is fixed as a minimum, and that the supplier may be given the opportunity to expand the service, if additional resources are available; however, expansion may not be set as a requirement within the time-frame of the contract. It is possible that a certain number of users may be set at the starting-point of the contracted period with an obligation for the contractor to increase the number of the assisted persons at a certain point during the implementation. That depends on the will of the two parties, the financial resources available, and the options for additional financial contributions by the service-provider.

Price of the contract (Funding provided by Municipal/State-budget). Fixing the price of the contract means calculating the exact amount of the financial resources needed to provide the service. There should be a clause in the contract stating the precise amount that will be given to the provider by the municipality for the delivery of the social service, the subject of the contract; as well as the funding source. For social services

that are delegated State-activity, with funding provided from the State-budget, through the municipality, a reference should be made to the legal standards that regulate the funding for such a service from the relevant fiscal year; and other years respectively, if the terms of the contract provide for a longer time period. For social services that are Local-activities, the contract must say that the funding is provided directly from the Municipal-budget. The funding source is important for regulating the responsibility of the municipality in case of a delay in the disbursement of separate installments. In the instance where the supplier is required to provide additional financial resources, a cost-share or contribution, the latter must also be calculated into the overall-price of the contract.

Guaranties for the spending of the provided budget funds (control over spending of funds through a reporting mechanism). Experience shows that the biggest reservations of the municipalities are related to the guarantees given by the providers for proper spending of the budget-funds. The regulation of those guarantees has two aspects. The first one refers to compliance with the law of the funds-spending per budget-lines. The other aspect refers to setting up a mechanism that would guarantee the quality of the delivery of the social service – subject of the contract. Usually the contract requires the contractor to report spending with the relevant expenditure back-up documents to ensure the lawful spending of the funds provided by the budget. The next installment depends on the timely submission of all reporting documents for the funds spent. It is much more difficult to require a guarantee for the achievement of a specific quality of social service. It is recommended that the provider should be obliged by the contract to permanently monitor its personnel to ensure the quality of the service. Usually, on behalf of the municipality, it is contracted that its social-services and activity experts have access to the users; in order to receive feedback about the quality of the service. Related to funds-spending, a clause must be included to enforce the reimbursement of unspent funds (if there are such) or reimbursement of improperly spent funds.

Rights and obligations of the parties. The contract must specify precisely, clearly, and without any equivocation the rights and the obligations of each of the parties. It is recommended, when possible, that time-frames to be included for each obligation. Non-performance on any obligation must be bound to adequate sanctions.

Contract date. The contract date is an essential point. The SAA Implementation Regulations do not state a minimum or maximum time-frame of the contract. Contract time-frame depends on the time-frame set by the mayor in the order to open the competition. In order to ensure sustainable development of the social service, it is recommended that the contract be longer than one year. Related to the contract time-frame is the issue that the Municipal-budgets and the State-budget are approved annually; thus at the time a competition is held, the mayor is only aware of the budget available for that specific year. Quite often the contracts awarded from respective competitions are signed for more than a year. In this instance, when setting the price of the contract, the amount of funds is cited only for the current year; for the following years the contract refers to legal-acts that determine the standards for funding Local-activity social services, or delegated State-activity (if the contracted social service falls in this category). It could also be stated that the funds for the following years of the

contract cannot be less than the ones provided during the first fiscal year (if the social service is a Local-activity, funded by the Municipal-budget).

Non-performance (forfeits, contract termination in case of a delay, partial/full non-performance). Finally, the contract must envision the guarantees for its implementation, and the responsibilities of both parties in case of non-fulfillment. One of the most important obligations of the municipality related to the social-service-delivery is the timely provision of the financial resources. In case of failing with this obligation, or a delay in payment of the installments, a forfeit must be demanded along with interest for each day of the delay. The situation is quite delicate when there is a delay in the payments for a social service – delegated State-activity caused by a delay of the transfer of funds from the State to the municipal budget. In such an instance, it is evident that the municipality can not be held responsible for the activities of the central State administration. Practice shows that the municipalities make it clear in advance that they do not hold responsibility in such cases.

It has to be taken into account that the municipality will be a contracting party as a private legal-entity, and not as a public authority body. The two parties – the municipality and the winner of the competition – are equal and they should both have rights and obligations in case of failure with implementation. In the currently active signed contracts with social-service-providers in municipalities that have held competitions, the municipalities have insisted on having a contract termination clause when there are violations of contract-clauses committed by the contractor. Usually this ultimate sanction is envisioned if the contractor fails to submit timely/regular report, and/or does not regularly submit the expenditure documents for the funds spent. Unilateral termination of this contract on behalf of the municipality is envisioned in different hypothetical situations when there is improper provision of the social services identified in the contract. Also, the municipalities usually insist that the contract have provisions allowing the municipality to stop the payment of funds without any liabilities for possible delays.

The implementation regulations offer a minimum content for these contracts, but should not be understood as a limitation or an attempt on behalf of the legislators to dictate a certain conduct for the municipalities. The municipal administrations have been functioning for a long time under a highly centralized state and thus need assistance in learning how to carry out real decentralization and provide social services. Actually, the implementation regulation's requirement for minimum content and standards in the contract itself, sets the objective to assist the establishment of a common practice by the municipalities when holding competitions and signing the contracts.

The freedom of negotiations is not restricted. The parties can agree on clauses which are not specifically stipulated in Art. 39a Par. 1 of SAAIR. Actually, the requirement for minimum content of the agreement guarantees the interests of both parties; while at the same time protecting them from allowing considerable omissions in the contract which could impact negatively on the provision and quality of the services provided.

It is recommended that the contract describe the way in which the applications to use the services will be submitted, and how and where the taxes for the services will be paid.

Limiting unnecessary or fraudulent spending from the budgeted funds, together with provision of quality services, requires the inclusion of contract clauses that guarantee the opportunity for the municipality to retain control on the quality and the size of the delivered social services. This purpose requires that the contract be clear and precise about the following issues:

- ensure a mechanism for ongoing control by the municipality on the size of the delivered social service, and on spending limits;
- set up a clear and effective mechanism for control by the municipality on the quality of the delivered social service, and the work with the users/beneficiaries;
- exercise permanent monitoring of implementation on all components of the program for social service delivery presented by the provider;
- it is recommended that the financial resources not be provided up-front by the municipality to the contractor, when signing the contract - rather release separate installments after a check is done of the way in which the contractor fulfills his obligations and delivers the social service;
- demand reimbursement of unspent funds;
- Outline responsibilities over property used/procured under the contract should there be weak performance or non-performance by the provider; or by the municipality upon failing to fulfill its side of the contractual obligations;
- ensure that activity and financial reports are submitted in an accurate and timely manner by the contractor to Mayor of the municipality on a regular basis (3 or 6 months).

5. Controlling the activity of the social-service-providers

As was mentioned above, the process of social contracting requires a mechanism to allow the municipality as the contracting-authority, to retain control over the quality of the service and the spending of provided financial resources. In case the municipality identifies infringements in the delivery of the contracted social service, it may exercise its rights under the contract together with any sanctions outlined by the contract.

Together with control that is exercised based on the contract, the Social Assistance Act (SAA) and the Social Assistance Act Implementing Regulations (SAAIR) offer specified control on the activity of the social-service-providers. The body that has the mandate to implement the control is the Inspectorate under the office of the Executive Director of the Agency for Social Assistance. In order to ensure compliance with social-assistance-legislation, and to prevent or stop violations, inspectors can impose the following administrative measures:

- they can issue obligatory instructions to rectify violations;
- they can stop the implementation of unlawful decisions;

- they can enter data on violations committed by social-service-providers in the Social Assistance Agency register and propose deletion of the registration entry.

The listed compulsory administrative measures may be appealed under the Administrative Procedures Act[7] (APA). Fines are imposed for violations of the social-legislation.

Except for the specified/specialized control executed under the Social Assistance Act, the Chair of the State Agency for Child Protection (SACP) also has a mandate to control the quality of the social services delivered to children. Control may be exercised through regular planned or ad-hoc monitoring visits, or when alerts are received on possible violations of the rights of the child. When implementing its monitoring responsibilities, the SACP inspectors have the right:

- to visit without any limitation the social assistance organizations, and places where social assistance activities are performed;
- to demand explanations and documents, records and data;
- to receive information directly from the child, the parents, or the assisting persons.

When violations are established, the Chair of SACP, or person(s) delegated by the Chair, may issue compulsory prescriptions to eliminate the violations. Serious violations may lead to levying fines and revoking licenses.

Public control

The Social Assistance Act envisions forms of public-control over the social service system. With the decision of the relevant Municipal council, *Public-Councils* are established with the involvement of representatives from institutions working in the social-sector, and also representatives from social-service-provider organizations. In addition to functions assigned by law, the *Public-Councils* execute control over the quality of the social services. If violations are evidenced or alerts for such are received, the *Public-Councils* inform the Chair of the Municipal-Council in writing; and also inform in writing the Inspectorate office of the Executive Director of the Agency for Social Assistance.

In order to protect the interests of social-service-users, and to exercise public control, councils can be set up by social-service-users, their guardians, or trustees.

[7] The administrative appeal is done by the new Code of Administrative[7] Procedures (CAP), and through court channels until March 2007 by APA. Thereafter, appeals will be done entirely under the procedures of APA.

6. Relationship with social-service-providers

Not-for-Profit Organizations as partners of local authorities in the social contracting process.

The social-service-providers are determined by the Social Assistance Act. Social services are delivered by the state, municipalities, and individuals registered under the Trade Law as sole-traders and Bulgarian legal-entities; including NGOs, foreign individuals or legal-entities – from EU member states or other countries that operate under the Agreement for European Economic Space registered in Bulgaria according to the national legislation. Individuals registered under the Trade Law and legal-entities including NGOs who wish to become social-service-providers have to be included in the register maintained by the Agency for Social Assistance. Those who provide social services for children under 18 may only be included in this register after obtaining a license from the State Agency for Child Protection (SACP).

The license from the SACP, and registration as a social-service-provider with the Agency for Social Assistance, is absolutely unavoidable in order to deliver social services for children under 18 years old. In order to deliver social services to other target-groups it is enough to be registered with the Agency for Social Assistance.

Experience shows that the registration process does not burden the activity of the social-service-providers. The registration requirements are based on formal criteria that identify the capacity of the provider. The register is, in fact, a data-base of the private social-service-providers and the services delivered by them. This information can be used by local authorities when announcing competitions for social service contracting, and in the proposal evaluation process.

The private social-service-providers are obliged to comply with all legislative acts and standards for social services. Those providers that are identified as non-complying with legal requirements and standards are marked in the Agency for Social Assistance register. The registered providers and their services are available on Agency for Social Assistance web-site.

The registered providers must submit their annual activity report to the Agency for Social Assistance not later then May 31 each year. The registration with the Agency for Social Assistance can be cancelled if the registered provider does not perform social-service-delivery for one year; does not present an activity report for one year; or if the obligatory license is expired or cancelled.

Despite the fact that businesses, business associations, and corporations are eligible to provide social services, practice shows that the largest part of private social-service-provision has been done by NGOs. Business in Bulgaria is not generally motivated to be active in social-service-delivery. There are no stimulating tax-benefits, the delivery of social services is expensive, and targets insolvent customers.

NGOs are the natural partners of the state and municipalities in the decentralization of the social services, and further social contracting due to a number of reasons. Some primary or main reasons are the following:

- NGO activity in accordance with their mission is tightly bound to social problems of the society;
- NGOs are aware of the specifics of the region where they work, and of community needs and priorities - since their work is related to it;
- NGOs are able to attract additional financial resources through projects or campaigns, which further represents a potential opportunity to expand the size of the social service, and to increase its quality;
- NGOs are able to involve volunteers which decreases the price of the offered social services, at the same time their staff is experienced in the related field;
- NGOs are less bureaucratic then State-agencies, which makes access to the services easier for beneficiaries.

The absolute majority of social service competitions conducted in Bulgaria over the past few years have been won by NGOs. Local authorities started to recognize NGOs as reliable partners in the social contracting process. Quite often social contracting as a form of public-private partnership is combined with other established forms of partnership between NGOs and the municipalities. For example, many NGOs use office space or operational space provided by the Municipality or the State, according to the Municipal Property Act (PMA) and State Property Act (SPA). In this respect, it should be noted that providing municipal or state property for NGO operations, that target public-benefit, is a favourable condition that further strengthens the State's recognition of NGOs as a partner.

III. CONTINUED ACTIVITY

Competitions for contracting-social-services

During 2004-2006, the Counterpart Bulgaria program supported the organization of the first competitions for delegating-social-services to external-providers. BCNL prepared documentation for the competitions, and provided full technical and logistical support to the municipal experts during the course of the competitions. Guidelines were developed to ensure transparency during competitions. The contracts with the winning applicants were also developed. BCNL independently organized 45 training seminars, for municipal-servants and NGOs. The training topics included: actual legal framework for social services provision; the registration requirements for social service providers; presentation of quality standards for the services; decentralization of the funding for social services; opportunities for funding social services by the Municipal-budgets and the State-budget; holding competitions for social service contracting; presentation of sample documents for holding competitions; and contracting the social service providers.

Though the Counterpart Bulgaria program terminated as of 30 September 2006, BCNL continues to strengthen, consult, and encourage municipalities and NGOs; and also the already existing *Public Councils* in the social-sector – the *Public Councils* will gain an increased future role as active generators of local social policy.

Analysis and publications in the social sphere

- "Legal Framework of Social Services in Bulgaria – Questions and Answers" (first edition 2004 and second edition 2006).

- "Contracting Social Services Between the State and NGOs. A Comparative Analysis - England, Germany, Poland, Hungary, Czech Republic, and the Practice in Bulgaria" (2004).

- "Social Entrepreneurship and Control on Social Services in Bulgaria and the European Union" (2005).

- "A System for Control on Social Services. Regulation of Social Enterprises" (2006).

- BCNL experts developed an analytical report presenting "the mechanism for funding of social services in Bulgaria" (2006).

- BCNL is also the author of numerous analyses on partnership-building between the state and civil society organizations that can be found at the BCNL website www.bcnl.org .

National social services network

In 2004 BCNL and the Open Society Institute Sofia initiated the establishment of a network, involving organizations from throughout the country that work actively for the development of the reform in social-service-provision. The idea for the creation of an informal network for social services emerged from the need for efficient implementation of the new legal framework on social-service-delivery. Member organizations receive access to current local-practices for organizing competitions, registering new social-service-providers, their activity at the local level, and other news about the social service sector. To date, there are 24 members in the network – all are organizations working in the social sector.

www.bcnl.org/social

A specialized web site for social services was developed under the official BCNL site – *www.bcnl.org/social*. The site facilitates the exchange of information and the permanent contact among the network members. The site serves as an information-point where everyone has free-access to actual news in the social service sector from throughout the country, and to references on the existing legislative-regulations that govern social services in Bulgaria.

BULGARIA COMMUNITY FUND AND SOCIAL ENTERPRISE PROGRAM

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BEST PRACTICES OF SOCIAL ENTERPRISES IN BULGARIA

Community Fund and Social Enterprise Program of Counterpart International – Bulgaria

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Henry Ford

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Currently the Social Enterprise Program is working with 45 social enterprises, from different regions throughout the country. These organizations are supporting people in unequal social status, including people with disabilities, at risk children, elderly people, women, people from ethnic minorities, drug addicts, ex-prisoners, etc.

Overview of Social Enterprises included in Community Fund and Social Enterprise Program, implemented by Counterpart International – Bulgaria with financial support from the United States Agency for International Development

The Beginning

Social Enterprise development program was started in Bulgaria in 2002 to respond to the opportunities given by the legislation for not-for-profit entities to conduct business activities. This was the time when most of the not-for-profit organizations were exploring different ways to enhance their financial sustainability and started to look towards applying market driven and economic approaches. At the same time the number of disadvantaged and at risk groups in the country increased, and this triggered the need for alternative forms of employment, qualification and skills development, together with new social services for people at risk.

What is a social enterprise?

Bulgarian legislation is not providing any legal definition for social enterprise, as there are no concrete legal regulations determining the status, form and type of business activity of the social enterprise.

Social Enterprise is a business or income generating activity, implemented by nonprofit organization with social mission, aiming to achieve social impact on marginalized groups.

Social impact could be measured by created employment, social service provision and other support to overcome social exclusion of disadvantaged people and to improve their living conditions.

Typical social enterprise model for Bulgaria is a nonprofit organization implementing business activity, generating income to support the social mission of the organization and to achieve significant social impact. Other social enterprise form is a trade entity, with a majority ownership of the nonprofit organization, which is reinvesting the profit into the social enterprise.

Models of Social Enterprises

- Fee for services – paid directly from the client or indirectly from a third party /social contracting/
- Trading of products and services, intermediary to the markets
- Not related with mission business activity – income from business activity, which is not directly related with the mission of the organization, business partnerships
- Work force development and alternative employment – creation of employment opportunities and/or skills development

Main Sectors of Social Enterprises in Bulgaria

The great diversity in business activities of the social enterprises is determined by the variety of geographical regions, where social enterprises are operating, as well as differences in their target groups. Social Enterprises are grouped into four main sectors:

- production and trading /fine arts, traditional handicrafts, agricultural production etc./
- social and health services,
- education/training and IT services
- child care and leisure time activities.

Distinctive Features of Social Enterprises

- Social enterprises are working in public benefit, aiming to create social and economic values;
- Social enterprises have profit distribution constraints and are using all their incomes from business activity to support the social mission of the organization
- Social enterprises are using market mechanisms and resources for creating additional social value and building up a social capital;

The way ahead

Social entrepreneurship gains speed in Europe in the process of searching for alternatives of employment for disadvantaged people, social integration, better quality social services and improved well-being of the people. Our experience in social enterprise development from Bulgaria shows that these entities are drivers of change towards more active social policy and provide best practices for employment of disadvantaged and socially excluded people. They are also functioning as a mechanism for social inclusion and expansion of social services within the community. Social enterprises are generating additional resources for the social sector and through subsidizing social and training services more people in need are gaining access to them.

About the Program

Since the start of Social Enterprise Program up to now, Counterpart – Bulgaria provides the following support to social enterprises:

- Capacity building through trainings, consultancy and technical assistance
- Access to funding for social enterprise development
- Study tours within the country and abroad
- Networking and exchange of information and experience
- Marketing support and access to markets

Besides the resource center for support of social enterprises within the program there is a functioning network of business consultants and trainers throughout the country, who support the social enterprise development.

Regional Diabetic Care Association - Burgas

Regional Diabetic Care Association – Burgas

Social Enterprise Model:
Sale of goods and services for people suffering diabetics

Sector:
Social and health services

Legal status:
Not-for-profit legal entity, implementing additional and mission-related business activity

Nonprofit Organization

The mission of the Regional Diabetic Care Association in Burgas is to provide affordable and high quality services and products for people suffering diabetes to have a better quality of life. Diabetes appears as health, social and economic problem with increasing importance. It is a reason for long-term injuries, early mortality, only on the territory of Burgas region there are 7 300 diabetics, out of which 32% with amputations.

The Social Enterprise

The Public Medical Center “Diabetic foot” officially started its work on 1st of March 2003, by providing health and social services, training and consultations to diabetics. Part of the services are paid by clients, however they are ready to pay for them because they receive much more than just a product, but also additional care, like support, consultations and training.
Public Medical Center “Diabetic foot”– Burgas offers a system of base medical care for feet, integral part of the complete control of the diabetes. The main goal of the social enterprise is to motivate diabetics to undertake the responsibility and full care to avoid amputation and permanent disability.

Activities and Services

Currently, the organization is providing care services in the public office and through visiting people at their homes, including home control over diabetes and home care services. Provision of services is organized as subscription for services or as individual or group training. Main activity of the social enterprise is offering of services, including social services, contracting services, consultancy on choice of orthopedic shoes, and sale of goods, including unified cards, special food, and tests for diabetics. Besides the business activity the team of the social enterprise is organizing information campaigns raising the awareness of the community about the problems of the diabetes, in order to prevent the illness.

Social Impact

Social impact of the Diabetic Foot Social Enterprise is in several directions:
At first place saved public expenses for the prevention of amputations of lower limbs of diabetics. Since the social enterprise establishment there were 30 people prevented from amputation, with a provided opportunity to improve their quality of living. At second place the Diabetic Foot Social Enterprise has contributed to find jobs to 140 people, who had difficulties in their professional realization because of their illness. In addition to these job opportunities, the social enterprise has opened 7 job places for people with diabetics. Least but not last the social benefit from the functioning of the public medical office is increased awareness and information activities towards prevention of imputations.

Success Factors

One of the leading success factors of the social enterprise is the strong motivation of the manager of the association towards achieving the mission of the organization and at the same time great ambition for financial self-sufficiency. Other important condition for success is development of good partnerships between the social enterprise and medical workers, as endocrinologogists, neurologists, surgeons, orthopedists, ophthalmologists and cardiologists. Least but not last the social enterprise is not a competing with the medical institutions, but is rather operating as their partner and provides them with direct contact with diabetics.

Main goals of the Diabetic Foot Social Enterprise are:

- Increased number of the beneficiaries of the services and popularization of these services among the target group.
- Increased number of social services at the Diabetic Foot Center, that are provided free of charge to the beneficiaries – people with diabetics
- Achieving financial sustainability through growth of the business activity.

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Marine Club “Friends of the Sea” - Varna

Marine Club “Friends of the Sea” – Varna

Social Enterprise Model:
Employment and development of work force

Sector:
Training and qualification services

Legal form:
Not-for-profit legal entity, implementing additional and mission-related business activity

Nonprofit Organization

Marine Club “Friends of the Sea” has been established in 1996 as organization registered in public benefit. Their social activity started in year 2000 with the training of 17 youth, orphans from Kniaginia Nadegda orphanage in Varna in two marine specialities. In this way the disadvantaged youth had received an opportunity for better social integration and professional realization. The search of the organization for a financial independence from outside donors has triggered the idea for starting a social enterprise.

Social Enterprise

The social enterprise “Together on Board”, as part of Marine Club “Friends of the Sea”, offers paid training courses in marine specialties and organizes underwater tourism. Clients of the social enterprise are youths over 16 years old, who want to acquire marine specialty, Bulgarian and foreign tourists interested to see underwater entertainment sites developed by the Club. Bulgarian and foreign citizens interested to receive marine certificates.

Activities and Services

The Social Enterprise “Together on Board” provides:

- Trainings of disadvantaged youth in two marine specialties: Scuba-driving and 20dwt vessels navigation courses
- Trainings and qualification courses for scuba-diving – with acquisition of Bulgarian certificate and/or certificate according to the World Underwater Federation /CMAS
- Special courses – underwater archeology, diving to sink ships, underwater photography, underwater ecology
- Rent of equipment for participation in scuba-diving courses
- 20dwt vessels navigation course on sea

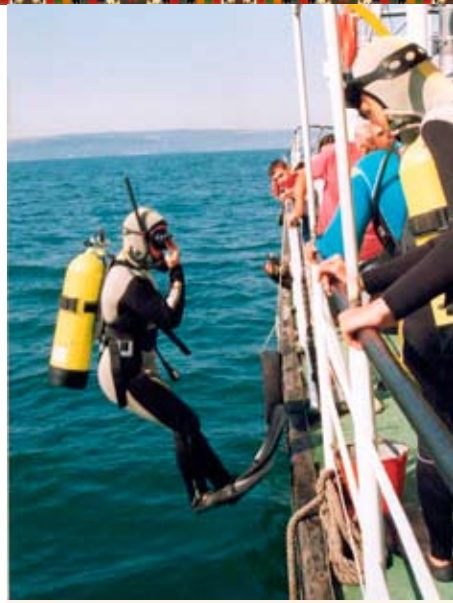
For the period 2002-2004 the social enterprise “Together on Board” had trained 95 young people, out of which 20 have found jobs with their new qualification.

Social Impact

Social Enterprise “Together on Board” is providing training for youths in unequal social status /orphans, semi-orphants, unemployed from roma origin/, who have difficulties in their social integration and professional realization. Additional opportunity for social realization of these young people is the initiative that Marine Club “Friends of the Sea” undertakes to support them to continue their professional education or to find a job in the Bulgarian Navy, and private marine companies. 30% of the fees from paid courses are invested to cover the cost for the training of disadvantaged youth.

Success Factors

- Qualified trainers in scuba-diving in the region
- Right to issue international certificate CMAS for those who successfully pass the training courses
- Reputation of the people engaged in the scuba-diving training and very good image of the organization in the region and in the country
- Public support on behalf of the municipal and state authorities, nonprofit organizations and international donors and excellent experience in working as a team
- Offering lower prices in comparison with their competitors, who provide courses only with Bulgarian certificates, and special discounts for students



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Association for Social Assistance - Dryanovo

Association for Social Assistance – Dryanovo

Social Enterprise Model:
Paid social services, subsidies for social services

Sector:
Social services

Legal status:
Not-for-profit legal entity, implementing mission-related business activity

Nonprofit Organization

Association for Social Assistance in Dryanovo is local nonprofit organization registered in 1997 with the main goal to improve living conditions for people in unequal social status. In 2001 the organization implemented a project for establishing Bureau for Social Services in Dryanovo. After realization of variety of different projects, the organization started searching for a way to insure financial sustainability in order to be able to continue the support for disadvantaged population.

Social Enterprise

Social Enterprise of the Association for Social Assistance started its operation in 2003 by offering paid social services. The biggest challenge faced by the social enterprise in developing social service market was to change people's attitude towards paying for social services, and to ruin old stereotypes that social services are only for free. Therefore the social enterprise team started looking for clients who can afford to pay for elderly care social services. Regarding to its business activity the social enterprise succeeded to double its incomes from paid services compared with the incomes generated in the previous year 2003.

Activities and Services

Social Enterprise Civil Center for Complex Social Services offers a wide range of services to its clients, more than 50 services, including shopping for elderly people, home care for ill people, supply with medicines, home cleaning, rehabilitation and massages.
There is also a Day Care Center for elderly people as part of the organization that is offerings meals, medical examinations, and organization of celebrations, excursions and social activities. Currently part of the services for elderly people and pensioners are financed with public funding from Dryanovo Municipality after a competition for contracting out state delegated social services.

Social Impact

Through its social enterprise the Association for Social Assistance has been able to provide additional services for elderly people with low incomes, who are not able to pay the fees, which means that they provide service with higher quality, subsidized by the own incomes of the organization. In this way the organization is able to implement its social mission by supporting people in unequal social status, apart from the social assistance system. Finally the social enterprise is also providing employment for long-term unemployed women, giving them opportunities for better realization on the labor market.

Success Factors

The main success factor of the social enterprise is to deploy expertise and experience gained in the social service provision by the nonprofit organization and to use it to generate income from paid services. The staff is motivated to work and have gained recognition and trust amongst the population of Dryanovo.

However the social enterprise won't be so successful without the support of local authorities. Association for Social Assistance won a competition for social service provider, conducted by Dryanovo Municipality, which has strengthened the partnership between the organization and local authorities.
Another key factor for success is the continuing process of training and increasing qualification of the staff. Development of entrepreneurship spirit and business skills requires time and high motivation, but in long-term it pays back through the success of the social enterprise.

"The biggest challenge in front of our social enterprise is to develop a market of paid social services and to change people's thinking" Stela Dimkova Chairperson, Association of Social Assistance – Dryanovo

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Knowledge Association - Lovech

Social Enterprise Model:
Human resource skills development

Sector:
Training and education services

Legal form:
Not-for-profit legal entity, registered in public benefit

Nonprofit Organization

Knowledge Association – Lovech is a nonprofit organization registered in public benefit in 1994, unifying trainers, intellectuals, and educational experts around the idea of life-long learning. Each year the organization is providing training courses to 1400 people, an average of 100 people participate in the training courses for free and 30% use discounts.

Social Enterprise

The Social Enterprise of Knowledge Association is training for free young people in unequal social status; their training cost is covered by the incomes from business activity. In 2003 the association acquired a license from the National Agency for Professional Training and Education and now can provide paid educational (qualification and prequalification courses) and training (short-term trainings and courses) services with high quality, according to the needs for training services in the region. Knowledge Association holds around 50% of the market share of training services on the territory of Lovech municipality. The economic impact of the social enterprise activity is achieved financial sustainability of Knowledge Association and expansion of the market by satisfying training needs of a wider range of clients.

Activities and Services

Main services provided by the social enterprise are training, qualification courses and consultancy, including courses in basic computer literacy – I and II level, Internet, English, German and Italian language and accounting. The organization is providing also professional qualification trainings for: salesperson-consultant, financial experts, accountant, and technical assistant in small and medium business, office assistant, cook, baker-confectioner, tailor, hairdresser, beautician, waiter-barman, stock-breeder, social worker, hotel administrator, and hotel-manager. All programs are approved by Ministry of Education and Science /MES/ and the National Agency for Professional Education and Training /NAPET/.

Social Impact

Knowledge Association is exploring the training and educational needs of the marginalized groups within the community (children and youths with disabilities, long-term unemployed youth, youth leaving social institutions, etc.) and is working towards adequate services to meet the needs through encouraging the social integration. Currently the organization is training around 890 disadvantaged people annually, who are either not paying for the trainings or have discounts for the services that they receive.

The impact of the social enterprise could be measured by the financial ability of the association to provide subsidized training for more young people and youth at risk of social isolation.

Success Factors

The nonprofit organization is with high public recognition, which helps to be successfully positioned in the market of training and educational service and is trying to achieve financial sustainability through income-generating activity. An important factor for its success is the readiness of the organization to balance its social and economic goals. The competitive advantages of Knowledge Association social enterprise is the accurate recruitment of the trainers, high credibility within the community, location of the training halls in the center of the town, good quality of the services on affordable price, new methodology and effective educational approaches, and license from National Agency for Professional Education and Training /NAPET/.

"Through social enterprise we provide financial sustainability to our organization, in order to continue supporting people by training and enhancing their qualification" Knowledge Association, Lovech

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“Faith, Hope, Love” Social Enterprise - Pernik

Social Enterprise “Faith, Hope, Love” Bulgarian Association for People with Intellectual Disabilities – Pernik

Social Enterprise Model:
Art-therapy for people with intellectual disabilities, combined with trading of the art-products and finding markets for them

Sector:
Production of wall-hangings and decorative plates with high artistic and an esthetic value from integrated group of boys and girls with and without disabilities

Legal form:
Nonprofit legal entity, implementing additional and mission-related business activity

Nonprofit Organization

Day Care Center for children and youths with intellectual disabilities in Pernik is established in 1999 under the initiative of the Bulgarian Association for People with Intellectual Disabilities. The center provides art-therapy for children with intellectual disabilities conducted by professional social worker and designer. In 2001 the Day Care Center and the Children Complex have united their resources and launched an integrated group for training, art-therapy and socio-therapy courses for better integration and socialization of children and youth with disabilities. One of the main goals of the BAPID - Pernik and their Social Enterprise “Faith, Love, Hope” is to establish center for people with disabilities, where labor-therapy workshops for boys and girls at age over 18 with different disabilities will be developed.

Social Enterprise

The Association for People with Intellectual Disabilities, Pernik has launched its Social Enterprise “Fait, Hope, Love” in November 2003. The objectives that the social enterprise is trying to achieve are to be presented permanently at the market of art products, to expand their market and provide successful realization of the young people with disabilities. The social enterprise demonstrates the connection between the business activity and the social mission, by combining art-therapy and business in one initiative – the project “The way to yourself and to the world”.

Activities and Services

The trading activities of “Fait, Hope, Love” social enterprise are production of works of art, such as: ceramic and textile hang-walls, decorative plates, plastic arts etc. The creative work is done by boys and girls included in integrated group under the art-therapy program. Their pieces of art have high aesthetic value and are successfully sold to local and international clients. Incomes from the sales have been reinvested in the production process and securing payment for an art-designer in order to continue art-therapy work with the target group. Part of the income is used to support the social enterprise activity.

Social Impact

The social enterprise is demonstrating a successful model for work in an integrated group of people with and without disabilities. Our experience up to now shows that the high quality of the products can be hardly achieved if the group is consisting only of people with disabilities. Most of the children visiting the Center are with mental and physical disabilities. Furthermore, through the work in integrated group we achieve real social integration for people with disabilities.

Other important social impact is that the participation in the social enterprise stimulates people with disabilities to integrate better into society with improved skills and new opportunities for employment. On one hand the community is more aware of the problems of the disabled people and on the other – people with disabilities have new opportunities for social life within the community.

Success Factors

The main goal of the social enterprise management team is to develop products that are sold out not because they are produced by people with disabilities, but because they are with high quality and unique market value. Since one of the main functions of the social enterprise is to provide market for the unique products, leading factor for its success is to use wide network of supporters and partners. And least but not last the combination of work-therapy and trading of products require different entrepreneurial skills and strong engagement with the mission of the organization.

"The process of becoming financially self sustainable resembles the way a turtle walks – very slowly but steadily, step by step towards the main goal."
Tsveta Sergieva, Chairperson of the organisation

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Open Door Centre - Pleven

Social Enterprise Model:
Part-time employment of women, victims of domestic violence and subsidization of social services;

Sector:
Workshop for laundry and ironing, cleaning services for homes and offices

Legal form:
Registered Single-person Limited Liability Company, entirely owned by the NGO;

Nonprofit Organization

The Open Door Centre in Pleven has been established in the year 2000 with the main goal to support women, victims of domestic violence. As part of the Center there is a shelter for women that have suffered domestic violence where they can be safely accommodated for a period between 3 and 6 weeks together with their children. The start-up of a Social Enterprise is another step for supporting women, victims of violence and a mechanism for self-sustainability of the non-profit organization.

The Social Enterprise

The “Open Door” Ltd. Company is a Social Enterprise established in 2002 for the provision of services such as laundry, ironing and cleaning. Why the non-profit organization decided to start an income generating activity as a Social Enterprise? First, the Social Enterprise is creating jobs for disadvantaged women without qualifications who are accommodated for a short period in the Open Door shelter. Furthermore, the social enterprise is generating income for the operational cost of the shelter for women, who have suffered domestic violence. The future plans for the development of the Open Door Social Enterprise are connected with expanding the range of the services and market enlargement in the short-term.

Activities and Services

Through the Social Enterprise, the Open Door Centre in Pleven is successful in doing business - a workshop for laundry and ironing, cleaning services for homes and offices, which are in support of the mission of the organization - to give an opportunity for women, who have been victims of violence to be professionally assisted and supported. The main service offered by the Social Enterprise is a laundry and ironing workshop, equipped to provide services for citizens and companies. Supplementary services provided are as follows: cleaning services for offices, homes and buildings and home delivery of detergents and cleansing materials. The market strategy of the Open Door Social Enterprise is the creation of regular clients through the quality of the service and competitive prices.

Social Impact

An average of 50% from the revenues of the Open Door Social Enterprise in Pleven is used for the operational cost of the shelter and for securing financial self-sufficiency of the non-government organization. A percentage from the revenues is used as a tangible incentive and motivation of disadvantaged women so that they develop personal skills for their realization at the labor market.

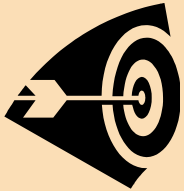
An important social effect from the activity of the Social Enterprise is the creation of temporary employment for disadvantaged women who have suffered domestic violence and are given an opportunity to rehabilitate in a sheltered working environment. So far the Social Enterprise has created 4 jobs for disadvantaged people of which one for a woman with disabilities and 2 for long-term unemployed women.

Success Factors

- A good team - people who understand the social mission of the organization but at the same time they understand the need for establishing an income-generating activity as a continuous source of funding of the NGO.
- Identifying a market niche and offering services with high quality.
- Support from the local authorities - the building of the Open Door Centre where the shelter is located, the crisis centre and the premises of the Social Enterprise are provided by the local authorities.

The recipe of success according to Zlatka Macheva, manager of the Open Door Social Enterprise:

Motivation
Competence
Training



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СОЦИАЛНО ПРЕДПРИЯТИЕ
"САМАРЯНИ"

The Samaritans Association, Stara Zagora

Social Enterprise Model:
Production and trading with bee products and apiarian inventory

Sector:
Bee-keeping and bee products

Legal form:
A non-for-profit legal entity conducting business activity; in the process of registration of a company;

Nonprofit Organization

The Samaritans Association came into existence in 1998 with the key mission to support the social integration of disadvantaged children, adults and families in the area of Stara Zagora municipality. Until 2004 the Association had realized more than 20 projects and initiatives of public significance in support of vulnerable groups of children and families. The Association is operating a Center for social and educational support for at risk groups, a Crisis Centre called the House of the Samaritans and a complex for social services.

Social Enterprise

The activity of the Social Enterprise is related to the production and trading with bee products and bee inventory and technology and has been into existence for three years. It operates as a socio-economic instrument for the successful business development. The main goal of the social enterprise is to develop the economic potential and skills of the organization for revenue generation from the production and trading with honey and other bee products, bee inventory and technology, so that the organization can continue to provide social services.

Activities and Services

The key objective of the Social Enterprise is to make popular bee-keeping, products, technology and scientific research among the broad community and to meet the professional and business interests of producers, manufacturers and traders. Together with the production, the Social Enterprise is generating income through their shop. Another new trend is that the Samaritans Association is the official representative of the Danish company Swenty, which is one of the leading worldwide producers of high-quality inventory for bee-keeping. Last but not least the Samaritans Association is managing a new EuroCentre for modern bee-keeping and technology" where specialized consultations and trainings for beginner bee-keepers and youngsters willing to be professionally involved in bee-keeping are provided.

Social Impact

The income generated from the Social Enterprise of Samaritans Association helps the organization to provide social services to children, youngsters and disadvantaged families in the Centre for social and educational support. In addition, the clients of the Social Enterprise are not limited to being users of different business products and goods but at the same time they are able to support the social cause of the organization.

Another important effect of the Social enterprise is the self-help support. Sustainability of the results of the social activity is attained through professionalism and strategic business activity development.

Success Factors

A key success factor is the use of social innovations and strategic planning for the development of the organization. An example of a social innovation is the initiative “Buy a bee-hive- support a child” as a non-traditional way for raising the start-up capital of the Social Enterprise. This charity initiative is operating in such a way that it gives opportunity to a single donation for a bee-hive to be re-replicated for 15 years. Another success factor is the human resources in the Social Enterprise - young and entrepreneurial, dedicated to the social cause and the development of new opportunities.

“The key goal of the Social Enterprise of the Samaritans Association Stara Zagora is to introduce a model for the development o ial capital through cooperation for assisting the creation of new job opportunities, access to production assets and investment especially to young people in Bulgaria.” Dimo Dimov, Samaritans Association

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Centre for educational programs and social initiatives, Yambol

Social Enterprise Model:
To subsidize social services, development of occupational skills and employment

Sector:
Child care services

Legal form:
Registered Limited Company, 50% NGO owned and 50% shares distributed among the members of the association

Nonprofit Organization

The Centre for educational programs and social initiatives Yambol (CEPSI) is a non-government organization registered in public benefit, working mainly in the area of development and implementation of new educational programs for disadvantaged people and their social integration in the community.

Social Enterprise

In 2002, CEPSI registered a business company “Success 21” LTD operating as a Social Enterprise which is offering paid services for day care for children and the generated income is invested in social services and the establishment of multifunctional Centre for support of children at risk. The Social Enterprise is expanding at a new market niche in the town of Yambol – an hour-based day care services for children and the expansion of the existing service - organization of parties for children.

Activities and services

The main service of the Social Enterprise is the hour-based day care for children - a service offered to parents of children at the age of 1 to 9 together with the provision of consultations for parents and different forms for skills development such as reading stories, drawing and design.

The second service is the organizing parties for children - a service offered to parents with children aged between 1 and 12 and related to the organization of birthday parties and various celebrations

in the children's homes. The service is offered in a package, including: party preparation; purchase of different souvenirs - balloons, masks, hats, napkins, glasses, etc.; organizing a performance for the participants in the party under a festival scenario; photo and video shooting.

Social Impact

The revenues from the social enterprise of CEPSI, Yambol support the development of a new social service for children and families such as the establishment of an effective operational multi-functional Centre for supporting at risk children. The Social Enterprise generates between 32-50% from the resources needed for the maintenance of the Centre providing services for the drug-prevention and juvenile delinquency, support for drop-out children to return back to school, consultations for parents and teachers for coping with the problem. An additional social effect from the Social Enterprise is the development of occupational skills among youngsters and employment creation. The financial value of the Social Enterprise's activity is the saved public resources through the prevention of addictions.

Success Factors

The success of the Social Enterprise depends on the motivation of people working with the nonprofit organization and the combination of a strong entrepreneurial spirit and market orientation. The success of each business depends on the identification of the market niche. The Social Enterprise of CEPSI Yambol is has started its activities based on a research made and the identified market niches which have not been well developed and citizens need such a service.

We are better because we have:

- Well trained teams
- Youth volunteers
- Developed programs for working with children
- Flexible working hours
- Key partners among the businesses and the local institutions

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www.cepsi.org

"Our Social Enterprise is successful because we trust people with ideas and we work together for their realization."
Zlatka Macheva, Open Door Centre, town of Pleven

"I really believe that the Social Enterprise model has a future in Bulgaria. It is widely known that most of the non-governmental organizations depend entirely on external funding. The goal of the Social Enterprise is to encourage them to become more sustainable and financially self-sufficient through the development of a socially oriented income-generating venture".
Albena Kremenarova - Consultant within the Social Enterprises Program in Rousse

"Social Enterprises - the third sector is learning how to make business. The lack of market driven mentality and the long history of getting resources from external donors are hindering it".
Newspaper "Dnevnik"

"Setting up a Social Enterprise helps us to work with dignity toward the achievement of our mission in the community so that we are an attractive centre for entrepreneurial people with initiative"
Dimo Dimov, The Samaritans Association, town of Stara Zagora

"With the development of the Social Enterprise, the non-governmental organizations have gained confidence, people in them now believe that they have the potential, they know and they can do it. Today, they are ready to challenge the change."
Anelia Tsankova - Consultant within the Social Enterprises Program in Gabrovo

"We rely upon favorable public policy and the provision of more incentives to Social Enterprises that are helping to solve social problems by investing their own efforts and resources"
Bulgarian National Radio

COUNTERPART

Ever since its establishment forty years ago the American Counterpart International has been well-known as a non-government organization (NGO) listening to people and their communities in order to understand how to support them to help themselves. Nowadays Counterpart works with more than 10, 000 NGOs and small enterprises and helps people from nearly sixty countries. Throughout its history, the most significant input in working for the development of civic communities is the readiness on behalf of Counterpart to respond to the willingness of people throughout the world to set up dynamic communities, supported by vibrant economies.

In September, 2001, Counterpart received funding from the US Agency for International Development for the implementation of a Community Funds and Social Enterprise Program and registered its own branch in Bulgaria. It is a five year program that will be completed in September 2006.

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BULGARIA COMMUNITY FUND AND SOCIAL ENTERPRISE PROGRAM

October 2001 – September 2006

COMMUNITY FUNDS (FOUNDATIONS) IN BULGARIA

A CASE STUDY ON STRUCTURE OF LOCAL GIVING

September 30, 2006

COUNTERPART INTERNATIONAL
1200 18th Street, NW, Suite 1100
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Foreword

Longer-term investment in social capital through local philanthropy models is at times overlooked in favor of short-term, quick-impact, and fragmented philanthropy. Often, in transition economies like Bulgaria, there is a tendency to look externally for precedence and models that support transformational policy and initiatives. This is valuable, since best practices and potential downfalls may already be clearly documented, and can readily be adapted to a national or regional context. However, this external focus tends to overshadow a review of internal and locally driven options that may be equally effective, especially vis-à-vis the local culture and traditions in communities.

Traditions of local giving and philanthropy are not new to Bulgaria. However, structured-giving through a complex structure, with specific or perceived roles and purpose, is new to Bulgaria. Furthermore, foreign donor support (in this instance USAID) for the creation of community funds, and inherent donor requirements, is new.

This practical guide on Community Funds (Foundations) in Bulgaria is presented not only as a how-to-manual that facilitates compliance with donor and other local requirements; but also as a case study on the current development of community funds and local philanthropy in Bulgaria. It is expected that international donors, heads of community foundation initiative groups, heads of government agencies and corporations, and individuals interested in the development of local philanthropy and social economy in Bulgaria, and elsewhere, may find this reference publication useful.

The promotion of structured-giving as influenced by international donors (USAID) introduces a new dimension to philanthropy and community funds at the local level in Bulgaria; primarily a role for community funds as promoters of civil society. However, the present-day political and economic transition in Bulgaria requires yet new approaches and new attitudes to understand and promote social capital within Bulgarian communities.

The United States Agency for International Development (USAID) awarded a cooperative agreement to Counterpart International to implement a pilot program that would explore and introduce models of institutionalized philanthropy as the core of a capacity building program to strengthen and support the sustainability of the 3rd-sector in Bulgaria. The initial three Community Fund pilot programs in Gabrovo, Blagoevgrad, and Chepelare expanded to seven additional communities during the period of September 2001 – September 2006.

Field-tested participatory-methodology of community mobilization, developed over a 40-year period by Counterpart International operations worldwide and refined for use in Bulgaria, lead to the creation of the 10 Community Funds operating in Bulgaria. This participatory approach to sustainable community development has demonstrated that structured-philanthropy is a viable model that can meet local needs with local resources. More so, this participatory approach has lead to the creation of new local independent power centers that use and promote ethical practices in local community development.

Ethical practices introduced by the Community Funds in Bulgaria, serve to gain trust and further develop capacity locally and indeed internationally. During the relatively short-span of the USAID/Counterpart International program, the "Bulgarian model" already manifests a distinct tendency towards strong cross-sector partnerships at the local and national levels, together with cross-border partnerships, that prioritize a broader focus on sustainable community development. As Bulgaria seeks to join the European Union, government agencies at all levels can now look internally within local communities for best practices and expert capacity, which can effectively be brought-to-bear in order to achieve a smooth transition and alignment with EU requirements. Further, the investment in social capital brought forth in Bulgaria, through this civil society approach, has captured the attention of international donors. This is significant since USAID, a major-funding source, already begins phase-out operations in Bulgaria.

Overall, appreciable levels of civic-literacy, through an informed and engaged citizenry, attained under the USAID/Counterpart Community Fund program demonstrate that diminishing gaps in the provision of and access to information has led to the increased responsiveness and accountability of local governing structures. This has further facilitated new systematic and comprehensive approaches to local and regional development that include effective partnerships between key sectors within communities in Bulgaria. Community Funds in Bulgaria may thus be seen as measures of a strong civil society and of growing investment in social capital.

Hugh C. Orozco
Chief of Party, Counterpart International Bulgaria
Sofia, Bulgaria (September 2006)

Chapter 1

How the Community Foundation Concept was introduced into Bulgaria

The community foundation concept was brought into Bulgaria by international development organizations in the middle of the 1990s, but it did not become easily anchored in the local culture. There are three distinctive periods (waves) in the development of community foundations in Bulgaria after the downfall of socialism in 1990. The first wave started in 1997-98 with challenge grants from Charles Steward Mott Foundation for funds raised locally by four Open Society Clubs in Varna, Rousse, Sliven and Bourgas. Open Society Clubs were among the first locally created centers for civil society development. They received financial support from the Open Society Foundation of George Soros throughout the 1990s. Their main functions were associated with information dissemination and civil society development. Mott Foundation provided grants to some of the Open Society Clubs with the purpose of helping them transform into community foundations. However, the supported by Mott organizations stopped raising funds locally soon after the external stimulus ended.

The second wave (2000), started as a project of the national-level Civil Society Development Foundation (CSDF), which involved seminars discussing the community foundation principles of operation and role in civil society development. These seminars, conducted in several regional centers around Bulgaria, inspired the creation of organizations that named themselves "public funds" in Plovdiv, Lovech and Burgas, whose major goal was to function as intermediaries between local government or external donors and local NGOs. These funds had little involvement of local donors, and only one of them remains operational today (Lovech) by disbursing money provided by the government to the NGOs. There is evidence of gradually increasing contributions from local firms to the fund, but most local donors prefer to contribute in-kind rather than cash.

The third wave of attempts to build community foundations in Bulgaria started in the end of 2001 with the financial support of USAID and an ambitious program implemented by Counterpart International Bulgaria, which included both training and technical assistance, and matching grants. The program aimed to create at least five viable community funds (foundations) by its close out in September 2006 (initially the target number was 3, after program expansion in 2003 – raised to 5). The community funds were envisioned by Counterpart/USAID as local philanthropic organizations that mobilize resources from the three sectors (civil society, business and government) to address a wide spectrum of problems, identified by the citizens through a participatory process. In this way, the community funds were believed to revitalize civic participation in local decision-making and enable citizens to tackle pressing social issues, instead of waiting for the government or any other external entity to do it for them. More specifically, the purpose of the Counterpart Community Fund Program was to develop the community funds as permanent local sources of funding for grassroots civic organizations, and in this way to contribute to the sustainability of the Bulgarian NGOs, which were challenged by the external donor exit and still insufficient state funding. The need of permanence (sustainability) in order to achieve long-term impact motivated Counterpart to consider

the community foundation model as a target for the Bulgarian community funds future development. The entire Community Fund Program of Counterpart International/USAID can be viewed as building the basis for future sustainable community foundations in Bulgaria, and the community funds that were created within the program – as prototypes of community foundations.

What is a community foundation: main characteristics and dissemination of the concept

The community foundations emerged in the first half of the 20th century in the USA and Canada to serve the increasing need of the growing mass of more affluent people, who were not interested to start their own private foundations, to give back to their communities. The community foundation model enabled smaller and larger local donors to work together in addressing community issues, which they considered important for civil society development. Theoretically, everyone within a community could be a donor to the community foundation, which makes the community foundation model appealing to a great diversity of donors. In practice, until the 1990s the community foundations of the USA were mainly supported by middle class and upper middle class donors, and only recently started to involve donors from communities the lower classes. The egalitarian community solidarity inspirations embedded in the concept made it easily transferable to poorer countries, as well as to other rich countries. The globalization trends in the 1990s gave birth to many new community foundations in Europe, Latin America, Asia, Africa and Australia. Today there are over 1,120 community foundations in 42 countries around the world, the majority of which is still concentrated in the USA, Canada and the UK, but the number of community foundations in other countries is growing. In Europe, the concept is rather new in both the Western part and the Eastern part, where it was adopted in the 1990s. In the UK, the community foundations started earlier than in the rest of Europe, and they are closest to the American model. The dissemination of the concept led to some modifications in poorer countries, such as the Philippines and Mexico, where many community foundations rely on the flow of thousands of regular very small donations from local citizens, rather than on a few big donor-advised funds as in the USA. In Eastern Europe, the international development programs introduced the community foundation concept, and external match for endowment building provided by some American foundations supported the growth of the community foundations in Slovakia, Poland, and Russia.

Several main characteristics distinguish a community foundation from other non-profit entities. Community foundations are grant-making organizations that:

- seek to improve the quality of life for all people in a defined geographic area;
- are independent from control or influence by other organizations, governments or donors;
- are governed by a board of citizens broadly reflective of the communities they serve;
- make grants to other non-profit groups to address a wide variety of emerging and changing needs in the community;

- seek to build a permanent resource for the community, most often through the creation of endowed funds from a wide range of donors, including local citizens, corporations, governments, and other foundations and nonprofits;
- provide services to donors to help them achieve their philanthropic goals;
- engage in a broad range of community leadership and partnership activities, serving as catalysts, conveners, collaborators and facilitators to solve problems and develop solutions to important community issues;
- have open and transparent policies and practices concerning all aspects of their operations; and
- are accountable to the community by informing the public about their purposes, activities, and financial status on a regular basis.[1]

The recent history of community foundations around the world demonstrates that the concept is easily adaptable to various socio-economic contexts, cultures, and traditions of giving around the globe. Consequently, it should be expected that this concept would thrive in the Bulgarian society in the next few years, having been brought and disseminated around the country with the assistance of international development programs.

Any future interventions aiming to sustain the currently existing community funds in Bulgaria, or building other community foundations, should take into account the specific socio-economic environment in which the concept was introduced, and its implications for philanthropy.

The philanthropic environment in Bulgaria (2001 – 2006)

When asked about philanthropy, every Bulgarian tends to point out the numerous public buildings, such as schools, churches, hospitals and libraries, built by the once significant philanthropic tradition, which was interrupted during socialism. Many would point out the current ad hoc charitable donations, made mainly by business people, and would express a desire for better organized and more effective philanthropy.

Counterpart International USAID-funded program for development of Community Funds in Bulgaria was well aware of the constraints of the psychological legacy of socialism (coerced volunteerism and forced voluntary giving, known as "self-taxation") and the limitations of the currently reduced general population income and economic insecurity. Other limitations comprised of low civic trust in the NGOs, demonstrated by several surveys of the sector, and low level of engagement in common-good affairs and philanthropy.

The liberal-centrist government of Simeon Sax Coburghotta (2001-2005) and the following coalition government of Sergey Stanishev (coalition between left-wing, liberal-centrist and liberal-right parties) continued the policy towards EU-accession and liberalization of the economy, set out by the previous government of the Union of

[1] WINGS, Community Foundation Global Status Report, 2004 at www.wings-cf.org

Democratic Forces in 1997. The political agenda of all governments in the last 10 years was based on the recognition of the two interconnected objectives of development: liberal democracy and market economy. Liberal development was seen as beneficial for all, despite the considerable economic disparities that emerged in the Bulgarian society in the transition period. Although the European Commission Reports on Bulgaria showed stable macroeconomic growth of over 4% per year since 2000, according to the official statistics the vast majority of the population was three times poorer in 2003 than in 1990 (the year taken as a basis when economic growth was measured). The poverty level was also critical, as 13.4% of the population were below the poverty line in 2002.[2] This inevitably exercised an influence on public attitudes to charity and philanthropy.

Nationally representative surveys on public attitudes to giving, ordered by BCAF in the period 2002-2005 demonstrated that there was a slight gradual increase in the percentage of individuals and companies that make donations on an annual basis. Economic stabilization obviously contributed to the revival of the philanthropic impulse. Positive attitude to giving was shared by all, but the respondents have pointed out that the actual making of donations depends on the following factors: a) the financial status of the donor; b) the amount which is requested (small donations are made more easily); and c) the cause of the donation. Very few people pointed out tax deductions as a motif of donating, however, additional questions in the same survey demonstrated that both corporate donors and individuals remain largely unfamiliar with the existing tax benefits, and consequently, do not use them.

In 2005, tax benefits for donations allowed individuals to give up to 10% of their gross annual income for philanthropic purposes, and companies were allowed to donate up to 10% from their taxable profit to public-benefit organizations (NGOs and foundations). However, if they donated to the newly created in 2005 *State Fund for Healing Children*, companies and individuals would be allowed to give up to 50% from their annual profit/income. The emergence of this state-coordinated charitable fund signaled a worrying tendency to channel the philanthropic activity of the richest private donors to public funds, instead of to private non-profit entities, such as foundations and NGOs. Most probably, the rationale behind the creation of this state charitable fund, which is attached to the Ministry of Health, was to attract private resources for leveraging state funds in one of the most publicly-sensitive area: healing of children who cannot receive adequate medical treatment in Bulgaria. Several philanthropy-support NGOs signaled that the creation of such state-coordinated charitable funds creates a double standard for giving, and unfair competition for donations from the private sector between the state and the non-profit sector, but since after the first instance the government stopped creating new state-coordinated charitable funds, the NGOs refrained from additional protests.

Last, but not least, public attitudes to giving in the given period were shaped by the low civic trust in NGOs and foundations. Many individual respondents (50%) in the BCAF 2005 survey on giving replied that the lack of trustworthy organizations is the most serious obstacle to making a donation. The roots of this attitude lie in the early 1990s

[2] CIA – The World Factbook – Bulgaria, at http://www.cia.gov/cia/publications/factbook/geos/bu.html

when some politically affiliated foundations used their privileged tax status to import goods such as tobacco and alcohol, and avoid paying custom duty. The foundation Sapio deprived the state of about USD 13 million of taxes, which caused a big scandal and led to the cancellation of the preferential tax status of foundations by the government. In the second half of the 1990s, the so-called "charitable foundations" lost public trust in the same way in which politically affiliated foundations did earlier. The reason for that were the numerous speculations with money raised through sale of postcards in the streets, or earned by door-to-door fundraising. As media investigations showed to the public, this money never reached the beneficiaries that were declared by the charitable foundations, usually children in orphanages or children that needed life-saving operations. The charitable foundation was used as a means of self-employment by entrepreneurial Bulgarians, who speculated with the public solidarity to the neediest, and raised easy money for their own self-benefit. This practice led to total compromising of door-to-door or postcard sale fundraising techniques for philanthropic purposes.

Corporate philanthropy on the whole followed the logic of individual giving, because only few of the largest companies had policies related to philanthropy and systematic giving practice. They usually donated, only if they were asked to. In 2002-2005, the number of companies interested in strategic philanthropy was steadily growing, but they still did not see a strong tax stimulus to undertake systemic philanthropic programs. The percentage of companies which had made at least one donation per year raised from 60% in 2000 to 65% in 2003 (data from BCAF surveys on giving). In 2005, the percentage of larger companies (with annual turnover of over 5 mln. BGN), which made donations for social causes, grew to 74%. Corporate philanthropy was still a moral, and not a pragmatic choice, since more than 50% of the companies had never tried to request tax deductions for the donations they had made.

Similarly to the individuals, the companies prefered to make donations directly to the end beneficiary, and avoided the use of intermediaries. In 2005, 42% of the corporate donations benefited public institutions, 31% - individuals, and 23% - fundraising NGOs.[3] Preferred causes were healthcare (especially life-saving operations of children), abandoned children which are raised in social institutions, and education that fosters the development of talented youth.

A report of the Bulgarian Donors' Forum (2004) on the current status, perspectives and constraints for local funders in Bulgaria makes the conclusion that local grantmakers (private foundations, corporate philanthropists and business charity networks) still followed the welfare (humanitarian) approach, in which the focus is fast alleviation of suffering of disadvantaged individuals, and focus on short-term effects. Unlike them, the development agencies (funded exclusively by international sources until now) focused on strategic needs, promoted institutional changes to address structural causes of suffering, and appreciated long-term effects. The two approaches ("welfare" vs. "development" approach) often came in conflict and tensions between them made the collaboration

[3] Practices for and attitudes to philanthropy among the Bulgarian Business, Page 8 http://www.bgblago.com/documents/download.php?documents_name_26.doc&realName=Report_business_March2005.doc

difficult. One example is the opposite view which private philanthropists and development agencies had on the social-care institutions that raise abandoned children. While private philanthropists insisted on supporting them (especially corporate charities and business philanthropic networks), the development agencies were lobbying for closing these down and offering alternative community-based services to the children.[4] Consequently, the expectations that private philanthropy would to some extent provide a source for social change initiatives, carried out by NGOs, after the withdrawal of the international development agencies from Bulgaria, were very unrealistic.

Overview of Counterpart Community Fund Program

In this complex, chaotic, and rather weak as a whole philanthropic environment, the development agency (Counterpart International/USAID) aiming to build sustainable community funds as a source of funding for the local NGOs, selected an approach focusing on civic participation and community empowerment to be able to counterbalance the negative tendencies resulting from population impoverishment, weak judiciary and bad governance, and at the same time to enhance the positive tendencies resulting from the overall democratization of society. Foundations in general are not entities that are based on the democratic principle, but instead they represent the autonomy of the individual will in acting for the public good. However, in the environment described above, the program for building community funds that were going to gradually transform into community foundations, could not have taken any other approach, because of the challenges presented by the weak Bulgarian civil society, which in that particular historical period exhibited general mistrust of private actions for the public good.

The main challenges of the philanthropic environment, which the program for creation of community funds had to deal with, can be summarized as follows:

- low population income, resulting in very small donations;
- lack of knowledge and use of the existing tax benefits as a stimulus for giving;
- low civic literacy about the forms of strategic philanthropy, resulting in ad hoc giving;
- strong mistrust towards NGOs and foundations as recipients of giving;
- preference to donate directly to the end beneficiary instead of using an intermediary (resulting from the mistrust in foundations/NGOs as intermediaries);
- humanitarian approach of the private philanthropists: focusing on immediate relief of individual suffering, and avoidance of initiatives that cannot demonstrate short-term visible effect.

[4] Bulgarian Donors' Forum: Developing Local Grantmaking in Bulgaria – Are We Riding a Dead Horse? An Overview of the Present Status, Perspectives and Constraints for Local Funders in Bulgaria, p. 5-6 www.dfbulgaria.org/downloads/10_321/BDF_book.pdf

Alongside these challenges, some positive tendencies were developing, which created hopes for success of the community funds:

- gradual increase of the percentage of individuals and companies which donate on an annual basis, resulting from economic stabilization;
- increase of the number of large companies aiming to introduce internal policies for strategic philanthropy: some of them requested help from philanthropy-support agencies in developing such policies;
- increase of the tax benefits for donors in recent years (from 5% of the overall income/profit to 10%, accompanied by discussion of the need to introduce the so-called "percentage philanthropy" – 1% of the actual tax paid to be dedicated to public-benefit NGOs and foundations);
- enhanced rate of public-private partnerships in various fields, coordinated by NGOs, resulting in an enhanced leveraging of public and private resources (both government and companies increasingly aware of the role of NGOs as catalysts of initiatives which bring social change);
- increased civic participation at the local level (survey of the civil society index, carried out by Balkan Assist in 2003-20045 shows that citizens are far more likely to take part in local decision-making and interact with local government, than with the central government. This tendency, which can be explained as a result of the decentralization of power, brings hope that local development agencies might enjoy higher support from citizens, and consequently local philanthropy might be more easy to organize than philanthropy at the national-level).

As a community fund support organization, Counterpart International - Bulgaria tapped into the positive tendencies described above, emphasizing the role of civic participation for gradual building of civic trust in the community funds. Counterpart International had elaborated and field-tested in other programs of their vast portfolio a four-step participatory methodology for community development, which became the backbone of the Community Fund Program in Bulgaria. The steps were *Assess, Agree, Address, and Assist*. Specific activities included in-depth assessments of communities through a variety of participatory mechanisms, development of individualized strategic and operational plans for each community fund, facilitating a "pilot" fundraising activity and the participatory formation of a board of directors for each fund. Counterpart and its local co-implementer, 3-NET Association, provided an ongoing stream of training and technical assistance activities conducted by internationally recognized community fund experts to support each step.

The participatory methodology matched well the program's overall goal to enhance the sustainability of Bulgarian NGOs, which reinforced USAID's strategic objective: *Increased better-informed citizens' participation in political and economic decision-making*.

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[5] Civil society without the citizens, An Assessment of the Bulgarian Civil Society 2003-2005, Balkan Assist Association (BAA) for partnership and citizen activity support, Sofia 2005, p. 38; p. 57 http://www.balkanassist.bg/Attachments/Doc_47/Civil%20Society%20Index%20report%20-%20part%201%20(en).pdf

The program interventions can be divided into the following stages:

- Stage 1: Exploration, site selection and information dissemination (including the selection of the pilot sites by USAID, and Counterpart selection of additional sites for program expansion in years 3 and 4);
- Stage 2: Assistance to initiative group formation and community mobilization for creation of a community fund;
- Stage 3: Assistance to organizing the founding assembly and community fund legal registration;
- Stage 4: Support for growing up of the community funds: assistance provided to improve community fund governance, asset development, management and administration, grantmaking, PR and communications.

This How-to-Manual will provide an overview of the methodology applied at every stage listed above, together with some conclusions about the effectiveness of different interventions. The purpose is to help future community-fund support-organizations in Bulgaria, and other places, to understand the process of community fund development that took shape in Bulgaria; and to be able to learn from the Bulgarian experience and modify key interventions to meet the specific challenges of other contexts and historical periods.

The Community Fund Program required a local co-implementer, who was projected to become the national-level support organization for community funds upon program completion. Initially Counterpart selected the Civil Society Development Foundation as a co-implementer of the program. However, the partnership with CSDF did not develop as it was expected, and was terminated in year 1 of the program. Counterpart set out to find a new partner with broader community development experience. The new partner, which was competitively selected, was the nascent 3-NET Association, the offspring of the biggest USAID-funded civil society development program in Bulgaria called the Democracy Network (DemNet), and implemented by the Institute for Sustainable Communities, Vermont, USA. The local staff of the DemNet Program decided to start their own NGO that could continue to provide assistance to civil society development in Bulgaria after the withdrawal of ISC. The role of the local co-implementer became significant since the beginning of the second year of the Community Fund Program implementation. 3-NET Association provided training and technical assistance, and maintained ongoing communication with the community funds. The most important role which they played was the role of a “reality check”. The community funds were much more inclined to share openly the challenges which they faced in their daily operations with the organization that was not the grantmaker of the program. This enabled 3-NET to obtain qualitative information which was as a rule hidden from Counterpart staff. All program interventions were discussed in detail with the input provided from 3-NET. Although the final decisions about program policies and procedures as well as specific activities were taken by Counterpart, 3-NET’s input was seriously taken into account. The use of a local co-implementer provided an opportunity for double-checking every step taken, and this was really beneficial in helping fine-tune program interventions. The existence of more than one view points on the effect of the program interventions, and the steps that need to follow, was without dispute very useful for meeting the actual needs of

the nascent community funds. 3-NET's very good understanding of local community-dynamics helped to identify manipulated participatory processes and prevent the misuse of program funds. In general, they contributed largely to all program outcomes.

Throughout program implementation, Counterpart and 3-NET were in the position of external catalysts of locally driven processes, heavily shaped by civic participation and local power dynamics. The external support organizations aimed to foster the acceptance of the community funds as a new tool that builds upon local philanthropic traditions and revitalizes them, instead of replacing them. The community funds were envisioned as locally governed organizations that make use of the local expertise, skills, and spiritual values, in order to stimulate cross-sector partnerships for community development. The Manual will provide insights into the dynamics of the relationship between the support organization and the community funds, which inevitably influenced the program outcomes.

Why "community funds", and not "community foundations"?

It becomes obvious from the name of the Bulgaria Community Fund and Social Enterprise Program that USAID was interested in developing community funds, and not community foundations. The difference between the two models is explicitly stated in the Assessment and Pilot Program Design Report developed for USAID in January 2001 by a team of international and Bulgarian researchers, from the Urban Institute (USA) and CSD/Vitosha Research (Bulgaria):

"We use *Community Fund* as a more generic, inclusive term, to designate any local NGO designed to mobilize philanthropic resources at the local level and allocate them for local philanthropic purposes primarily to be carried out through other local organizations. "[6]

The Assessment Report explains the distinction between a community fund and a community foundation in the following way:

"A *Community Foundation* can be viewed as a kind of Community Fund that either starts with an endowment or aims from the outset to build one up. The community foundation tries to preserve its capital endowment through prudent investments and, on any annual basis, utilize the income earned on its investments at least in part to fund its philanthropic activities."[7]

The decision to call the new entities community funds, and not community foundations, was based on two major considerations. First, USAID was well aware of the negative image of foundations in Bulgaria in the 1990s and early 2000s, and this might be one of the reasons why USAID makes a point of departure from this term. On page 12 of the

[6] The Urban Institute and CSD/Vitosha Research, January 2001. *Community Based Philanthropy in Bulgaria: Assessment and Pilot Program Design.* Prepared for U.S. Agency for International Development/Sofia, Bulgaria, Purchase order No. 183-0017. Page 7.
[7] Ibid, page 7.

Report one can read the following (in the Chapter "Philanthropy in the Bulgaria Tradition", sub-title "Transition Era Constraints"):

"In more recent years, some "foundations" have received such negative publicity that the term "foundation" itself now carries undesirable associations for many Bulgarians."

Second, and more important, was that USAID wisely estimated that under the current social and economic realities in Bulgaria, it would not be possible to create endowed community foundations within the scope of 4-5 years.

"Given current realities in Bulgaria, our assumption is that over the likely life of the USAID pilot program, none of the newly created community funds will likely try to build endowments, but instead will expend virtually all the money they raise within a single annual cycle. True, they might maintain and invest some financial reserves and, due to lags in making grants, carry some unexpected funds over from one fiscal year to the next. However, as a rule, each CF can be expected to function on a current basis. That said, (as illustrated by the auspicious start of several community foundations in Poland), any Bulgarian community fund could aspire to convert itself into a foundation at some point in time – and certainly should not be discouraged from such an attempt."[8]

It can be concluded from this report that USAID was well aware that the Bulgaria Community Fund Program (October 2001-September 2006) will only create a prototype for future community foundation development. Consequently, it adopted terminology allowing for flexibility in reporting program outcomes, but at the same time creating some "identity" problems for the Bulgarian Community Funds. With the evolving of the Bulgaria Community Fund Program, and the intensifying of the international networking of the Community Funds, they felt a growing need of self-identification by relating themselves to the internationally growing community foundation field. That is why, some of the community funds began calling themselves "community foundations", especially when attending international conferences and peer learning events dedicated to community foundations. In the Bulgarian context they started to use the terms "obshtestven fond" (community fund) and "obshtestvena fondacia" (community foundation) more and more interchangeably, and there is a growing desire among the CF practitioners to rehabilitate the concept "foundation" through their own transparent and accountable work. That is why, the community funds tend to call themselves "community foundations" more consistently today, compared to the first years of their work, deliberately showing an aspiration to develop as community foundations in the near future.

Counterpart International adopted a definition of community fund, developed by Peter Hero, President of Syllicon Valley Community Foundation, USA, in its proposal for the Bulgaria Community Fund and Social Enterprise Program.

> Community Fund: a credible, neutral third party, which represents no particular interests, but creates a platform on which all sectors of the community can be brought together to solve community problems. It serves a specific geographic area, is not under domination by one funder, and solves a spectrum of problems, which are identified through common consensus and/or visioning.
>
> - Peter Hero, President of Community Foundation Silicon Valley

Ten Guiding Principles for a Successful Community Fund

1. Build a vision for and identify grassroots problems and solutions within the community from the bottom-up, not the top-down;
2. Contract for and distribute grants to all disciplines in the community, but do not represent or focus on any one viewpoint;
3. Have a non-profit and non-partisan board made up of a wide representation of the community and therefore serve the entire community;
4. Have a diversified funding base and constantly develop new and widely varied sources of financial support without heavily depending one main source of funding;
5. Build trust within the community precisely because they (1) are not narrowly focused, (2) have a representative board, and (3) receive money from diverse sources;
6. Act as conveners, bringing together all sectors and disciplines to a neutral platform to solve problems;
7. Be a non-profit entity;
8. Build endowments to serve as a resource for grants and administrative monies;
9. Raise the odds that local NGO projects will be able to be funded, because they have access to donors to which small NGO's do not have access; and
10. **Believe, <u>and demonstrate</u>, that communities should solve their own problems rather than waiting for the government, or any other institution or sector, to do it for them.**

The ten guiding principles of a successful community fund, featured in this definition, show a great resemblance between Peter Hero's definition of a community fund, and WINGS' definition of a community foundation presented before. In a way, by applying this definition Counterpart demonstrated the intrinsic similarity between a community fund and a community foundation. But it also set out a vision for the future development of the community funds, which directed them into the family of the community foundations. Although not explicitly mentioned in the program goal, the community foundation concept was present in the Bulgaria Community Fund Program from its inception, serving as an identity-building force to the nascent community funds.

Summary of Community Fund Program outputs and outcomes

Program outputs:

- Three community funds created and legally registered as foundations in 2002, 3 additional - in 2003/04 and 4 additional - in 2005;
- Over 700 people took part in decision-making about the grantmaking priorities of the CFs (at public forums and focus group discussions) in the 10 communities in which the program operated;
- Over 500 people were engaged as founders of the 10 CFs and contributed with start-up donations of different size;
- Between 5 and 10 people from each community foundation took part in the trainings which aimed to increase the CFs' operational capacity;
- Each operational CF constantly expands its donor network, and the older CFs currently have between 50 and 150 donors per year;
- CFs applied cause-related large scale fundraising as well as donor-advised funds development, in this way they responded both to beneficiaries-identified issues and to donor-identified issues;

- CFs used a variety of techniques for attracting donations, including payroll donation, and encouraged local groups which apply for grants to get involved in the fundraising process as volunteers;
- Local media in the 10 communities regularly covered CF activities and supported the CFs by popularizing their work;
- Local government in most of the communities provided the CFs with free-of-charge or low-rent offices, and supported through direct funding some of the projects which were identified through participatory community needs assessment;
- In 10 communities by now, the CFs stimulated public-private partnerships for the implementation of important citizen-identified projects, and helped to leverage local government funding with donations from the private sector;
- Over 880,000 BGN (about 550,000 USD) raised by the 10 community funds from local sources and disbursed in grants, or utilized in projects implemented by the funds themselves;
- The existing CFs formalized their network in the first half of 2005 by legally registering the Association of Community Foundations in Bulgaria.

Program outcomes:

- Ten communities (including key players from local government, private sector and the third sector, and citizens at large) in Bulgaria began to understand the CF concept as a catalyst of local development, and refer to the local CF when they want to accomplish a philanthropic goal;
- The achievements of the Bulgarian CFs became internationally known through the participation of Counterpart/ACFB at international meetings of WINGS-CF and exchange of experience with other CF-support organizations;
- At the national level, the community funds stimulated a process of introducing corporate social responsibility as they engaged corporations in payroll donation schemes and in regular giving; CFs got a clear and distinctive image among the philanthropic NGOs in the country as a new type of philanthropic organization that serves a particular geographically defined community.

In the following chapters, we will present some key considerations related to community fund start-up, operations and development in the Bulgarian context. We will outline some best practices, challenges and lessons learned which community fund (foundation) support organizations might find helpful to take into account. We will also present the solutions that our program has elaborated to address challenges and improve the effectiveness of the community funds. The manual is written from the standpoint of a community-fund-support-organization, and presents some feedback received from various stakeholders at the community level.

Chapter 2

Before you start thinking to create a community fund

Key considerations*: Can community funds thrive in any community? How to distinguish between strong and weak community fund initiatives? How to assess community readiness for starting up a community fund?*

The key question that a community-fund-support-organization asks itself before deciding to support any given community fund initiative, is the question about the possibility of the community fund concept to thrive in any community. Before extending financial or methodological support, it is important to do some kind of feasibility study of the community readiness to start a community fund, and most important – to evaluate existing initiative groups and their assets.

How to distinguish between communities that are ready to start a community fund and those, which are not?

The answer to this question lies in examination of community assets:

- community wealth
- leadership
- level of self-organizing
- population attitudes to giving
- understanding of the concept and interest to adopt it

Community wealth is not the only important factor for the success of a community foundation. There are many examples of successful community foundations in very poor communities, and of absence of community foundations in rich communities. When the majority of the population is poor, this can be compensated by small but regular donations by many donors in joint funds. Stara Zagora Community Fund, for example, received over 3,000 small-size donations in 2005 from local donors interested in a school grant-making program that was launched by the Fund. In this way, about USD 30,000 was collected and eleven schools received small grants from the community fund.

Leadership was the most decisive factor for a successful community fund in the Bulgarian conditions. Almost any Bulgarian community today is torn by inner political struggles and interest-group-affiliation issues. When an organization such as the community fund aspires to unite people from various sectors, interest groups and social classes, it should rely on flexible leadership that is able to manage controversial issues and attract opposites. Although we recognize the possibility to develop leadership skills in the community fund governing bodies, it should be noted that the people who start the initiative must already possess strong leadership skills in order to be able to attract supporters and retain them. Usually, it is not possible for an external support organization to identify leadership for the community fund/foundation. The people who take the lead in structuring this initiative should be allowed to self-identify, no matter if

external support is available from the earliest stage on, or not. The external support organization should be equipped with enough patience to enable a local initiative to evolve after the concept is brought in externally. In the best-case scenario, an external support organization should extend its support only to community fund initiatives which have originated independently, and whose leadership has been structured without external influence.

The level of self-organizing is indicative of a community potential to identify and solve problems on its own, and to utilize its resources for public benefit purposes. Except for the pilot three communities, which were pre-selected by USAID, Counterpart extended its support only to communities that had already developed a vision for a community fund with the help of local steering committees (initiative groups). If the community fund concept is new to the community, and no local steering committee for this purpose has yet been created, the level of self-organizing could be tested by introducing the concept into a series of public meetings and waiting for a few months after that to see if local initiative will materialize. This approach was used in the three pilot sites where Counterpart acted as an external instigator of a local initiative.

Population attitudes to giving

National surveys on giving practices do not always feature local differences. An external community-fund support-organization should research in-depth local traditions of giving and current specifics that may strongly influence the outcome of a community fund initiative. In the first year of the Bulgaria Community Fund Program, Counterpart ordered sociological surveys on the attitudes to giving in the three pilot sites. These surveys turned out not to be very useful, because they included more quantitative than qualitative data. Another approach, which proved to be more useful, was to conduct in-dept interviews with some local citizens who can provide insight into the status of giving and attitudes displayed by corporate donors, individuals, and local government. Such interviews also provide insight into the degree of collaboration (or competition) among other philanthropic entities, such as Rotary and Lion's Clubs, charitable associations, etc. People contacted for in-dept interviews at the pilot stage of the program included mayors, presidents of local Rotary and Lion's Clubs, and directors of some leading local NGOs and companies.

Understanding of the concept and interest to adopt it

The level of understanding of the concept could be checked by reading application documents provided by a local initiative group to the support organization, including action plans for creating the community fund/foundation. If the concept is new to the community and a local initiative group is not yet formed, it is best to first introduce the concept to key stakeholders and then wait for an initiative group to self-identify and develop an action plan, as described above.

How were the pilot Bulgarian community fund sites identified?

The selection of the pilot community fund sites was done by USAID on the basis of a feasibility study (assessment report), preceding the request for applications. The main

criteria for selection included: general reputation of municipal leadership, the relative development of the NGO sector, reported good relations between the city government and both NGOs and the business sector, prior or current participation in related international donor initiatives, and economic wellbeing. All selected cities were in the upper part echelon of the recent UNDP Human Development Index.[9] The assessment was carried out in two stages: stage one included desktop research and interviews of international and national development agencies operating around Bulgaria; stage two included field research in four nominated cities. Field research comprised of a citizen's survey included 50 households. In order to assess attitudes towards philanthropic giving and volunteerism, a set of interviews with leaders from local government, NGOs, and the business sector were conducted. A 2-3 hour focus group discussion with leaders from the three sectors was held to explore feasibility and design-options for achieving a more systematic mobilization of local resources through some form of community fund. After the completion of the two-staged assessment, three pilot sites were identified: Blagoevgrad (a town of 75,000 in South-West Bulgaria), Chepelare (a town of 5,000 in a tourist region in the Rhodopi Mountains), and Gabrovo (a town of about 70,000 in central Bulgaria).

Many Bulgarian communities expressed strong interest in adopting the community fund concept after they saw the quick results achieved by the three pilot community funds in 2002-2003. However, in some of the communities that applied to get support from Counterpart in year 3 and 4 of the program, there were very weak initiative groups, structured around one NGO or one local government official, and not able to attract financial support from local donors. Counterpart applied a variety of methods to assess community readiness for starting up a community fund:

- Desktop research about community economic and social development;
- Opening a call for applications, and reviewing application forms that answered the following questions: who wants to start a community fund; for what purposes; which local donors support the initiative; how much financial and in-kind contributions are expected upon founding the community fund;
- Site visit and focus group discussion with the members of the initiative group about their vision for a community fund;
- Site visit and one-on-one meetings with key players from local government, business and NGOs to check their potential support of a community fund.

In the absence of a national-level or international support organization that is willing to extend assistance, community groups that wish to start a community fund should assess their community readiness to accept the concept and adopt it.

[9] The Urban Institute and CSD/Vitosha Research, January 2001. *Community Based Philanthropy in Bulgaria: Assessment and Pilot Program Design.* Prepared for U.S. Agency for International Development/Sofia, Bulgaria, Purchase order No. 183-0017, p. 8.

Lessons Learned

Effective introduction of the community fund concept

The most effective way of introducing of the community fund concept, when the later was totally new to a community, was to introduce the concept to local key players from all sectors (local government, business, and civil society) and wait for a local steering committee to self-identify and request further assistance for materializing the concept.

Public meetings are a good way of introducing the concept and they can help to survey different voices and attitudes to giving in a relatively short time. Public meetings in the Bulgarian context have the disadvantage that they are usually not attended by people who are very busy or who are not interested in participatory processes. Unfortunately, some of these people are key business leaders in a community, or leaders of local government. It is important to consider their opinion, because they will be addressed for contributions as soon as the community fund begins its fundraising. Consequently, one-on-one meetings with key players within the sectors should go in parallel with public meetings.

An alternative way of introducing the concept is to use local media. Newspaper articles and TV interviews with external experts on community funds/foundations can be used to outline the benefits that community funds bring to a community and the role that they play in structuring local giving and making it more effective. However, our experience in the three pilot communities proved that people do not pay much attention to such information, unless it reports results achieved in their own community, or in neighboring communities. That is to say, the average citizens do not become interested in the community fund concept, unless they see some tangible results achieved with the help of this entity in their immediate surroundings. Consequently, the use of local media for popularizing the concept should always be combined with some other method that involves contact that is more direct with citizens. For example, meetings with key stakeholders from local government, business and NGOs, combined with publications and interviews in the mass media. On the other hand, external experts on community funds will not make such great impression on an audience that does not understand the concept, as a local business leader will, if the latter talks about supporting such an entity. In other words, it is best to use local key players as speakers in front of a general audience when the community fund concept is introduced in a community. The latter should be public figures with good reputation and well known philanthropic character.

Creating a local driving force

Counterpart experience in Bulgaria demonstrates that the community fund concept will not thrive in a community, if it there is no local driving force. We call this driving force an “initiative group”, or “steering committee” and it consists of self-identified local leaders, who wish to work for the benefit of their community.

The best functioning initiative groups have a balanced constituency, including representatives of local government, the corporate sector, and the civil society, are most successful to attract a variety of donors as founders of the community fund. Why is a

balanced constituency so important? It helps to balance diverse and sometimes competing sector interests, and find the common elements of the community interest.

Achieving balanced constituency of the initiative group is important, but it cannot be artificially induced. Factors that play a critical role in reaching this goal are:

- the existence of flexible leaders who are interested to support the initiative;
- community experience in self-organizing for various purposes;
- community integrity and trust among members;
- existing practices of cross-sector collaboration in achieving goals;
- attitudes to philanthropy and social entrepreneurship.

In the Bulgarian context, most of the stimulating forces were in an embryonic form when the Community Fund Program began. Social capital was underdeveloped, and cross-sector partnerships were rare or absent in some of the communities. Consequently, a strong emphasis was placed on the existence of leaders who would be able to unite people from different sectors for a common goal – the creation of a philanthropic entity. Such leadership, as described in the previous sections, was quite decisive, but not always available. Consequently, not all community funds' steering committees had equal chances to achieve promising results.

Balanced constituency of the initiative group is not decisive, as long as the goal of the existing initiative group is to achieve a balanced approach in the work of the community fund. If a certain sector dominates in the constituency of the steering committee, this may not exercise a negative influence on the community fund, as long as the committee takes into account the community interest, rather than private (or sector) interests. When the initiative group that usually transitions into founders of the community fund maintains this public-benefit attitude and a balanced grant making approach, the community fund board will eventually become more inclusive of various groups and will achieve a balanced constituency.

Chapter 3

Initiative Group and Start-up Process

***Key considerations**: What is an effective way to start a community fund? What people should be attracted as founders in order to ensure success of the fund? What roles does the initiative group play to prepare for the successful start-up of the community fund? What are some of the possible models of governance of a community fund? Who decides about the structure and model of governance to be adopted? What are the first steps to be taken after the legal registration of the community fund?*

Roles and responsibilities of the initiative group

The initiative group (steering committee) is an agent that would ensure bringing in of community assets (knowledge, wealth, traditions of giving, cultural values, etc.) into a locally-driven process of community fund start-up. As seen in the previous chapter the leadership provided by the initiative group is decisive for the successful start-up of the community fund, because it guarantees the involvement of donors from different community sectors and interest groups, and a balanced process of decision-making for the future community-fund priorities. Last, but not least, the existence of a strong initiative group ensures a locally-driven process of community fund creation, rather than an externally-driven one.

The initiative group should be educated about the role and method of work of the community fund. This can happen spontaneously if for example, some local people have traveled abroad, or to other communities within the country that have a functioning community fund. However, if the concept is introduced by an external organization, the latter should take the responsibility to educate the initiative group about the following:

- what is a community fund, what is its mission, how it functions, what benefits it brings to a community;
- legal steps to be taken to register a community fund;
- laws related to the operations of the community fund;
- financial management issues related to the community fund operations;
- asset development strategies and issues;
- community needs assessment and identification of grant-making priorities.

All of the above issues can be presented in an initial start-up training of the initiative group. Many of the members of the initiative group will eventually become Board members of the community fund, and they should be familiar from the onset with the complexities and intricacies of community fund operation.

After the initial start-up, training the initiative group should be encouraged to develop on its own a start-up plan that will lead to the community fund legal registration. The external support organization can provide assistance, but should refrain from playing a dominant role in the plan preparation, because the initiative group knows best what steps are appropriate to be taken for the involvement of local key players in the community

fund start up. Each community internal relationship dynamics is different, so the start-up process might take slightly different paths in various communities.

Counterpart had greater role in the formation of local initiative groups in the 3 pilot sites (Blagoevgrad, Chepelare and Gabrovo) than in the other sites attracted in year 3 and 4 of the program (Stara Zagora, Pazardjik, Tutrakan, Lom, Vratsa, Sliven and Yambol). In the three pilot sites, Counterpart organized a series of one-on-one meetings and public meetings to disseminate information about the program objective (facilitation of community fund development) and the available assistance (training and technical assistance, seed grants, and matching grants). The meetings involved a variety of stakeholders from the local government, business, and third sector. Counterpart encouraged those citizens, who were interested to form an initiative group that would direct the process of community fund formation, to self-identify and to approach the support organization when they feel that they are ready to start. At the same time, the program implementation schedule allowed for a limited time of waiting for initiative groups to shape up on their own. In cases in which the groups were forming slowly, or there seemed to be little community buy-in of the concept, Counterpart asked for support from local government as well as other development agencies that have worked in the town to recommend active people. This approach contained risks for some manipulation of the process by "professionalized activists", people who have played major roles in other development programs in the same community, and who often carried expectations for receiving payment for their "voluntary" engagement. Counterpart managed to outweigh this risk by not paying honoraria to the people engaged in the initiative groups. (In this respect the Community Fund Program differed from the majority of the large internationally funded civil society development programs carried out in Bulgaria since 1990). In this way, the program encouraged true volunteerism and shaping of the process by people who found other forms of self-benefit more motivating than the mere receipt of a honorarium.

Within less than six months from the first meeting in a community, the initiative groups were formed and started developing plans for community fund start-up with the assistance of Counterpart.

The main roles that the initiative group plays are the following:

- raise community awareness of what a community fund is and achieve buy-in of the concept;
- attract key players from different sectors to support the start up and become founders;
- develop the mission statement, prepare the by-laws, and organize the founding assembly of the community fund.

Achieving community buy-in of the community fund concept

The goal of this stage of program intervention was to raise community awareness about the mission and way of work of the community fund, and inspiring genuine interest among citizens to adopt the concept. This was seen as the basis of a participatory

formation of the community fund, and strong civic support to its mission from the start up. The approach chosen by the initiative groups was to combine one-on-one meetings with key players with large-scale information campaigns carried out with the help of local media. It turned out later that the public information campaigns were largely futile in raising significant interest or support to the community funds. Citizens were tired of listening about the great possible effects of development programs, when the latter were in their initial phases, and not being able to see the promised changes afterwards. Hence, not many people paid serious attention to the initial information campaigns carried out by the initiative groups. It was necessary for the community funds to produce some tangible results in the communities, in order to inspire the interest of the citizens at large.

Attracting key players as founders

The initiative group should be encouraged to review its community leadership and identify active figures from all sectors who can be invited as founders and contributors to the Community Fund. This is not always possible in communities in which leaders from different sectors are in political opposition to each other. The role of the initiative group is to invite people who would be willing to work together. At a later stage, when the Community Fund has already proved its usefulness and gained prestige in the community, other leaders will potentially join. It is very important that some of the active people involved in the start-up process provide not only image and contacts, but also money, which is needed for the legal registration and covering the operation costs in the initial six months to one year. Even if the Community Fund expects to get a start-up grant from an external donor (as in the case of the 10 Community Funds started within Counterpart Program) it is better that the initiative group is able to ensure at least 1:1 match for the initial operation costs from the founders. In this way, the founders will be made aware from the inception stage that the entity's primary purpose is to mobilize local resources, rather than expecting to acquire external funding for its operations.

Another major consideration for the Bulgarian context was that local civic-minded leaders are usually already involved with other philanthropic endeavors. They are either members of local branches of the Rotary or Lion's Clubs, or patrons of some non-profit charitable associations. It is often very difficult to find active people with civic consciousness, capability, and influence, which are free from such engagements. Consequently, some of the Bulgarian Community Fund initiative groups decided to approach other local philanthropic associations/foundations and asked them to nominate someone from their Boards who will represent them in the Board of the Community Fund. This strategy was adopted to ensure inclusiveness of the Community Funds and prevent useless competition among local philanthropic entities.

The Bulgarian Community Fund initiative groups relied mainly on their personal networks of friends to attract founders. In some communities, the initiative groups included business leaders from their inception due to preceding processes of community mobilization for some social causes (Stara Zagora is a good example of that). In other communities, it was very difficult to inspire the interest of the business sector prior to the accomplishment of the first project of the community fund, due to the overall mistrust

that business people felt towards NGOs. It took up to two years of successful work of the community funds in order to start making an impression on the corporate and large private donors.

Developing the community fund mission statement and by-laws

The initiative group develops the mission statement and by-laws of the Community Fund in a series of meetings, some of which should be conducted with the help of legal advisors. The legal advisors (usually lawyers who are familiar with the country NGO law) can provide the initiative group with detailed information about the NGO types that the national NGO legislation distinguishes. In Bulgaria, there are two legal forms of NGOs: associations and foundations. The initiative group determines what legal form the Community Fund will have. Since its main purpose is to mobilize community resources and make grants to local NGOs, the more appropriate form is the one of foundation.

Another question that relates to the development of the by-laws is whether the community fund should be created in "public benefit" or in "mutual benefit". Under the Bulgarian law, the NGOs registered in public benefit do not pay taxes on received donations. Otherwise, they do not have any tax alleviations on income received from supplementary income-generation activities. The reporting requirements for public benefit NGOs are stricter, as they have to provide annual public activity and financial reports to the Central Register for Public Benefit Not-for-Profit Legal Entities at the Ministry of Justice. The public benefit status is more appropriate for organizations such as the community funds that receive donations from many private donors, and have to account to the community at large. By adhering to the legal requirements of the public benefit status, they will adopt minimum standards of transparency and accountability, which will guarantee their reputation as trustworthy organizations.

Sample Community Fund Mission Statement

The Chepelare Community Fund is a local non-profit legal entity, registered in public benefit, which works toward ensuring sustainable development of the community through promoting philanthropy, supporting local NGOs and the implementation of civic initiatives respective to local needs.

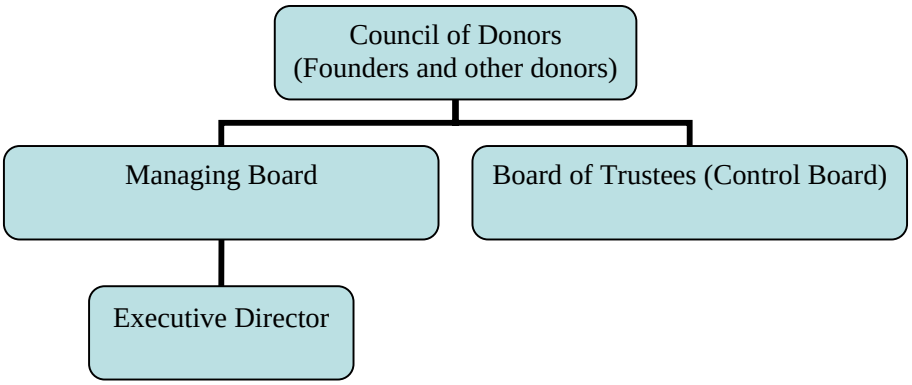
The Community Fund initiative groups, supported by Counterpart, included some provisions that go beyond the minimum requirements for transparency and accountability provided by the Bulgarian NGO law. Some of them included provisions for consultancy with the public at community meetings before creating their annual operation plans. Others, created special consultative organs called consultative boards, consisting of citizens who are not large donors, but wish to contribute with ideas and volunteering to the work of the foundation.

Complex internal systems of checks-and-balances were created in the by-laws of all Community Funds to guarantee transparency of decision-making and internal audit of the financial activity of the foundations. The classical community foundation type consists of one Board and staff members. Various advisory bodies can be established to assist the

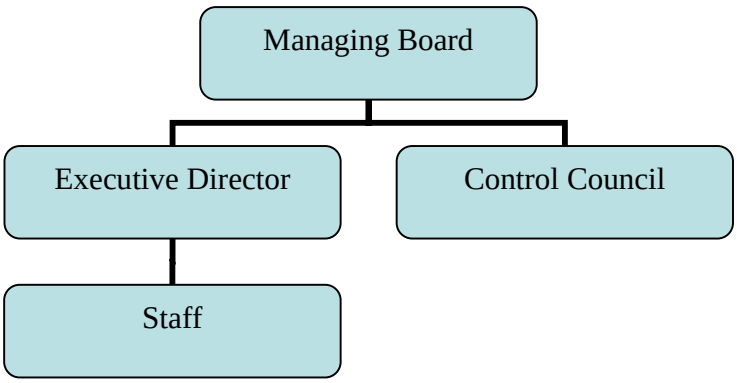
Board with donor management, proposal evaluation, PR, etc. In the Bulgarian Community Fund model, the organizational structures are more complex, and include internal Control Boards that perform annual internal audit, and have the right to place a veto on the Managing Board decisions, if the latter violate the mission and goals of the Community fund. The highest bodies in most Bulgarian Community Funds are called Council of Donors and they involve all founders, thus resembling a general assembly of an association. The reason for creating such complex structures can be found in the difficult environment in which the pilot Community Funds originated. They decided to adopt complex structures, which combine features of associations and foundations. It was believed that these complex structures will allow them to be more transparent and accountable to the community, and will help to avoid possible misuse of donor funds by the Managing Boards. In short, mistrust in foundations and strong awareness of the possibility for corruption, were the main reasons why the Bulgarian Community Funds adopted complex and cumbersome organizational structures.

Organizational diagrams of the Bulgarian Community Funds:

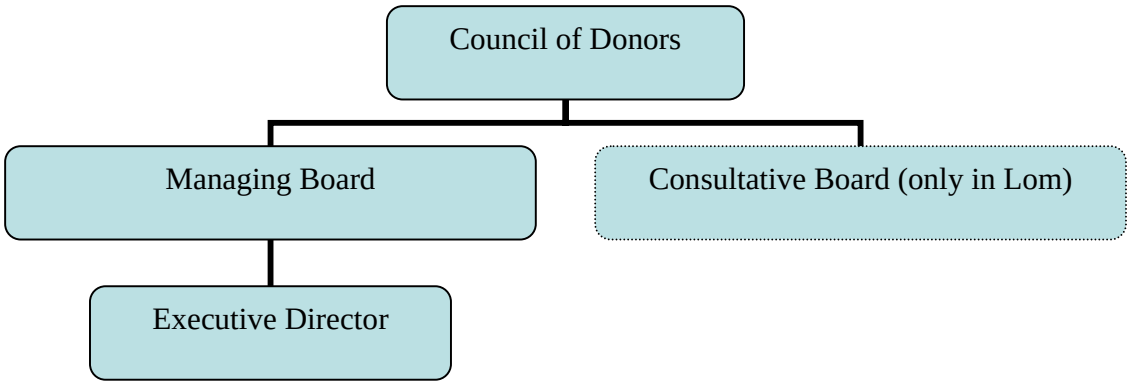
Type 1 *(Blagoevgrad, Chepelare, Gabrovo, Stara Zagora, Tutrakan)*



Type 2 *(Pazardjik)*



Type 3 *(Lom, Yambol)*



As the Community Funds matured, most of them began to question the effectiveness of their complicated organizational structures. Some of the Community Funds that emerged in the later stages of the program adopted simpler organizational structures, similar to the classical foundation type with one Board.

Organizing and conducting of the founding assembly

The founding assembly of the community fund can be organized in various ways; it can be more or less open to the public and encouraging interested citizens to join. Before the initiative group decides to announce and popularize the date of the founding assembly, it should have accomplished all tasks described in detail in the previous paragraphs:

- selected legal structure and developed by-laws;
- attracted key players (people with contacts, capability and money/influence) who are ready to become founders and support the community fund;
- analyzed community needs and identified some key areas in which the community fund will work (this step will be reviewed separately, because it can precede or follow closely the founding assembly);
- secured funds for the legal registration and the operation costs for the first year of functioning of the community fund.

Most of the Bulgarian community-fund initiative-groups supported by Counterpart preferred to hold publicly visible founding assemblies that were widely popularized by local media, and open to citizens who decide to join in the last moment. In this way, they believed that they would ensure transparency in the work of the community funds from their inception, and attract public attention to the new entity. In spite of the media announcements, the founding assemblies were attended primarily, if not exclusively, by people who had already been contacted personally, and who were in the network of contacts of the initiative group members.

The founding assemblies formally accept the by-laws and the membership of the governing bodies of the community funds. In forming the constituency of the governing bodies, most initiative-group members became members either of the Managing Boards, or of the Control Councils. A lesson learned is to inform all people who are invited to take positions in the different governing bodies about the specific responsibilities of these bodies. Otherwise, there is a risk to involve many people who are not clear what will be expected from them.

Legal registration: legal requirements

Community Funds in Bulgaria are registered with the regional courts as all other companies and non-profit entities. After obtaining the court decision of registration, their tax number, and BULSTAT number, they can register at the Central Register for Non-for-Profit legal entities, and with the National Agency for Financial Investigation.

Detailed information about the current legal requirements related to NGO (association and foundation) creation, legal registration and reporting could be found at the site of the Bulgarian Center for Not-for-Profit Law (www.bcnl.org). Besides, BCNL offers consultations and support to people/groups that would like to create and legally register NGOs. In addition, it advises legally registered NGOs on all legal matters related to annual reporting, managing supplementary profit raising activities, etc.

Counterpart International used actively the consultants from BCNL in providing assistance to the emerging community funds.

First steps after legal registration: community needs assessment and action plan development

Immediately after the founding assembly, the newly elected Managing Board of the community fund should develop an action plan for the first year. Activities that need to be accomplished in the first year of community fund operation are the following:

- educating key players and the community at large about the community fund;
- board and volunteer trainings to deal with their specific responsibilities within the organization;
- promotion and web site development;
- donor database development;
- kick-off fundraising event or campaign;
- introducing the community fund to local non-profits;
- corporate (major donor) campaign to secure operation costs for the following 2 to 3 years - individual solicitations of major gifts;
- establishing a working relationship with other charitable organizations in the community, discussion of future collaboration, eventual solicitation of contributions from them;
- beginning to educate local donors about the importance of endowment.

An important step preceding the action plan development is the assessment of community needs. In many countries around the world, community funds rely mainly on the

knowledge and understanding of their board members about the social issues of the community, which should be addressed by philanthropic resources. In Bulgaria, there are many NGOs that structure their programs without considering the opinion of stakeholders. This practice has led to a gap between NGO-led activities and community/stakeholder needs. Counterpart International Bulgaria was aware of the existing gap between NGOs and citizens in the country, and consequently decided to encourage the community funds to involve more citizens in the decision-making process about the community fund grant making priorities, in addition to the board members and founders. A participatory process of community needs assessment was strongly encouraged and funded by the program. It included two major steps: sector focus group discussions outlining the major needs as perceived by the people in that sector, followed by a cross-sector public forum at which representatives of the community at large were challenged to reach a consensus about the most important community needs, and to prioritize those which should be addressed by the community fund.

Some initiative groups decided to organize and hold the public forums before the founding assembly of the community fund; other – immediately after it. In the case when a public forum was held before legal registration, it was used to engage people in participatory development of the community-fund mission-statement. In the other case, when it followed the legal registration – it was used to outline key areas of intervention for the community fund, and identify objectives that could enter the long-term strategic plan of the community fund. In both cases, the public forum was a tool that ensured the legitimization of the community fund in the community. It proved to the community that the community fund is committed to engage stakeholders in its decision-making and is interested to consider a wide range of opinions.

When a community fund considers organizing a public forum, it should take into account the following:

- what will be the purpose of the public forum (to discuss the community needs, to identify areas of grant making, to popularize the community fund board and staff, etc.);
- who will be invited and in what capacity (participants should be invited with respect to the purpose, ideally the public forum represents a snap-shot of the entire community);
- what will be the program of the event, who will moderate – an external moderator is strongly advisable;
- how will the work of the forum be structured, what work groups will there be;
- what are the expected results – identified needs, prioritized grant making areas, suggestions for a kick-off event, etc.;
- how will the event and its outcomes be popularized.

An experienced moderator should work closely with the initiative group, or with the community fund board, to plan each step of the preparation for the public forum. Focus group discussions with each work group that will be involved in the forum are strongly advisable. The public forum should be held in a hall that is sufficiently big and well lit,

and allows for arranging several work groups, as well as for audio-equipment installation. Loudspeakers are needed to ensure better sound and focus of the discussion.

In cases, when there is a local forum program being run by another NGO, the best thing to do would be to collaborate with the organizers and get data from their public forums. The community fund should use every opportunity to enrich its data about community needs and suggested priorities by working closely with various local NGOs, local government, the mass media, and other stakeholders.

Lessons Learned

Advantages and limitations of a participatory community fund start-up

Participatory community fund start-up (through organizing of community forums and participation of a wide variety of stakeholders) proved to be a great way for engaging citizens in the community fund work. It contributed to tapping into community wisdom and previously untapped resources. It also contributed to establishing of standards for transparency and accountability by the community funds, and building trust in their work. At the same time, there are several limitations of the participatory methodology in community foundation start-up and development, which need to be pointed out to the leaders of the process. First, addressing a wide variety of stakeholders in the process of determining the philanthropic goals of the community fund tends to drive the larger donors away. Big private donors usually do not attend public forums, and other events, which are attended by people from various walks of life. Consequently, the community fund should adopt a different strategy of involving large-scale donors, and not rely exclusively on the participatory methods. Second, the participatory processes can be easily manipulated by local power games and people in power. If the Mayor attends a community forum, often this influences the outcome of the decision-making. Sometimes, political actors try to influence public decisions for the sake of private interests. The organizers of the public forum and its moderator should be vigilant to identify such manipulations and counterbalance them, or ignore the decisions of the forum, if they feel that they have been manipulated. Last, but not least, participatory processes often lack technical expertise in determining the value of an initiative. People can be misled by their own very strong desire to improve the quality of their lives to undertake initiatives, which are not viable marketwise. To prevent this, it is highly recommended that the initiative groups /community fund boards/ use public forums only for identifying broad needs and for inspiring commitment among potential donors and volunteers, and not for taking decisions about specific projects to be accomplished, unless a detailed research has been conducted beforehand on the viability of the proposed projects. In summary, the participatory methodology of community foundation start-up should be used in combination with other methods (one-on-one meetings with larger donors, experts' research on priority issues, etc.) in order to give best results. The initiative group should be trained how to use participatory methodology before starting to apply it.

Chapter 4

Community Fund Governance and Management Issues

***Key considerations**: What are the roles and responsibilities of the community fund board? Advantages and disadvantages of large and small boards; of one versus several boards. How is a community fund managed on a daily basis? What is the role of the staff? How to raise operating money? What management system is most effective for a community fund?*

Governance structure of the Bulgarian community funds

As it was mentioned in Chapter 3, the Bulgarian community funds adopted rather complicated internal structures with several boards. The roles and responsibilities of the different boards can be divided into 3 distinct areas:

- **decision-making about mission, vision and strategic goals** (the highest body: Council of Donors)
- **decision-making about the operational goals, overseeing the entire operation, selecting and assisting the executive director** (executive body: Managing Board)
- **exercising internal financial control and overseeing the work of the executive body**, able to ban decisions which are not taken transparently, or conflict with the mission of the community fund (control body: Board of Trustees/Control Council)

The structures of the second-generation community funds were less complicated, but the multi-level internal system of governance remained with at least two levels: strategic and every-day-management. The Council of Donors met once a year to accept the annual financial and program report of the Managing Board, and discuss/approve the action plan for the following year. The Managing Board had the greatest workload compared to the other Boards. It was responsible for selecting and overseeing the Executive Director, but in reality, the Managing Board worked side by side with the chief executive to develop and implement action plans, and to report back to the community and the other Boards. Most of the recommendations that this chapter will discuss concern the activity of the Managing Board.

One general recommendation to newly emerging community funds would be to try to simplify the internal structure as much as possible. Multi-level internal system of responsibilities and internal reporting does not necessarily make the organization more transparent, but it does make the work more cumbersome. The initiative group that leads the process to community fund legal registration should be familiar with the legal requirements for setting up a foundation, and should make sure to adopt the minimum requirements. It is better to start with a basic simple structure, consisting of one board and staff, and later on as the community fund's work diversifies, the board may appoint different committees, which will assist its work and the work of the chief executive.

Even if there is more than one board, the Managing Board plays the chief roles that ensure that the community fund will move ahead. These roles are the following:

- Select the chief executive;
- Support the chief executive and review her/his performance on a regular basis;
- Ensure effective operation planning;
- Ensure adequate resources for the implementation of the plans;
- Manage resources effectively;
- Determine program areas and services to donors;
- Communicate actively with various stakeholders to enhance the community fund image;
- Assess its own performance; ensure flow of new people and ideas.

There are several important considerations that the founders of the community fund should take into account when forming the Managing Board:

- How many board members should there be?
- What kind of people should we invite to serve on the board?
- Should we have "quotas" for representatives of public institutions?
- How to achieve an inclusive, balanced board?
- How to ensure that all board members share the same understanding about the mission of the community fund, and its goals?
- How to ensure a flow of new ideas into the board, and prevent stagnation?

All of the above considerations should be discussed by the founders, and the agreed upon decisions should be reflected in the by-laws of the community fund. In addition to the by-laws, it is highly recommended that the community fund develop a board manual that can be used for orientation of new board members that join the organization at a later stage.

Large boards versus small boards

Large boards are better positioned for soliciting donations, because they have larger networks of contacts. At the same time, they are more difficult to manage, and to achieve consensus on operational issues. The disadvantages can be counterbalanced by developing clear "job descriptions" for each board member, and assigning the members to different committees from the very beginning of the operation of the community fund.

The size of the board often depends on the size of the initiative group that leads the process of community fund creation. However, the automatic transition of all initiative group members into board members is not always good for the organization. The initiative group should do a visioning exercise, and discuss what kind of qualities are needed in the board, and after that decide whom of its members would be effective board members.

What kind of people should we invite to serve on the Board?

A visioning exercise can help the initiative group and the founders to answer this question. They should try to imagine the community fund in 10 years, what it should have accomplished, and then discuss what kind of people are needed to accomplish this.

It is also important to look into the human resources of the community, and see who the most active people in the three sectors are, which of them are civic-minded leaders, and which of them might be interested to support a non-profit organization with very broad philanthropic purpose. Last but not leas, the initiative group should think of how to attract the people which it finds most appropriate for board members. In the Bulgarian case, often the active sector leaders are involved in joint cross-sector initiatives. Active company leaders, for example, are often members of the municipal council, as well as board members of other philanthropic NGOs (Rotary Club, Lion's Club). Consequently, it is very hard to attract them for another philanthropic purpose. In addition to that, it is often difficult to bring under the same roof competing business leaders, or local government and opposition leaders. Attracting the right people into the board is one of the most challenging issues that the initiative group has to deal with. Persistence and creativity are needed to solve this issue.

Should we have "quotas" for representatives of public institutions?

This question is related to the issue of inclusiveness. Community foundation Boards aim to be inclusive of racial, ethnic, religious, political, and other existing differences within the community. Sometimes, the founders of a community fund think that if they select a Managing Board structured on the basis of the quota principle (with "reserved" places for representatives of the municipality and other influential public institutions), the latter will be more inclusive, and less prone to manipulations of private interests. In reality, adopting the quota principle to board-structure endangers the community fund to fall prey to various political and sector interests. It is not safe and effective to keep a quota for local government, if the latter is hostile to the community fund, and feels endangered by it. The effective community fund should be free from any external control, and to maintain an unbiased position in the community. Consequently, it should invite individuals based on their personal commitment and capabilities, rather than on their affiliation with various institutions. At the same time, many Bulgarian community funds were aware that inviting key figures from local government to serve on one of their boards would help to strengthen the partnership between the two institutions. Mayors were usually invited to serve on the control boards (Boards of Trustees), and not on the Managing Board. There is one exception – the Mayor of Stara Zagora applied to become part of the Managing Board in the second year of successful community fund operation. His decision revealed a strong recognition of the role of the community fund in the community. The other Managing Board members accepted his application and selected him as an honorary chair of the board. In this way, they wanted to strengthen the mutually beneficial relationship between the community fund and local government.

How to achieve an inclusive, balanced board?

The first 3 community funds in Chepelare, Gabrovo and Blagoevgrad decided to adopt the 1/3 principle in structuring their Managing Boards: 1/3 of the members coming from the public sector, 1/3 – from the business sector, and 1/3 – from civil society organizations. In this way, they were hoping to achieve inclusiveness of the community diversity, and a balanced view on all issues that the community fund will address. The

1/3 principle was also believed to help engage donors from all sectors. The 1/3 principle had a positive effect where the people who were invited to serve on the board forgot about their sector interests and started working as a team with a common goal. In some community funds, this cohesion within the board was difficult to achieve. It should be noted, that applying the 1/3 principle does not necessarily guarantee inclusiveness of the board of the community diversity. Sector leadership in Bulgaria is not inclusive of some minorities, especially the Roma. How to achieve inclusiveness of the community fund board of minorities that are underrepresented in any of the sectors is a difficult question, which remains unsolved by the Bulgarian community funds to this moment. The board members of the various community funds were reluctant to include Roma leaders in the community fund boards, because in their words this would drive many local donors away. They said that they were interested to work "for the Roma" and to consult with Roma activists on projects directed to this minority, but were not ready to work "with the Roma".

How to ensure shared values and goals in the board?

Team building trainings will help the board members learn to work as a team. Other board development trainings should encourage the board to develop their own internal policies and procedures in order to ensure transparency, accountability and reaching a consensus before an action is taken. Self-assessment questionnaires will help the board members understand whether they have promoted a common vision of the community fund in the community. Inconsistencies will be easily erased, if there is a commitment of all board members to learn form each other, and to act as a team. It is recommended that the board nominate a spokesperson; usually this function is undertaken by the board chair. The spokesperson expresses the community fund values and strategic goals in interviews given to the mass media, and in speeches delivered at community meetings. Nevertheless, every board member should be prepared to speak about the community fund mission and values in front of potential donors and citizens who approach her/him.

How to ensure a flow of new ideas into the board, and prevent stagnation?

Board rotation policy that is incorporated in the by-laws or the internal regulations document will serve the purpose of refreshing the board and preventing stagnation of ideas. When doing rotation, it is important to think also of continuity and transfer of experience from older board members to new-comers. Without this practice, the rotation principle may do more harm than good to the board. It is recommended that the same board constituency be kept for at least 2-3 years. Then people can step out of the board, but their number should be no more than two per year. Newcomers should immediately receive orientation training to get familiar with the community fund mission and goals. Board recruitment is a difficult task, and the board might find it necessary to appoint a committee responsible to recruit appropriate new people for the board. The executive director should not be left alone to deal with issues of recruitment, but all board members should actively use their existing contacts to draw in people who will contribute to enhancing the effectiveness of the board, and making it more inclusive of the community diversity.

An effective board deals not only with strategic planning and setting long-term goals, but also with ensuring the implementation of action plans and the attainment of the set goals. In the Bulgarian reality, the most effective community fund boards support the executive director on a daily basis, and meet at least twice a month to discuss and undertake operation tasks. The most important management issues that a community fund needs to solve are the following:

- Achieving a balanced relationship between the Managing Board and the Executive Director, coordination of tasks and distribution of responsibilities;
- Ensuring money for the operating budget of the community fund;
- Accepting management systems that will ensure effective operation, transparency and accountability

Achieving a balanced relationship between the Managing Board and the Executive Director

Many board members do not have previous experience in managing human resources and this may lead to too much interference in the work of the chief executive, or in insufficient support and expectation that the board is there only to set guidelines and receive reports from the executive director. The support organization may help by facilitating a workshop in which the board and the chief executive work jointly to develop the internal policies and procedures related to human resource management and decision-making. The executive director usually attends all board meetings, and actively requests assistance (assigns tasks) to board members to ensure the implementation of planned activities. The executive director should also have a clear job description that outlines her/his responsibilities. The board is responsible to do an orientation training of the executive director that will ensure her/his understanding of the mission and goals of the community fund, and will avoid misinterpretation.

The most important qualities, which an executive director must have in order to be effective in a young and inexperienced community fund, are the following:

- communication skills: effectively communicating the community fund mission to various stakeholders, and clearly communicating tasks to the board members;
- commitment, passion and vision: to be ready to work under pressure and follow a vision that has been elaborated together with the managing board; to be able to engage volunteers and make others passionate about the community fund goals;
- to be a self-starter: there will be no established traits of action that the new ED has to follow, s/he should be literally able to invent them with the help and guidance of the managing board.

As the community fund grows, additional staff will be needed, especially related to financial management and grant making. In some cases, the executive director might not be the first staff member to be employed. Recognizing the difficulty to find a person with the above qualities, the managing boards of some community funds employed first a technical assistant (office manager) and continued looking for an appropriate person to fill in the position of the chief executive. In some communities, filling in this position

turned out to be very difficult, because on one hand, the community fund was not able to offer an attractive salary, on the other hand – most ambitious young specialists were leaving the community to make a career abroad. A compromise that helps to deal with this challenge would be to invite the board chairperson to fill in the position of the executive director until an appropriate cadre is identified. This solution was adopted in Pazardjik Community Fund and it yielded positive results. The board chair worked as chief executive without a salary, and only received honoraria when undertaking specific tasks related to project implementation coordination or monitoring and evaluation. This arrangement was quite cost-effective and worked well. However, it is important for the board of the community fund to decide when it is time for the person implementing both roles to step out of one of them. The time for such a decision usually comes when the community fund is able to ensure a permanent and attractive salary of the executive director.

Ensuring money for the operating budget of the community fund

Raising money for operation costs turned out to be the most challenging task of the start-up Bulgarian community funds. In fact, the seed money for community fund operations in the first year were provided by Counterpart/USAID. Only one of the 10 currently operating community funds (Pazardjik) did not get a seed grant, because it was able to cover its operation costs with locally raised funds since inception. The difficulty in raising money for operation costs by the Bulgarian community funds can be explained with the following factors:

- too few potential donors among the founders; the community funds did not have their own start-up capital coming from the founders, or rather – the money collected from the founders was very small and insufficient to cover the operation costs for a few months ahead;
- beneficiary-oriented approach, which resulted in inadequate marketing strategy of the community fund to local donors; in the beginning most local donors did not perceive the community fund as something created to help them, but rather as one of the many fundraising NGOs;
- lack of tradition in using non-profit intermediaries for accomplishing philanthropic goals: most local donors preferred to provide gifts directly to the final beneficiaries, due to lack of trust in NGOs, and unwillingness to pay fees to intermediaries who will manage their donations.

All of the above would make the start up of most of the currently existing Bulgarian community funds impossible without external support for the operation costs. Counterpart provided seed grants to cover the minimum operation costs of the community funds only in the first year. The community funds were challenged to raise money for operation costs for the following years. Some of them succeeded, others – did not, and this resulted in losing their chief executives, and continuing the work by relying exclusively on volunteers. Nevertheless, none of the community funds stopped operating after the end of the external seed funding. In the final year of the Community Fund Program, Counterpart disbursed general purpose grants that provided the community funds with money for board development and staff development, corporate campaigns,

PR, and media outreach campaigns. These grants stimulated the widening of the local donor networks of the community funds, and the first donor-advised and field-of-interest funds started to emerge.

What would be the source of funds for operating costs for the start-up community funds? In an environment like Bulgaria, there are no traditions of using intermediary non-profits in the philanthropic process. In addition, there is very low trust in the non-profits in general. The most probable source of funding for operating costs should be the donations of the founders. The founders should be the people who best understand the community fund mission, and are committed to help the emerging community fund achieve sustainability. Consequently, they should provide start-up gifts, and encourage other donors to do the same.

Another potential source for operation costs, which can be developed soon after the legal registration of the community fund, is supplementary for-profit activity. This source was developed successfully by Pazardjik Community Fund, which transformed its office into an information center with video wall advertising local companies (producing paid ads) and the work of local NGOs for free. The community fund raised money through information and advertising, as well as production of promotional materials for companies and public institutions (they won a competition for production of a tourist brochure for the municipality). This supplementary for-profit activity allowed the community fund to pay two full-time salaries for permanent staff members, and cover other operation costs (accounting services, office rent, and utilities). The development of successful income-generation activity became possible due to the commitment of some of the founders, who provided contacts with potential clients, donated office equipment, and covered the first few months' honoraria of the video clip designer and the technical assistant with donations.

Community funds should be flexible to leverage their limited resources with other local NGOs, or with local government, if this will allow them to run their offices. In Lom, the community fund received a rent-free office from the local Chitalishte, which is a state-subsidized local cultural institution registered as an NGO. In Chepelare, the community fund shares its office with the local tourist information center, run by the Association of Hotel and Restaurant Owners. The building is a property of local government, and it does not require any rent from the two non-profit entities. In most communities, the community funds managed to secure municipal property offices at very low rent or no rent at all. In Chepelare, the community fund has negotiated with local government that the latter pays the salary of the office manager, who is employed by the municipality with the job description to assist the community fund. Currently, this arrangement does not produce any interference from the local government in the activity of the community fund, but it may potentially endanger the community fund independence if a new mayor with different attitude comes into power.

In the first few years of their work, the community funds should be able to introduce management fees that will be charged on every donation received. They can be introduced as a percentage of the donation that will be clearly shown in the donation

contract. The existing community funds started applying this approach soon after their pilot projects. For some projects, which were considered of highest community importance, they deducted a small percentage, not more than 5% of the locally raised funds for operation costs. For other projects they deducted up to 10%, which was the amount shown in the donation contracts.

Accepting management systems that will ensure effective operations, transparency and accountability

The effective community fund needs internal management systems that ensure quick and accurate retrieval of information in order to be able to demonstrate to local stakeholders how decisions are made, and whether or not it has achieved the planned results. The basic management systems which every community fund needs to establish from its onset are the following:

- financial management system
- grants program system
- personnel system
- donor tracking system (donor database).

The **financial management system** should enable quick retrieval of information about the current assets of the fund, types of funds, types of income for operation costs, management fees, pay-out rate, expenditure for operation costs and its correlation with the annual financial plan. It should also include rules for disbursement of funds by the foundation into grants, or for covering the operation costs. Usually, the executive director is authorized to draw money within a specified limit for the operation costs of the community fund. Expenditures of greater amount can take place only with the authorization of the Managing Board, and require two signatures on the bank order form. Such rules guarantee the transparency of decision-making related to the financial operations of the community fund, which are considered by many stakeholders to be the most important part of its operations. The financial management system of some of the Bulgarian community funds includes the requirement of an annual internal audit, conducted by the Board of Trustees (Control Board). Those community funds that do not have such a board usually hire an expert-accountant for the preparation of their annual financial reports that should be presented to the National Insurance Agency as well as to the Central Register of the Not-for-Profit Legal Entities.

As the community fund starts developing an endowment, its financial management system should also include policies for investment and pay-out rate, as well as policies for charging management fees on endowed funds. At that point, the community fund may also consider the creation of an administrative endowment, although this practice is quite rare among community foundations around the world.

The **grants program system** should include policies and procedures for grants review, evaluation, disbursement, and follow-up monitoring. It should also make clear how are grant priorities determined, and how are grant competitions popularized in the community, who are potential applicants, who is in the review committee. The system

should also keep track of grant contracts, payment, and reporting schedules, and grant close-out procedures. It is very important for the transparency and accountability of the community fund to have a special clause on avoiding conflicts of interests in its grant making policies. Usually, review committee and the managing board members are asked to disclose their relationship with potential grantees, and if there are people directly connected, they do not take part in the decision-making process. This policy is very important when a community fund operates in low-trust environment, like the Bulgarian one.

The **personnel system** should include policies for personnel hiring, evaluating, sick leave and vacation time, salary increase, etc. It is best if data on all these matters are kept in computerized form, which makes it easily retrievable.

The **donor tracking system (donor database)** allows the community fund to track meetings conducted with donors, received information about each donor's philanthropic interests, pledges for support, receipts of gifts, created donor-advised or field-of-interest funds, disbursed grants from each donor-advised fund, etc.

Currently, the Bulgarian community fund management systems describes above are met through consideration of jointly ordering special software developed to meet their management needs. It will enable their staff to easily access information about finances, donors, grants and personnel, and will allow for automation of some of the ongoing procedures implemented by the foundations. The computerization of the internal management systems saves time and is highly recommended.

Lessons Learned

Governance: How to achieve inclusiveness in the community fund approach?

Most of the Bulgarian community fund board members currently believe that dealing with the specific problems of minority inclusion is not a task of the community fund. It may engage to support a project addressing minority issues, if there are donors interested to do it, but should otherwise not initiate campaigns to raise money for such issues. In other words, the community fund's main goal should be to raise money for issues that are accepted as important for the community wellbeing by the majority of citizens. As long as the majority does not want to deal with the special problems of some underrepresented minorities, it is not the community fund business to approach donors with a request to support their inclusion. It is clearly visible in needs assessment exercises, organized and conducted by the Bulgarian community funds, that some disadvantaged groups, such as abandoned/chronically ill children, poor elderly (of ethnic Bulgarian origin) and people with disabilities enjoy more attention than other minorities – Roma, homosexuals, HIV/AIDS infected, and youth delinquents. It is highly recommended to include board training programs that address issues related to minority inclusion in the work of the community fund. However, we realize that board training programs cannot fill in the abyss of intolerance that exists in the Bulgarian society towards some marginalized groups. Board member attitudes are shaped not only by the trainings delivered to them

by the support organization, but also by the mass media, mass education, and mass culture. Nevertheless, the support organization should make efforts to constantly expand the outlook of board members of the community funds, and increase their receptiveness of underrepresented and unspoken issues that are important to the community integrity. The importance of social inclusion of various minorities will grow as the Bulgarian communities become increasingly multi-cultural in the globalized world. Consequently, community fund board members should be increasingly better prepared to deal with issues that present a potential conflict in the community. Such issues should not be avoided, but on the contrary – the community fund should learn how to manage them effectively. As the community fund (foundation) grows and special field-of-interest funds are created, the board should consider forming special advisory committees that are familiar with the various minority issues, and can help to work more effectively in addressing them. The most important transition that the Bulgarian community funds will soon face will be the transition from mainstream-oriented approach, to a more inclusive, community diversity-oriented approach.

Management: Effective management systems should guarantee transparency and accountability of the community fund

Transparency and accountability are sometimes understood as pure communication issues, that is, if a community fund reports back to the community what it has achieved, it believes to have met standards for transparency and accountability. In reality, the process is no less important than the results. The community fund should be able to demonstrate to its local stakeholders: donors, beneficiaries and the community at large, that it has selected grant recipients in an unbiased way, avoiding conflicts of interests and self-dealing of board members; that grant making priorities follow the donors' will and meet recognized community needs. Transparency and accountability are characteristics of the decision-making process, which is ultimately value-driven, and should be aiming at the public benefit. Every community fund should be able to demonstrate quickly and accurately to its stakeholders that it has an efficient management system that guarantees transparency of all decisions. The community fund management-policies should be developed with a clear set of values in mind, shared by the board members, and aiming at sustainable community development.

Chapter 5

Fundraising versus Fund Development

Key considerations: *Is beneficiary-oriented approach fertile for fund development? How to develop the financial assets of the community funds with a long-term perspective? How to transition from raising exclusively pass-through funds into building mechanisms that guarantee permanent flow of income? What type of external grants will help the community fund increase its financial sustainability?*

Is beneficiary-oriented approach fertile for fund development?

Most handbooks and community foundation primers emphasize that fundraising for community foundations is conceptually different from the fundraising for the other non-profit organizations. Some community foundation practitioners do not even use the term "fundraising", but prefer to talk about "fund development". The perspective that a community foundation adopts from its inception is not to promote a special program or product, but to help local donors accomplish their philanthropic goals. Consequently, community foundations market themselves as organizations that provide services to the donors of a particular community. They help a donor to support a philanthropic cause that the donor feels passionate about. In that sense, the community foundations do not have pre-determined grant making priorities, except for a broad vision for improving the quality if life in the community, or supporting community/neighborhood development, and the like.

The Bulgarian community funds, because of their specific set-up, began their fund development process by examining the needs of potential beneficiaries. Only after assessing and prioritizing community social needs, they began reflecting on the community assets, such as existing potential donors and attitudes to giving, which would help them to address the identified needs effectively. There are some strengths and weaknesses related to this approach, which will be outlined here.

The major strength of fund development with regards to community needs and beneficiaries' input is that the community foundation is able to involve a great number of people in the process of raising the funds that are needed for implementation of a specific project. For example, when the citizens of Chepelare decided that the most important issue that the community fund has to address in its pilot project is the renovation of the street lights in the town, about 3,000 citizens (out of 5,000 altogether) contributed with small donations to this project. This was the first brilliant example how a community fund can mobilize the citizens in achieving a common goal. Similarly, to CF Chepelare, school grant making programs supported by CF Blagoevgrad, CF Gabrovo, and CF Stara Zagora received the support of thousands of parents whose children studied at the schools applying for a grant. In a way, the donors of these projects were also beneficiaries, because the project outcomes benefited their children directly. This is a very interesting effect of mass community philanthropy in

which the boundaries between donor and recipient become blurred, and small-size donors come together to solve a community problem that directly affects their lives.

Mobilizing a great number of local donors contributed to enhancing the image of the community funds. However, there was one limitation of this approach to fund development. Larger donors at the community level did not get significantly involved. Few of the wealthiest people contributed with private donations; many were not triggered to contribute at all. By and large, the community funds raised proportionately much more money from small donors, than from large ones. The best case scenario in which the large individual and corporate donors would provide major gifts to stimulate the inclusion of other smaller donors did not take place in any of the communities involved in the program. The only case in which a large private donor held the leading position in the foundation (Sliven), the foundation was run more like a private foundation than like a community foundation, and his opinion was decisive for all grants made.

The limitations of the beneficiary-oriented approach to fund development became even clearer when the community funds started to think about endowment building. The majority of the small-scale donors were oriented towards achieving of fast and visible results. Besides, it seemed very labor-costly and inefficient for the foundation to address thousands of private donors with the request to use part of their donation for endowment building. The experience of strong endowed community foundations from the USA and other countries shows that endowment building is successful when there are large donors providing critical sizable gifts that would encourage others to join. Endowment gifts often consist of bequests, and might be in the form of immobile property rather than money. In all cases, the community foundation needs to maintain large donors in order to start building its endowment. Consequently, none of the Bulgarian community funds started raising money for endowment building. Within a few years from their start-up they began to feel the need to approach bigger donors and change their approach from beneficiary-oriented to donor-oriented, if they wanted to build endowments.

A step towards engaging larger donors was the creation of donor-advised funds at the Bulgarian community funds, which were called “named funds”. This type of component funds managed by the foundations allowed larger donors to determine the philanthropic cause that they wish to support, without waiting for a decision of a public forum. The introducing of such donor-oriented instruments enabled the community funds to attract a bigger number of larger donors. However, as it turned out, the donor-advised funds that managed to grow and make some effective grants were the ones supported by more than a single donor. For example, a group of local donors decided to support a class for talented children in Pazardjik. A donor-advised fund called “Childhood” was created, and many individual donors contributed to it. The main difference between this type of fund and the “common fund” which is filled up by money from fundraising campaigns, organized by the CF, is that this fund involves more actively a specific group of donors, who wish to support the foundation in the long run. They have determined their field-of-interest (projects benefiting children) and have committed to fill in the fund on an annual basis for the support of interesting initiatives within their preferred field. In this way, the creation of this donor-advised fund was a step towards engaging the donors permanently,

no matter that the money donated on an annual basis were spent entirely within the same year.

Summarizing the experience of the Bulgarian community funds with fundraising and donor development, we can formulate some key considerations that every start-up community fund should take into account:

1. Choosing a strategy for fund development from the onset.
2. Deciding about the minimum donation that would be accepted by the community fund.
3. Approaching the first donors.
4. Accepting matching grants from government or from another external agency (for example – an international organization supporting community fund development).
5. Who "raises" or "develops" the funds?
6. Types of funds managed by the community fund.

Choosing a strategy for fund development

The selection of strategy for fund development depends on the specific context in which the community fund operates: community resources, attitudes to giving among the rich and the not so rich, existing traditions of leveraging of public and private resources, etc. The community funds in relatively poor communities, as the Bulgarian communities, should seek a way to encourage and attract both smaller, medium-sized and large donors, offering them different services, and applying a variety of fundraising techniques. For example, payroll donation proves to work very well for attracting small-scale donors for long-term support to the foundation. Special events (such as fundraising balls, concerts, exhibitions) serve well both medium-sized and large donors, who do not only make donations publicly at such events, but also are publicly recognized and thanked by the foundation. One-on-one meetings are most useful to attract donations from larger donors, and it is very important who introduces the foundation to the donor. Community funds should rely on the help of business advisors, financial investors, and other intermediaries to get in touch with the largest donors in their communities, who are usually difficult to reach. A very important question that the board members of a young community fund should ask themselves, is the question "what would motivate the different donors to contribute". They should make some research of the interests and social outlooks of the potential donors in the community before they decide how to approach them. In summary, the community fund board should be closely familiar with the philanthropic traditions as well as with the social issues that currently attract the attention of local philanthropists in order to structure their fund development strategy and approaches to different donors.

Deciding about the minimum donation that will be accepted

This decision is closely related with the selection of strategy for fund development, and it shapes the identity of the community fund as donor-oriented or beneficiary-oriented. If the community fund decides to accept donations of all sizes, it sends a message that it is oriented towards the community at large. This approach may drive larger donors away,

because they will perceive the community fund as one of the many fundraising NGOs. At the same time, setting too high a minimum may result in the community fund becoming an elitist organization that is not attractive for the average donors in the community.

Approaching the first donors

Many start-up community funds' directors ask themselves who should be the first donors to approach for fund development. The answer is to look closely into the foundation's "inner circle", that is – to address the board members first. The community fund board members should be the first to contribute to the foundation, in order to attract other external donors. Setting a personal example is very important, especially when a new concept is being promoted in the community, (the community fund concept is very new to most of the Bulgarian communities).

Accepting matching grants from government or other external agencies

Sometimes, a major gift from the government, which usually does not give money to the community fund, but co-funds a project supported by the latter, can help to raise the image of the foundation and increase public trust in it. Similarly, an external matching grant provided by an international agency helps to show local donors that the foundation is a legitimate one, and it meets certain standards for transparency and accountability. However, matching grants should be offered and accepted with care, because they may induce dependency of the community fund on external funding. Local donors quickly buy into the concept of leveraging local resources with external grants, and keep asking the community fund how much it will be able to attract from external sources. It is important for the community funds to explain to local donors from the onset that the foundation is not created with the primary purpose to attract external resources, and it will only do so for a limited period of time, while local fund development will continue forever. Otherwise, the community fund runs the risk to loose many local donors who are primarily interested their philanthropic contributions to be matched by external development agencies. In order to stimulate the growth of local giving and avoid dependency on external resources, the community funds should be offered matching grants with a decreasing ratio over the first few years of their existence by the external support organizations.

Who "raises" or "develops" the funds?

The community funds are organizations that rely almost exclusively on volunteers. The board members work on voluntary basis and do not receive honoraria for assisting the organization. If the community fund has some start-up capital from its founders, or a start-up grant from an external support organization for administrative costs, they can employ a professional director, who must have some knowledge on fundraising and grant making. However, in the Bulgarian case, there are few people with experience who will commit themselves to a career in a start-up non-profit organization. Consequently, the community funds usually attracted young people, who were not very experienced as

fundraisers or managers. The experience of the community fund director is not so decisive about the future of the organization. It is more important that the person quickly develops an understanding of the community fund mission, values and approach, and implements them in practice. Commitment and inspiration are no less important for the success of the executive director, than experience. Besides, it has proved wrong and unproductive the community fund board to rely exclusively on the executive director for soliciting donations. At the start-up stage of the work, it is particularly important that the entire board involve intensively in soliciting donations and attracting the first donors of the foundation. Unless they use their personal contacts and make efforts to introduce the executive director to them, the latter will not achieve enormous success in approaching potential donors.

In some communities, the community fund managed to attract a volunteer executive director with long-term experience and influence in the community. In those cases, the role of the executive director in organizing the donor development process was much greater, but it did not exclude the need of collective efforts of the entire board in approaching different donors. All successful community funds owed their success to the coordinated efforts of the board members who acted as the chief fundraisers of the organization. The fundraising and donor development process started from the personal networks of contacts of the board members and the executive director, and gradually expanded to include other donors. Community-wide fundraising campaigns were most successful, when the money raised from citizens were matched by a few major gifts from larger donors, who were part of the networks of contacts of the board members.

Types of funds managed by the community fund

The Bulgarian community funds started their work by raising pass-through gifts for specific projects. However, as they started to mature, they recognized the need to create and maintain permanent pools of money directed at various causes, which would allow them to make grants on a regular basis, and will help them build a clearly recognizable identity as local grant makers. This is how the idea of the "donor named funds" emerged. The donor named funds was used as a generic concept to designate several quite different types of funds:

- Individual or collective field-of-interest funds: when a single individual or a group of individuals selects a broad social cause that they would like to support for a long period of time, for example, youth development, education, etc.
- Individual or collective donor-advised funds: when a single individual or a group of individuals creates a fund in support of a particular social cause, and later participate actively in decision-making about the specific projects to be supported with this money.
- Designated funds for particular institutions were created temporarily within project funds. For example, when Blagoevgrad, Stara Zagora and Gabrovo community funds opened up a school grant making program, many local donors contributed gifts to particular schools. The money designated to each school were collected in a separate bank account, and then re-granted to the school. However, as soon as a grant was made, the designated fund disappeared. In the future, the

community funds may consider building permanent designated funds to institutions such as schools, or grassroots NGOs.

Most of the donor-named-funds were in fact set by groups of donors, and not by a single individual. In some cases, a single individual established the fund, but then allowed the foundation to invite other interested individuals to contribute to enlarging the same fund. In addition, the donor-named-funds never carried the name of a single donor, but were usually named after the social cause, or after the neighborhood/village/institution that they were aiming to support. For example, "Future for Bogutevo" fund created at Chepelare community fund by a local group of donors from the village of Bogutevo to support projects in that village.

All Bulgarian community funds also managed **project funds**, which were the first types of funds created at them. Project funds were created to raise money for a specific project that would address a particular pressing community need. Project funds were usually beneficiary-driven, and many potential beneficiaries contributed with small donations to them. Project funds usually expired as soon as a grant was made for the implementation of the specific project (in some cases the community funds undertook to implement the projects themselves).

Some of the community funds managed to attract some unrestricted gifts, but their amount was quite small, and the community fund did not set out to create a permanent **unrestricted fund**. Usually such gifts were directed into current project funds and spent soon after their acquisition. However, all of the community funds recognized the need to build a permanent unrestricted fund that will allow them to respond more flexibly to pressing issues, and also to attract various size-donations without the need to spend them immediately. The general unrestricted fund could be a tool to attract donations below the minimum that the community fund has established in its policies for creation of a donor-advised or field-of-interest fund. However, the community fund should be able to communicate clearly that message to the potential donors in order to avoid disappointment if they expect their money to go into a specific field of interest.

It is important that every community fund develop internal policies and procedures that regulate the management of different types of funds, and communicate the latter to the potential donors. The methods and tools of doing that will be elaborated in the chapter dedicated to communications and PR.

Lessons Learned

Fundraising for specific projects and donor development are two different things

When a community fund announces a public campaign for raising money for a specific purpose that was identified in community needs-assessment process, it acts as a fundraising NGO. When it meets with a donor to research that donor's philanthropic interests, and help the donor structure her/his own philanthropic program that will address issues that s/he believes are important for the community – then the community fund acts

as a community foundation. Traditionally, community foundations have developed a donor-oriented approach, which allows them to maintain long-term mutually beneficial relationship with their donors. They aim to provide personalized services to the donors, and consequently manage a limited number of predominantly large-scale donors. They cannot afford to deal with thousands of small donors providing one-time donations. In the Bulgarian conditions, however, relying only on a few rich people did not seem very effective for earning recognition in the communities at the initial stage of work of the community funds. They needed to show to the community at large that they could be effective in what they do; consequently, they tried to address as many people as possible in soliciting donations. However, raising very small amounts from thousands of donors for one-time projects proved to have several limitations:

- it is very labor-intensive and may not reach the preliminary set financial goal, unless there is a major gift provided by one (or a few) major donor(s) to match the money raised from citizens;
- it does not help create a personalized relationship with the donors, because the foundation does not physically meet with every person who has contributed;
- the community fund is often perceived as a competitor by other fundraising NGOs in the community that approach the citizens at large for contributions to specific projects.

In other words, fundraising for one-time projects cannot be called donor-development. At the same time, there are certain advantages of this approach, which make it justifiable at the earlier stages of development of the community fund:

- it increases the visibility of the community fund;
- it attracts donations that may otherwise be lost;
- it may lead to future long-term collaboration with some donors, if the community fund acts wisely and revisits them soon after the effect of the first campaign has become visible.

In summary, fundraising for specific projects can be used as a start-up activity that increases the chances of the community fund to be noticed by the larger donors in the community, and builds the ground for long-term collaboration with them. In communities in which there are no large donors, this method of work may become the permanent form of fund development by the community fund. However, the community fund should be aiming to transition form fundraising for a specific project, to soliciting gifts for development of different field-of-interest funds. The number of donors may remain large, and the amount of each donation may remain very small, but the efforts should be directed into building of permanent funds. The focus of work should be to revisit the donors who have supported one project of the community fund and inspire them to consider supporting a permanent field-of-interest fund. Individual donor-advised funds will be appropriate for attracting and retaining larger donors. It is also important to create and maintain a general unrestricted fund that allows the community fund to respond with greater flexibility to emerging and pressing issues. As long as the community fund is able to ensure permanent streams of income from donations coming into its bank account into field-of-interest, donor-advised or unrestricted funds, it should be believed to move into the right direction.

Chapter 6

From Project Implementation to Grant making

This chapter will be really short, because the Bulgarian community funds did not develop significant expertise in grant making. We decided to include a chapter on grant making mainly to demonstrate how the community funds managed to overcome the limitations of the philanthropic context, in which the donors were not interested to give money for grant making. This challenged the community funds to develop a non-traditional grant making culture, in which potential grant recipients became donors and worked hard to attract other donors, and grants were disbursed only to organizations that had actively participated in the fundraising process.

The approach taken by the Bulgarian community funds is non-traditional and deserves analysis, because it was heavily dependent on the existence of external matching funding. In a way, the community funds tried to replicate in their local communities the matching grants process supported by Counterpart within the Community Fund Program. It is not yet clear whether the community funds will continue to make grants when the external matching funding stops. Attempts to do that were made by Stara Zagora and Gabrovo community funds when in the final round of matching grants disbursement Counterpart was not able to match 1:1 the money raised locally for grant making. Although they made several grants with 100% own money, neither of the two community funds was able to compensate for the lack of external source of matching and the size of their grant making sharply decreased. This rings a bell that the sustainability of the Bulgarian community funds is at stake, if international support closes out at this point of their development.

As mentioned in the previous chapter, the Bulgarian community funds started their work by soliciting donations for projects that were implemented by the community fund itself. They believed that the successful accomplishment of one or two major projects that produce visible results would increase their reputation as trustworthy philanthropic organizations. However, when they started implementing those pilot projects they understood that the latter exhausted all their human resources, and the organization was not capable to continue raising funds until the project was completed. In a way, they realized that project implementation would push them into becoming operational NGOs, and disable them to become a source of funding for the local civil society organizations. The big challenge was how to persuade local donors to give money for projects that would not be implemented by the community fund itself, but by other grant recipients.

The transition from project implementation to grant making turned out to be a difficult one. The community funds took into account several key factors before deciding how to proceed:

- local donors were not interested to support intermediaries in the philanthropic process;

- local donors wanted to know who will be the final beneficiary, and who will be the NGO that will implement the project, what is its reputation in the community, and how is the desired effect guaranteed;
- local NGOs were interested to take part in raising of the funds that they needed to implement their projects.

Based on the above considerations, the community funds designed the following grant making procedures:

1. Identification of community needs that many local donors are willing to address;
2. Identification of NGOs which are able to implement projects that address the above needs;
3. Requesting project applications (or at least letters of intent) and approving them before the start of the fundraising campaign;
4. Encouraging the NGOs to provide volunteers who will take part in the fundraising together with the community fund;
5. Consulting the NGO on fundraising techniques and approaches; conducting joint solicitations of gifts that will go to the NGO;
6. Creating a designated project fund to collect donations dedicated to the particular NGO;
7. When the money for the specific project was collected, announcing the end of the fundraising campaign and making a grant to the NGO to start implementing the project;
8. Monitoring and evaluation of the project implementation and reporting back to the donors.

Sometimes, the initiative for implementing a specific project originated from the community fund, and the latter went out to identify an appropriate grant recipient; at other times – it came from local NGOs that approached the community fund with a request to match money collected by them for a particular project. In both cases, the community fund required the potential grant recipient to take part in the fundraising, and synergized efforts to collect the money that was needed.

This grant making process was heavily dependent on the availability of external matching grants. In fact, the community fund promised to potential grant recipients that if they collect 50% of the amount needed for the particular project it will provide the other half. Moreover, the other half was provided when the community fund got a matching grant from Counterpart/USAID. The sustainability of this grant making process is not clear, since the community funds were not able to identify an alternative matching source within the first few years of their work.

The strengths of this approach include the ability to synergize efforts and resources with grant recipients, and involve many local people in the fundraising process. The Bulgarian community funds undertook an untraditional approach to grant making funds development by involving the potential grant recipients in the fundraising process. This stimulated the inclusion of many people in the community fund work, and transformed many potential recipients into donors – they donated time as well as small amounts in

order to accomplish their financial goal and attract the matching funding provided by the community fund.

The Bulgarian community funds developed an “organic” grant making process in which grant recipients were identified before the solicitations of gifts began. This increased the confidence of the local donors that the money will not be given to an unworthy NGO. In addition, it blurred the boundaries between donors and recipients, because many potential recipients of grants donated in order to provide a cost-share required as a condition for obtaining a grant.

The weaknesses of this approach are that money continues to flow into the community fund only on project basis; it is strictly designated to the potential recipient, and is disbursed immediately after the total amount needed for the project is collected. When a grant is disbursed, the special designated project fund disappears. The community funds need to develop a strategy how to move from temporary project-related designated funds towards developing of permanent field-of-interest or donor-advised funds for grant making purposes. Otherwise, their grant making runs the risk to stop when external matching support closes out.

Chapter 7

Community Fund Communications

Key considerations: *What is effective communication for a community fund? What does a community fund need to communicate to local stakeholders? What are appropriate channels of communication with various audiences? How to work effectively with the mass media?*

Effective communications were of primary importance for anchoring the community foundation concept in the local philanthropic traditions. The Bulgarian community funds needed to demonstrate how they fit into the local culture of giving and help to enhance it, rather than to obstruct existing practices.

The community funds developed community outreach strategies since their inception, and worked very hard to attract the local media as partners. Counterpart funded some of their mass media campaigns and encouraged them to use all existing channels of communication with the local stakeholders.

There are several major considerations that every community fund needs to take into account when it develops its communication strategy:

- Effective communications means not only to communicate what the organization has done, but also why it has done it, what goals it tried to achieve, what approach it applied and what effect and impact it expects;
- Effective communication means that the non-profit is able to demonstrate the value that it adds to local community life, and the positive changes that it brings with its activity;
- Effective communication means to inspire additional support and facilitate the accomplishment of planned goals.

Every community fund should be trained to develop a map of its stakeholders and design different communication strategies for approaching each of them. The community fund communication-strategy is closely linked with its fundraising and fund development, which were discussed in previous chapters, as well as with the ability to demonstrate that the organization has a sound internal management system, which guarantees transparency and accountability.

This chapter will provide specific examples of effective communication strategies developed and implemented by the Bulgarian community funds.

What is an effective communication strategy?

The communication strategy is an umbrella covering the different methods and know-know to let you become part of public life and to gain public acceptance.

The communication strategy should include not only methods of providing information to the public about your activities and results, but also tools for collecting feedback from beneficiaries and other stakeholders. Its main purpose is to create an image of your community foundation that is easily recognizable by the mass media and the general public. This might be achieved if durable partnerships are established with different media and their representatives. Such partnerships would guarantee mutually beneficial collaboration where both sides are interested to work with each other.

There are two main pillars of communication for the community foundations: with its internal and outer audiences. Both are of great importance. To be able to deliver message to the outer audience (public outreach) it has to be communicated and accepted by the inner audience (the managing structures and members of the governing bodies of community foundation). It is important to remember that the members of the governing bodies of the community foundation must have a common understanding of the mission and values of the organization. This is the first step of realization of the communication strategy before approaching to the different channels of delivery to the public.

No matter if the community foundation works in a small or a big city, the outreach strategy in general leans on the following assessment: how many local and regional media are there (press, radio, television, etc.), and what is their attitude to the third sector. Each community foundation must use the contacts of its inner circle (the members of the governing bodies) to ensure adequate coverage of its activities in the local, and if possible, in the regional media. Building long-term media partners is one of the ways to ensure sufficient coverage and free media space for advertising and reporting to the public.

How to start working with the mass media if you have no prior contacts with people who will introduce your organization?

The first step could be a non-formal meeting to exchange contacts and to create common ground for further communication. To prepare for this meeting, you should conduct some research on who are the journalists of that media, who deal with civil society issues. These are the people, who should be invited in person to attend the meeting. The purpose of this first meeting with the media is to build trust, which will gradually lead to building partnerships.

It is difficult to build trust if the only thing you can offer to the media is a report on your plans and future goals. The mass media likes substance, not just projected results. Consequently, some community foundations might decide to postpone their first meeting with the mass media until they produce results, i.e. until they hold their first grant competition, or first public forum to discuss community needs and assets.

The creation of the community foundation itself could be in some cases an important achievement that can be presented to the mass media as an outcome of a participatory process of community action planning. The methodology of community fund start-up introduced by Counterpart stimulated broad civic participation and the creation of a

cross-sector constituency. Consequently, the founding assemblies of the community funds attracted huge media interest, and created opportunities for early collaboration between the community funds and the local media.

Another activity, which is typical for all Bulgarian community funds, and very attractive for the mass media is the public forum. The public forum is a big gathering of people with diverse backgrounds and interests, who come together to discuss the social issues important for their community, and where philanthropy can be most effective. The mass media will be interested to cover what social priorities have been identified by the public forum, and which areas of community development will benefit from organized philanthropy overseen by the community fund. If you have not previously introduced your organization to the media, try to dedicate a few minutes at the end of the public forum for a press briefing. Thus, you will not only inform the mass media about the decisions taken by the stakeholders, but also will be able to promote the community fund as convener of public events which stimulate civic engagement. Do not forget to prepare a package of information materials, which will provide the media with your contacts, with information about the purpose and the program of the public forum that has just ended, and about the list of participants. The outcomes of the forum will be reported unless the invited journalists have stayed throughout the discussion, and have taken their own notes.

When the first meeting with the mass media is held, it is important to remember that you are asking them for long-term collaboration. The purpose of the community foundation should be to brand its name and its method of work. In the Bulgarian context, organizations providing services to donors are rare. The mass media are not used to talk about the NGOs as partners of the donors in doing good, but rather – as beneficiaries, looking for funds to carry out their activities. It is important to explain to the mass media the difference between a fundraising NGO and a community foundation. They should be able to understand that the community foundation has not been created to solve a temporary problem. The message delivered to the media should emphasize the commitment of the founders that the foundation is here to stay, and it will help local donors to respond to the changing needs of the community. It should also underline that the community foundation was created by people who understand well the community needs, because of their connectedness with the community, and who are able to mobilize existing assets, because of their contacts, capabilities and clout.

Developing a Slogan

Many organizations have a catchy phrase that everybody associates with them. The slogan is an important part of the community foundation branding, and it should be selected with care. Commonly used slogans by community foundations from around the world include the following important notions:

- The notion of community integrity: ***connecting people who care with causes that matter***, and
- The notion of permanence: ***for good, for ever***.

Most of the Bulgarian community funds chose a slogan associated with the famous Gandhi saying, “be the change you wish to see”. Their slogans sounded like, “we create the change we wish to see”.

The name, logo and slogan chosen by the community foundation are important elements of building the public recognition of your organization and they should be promoted every time when you report to the community about your activities and results. The sooner you develop your brand, the sooner and easier you will get your public recognition and acceptance.

What do you need to know about media when you create your communication strategy?

If you do not receive the expected understanding by the media in the beginning of your work, this does not mean that they will not express interest later on to obtain information about your activity, funds accumulated and projects funded. Be aware that the mass media are commercial entities and they focus on information, which will increase their sales. Charity and philanthropy are a favorite topic of the mass media when there is some scandal involved related to speculation and self-dealing. Good stories are sometimes harder to promote than bad stories. This should not discourage you from promoting the good will of your donors, and the good work of the organizations that you fund. Try to persuade a civil society reporter to start a special rubric in the local newspaper under the title “the good news” and to publish exclusively positive examples of civil society engagement with the community issues. This will ensure some media space for the activity of the community fund and other local NGOs. Again, the approach for creating permanent media space for your work is to build long-term partnerships, and to treat the media as collaborators in your work, not just channels for distribution of information.

The electronic media are the ones that reach out to the greatest number of people within the shortest amount of time (compared to print media). This explains the big interest towards the electronic media for purposes of broadcasting information. Moreover, of course, this is the most difficult type of media to get interested in your activities. The way to attract them goes through explaining the benefits they can gain if they become partners. Try to find a way to associate the media to your cause. This will help you to promote fundraising campaigns of the community foundation and other activities. The mass media might be interested in some of your permanent donors, because they rely on advertisement for their work. Try to work out a strategy of attracting big corporate and private donors that will be beneficial both to you and to the media, which is your partner.

Other communication channels

It is important to understand that radio, television and print media are not the only communication channels to disseminate information. There are many others and one that is gaining an increasing importance is the Internet (World Wide Web). Through it, you might not only publish information but there are chances interested third patties to find you and find your contacts. The web based services are improving on daily basis, so the

investment in building your web site and its regular maintenance will definitely create opportunities. For Bulgaria, there are many web based portals which obtain information (i.e. written and picture material) related to many activities (for different fields of life) which they use for commercial purposes.

An innovative form for raising awareness and disseminating information about your work are the so called press clubs and press briefings. You might create a routine to invite the different interested media (journalists) once a month (or more, depending on the frequency of your activities) and to inform them about your financial status, planned and current campaigns, and outcomes of funded projects. Always try to remember that the journalists do not work for you, but for their audience. So you need to present to them understandable information which will be easily translated to the broader public. Try not to press them for publishing/broadcasting your story, but to make them interested.

There are some rules you need to respect in order to achieve the desired results. First of all, try to avoid any kind of conflicts with the media. Your invitations and enquiries will many times be sent in vain, but this should not lead you to developing a negative attitude to the mass media. They are not able to cover everything that happens in your community, so you should make special efforts to impress them, or attract them as collaborator, and not merely a guest.

Remember that the electronic media is the quickest but not always the most effective tool for dissemination of information. Before trying to reach them, define your target group and focus on it. Choose the most appropriate communication channel to reach your target group and to deliver your message. Often this does not mean that the information has to be published in the local newspaper, or broadcasted on the national television. Sometimes, word of mouth is much more effective means of persuading a donor to give to the community foundation than a hundred of reports in the mass media.

Always try to find new attractive and innovative ways to contact and involve journalist and media in your noble causes and activities.

Capacity building for effective communication

Counterpart International – Bulgaria conducted several trainings to enhance the capacity of the Bulgarian community funds to create partnerships with various media. One of them was a training event that took place in the city of Tryavna in October 2005 with participants from both sides: the community foundations and professional journalists from local, regional and national media.

The overall purpose of the event was to enhance the understanding of the community funds how local, regional and national media function, and to help them start out durable partnerships with media from their region. Professional journalists, representatives of different media (print and electronic) were invited to train the people appointed to care of the public communications in various community foundations from around the country. This approach turned out to be very fruitful, because the journalists were totally in their

field and felt comfortable to share how they expect to be contacted by the organizations interested in popularizing their work. They were giving professional advices on giving interviews, media briefings and press conferences. The PR persons of the community funds learned how to behave in front of the mass media, and what kind of attitude they need to demonstrate in order to be respected. They also discussed how to provide information to the media; what kind of answers to give when they are not certain about the answer; how to avoid misunderstanding; and how to maintain good relations with the media.

Based on the comments and advices that they received from the journalists, the community funds were invited to practice in front of working cameras, and real-life situations were simulated. Different work groups had to enact different situations that challenged them to present their organizations before the media under special circumstances. These exercises were taped and afterwards precisely analyzed with the support of the media experts. The participants improved their confidence for giving interviews and appearing in the mass media. The added value of this training was the fact that after it the various participants were able to keep and use the established contacts with the professional journalist.

Besides trainings, Counterpart supported the capacity building for effective communication through financing some media outreach campaigns conducted locally. This resulted in active participation of the community funds in specialized TV talk shows at electronic media where local social and economic problems were discussed and their experience promoted as an instrument for solving problems. The result was an increased understanding of local citizens about the role of the community fund, and wider support (both financial and in-kind) of its activities.

Different commercials and advertisement clips (audio and video) were produced locally to promote the brand of the community foundation. The clips were broadcasted by the most popular local radio and TV stations in the various regions. Many new people learned about the community fund through this form of publicizing.

The community foundations that made commercials already had a large portfolio of activities and results to be presented to the community. In this way, the media outreach campaigns respected the main principle of marketing, namely that one should approach the mass media, when one has a product to present.

Some community foundations produced small documentaries on philanthropy issues; others researched and publicized the history and present status of philanthropy in their community. These films helped to promote the community fund as a natural part of local philanthropy, which is embedded in the community and born out of the desire to make philanthropy more effective.

Lessons Learned

Community funds can help media to implement their corporate social responsibility

Apart from the establishment of professional relations between the community fund and the local media, the latter gradually developed the understanding that the community fund might help them realize their own corporate social responsibility. This recognition became a platform for long-term collaboration between the foundation and the mass media.

Chapter 8

Community Fund Organizational Development Self-Assessment

Key considerations: *How to know whether your community fund is making progress? How to tell whether people in the community really see a benefit in having the community fund, or not? What basis could be used for designing an effective sustainability strategy?*

It is appropriate at least once a year to check the progress of the community funds and the status of their organizational development. Counterpart conducted annual organizational development assessments of the community funds supported by its program with the help of 3-NET Association. The purpose of these assessments was to identify strengths and weaknesses in the current management systems of the community funds and in their strategies for sustainability as well as to formulate recommendations for enhancing their progress.

Counterpart and 3-NET introduced to the community funds a participatory organizational assessment tool that could be used by the community funds' boards and staff members on their own to check the organizational progress towards achieving preliminary set development goals.

The participatory approach to the organizational assessment provides a framework for incorporating participation and analysis into the organizational development and evaluation of the work of the community funds. The participatory organizational assessment should be conducted as a collaborative process, which involves stakeholders at different levels working together to assess the community fund's work, and recommend any corrective action required. The process should involve **key stakeholders** (community fund boards and personnel), **direct stakeholders** (local donors and local grant recipients), and **indirect stakeholders** (local government, local media, other community organizations that are not potential grant recipients, the citizens at large). It consists of several steps: **desktop research,** distribution of **questionnaires** to be filled in by the key stakeholders, **interviews** of direct stakeholders and indirect stakeholders, and **focus-group discussions** with each of the group of stakeholders.

The community funds were not passive recipients of an external evaluation, conducted by Counterpart and 3-NET, but they got familiarized with the evaluation tools and began using them on their own from the following year.

The evaluation was concluded with the development of detailed evaluation reports, which assessed the community fund development status based on an evaluation matrix that included reference "ideal state" parameters within the following areas:

- strategic management;
- governance;
- human resources;
- material and technical resources;
- external relations;

- services to donors;
- financial sustainability.

The community funds could easily identify strengths and weaknesses, and design strategies to enhance their development, by comparing the results of the evaluation with the "ideal state" parameters.

Lessons Learned

Participatory evaluation is a learning experience that enables the community fund to self-assess its performance

The way in which the organizational development assessment of the community funds was carried out stimulated intensive learning, because the boards and staff members were actively engaged in organizing meetings and collecting stakeholder information about their own performance and how it was perceived by the local people. They got familiar with the evaluation tool in the process of applying it, and took active part in developing the recommendations to their future development. The participatory evaluation methodology blurred the boundaries between evaluators and evaluated, and allowed the community funds to analyze their own work and develop a strategy of improving it while being evaluated. The community fund OD assessment was carried out only once with external support from Counterpart and 3-NET. In the following year, the community funds were able to conduct self-assessment on their own, and shared the outcomes with their external advisors.

The Way Ahead

As they matured, the Bulgarian community funds began to recognize the need to act in coordination and continue exchanging information and ideas on their way to sustainability. They wanted to maintain the current level of communication, ensured with the help of Counterpart, after the close out of the Community Fund Program. This inspired them to register their own Association, named Association of Community Foundations in Bulgaria (ACFB).

ACFB was created with the following purposes:

- Represent the community funds/foundations in communication with national government; mass media and international networks of grant-makers;
- Advocate for improving the legal environment for community foundation and philanthropy development;
- Create partnerships between national corporate donors who want to give locally and the community funds/foundations;
- Network its members and provide them with guidance, training and technical assistance and updates on national and international events affecting their development;
- Identify and support new initiatives for community foundation development around Bulgaria and contribute to the replication of the concept.

ACFB represents the desire of the Bulgarian community funds to gradually become sustainable community foundations. The way ahead towards achieving this goal includes the following steps:

- creation of long-term and permanent funds for grant making purposes;
- laying the foundations of endowments;
- strengthening the donor-oriented approach and expanding the local donor network to include more large-scale donors;
- improving the solicitation of gifts for operation costs;
- strengthening the grant making programs and adopting standards for effective grant making;
- ensuring permanent streams of funding to continue the community fund development and transition into community foundation
- “branding” the community foundation model as an effective instrument for community development with the help of ACFB.

Conclusion

The Bulgarian community funds handled under the same roof seemingly contradictory processes: large-scale civic participation in decision-making about philanthropic priorities and provision of individualized services to private donors who want to give back to the community. Their approach to fund development reflected the limitations of the Bulgarian philanthropic environment in which the donors are suspicious of intermediaries, and interested in short-term visible results rather than in long-term social change initiatives. Civic skepticism about the transparency of the foundations was counterbalanced by involving many people in defining their grant making goals, and the lack of a large number of big donors was compensated by attracting thousands of small donations from the average citizens. This helped the community funds to win recognition in the communities that they served, and to become a preferred local development partner of local government and business associations. The community forums organized by the foundations led to some very interesting results that blurred the boundaries between donors and recipients, and enhanced civic participation at the local level. Local philanthropy was revived as a form of civic participation in community development and strengthening community solidarity through the acts of giving.

Although their grant making was rather small-scale in the first few years of their existence, the Bulgarian community funds played some distinct non-grantmaking roles, which stimulated the creation of new social capital and enhanced local development. These are: 1) the role of **catalysts of civic participation** in defining local development priorities through organizing of community forums; 2) the role of **bridge builders**: linking people and resources of different sectors together; 3) the role of **advocates**: helping promote community-identified problems in front of the municipal council and seeking solutions together with local government; and 4) the role of **social entrepreneurs**: encouraging new approaches to existing problems, and investing in innovative social projects, which helped to promote more effective ways of thinking and operating to address poverty, social exclusion, and other social issues. Unlike government structures and external organizations working for community development, the community foundations are specifically positioned to play these roles and to stimulate positive social capital formation, because they are locally embedded and formed on a voluntary-principle. In some communities, such as Stara Zagora, Pazardjik, Gabrovo, and Chepelare, the community foundations developed significant technical expertise and positioned themselves as community development leaders, able to bring together NGOs, local government, business and other stakeholders for solving local problems.

The Bulgarian community funds will continue to develop local philanthropists among various clusters of the population, and will continue to leverage resources of the private sector with public sector, or external donor grants. Their work proves that community development is a task of the entire community, and everybody can do something for the betterment of the community life. Before they start thinking of building endowments, they must consolidate their identities as trustworthy local grant makers, closely familiar with the needs of the community, inventive in identifying assets, and able to transform existing problems into opportunities. The way ahead passes through serious challenges, which could be overcome only by in-depth knowledge of the community philanthropic environment, commitment to enhance it, and belief in the possibility of success.

ANNEXES

A.1. Community Funds as Catalysts of Civic Participation
Lom Community Fund and the Regional Development Forum

The Community Fund of Lom was created in October 2005, and within the first few months of its existence it managed to unite the most active citizens of the town in discussing the local development priorities and setting goals that can be achieved by means of cross-sector partnerships. The town of Lom is situated on the Danube in North-West Bulgaria, and has suffered tremendous population decrease after 1990 (from about 32,000 to 17,000 people). Today, about 25% of the population is Roma. The Roma minority has become one of the most socially disadvantaged minorities in the conditions of market economy. High birth rate, low education and lack of employment possibilities resulted in deep impoverishment, and the state structures were not able to effectively support this minority through social spending. Much of the international aid after 1990 has focused on relief of hunger and medical care for the Roma, but the positive results have been modest. In Lom, not only the Roma population, but the entire citizenship suffered from the downsizing of the economy and the decreased employment opportunities. This resulted in high migration rate and "brain-drain". In recent years, the civic leaders of the third sector in Lom began to understand the need of uniting the efforts of local government, the NGOs and the business sector in designing solutions to fight unemployment and reduce migration with the purpose of reviving the city. The creation of the community fund was an attempt to unite local resources in addressing persistent social issues, and supporting innovative solutions.

Similarly to other community funds, which were created with the assistance of Counterpart International (USAID) and introduced to the participatory methodology of community action planning, the Lom Community Fund started its activity with organizing a public forum to discuss community needs and identify existing assets. The forum preceded the founding assembly of the community foundation, and served to attract founders from the business sector, local government and the third sector.

Several months after its inception, the Community Fund of Lom took the lead to inform key stakeholders from the three sectors about the forthcoming development opportunities that would emerge with the inclusion of Bulgaria in the European Union and the acquisition of the Structural Funds after 2007. The EU-accession presents many opportunities for local development, but also requires certain capabilities at the local level for the effective absorption of the financial aid. The Structural Funds work towards the goal of achieving economic and social cohesion in the European Union. Resources are targeted at actions which help bridge the gaps between the more and the less developed regions and which promote equal employment opportunities between different social groups.

In June 2006, the Community Fund of Lom organized a Regional Development Forum 2007-2013 to discuss opportunities and requirements associated with the acquisition of the EU Structural Funds in Lom region. The forum was attended by over 80

representatives from Montana region, members of local government, the business sector and the third sector. Official guests of the forum were the Vice-ministers of Regional Development, Economy and Energetic, and Agriculture and Forestry, as well as representatives of the State Fund "Agriculture", of the Regional Government and 2 Members of Parliament from Lom. The main goal of the forum was to familiarize the local administrations with the development opportunities which will be available through the Structural Funds. The forum also presented the national strategic and program documents for the 2007-2013 planning period.

The participants learned about the geographical parameters and funding priorities of the European Regional Development Fund, European Social Fund, and the European Cohesion Fund. They discussed the National Program for Regional Development, the Administrative Capacity Program and the National Strategic Plan for Development of the Rural Regions. The latter enables the Municipalities to fund directly projects which have been identified as important for the local development. The forum underlined the importance of collaboration between the 3 sectors in setting the development priorities, which will be funded through the Structural Funds, and identifying specific initiatives.

The Regional Development Forum was very important for bridging the gaps in local development planning, and enhancing the cross-sector cohesion. Until recently, local government in Lom, and especially the Mayor, was trying to control the work of the non-governmental organizations, and favoring its own satellite organizations. The Community Fund is the first of its kind civic organization that was created on the basis of large-scale participation of stakeholders with diverse background and interests. The Fund is not under the dominance of a single donor, and creates a platform for discussion of broad development priorities. Its members are closely connected with the community, and have in-dept understanding of existing needs and assets. The Community Fund aims to unite the resources of different sectors in solving social problems, but beyond that it stimulates cross-sector partnerships and innovative thinking and action.

A.2. Community Funds as Bridge Builders
Chepelare Community Fund and Local Tourism Development

Chepelare is a small town of 5,000 people situated in the Rhodopi Mountains (Southern Bulgaria). It is a municipal center with 10 other villages in a municipality totaling 10,000 people. The community foundation of Chepelare was established in 2002 by a cross-sector group of local key players, who were united by a common vision of transforming Chepelare into a successful tourist center, while at the same time retaining the local supervision over the natural resources. One of the problems which the local leaders wanted to prevent was to allow external investors to maximize their profit at the expense of unbalanced use of natural resources and impoverishment of the local population. The town of Chepelare has a ski area, and attracts many people for winter tourism. However, the ski season is quite short in recent years, and local hotel and restaurant owners are not able to afford living only on income generated during the high winter season. The vision of Chepelare, which most local hotel and restaurant owners hold, is to make the town attractive for tourists all year round. Since its inception, the community foundation committed to engaging citizens and building bridges among various actors in the implementation of this vision. It committed to assisting local government in improving the quality of life in Chepelare and stimulating local entrepreneurship.

The community foundation in Chepelare acted very much like a community development corporation in realizing its mission to improve the quality of life of local people and solve social problems by mobilizing local resources. It created the social infrastructure for addressing the problems that impeded local development. Its first major activity in April 2002 was to organize and carry out a large public forum, which set local development goals, and outlined areas of intervention in which the community foundation would be most effective in making a change. The public forum was a structured discussion, facilitated by an external moderator, and each of the 120 participants represented a particular community segment. Participants were organized in sector-specific work groups, but all decisions had to be taken by consensus of all groups. The forum developed a vision for the future of Chepelare and outlined a few key areas which need improvement in order to make this vision a reality. Some urgent problems were identified: lack of street lights in most of Chepelare's streets, which makes the town dangerous to walk at night and unattractive to tourists; insufficient sports infrastructure in the town; lack of cooperation between hotel managers, which results in insufficient advertisement of the hotels in the town; need of modernization of the skiing facilities and enlarging their number; insufficient tourist attractions to ensure a steady flow of tourists all year round. The community foundation took the lead to propose a joint approach for solving these problems, by uniting the efforts of local government, the business sector and the third sector. Area-specific cross-sector work groups were formed to elaborate solutions to the identified problems. The hotel and restaurant owners in collaboration with the municipality decided to take the supervision of the ski area and united to develop an advertisement strategy that will market all hotels and tourist facilities in the town as a common tourist product. The community foundation took the lead in renovating the street lights, which was a particularly difficult task, because it required huge resources and many sponsors. It also undertook to raise money for improving the sports infrastructure in

the town, and leverage the limited budget of local government for this purpose. A quick solution of the street lights problem required uniting of the resources of the private sector, local government, and attracting external matching funds, because the amount needed was 3 times bigger than the budget line dedicated to this purpose in the municipality plans. Local citizens wanted to have their street lights improved before the beginning of the following winter ski season. Consequently, the renovation of the street lighting was prioritized as an urgent task and elaborated as the first project of the community foundation.

The total amount needed for renovation and modernization of the street lights was BGN 100,000. This included the installation of over 500 electric bulbs and additional cabling and pillar erection all over the town. The community foundation managed to collect this amount within less than 3 months, and the implementation of the project started in the summer of 2002. In raising the money, the community foundation addressed first and foremost the municipality, which gave BGN 30,000 from its current budget. Then, the community foundation organized mass fundraising campaign, and over 2,000 individual donors gave small donations from BGN 2 to 200. Local companies donated about BGN 10,000 altogether to match the donations coming from citizens. Then, the community foundation applied for an external matching grant from Counterpart International (sponsored by USAID) and received BGN 50,000 to match donations raised locally. The total of BGN 100,000 was contracted out by the community foundation to light appliances installation company, after a transparently organized open bidding procedure. The community foundation oversaw the work and engaged experts from the regional office of the National Electricity Company to check the quality and evaluate the outcome.

As a result of this project, the entire town was well lit with modern electricity saving lamps. The costs which local government began to cover for street lighting per year decreased, although the number of street lights has more than doubled. The Chairperson of the National Association of Private Hotels congratulated Chepelare for improving its image as a tourist destination at the official opening of the winter tourist season in December 2002.

The collaboration between local government, businesses and citizens continued in Chepelare with the bridge-building efforts of the community foundation. Organizing public forums for identification and prioritization of local development goals by the stakeholders became a regular practice sponsored by local government. The community foundation continued to leverage public with private funding and helped to fill in gaps in the municipal budget. In the second year of its work, it helped to renovate the town park, and in the 3rd year – it started providing grants to initiative groups from the villages of Chepelare municipality, which wanted to improve the living conditions in their own villages. In the 4th year of its work, the foundation raised funds for creation of a multi-functional sports field in Chepelare. Although the effect of its grantmaking was gradually expanding, the most important effect of the work of the community foundation was the increased trust among community members, improved collaboration between local government and the business sector, and enhanced civic participation in local decision-making and implementation of decisions.

A.3. Community Funds as Advocates and Social Entrepreneurs
Stara Zagora Community Fund and Social Network Development

Stara Zagora is one of the fastest developing Bulgarian towns with population of 160,000, situated in Central Bulgaria. Stara Zagora Community Donors Fund was created in mid-2003 with the purpose to become a permanent local source of funding for civic initiatives related to social services, education and youth. The creation of the foundation was a result of several years of successful cooperation between a group of local social service NGOs and local government. The leaders of this group became members of the board of the community foundation. They committed to mobilizing local resources to solve social problems in innovative ways.

The main impact of the work of the community foundation was to identify the common interest of traditionally unconnected organizations and other actors, and to link them for joint implementation of activities, which contribute to the public good. For example, in the winter of 2004, the community foundation negotiated with the municipality to get a rent-free pavilion at the town Christmas bazaar. The foundation provided the pavilion to the local branch of the Red Cross to sell donated clothes from the French Red Cross as well as handicraft prepared by local social enterprises. The generated income was used to support the continuation of an externally funded (by the American Red Cross) food bank, managed by the local Red Cross and supplying 350 socially disadvantaged people with food packages on monthly basis. The proceeds from the Christmas sale of the social pavilion amounted to BGN 10,000, and then the amount was matched by private companies and individuals who donated to the foundation for the purpose of supporting the food bank. The community foundation managed to attract an external leverage, and in the end ensured the continuation of the food bank for a year and a half ahead.

The Christmas social pavilion was an entrepreneurial form of income-generation for NGOs, and its success led the community foundation to the idea to invest into a fair trade shop, which would sell handicrafts and other products produced by social enterprises running in the town of Stara Zagora. There were 4 social enterprises interested to work with the fair trade shop. One of them is a honey producer, another one produces and sells halva, and the other two are working with marginalized groups, such as Roma and disabled and engaging them to produce various handicrafts. All of these organizations relied on the community foundation to negotiate with local government the leasing of the facilities for the creation of the shop, and thus to create a distribution channel, where the social enterprises would be able to sell their products without intermediaries/middle persons. The community foundation accomplished this task successfully, and went further to promote the fair trade shop as a new model of social economy at the Ministry of Labor and Social Services. Thus, the combined efforts of the community foundation and the NGOs-producers led to an increased recognition of the model of fair trade in Bulgaria.

A huge success of the community foundation was the school grantmaking program that allowed school boards of trustees (consisting from parents) to apply for small grants that

would help solve pressing issues. The school boards of trustees were instructed how to organize a participatory process of school needs identification, in which students, teachers and parents worked together to identify and prioritize needs, and proposed actions that would meet them. On the basis of this participatory school action planning, the boards of trustees developed grant proposals, which were submitted to the community foundation. But the process of participatory problem solving did not end there. Inspired by the collective needs identification, most parents who took part in it decided to support the designed initiatives with private donations. They knew that this would benefit their children and all other students at the school. Thus, the community foundation began receiving donations first and foremost by the parents, who participated in the identification of school needs and in the action planning process. In 2004, the amount raised from individuals was matched by local government, and externally – by Counterpart International/USAID. The total amount generated locally was USD 33,665. In 2005, the success of the previous year projects inspired an increased number of parents to contribute. Over 20,000 individual donors contributed with donations ranging from BGN 10 to 500, and about BGN 60,000 (USD 37,500) were raised exclusively from local private sources. Most individual donors were people with moderate income. In this way, the school grantmaking program of the community foundation blurred the boundaries between donors and beneficiaries, and contributed to the development of new horizontal forms of philanthropy. Its first round in 2004 was accomplished with huge success, and repeated with an even greater success in 2005. Parents, students and teachers wanted to have this program running on annual basis to allow for the implementation of grassroots ideas by uniting existing grassroots resources.

In all of its projects, the community foundation of Stara Zagora played the roles of an advocate, placing a social issue at the local government agenda; a bridge-builder, linking NGOs with each other, with local government and with the donors who could help them sustain their social activities; and last but not least – the role of social entrepreneur – promoting innovative solutions to social problems, and investing its limited resources where they will support non-traditional responses to poverty and other social issues.

BULGARIA COMMUNITY FUND AND SOCIAL ENTERPRISE PROGRAM

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BULGARIA COMMUNITY FUND AND SOCIAL ENTERPRISE PROGRAM

October 2001 – September 2006

SOCIAL ENTERPRISES IN BULGARIA

HOW TO START AND SUCCESSFULLY DEVELOP A SOCIAL ENTERPRISE

September 30, 2006

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Preface

This manual is presented as a tool to promote not only know–how, but also an understanding of a process that supports sustainable development at the local level, and a strengthened role for the Bulgarian Third Sector in civil society. This manual/case-study is presented as a reference document that outlines basic components and definitions about the concept of social enterprise and its effective implementation and contribution to sustainability in a transition economy.

Despite numerous definitions and theoretical and market concepts that are applicable to Social Enterprise, the importance of Social Enterprise may be encapsulated by the fact that Social Enterprise is a mechanism that ostensibly allows citizens and NGOs to make effective use of market-forces at a local-level to improve the quality-of-life in communities; and to further promote civil society through an understanding that non-profit organizations and CSO (civil society organizations) can positively and significantly contribute to identified needs in a community.

Bulgaria, at present, is undergoing a profound transition across various sectors: politically, economically, and socially. Though traditions of local philanthropy and support and care for vulnerable groups in communities are part of the fabric of Bulgarian society, the recent historical experience dominant during the Soviet-period saw devolution and perhaps disintegration of these traditions. It is an opportune moment to introduce such a proven and effective model, Social Enterprise, to communities throughout Bulgaria. The real task lies beyond an understanding of how to apply market practices and approaches in support of a sustainable Third-sector; rather it lies in educating communities and citizens about power, role, and purpose of Social Enterprises. The task is to introduce an understood concept, successfully proven throughout the world that serves as a tangible resource to support a more stable transition in local economies and to maintain a threshold of support for socially disengaged citizens or vulnerable groups.

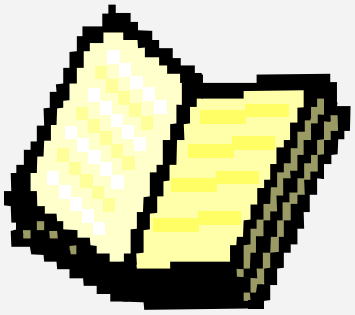
Social Enterprises had a significant start-up under the American and Canadian experience nearly 100 years ago. In that context, Social Enterprises served as a means for concerned individuals and CSOs to attempt to support a far-reaching and structured approach to provide care and opportunities for economic "under classes". To be sure, Social Enterprises were not and are not seen as a panacea against poverty; however, Social Enterprise is one mechanism that can inspire and educate entire populations about pro-active attitudes and steps that may be taken to responsibly allow ordinary citizens to identify and participate in finding solutions or tending to their own local needs. More so, Social Enterprise in North America, and now seen in Central and Eastern Europe, is an expression of social values that can transform communities and influence far-reaching change at all levels. Currently there is strong recognition (by groups like the OECD) in Europe that Social Economy may be a powerful tool to influence both national and local level policy. Social Economy, as foreseen by groups like the OECD, can be a tool to aid in decentralization of government functions that not only promotes transparency in municipal operations; but also actively engages in partnerships with municipal bodies to provide significant and quality social service support in communities.

Though originally conceived in October 2001 as a pilot program by the U.S. Agency for International Development (USAID), the introduction of the Social Enterprise model under the Counterpart International program has expanded from an initial 15 Social Enterprises to 45 Social Enterprises in 17 communities throughout Bulgaria. The USAID funded program has provided technical assistance through capacity-building training events and grants to support start-up and strengthen market outreach. Ultimately, the goal of Bulgarian Social Enterprises under the Counterpart program is to achieve a meaningful contribution towards a "double-bottom-line", generating revenue and investing in a social-mission.

Hugh C. Orozco
Chief of Party, Counterpart International - Bulgaria
Sofia, Bulgaria
September 2006

INTRODUCTION

IN THIS SECTION



1. **What is the Social Enterprise Program?**
2. **Who is this manual targeted to?**
3. **How to use this manual.**
4. **Definition of social enterprise.**
5. **Basic terms and concepts.**
6. **Differences from traditional business.**
7. **Strategic development guidelines.**
8. **Social Enterprise Models in Bulgaria**

The social enterprise concept in Bulgaria

Social Enterprise is a term popular throughout Europe, used to characterize a wide range of structures and organizations engaged in income-generating activities aimed to achieve social impact. Currently, the dynamics of market-development and socio-economic relations call for creation of hybrid forms to fill market niches and make interventions where the state can not fulfill its obligations. The main difference between social enterprises and traditional business subjects is that the former do not re-distribute profit, they have collective management and address various social issues.

Traditional forms of social enterprises in Bulgaria are non-profit organizations that perform income-generating activities and use the gained income to support the organization's social mission. One model of a social enterprise is a non-profit organization that provides job opportunities to disadvantaged persons (disabled persons, minority groups, etc.), or provides training and labor-skills development assistance. Other popular models in Bulgaria are non-profit organizations that deliver social services in a fee-for-service arrangement – receiving payment from consumers or from state/local governments. Despite the lack of substantial experience in this area, non-profit organizations and social enterprises promise to become the state's and municipalities' main partner in the development and delivery of more home-based social services, instead of keeping people in institutions.

1. What is the Social Enterprise Program?

Counterpart International – Bulgaria began the implementation of a USAID funded program to establish social enterprises, in October 2001. This was the first conscious public-usage and introduction of the term "social enterprise" in Bulgaria, where it aroused the interest of non-profit organizations and local-governments. During the 5-year program, various activities were performed; including public awareness campaigns, identification and training of non-profit organizations, business consulting and technical assistance to establish and support 45 social enterprises. The main goal of Counterpart – Bulgaria and of the entire program team was to test a methodology, adequate to the Bulgarian context that incorporated successful international experience, and that could at the same time be accepted and adapted by local people and

organizations. Today, the term "social enterprise" is understood in all active social enterprises, which create job opportunities, provide training and support to disadvantaged people, invest in social services, and support the development of transitional communities.

2. Who is this manual targeted to?

This manual targets organizations that are willing to start-up and develop social enterprises in Bulgaria. The overall objective of the manual is to provide civil society structures with an understanding and knowledge of the process and steps necessary to start a business in the form of a social enterprise. Our goal is also to help non-profit organizations that have already started a social enterprise to enhance their business-skills and to manage effectively market-risks.

A supplementary function of the manual is to serve as a management tool for organizational analyses and business planning of local development initiatives. In this context, the manual has the potential to serve as a catalyst to identify new social entrepreneurs, organizations and individuals, who have an inner motivation to utilize all resources available for constructive social aims that meet community needs. This manual consolidates the experience gained by Counterpart International during the implementation of the first comprehensive program for social enterprise development in Bulgaria. Summarizing this experience allows us to present successful models of social enterprises and to outline the steps to achieve success.

3. How to use this manual

Start-up and development of a social enterprise is much the same process as the start-up of a small business. This is a dynamic process requiring devotion, motivation, and patience. All efforts are well rewarded at the end, and serve as a challenge to succeed.

You will find no universal recipe for success in this manual. Looking through it, you will find answers to many questions that will provide you with general guidelines and help you avoid the risks of a newly started business venture. Do not be afraid, every entrepreneur starts with small first steps, but the success of his/her business is always a result of comprehensive business planning. The business plan is your road map that describes your long-term goal and gives directions as to how to reach it.

OUR ADVICE

Do not read the manual from beginning to end. Let this be a reference book at each development phase of your social enterprise. Whenever you have any questions or doubts, open the book and find the answer or advice you need.

4. Definition of Social Enterprise

A widely used and generally accepted definition in the practice of social enterprises in Bulgaria is:
Business activity of a non-profit legal entity with a pronounced social impact to the benefit of disadvantaged groups, and aimed to improve their living standard, to offer employment opportunities, to provide social services and/or other forms of direct support, and to help them overcome their social isolation.

"Business to social benefit", in which social and business goals are equally important, this combination is known as the "double bottom line". This is the main distinguishing feature of social enterprises. The social enterprise, however, presents a different way of conducting business. The added-value of the social enterprise is a result of utilizing the generated-income to maximize social, public, and environmental benefits.

If you have decided to start along the road to social entrepreneurship, you should pay special attention to skillfully combine and balance the social and economic objectives. The success of your social enterprise will depend mostly on the way you organize your income-generating activity and combine it with your social objectives.

Social enterprises offer another opportunity for non-profit organizations to generate income from business activity, while searching for new and sustainable resources for the implementation of their public benefit activities.

People and their needs are in critical focus and receive attention when planning for a social enterprise; i.e. the business venture is only a tool for accomplishing the social mission. The key issue for each social enterprise is its mission - what do we strive at and what is our end goal.

5. Basic Terms and Concepts

Social Enterprise
A social enterprise is each business or income-generating activity, performed by a non-profit organization with a social mission, aimed to generate income that is re-invested in the non-profit organization to support its basic mission and achieve positive social impact.

Social economy
Social economy refers to organizations that are widely known as the "third sector". These are organizations that are neither private, nor for-profit, nor public. The third sector comprises associations, charity organizations, churches, clubs, community organizations, cooperatives, mutual societies, non-profit organizations, syndicates, etc.
This reference manual focuses on social enterprises that while occupying the space between the public and private sectors, are part of the social economy.

Disadvantaged groups
Disadvantaged groups of people include: disabled people, unemployed registered within the labor office, children-at-risk, domestic-violence or victims-of-trafficking, former-prisoners, single-parents, drug-addicts, mothers of many children (large families); as well as other individuals in need of social integration.

Income-generating (business) activity
Any activity, trade or manufacture of goods or delivery of services, with the aim to generate income and gain profit.

Related income-generating (business) activity
A business activity that is related directly to the non-profit organization's activities and goals.

Social enterprises are part of the broader social economic sector or the so-called third-sector, which includes all organizations that do not belong to the public or private sectors. The role of social enterprises is to enhance social economic development and to ensure local resources for the provision of social services to vulnerable groups, who need support for independent-living.

The social enterprise concept, popular in Bulgaria, is focused on the social and economic integration of people-at-risk and of disadvantaged members of society, and looks for opportunities to provide them with employment, skills development and integration; while at the same time working to achieve economic independence through income-generation to finance social activities.

6. What is different about the social enterprise?

Social Enterprise is the so-called "wooden iron". It is not a traditional form of business and at the same time differs from non-profit organizations. The combination of various characteristics of both sectors – public and private, turns the social enterprise into a very interesting and challenging initiative.

The main differences between social enterprises and traditional non-profit organizations are as follows:

- Social enterprises produce goods and/or sell services;
- Social enterprises generate income from business ventures;
- Social enterprises are not as a rule engaged in advocacy;
- Social enterprises face a high economic risk – unlike most public organizations whose financial sustainability is guaranteed to a large extent, the success of social enterprises depends on their ability to identify and take advantage of market-niches; as well as on their inventiveness in utilizing diverse sources of funding.

The main differences between social enterprises and traditional business are as follows:

- Social enterprises do not re-distribute profits; rather profits are invested in social activities;
- Have collective management with high level of independence;

- Social enterprises use both financial and non-financial resources, voluntary and paid for labor;
- Social enterprises work for public benefit; namely for community benefits in contrast to traditional business enterprises that operate with the aim to generate greater profit to then be re-distributed to its shareholders.

7. Strategic Development Guidelines: Social Enterprises - a strategic development opportunity for non-profit organizations

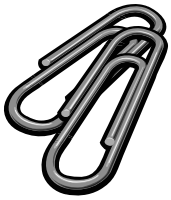
Why is a social enterprise a strategic opportunity for your organization? Is it worth starting a business initiative? What would be the benefit to the organization and for the groups it supports?

Social enterprises promise to turn into one of the major development opportunities for non-profit organizations in the context of decreased donor funding, and the pressure for non-profit organizations to become more effective in utilizing public funds. In the steps of Central European countries, Bulgaria is on its way to accession to the European Union. This forthcoming event will have impact and consequences not only on traditional business, but also on the third-sector and its future development. During the past 10-15 years, the Bulgarian civil society sector relied on external funding and this dependence stifled the incentive and entrepreneurial spirit in this sector. Of course, after Bulgaria becomes a member of the European Union non-profit organizations will have the opportunity to apply for funding within European programs and funds, but this also requires greater capacity and a cost share financial contribution. In the meantime, Bulgarian non-profit organizations will have to face the changing donor environment and will be ever more responsible for meeting their own financial needs. This applies even stronger to organizations operating in the social service sector, as these are the organizations working with the most vulnerable groups in society.

Employment and Social Integration

In the first place, we should account for the opportunities resulting from the Bulgaria's accession to the European Union, and the requirements for active forms of providing support to disadvantaged people. This calls for a new way of creating employment policies and social services programs, aimed to overcome social isolation. Social enterprises that employ disadvantaged persons have a very important advantage for access to state-budget resources, while at the same time are flexible enough to address individual needs.

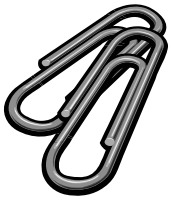
EXAMPLE



A non-profit organization for disabled persons runs a social enterprise in the form of an atelier for art-therapy and produces souvenirs and other small gift products. By selling these products it generates additional financial resources and at the same time creates job opportunities for its members. The added-value for disabled persons is that in the process of souvenir production, they acquire additional skills and working habits in a protected environment which supports increased self-esteem and independent-living.

Social enterprises – a provider of public services
Social enterprises are most often active in the field of provision of services focused on areas that lack adequate care for the most vulnerable groups of society. These are mostly social services that are subject to tender application procedures and are contracted-out by municipal or state governments - the social enterprises being service providers. The future tendency is for the municipalities to contract-out more public services to external providers, which offers new opportunities for social enterprises.

EXAMPLE



For example, in a small Bulgarian municipality with limited resources for social services and with a population comprised mainly of elderly people, the social enterprise organized a day-care center for elderly people funded from various sources – state budget sources, income-generating activity of the social enterprise, and donations. In addition to active social activity, the center offered medical examinations, home-based care, rehabilitation facilities, and warm meals for the elderly.

Life long learning
Human resource development and life-long learning are an important priority in Bulgaria on its way to full membership in the European Union, and in conformity with the Lisbon Strategy. Many of the social enterprises operating in the area of training and education services have a range of activity for developing new forms of life-long learning.

8. Social Enterprise Models in Bulgaria

Incorporated for-profit corporations/For-profit subsidiaries
In this form of social enterprise, the organization develops an economic activity through a separate for-profit entity. This is done when the income-generating activity is not directly related to the non-profit activity of the organization or when the turnover from the economic activity increases to an amount that creates difficulties in managing the non-profit activity.

EXAMPLE

Center for Training Programs and Social Initiatives (CTPSI) in Yambol is a non-governmental organization registered for public-benefit. The NGO works mainly in the area of developing and implementing new educational programs for people of different age groups, including many with varied social status; and supports the social integration of marginalized groups of the population, and facilitates their personal empowerment - as well as all aspects of human-rights and children-rights protection.

In 2002, CTPSI registered a trade company, *Success 21 LTD*, operating as a social enterprise. Through this social enterprise CTPSI aims to fund the creation of a large multi-functional center for support of children-at-risk, and to achieve greater financial independence and ensure new opportunities to invest more funds in the social services it provides. 50% of the shares of the trade company, *Success 21 LTD*, are owned by CTPSI and the remaining shares are distributed among persons who are either members or supporters of the association.

CTPSI's scope of business activities comprises delivery of office services, a bookstore, organization of parties for children, and baby-sitting services.

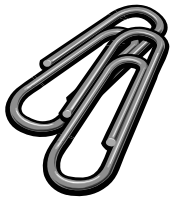
Through establishing a social enterprise, and by utilizing the generated profit, CTPSI – Yambol aims to create a special place where children-at-risk and their parents can receive support and consultations on issues such as dropping-out-of-school, juvenile-delinquency, victims-of-violence, etc.

Registration of an independent trade company may also be required by existing laws that impact specific business activity; for example, a requirement for registration under the Trade Act for operations providing healthcare services.

Economic activity developed within the non-profit organization

An activity performed with the aim to generate income, which is supplementary to the non-profit activity. It is regulated by organization's by-laws and is related to its basic mission.

EXAMPLE



Personal Development and Civil Communities Association (PDCC) in Pleven is a non-governmental organization implementing public benefit activity within the Pleven Region. The NGO provides expert and consulting assistance in staff recruitment, in the field of social and labor legislation, provides training programs for team building and conflict resolution, conducts surveys of public-opinion, and demographic research within the local community. A large part of these services are provided free-of-charge and the NGO's activities are financed by projects funded by external-donors or by the profit generated from its economic activity.

The objectives of the social enterprise (SE) are related to those of the NGO; e.g. preparation and implementation of training programs, consultations to individuals for their adaptation to labor-market demands, and employment services to help seek and find jobs. The target groups of the NGO are groups-at-risk; including criminals and former-prisoners. The NGO has generated resources to provide social services and labor market services for this group[1].

Economic activity directly related to the social activity of the organization

In this case, the non-profit organization delivers part of their services under a fee-for-service arrangement. In this way, the social enterprise generates income that may be used to fund the delivery of free-services.

[1] The NGO's activity has helped the social re-integration of more than 70 former-prisoners (as of July 2005). The mediatory, motivation, and communication training services are provided free-of-charge to these people, and delivery of social services to this target group within the organization is not suspended - despite the lack of project funding.

EXAMPLE

Regional non-profit association *Diabetic Care – Bourgas* was established to protect the rights of people suffering from diabetes. This includes support to improve their quality of life; to play the role of a mediator between diabetics and family physicians, employers, local and national public and educational institutions; to ensure easy access and high-quality health, social care, and education; as well as social assistance for disadvantaged people.

In 2003, the association launched a Public Medical-office, *"Diabetic Foot"*, in Bourgas as a social enterprise (SE). Diabetic Foot SE exists within the structure of the association and they both have common leadership, accounting policy, and internal charts of accounts.

The main objectives of Diabetic Foot SE are to increase the number of consumers of the services provided by the SE, to establish good partnership between SE and physicians (general practitioners and specialists); to diversify the social-services package delivered free-of-charge to the beneficiaries, and to achieve sustainable financial independence.

Currently, the organization provides services at the office and at clients' homes, including out-of-hospital control of diabetes and healthcare services. All services are provided on a subscriber-basis or through individual or group training. Research performed by the SE's team has shown that people suffering from diabetes do not have adequate knowledge about the disease, and they are not fully aware of their rights and obligations as patients. Further, they do not know how to manage acute crisis and to prevent complications such as blindness, kidney disorders, heart ischemia, amputations, etc.

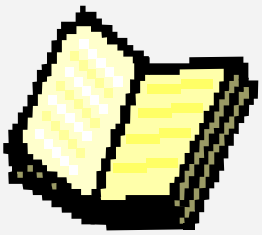
Some indicators for the social-impact of the public-consulting office activity are related to ensuring job opportunities for diabetics within the SE, to the improved well-being of former staff members, to the provision of support for improvement of the living conditions, to improved acceptance procedures for children in kindergartens, as well as prevention of early limb-amputation for 20 people suffering diabetes.[2] In addition, the organization participated and contributed to the development of the long-term National Strategy for providing healthcare services approved by the Ministry of Healthcare through establishing partnerships with other organizations across the country.

[2] Data is as of July 2005.

Chapter 1

PREPARATION

IN THIS SECTION



1. **Motivation**
2. **The Social Enterprise challenge**
3. **How to get ready for the changes?**
4. **The change: readiness to start business**
5. **First steps in business: What should we know?**

Chapter 1 will introduce you to the preparation for starting a social enterprise. Are you ready to face challenges? Are you ready for changes?

So, are you ready to face the challenge and to continue the pursuance of your mission in a decreasing donor-funded environment? At a certain stage, every organization should ask itself questions related to the level of its **readiness** and **motivation** to continue its activity in compliance with its mission, and to identify the resources required to achieve this; i.e. what opportunities does it have.

Zig Ziglar says: "Motivation doesn't last. Well, neither does bathing - that's why we recommend it daily".

Motivation is directly related to the opportunities for achieving certain goals. These opportunities present challenges resulting from the need for change.

1. Motivation

Are you ready to face challenges? Are you ready for changes?

To answer these questions, you should first answer the question what **motivates your organization and yourself** to undertake the changes and to meet the challenges related to starting-up a social enterprise. Motives may be related to your organization's mission as well as to identified market demands and/or other driving motives, for example:

- To achieve certain financial sustainability of the organization in order to continue your activity for public-benefit
- To maintain and further develop the resources of your organization
- To facilitate the achievement of the main goals of the organization
- To diversify organizational activities aimed at expanding target group coverage
- To ensure employment for some of the target groups
- To identify market needs and market niches in the social sphere
- To afford higher payment to the organization's team

- The realization of the business idea fosters your personal motivation /e.g. to improve your qualification/

If there are more motives to start a social enterprise, then you should identify and rank your priorities; as well as the logical sequence for their implementation - keeping in mind that achieved results provide the strongest motivation.

2. Social Enterprise Challenge

It is essential for you to realize that a social enterprise in not a project, but a business; i.e. double facet economic activity (double bottom line): **entrepreneurship with distinct social impact.** Social enterprise activities are usually in spheres not very attractive to traditional business, because of the low expected profit and the slower return on investments. For traditional business, the main objective is to gain profit and the social impact is more-or-less ignored. On the contrary, the major goal of a social enterprise is to achieve positive social impact. The social impact may have various manifestations, for example:

- Investment of the generated income for supporting target groups
- Involvement of part of the target groups in the income-generating activity /creating employment opportunities/
- Delivery of services unattractive to traditional business to disadvantaged persons
- Created opportunities for professional and social integration
- Created added social value
- Minimized social costs

In other words, the overall objective of the social enterprise is not to generate profit at all costs, rather to achieve balance between financial results and the achieved social impact. It is also important for you to understand that your social enterprise could be financed from various sources: income from your own economic activity, grants and/or delegated activities in the field of social services, for example by the state or by municipalities. Such is the case with *Association for Social Support* in Dryanovo, which implements state delegated activity - "Day-Care Center for the Elderly" and at the same time offers paid social services.

Organizations that have decided to start a social enterprise have the unique opportunity to achieve financial sustainability to implement their public benefit activity. On the other hand, they improve their public image and aid in contributing to and creating a more tolerant community attitude to disadvantaged people, through the creation of job opportunities for their target groups; in short, to assist in solving certain social issues.

Income-generating activity, implemented in the form of a social enterprise, is associated with certain risks related not only to the market environment, but also to the nature of the organization's activity, to its image, and management style. As a rule, any change carries risks and starting a social enterprise is a serious change. The existing image of a non-profit organization that has previously provided free-services to its target groups may be negatively affected when payment is required for these services. There is a risk for governing bodies of the organization, led by ideal objectives, to obstruct the operation of the social enterprise if they have not fully understood its essence.

Therefore, our advice is that you evaluate thoroughly the necessary changes and get ready for them.

3. How to get ready for the changes?

Step 1: Assess yourself
It is extremely important for each organization that is about to make a decision to start a business activity to make a realistic, accurate, and objective analysis of its status, current activity and the results achieved. It is also necessary to assess whether a for-profit activity is a tool that helps to achieve the organization's ideal purposes. When establishing a social enterprise several key factors should be taken into account:

- **How does it comply with the mission of the organization;** i.e. is there a contradiction between the economic activity and the mission of your organization? Will operation of your business venture reflect on the image of your organization? Is it possible and how could you combine the for-profit activity with the mission of the organization?

- **Does start-up of a social enterprise fit into the development strategy of your organization?** As a rule, organizations should elaborate development strategies outlining their overall goal and the ways to accomplish it. Therefore, you should assess whether development of a business activity is in accordance to and contributes to the achievement of your overall objective and whether the selected methods for its achievement are compatible with the economic activity and its inherent characteristics.

- **Do the organization's governing bodies support the idea and the concept for social enterprise?** The idea for establishing a social enterprise should be clarified to, and supported by, the governing bodies of your organization. It is highly recommended that all stakeholders; team, governing bodies, and beneficiaries of the services of your organization participate in the process of formulating the idea and planning of activities for the social enterprise.

- **Is the decision for starting a social enterprise in conformity with the current financial status of the organization?** You should assess whether your organization has sufficient material assets/financial resources for starting an enterprise activity. It is recommended to take an inventory of your assets, and to evaluate your findings in view of the future economic activity; i.e. could they be used for generating income.

DO NOT FORGET

Often organizations have at their disposal assets that are not fully utilized or have not been considered as sources or tools for development of income-generating activity.

Are the human resources of your organization sufficient?
First, make sure that the organization team understands, accepts, and supports the idea for starting a social enterprise. Then, assess your human resources, their knowledge and skills for accomplishing business related tasks and activities. In other words, you

should evaluate the adequacy of your team's knowledge and skills for generating income. At the same time, you should assess your own knowledge and skills in business – what do you know about business planning, marketing, financial management, time management, and management of changes and human resources, etc. It would be useful to ask for external expert support, for example from a business-consultant, who will be able to give recommendations regarding the need for additional education/training.

Step 2: Assess your operating environment

It is a well-known fact that every organization operates in certain environment and interacts with it. Your organization also exists in a concrete environment and is affected by it, but also has its own effects on the environment. Hence, it is very important that you analyze appropriately the environment in which your organization is currently operating and in which you plan to start an economic activity. The operating environment comprises the legal framework (legislation), community needs (the market with all its characteristics and components), and organizational image (the way it is perceived by community).

Legal framework

The activities of your organization (both ideal and for-profit) should not contradict existing legislation. The reference points are the *Law on Non-for-profit Legal Entities and the Commercial Act* (in case your organization registers a separate trade company). If your organization is a full or associated member of some associations, you should stick to their by-laws/ethic-codes and make all decisions concerning the start-up of a business in compliance with these regulations.

Needs

When starting a business it is essential for you to know the market; i.e. community demands for certain products or services. Remember, you could sell only products that meet certain clients' needs and hence they are ready to pay for these. As a rule, organizations are quite familiar with their target groups' needs, but do not always have enough knowledge of similar needs of other community groups. In other words, organizations often operate in a "closed environment" with narrow-focus mainly on the direct beneficiaries of the projects they implement.

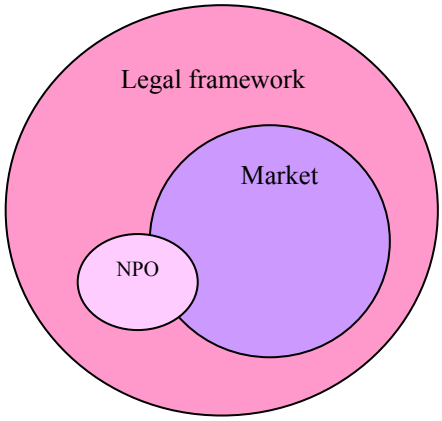
Start of a business activity is directly related to income generation; i.e. payment for the products and services offered by the organization. The question arises immediately, are your beneficiaries/target groups able and willing to pay in the future for services currently received for-free. The answer is most often "no", either because of poor financial status of target groups, or due to a lack of understanding in your purpose and mission that would change their attitude towards paying for the service. In this case, there are several options for your organization:

Existing Products/Services – New Market	New Products/Services – New Market
To offer existing products or services to other client groups in community, who can afford to pay. In this case, the organization preserves its current products/services list, while expanding its activity to new market segments based on thorough market analysis. Thus, an additional opportunity is created to expand the social impact of your activity, provided its expansion offers employment to part of the target group.	**To develop and offer products and services that are new for your organization,** targeted at a new/different market segment. In this case, based on market analysis, your organization should introduce new products/services using the generated income to support your target groups. This is a more difficult approach, as it involves greater investments and risks, but it is promising in the long-run in view of the need for activity-diversification and market expansion, aimed to increase sales and generate greater income streams.
To change-attitudes in you target groups to pay for the benefits received**.** In this case, your organization preserves its focus mainly on your target groups and accepts to generate less income for the benefit of greater social impact. However, the process of changing-attitudes is difficult and time-consuming while often achieving a modest impact, which may discourage your team.	**To offer new services to your clients that would be paid-for by a third party.** This is most often the case with services that are not paid by consumers, but by the state or municipality through contracting-out. In this case, the social enterprise generates income by providing services to target groups that are funded by public sources.

Image of the organization

When making a decision to start commercial activity it is important for your organization to realistically assess its "ideal" assets; i.e. its public image. Community knowledge and understanding about the organization leads to respect and trust for the organization's image, stronger public confidence it has gained, and the chances for successful business activity are increased.

Do not rest on your "old laurels", they do not discharge you of your responsibility to work for future effective public relations and adequate advertisement. Moreover, exactly because of start-up of income-generating activity it is critical to clearly define and explain it to the public - to gain community support for its social impact. A possible way to achieve this is to convince the client that he/she will contribute to your organization's social mission by buying the products or services you offer.



Position and role of your organization
Analyzing the current-status of your organization and of your operating environment, you should make a decision regarding the position and role of your organization.

When you have become well acquainted with the social enterprise concept, and have made a decision to start a business activity in the form of a SE, and based on the organizational and environmental assessment, you should logically ask yourselves the question about advantages and disadvantages, the potential opportunities and risks that you shall have to face. The answer to this question is most often provided by a SWOT-analysis (an acronym for Strengths, Weaknesses, Opportunities, and Threats).

Below is a model SWOT-analysis pattern:

Strengths	Weaknesses
▪ Experience of the organization in working with the target groups ▪ knowledge of target groups' needs ▪ Financial assets ▪ Motivation ▪ Support from Managing Board and General Assembly ▪ Positive image of the organization ▪ Existing contacts/ partner organizations ▪ Readiness for change ▪ Formulated business idea	▪ Lack of adequate business knowledge and skills ▪ Insufficient knowledge of the market ▪ Lack of experience in income-generating activity ▪ Insufficient financial resources ▪ Lack of understanding for the social enterprise concept among Managing Board members
Opportunities	**Threats**
▪ Financial stabilization of the organization ▪ Preserve resources and opportunities for continuing the activity in public benefit ▪ Improved reputation ▪ Opportunities for diversification of activities	▪ Unfair market competition ▪ Market shrinkage ▪ Changes in regulatory framework ▪ Change in public attitudes

In some cases, the number of weaknesses and/or threats may exceed that of strengths and opportunities, but it is more important to adequately assess the viability of your social enterprise given the existing strengths and opportunities. Our advice is to make the most of the strengths and opportunities, while at the same time do your best to eliminate the weaknesses and threats.

Step 3: Consider and plan necessary changes
It is quite obvious that your organization shall have to make some changes as regards:

- The attitude to providing paid products/services – organization teams often do not have self-confidence that their expert knowledge and skills could be sold on the market.
- The need to acquire additional knowledge and skills about business – how to think as entrepreneurs.
- Governance structure and organization of activities.
- Adequate planning and effective time and change of management approach - it is a general practice for the team working for the ideal objectives of the organization to undertake the implementation of income-generating tasks that may lead to work over-load, confusion with and conflicting responsibilities, etc.
- Team motivation – increased workload does not always result in payment increase because of financial instability of the organization, which demotivates the team.
- Communication policy of the organization – organizations focus mainly on public relations and less so on advertising.

The above list of changes may seem quite startling at first sight. As a rule, an organization can not handle simultaneously all and perhaps necessary changes on its own. It is recommended that you request external-support, for example from a business consultant or approach the Association of Social Enterprises in Bulgaria for assistance.

4. Change: Readiness to start a business

Have you formulated your business idea?
The start-up of any business begins with generation of one or more business ideas. This is achieved based on findings of a market-survey, assessment of resources needed, strategy and organizational self-assessment; as well as research of good practices and experience.

Practice has proved that organizations who decide to establish a social enterprise should start with implementation of a business idea in a field in which they have already gained some experience. This is recommended, since usually launching a new product or service in the market involves great risks, investments, time, etc. The chance to succeed with a product/service that is new for the organization is minimal due to a lack of sufficient experience with that product and/or sector. In this manner, you will also greatly avoid the risk of offering a product or service which is in conflict with your organization's mission.

To formulate a business idea; however, is not the one and only task. You have to estimate its viability; i.e., its potential. You should have gathered relevant information from your market-survey. However, you could also conduct research using a questionnaire, in your close environment (team, target groups, partner organization, etc.). A study on existing best practices and experience of similar organizations and institutions would also be of help to you.

Have you assessed your resources against your business idea?
For the successful implementation of a business idea you will need definite resources and your organization should make a resource estimate in terms of several criteria:

Human Resources (team, skills, business skills, motivation, need of technical and consultant assistance, training needs)

- Is the existing team sufficient to realize the business-idea?
- Do team members have adequate skills to realize the business idea?
- Is it necessary to hire more specialists?
- If and what changes should be made in the organization of everyday work and governance structure?
- Are there any training needs?
- Is business consultant assistance necessary?
- How to further motivate the team?
- How will relationships with suppliers and distributors be regulated?
- How will you organize the marketing of your products/services?

Material resources

- Are the available material assets sufficient?
- Do you need to rent/purchase additional facilities or equipment?

Other assets

- Do you need any licenses/permits for implementing this particular activity?
- Are there any signed contracts or opportunities for joint-work with business-partners or partner organizations?

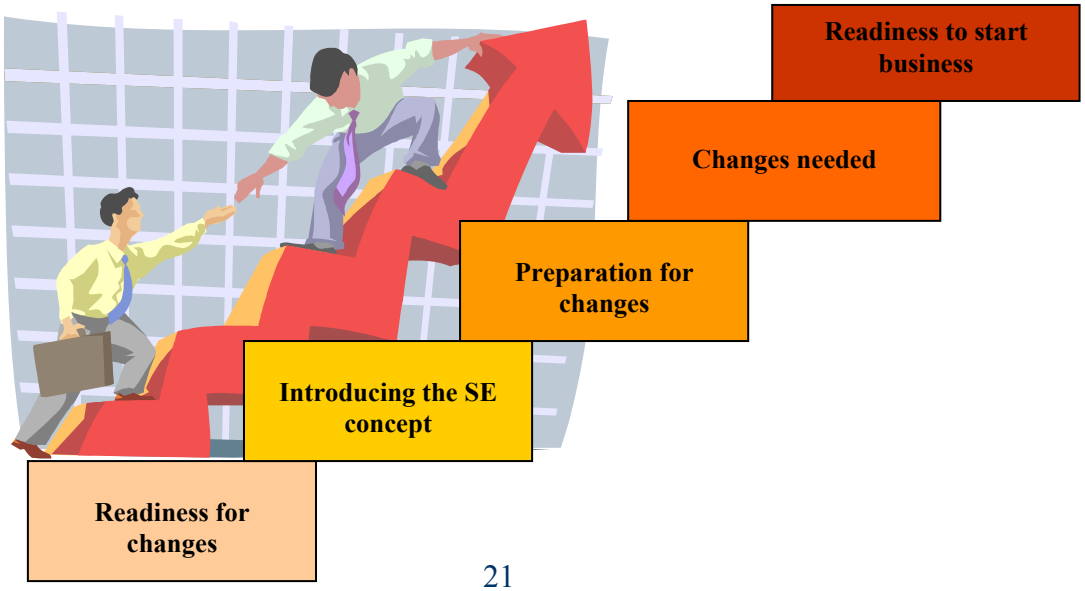
Financial resources

- What financial resources are needed for starting the business initiative?
- How will you acquire them?

Timing

- How will the realization of the business idea be scheduled in time?

The answers to all these questions should be provided in the **business plan**, which is the basic document and a tool for achieving the economic goals of your organization.



5. First steps in business: What should we know?

Here, you do not follow project donor-defined rules. You need to acquire new skills and business knowledge. Do not forget – it is market principles that apply here. Competition kicks-out unprepared players.

"You must learn how to make money; otherwise - you die," These words belong to American Don Feil, Vice-President of Counterpart International. They were addressed to representatives of 37 non-governmental organizations (NGO), funded by United States Agency for International Development (USAID).

Mobilize yourself!
Starting a social enterprise is a real challenge for NGOs in Bulgaria. If you are now reading this page and are not afraid to plunge deeper into business, then it is critical for you to understand the market principles. The market is the place where we offer our products and services, but it is also a multitude of clients ready to pay for our products.

Business as any business. And yet …….
The social enterprise is a business venture. Indeed, it is a business with all its inherent benefits, obligations, responsibilities, and risks. Mind you – as in any other business its basic goal is to make profit. Profit is both the motivator and the goal of your business. This goal should be achieved obeying rules, which you should get to know as well as you know donors' rules. Making profit does not contradict the definition of income-generating activity of a non-profit organization (NPO). In contrast to traditional business entities, where profit is the main goal, social enterprises further the process until the generated-profit is transformed into a means to achieve pre-set social objectives.

Making a business is a serious task. It does not end with "the end of project period" or with submission of "the final report". It is an activity that requires continuous planing, monitoring, and management in order to ensure financial independence of your organization.

Entrepreneurship is a quest for resources beyond the available ones. And these resources include the assets acquired from different donor-programs, human resource capacity, gained experience, and contacts. They provide a solid basis that you should develop and expand to help your adaptation to a certain market.

Entrepreneurship thrives wherever there are adequate ideas, financial resources, professional and managerial experience, and effective communications available. It means not only to start-up a business, but also to manage and develop it.

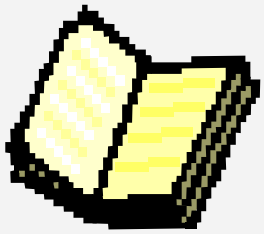
IN SUMMARY

Social enterprise is not an end-in-itself, but a tool to achieve the organization's ideal objectives. Business-ventures or income-generating initiatives are established in order to provide financial and/or program support to the mission of the organization.

Chapter 2

GENERATING AND SELECTING A BUSINESS IDEA FOR STARTING A SOCIAL ENTERPRISE

IN THIS SECTION



1. **Generating the idea for social enterprise**
2. **Selection of goals and criteria**
3. **How to generate ideas for a social enterprise**
4. **Selection of the most appropriate idea**
5. **How to select the appropriate legal and organizational form**

Chapter 2 will introduce to you the process of generating and selecting a business idea for starting a social enterprise.

> "Good ideas are common – what is uncommon are people who will work hard enough to bring them about,"
>
> *Ashleigh Brilliant*

1. How to find an idea and what to do next?

Do you already have an idea for the future business activity of the social enterprise?
Do you see any potential market opportunities in your community?
Does your organization need financial sustainability?
Do you wish to put an end to your financial dependence on external-donors and to diversify the financial sources of your organization?

Most of us, if asked whether they have ideas about how to make money, will probably answer, "Of course", and will start to argue passionately that his/hers is the best and most viable of all ideas. There are many ideas generated not only by would-be social entrepreneurs, but also by traditional businessmen. What is missing, however, is a good and feasible idea; as well as motivation and readiness for yourself, your organization, and team to establish a social enterprise.

There is no universal "recipe" as to how to find a good idea. As a first step, make sure that your idea for income-generating activity is appropriate for your organization and that it is not in conflict with your mission. There is no list of "allowed and prohibited" activities for social enterprises. However, the income-generating activity should obviously have economic impact, not necessarily in the form of cash. For example, it is unacceptable for a social enterprise to deal with alcohol and tobacco trade, to run a gambling-house, to conduct activities that cause economic or moral damage to others.

DO NOT FORGET

A good business idea stems from market realities, meaning that as a future social entrepreneur you should be a realist. No matter that you will or are developing a social enterprise, the goods you produce and the services you provide should have real buyers, they should meet a real market demand. Make sure that there are people who will be willing to pay for the service or product you offer. If there is no demand, you will not be able to realize your idea, no matter how good, noble, and successful it might seem to you.

2. The hard work behind business ideas – classification of goals and criteria

The first step in the process of generating the idea for your social enterprise is to classify (define) your business goal and the criteria it should meet. Here again we refer to the organization and its mission, which are decisive factors in setting social enterprise goals.

DO NOT FORGET

The social mission has the leading role, while the income-generating activity is just a means to accomplish it.

So, what do you aim to achieve through your social enterprise? Social enterprise planning sets-up the financial and program goals. First, you should determine the program goals of your social enterprise; for example, whether you wish to create job opportunities or to improve manpower capacity. Parallel to program goals, you should also define your financial goals. This is a new approach for non-profit organizations; as with implementing a project, financial planning and setting financial goals is often heavily under-estimated. This is why, at this stage, you should set your financial goals; for example:

PROGRAM GOALS	FINANCIAL GOALS
• Economic development - Create employment/ job opportunities - Improve well-being • Enhance manpower • Business oriented organization • Sustainable organization	• Revenues diversification - Decrease external donors dependency - More free funds • Financial sustainability • Independence

Selection criteria for our social enterprise

When elaborating criteria for your social enterprise it is good to start with the limitations of your organization, namely whether you wish to develop business related to your mission or rather to start a business that will generate great income, but has

nothing to do with your mission. The above social enterprise criterion will also determine the legal form to be chosen for starting the business activity.

If the chosen criterion is to develop business related to your mission, then you could establish a social enterprise as an integral part of your organization. The disadvantage in this option is that you should not expect to generate significant income through the related business venture, mostly because of the limited solvency of the clients who would buy the product or service.

How did Samaritans Association in Stara Zagora select their idea for social enterprise

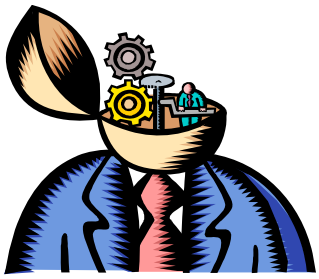
During the period when there was plenty of donor-funding and programs available, Samaritans Association in Stara Zagora asked themselves how it may be possible for their organization to survive under conditions of increased difficult access to donor-resources; especially within the European Union, and insecure funding from the State-budget. After analyzing the organization's perspectives, the team decided to take advantage of the opportunity to develop business-ventures provided by the *Law on Non-profit Legal Entities*. Although this decision looked quite attractive, Samaritans set a series of criteria to evaluate the idea for future income-generating activity:

- to have the potential to acquire the necessary knowledge and skills;
- to have adequate start-up resources available that could be mobilized;
- to take advantage of the natural resources available in the region and in the country;
- to find a market-niche for their business activity;
- the industry should be stimulated by legislation and government policy;
- the industry should provide relatively easy access for new players;
- to be able to generate profit covering at least 50 % of the organization's costs and expenses;
- to provide relatively quick return on the invested resources.

Following this long list of criteria, the young and ambitious team of Samaritans conducted a three-month study which brought them to the idea of bee-keeping, production of and trade with honey-products, and honey-manufacturing tools as the main activities of their social enterprise.

That is how it all began…

3. How to generate ideas for starting a social enterprise?



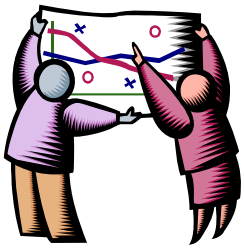
Brainstorming

Brainstorming is a method for generating ideas through mobilizing the imagination and creativity of the entire team of the organization. How to start?

- **First:** Make a list of the ways in which your organization could utilize its assets and transform them into opportunities.
- **Second:** Set free your imagination! Generate as many ideas as possible. Do not judge them and do not worry about their feasibility. You will evaluate their attractiveness later.
- **Third:** Brainstorm!

Brainstorming will produce a long list of ideas, which should later be analyzed in order to shortlist the ones that are most applicable for your organization.

Assets Map



This method for generating ideas for a social enterprise involves assessment of all organizational assets according to three criteria:

- The assets' value is fully realized
- They are marketable
- You know how to use them effectively

Organization's assets could be divided into two main groups:

- Things you possess - human resources, material assets, brand, reputation, programs.
- Things you do - your experience, skills, talents and expertise.

The results of the assets-map-method should be filled in the following table after you assess each asset, its value, and sustainability in time.

Assets evaluation table

Asset	Is the asset unique or distinctive? (Yes/No)	Who would appreciate the asset' value?	How does the asset's value rate? (Low/Medium/ High)	What is the readiness for paying? (Low/Medi um/High)	Is asset sustaina ble in time? (Yes/No)	Total scor e (A, B, or C)

SWOT Analysis
Another common method for finding a business idea is to conduct a SWOT Analysis of your organization and of the operational environment.

With this method you analyze the strengths and weaknesses of your organization and examine opportunities and threats of the external environment. After analyzing internal and external dynamics of your organization's business environment, the obtained information should be translated into an operative strategy. The aim is to develop a business plan that:

- Utilizes organization's strengths
- Manages weaknesses
- Takes advantage of market opportunities
- Responds to market threats

4. Who will guide us to the successful business idea …… maybe the market itself

> "The way to get good ideas is to get lots of ideas, and throw the bad ones away"
> *Dr. Linus Pauling*

Even if you fail to find an interesting and feasible idea the first time, do not get discouraged. As Thomas Edison said, "I didn't fail. I just eliminated 10000 ways that would not work". No matter how carefully you have conducted your market research, you will never be sure whether you have found the right and effective idea until you start your activity and start offering your product or service to the market.
Business ideas can be found all around us. Some of them are a result of thorough analysis of market trends and consumers' demand. Others are generated by chance.

Look around and ask yourself

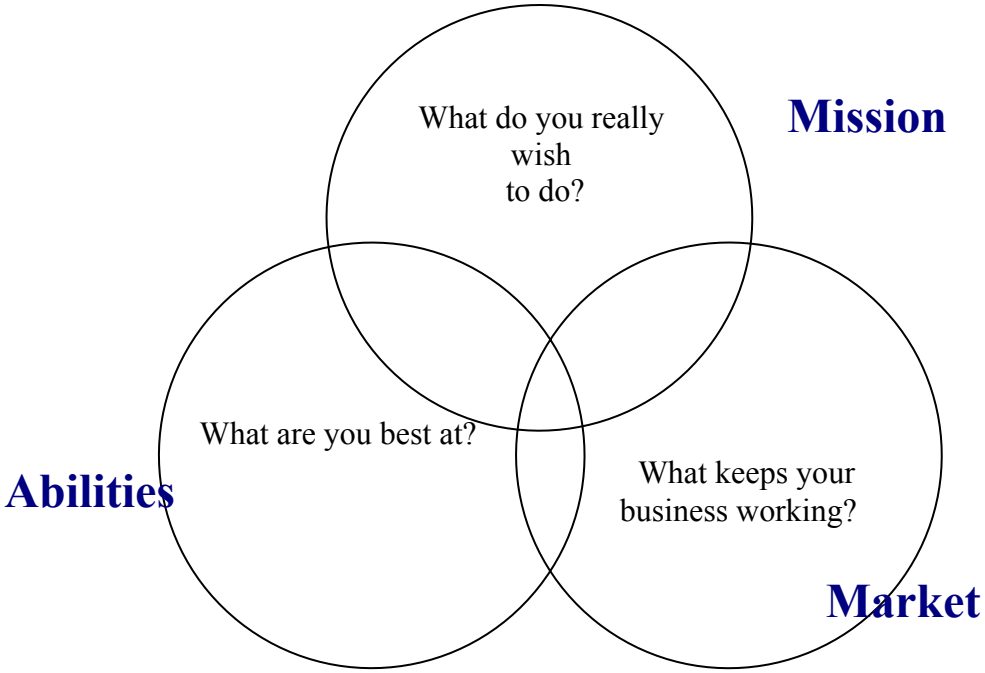
"How could the current situation be improved?" Ask yourself and people around you what additional services they would wish to see and to receive. Focus on a particular market segment and think of its specific demand for products and services.

Do not forget the critical criteria for selecting a business idea for your social enterprise. The intersection point between organization's mission, market demands, and organizational abilities or strengths will guide you to the most appropriate business idea for your organization.

How does this process actually look like? Look at the figure below and ask yourself the following questions:

- What do you really wish to do? How does a social enterprise fit the mission of your organization?
- What are you particularly good at; or what are your strengths and weaknesses, and how to take advantage of them.

- Is there market for your products or services; or what keeps your enterprise working?



5. Legal and organizational form of your social enterprise

Social enterprises in Bulgaria are not registered as independent legal entities, because there are no legal forms explicitly listed in legislative regulations. Practice has shown that social enterprises are a business activity implemented by non-profit organizations, registered under the *Law on Non-Profit Legal Entities;* or by a legal entity–trader registered by a non-profit organization. Let's see when the different legal and organizational forms are used. The choice of a legal form depends on the type of business to be developed by the social enterprise. The questions you should answer before deciding on the form of your social enterprise include:

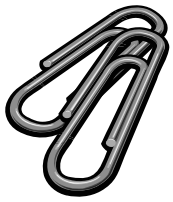
- Is the business you plan to start related to the social objectives of your organization?
- Is this to be a supplementary activity – when the income generated by the business venture exceeds the one generated by the non-profit activity (membership fee, grants and donations)?
- Does this type of business require a particular legal form (for example, social enterprises delivering healthcare services should be registered as trade companies and cooperatives)?
- Do you have any partners or supporters who could contribute their own resources for the start-up of the social enterprise? If you do, it may be a good idea to discuss their possible engagement as partners in the trade company.

Non-profit legal entity

Each non-profit legal entity, defined legally as foundation or association, is allowed to conduct economic activity observing the following requirements: for-profit activity

should be supplementary, related to the main scope of activities; income generated by the business activity should be utilized to support the social mission; business activity should be regulated by the organization's by-laws; and no profit should be re-distributed. In this legal form the social enterprise is an integral part of the organization and is implemented as a supplementary economic activity.

EXAMPLE



Marine Club "Friends of the Sea" in Varna is registered as a non-profit association for public-benefit. The mission of the organization is to promote and support the development of good marine traditions by educating youth to being responsible and engaged with environmental-issues and sustainable-development. The social activity of the club comprises free-training of disadvantaged and orphaned-children in marine-disciplines, and in supporting their professional advancement. The social enterprise within Marine Club "Friends of the Sea" organizes training courses for divers and skippers. 30% of the fees paid by customers are directed to cover training costs for socially disadvantaged youth. In order to establish a social enterprise within the non-profit organization, the resources needed for the training courses were kept organizationally separate, and all required licenses and certificates were obtained. The Chairman of the Managing Board of "Friends of the Sea" occupies the position of social enterprise manager and is responsible for planning and developing the business activity. The SE's economic activity is regulated by the by-laws of the organization, namely: paid training and qualification courses, diving equipment rental, under-water photography and ecology.

Social enterprise as a trade company

Another legal form of operating a business is through an independent legal-entity established by the non-profit organization or directly related to it. The most common from of social enterprise trade-company is a single–owner private limited liability company. The requirement for a social enterprise to be registered as a trade-company is that majority capital is owned by the non-profit organization, which guarantees that the main goal of the enterprise will be to support the accomplishment of organization's mission. The decision to choose such a legal form for the SE can be based on the need to differentiate the business activity as an independent company with its own management, resources, and accounting policy. This is a prerequisite to avoid taxation problems related to reporting on the economic activity implemented by the non-profit organization.

EXAMPLE

Open Door Center in Pleven was established in 2000 as an association for public-benefit to support women victims-of-violence through aid in professional rehabilitation. Within the center, here is a shelter for women victims-of-violence, where women and children are temporarily accommodated for periods from 3 to 6 weeks. In 2002, the association registered a trade-company *Open Door Pleven* to implement economic activity – offering laundry, cleaning, and ironing services. Registration of an independent trade-company was necessary because the planned business initiative was not directly related to the activities for public-benefit; namely: psychological consulting and support of women victims-of-domestic-violence.

Open Door Center social enterprise contributes to further the organization's mission by creating job-opportunities for women accommodated in the shelter; as well as by ensuring funds from the generated income to support the center. Currently, about 50% of the resources needed for operation of the center are provided by the income of the social enterprise.

The trade-company manager, who is also chairman of the non-profit organization, manages the social enterprise. Thus, Open Door center as a sole owner of its own capital may influence the management of the business venture.

Will your idea work? Is it possible to have a perfect plan to build a rocket and yet fail to launch it? The market in terms of social-needs - are people ready to buy products of "social-value"?

"Works of genius originate from simple ideas, but not all simple ideas are works of genius"

Everything starts with an idea. It is sometimes generated by chance, but more often is a result of deliberate search and assessment. To generate a good idea is the first and most important step towards starting your own business. However, an idea alone is of little value. In real life there are often people and organizations with more than one great idea, but none of them worked. Why?

You can do new things...
You can do old things in a new way...
You can unite, divide, create...
BUT ...

The most important factor for the success of your business is the customer!

The answers to the following questions may help you evaluate the viability of your idea:

- What are you going to sell? What are the characteristics of the product/service you offer?
- How are you going to produce it? What is the basic technology you are going to use?
- Where are you going to produce it?
- Does your business have any patents or other exclusive rights?
- Is the idea adequate to your social purpose? After all, it is unacceptable to start a business that will destroy your social mission.

Do not worry if you cannot answer these questions right now. You will gather information to make it clear to your organization what you actually intend to do. Yet, this is not enough. Planning product production is only one aspect of business management. You should also look from the other perspective – the market.

Try to get trustworthy answers to the following questions:

- Who will be your customers?
- Why would they prefer your product or service?
- Who will be your competitors? (in general)
- What will be your field of competition? (Price? Quality? Regular deliveries? etc.) Or, in case you intend to compete in some other way, how would you do it?
- How will you distribute your product or service?
- To what extent is the exposed social-value of your product an advantage? Or disadvantage?
- What needs will you address – consumer or social needs?

The answers to the above two groups of questions will provide sufficient information about the two main aspects of your business idea – what are you going to produce and who are you going to sell your product to. Conservatism is a basic rule – do not be too optimistic when setting your goals. Be flexible to changing conditions.

At this point, it is of utmost importance to decide how loudly you should advertise the social element. Will emphasis on the social-impact motivate customers or not? This will help you choose the most appropriate legal form for your business, whether to launch a new activity within your organization, or establish an independent trade-company. When you have clear views about what, how and where you will conduct your activity, it is time to consider what resources you will need.

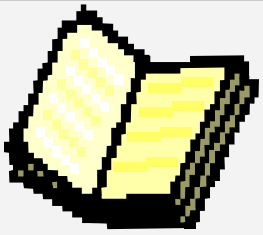
- Raw materials
- Suppliers and their capacity
- Delivery prices
- What financial, human, and material resources will you need?

Beside the resource opportunities assessment, you should also make a self-assessment of your own potential; i.e. of all available material and non-material resources, human resources and your ability to put them in service of your idea. Sometimes, the lack of adequately skilled and appropriately selected personnel appears to be the major obstacle to the start-up of a business. Not only staff qualifications, but also its motivation for involvement in the business venture, are of crucial importance. Remember, your business is socially oriented and its supreme goal is the mission of the social enterprise.

Chapter 3

BUSINESS PLANNING PROCESS

IN THIS SECTION



1. **What is a business plan and why do you need it?**
2. **Business planning as a process – is it possible for someone else to do it for you?**
3. **Who is the business plan targeted to?**
4. **Business plan – general overview**

1. What is a business plan and why do you need it?

Remember *that it is always cheaper to examine thoroughly a certain idea before its implementation, than to experience a business failure. The tool for evaluating business ideas before their implementation is called a business plan.*

From a management point-of-view this is a flexible document that should be revised according to market situations, and above all to be results-oriented. As a tool for internal-organizational management, a business plan is an open document – it perceives business project as an ongoing activity. It is also an operational manual for the entrepreneur. It provides answers to the following questions:

➔ **What do we want to do?**

➔ **Where do we want to go and ...**

➔ **How will we get there?**

The answers to these questions, arranged in a logical way, outline a clear vision of the future of your organization. From a formal point-of-view, a business plan is a concise document in terms of length, structure, and content. It presents your business idea in a structured format and justifies it.

2. Business planning as a process – is it possible for someone else to do it for you?

Developing a business plan *should be the first step in the management of your new activity. However, a business plan is more than a document – it is an entire process of outlining and assessing the activity of a new business venture or of an operational one.*

Development of a business plan is not an end in itself. It is based on years-long international business experience and has proved to be a necessary condition for developing a successful business. The business plan articulates and emphasizes your goal, while at the same time outlines the way to achieving it. Setting objectives is one of the major tasks of the social enterprise manager. To be of value vis-à-vis set objectives, it is necessary that at least once a year you make a recapitulation of what has been achieved – what is the status of targets vis-à-vis original benchmarks, what are the major gaps and failures, what are the reasons for failure to accomplish objectives, which of the planned objectives were achieved, etc. The business plan is the first and most important element of the management cycle, and it also sets criteria for performance evaluation.

> "The lack of planning is planning for failure"

3. Who is the business plan targeted to?

Besides serving as an internal management tool, very often the business plan is presented to external organizations and people with the aim of attracting additional funding resources.

When developing your business plan, keep-in-mind who your readers will be. What do you want them to do?

- To invest in your new business idea or in your current business?
- Buy your business?
- To get into partnership with you?
- To approve your offer for signing an agreement?
- To provide funding or to issue a legal license?
- To assist you in business management?

4. Business Plan – General overview and advice on preparation strategy

First you should gather the necessary information about:

- Products
- Clients
- Suppliers
- your financial situation
- Identify the elements of business plan that require consensus
- Assign preparation of each section of your business plan to a selected person or small group of your team
- Set deadlines.
- Think of bonus-packages to ensure meeting deadlines

In other words, now is the time for you to back-up your idea with facts. You could use external assistance: consultants, agencies specialized in market research, regional development agencies, and business centers.

Obtaining external-assistance for data-analysis will provide you with a professional opinion about existing environment, and will advice on how to proceed. You will receive a trustworthy starting-point for developing your business plan.

No matter whether you will, or will not, seek external-assistance, always remember that the final decision for starting a business is yours!

Because... Unlike traditional business plans, a social enterprise's business plan has a dual nature (double bottom line). This reflects the double-value of a social enterprise as compared to a commercial business operation.

Economic value of the enterprise. It can be assessed by analyzing the cash-revenues generated by the business performance of the social enterprise.

Social-value. Actual direct cost-savings and income-generation, through which social-value is achieved without involvement of external-donors.

Combined value = enterprise economic value + social value - expenses.

REMEMBER THAT:

• **The traditional business plan has one dimension** • Only financial aspect • Profitability and financial return • Decision-making is made with the aim to achieve higher financial income • There are not many beneficiaries	• **The business plan of a social enterprise has two dimensions** • Double bottom line: social and financial • Social impact and financial goals • Decision-making is made with the aim to achieve dual goals • Greater number of stakeholders

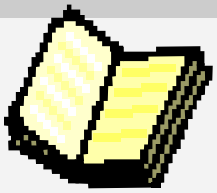
In traditional business plans projected result are, as a rule, exclusively financial, and they provide evidence for viability and prosperity of the organization. In social enterprise business plans, along with financial return, social-impact and social-return are extremely important. *Social-return-on-investments (SROI) measures the social-impact produced by the social enterprise in terms of financial indicators measured against investment.*

Chapter 4

SOCIAL ENTERPRISE BUSINESS PLAN

In **Chapter 4** we will examine the process of developing a business plan for a social enterprise.

IN THIS SECTION



1. **How to Prepare a Social Enterprise Business Plan.**
2. **General Guidelines**
3. **Social enterprise business plan format**

1. How to prepare a Social Enterprise Business Plan.

Business plan preparation should be the first step in the management of your new activity. But the business plan is more than a document – it is an entire ***process*** of outlining and assessing the activity of a new social enterprise or of an already existing enterprise.

The main purpose of a business plan is to formulate enterprise philosophy and outline the directions for its development. For a social enterprise, its mission has a key role as a symbiosis of the commercial and ideal goals of the organization. This "double bottom line" should be clearly demonstrated in the business plan; and yet …

Do not forget that it is about your business, and not about your non-profit activity.

The process of business planning requires careful consideration from the organization, data-collection and analysis of all factors, which will contribute to turning the initiative into a successful social enterprise. Because of this, the business plan **focuses mainly on the social enterprise** and not so much on the non-profit activity.

The business plan could be developed in more or less detail, depending on who the plan is targeted to and its aim; as well as, view of size and scope of the business-venture. However, some general guidelines should be followed while preparing a business plan. In order to develop a business plan that would create favorable impression, it must have the following characteristics:

- Present a clear definition of the business
- Provide evidence of marketing potential
- Provide evidence of managerial capacity
- Offer attractive financial agreement

2. General Guidelines

Before you start writing, make sure that: The business enterprise you are about to start is relevant to what *clients want*, and not to what *you think they need*.

The essence of each business plan is clearly stated and well documented argumentation of the fact that a definite number of people are ready to pay enough money for the products and services offered by you, so that the social enterprise will be able to generate income to support its social goals. While most non-profit organizations focus on work to meeting unmet social needs, funded usually by sources outside the beneficiary-groups, social enterprises should search clients who want their products or services strongly enough to be willing to pay for them. In business, "I want" always outweighs "I need".

First, collect the necessary data; then write your business plan.
Convincing business plans are developed on the basis of convincing data. Make sure that you have gathered all necessary data before you begin writing your business plan. Avoid skipping directly to the financial plan, if you have not yet collected sufficient back-up data to support it.

Where to find such data?
Let us assume that your initiative is in an area in which your non-profit organization has some experience. In this case, you should already have access to numerous sources, including internal data. Additional sources of information often comprise suppliers, bankers, competitors, commercial publications, associations, libraries, Internet, and government documents. Sometimes, the best information can be obtained from individual interviews with clients and through more complicated methods, such as focus-group discussions, customer surveys, and market-testing. Use trustworthy sources and document them.

Try to identify your weakest points and improve them.
When you review the business plan structure, judge which sections contain most adequate data and best analysis, and where are you biggest lapses. Many social enterprise business plans seem to contain insufficient market/industry analysis and inadequate marketing-plan.

Each business venture has its competition.
A number of social enterprise business plans claim that their initiatives have no competition. This statement is not true for any initiative. Only because no one offers the same services, does not mean that there is no competition. Customers always have a choice to spend their money and time in whatever way they desire. Sometimes they choose not to do anything. The assessment of potential clients is a fundamental part of the business planning process.

Accept uncertainties.
Each business, and hence each business plan, are based on certain insecurities, even assumptions. Be aware which of your data is solid and which is vague or almost guessed. The Risk Assessment and Contingency Planning section of your business plan provides for evaluation of these uncertainties, for developing a prevention strategy, the so-called "Plan B", and a response plan in case of contingencies.

Some repetitions are recommended.
Business plans are rarely read from beginning to end. Often the Executive Summary is read first and then remaining sections are looked through for essentials only. Sometimes, one section is read word-by-word, while another is ignored altogether. Therefore, it is good to make some repetitions. For example, a short description of the business activity may appear in the Summary and in the Description of your social enterprise.

Be brief.
Long business plans are not readable. Bankers, for example, look at the first few pages and at the financial sections. Investors often pay attention to industry/market analysis, management and financial capacity. The optimal length of a business plan is 20 –25 pages, not including the supporting documentation.

Involve your social enterprise team in business plan development.
The business planning is not a task to be assigned by authority. Books and consultants may be of help, but make sure that the manager who will be responsible for the business-initiative plays a leading role in developing the business plan. Although it is not necessary for him/her to make all the calculations and to write-down every word him/herself (though that would be great), he/she should understand the business concept and the financial history and future of the enterprise.

A basic principle in developing a business plan is to follow internal logic, or the so called "red line". There are special requirements to social enterprise business plans stemming from the "double bottom line". In this case, the special requirements are related to the specific goals, mission, and vision of the social enterprise, and its relative commitment to the non-profit organization's mission and vision.

Remember the "10 steps in business planning":

• Why do I need a business plan and who will I present it to? • What is the business idea – description • Goals and how to achieve them • Profitability, cash flow... • Competition/own product!	• What are the available resources and what are our resource needs? • Risk assessment • How will the plan be presented and implemented? How will it be supervised? • Have I missed anything? • Implementation and new planning (in 12 months)!!!

3. Social Enterprise Business Plan Format

Recommended format for the draft document: Every business plan begins with the following information:

- Name, address, industry, legal form, contact information.
- Table of contents
- Summary
- Formulated mission, vision and overall objective and major business goals.

MAIN SECTIONS OF A BUSINESS PLAN:

A. Executive Summary
B. Vision, Mission Statement and Business Description
C. Market Analysis
D. Assessment of Organization, Environment and Industry
E. Marketing Plan
F. Management Plan
G. Operations Plan
H. Financial Plan of the Business Initiative
I. Risk Assessment and Contingency Planning
J. Supporting Documents

A. Executive Summary – provides information about:

- The organization and general business activity sphere;
- Main goals of the social enterprise;
- The product;
- The market;
- Organizational and operational needs of the initiative;
- Financial factors necessary for the success of the initiative;
- Impact of the initiative on your mission;
- Critical risks and opportunities.

USEFUL ADVICE

The Executive Summary section presents the key elements discussed in detail further in the business plan. Each key element should be described briefly (present a summary of the business plan sections) in no more than a few lines, so as to draw reader's attention to the respective section of the business plan for more information.
Write the Executive Summary last – it is easier this way!

The Executive Summary should emphasize the attractiveness of your business idea; Make it sound convincingly, but concise – 2 pages at most.

Prepare it as an "autonomous" document; the summary should enable the person reading it to obtain an accurate picture of the proposed business venture – what will it be doing, who will manage it and why will it be successful.

Describe your business in no more than a couple of sentences.

EXAMPLE

"A souvenir shop in a resource center"; "Home care for elderly people in….. region"; "Establishing a public laundry with individual washer-drying machines, and ironing, starching and delivery to client's home in … (town)."

Summarize in brief, the main conclusions of each section of your social enterprise business plan – outline your key success strategies.

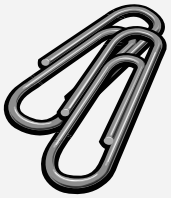
EXAMPLE

"The coffee-shop is designed to generate income amounting to … BGN during its first year of operation, which will be increased to … BGN in its third year. Estimated losses are in the amount of … BGN in the first year, and … BGN in the second year. Our forecast for the third year is a net profit of … BGN. Start-up and operations capital will be funded by a combination of grants and bank loans."

EXAMPLE

"Projected income from agency activity is … BGN during the first year, and … BGN in the second year, with a target profit of estimated at … BGN during the second year. The social impact from the social enterprise activity comprises decrease in the number of juvenile-offenders to 100 per month, who will receive free-of-charge occupational consultations and motivational training."

EXAMPLE



"Major specific risk hides in the possibility of poor or irregular sales during the first months, which will lead to generating less income than expected. This is related to difficulties in forecasting service demands, as services are a specific type of product. Even if such problems do occur, the social enterprise will manage to continue its activity, because everyday costs, regardless of production amount, are small and almost constant. Accounting for this risk, the projected sales amount is relatively realistic."

B. Vision, Mission Statement, and Business Description

This section contains:

- Overview, background, and mission statement;
- General vision for the business initiative;
- Relation between vision and mission;

The development of any business plan is directly related to the general development strategy of the enterprise and is called forth by the need to undertake steps for its implementation. Hence, objectives and tasks set in the business plan should be in-compliance with the mission, the major organizational goals, and create opportunities for their accomplishment. Every business starts with an idea that is later translated into a mission of significance. For social enterprises this process evolves in a different way. The organization that starts the social enterprise has its established and clearly formulated mission. The mission of the new business venture should be bound to the existing mission of the organization, preserving its fundamental views, attitudes, and directions.

The organization's mission is relatively constant and does not require revision with changes in operating-environment, therefore it should be given special attention in the business plan.

The "**business description**" section provides answers to thee major questions related to your business:

➔ **What is your product or service?**
➔ **Which is your industry branch?**
➔ **What is your target market?**

The answers to these questions determine the main development strategy of the social enterprise. The description of the product/service should be made in a simple way, so that anyone could understand the essence. It is recommended, that you pay special attention to the product market rather than to the product itself.

You should clearly define your industry and its growth potential. Bear in mind that investors prefer innovative organizations operating in industries that approach the stage of most intense development and are cautious to revolutionary products, which are not yet well developed.

You should know that not every market could be your "target" market. The target market comprises the market segment in which the enterprise wants to become a leader, to make great profits and to set standards. Therefore, it is essential to define clearly the target market of the social enterprise

USEFUL ADVICE

Include a couple of short sentences describing your business, as well as a concise description of the products/services you offer, your vision, mission statement and the goals of the social enterprise. Present the organization activities and achievements, its historical background and explain its key concepts.

Focus on strategy and achievements. Describe in detail your business initiative and the product/service you offer; repeat the short business description; then give details. Finally, describe the offered product/service, potential clients, and market interest.

EXAMPLE

"A gift shop will trade art products of the following categories; books, art reproductions, … The profile of potential clients of this shop would comprise the following characteristics… Evidence that these clients would be interested in buying the products offered lies in … "

State your **"vision"** – the social purpose to which your business venture is related.

EXAMPLE

"To create sustainable employment for disabled persons through the development of a social enterprise for production of and trade in souvenirs and gifts – ceramic art goods, decorative plates, and trays, etc."

State your **mission** – the role of your business venture in achieving your vision.

EXAMPLE

"Establishment of a public laundry and home cleaning services to generate income to be used for support, training, and temporary employment of women victims-of-violence."

State your **"goals and strategies"** – measurable program and financial resources for the achievement of your mission. What are your main reasons for establishing a social enterprise? What are the main strategies of the social enterprise to achieving its goals and realizing its mission? Strategies are not equivalent to "products or activities" – they represent general view of your business; this is your ample set of strategies and tactics relevant to the next sections of the business plan.

EXAMPLE

"To reach an annual sales ceiling in the amount of ... BGN in 2007, while providing support, training and part-time employment to at least 10 women victims-of-domestic violence per year. The strategy for increasing annual sales comprises expansion of subscriber services and attracting corporate clients – at least 2 new clients per month.

Identify your expertise for ensuring successful operation of the business and include information about previous experience (if you have any). Here, you can elaborate on your major competencies – special organizational skills resulting in effective provision of benefit to your clients, and enterprise management – focus on the expertise of the person who will be responsible for the social enterprise; access to clients, sources, suppliers and marketing skills.

C. Market Analysis

In this section, you should include the **four main characteristics providing information about the marketing potential of the enterprise:**

- Target market
  - Customers needs and demands
  - Target market segments
- Evidence of previous successful sales

- Market potential
  - Demand
  - Obstacles and challenges
- Market size and trends

Target Market

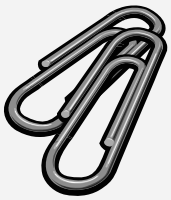
Provided evidence of the benefit of your product/service to customers, this will serve to back-up your statement of projected high-sales levels, which will make your business idea attractive. The best indicator for adequate marketing potential of an enterprise is its ability to convince clients of the benefit of the product/service offered; i.e., what will he/she gain by purchasing a given product/service.

The benefit for customers varies widely with different products. It could be presented quantitatively, describing customers' cost savings. Similarly, customer's benefit could be presented in terms-of-profit for the customer or through various non-cash benefits; e.g., look after one's appearance.

USEFUL ADVICE

- Characterize the market where you will sell your products and services. Who are your target-market purchasers/clients, end-consumers, and decision-makers for each product? Make a distinction between purchasers (clients) and end-consumers.
- Make a distinction between "needs" and "desires". Sales can be realized when a business offers something that clients wish to have strongly enough to be ready to pay for it. They would not necessarily buy your product or service merely because you believe that they need it.
- Define and characterize each market segment; including customers' behavior, obtained benefits, and alternatives. What are the existing motives/attitudes for buying products/services in the target market? Make it clear why customers of your target-market would buy your product or service.

EXAMPLE



"The target market for the public laundry service in the town of Pleven comprises economically active customers with medium and high income who wish to take advantage of the offered laundry services. They wish to ease their household duties in order to have more spare time for rest, sports, and spend more time with their families. Another segment of this target market comprises companies operating hotels and restaurants, for which high-quality and hygiene-standards are directly related to their business image.

Evidence of Successful Sales

Even though the product/service may bring benefit to customers, there is still a critical question - whether there are enough customers who would want to buy it. It is in this section that you have to present convincingly your sales potential and skills. It is assumed that **management /managing skills** is one of the most important factors in obtaining financing for a given enterprise. Investors are often more inclined to finance management rather than products. They prefer to provide financial support to an experienced management team and not to individual entrepreneurs. It is generally more acceptable to finance a venture managed by an entrepreneurial team with successful business history.

Market Potential

This section of the business plan provides analysis of the market (sales) potential of your enterprise. The market potential is determined by: (1) demand – whether your target market wants to invest in a given product or service; (2) possibilities – existence of ready-to-pay market demand; (3) low barriers for entering the market – which means that there are no insurmountable obstacles for market entry/operation; i.e., restrictive legislative framework, expenses, competition, etc. In this section you have to demonstrate that you understand the market and that your decisions are based on facts and not on conjectures.

- *Market Demand*

Why does your target market WANT the product/service your social enterprise offers? This question relates to the demand for your products services. There may be real need of the service, but low willingness to use it and hence no (market) demand. The actual market demand, established through the conducted market research, proves that there is potential market for your products/services.

- *Obstacles and challenges*

What possible obstacles may there be on your path to becoming a successful "player" or limit your success? How will you overcome these barriers? Be honest regarding the obstacles (barriers) and realistic regarding the strategies you will use to overcome them. Many social enterprises come upon different obstacles early in their life. Hence, it is a critical step to properly identify the market possibilities and viability of your enterprise. If the market is *really open* and there is no competition, or weak competition, the people reading your business plan will scrutinize more carefully the sections referring to the viability and the market possibilities of your social enterprise concept.

If you are to present your business plan to investors, keep-in-mind that they withdraw from companies offering products/services that require specific client-oriented design. In this latter case, production costs are higher because of the required specialized labor, while profits are lower because of the inability to realize savings as a result of product multiplication, which leads to slow growth rates.

Market Size and Trends

In this section you have to show an analysis of the size and trends in the market that will contribute to a sizable market-share to support your operation. If you do not sell, your business will not succeed, it will die.

Define the market size and your projected market share.

EXAMPLE

" Based on market research, the projected market share of our SE at the end of the first year is 15-20% of the target segment – individual clients (100-130 clients per month); and 20% of the target segment – companies (2 companies per month). These calculations were based on … ."

Describe the market trends and growth potential

EXAMPLE

"By the end of the planning period – 2007, we expect an increase in market share by 15%. Parallel to increasing the number of customers from the target segment, new clients will be attracted form other segments, due to increased … ."

D. Organizational and Strategic Environment Assessment

This section includes assessment of the strategic (internal and external) environment of the industry; as well as SWOT analysis. After you have analyzed the internal and external business environment, you can easily spot the strengths and weaknesses of your business venture; as well as favorable opportunities and threats in the business environment (SWOT Analysis). Good understanding, prediction, and adequate response to any changes in the business environment are of vital importance for any small and medium-size enterprise.

Assessment of external business environment should also include elements (factors) that are external to the organization, and it should be well-structured and oriented towards data related to development of the business plan. Special attention should be paid to the following types of factors:

- Economic
- Social
- Technological
- Political

Economic factors are extremely diverse and they determine the nature and development trends of the industry in which your business will operate. Any enterprise should know, analyze, and assess the economic trends. Most important economic factors include:

- interest rates – these have a strong impact on investment possibilities and on customers' expenses funded by short-term loans

- inflation rate – a major factor in Bulgarian economy in transition
- level of unemployment – affects labor costs of the organization and consumer goods market, because of reduced buying capacity of certain groups of the population

Social factors comprise demography, education, culture, etc., which are extremely dynamic. Demographic trends reflect in enterprise strategy. Forecast of social changes is an extremely difficult process, but it often predetermines the success of a social enterprise. No doubt, all of you have faced the problem of finding the appropriate person for your organization and you know how important the human factor is.

Technological factors account for the development, introduction and distribution of new products.

Political factors are among the major concerns of entrepreneurs and managers when designing strategies. Political considerations define the legal and other governmental parameters relevant to enterprise activity. These may have substantial impact on business through Government's functions as supplier, consumer, or competitor. A good knowledge of the National Development Strategy would help the social enterprise to realistically assess its external environment and undertake measures to avoid confrontation with the Government as competitor.

The "micro-environment" is also an important part in assessing the external environment. This environment is highly competitive, but fortunately it can be influenced by the organization. The main components to consider when assessing the external environment are:

- *identification of competitors*
- *information about customers (existing and potential)*
- *industry analyses*
- *research of industrial trends*

Identification of competitors: Competition analysis includes identification, assessment, and comparison of competitors to the social enterprise. Identification of competitors aims to distinguish between current and potential competitors. The essential question that should be answered is not whether there is a competition, but how competitive our organization and our products are. Another important question is "What shall we do to get ahead of our competitors?"* It is also essential to determine in what particular areas you will compete, as competition may address several aspects:

- Product competition – your main competitors are companies/organizations appealing to the same market segments
- Products and services with similar characteristics
- Substitute products – meeting similar needs

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* Corporate lesson: In Africa, a gazelle wakes up every morning with the thought that she should outrun the fastest lion if she wants to live. A lion wakes up with the thought that he should outrun the slowest gazelle if he does not want to starve to death.
Business moral: No matter whether you are a gazelle or a lion, you better get up at sunrise so as to **be ahead of others**.

- Budget competition – all products and services among which customers' budget is distributed.

The next step is to think about your competitive strategy, which will allow you to foresee potential threats and favorable opportunities.

USEFUL ADVICE

When writing this section of your business plan use the following reference points and describe:

- Products/services in this industry branch
- Size (Capacity) (annual sales by number, type and price (leva), total profit
- Number and concentration of competitors that control the industry
- Sales trends (emerging, growing, constant, decreasing)
- Factors affecting sales (price, quality, reputation, season dependence, economic environment, demographic changes, etc.)
- Success factors (access to suppliers, good operating network, low costs, etc.)
- Barrier to market entry (time, expenses, expertise, market saturation, customer resistance, substitutes, technological innovations, legal and regulatory barriers)

Key competitors' profile:

- Identify your key competitors (those who offer the same product/service); what are their areas of operation (competition); what are their strengths and weaknesses; for which products/services.
- Evaluate their capacity, customers, product quality
- Explain what makes them successful (if they are successful)
- Describe how serious a threat are they for your business
- Compare your business to theirs: your strengths and weaknesses, competitive advantage
- What is the strategy of a social enterprise with regard to its competitors?

Collaborators and partners:

Cooperation with respected organizations may strengthen the social enterpsise positions and facilitate achievement of its objectives and realization of its mission. Emphasize the benefits of your partnerships to expanding the opportunities for adding social value and providing better services to social enterprise clients. Investors have positive attitude to partnerships as they allow granted funds to reach farther, when distributed by more than one organization.

USEFUL ADVICE

Answer the following questions:

- Who are the current and potential collaborators/partners of your social enterprise?
- What value do collaborators/partners add to your enterprise?
- How does partnership support the social enterprise in achieving its objectives and accomplishing its mission?

Customer information: Another essential issue to be addressed is to provide information about your current and potential customers. Data about customer segmentation, motivation, and unmet needs are of utmost importance for developing an effective business plan. Evaluation of segments is a key task in customer analysis as it will outline essential trends in market development. Identification of unmet customer needs may serve as a guide to the development of a product or strategy with substantial competitive advantage.

Methods that can be used to determine unmet customer needs include:

- Semi-structured interviews with customers to discuss their impressions of the products used
- Problem research to identify problems faced during product use
- Periodic research of customers' satisfaction with the product, etc.

Industry Analysis: The next step in **micro-environment** assessment is **industry analysis**. The following questions should be answered:

- How attractive is this industry in terms of possibilities for attracting investments, profit gain, and return on investments.
- Industry definition – determine its size. Definition of industry size is essential not only so that you can measure market shares, both yours and of your competitors, but also to be able to find opportunities for new applications or customers.

USEFUL ADVICE

When evaluating the industry branch you should answer the following questions.

- Is it a friendly or hostile industry for your social enterprise?
- Which industry aspects will influence the chances for success of your social enterprise?

Remember that it will be difficult for you to succeed in an industry that you do not know well. If you do not have sufficient knowledge, search to attract professionals, people who have established themselves in the respective sector and know well its development trends.

Research of Industrial Trends: Research of industrial trends is necessary as these tendencies may affect future cost-effectiveness of businesses in this industry. It is generally accepted that high growth-rates of a given market, under equal other conditions, makes this market more attractive. Moreover, position gained in a growing market ensures fast return on investment and high profit, which increase with further market growth. He/ she who makes an early market entry, creates considerable barriers to prevent new competitors to enter the market, by creating a good business image, trade marks, etc. There are niches in most markets, which can be occupied by weaker competitors, but these niches become evident only after the specific needs of customers in the different market segments are identified. This is an excellent opportunity for social enterprises. To discover these market niches ignored by traditional business and to occupy them is a great opportunity to enter a definite market.

Systematic internal analysis (**internal business environment**) should outline the actual profile of your social enterprise and identify your strategic strengths and weaknesses on which your strategy will be founded. Sometimes, a business may be poorly evaluated not because of lack of strengths of its structural units, but because of lack of teamwork.

Internal environment analysis covers the following major areas:

- Efficiency
- Reporting and current strategy
- Strategic problems
- Inner organization (structure)
- Expenses
- Financial resources and limitations
- Organizational strengths and weaknesses

This analysis should demonstrate clearly the strengths and weaknesses of the social enterprise and compare them to those of competitors, determining those that are unique for the SE and give it substantial competitive advantages. Often, this is a subjective assessment and depends on your position in the organization. So, it is essential to pay special attention to **teamwork** so as to make the evaluation less subjective.

Having assessed the external and internal environment, one can easily determine the strengths and weaknesses of the social enterprise, the favorable opportunities and the threats hiding in the environment; i.e., to make a SWOT analysis.

USEFUL ADVICE

SWOT Analysis - Assessment of your organization's strengths and weaknesses.

Strengths/weaknesses are relevant to an organization's ability to achieve its objectives and accomplish its mission. Strengths and weaknesses are **internal** for the organization. They should be described from your potential investors' viewpoint – how do your customers perceive you, and from management viewpoint – how do you perceive yourself.

Examples of strengths and weaknesses are:

- Customer perception: it includes service benefits, price, quality, reputation/recognition of name, social image
- Management perception: mission, leadership, sources, strategic connections, capacity, operational efficiency, infrastructure, regions, relations with customers, human resources, structure

IMPORTANT

Outline the main strategies for capacity improvement (limit or reduce weaknesses). Point out how the social enterprise management will work to enhance strengths and reduce impact of weaknesses.

The strategic environment provides answers to the following questions related to external environment:

- What are the basic opportunities for the social enterprise?
- What are the major threats and risks the social enterprise will face?
- What are your key strategies for maximizing opportunities and minimizing risks?

Identify potential opportunities that would help you determine your priorities, and plan how to make use of the opportunities that are in accord with your social enterprise. Identification of potential threats will help you avoid problems and minimize the negative impact of external factors on your social enterprise.

E. Marketing Plan

The Marketing Plan has a key role in developing the social enterprise business plan. It provides the basis for development of all remaining sections. Developing a marketing plan involves a lot of prognosis that could be made based on analysis of the external and internal environment. The main prognoses are focused on sales projections. Another important factor in marketing prognosis is product-life-cycle. Various prognosticating techniques are employed:

- Expert opinion – collecting and summarizing the opinions of persons (experts) working in the relevant field
- Consumers' attitude-surveys
- Extrapolating statistic trends
- Identifying dependencies between two or more statistical variables and using them as a basis for projecting future variations

The selection of a certain technique depends on the goals and prognosis requirements, on external environment characteristics, and resources available.

This section includes: goals, positioning, marketing mix (the so called **4p - P**roduct, **P**lace, **P**rice, **P**romotion); i.e., product/service, distribution, pricing, promotion, sales strategies, and key implementation phases.

Identification of marketing goals to attract target clients.

EXAMPLE

Marketing goals: Faith Hope Love Social Enterprise will generate sales income amounting to …. BGN in 2007, that is three times more compared to 2005.

Product strategy – in order to formulate it, you should analyze:

- What are the main characteristics and benefits of products offered by the social enterprise?
- What is the life-cycle stage of each product?
- What is the desired position of each product in terms of the most important buying criteria?

- What is the product development plan in terms of physical characteristics and service delivery/maintenance to achieve marketing goals?
- What are the costs related to product change?
- What is the social enterprise strategy for each product? And for product line?

EXAMPLE

Product strategy: "Development of subsidiary services – subscribed services, home repairs services, household help services, improvement of service quality and adding new features resulting in refinement of the product, achieving impact through company image and service quality"

Distribution strategy - by developing it you answer the following questions:

- Where should we sell? What are priority markets?
- What are the best methods and distribution channels for reaching priority target markets?
- What is the distribution plan for social enterprise products to achieve their market goals?

EXAMPLE

Distribution strategy: to ensure easier access for target-market clients to laundry services, the "door-to-door" delivery practice will continue. Consumables will be supplied to the laundry directly by the major regional distributors of detergents, which will reflect on the price of the services.

Pricing Strategy - The pricing strategy answers the question - what should the selling price of our product/service be so as to cover the incurred expenses? A key element of your pricing strategy is to determine the price of your products and services. Social enterprises may as a rule use two main pricing methods: calculative and competitive.

In the calculative method *prime cost* is the basis, over which a certain profit-margin is added to form the final purchase price. That is to say that the price is formed after calculating the product/service production costs.

In the competitive method the reverse process is employed – starting from *competitor's price*. Then, ways are searched to fit your price within a certain price-limit (by lowering/reducing certain costs, increasing price so as to create a sense of value, etc.).

EXAMPLE

Pricing strategy: Health and Moral Social Enterprise offers a set of price deductions and bonuses in an attempt to create additional benefits to clients. For orders exceeding 5 kg. of "khalva" - 10% price deduction. For direct cash-payments, the social enterprise offers 5% price deduction.

Popularization (promotion) strategy – provide answers to the following questions when developing the strategy:

- What are the logo and promotional message of the social enterprise?
- What types of popularization methods and tactics should be used for achieving the marketing goals?
- How do you want to package the products of the social enterprise?
- What personnel (number and qualification) will you need for promoting the products of the social enterprise on the market?
- What is your promotion strategy for achieving your market goals?

EXAMPLE

The message "Cleaner, cheaper, faster" will accompany all promotion events of the public laundry enterprise. The social enterprise puts the main emphasis on the quality of the service offered and on the way it is provided, but stresses also the value of the service as it ensures more spare time for customers.

Promotion Strategy - In order to design a successful promotion strategy you should develop a plan for implementation of the promotion strategy. Activities oriented to presentation of the product to your existing and potential customers are also vitally important for the success of the product. Your promotion strategy should encompass all tools to be utilized in communicating your product/service to your customers, as well as the *means (channels) along which your message will reach the target group*.

PROMOTION ACTIVITY PLAN	COMMUNICATION STRATEGY WITH THE MARKET
• Advertising • Personal sales • Sales promotion • Public relations • Feedback/result measurement • (Customers' response, number of sales, social impact)	• Direct mail (post mail, e-mail); • Media/advertisements (printed media, television, electronic publications); • Promotions (displays, special sales, samples); • Trade exhibitions and conferences; • From mouth-to-mouth; • Support/recommendations; • Mission related marketing and corporate relations

F. Management Plan

This section of your business plan describes the management structure, the team of the social enterprise; as well as organizational relations outside the enterprise.

Essential issues related to the personnel and the organizational structure of the social enterprise:

- Role/functions of current social enterprise team.
- Key personnel – what is their qualification?

- Productivity, responsibilities, and duties of each position.
- Is there a need for recruiting new personnel? If yes, what is your recruitment plan and time schedule for hiring new employees?
- What type of encouragement plan could you use to motivate and keep your personnel?
- What are the specific training and technical assistance needs of the social enterprise personnel? Who will provide training and what costs will be incurred?
- Which is the most appropriate organizational structure for your social enterprise?
- What is your relation to the non-profit organization?

Investors and donors need to know that you have a team of people possessing adequate skills and experience to be able to implement successful business initiatives, so that if any problems occur, their investments will be protected.

Capacity development
The social enterprise capacity consists mostly of human resources, their qualification and experience, as well as of the interpersonal relations in building the organizational culture. Here it is essential that you present your current competence and the new skills that your team needs to acquire so as to be able to develop successfully the social enterprise. If you establish that your team lacks the necessary knowledge for implementing economic activities, you should elaborate a plan for sustainable capacity development.

Management
What is the management structure of your social enterprise? Who has the control responsibility? Who are members of the managing/consulting board? What are their functions/roles?

- Elaborate a detailed job description of the social enterprise manager. Remember, the manager should have business knowledge, be skilled in negotiations, capable to convince people, and to sell successfully.
- Show how your business will be managed – duties, responsibilities, reporting procedures, decision-making authorities.
- Describe the relations to your organization; i.e., how does the social enterprise support the mission of the non-profit organization.

G. Operations Plan

Objectives – now is the time for you to determine the operating objectives of your social enterprise

EXAMPLE

Through implementation of the investment project the social enterprise will aim to improve the utilization of the current production capacities and to introduce new equipment/facilities to meet customers' demands; as well as to create new job positions for women of the social enterprise target group.

Activities:

- How will the social enterprise meet customer's requirements at the operations level?
- How will customer services be managed? What back-up systems will be used to support the social enterprise customers? Make sure that they receive the services they need/want and are satisfied with them.
- How will efficient operations process and quality control be secured?
- How will information/processes be monitored, documented and shared?
- What are the product-plan related costs and the cash-flow requirements? What are the unit-costs for each product? What are the product goals and what is their influence on the dual nature of the social enterprise (double-bottom-line)?

Impact:

- How do you monitor and measure social impact?
- What is the social impact of your social enterprise?

EXAMPLE

Social Impact: number of employment positions for vulnerable (disadvantaged) groups, number of free social services financed by income from the business activity, % share of profit reinvested in social activities, % share of revenues used to cover operational expenses of the non-profit organization, size of government social expenses saved; or early diagnosis, treatment and prevention of disabilities.

- How will the information about social impact be utilized in management decision-making process?

Manufacturing Process:

- Steps in the production and distribution of your product or service
- Internal (in-house) and/or seller provided supporting services
- Analysis of productivity rates and markets (time, personnel, and equipment needed for production and distribution of X number of products/services)
- Inventory management
- Quality control

USEFUL ADVICE

This section of your business plan should include description of equipment and facilities, supply channels, manufacturing process characteristics, and other assets needed for the successful operation of the proposed business venture.

- Describe your supply network in terms of: key suppliers, expenses, scale-up savings, and sensitivity to supply interruptions.
- Describe the equipment and the improvements needed with regard to: convenience, scale, limitations, leased or owned.

- Present a list of needed equipment, including furniture and utilities, accounting for convenience, scale and usefulness
- Describe your management information system: monitoring, control and reporting.

H. Financial plan of your social enterprise

This section of your business plan should include draft financial documents that will help you turn your business goals into reality. One of the most difficult tasks is to draw an effective financial plan. This requires good knowledge of the basic tools of financial management; as well as organized financial accountability, and especially skillful operation with financial analysis techniques.

1. Financial planning objectives
2. Start-up costs projection
3. Pro-forma (Projected) income statement
4. Pro-forma (Projected) balance sheet
5. Pro-forma (Projected) cash flow statement
6. Break-even analysis.

You shall answer the following questions:

- Financial goals – what amount of money will you need, how will you provide it and how will you use it?
- What is your financial strategy/sustainability strategy? How will your social enterprise raise and manage funds needed?

The overall purpose of the social enterprise is to create sustainable social value for its clients. Your main concern should be to make sure that you have developed a clear strategy for achieving sustainability. Consider plans for achieving a financial minimum against fundraising plans, good financial management, and implementation capacity.

Resource acquisition plan

- Who has invested in your social enterprise; i.e., investments history?
- Information about your funding sources in the past will help potential investors to draw conclusions about the level of support provided to your business venture; as well as about the dependability of your social enterprise and its team. Social enterprise financial history increases investor trust.
- Where/who from, and how will additional funds be gained? (Resource acquisition plan)
- What are your relations with former/current investors?

Budget

What are your financial needs in support of the above plans (Budget)?

Financial reports

Present three-year projection statements with notes:

- Profit and loss statement (annual)
- Cash flow analysis (annual)
- Balance sheet (annual).

Describe in detail how your calculations and projections were made, provide analysis of the financial projections/statements. What are the overall conclusions about your social enterprise?

What is your contingency plan/thorough analysis of major risk areas?

- Emphasize the key elements of your pro-forma financial statements and the key financial indicators for assessing your business.
- Key financial elements include: sales revenues, income from operations, operation margins, net income
- Key financial indicators may include: break-even point, administrative costs as % of sales income, sales to employees, fixed or variables costs
- Be moderate in your projections
- Prepare a "sources and uses of funds" table, including capital equipment and working capital information
- Seek external expert assistance, if necessary.

Be certain to know exactly the base/source of each point in your plan.

I. Risk assessment and contingency plan

It should cover risk factors related to your organization, the social enterprise and the external environment as well as plans for mitigating these risks.

- Make an accurate risk analysis, for example if sales drop below X % of your projections.
- Identify major risks:
  1. Low sales
  2. High operating expenses; low margins
  3. Problems in recruiting adequate personnel
  4. Marketing problems, barriers, expenses
  5. Operation problems that affect product quality; delivery time
  6. Consequences/action plan in case any of the above risks becomes real
- Described your risk mitigation plan – available resources, possibilities for risk insurance.

J. Supporting documentation.

And, finally, having completed the business plan of your social enterprise, you may include some additional (supporting) documents such as:

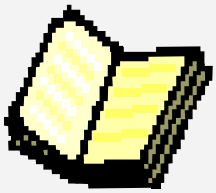
- Personal resumes of key management officers
- If necessary: location maps, equipment list, insurance policies and costs, regulatory issues, rent/lease agreements, legal documents.
- Statistical and market data sheets
- Letters in support of your initiative (e.g. from sellers, suppliers, key customers, business organizations).

Chapter 5

FUNDING SOURCES FOR SOCIAL ENTERPRISES

Chapter 5 of this manual makes an overview of funding sources to support start-up of social enterprises in Bulgaria.

IN THIS SECTION



1. **Start-up capital**
2. **Self-funding**
3. **Loan-capital**
4. **State-funding**
5. **Partnership**

1. Start-up Capital

The developed business plan is the base to estimate financial needs of your social enterprise in order to cover start-up expenses and support proper operation before the foreseen revenue becomes available. In other words, based on your business plan you make a summary of your start-up capital. Determination of your start-up capital is a very important step since without knowing precisely what you need, you can not know, naturally, where to get that what you need.

After you have determined the amount of the start-up capital, you start thinking of how you will provide these resources – what you already have in-your-pocket and what you have to get from elsewhere. It is necessary to state that established businesses have more sources-of-funding; however, there are only a few sources of capital for financing of new entrepreneurs, especially when it comes to social enterprises. Hence, it is essential that you make a detailed analysis of your own resources first, and research the opportunities for obtaining additional funds.

Compared to traditional entrepreneurs, social enterprises have one major advantage regarding access to start-up capital, namely that they have the opportunity to apply for grants targeted at non-profit organizations, or to receive state subsidies. These options will be reviewed later in this section.

2. Own Resources (self-funding)

The major sources of funding for starting a new business are the organization's own financial resources. These comprise:

- Financial savings/reserves of the non-profit organization, which could be used to start the business activity.

EXAMPLE

Samaritans Association in Stara Zagora accumulated income from various projects implemented by the organization in a "Reserve" Fund. The organization utilized this resource to make the initial investment for the start-up of a social enterprise; specifically, bee hives for honey production were purchased.

- Personal resources of social enterprise managers. These could be in the form of personal savings or personal loans from friends, relatives and other supporters of the organization. It is easier to attract supporters of the organization to invest in the initiative, when a detailed business plan that provides details of benefits from social enterprise activity is presented to them.

EXAMPLE

The Chairman of Diabetic Care Association in Bourgas decided to invest his own savings to start the social enterprise. Thus, personal loan and savings were used to provide resources for the purchase materials needed to start the social enterprise.

- Financial support in the form of grants (subsidies) awarded for investment in the social enterprise.

Grant or subsidy could be received either from state funding sources or from an international donor organization that supports the development of social enterprises. During the period September 2001 to September 2006, Counterpart – Bulgaria programs, funded by the United States Agency for International Development, provided initial funding for the start-up of social enterprises. These were grants of up to 2,000 USD, which could be used as working capital or start-up investment.

The resources you could obtain from the above listed sources are called "Own investments".

If you do not possess your own resources or share-capital, your chances to obtain loan-capital diminish substantially. Hence, it is essential to attract your own/private resources for starting your social enterprise.

3. Loan-capital

You can apply for loan capital with a bank or with some other financial institution. It is necessary to make a thorough research of bank-terms and requirements for awarding credits to start a business activity, since different financial institutions may have different credit conditions.

Usually finance institutions request a guarantee for loan-repayment through a pledge or personal guarantee. The possibilities for a social enterprise to receive bank-loans depend mostly on its legal and organizational form. For the business-entity chances to get a bank-loan are much better than for a non-profit organization. However, during the past years a number of financial institutions that consider providing loans to non-profit organizations have emerged.

EXAMPLE

During the period 2003 – 2005, a Social Enterprise Credit Fund existed within the Social Enterprise Foundation, which was founded with the financial support of the United States Agency for International Development. The Social Enterprise Credit Fund provided access to financial resources by granting no-interest credits for non-profit organizations to start and develop social enterprises. Maximum loan amounts were up to 5,000 USD to be used for investment in assets or as working-capital with a repayment term of 2-to-24 months and a grace period of up to 3 months. Examples of collateral accepted were – personal guarantee, pledge, or mortgage.

4. State-funding

Practically, no specialized fund or state funding program is explicitly oriented to supporting social enterprises. Nevertheless, social enterprises can avail themselves of a number of opportunities within initiatives and programs for social investment, social assistance, and social capital development funded by state agencies.

1. **"Social Assistance" Fund** – this fund is open to fund applications from social enterprises, registered as social service providers with The Agency for Social Assistance registry. Funds are provided in the form of grants after project approval and can be utilized for purchase of long-term assets, modernization of existing or building new facilities to provide social services.
2. **Social Investment Fund**– provides financial support to projects and activities aimed to strengthen the existing social protection system by supporting initiatives and projects addressing poverty and unemployment issues. Funds provided by SIF can be used as capital-costs or investment expenses for the purchase of long-term assets.
3. **Disabled People Agency** – supports projects and programs oriented to disabled people. Those social enterprises that target disabled people and meet the criteria set in the respective program may also apply for funding.
4. **Beautiful Bulgaria Program –** one of its components involves improving the social infrastructure. Funding is provided for repair and construction work of social institutions and facilities for social services. Social enterprises operating such facilities (which are state or municipal property) may apply for repair-work funding.
5. **"From Social Assistance to Employment" Program** – provides financial support to cover salary and social insurance costs of unemployed people hired by a social enterprise to perform activities for public-benefit.

In the future, state and municipal funding for social services will have an ever increasing role in the development of social enterprises, social service providers, and in facilitating the process of social contracting and decentralization of social service responsibilities.

What is social contracting?
Provisions under *Article 24 of the Social Assistance Act of Bulgaria* offer opportunities for non-profit legal entities, providers of social services, to receive funding from municipal and/or state budgets. Funding is provided through a tender procedure for provision of social services. Despite the lack of substantial experience in offering social services, social enterprises promise to become a dependable partner to state and municipal governments in providing social services. One of the major obstacles to the development of the social contracting process is the lack of adequate capacity within non-profit organizations; as well as their lack of long-term development strategy. In this context, social enterprises have a competitive advantage due to the income they generate from business activities, which contributes to the financial sustainability of the organization.

EXAMPLE

One of the first competitions for social service provision was organized at the end of 2004 by Pazardjik Municipality. The 5-years municipal contract was awarded to the Association "Chovekolubie" to provide a social service "Center for Social Rehabilitation and Integration of People with Mental Disorders". This social service represents an activity that is on the State' agenda and funded by the State budget. The center has a capacity to serve 32 clients and there are 9 specialists engaged in the following programs: Social Club, Household Skills Rehabilitation Program, Labor Skills Rehabilitation Program, Specialized Library "Chovekoznanie", Social Skills Training Program, and Music-therapy.

Within the Association, there is a social enterprise which provides employment through labor-therapy for people with mental-disorders who are clients of the center. The diverse activities of the social enterprise include: production of and trade in souvenirs, home deliveries, collection of recyclable wastes. In this way the social services provider does not only rely on the limited state funding alone for supporting the center's operation, but also generates income through its business venture and creates job opportunities for more clients of the center.

5. Partnership

Establishment of partnerships to attract resources and support for social enterprises is a still an underestimated opportunity by non-profit organizations, although partnership is one of the most valuable resources for the non-governmental sector. At the moment the most common form of partnership comprises exchange of human and non-material resources between non-profit organizations and local governments. Other forms of partnership such as partnership with business are at a very low level.

Social enterprises should try to establish partnership with business entities by identifying common issues of interest and mutual benefits. This requires profound knowledge of the business sector; as well as of the business needs that could be addressed by the social enterprise. The existence of strategic-partnership relations is of utmost importance for the success of each social enterprise. Potential strategic-partners of social enterprises could be representatives of the three sectors – local government, public institutions, and business. Moreover, partnership and cooperation with other social enterprises could result in mutual benefits in the access to various markets and running joint-production.

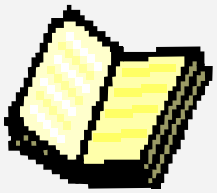
EXAMPLE

Association "Health for Everyone"– Pleven operates in the area of providing technical-aids to disabled people. The association has a trading facility, sample and in-stock products supplied by various manufacturers. One of the strategic goals of association is to establish branches and sales-representatives in different regions across the country. Within the social enterprise network in Bulgaria, Association "Health for Everyone" has found partners in five municipalities and signed partnership-agreements with them to act as their sales representatives. In this way, Association "Health for Everyone" reaches new clients and expands its market-share, while the other 5 social enterprises develop a new service and receive training and initial resource support in the form of products-for-sale.

Chapter 6

SOCIAL ENTERPRISE DEVELOPMENT

IN THIS SECTION



1. **What should we know before starting a business?**
2. **Typical mistakes in the start-up phase**
3. **Positioning and competition.**
4. **To be ready for the business challenge.**
5. **What to do with the business plan.**
6. **The role of business consultants.**

New entrepreneurs have better chances of success if they have prepared themselves meticulously, have a solid concept, and have made the best of pre-start assistance received from consultants.

1. What we should know before starting a business?

At present, the success of a company is determined not by its size, but rather by its flexibility, adaptability, and inventiveness. New economic and technological developments create promising opportunities for success, new needs and dynamic demands, open market niches for products and services to which social enterprises could adapt faster than the less flexible big companies. The "small" and "beginner" companies are very often those who are responsible for the most desired revival of competition.

2. Typical mistakes in the beginning

There are a number of typical mistakes that may cause failure of social enterprise start-up. The most common are:

- Very often social entrepreneurs do not have clear vision of the main goal of the social enterprise, namely to generate ample income to ensure the sustainability of the non-profit organization.
- Most of the social enterprises in the initial phase of their development refuse to ask for consultations by tax, economic, industry and legal experts due to over-estimation of their own capacity, or to initial over-zealousness.
- Lack of or insufficient planning.
- Superficial (insufficient, scarce) economic knowledge.
- Insufficient own capital.
- Lack of knowledge or inaccurate assessment of market development trends.
- Poor quality of the products/services offered.
- Pricing of products/services. It is necessary to state that non-profit organizations providing free-services to its target-group face serious difficulties in

appropriately pricing its services. Remember: everything has its price, including the volunteer labor, hence these costs should be calculated in service's prime-cost.

USEFUL ADVICE

Before deciding to start a social enterprise, make sure that you are capable of changing your operational approach. Marketing approach to business is based on the underlying principle that an enterprise will exist only if it meets consumers' needs and desires, and will develop successfully only if it does this in a better way than its competitors.

3. Positioning and competition

In order to position itself on the market, the social enterprise should identify the strengths and weaknesses of its competitors as the realization of its own strategies and goals depends on them. Competition analysis outcomes will suggest the best approach to competitors and the potential need of a cooperation strategy.

One possible way to assess your competitor's strengths and weaknesses is to award rating-points (score) to each of the assessed factors. A model assessment of two competitors is presented in Table 1. We score each of 9 selected success factors from 1 (weak) to 10 (very strong). For purposes of accuracy, the assessment technique also includes the weight coefficient of each factor. The assessment determines the overall rating for each of two competitors from 1 (low) to 10 (highest).

Table 1. Assessment of competitors' strengths and weaknesses

Key factors of success	**Factor weight**	**Score**		**Overall rating**	
		competitor 1	*competitor 2*	*competitor 1*	*competitor 2*
1. Product quality	0,1	8	5	0,8	0,5
2. Reputation	0,1	8	7	0,8	0,7
3. Access to materials	0,1	2	10	0,2	1
4. Technology	0,05	10	1	0,5	0,0
5. Advertisement effectiveness	0,05	9	4	0,45	0,2
6. Distribution	0,05	9	4	0,45	0,2
7. Financial status	0,1	5	10	0,5	1
8. Costs level	0,3	7	10	1,5	3
9. Price competitiveness	0,15	5	7	0,75	1,05
TOTAL	**1**	**61**	**58**	**5,95**	**7,7**

It is necessary to consider various options for response to competitors. Usually competitors are identified as "to attack" and "to avoid". For example:

- Attack strong or weak competitor. Weak competitors are easy target, but the benefit of attacking them is modest. You could achieve more by attacking some weaknesses of a stronger competitor.

- Attack close or distant competitors. Although, as a rule, companies tend to compete with similar firms, they should refrain from attempts to destroy their close competitors. This would change the market-balance and lead to emergence of stronger competitors (who have bought the bankrupted ones).
- Attack "bad" or "good" competitors. According to M. Porter, each industry has "good" competitors - the ones who compete obeying-the-rules and contribute to market balance, growth, and development. However there are also "bad" competitors who do not compete fairly. You should attack mostly "bad" competitors.

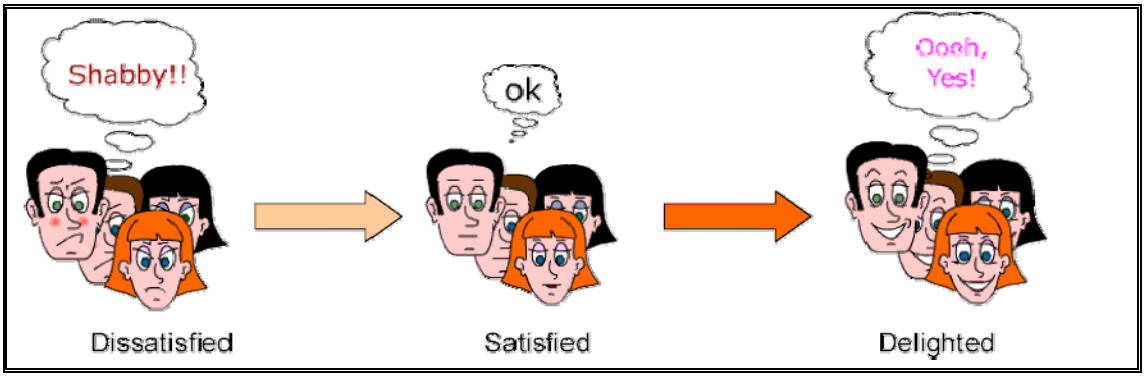
Test the market

The real test for your social enterprise start-up plan is when the products or services you offer are launched on the market. You can not estimate in advance neither the behavior of your competitors, nor the attitude of your customers. You should, however, try to forecast this behavior so as to make the best performance on the market.

Our customers

Social enterprise customers are people who realize the need of a particular product or service and are ready to pay for it.

The key to success of your business is good service to customers!



What is manager's role?

- Perceive care for your customers as company philosophy
- Formulate with the assistance of the team a basic rule, a principle that defines the social enterprise attitude to customers
- The key to success is to create a positive dis-balance outweighing customers' expectations.

First impression is most important:

- Welcome your clients with a greeting
- Your eyes speak too
- Smile
- Break the ice
- Give the customer the opportunity "to try for him/her- self"
- Look after your appearance and your workplace
- Learn to speak on the phone
- Be polite! Never forget to thank

- Have respect for others and demonstrate it
- Address your customers by name
- Learn to listen
- Go beyond customers' expectations. Anticipate their needs.
- Make compliments. Demonstrate your positive attitude.
- Disarm an ever complaining client.

How to build care-for-customer culture:

- Full support by management team
- Understanding the need of "technologic time"
- Full commitment of employees
- On-going training
- Use bonuses to encourage proper attitude
- Clear rules, regulations and bans
- Have fun at the workplace.

The role of human resources

> "There are four basic skills that a social enterprise manager should possess or acquire. These are: sales, accountancy, investments, and leadership. If you find it a tough job, then that means that one or more of these skills are not up to standard"
>
> *Robert Kiossaki*

Remember that organizational culture could not be "enforced" by orders. Its establishment is a process that takes some time. Therefore, look for employees with a positive-attitude to work with people. When you meet people with excellent skills for work with customers, try to attract them in your enterprise. Specific job-skills can be acquired, but inner-attitude to work with people is difficult to develop. It is not always possible to teach someone to be caring and attentive, and these are the essential qualities for good service to clients. The best indicator whether an employee is a service "champion" is: who is he/she working for? If he/she understands his/her role as "working for the customer in the first place", then he/she is really one of the best. Do not miss opportunities to hire such people, because attitude to clients reflects attitude to the organization.

How to establish a social enterprise image

Collaboration with trustworthy organizations and interested market players may facilitate business activity of the social enterprise and provide it with opportunities to achieve its goals and mission. It is essential for a social enterprise to analyze the benefits of a partnership to improve or increase social value and provide better service to customers.

Corporate PR is what makes the image of an organization understandable for the public. Public-relations create trust and understanding – that "magic component", which evokes in consumers and market players attachment, empathy, and loyalty.

REMEMBER

Your social enterprise should meet certain criteria and standards. Take care that you do not go astray – thus you communicate several messages to the market: that you are "a man of his word", that you are trustworthy, and that you have a loyal-attitude to customers. Never doubt the importance of establishing and following your own rules.

4. Are you ready for the business challenge?

Are you convinced that to start your own business is a big step that will change your life and the life of your organization? The responsibility for the success of your social enterprise lies entirely with you. Your success and the success of people working for you depend on the success of your social enterprise and on your performance as a manager.

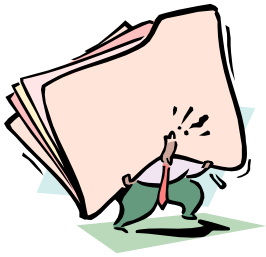
You have freedom of action in managing your enterprise, but this means also long hours of hard work for you. No doubt, this work will be rewarded with substantial income and a feeling of satisfaction, but will not leave you much time for your family, friends, hobbies, and rest.

What are the challenges of business?

- You should be physically prepared to endure a 24-hour workday, 7 days a week.
- You are well prepared to be in control of your work even in the presence of numerous problems.
- You can concentrate in times of stress and make the right decisions
- You are capable of doing your everyday work and still have time to read specialized literature, attend training courses and seminars, and learn - learn a lot!
- It is easy for you to establish contact even with complete strangers
- You are self-confident in your abilities to get your way with your collaborators, customers, suppliers, and competitors.
- You are capable of making quick and right decisions, when necessary
- You can handle bad turns
- You are ready to invest money, time, nerves and energy in business
- Your team and the members of your organization are willing to assist you and support fully the business idea.

Keep in mind, however, that average investors and small business owners often suffer financial-loss due to lack of a supportive team. Instead as a team, they act as individuals and fail to build a team and delegate tasks adequately. Your role is to create the invisible code of the social enterprise that would bring together ordinary-people and turn them into a champion-team.

5. What is the future/further role of your business plan?



Bulgarians believe that there is no use in planning, as you never know what will happen tomorrow. For successful entrepreneurs, however, the business plan is a basic work document: it outlines the logic of your activity to achieve set goals. In this context, it is the "red thread" that you should follow.

You have developed your business plan so that it "works", be put into practice, and not just as "decoration" for the social enterprise. Hence, it serves as a tool to achieve and report social enterprise goals; as you have identified there the means for their accomplishment and commensurable criteria for evaluation of social enterprise performance.

Furthermore, the business plan allows you to apply for loans, identifies you to your business partners, or partner organizations and institutions for implementing joint activities; and motivates the social enterprise team since the end-goal and the means for its accomplishment is clearly formulated; i.e., they know what to do, why to do it, who will do it, and when to do it.

Is the business plan alone sufficient for the successes of a social enterprise?

Proverbial skepticism of Bulgarians has resulted in the philosophy "I do not need advice, I need money." Is, indeed, money alone a prerequisite for business success? Availability of financial resources is a major factor for successful business development, but management and marketing skills are equally important. Skills-acquisition is a process in which business consultants and consulting agencies play a significant role.

An advantage to organizations starting a social enterprise is that, thanks to the Bulgaria Community fund and Social Enterprise Program implemented by Counterpart International – Bulgaria, a network of consultants and consulting agencies was established that is well aware of social enterprises and their needs.

6. How can a business consultant assist you?

It is crucial for you to understand that the successful start of a social enterprise is a difficult task to accomplish by the organization alone: due to its insufficient business-skills and insufficient market-knowledge; and finally, because of the required changes in the organization of work, communications, etc. Therefore, it is recommended to approach a specialist who can consult you and give professional advice.

A business consultant could be helpful in each phase of preparation and start-up of your social enterprise: during the development of your business plan, and during the operation of your social enterprise; because as an external expert he/she will objectively assess your organization, the need to acquire additional knowledge and skills, and the potential of your business idea.

He/She will assist you in market research and analysis, in formulating your business idea, positioning your products/services on the market, and developing the business plan. He/She will advise you on appropriate advertising methods and media for promoting your products. At the same time he/she will help you keep the balance between social activity and entrepreneurship, and will often "ground' you when you get overwhelmed with the idea and feel the ground slipping under your feet.

As a rule, business consultants have access to relevant information and contacts which could be useful for your business; for example, in identifying business partners, distribution of your products and services on the market, identifying organizations and institutions for possible cooperation, receiving loans, etc.. Thus, you will save time and extra efforts which are crucial at the start-up phase of your social enterprise.

USEFUL ADVICE

- *Do not expect the business consultant to solve your problems "with a magic wand".*
- *Do not request him/her to write your business plan for you, as you will be the ones to implement it, not him/her.*
- *Do not feel awkward about asking questions, but remember Bertolt Brecht's motto "There are no stupid questions. There are stupid answers".*
- *Do not be afraid to trust the business consultant. Remember that he/she is on your side, and yet could be of use only if you work as a team and provide him/her with accurate and true information.*

Chapter 7

RISKS AND CHALLENGES

Because of their double bottom line nature, social enterprises face twice as many challenges as do traditional businesses. The main risk is to break the link between organization mission and enterprise goals. An organization's mission is based on values, established and approved in its by-laws. These are values shared by members of the organization and people whose issues address the social services provided. Business problems may impede achievement of the social goals as the latter are left behind with time. Financial objectives are easier to evaluate and measure than social goals.

When making a decision to establish a social enterprise you shall have to define clearly and state explicitly how the social enterprise goals will fit into the organization's mission. If you under-estimate this process, you will encounter risks. The social enterprise may break-off your organization and evolve into an independent trade-company that does not support the social mission. Members, supporters, and even the entire target-group, may withdraw their support which will "destroy" your organization. The organization may "stifle" the business by trying to assign to it more social functions than it can handle. Finally, business failure may "drown" the entire organization if the latter invests all its assets in the business activity.

Do not allow a contradiction between the business goals and your social mission! Otherwise you may lose both!

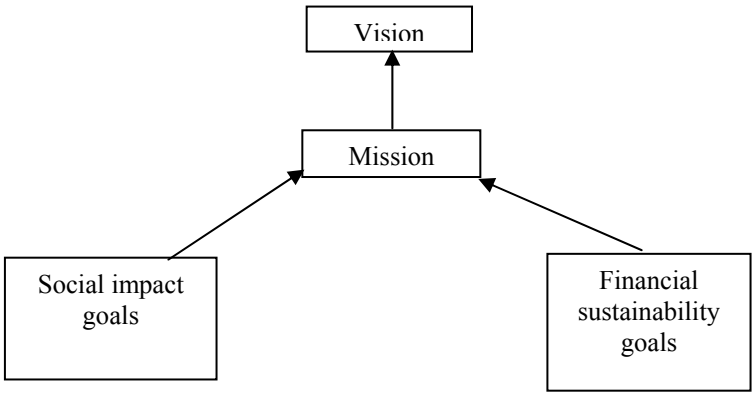
In order to mitigate these risks you should undertake measures to minimize the dis-balance between social-mission and business-goals.

The social goal should be clearly formulated as inseparable from the social enterprise mission and the organization mission as a whole.

- What values will be determining in the organization's management of the social enterprise, and in the decision-making process?
- What is the social goal of the enterprise?

The social-element of your business-activity is an indicator for the social-impact of your business on its target-group, and for the degree of appreciation of this social-impact by the target group.

Social-Mission and Business-Goals



> "Success is not final, failure is not fatal: it is the courage to continue that counts"
> *Winston Churchill*

ANNEXES

ANNEX A. Examples of Successful Social Enterprises in Bulgaria

The Experience of "Open Door" Social Enterprise Ltd., Pleven

> "In times of change, learners inherit the Earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists."
>
> *Eric Hoffer*

Who Are We

"Open Door" Center, Pleven was established as a non-profit organization with aim to help women victims of violence, to receive professional support and recover from the violence they have experienced. Now this is the only organization in Pleven Region, which offers social, legal, and psychological help to women, who have suffered violence at home, work, and in the street. Our mission is to create a violence-free world based on the differences between the sexes.

The Path We Have Taken

Development of a business-idea and establishment of a social enterprise, which is something new and unknown in Bulgarian non-governmental sector.

Our reason to choose a social enterprise:

- Opening work places for non-qualified disadvantaged women who temporarily staying at the "Open Door" shelter.
- Provision of funds for maintaining the shelter.
- Using all organization's assets. The center is located in a building with a ground floor, which was converted into a laundry and ironing room, where the social enterprise performs its activity.

Implementation of the Social Enterprise Concept

- Main activity: Opening a laundry facility, that includes a drying and ironing workshop. The orders from individuals, institutions, hotels, and catering companies are taken there.
- Additional activity: cleaning offices, homes and buildings, and door-to-door trade of washing and cleaning supplies.

Laundry and ironing services have been offered since May 2004. Initially, the enterprise had 2 washing machines.

The Steps We Have Made

After we made sure that our organization was ready to develop the social enterprise, we analyzed the business idea – was it realistic, did we have the capacity to implement it, what were the risks and the potential impact of the social enterprise. The next step was to choose the suitable legal and organizational form. Since the business activity was not directly related to the organization's non-profit purposes, we registered "Open Door Social Enterprise Ltd.", with "Open Door Center" being the sole owner of the capital. We needed a team, equipment, issuance of permits, and detergent suppliers to get

started. So, our next step was to conclude an agreement for distribution of washing and cleaning supplies in Pleven and Lovech Districts and start our first business activity – cleaning and door-to-door trade. In order to buy the equipment for the laundry and ironing room we needed funds, which we provided through an interest-free loan from Counterpart – Bulgaria; under its USAID funded program.

The Result

Our clients are:

- EIBANK–Pleven,
- First Investment Bank,
- Post Bank,
- Subscription services for Palfinger, an Austrian company in Cherven bryag,
- DCC 2
- "Nachala" Cooperative
- DNA Pleven
- "Art Stroy" Ltd.
- Restaurants: "Central",
- "Avangard",
- "Imperial", and
- "Phoenix"
- 4 beauty saloons

Now in Pleven there is a functioning laundry and ironing social enterprise within "Open Door Center", where apart from the financial results, 4 new jobs have been created of which 1 is for a disabled-woman and 2 for permanently unemployed women.

Our advertising motto: Faster, Easier, Handier, provides up to 130 orders from new corporate clients per month, and reaching the capacity of 130 orders per month for the laundry services. The policy of the social enterprise is to gain regular clients through high quality services and competitive prices.

Our enterprise has achieved the following social impact: 20% of the social enterprise's sales revenue in 2005 was submitted to the association, and 85 % of the regular costs are covered by the revenue from the business activity. New long-term assets have been acquired – washing machines and equipment. But the most important effect of launching the social enterprise is the enhanced sustainability and image of our organization. People, who depend on our help, regard us as an organization with a long-term development strategy, and financial stability.

The Future

If we wish to remain competitive, we have to invest constantly in the business activity, find new market-niches, and widen the scope of services we offer. We have some highly ambitions goals: we wish to increase our market share by 15 % and open 3 new work-places by the end of 2007. That is why our strategy includes expansion of the service-package for individuals and companies – cleaning after repair works, part-time cleaning; and development of accompanying services – subscription services,

"Household Master-hand" and "Household Help" services, differential pricing, and intensive promotion and advertisement.

How Did All This Happen

According to Mrs. Zlatka Macheva, Manager of the social enterprise, the formula for success may be summarized as follows: motivation, competence, constant training. Launching a social enterprise is a great challenge to non-profit organizations, which would be impossible without the vital help of external structures, such as Counterpart – Bulgaria. Our social enterprise would not have met the high market and competition requirements without the technical assistance provided by the business consultants, who gave us professional advice how to overcome everyday difficulties.

How to find us:

"Open Door" Social Enterprise Ltd.
5800 Pleven, 55 Neofit Rilski Str.
Tel: 064/800 933; 064/846 713, e-mail: opendoor_centre@hotmail.com
Manager: Zlatka Macheva

Association for Social Support– Dryanovo

Who Are We?

Association for Social Support is a non-profit organization, registered in 1997, as an association for public benefit, whose mission is to work for improving the quality-of-life of disadvantaged people in Dryanovo Municipality. Initially, the organization worked under various projects for external donors concerning the elderly and disadvantaged people – disabled, minorities and permanently unemployed. In 2002, the organization analyzed its work and came to the conclusion that the main problem was the lack-of-funds to continue its activities, due to the reduced financing under the projects. Another main problem was the lower popularity and momentum after the end of the external-donor funded projects, and lack of motivation and confidence in the team.

The Path We Have Taken

After we identified the problems facing our organization, we chose the way of the social enterprise which seemed quite difficult then, but guaranteed long-term sustainability. At that time the term "social enterprise" was unknown in Bulgaria, but we gained confidence when Counterpart - Bulgaria started the Social Enterprise Program. Thus, we became enthusiastic about the social enterprise idea, and Counterpart gave us the purpose – gaining experience and skills in social entrepreneurship and preparation for the establishment of our social enterprise.

Implementation of the Social Enterprise Concept

The social enterprise within the Association for Social Support offers paid social services to elderly and bed-ridden ill people. These are activities, which the organization performed free-of-charge under certain projects, and the main challenge was how to make people think that social services have their price and someone has to pay for them. Now the social enterprise is a Complex Social Services Civil Center, which provides services in a day care center, home care, social services office and rehabilitation center.

The Steps We Have Made

Starting our social enterprise was difficult as every beginning is. Our first goal was to get ready for the new initiative and acquire skills we lacked at that time. We participated in business trainings, which taught us what "market" and "competition" were; as well as how to make money through providing social services. Theory sounded good, but when we had to put it into practice and calculate the prime-cost and market-price of our services, we felt uncertain again. In these cases, our business consultant, who was supporting us during the entire process, helped us overcome the difficulties and allow us to continue.

The next important step of the start-up process was to research the social services market through conducting surveys, and launching pilot events to provide services typical for the enterprise against payment. Thus, by surveying and testing the service, we obtained the necessary information to identify the business idea and launch a social enterprise.

The next step in our development was to provide state funding for the delivery of the social services. This became possible after Municipality of Dryanovo held a competition

for Social Contracting and our association won the management of the Day Care Center for Elderly People. Although the social enterprise diversified our financing sources, we continue to conduct a yearly survey of the needs of the target groups, analyze the results, and based on this, to broaden the scope of the services.

The Result

Now the Company for Social Support has a functioning **Complex Social Services Civil Center** established in 2003, with 4 branches: *Day Care Center for Elderly People* offering warm lunches, medical examinations, and organization of parties, trips and social activities. The second branch is *Home Care services*, taking care of a sick person, cleaning. The third branch is the *Social Services Office* providing administrative and transport services, consultancy and information. The forth branch is *Rehabilitation Center* which includes a fitness-gym and recreation services.

The social enterprise offers a total of 50 social services and has 52 clients per month on average. The revenue from the business activity is invested into services for the target groups, who cannot pay for them or for disadvantaged people out of the social support system. At the same time, the social enterprise employs permanently-unemployed women and disabled people.

The Future

The social enterprise is characterized by its intention to focus mainly on the target groups, while accepting that the revenue from its activity will be lower in favor of the big social impact; i.e., making its target groups believe that they have to pay for the services they receive. At the same time, it is developing a strategy to expand the market by offering its services in another market sector. The new aim of the organization is to open a home-for-the-elderly, in view of the growing needs of the ageing population in the region. This will close the circle of our services and involve a new group of clients.

How Did It All Happen

In our dynamic environment, an organization cannot be adequate if it is not ready to make changes and put them into practice. This, according to Mrs. Stella Dimkova, Manager of the social enterprise in Dryanovo, is the key to success, but it cannot be achieved without the high motivation of the team and close cooperation with the local-government: at present, the organization has achieved relative financial sustainability and works for the expansion of its social activities. It is also highly respected by the local community and enjoys greater popularity at local, national, and international levels. The guarantee for the future development and prosperity of the organization is its highly motivated team, which is more confident and ready to generate new ideas.

How to find us:

5370 Dryanovo
199 Shipka Str.
Tel: 0676 / 31-40 and 41-58; Fax: 0676 / 31-15
e-mail: dspbul@mbox.infotel.bg
Web site: www.social-assistance.org
Manager: Stella Dimkova

Samaritans Social Enterprise, Stara Zagora

> "Freedom is at the tip of the spear point."
>
> *Miguel de Cervantes Saavedra*

Who Are We

Samaritans Association was established in 1998 with the mission to work for the adequate social integration of disadvantaged children, adolescents, adults, and families in Stara Zagora Municipality. Until 2004, the Association had implemented 20 projects and initiatives with public significance, helping vulnerable groups of children and families. The association has a functioning social and training support-centre for children-at-risk, "Samaritan House Crisis Center" and a "Social Services Center".

The Path We Have Taken

Back at the time when there were plenty of donor funds and programs available, Samaritans Association in Stara Zagora asked themselves the question how would their organization survive under conditions of increasingly difficult access to donor resources, especially within the European Union, and insecure funding from the State budget. Then, analyzing the organization's options and possibilities, the team decided to take advantage of the opportunity to develop business ventures that was facilitated by the Law on Non-profit Legal Entities. Although this decision looked quite attractive, Samaritans set a series of criteria for evaluating the idea for future income-generating activity; such as: to have the potential to acquire the necessary knowledge and skills; to have adequate start-up resources available that could be mobilized; to take advantage of the natural resources available in the region and in the country; to find a market-niche for their business activity; to lobby for industry stimulation by legislation and government policy; to establish in-roads for relatively easy access for new players in the industry; to be able to generate profits covering at least 50% of the organization's costs and expenses; and to provide relatively quick return on the invested resources.

Following this long list of criteria, the young and ambitious team of Samaritans started a three-month research, which brought them to the idea of bee-keeping, production of and trade with honey products, and honey manufacturing tools as the main activities of their social enterprise.

Implementation of the Social Enterprise Concept

> Samaritans Social Enterprise and Association– **a model of social capital**: development through cooperation to create job opportunities, access to production assets, and investments directed at Bulgarian young people.

The social enterprise's activity is related to the production and trade in bee-keeping products, equipment and technologies. The enterprise has been operating for three years as a social economic instrument to create an efficient business environment. The development strategy of the social enterprise is based on conducting business for charity and provision of social services for the clients of "Samaritans Association". The standards of behavior they have chosen are not due to business in its own sake, or to make personal profit; rather to provide the organization with activities so that it can

achieve its main purposes. This approach has determined the choice of the social enterprise's present and future clients; it facilitates the dialogue with the institutions, media, and citizens; promotes the introduction of steady social-innovations in society; and makes the language of social activities and practices more understandable.

The Steps We Have Made

After we chose bee-keeping as a subject of our social enterprise, we analyzed and surveyed this sector in detail. The most important thing was to involve a bee-keeping expert to join our team. After that, we had to find funds for initial investment in order to buy bee-hives and establish the apiary. Here we applied the innovative idea to raise funds for our economic activity through the initiative "Buy a hive, support a child"– we made our donors invest in hives. The reasons for investment introduced by Samaritans Association are very convincing: if a hive is bought at the beginning of the bee-keeping season and the year is successful, at the end of the season the value of the production fully covers the costs of the investment in the hive. Thus, during the first year it fully pays back, and over the next 15-years it could make a real profit.

The Result

Today Samaritans Association is one of the leading producers of honey and bee products. Its production is divided into three main groups: own products – 20 types of honey in 60 different packs, bees-wax, bee glue, and souvenir candles made of natural bees-wax.

The other group consists of distribution products – high quality bee-keeping equipment and technologies. Since 2005, "Samaritans Association" has been an official representative for Bulgaria of "Swenty", a Danish company, one of the biggest manufacturers of bee-keeping equipment in Europe. Thus, the social enterprise becomes one of the leading importers and at the same time encourages and supports new bee-keepers.

The Future

"If we don't develop our business according to the market requirements, we will hardly survive". With this motto, Samaritans Association strategically planned its future through expansion of the scope of the social enterprise. Now the association has a functioning "Eurocenter of Modern Bee-keeping and Technologies", which prepares a new generation in bee-keeping. In order to widen its market-share and sales-capacity "Samaritans Association" invested in a bee-keeping shop and an on-line catalog-sales e-Shop in the Internet-site of the organization. The social enterprise aims to start delivery of all their products at homes and offices in each town or village. The organization has also planned to participate actively in special exhibitions and bazaars, and to become a host and organizer of the international bazaar exhibition "Face to Face with the Producer".

How Did It All Happen

The most important factor for the success of Samaritans social enterprise is its young and ambitious team. Actually, youth is what makes the organization look for innovations and non-standard decisions. The establishment of strategic-partnerships is also crucial for Samaritans. None of its initiatives have been planned without the participation of the local-government and the Bulgarian Chamber of Commerce and Industry – strategic partners of Samaritans Association. These are key factors to

success; Dimo Dimov, Strategic Planning Manager of the social enterprise, often says that in the year when they started honey production, the results were twice-higher than in the previous years. So, with a bit of luck, the beginning of the social enterprise was very successful and encouraged the team to go ahead.

How to find us:

6000 Stara Zagora 57 Patriarцh Evtimii Str.
Tel: 042/ 621 083
e-mail: office@samaritamsbg.com
Web site: www.samaritansbg.com

Center for Training Programs and Social Initiatives - Yambol

Who Are We

"Center for Training Programs and Social Initiatives" Association was registered in 1996 in Yambol as an association for public-benefit with the following main purpose: development and implementation of new training programs for people of different age-groups and social status, and support to vulnerable-groups for their empowerment and re-integration to social life. During its 10-year history, CTPSI Yambol has implemented 25 projects and attracted funds from external-donors to improve the integration and opportunities of children and adults at risk.

The Path We Have Taken

In 2002, the association decided to establish "Success 21 Ltd" with 50% CTPSI participation, and the rest of the shares divided between the association's members and supporters as individuals. Even then, the Association had the intention to conduct business activity. It planned to use its income and profit to finance seminars with students, parents, and teachers and develop social programs for children-at-risk. Thus, social entrepreneurship became a strategic priority of the organization. At first, it offered paid services – office services, training, and stationery sale. After the organization joined Counterpart's social enterprises program, it got more opportunities to develop its business activity, which would use the assets and strengths of the association.

Implementation of the Social Enterprise Concept

The main strategic goal of CTPSI was to establish a *multi-functional center* for support of children-at-risk and orphans. The implementation of this plan required their own resources; as well as additional funds, which CTPSI intended to obtain from the social enterprise. That is why, the association decided to launch two additional services – babysitting and organization of children's-parties. This happened after analyzing the market for children's-services in Yambol, which clearly revealed a niche for offering flexible services for children and families. During the start-up process of the new services, the Association used its strengths; namely: a trained team, volunteers to take part in the children parties, wide network of contacts, and high popularity and image of the organization.

The Steps We Have Made

The first stage in the development of CTPSI Yambol social enterprise was to clarify its legal and organizational structure and register "Success 21 Ltd". With the separation of the business activity, CTPSI began their main economic initiatives; primarily: office services, a bookshop, and the organization of children's-parties. After identifying the market-niche for baby-sitting, the social enterprise developed a business plan to launch the new service. Market analysis showed that 500 young families with children needed this service and were willing to pay for it. The added value of the children's-services is the ability to let the children spend their time with us after we have talked to their parents. We offer them story reading, painting, modeling, games, children's-movies. The next step was to equip the facility where these services would take place. Last but not least – the role of advertising and promoting the services was very important.

The Result

Today, CTPSI Yambol is a market leader in children's-services in Yambol, and at the same time it generates new business activities. The greater financial independence of the Association allowed more funds to be invested in social services and programs. The Association invested about 70% of its business revenue into the establishment of a *multi-functional center* for support of children-at-risk. At the same time, there is a greater need to help the *professional development of young orphans*, due to which the social enterprises is planning to develop a new activity – construction and repair services. One of the significant social-impacts of the association is the number of the new work places opened – 3 full-time positions and 12 part-time ones. Eight of the employees in the enterprise are people from vulnerable groups. Another important result of the expansion of the social enterprise's activity is the full utilization of all assets and resources of the organization for generating income, which is based on the enterprising spirit of the Association.

The Future

People and organizations which have chosen the way of social enterprise, see their future in the expansion of services in order to enhance its competitiveness. That is why CTPSI Yambol is now planning and developing a new service – construction and repair services at homes and offices and opening a construction workshop. The workshop at the social enterprise will specialize mainly in mobile activities and greater variety of the "Household Master-hand" services. Usually, such services are not profitable for the bigger construction companies, and the independent "master-hands" lack organization and an efficient system of offering and accepting orders. Along with the new services, baby-sitting will also expand. In the next year, the income from this service is expected to double.

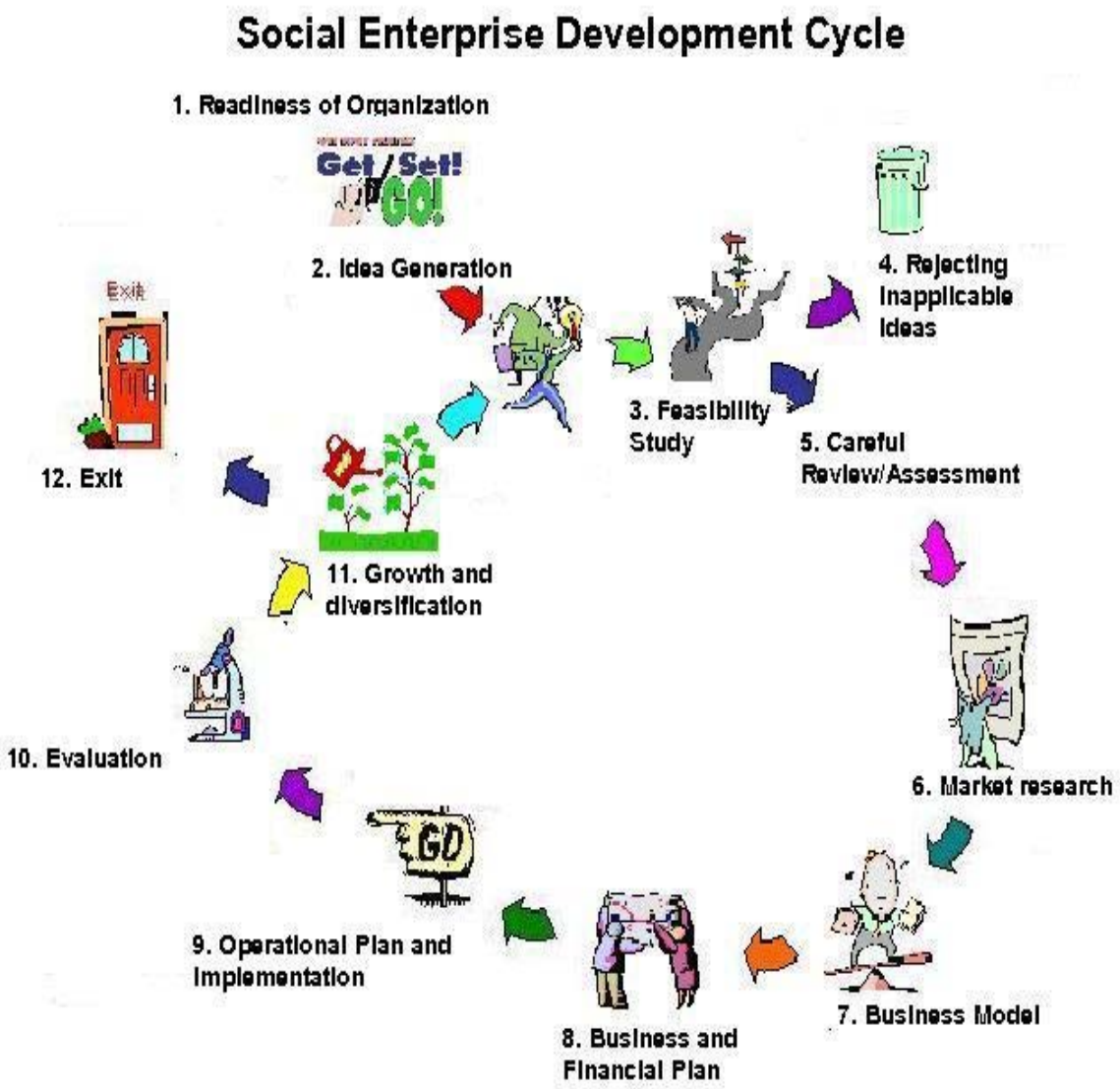
How Did It All Happen

The social enterprise within Center for Training Programs and Social Initiatives was not established by chance. It was a result of the strategic development planning of the organization. Although the organization enjoys a high image among its donors, and often wins project funding, it uses this to create the basis and assets to conduct business activity. CTPSI Yambol is unique for its ability to use all its resources and find market-niches for its services. According to Mr. Zhivko Tsirkov, Head of the Association, the key to success in these dynamic times is to link the abilities and the demands; and thus, the social enterprise turned out to be the mechanism for the organization to achieve its purposes. According to CTPSI policy, their greater independence allows them to help more people.

How to find us:

8600 Yambol
1A Iskar Str., Office 8
Tel: 046/ 66 58 22
E-mail: cepsi1995@yahoo.com
Web site: www.cepsi.org

ANNEX B. Social Enterprise Development Cycle



ANNEX C. Useful Contacts and Information

Counterpart International is an international non-governmental organization working in more than 60 countries around the world. Its attention is focused on people and their communities in an attempt to help-them help-themselves. The most important contribution of Counterpart to civil society development worldwide is the provided access to tools, partnership, and methodology to build dynamic societies supported by vital economies. Counterpart is one of the leading organizations providing support to social enterprises as an important element of local economic development.
Contact: www.counterpart.org

Association of Social Enterprises in Bulgaria
Association of Social Enterprises in Bulgaria was founded in November 2005 by representatives of social enterprises as an expression of their common efforts to work in support of social entrepreneurship, and sustainable development of the non-governmental sector in Bulgaria. Members of the association are non-profit organizations who operate social enterprises with the aim to support disadvantaged people by creating job opportunities, providing training and job-skills, providing direct support/assistance, or by providing social services to help them overcome their social isolation. **ASEB mission** is to stimulate social entrepreneurship and to develop social enterprises in Bulgaria by improving their operational environment, introducing mechanisms for self-regulation, and providing access to resources for the social enterprises. Social enterprise members of the association operate in the following **major sectors**: delivery of social and healthcare services; training and education services provided by social enterprises; social enterprises as employers of disadvantaged people; production and trade /agriculture, souvenirs and art crafts/.
Contacts: office@aseb-bg.org www.aseb-bg.org

Bulgarian Center for Non-for-profit Law
BCNL was founded in 2001 as a foundation to implement activity for public benefit, and to provide legal support for civil society development in Bulgaria. BCNL objectives are to provide support for the development of an effective legal framework and to encourage transparency, accountability, and appropriate governance structure of non-profit organizations in Bulgaria. BCNL experts have performed analysis of social entrepreneurship and of the legal framework for social enterprises, and were initiators for the preparation of a package of legislative changes relevant to social enterprises.
Contacts:
1000 Sofia, 6 Dobrudzha str., fl. 1
Tel/Fax: (+359 2) 988 81 66; 981 66 17
E-mail: info@bcnl.org www.bcnl.org

Integra BDS - Ten Senses Shop
Association Integra BDS is a non-governmental organization that supports the development of small and medium-size enterprises by transforming them into "islands of integrity" which are socially responsible on both personal and corporate levels. Integra opened the first Fair Trade shop, branded Ten Senses, where products and goods with added social value are offered. Ten Senses Ltd. is a social enterprise with a mission combining social and commercial goals.
Contacts: Ten Senses shop, Sofia, 41 Fritiof Nansen blvd. www.integra-bds.bg, www.tensenses-bg.com

BULGARIA COMMUNITY FUND AND SOCIAL ENTERPRISE PROGRAM

This publication was produced with the generous support of the American people through the United States Agency for International Development (USAID). The author's views expressed in this publication do not necessarily reflect the views of the USAID or the United States Government.

ATTACHMENT # 14
Cost Share and Leveraging

COUNTERPART INTERNATIONAL
BULGARIA COMMUNITY FUNDS AND SOCIAL ENTERPRISE PROGRAM
COST SHARE CERTIFICATION STATEMENT

PERIOD REPORTED October 1, 2001 - September 30, 2006

#	Description	Source	TOTAL VALUE USD
I	**INTERNATIONAL TRAVEL, CONFERENCES AND MEETINGS**		
	Community Foundations Symposium, participation of CIB staff member (Monika Pisankaneva): travel expenses	WINGS	**$1 291**
	London Community Foundations Conference: participation of CIB staff member (Monika Pisankaneva): travel expenses	WINGS	**$329**
	Lecture in Bologna University, Program Promotion (Hugh C. Orozco): Air Fair, Hotel, Per Diem	Bologna University, Private Donation (Hugh C. Orozco)	**$1 487**
	Subtotal international travel, conferences and meetings		***$3 107***
II	**TRAINING, TECHNICAL ASSISTANCE, SCHOLARSHIP AND INTERNSHIP**		
	"Effective Communication and Public Relation for Community Funds and Social Enterprises". Donated consultancy and training provision.	Mark Webster Communications	**$7 750**
	Internship with Euro Citizen Action Service for CIB staff member (Monika Pisankaneva): travel expenses	Euro Citizen Action Service	**$1 328**
	Scolarship in Social Contracting Program, CIB staff member (Maria Ilcheva): travel expenses	Anti-Poverty Information Center	**$1 291**
	Monika Pisankaneva - scholarship in Philantrophy, Bologna University: full coverage	Bologna University	**$12 416**
	Daniela Dimitrova (Community Fund Stara Zagora) International Fellowship Programme for Central and Eastern European Foundations and NGOs, Ireland: full coverage	Robert Bosch Foundation, Bank of Sweden Tercentenary Foundation Bernard van Leer Foundation, Charles Stewart Mott Foundation, Trust Foundation	**$4 575**
	Subtotal training, technical assistance, scholarship and inernship		***$27 360***
III	**EQUIPMENT AND SUPPLIES**		
	Counterpart International' Community Humanitarian Assistance Program: wheelchair and medical supplies delivery	Counterpart International, CHAP program	**$807 723**
	Lap-top computer Toshiba and non-expandable office supplies	Private	**$1 081**
	Subtotal equipment and supplies		***$808 804***

#	Description	Source	TOTAL VALUE USD
IV	**COUNTERPART BULGARIA PARTNERS COST-SHARE AND IN-KIND CONTRIBUTION**		
	Association of Community Foundations of Bulgaria		
	Office Space, Association of Community Fooundations of Bulgaria	Stara Zagora Municipality	**$600**
	Association of Community Foundations in Bulgaria, general purpose grant July 2006 - June 2008	Charles Stewart Mott Foundation	**$60 000**
	Subtotal Association of Community Foundations of Bulgaria		***$60 600***
	Social contracting program partners- Bulgarian Municipalities		
	Smolyan Municipality Social Contracing	Smolyan municipal budget	**$29 638**
	Pazardjik Municipality Social Contracting	Pazardjik municipal budget	**$4 951**
	Kostinbrod Municipality Social Contracting	Kostinbrod municipal budget	**$5 081**
	Stambolovo Municipality Social Contracting	Stambolovo municipal budget	**$1 521**
	Dryanovo Municipality Social Contracting	Dryanovo municipal budget	**$9 603**
	Gabrovo Municipality Social Contracting	Gabrovo municipal budget	**$6 754**
	Lyaskovec Municipality Social Contracting	Lyaskovec municipal budget	**$4 919**
	Silistra Municipality Social Contracting	Silistra municipal budget	**$15 562**
	Sevlievo Municipality Social Contracting	Sevlievo municipal budget	**$5 178**
	Shumen Municipality Social Contracting	Shumen municipal budget	**$15 035**
	Oryahovo Municipality Social Contracting	Oryahovo municipal budget	**$5 049**
	Veliko Tyrnovo Municipality Social Contracting	Veliko Tyrnovo municipal budget	**$13 783**
	Antonovo Municipality Social Contracting	Antonovo municipal budget	**$4 919**
	Subtotal Municipalities		***$121 993***
	Social contracting winners		
	Bulgarian Red Cross (Smolyan)	Local NGO resources	**$10 097**
	Bulgarian Red Cross (Pazardjik)	Local NGO resources	**$2 259**
	Step by Step Foundation (Kostinbrod)	Local NGO resources	**$5 566**
	ARDA 2003 Association (Stambolovo)	Local NGO resources	**$4 628**
	MOGA (I CAN) Association (Dryanovo)	Local NGO resources	**$2 272**
	Municipal Association of Disabled (Gabrovo)	Local NGO resources	**$1 367**
	International Social Service - Bulgaria Foundation (Lyaskovec)	Local NGO resources	**$864**
	VIP - Vsichki iskame promyana (We All Want Change) Association (Sevlievo)	Local NGO resources	**$13 114**
	Union of Disabled in Bulgaria (Shumen)	Local NGO resources	**$1 489**
	International Social Service - Bulgaria Foundation (Veliko Tyrnovo)	Local NGO resources	**$20 799**
	Sybtotal Social contracting winners		***$62 455***
	Subtotal Counterpart Bulgaria Partners		***$245 048***
TOTAL COUNTERPART INTERNATIONAL COST-SHARE			**$1 084 319**

COUNTERPART INTERNATIONAL
Sub-grantees cost share and in-kind local inputs
Project Name: Bulgaria Community Fund and Social Enterprise Program
Reporting period: LOP (Oct 1, 2001 – September 30, 2006)

#	Program	Name of Organization	Project	Grant Agreement Number	Grant Amount ACTUAL	Cost-Share Actual LOP	% Actual Cost-Share to Actual Grant Amount
1	CF	CF Chepelare	Lighting	CIB-02-CF-CH01	**$27 956**	**$26 971**	**96,48%**
2	CF	CF Chepelare	Bogutevo I	CIB-03-CF-CH03	**$3 838**	**$6 482**	**168,91%**
3	CF	CF Chepelare	Bogutevo II	CIB-04-CF-CH04	**$4 531**	**$6 374**	**140,69%**
4	CF	CF Chepelare	Sports Field	CIB-05-CF-CH05	**$36 420**	**$38 664**	**106,16%**
5	CF	CF Chepelare	Street Lights II	CIB-05-CF-CH06	**$41 938**	**$57 272**	**136,56%**
6	CF	CF Chepelare	General Purpose Grant	CIB-06-CF-CH07	**$9 950**	**$4 500**	**45,23%**
7	CF	CF Chepelare	Kindergarten Elhitsa	CIB-06-CF-CH08	**$1 281**	**$2 312**	**180,48%**
8	CF	CF Chepelare	Children Free Time	CIB-06-CF-CH09	**$4 234**	**$5 090**	**120,22%**
9	CF	CF Gabrovo	Hospital ICU	CIB-03-CF-GB02	**$35 264**	**$40 021**	**113,49%**
10	CF	CF Gabrovo	Hospital 2	CIB-04-CF-GB03	**$16 082**	**$98 874**	**614,82%**
11	CF	CF Gabrovo	General Purpose Grant	CIB-05-CF-GB04	**$10 072**	**$5 010**	**49,74%**
12	CF	CF Gabrovo	Media Campaign	CIB-05-CF-GB04 ext.	**$6 535**	**$6 413**	**98,14%**
13	CF	CF Gabrovo	Support to Dryanovo SE	CIB-06-CF-GB05	**$4 753**	**$5 068**	**106,63%**
14	CF	CF Gabrovo	Schools	CIB-06-CF-GB06	**$12 151**	**$12 273**	**101,00%**
15	CF	CF Gabrovo	Schools II	CIB-06-CF-GB07	**$13 108**	**$13 438**	**102,52%**
16	CF	CF Blagoevgrad	Pool Project	CIB-03-CF-BL02	**$11 000**	**$13 405**	**121,86%**
17	CF	CF Blagoevgrad	Schools	CIB-04-CF-BL03	**$13 838**	**$20 164**	**145,71%**
18	CF	CF Blagoevgrad	Schools II	CIB-05-CF-BL04	**$3 973**	**$4 054**	**102,04%**
19	CF	CF Blagoevgrad	General Purpose Grant	CIB-05-CF-BL05	**$6 084**	**$1 943**	**31,94%**
20	CF	CF Blagoevgrad	Media Campaign	CIB-05-CF-BL05 ext.	**$6 371**	**$4 429**	**69,52%**
21	CF	CF Blagoevgrad	Schools III	CIB-06-CF-BL06	**$9 800**	**$10 430**	**106,43%**
22	CF	CF Stara Zagora	Seed Grant	CIB-03-CF-SZ01	**$3 018**	**$1 328**	**44,00%**
23	CF	CF Stara Zagora	Seed Grant II	CIB-04-CF-SZ02	**$8 065**	**$3 523**	**43,69%**
24	CF	CF Stara Zagora	Playground	CIB-04-CF-SZ03	**$3 144**	**$3 613**	**114,92%**
25	CF	CF Stara Zagora	Better Schools	CIB-05-CF-SZ04	**$14 184**	**$33 665**	**237,35%**
26	CF	CF Stara Zagora	Food Bank	CIB-05-CF-SZ05	**$11 440**	**$16 096**	**140,70%**

#	Program	Name of Organization	Project	Grant Agreement Number	Grant Amount ACTUAL	Cost-Share Actual LOP	% Actual Cost-Share to Actual Grant Amount
27	CF	CF Stara Zagora	Library Project	CIB-05-CF-SZ06	**$4 530**	**$4 997**	**110,32%**
28	CF	CF Stara Zagora	Better Schools II	CIB-05-CF-SZ07	**$3 136**	**$4 062**	**129,53%**
29	CF	CF Stara Zagora	Joy for Children	CIB-05-CF-SZ08	**$4 547**	**$5 616**	**123,51%**
30	CF	CF Stara Zagora	General Purpose Grant	CIB-05-CF-SZ09	**$10 000**	**$6 598**	**65,98%**
31	CF	CF Stara Zagora	Media Campaign	CIB-05-CF-SZ09 ext.	**$7 690**	**$6 964**	**90,56%**
32	CF	CF Stara Zagora	Monument	CIB-06-CF-SZ10	**$11 623**	**$10 702**	**92,08%**
33	CF	CF Stara Zagora	Creating playground area in the center of Radnevo	CIB-06-CF-SZ11	**$10 536**	**$9 539**	**90,54%**
34	CF	CF Tutrakan	Seed Grant	CIB-04-CF-TK01	**$2 141**	**$1 057**	**49,38%**
35	CF	CF Tutrakan	Belitsa Street Lights	CIB-05-CF-TK02	**$2 502**	**$2 970**	**118,73%**
36	CF	CF Tutrakan	General Purpose Grant	CIB-06-CF-TK03	**$9 804**	**$2 484**	**25,34%**
37	CF	CF Tutrakan	Business resource center	CIB-06-CF-TK04	**$3 033**	**$4 152**	**136,89%**
38	CF	CF Pazardjik	Seed Grant	CIB-04-CF-PZ01	**$2 141**	**$2 980**	**139,18%**
39	CF	CF Pazardjik	Monument	CIB-05-CF-PZ02	**$13 315**	**$34 012**	**255,44%**
40	CF	CF Pazardjik	Video Wall	CIB-05-CF-PZ03	**$5 849**	**$8 069**	**137,96%**
41	CF	CF Pazardjik	General Purpose Grant	CIB-05-CF-PZ04	**$10 115**	**$5 000**	**49,43%**
42	CF	CF Pazardjik	Drug Prevention Project	CIB-06-CF-PZ05	**$2 975**	**$4 150**	**139,50%**
43	CF	CF Pazardjik	Talented Children Project	CIB-06-CF-PZ06	**$3 467**	**$4 092**	**118,03%**
44	CF	CF Vratsa	Seed Grant	CIB-06-CF-VR01	**$3 995**	**$1 928**	**48,26%**
45	CF	CF Vratsa	Improving the conditions for re-socialization of prisoners	CIB-06-CF-VR02	**$2 334**	**$2 616**	**112,08%**
46	CF	CF Vratsa	Creation of a children playground and mini football field	CIB-06-CF-VR03	**$3 773**	**$3 944**	**104,53%**
47	CF	CF Vratsa	General Purpose Grant	CIB-06-CF-VR04	**$3 914**	**$1 250**	**31,93%**
48	CF	CF Sliven	Seed Grant	CIB-06-CF-SL01	**$4 828**	**$1 078**	**22,33%**

#	Program	Name of Organization	Project	Grant Agreement Number	Grant Amount ACTUAL	Cost-Share Actual LOP	% Actual Cost-Share to Actual Grant Amount
49	CF	SF Yambol	Seed Grant	CIB-06-CF-YM01	**$4 866**	**$1 307**	**26,86%**
50	CF	SF Yambol	Schools Project	CIB-06-CF-YM02	**$3 135**	**$3 988**	**127,21%**
51	CF	CF Lom	Seed Grant	CIB-06-CF-LM01	**$4 997**	**$1 699**	**34,00%**
52	CF	CF Lom	Creation of information center with video wall	CIB-06-CF-LM02	**$3 700**	**$3 700**	**100,00%**
53	CF	CF Lom	Grantmaking to local NGOs	CIB-06-CF-LM03	**$1 250**	**$1 419**	**113,52%**
54	CF	CF Lom	General Purpose Grant	CIB-06-CF-LM04	**$3 999**	**$2 358**	**58,96%**
55	SE	Open Door Center, Pleven	Seed Grant	CIB-06-SE-0001	**$1 988**	**$497**	**25,00%**
56	SE	Open Door Center, Pleven	Development Grant	CIB-06-SE-0019	**$3 357**	**$840**	**25,02%**
57	SE	Health for Everybody	Seed Grant	CIB-06-SE-0002	**$2 000**	**$531**	**26,55%**
58	SE	Open Society Club - Rousse	Seed Grant	CIB-06-SE-0003	**$1 903**	**$500**	**26,27%**
59	SE	Regional Association Tehnitari	Seed Grant	CIB-06-SE-0004	**$1 433**	**$618**	**43,12%**
60	SE	Center for Educational Programs and Social Initiatives - Yambol	Seed Grant	CIB-06-SE-0005	**$1 936**	**$656**	**33,88%**
61	SE	Our Birthplace Association – Batin	Seed Grant	CIB-06-SE-0006	**$2 000**	**$563**	**28,15%**
62	SE	Health and Morality Non-Profit Association	Seed Grant	CIB-06-SE-0007	**$1 904**	**$763**	**40,08%**
63	SE	Beloslava Association - Beloslav	Seed Grant	CIB-06-SE-0008	**$1 900**	**$625**	**32,89%**
64	SE	NGO Club – Targovishte	Seed Grant	CIB-06-SE-0009	**$1 572**	**$928**	**59,03%**
65	SE	"NGOs Center in Razgrad" Association – Razgrad	Seed Grant	CIB-06-SE-0010	**$1 962**	**$631**	**32,16%**
66	SE	NGO "EKO 21" - Gabrovo	Seed Grant	CIB-06-SE-0011	**$1 904**	**$670**	**35,19%**
67	SE	"Samaritans" Association – Stara Zagora	Seed Grant	CIB-06-SE-0012	**$1 531**	**$500**	**32,66%**

#	Program	Name of Organization	Project	Grant Agreement Number	Grant Amount ACTUAL	Cost-Share Actual LOP	% Actual Cost-Share to Actual Grant Amount
68	SE	Association for Social Assistance – Dryanovo	Seed Grant	CIB-06-SE-0013	**$1 849**	**$670**	**36,24%**
69	SE	Marine Club "Friends Of The Sea"- Varna	Seed Grant	CIB-06-SE-0014	**$1 940**	**$520**	**26,80%**
70	SE	UNION LTD/ SE of "Association of Parents of Children with Cerebral Palsy" - Varna	Seed Grant	CIB-06-SE-0015	**$1 932**	**$1 072**	**55,49%**
71	SE	Knowledge Association – Lovech	Seed Grant	CIB-06-SE-0016	**$1 687**	**$888**	**52,65%**
72	SE	Association "Center for Integration of Criminals and Risk Groups" – Pazardjik	Seed Grant	CIB-06-SE-0017	**$1 975**	**$533**	**26,99%**
73	SE	Empathy Foundation - Varna	Seed Grant	CIB-06-SE-0018	**$2 000**	**$675**	**33,75%**
74	SE	Beloslava Association - Beloslav	Development Grant	CIB-06-SE-0020	**$3 000**	**$841**	**28,04%**
75	SE	Association for Social Assistance – Dryanovo	Development Grant	CIB-06-SE-0021	**$5 000**	**$1 895**	**37,90%**
76	SE	NGO "EKO 21" - Gabrovo	Development Grant	CIB-06-SE-0022	**$2 991**	**$1 868**	**62,45%**
77	SE	Health for Everybody	Development Grant	CIB-06-SE-0023	**$3 000**	**$1 511**	**50,37%**
78	SE	Open Society Club - Rousse	Development Grant	CIB-06-SE-0024	**$2 806**	**$1 100**	**39,20%**
79	SE	Marine Club "Friends Of The Sea"- Varna	Development Grant	CIB-06-SE-0025	**$3 000**	**$901**	**30,03%**
80	SE	Health and Morality Non-Profit Association	Development Grant	CIB-06-SE-0026	**$2 094**	**$813**	**38,83%**
81	SE	Center for Educational Programs and Social Initiatives - Yambol	Development Grant	CIB-06-SE-0027	**$2 998**	**$1 167**	**38,93%**
82	SE	Knowledge Association – Lovech	Development Grant	CIB-06-SE-0028	**$2 940**	**$778**	**26,46%**
83	SE	NGO Club – Targovishte	Development Grant	CIB-06-SE-0030	**$2 700**	**$311**	**11,52%**

#	Program	Name of Organization	Project	Grant Agreement Number	Grant Amount ACTUAL	Cost-Share Actual LOP	% Actual Cost-Share to Actual Grant Amount
84	SE	Our Birthplace Association – Batin	Development Grant	CIB-06-SE-0031	**$3 000**	**$838**	**27,93%**
85	SE	"Samaritans" Association – Stara Zagora	Development Grant	CIB-06-SE-0032	**$4 997**	**$2 063**	**41,28%**
86	SE	Regional Association Tehnitari	Development Grant	CIB-06-SE-0033	**$3 695**	**$792**	**21,43%**
87	SE	Association "Center for Integration of Criminals and Risk Groups" – Pazardjik	Development Grant	CIB-06-SE-0034	**$4 999**	**$1 348**	**26,97%**
88	SE	Diabetic Foot, Burgas	Development Grant	CIB-06-SE-0035	**$2 997**	**$806**	**26,89%**
89	SE	Chovekolubie Association - Pazardjik	Development Grant	CIB-06-SE-0036	**$2 991**	**$981**	**32,80%**
90	SE	Personal Development and Civil Communities Association	Development Grant	CIB-06-SE-0037	**$2 996**	**$775**	**25,87%**
91	SE	Social Workshop, Dalgach	Seed Grant	CIB-06-SE-0038	**$1 986**	**$975**	**49,09%**
92	SE	World for everyone	Seed Grant	CIB-06-SE-0039	**$2 000**	**$4 438**	**221,90%**
93	SE	WAIETA – Women's Alternative for Independence, Ethnic Tolerance, Razgrad	Seed Grant	CIB-06-SE-0040	**$1 981**	**$950**	**47,96%**
94	SE	Association DAR, Burgas	Seed Grant	CIB-06-SE-0041	**$1 894**	**$831**	**43,88%**
95	SE	Social workshop and REDA, Stara Zagora	Seed Grant	CIB-06-SE-0042	**$1 993**	**$919**	**46,11%**
		TOTAL			**$570 055**	**$623 725**	**109,41%**

INCLUDING:

TOTAL Community funds **$584 143**

TOTAL Social Enterprises **$39 581**

ATTACHMENT # 15 SOCIAL ENTERPRISES TOT SUMMARY

Training Module I (17-19 February 2006)
Trainer: Iren Stefanova (3Net Association)
The purpose of this training module was to introduce the Community Funds and Social Enterprise experts to the principles of adult learning, and to increase their skills to organize information meetings and training events. The module covered the following topics:

- Principles of adult learning
- Key elements of successful training preparation
- Interactive training methods
- Training evaluation
- Techniques of audience management (facilitation techniques)
- Public speaking skills

Training Module II (17 – 18 March 2006)
Trainers: Maria Ilcheva (Counterpart) Dimitar Stoyanov (Business Consultant)
The purpose of this training module was to learn about Social Enterprise Basic Concepts; discuss NGO readiness to start a social enterprise; SE mission, structure and goals; and the skills which the expert assisting SE development must have in order to help NGOs identify their potential for a social enterprise. The second module included the following topics:

- What is a social enterprise? Social Enterprise basic concepts
- Why to start a social enterprise? Motivation
- Social focus/Fit with organizational culture
- Structure and models of social enterprises
- Double bottom line management

Training Module III (18 – 20 April 2006)
Trainers: Vladimir Korzh and Svetlana Zinkevich (Belarus Alliance of Consultants and Trainers – ACT)
The purpose of this training module was to enhance the SE development experts' capacity to assist NGOs and new social enterprises to identify viable business ideas for social enterprise, and how to plan the start of the social enterprise; and to develop basic skills for feasibility analysis, marketing and human resource management. The module included the following topics:

- Idea generation and venture selection
- Feasibility analysis
- Marketing management
- Human resource management

Training Module IV (17 – 19 May 2006)
The fourth module of the TOT series for Social Enterprises was conducted in May by a Bulgarian training-provider specialized in business planning and financial management. The purpose of this training module was to introduce basic concepts of financial and business planning to the Social Enterprise experts and help them develop confidence in mentoring and advice. The fourth module marked a stage in the team-spirit of the group of 10 selected social enterprise practitioners. They started to act as a unique multi-organizational team of people with the overall objective to become a strong resource for new social enterprises in Bulgaria. As a follow-up to the fourth module the participants were divided in three teams which were expected to develop 3 options (optimistic, realistic, and pessimistic) of a business plan for the Association of Social Enterprises and its main services: trainings, consultations, and logistics for regional events.

Training Module V (7-9 June 2006)
The last module of the TOT program for Social Enterprises was conducted by the Belarusian trainers Vladimir Korzh and 'Svetlana Zinkevich. This training module was focused on the main elements of the strategic planning process of a SE, and developed skills of SE experts to assess and measure social impact and present the benefits to the community. As the final training module for the TOT program of Social Enterprises it contributed to the strategic planning process of the Association of Social Enterprises in Bulgaria, by drafting a strategic plan and crystallizing the mission of the association. All participants received a certificate for *Expert Trainers in Social Enterprise Development,* and committed themselves to future work for the development of social economy in Bulgaria.

Social Service Contracting between States and NGOs

England, Germany, Poland, Hungary, Czech Republic, and Bulgarian Practice

A Comparative Analysis

Sofia 2004

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INTRODUCTION

The aim of this analysis is to make an in-depth study of successful practices in social service contracting in five European countries and identify possible mechanisms for public-private partnerships in the social sphere.

The legislative framework and successful practices in England, Germany, Poland, Hungary, and Czech Republic were analyzed with the help of foreign experts. The study is focused on social services, specifically, the possibility of contracting such services, the sources of funding, and the mechanisms for control. The delivery of social services by non-governmental organizations (NGOs)[1] and relationships with the local authorities also fall within the scope of the analysis.

The study is structured in three sections:

- Section 1 includes a comparative legal analysis in five European countries.
- Section 2 presents social service delivery practices of Bulgarian not-for-profit legal entities.
- Section 3 presents conclusions and notes regarding the social contracting process in Bulgaria.

The current study has been written by experts from Bulgarian Center for Not-for-Profit Law – **Marieta Dimitrova, Nadya Shabani,** and **Tony Dimov**. Bulgarian Center for Not-for-Profit Law specifically acknowledges: **Maria Ilcheva** (Counterpart International – Bulgaria branch); **Nilda Bullain** (European Center for Not-for-Profit Law, Hungary); **Peter Zauer, PhD** (freelance expert, Germany); and **Petr Pajas** (New English-American College, Czech Republic) for the materials provided for individual countries.

[1] The term 'non-governmental organization' is used in this analysis as a generic term for the various types of civil society structures pursuing not-for-profit purposes in the sample countries.

ENGLAND

I. INTRODUCTION

Social Services

The term "social care" is defined as covering a wide range of services that the local authorities and the independent sector provide to vulnerable groups of the population. In general, the volume and type of services provided (funded) in a given community are determined according to a specific needs assessment (and according to the way in which their delivery would meet the priorities of the social policy set by the Government). That is why, with a view to the changing needs of the users, the development of new services is frequently encouraged.

The funding for all social services, in practice, is provided centrally from the state budget and, local authorities, on their part, can decide to outsource the delivery of each service to other providers for the relevant funding. At present this modernization of social services is one of the national priorities.

Social Service Providers

The registration of social services providers is performed by the Commission for Social Care Inspection (CSCI). The service cannot be delivered until the provider is issued a certificate and granted registration. The municipalities, if they have created their own facilities, should also register for the services they deliver (and those institutions are subject to control). The services that are subject to registration are described in the statutory guidance of the Commission. Amongst them are: care homes, domiciliary care agencies, independent fostering agencies, children's homes, etc.

The registered providers are divided into two main groups – individuals and organizations. The organizations can differ depending on their ownership. They can be private (commercial entities), voluntary (non-governmental) organizations, or partnerships (these are not separate legal entities, but rather consortia of more than one organization – usually a social service department and voluntary organization combine resources to provide a specific social service). Providers – commercial (and business) entities together with the voluntary and non-governmental organizations – are regarded as a part of the independent sector. Many social sector analysts point out that social care is provided through a mixed model where the state plans and finances services and their delivery is implemented by independent agencies, in particular the non-profit sector. By August 15th, 2004, 25,000 service providers were registered with the Commission.

According to the current legislation there are no specific preferences for social services providers. The funds received by NGOs for social services delivery fall within the frame of the general tax benefits for voluntary and charity organizations. The charities are exempt from corporate tax for any business activity carried out in England or elsewhere if:

- It is related to the charity's main activity or primarily carried out by the charity's beneficiaries; and
- The income from business activity is below a certain threshold and is only used for charitable purposes.

Fees collected for delivering social services are considered income from economic activities of the organization but whether it is tax exempt income or not depends on the status of the charity and on the economic activity - if it is related or not to the charity's main activity. On the other hand, providers that are commercial entities pay taxes. Along these same lines, any income a charity receives from rent of land or buildings is exempt from tax, as long as it is used for charitable purposes.

Control

Established in April 2004, the Commission for Social Care Inspection (CSCI) is the only agency inspecting social care in England. CSCI inherited the functions of several social care state bodies thereby providing a more rational, integrated system of social care, inspection, and regulation.

One good **public control** practice related to the provision of social services is the so called *Joint Review* by the Audit Commission and the Department of Health. It was set up in 1996 to assess, primarily, how well councils were managing the funds make available for social services. The Joint Review helped improve the social service's system by providing external, independent expertise to analyze the whole network of support, examining how much money was spent, highlighting good practices, etc. Every citizen has access to the Joint Review reports.

Additional public control of social care delivery is fostered by the establishment of joint scrutiny committees with representatives of the voluntary sector, citizens, and elected councilors. Also, under local authorities, special expert teams have been set up in some municipalities to support the municipal services in areas such as service delivery control, implementation of contracts for assigning services delivery, grants, consumer payments, work with consumers, etc.

Social Policy

The key document guiding local policy in the area of social services is the Social Services Strategic Plan, which is adopted by the local council after widespread consultation with stakeholders – voluntary organizations, private businesses, service providers, and consumers. The Strategic Plan should be in line with the government's priorities in the social service area. In addition, social service departments are required to prepare a Social Services Business Plan outlining the key opportunities and priorities for the next year. The Strategy may be supplemented by a plan for the local authority's assignment of specific funds for different recipients and services. Another element of the assignment plan is the analysis of the market – how many providers work in distinct, local areas; the procedure for contracting; etc.

II. FUNDING

State Funding for Social Services

The state funding for social care is annually approved within the state budget. The Government decides what will be the maxim budget available for social services. The larger percentage of the total social services budget is allocated to local authorities using a formula which calculates their spending share. The remaining amount is provided as a specific purpose grant according to government priorities.

Example: For 2004/2005 the government allocation for personal social services is 10,188 million pounds. 8,690 million pounds will be distributed to 153 local authorities in England using the spending share formula. The remaining 1,498 million pounds will be spent as grants.

The total budget given to the municipalities for social services is allocated in compliance with the local strategic and business plans. It is explicitly recommended that local authorities seek partnerships with the voluntary sector.

Grants (Subsidies)

Grants are used to provide different kinds of financing to the voluntary and independent sector, as each grant has a different focus. All local authorities are required to announce every grant, have clearly defined criteria, and help the voluntary sector submit their applications. There are also special state funds for social services such as:

- Social Services Modernization Fund - the objective is to help change the emphasis from service delivery to promotion of consumer independence.
- The AIDS Support Grant Fund which operates on the ratio 70:30; local authorities provide 30% of expenditures and 70% are provided centrally.
- Other Funds: Independent Living Fund (1993) – awards are in the form of four-weekly payments to individuals who use them to buy personal care in the community; Futurebuilders Fund 2004 – aims to increase the role that the voluntary and community sectors play in the delivery of public services. These funds are managed by people from the voluntary sector.
- Examples of other types of support to social services providers include forgiving or reducing rent, donation of equipment, low interest loans, support for staff training, free legal and administrative advice, etc. Although it is common practice to provide such benefits, in England organizations receive support predominantly through financing.

Note: For the Social Services Modernization Fund and the AIDS Support Grant Fund, the government provides grant funds to the local authorities which, at their discretion, redistribute the money to providers.

Fees for consumers

Direct payments

Social Service Departments have the right to make direct payments to some individuals so that they can choose the services appropriate for them. In 2003, approximately 23 per 100,000 people over 18 received direct payments.

Fees

At present, every local authority can develop its own system for setting fees. The practice of determining fees for various types of services differs from municipality to municipality. However, the municipality must take into consideration certain basic levels in setting the fees. The fees for social care are paid to the local authorities responsible for

organizing service delivery, whether provided by the municipality or assigned to the independent sector, because independent providers can not charge fees.

Mixed Funding

Support for social services through so called mixed funding (funds from the state and the third sector) is not unusual in England because donations as a financial resource are considered an inherent advantage of voluntary organizations. Mixed funding is not a legal arrangement, but rather a result of informal cooperation. For example, daycare centers receive about 55% of their income from various state sources and 45% from donations and self-generated income.

However, it is unacceptable to use non-governmental (charitable) funds to pay for services that a public body is legally required to provide using public funds. In general, charities' resources can only be used to supplement the services provided by public bodies.

Example: If the consumer chooses a service suitable for him/her and it is more expensive than one provided by the local authority, the local authority is not obliged to cover the difference. In this case, an NGO might cover the shortfall. Public bodies, after all, cannot insist on an individual's need for a service only because the organization can provide funding for that particular service.

III. CONTRACTING

Contracting social service delivery to the third sector is traditional for the English who are driven by the principle that when services are assigned (delegated) there is greater choice and higher efficiency and effectiveness. In practice, services are provided through a so-called "mixed economy" (involving four main sectors: public, voluntary, private, and the informal or "household" sector). In 1993–1994, 40% of the voluntary sector had social service delivery contracts. Another factor that influenced the increase in the voluntary sector involvement in social service delivery is a requirement in the Community Care Act, which states that at least 85% of additional funds for social services should be provided to the independent sector.

Spending of funds for social services is now predominantly related to fees, contracts, and payments for services, rather than grants. The culture of contracting is based on three main elements: the transfer of services to the independent sector, tendering, and a good control system. Local authorities are not legally obliged to organize tenders to assign the delivery of social services, but legislative amendments in 1990 encourage the decentralization in two directions: first, the transfer of funds and responsibilities from central to local authorities and second, the transfer of service delivery from the state to the private sector. Moreover, there is no legally defined obligation that local authorities assign the delivery of social services to non-governmental organizations. They can choose between private (commercial) companies and voluntary (non-governmental) organizations, either of which can be large national organizations or small local ones.

Common opinion is that voluntary organizations are favored over private agencies, as they are considered closer to consumers and therefore better able to engender trust in their social efforts as they do not realize and distribute profits. Another advantage is that many voluntary organizations, in addition to having capacity, are able to attract alternative funding and thus may be able to charge lower fees.

Procedures

Best value approach

This approach has been adopted as a replacement for the compulsory competitive tendering regimen. In practice, this is the adoption of a performance management framework in all areas of the public sector. At its heart is the principle of maximizing value when spending public money, together with constant improvement of services.

An important prerequisite for successful tendering and contracting is maintaining good communication with potential applicants. Other important factors for a successful competition include:

- ensuring the competition is as open, public, and transparent as possible;
- consulting with consumers and service providers on the level and standards of services to be provided;
- making certain services are economical, effective, and efficient, and price and quality are properly balanced;
- objectively evaluating applicants; and
- complying with the rules of fair competition, without giving advantage to any potential providers.

Selection procedures

Some of the selection procedures are competitive in nature. Usually, competitive selection procedures are aimed at longer partnerships and often attract nationally represented organizations. Other parts of the selection procedures, based on a preliminary questionnaire assessing potential to guarantee quality, capacity, etc., only allow certain organizations to tender.

According to the Department of Health, when evaluating the applicants, the Social Service Departments should be guided by the following criteria: whether or not the potential provider is reliable, commercially viable, has the ability to deliver the service in compliance with applicable standards, and the service benefits the public. The specific criteria for assessing service providers are usually determined by the specific tendering arrangement. In practice, there is a clear distinction between choosing partners and inviting applications for a tender.

Contracting: Rights and Obligations of the Parties

The details and specifics of the contract to be signed with the provider can be developed through discussions, rather than be imposed by local authorities. This same guideline applies to contract implementation as well.

Types of contracts

<u>Service contracts</u>

Service contracts are traditionally used with providers. They cover many standard activities, but are flexible and may be negotiated during the tender itself.

Service agreements

Service agreements are usually used where there is a high degree of trust between the assignor and the provider based on a long-term relationship. These are less formal contracts that place less emphasis on inputs and thereby allow for greater flexibility by focusing on outcomes. Service agreements are appropriately used for formalizing targeted grant arrangements with voluntary organizations for delivery of a particular service for a certain period of time.

Partnership contracts (arrangements)

These contracts differ from the other two types of contracts in two major aspects: usually they are not determined through a competitive process to select a provider and are only suitable when there is a considerable collaboration between the local authority and provider. They are preferred for long-term partnerships.

Example: Southampton Social Service Department ran a tender for a general contract for independent sector services targeted at a special category of children. The selection process included scrutiny of written documentation, responses to advance questions, and interviews with managers, social workers, etc. The final stage was a formal interview and presentation by potential providers. The emphasis was on the cost, quality of service, and work in *partnerships*. Social Service Department staff has been involved in the project implementation along with the winning agency (which was provided with free equipment by the local council). A joint working group was set up to discuss project activities.

Grant arrangements

Grants are usually given to providers delivering less rigorous forms of care, thereby allowing local staff more freedom in the service delivery.

Contract contents

The content of the assignment of social care services contract is not explicitly stipulated in the legislation. There are only general regulations to help social service departments within local councils conduct tenders. Accordingly, there are two main parts of a written service contract – the specification of the service to be provided and the conditions agreed upon by the parties to meet the specification. The details of a contract are determined according to the nature of the service and its various elements, which can be specified during the negotiations with the provider.

Contracts for assignment are usually take one of three forms:

- **Fixed value contracts**: Specifying quantity and quality of inputs, rather than outputs; appropriate where it is easier to quantify inputs than the number of cases;

- **Cost and volume contracts**: Specifying service volume and total cost; quantity of service is delivered for an agreed upon sum and any additional services are paid on a case by case basis;
- **Price contracts:** on a case by case basis, the price is quoted for each set of circumstances or unit of delivery of a service.

Contract Execution and Control

Contract management

Local councils, as assignors of services, are also the contract managers. There are three general types of relationships in contract management.

The "contract manager" model – management is done by a manager with more experience in the contract assignment than social care. However, managing the contractual relationship involves taking advice from professionals (such as social workers) and that provides the manager a social care information resource.

The "partnership manager" model – the manager in this case is an expert in the type of service that is provided and is expected to work in close cooperation with the provider(s).

The "partnership support" model - control and advice on the implementation are given by professionals, both to the assignor and the provider. This model is popular where the role of the caregiver(s) is very important and the assignor and provider need special advice, which the local authority may not have the capacity to provide.

Example: The National Foster Carer Support Charity is an independent organization which has contracts with several municipalities to provide advice and mediators necessary for resolving disputes between the local councils and providers.

The most frequent problems in the execution of contracts are related to service specification (as assignors, municipalities find it difficult to prepare an outline detailing expected service delivery); the availability of capacity necessary for control and management of contracts; the balance between flexibility and freedom for the provider, on one hand and efficient control over the provider's activities on the other.

Direct negotiation

There are no set rules about when to organize tenders or negotiate directly with providers. Practices vary. It is recommended that local authorities develop criteria for cases suitable for direct negotiation independently from criteria suitable for tenders. Open competitions (allowing anyone to apply) are not widely used because they are focused on cost rather than quality of service. Individual negotiations, known as informal selection, are more common.

The most obvious conclusion that can be made in relation to contracting services in England is that the latest trends demonstrate a shift from a contracting culture towards a partnership culture. This results from long years of experience in social services contracting with external providers. It shows that due to the specific nature of the services, target groups, and resources, service delivery is more expedient and efficient when the relationship between providers – municipalities and NGOs – is based on an equal partnership with a clear distribution of rights and responsibilities and joint responsibility for service delivery, rather than an assignor and assignee relationship, which is hierarchical, thereby reducing the possibility for long-term cooperation and service sustainability.

GERMANY

I. INTRODUCTION

Social Services

"Social services" is a notion in Germany that covers a wide range of activities, including general and special counselling; social education; street work; services for long-term unemployed people and elderly; residential homes for mentally handicapped persons; meals on wheels; etc. This term is not legally defined, rather, in various laws and other legal acts, there are descriptions of activities which could be summarized under the term "social services." These services target various groups like children and young people, unemployed, sick, families, other vulnerable groups, etc. They are financed from different sources like social insurance, social assistance, personal sources, foundations, and self help groups and are delivered by a wide range of providers - from state agencies (at different levels) to voluntary welfare organisations and beyond to private enterprises.

The types of social services are only generally defined in the various laws. One of the provisions of the Social Welfare Act states that every person has a right to use the various services, but the municipalities, which according to the law are mainly responsible for the social services, have the right to define the exact type and content of these services. As a result, without any legal basis, often social services are provided to improve the situation of a specific group. The delivery of such social services might be due to the initiative of a municipal administrative body or an individual provider.

Each of the laws clearly defines who is responsible for the various types of social services. The principle is that the local authority determines the social policy, the administration elaborates strategies for achieving the goals of this policy, and the municipalities deliver the social services.

Social Service Providers

Social service providers in Germany can be either legal or natural persons.

Legal persons

Providers of social services are usually associations registered by a special court (Amtsgericht) and are tax exempt. Such associations can, on one hand, be providers of one type of service (often related to the creation of a self-help group, e.g. HIV) or be groups representing vulnerable categories. On the other hand, this could be large organisations offering the whole range of social services, such as German Caritas Federation - the charity organisation of the Catholic Church, Service Agency of the Protestant Church in Germany, German Red Cross, Central Welfare Office of Jews in Germany, and others. The majority of these umbrella organisations have regional structures, each with their own legal status. They create common projects, develop new services, and elaborate innovative methodological approaches.

As the status of a non-profit association creates some difficulties (for example: access to credit, distribution of profits, cumbersome decision-making structure, etc.) some organisations change their legal status to a private, limited company as it has a clearer structure and better access to funding. While these companies have no right to disburse

profit, they can use income/profits for their main activities and can carry over profits to the next year.

Another legal form used by social service providers is the small, joint-stock company but this form is less common than the previous two.

All of the mentioned above types of organizations are non-profits and could be grouped under the general term non-governmental organization (NGO). In general, they are tax exempt, but when they operate as a for-profit organization, pay taxes. However, one other model encountered is a tax exempt organization founding a commercial entity and using the profits from its profit-making entity for its public benefit activities.

Natural persons

Most often, social services providers are licensed, private practitioners, such as counsellors, psychologists, etc. Sometimes, they are more informal providers, such as students, social workers, psychologists and others, hired by a family or individual to provide social support services. Natural persons receive no special preference and have the same requirements as legal persons. They have the right to charge fees for services provided in the same amount as fees charged by legal persons.

The legal framework for social service providers in Germany is based on the principle of "subsidiary." This means that when a person needs assistance, they must first seek help from the family, then from their neighbourhood, after that a voluntary organization, and, only as a last option, from the state.

The requirements for the social services providers are set forth in the legal acts regulating separate types of services. For example, regulations for establishing a nurse care station are determined by the Care Insurance Agency, Health Insurance Agency, local authority, and others. The requirements for the different types of social service providers - NGOs or businesses - are identical. Under all major laws in the area of social services (starting with Children and Youth Welfare and Care Insurance Acts and ending with Social Welfare Act), NGOs have lost their privileged status and now there is a real competition between business and NGOs as providers. However, NGOs still have a prominent position with local and regional authorities because they have traditionally provided social services and, as a result, have developed the necessary skills and infrastructure.

There is no official form for registering or licensing providers. Reporting on activities depends on the type of social service provided and the means of funding.

> **Example**: An organisation that has created supervised housing for young people has to regularly (daily) report on the results of its activities. In this case, as the responsibility for these services belongs to the youth department of the local administration, the provider is financed by a daily allowance. In other instances, when a project for delivery of social services is implemented (for example, care for the elderly), the funding comes from the project costs and is reported in the format defined by the donor, usually periodic reports - yearly, quarterly, etc.

NGOs providing specialised social services at the local or regional level comply with the conditions set by the appropriate administrative body. There are no general conditions

valid for all providers or types of social services. NGOs have the right to charge fees and use preferred services/suppliers as common to all organizations delivering social services. Within every sub-sector of social services (such as nursing homes or shelters for young or homeless people), there are special conditions (criteria and standards) concerning hygiene, safety, etc.

Taxation

In terms of taxation, private social service providers, NGOs and businesses, are treated differently. Business entities have to pay a trade tax, an indirect tax, which voluntary organizations do not have to pay. Theoretically, there is also a preference for the direct taxes paid by the companies, or company owners, on income. NGOs do not pay taxes on income/profits as they are not allowed to make any. This "tax exemption" is only related to those services which are in accordance with the activities in the statutes of the organizations. For example, an organization which, according to its statutes, is an institution for training social workers is not allowed to operate a supervised residential home for young people. With regard to the Value Added Tax (VAT), business entities and NGOs are equal, as neither pays VAT on delivered social services.

Control

There is no established system for control within the common meaning of the term "system." For each separate social service, the body in charge has to define its own control mechanism. Theoretically speaking, there are three control levels:

- control on the concrete service for an individual customer;
- control by the service provider on the services provided to its customers;
- control on the impact the services have on the target group.

Some municipalities have developed highly sophisticated assistance plans, which contain all necessary steps, milestones for each step, final objectives, indicators, etc. These plans are the working basis for the social service providers. In the event of noncompliance with plan requirements, the harshest sanction for a provider is the municipality will sign no future contracts for delivery of social services with it. In addition, every individual customer can sue his/her provider for not fulfilling the obligations under the contract it signed for delivery of social services.

There is no systematic control of social service providers in the Children and Youth and Social Welfare sphere, as long as residential homes for young people, day care centers for the elderly, etc., do not provide in-patient services. Care Insurance, which is the most recent social insurance system (established in 1995), provides regulation and general quality control over all social services providers. At the federal level, an integrated system for regular reporting exists for several vulnerable groups, e.g., elderly people, young people (every 4 to 5 years), wealth and poverty, etc. These reports analyze the situation of the separate groups, assess the different regulative acts and their implementation, and make recommendations for future activity.

All of these mentioned aspects of control are directly related to quality management approaches. There are many social services providers that have introduced their own quality management standards, based on the requirements of ISO 9000 and others similar standards.

II. FUNDING

State and Local Funding

There are two main sources of funding in the social service system:

- state sources, encompassing agencies at the central level, regional bodies, and municipalities;
- sources of social insurance systems like care insurance, health insurance, etc.

Although the social insurance systems are perceived as State structures, they are self governed and are not part of the State. For this reason, Germany is well-known for its decentralization of social services and its funding. The funding for social services is mainly provided by local budgets. Every state body has its budget own regulations, so there are regulations for the federal budget, the budgets of the 16 regions, and the municipalities' budgets. The funding provisions have to comply with the regulations' requirements. Every municipality prepares an annual budget which includes the obligatory social services it must provide. In cases where there is a greater need for assistance to young people or for social aid than budgeted, the municipality has to pay for these services out of other funds. Moreover, even though these funds have not been allocated in the initial budget, the municipality has to compile a complimentary budget for the current year. However, the municipality may decide to reduce the funding for certain social services which are not part of obligatory services.

Particularly for health care insurance, the majority of funding comes from insurance payments which employees and employers are required to make because, since the health care insurance system covers many areas of need for the whole society, the portion of the total health care insurance budget designated for healthcare services is too small. Social services providers are paid from this source as well.

Programs

Apart from the above mentioned sources, there are special programs providing funding for social services.

> **Example**: In Berlin a couple of years ago, there was a special program for initiating self help groups. Additionally, there's possible funding for pilot project program from regional bodies, such as the Federal Republic, or the European Union. The idea of such projects is to test a new approach, to find solutions of special problems, to verify different methodologies, etc. These programs are often evaluated externally and their results are publicised so that society as a whole has access to them. To illustrate this, several years ago a pilot project was implemented to compare counselling of elderly people and their families in their homes to institutional, in-patient care.

The only apparent support provided is financial as there are no current examples of immovable property granted for social service delivery. After the reunification of Germany and its process of transforming from a planned to a market economy, there were instances where immovable property was provided under definite conditions to providers of social services. For example, nearly all homes for elderly people belonged to the municipalities in the former GDR. After the reunification, these homes were sold at a symbolic price to organisations supplying social services.

Fees

Neither Children and Youth Welfare nor Social Welfare Act require consumers pay fees. In other areas, like Care Insurance, institutions pay only for basic needs. When an institution's

allowance for elderly, in-patient care is not sufficient to cover the total required costs (and this is normally the case), the elderly, or if not possible, their closest relative(s), must pay the difference. When the elderly person or his/her relatives can not pay for the services, the municipality must pay. NGOs can charge fees for delivered social services. If a NGO provides home care, it can offer additional services not required by law for which it can charge fees which are paid directly by the user(s).

III. CONTRACTING

Subsidiary

As mentioned above, the principle of subsidiary, as applied to social service providers, is a general rule for the entire system of social services in Germany. Therefore, if a voluntary organization wants to deliver social services, the State (or more precisely, the municipalities) is not allowed to deliver the same services. This leads directly to decentralization of social services. Because voluntary organizations are often closer to target groups and are more aware of social problems, they are more innovative and able to provide services the State cannot. In most cases, NGO services are delivered more cheaply than those provided by the state.

However, decentralization also has some disadvantages related to the risk that some needy groups are unable to access social services. The problem does not exist in a metropolis like Berlin, with 3.4 million inhabitants, but rather in small towns and villages where, for example, there is only one residential home for the aged which is operated by Caritas, the Catholic Church welfare organization. In this circumstance, people of other faiths may not be willing to use the institution and are therefore deprived of the service.

Example: An interesting example of cooperation between municipalities (as well as regional or federal structures) on one side and NGOs on the other was developed in the children and youth sector with the creation of a Youth Welfare Committee. This committee includes representatives of statutory welfare companies, experts in child and youth welfare, and representatives of recognized voluntary youth welfare agencies, youth associations, and welfare associations. These committees can pass resolutions on issues relating to youth welfare; influence the nomination of the head of the youth welfare office, etc.

Funding Procedures

The availability of criteria for evaluation of the persons applying for funding depends on their type of service(s). For instance, in the field of in-patient activities, there are often requirements detailing the composition of the staff, hygiene, safety, etc. In out-patient activities, usually there are no such requirements.

There is a general legislative requirement that separate contracts for social services, service delivery funding, and contract oversight have to be signed. Thus, every municipality has to prepare the necessary contract formats.

Direct negotiations, without any tender, are the most commonly negotiated contracts. The body responsible for assigning the delivery of certain social services (the municipality, Care Insurance Agency, or another body), decides whether to organize a tender or to engage in direct negotiations.

Many German municipalities have established associations for managing local authorities. These organizations help municipalities build their capacity, improve their approach to target groups, achieve cost-effectiveness, and improve quality of life. These associations achieve this by making recommendations, qualifying staff, benchmarking concrete activities, and consulting.

POLAND

I. INTRODUCTION

Following the adoption of the Law on Public Benefit Activity and Volunteerism on April 24, 2003, the general principles for interaction between the first (government) and the third (non-governmental/NGO) sector were set forth. NGOs were included as participants in the decision-making process and determination of social policy at the central and local level. The law defined the activities and services of public importance which can be assigned to NGOs. A new category of public benefit organizations was created to perform public activities and tasks for which additional incentives and privileges were granted, including the use of tax benefits, preferential acquisition of real/immovable property, access to public television and radio, etc. The advantage was that it gave NGOs real access to public funds for conducting public benefit activities. For the first time, the administration, and its structures, are placed "on an equal footing" in a competitive environment with other service delivery providers. The reasoning expressed was to avoid the risk that the third sector would only be assigned the activities that were "unwanted" or ignored by the administration. The new law goes into effect January 1, 2005. Until that time, there is a gratis period when local administrations can carry out activities under the old or the new law.

Social Services

The delivery and contracting of social services is regulated as part of general public tasks. According to the law, a public benefit activity is "any activity that is socially useful and is performed by non-governmental organizations in the field of public responsibilities subject to assignment under the law." Public tasks include social assistance (social services), charitable, and healthcare activities, and activities supporting the development of local communities, etc. Poland's Council of Ministers, at its discretion, can add to the list to the extent the activities meet public needs and can be supplied according to the law.

Assignees (providers) of public tasks can be NGOs, when their statutory goals include performing *public benefit* activities, as well as associations of local government bodies, also called NGOs. It should be noted that, in Poland, local authorities often set up or participate in their own NGOs.

Social Service Providers

Status of public benefit NGOs

There are a number of conditions for acquiring the status of a public benefit organization. An organization should conduct its statutory activity for the benefit of society or a defined group of disadvantaged (in comparison to society in general) individuals; the activity is its only statutory activity and is related to the implementation of public responsibilities; the organization must not distribute profit and can only use income to achieve its statutory goals; and it must have a supreme body for control and supervision. Additionally, prohibitions on conflict of interest and other special conditions are set forth.

The status of public benefit organization is acquired by registering with the court. As of October 2004, the total number of NGOs in Poland exceeded 80,000, with only about

1,000 organizations having achieved the status of public benefit organization (due to the complex system for registration and the variety of conditions that must be met). Approximately 58% of all organizations are active, with 33% working in the social service area. About 25% of the 33% operate in Warsaw.

Economic Activity and Taxation

Activities conducted by NGOs that are related to statutory objectives and fall within public benefit activities under the law, are not economic activities in the sense of a business activity. NGOs can provide such activities for payment – *payable activity* (this does not make it an economic activity in the sense of the Law on Business Activity) or free of charge (with no fees charged). *A payable activity* is also defined as selling goods or services that are manufactured by individuals who directly benefit from the public benefit activities, especially for rehabilitation and employment of people with disabilities and selling goods donated for a public benefit activity. The profit gained from such activities is used exclusively for statutory or public benefit activities. The *payable activity* becomes economic activity when the remuneration is higher than the direct expenses of a certain activity or when the remuneration of the persons performing the activities exceeds 150% of the average monthly salary in the business sector for the previous year. It is impossible for an activity to be simultaneously conducted as a *payable activity* and economic activity. This rule also applies to the internal classification of the activity.

When conducting *payable activities*, and in line with special tax regulations, the public benefit organizations is exempt from taxes, including corporate income tax, real estate tax, and fiscal and court fees, but only in relation to public benefit activities undertaken (whether it is gratuitous or not). All these incentives are stipulated in the public benefit activities' law. It also sets forth an annual donation of 1% of their taxes to a NGO of their choice.

Control

State control

Control of public benefit organizations' activities and delivered services is exercised by the social insurance minister. As a result, violations by organizations may be sanctioned and even deleted from the register of public benefit organizations.

Council for Public Benefit Activities was set up in 2004. It is a consultative and supervisory body working with the social minister. The Council is an institutionalized model of national-level interaction between public administration and third sector. The Council has 20 members who are appointed by the Minister. Representation is determined by law: 5 members are representatives of the central administration; 5 are representatives of local governments, and 10 are NGO representatives (nominated by non-governmental organizations, but appointed by the Minister). The main purpose of the Council is to express opinions on the enforcement of the law concerning public benefit activities and volunteering; encourage partnership between public administration and public benefit organizations by participating in the negotiation process; take part in the audit procedures for NGOs; create a mechanism for disseminating standards for delivering public benefit activities, etc. Principles for co-operation between non-governmental organizations and the government sector have been developed jointly with the Council and have been sent to local authorities. Now being discussed is the possibility of including the Council in the review of NGO applications for participation in the Structural Funds funding committees. Also being considered is the elaboration of a

long-term strategy for developing third sector and civil initiatives (2007-2013). A Public Benefit Department has been established within the Minister of Labor and Social Policy. The provision of technical and legal assistance to local authorities on the enforcement of the law is among its main functions.

Public control

There is no regulation which explicitly defines the setting up of joint bodies at the local level to supervise service providers. Nevertheless, a number of good examples for joint public control have been established in practice. One example is the Council for Homeless Care under the Mayor of Warsaw. In 1992, through an initiative of several NGOs, an informal Council was set up which included organizations that are directly dealing with the homeless problem, after which the Mayor became its patron. In this way, the municipal administration is directly involved in the work of the Council and its activities. Currently, almost all of the larger organizations dealing with services for the homeless take part in the Council. Initially, the work of the Council was mainly related to the exchange of information and experience. Later on, standards for the provided services were developed and training was organized. The most important achievement of the Council is the development and application of sound and clear rules for the administration providing and controlling funding to NGOs, as these rules were adopted and observed by both the administration and NGOs.

II. FUNDING

State Funding of Social Services

In Poland, only some services are funded through the central budget, most often by the Ministry of Youth and Sports and Ministry of Labor and Social Policy. The funds are provided in the form of grants with specific terms. Every organization can submit documents to receive funds through these programs.

Since 2004, the idea of establishing a Civil Initiative Fund, where the revenues from the 1% designated tax would be collected and matched by the government, has been discussed. For 2005, the Council for Public Benefit Activities will develop the criteria and priorities of the Fund. It is projected that the fund could accumulate up to USD 10 million. The Fund, if established, would, like all funding for public benefit activities, give priority to new and grass-root organizations and to the development of organizations' capacity to attract European Union resources.

Local Funding

The majority of funds for social services are provided by local governments. According to the Local Self-Government of Municipalities Law, public benefit activities that are important at local level and are not the responsibility of other state bodies or subject to special regulation, are the responsibility of the municipality and are financed through local budgets. Moreover, all activities and tasks outlined in the law are considered important and the public authority must supply them. They can either do the activity themselves or allocate it to NGOs - external service providers.

There is no legal provision requiring municipalities to contract service delivery and to organize tenders. Nevertheless, it should be noted that decentralization (from administration to NGOs) of services in Poland existed before the law, which explicitly regulated contracting procedures, was passed. (Over 52% of third sector organizations claim that they have regular and established contacts with the local authorities. Further, 19.6% of total sector funding comes from municipal budgets and 13.5% from central authorities.) In the 1990s, social institutions (NGOs) began running social care homes in partnership with the local municipalities, which provided premises, while NGOs raised additional funds. At present, the larger share of the social institutions are run by NGOs (including church organizations) followed by local administrations and, to a very small extent, by the central administration. Several municipalities have even passed regulations that regulate funding for NGOs from local budgets.

Example: The Municipality of Nidjitsa has adopted a regulation whereby an organization may receive funding if its activity is within the priorities of the municipal budget. The Municipal Council has adopted general regulations for organizing tenders and the administration implements them. In 2004, 11 NGOs received funding (150,000 zloty from a total municipal budget of 30 million zloty).

Mixed Funding

Mixed funding is also possible, although it is not explicitly regulated.

Example: In a shelter for the homeless in Legionovo, the municipality provided the premises and initial funds for renovation and maintenance. At present, the home is run by the regional Caritas office and funding is provided 50% - 50% by Caritas and the municipality. One income-producing activity organized by the homeless is collection of recycled waste, which is then purchased by the municipality.

Mixed funding fees are charged according to the source funding the specific service. If the service is financed by the local budget, a fee for the municipal service is paid (to the provider or municipality). If the source of funding for the social service provided by a NGO is not budgetary, the NGO can only specify the price of the service (see Example A below).

III. CONTRACTING

"Mandatory" Cooperation

The Law on Public Benefit Activity and Volunteerism stipulates that public administrative bodies should cooperate and partner with third sector organizations. The law sets for the following rules for cooperation between public administration and NGOs.

- According to the law, assign the delivery of certain public activities and tasks;
- Exchanging information and interacting jointly to ensure harmonization of activities;
- Consulting with NGOs regarding legislative acts related to the sphere in which they operate;
- Establishing joint teams, which include representatives of target groups, with consultative and expert functions.

The cooperation is based on self help, independence (each party able to act independently on issues within their scope of activity), partnership, effectiveness, fair competition, and transparency. To some extent, the principle of subsidiarity is also applied (public administrations

should not use NGOs to provide services already delivered by them, or if a NGO is partnering with the administration, the NGO is more efficient at meeting the administration's public responsibilities). Even though there is no clear requirement to guarantee compliance with this principle there is an anticipated rule stipulating that every year the local government must adopt an annual program for cooperation with non-governmental organizations will guarantee compliance.

Contracting Procedure

Contracting between public administrations and NGOs can be accomplished through assigning the delivery of certain public responsibilities and, through grants, supporting the activities of the organizations and/or joint implementation of activities on a partnership basis. Each local authority decides this issue, along with charging fees for assignments through tender.

The Law on Public Benefit Activity and Volunteerism describes the process by which the public administration bodies support and/or assign the delivery of public tasks. If an open tender is organized, public administration structures may also apply. Moreover, assigning can be implemented in any number of other ways as well, as long as the specific task can be implemented more efficiently and if the calculation of costs and taxation are similar.

It is possible for providers, on their own initiative, to make an offer to the public administration to perform certain public tasks/services, including services that until now have been performed by the public administration. The relevant administrative body is required to, within 2 months, assess the expediency of having the service provided by the organization, taking into consideration the extent to which the offer meets public task priorities and guarantees the completion of the task according to set standards. Further, the means available for implementing the services, the types of services, and the benefits from delivering them should be taken into account. The administrative body makes its decision public and informs the applicant about assignment of the task. The local authority is not obligated to organize a tender, but if it rejects a NGO offer, the decision can be appealed.

According to procedural regulations, an open call for tenders is announced at least 30 days in advance. Each applicant's offer should contain a detailed description of the scope of the service; timeframe and location for performing the service; estimated costs; experience in the field of public service delivery; and availability of assets and human resources that are necessary for task performance, including financial resources available from other sources and a statement as to whether the task will be performed for free or not. The law says that the best offer should be awarded the project, which is interpreted to mean that more than one organization could win the tender. In this case, the contract will be signed with several providers for different elements of the service.

The two main assessment criteria are:

- applicant's ability and capacity to deliver the service;
- the suggested estimation of costs necessary for performing the task and the amount of available public funds

The body is required to provide the funds in the form of a subsidy. The contract should be in writing and a term no longer than three years. Subcontractors are permitted, as long as it is expressly stipulated in the contract.

The assigning body conducts monitoring and evaluation of service implementation, with particular attention to the:

- degree of service implementation;
- effectiveness, accuracy, and quality of the service;
- expedient use of the public funds received for delivery of the service;

- handling documentation as prescribed by law and contract. At the expiration of the contract, a final report must be presented.

In addition to the process described above, each local assigning body may (and it is recommended it does) detail the procedure in line with specific, local specific particularities, especially the content of the offer, the criteria for assessment of candidates, etc. This can be done both through a relevant regulation adopted at the local level (which generally regulates this issue in the municipality, but doesn't deviate from the rules set out in the law, rather complements them) or by developing separate documentation for each tender.

In summary, until the Law on Public Benefit Activity and Volunteerism was passed, several Polish laws (the Law on Social Assistance, the Law on Public Finances, etc.) provided for contracting between local authorities and NGOs. In practice, this occurred in some places, but only in a scattered and sporadic manner. According to Polish authors, passing a law which clearly regulates procedures, areas where partnership can occur, methods for providing and controlling the spending of public funds, criteria for selecting financially independent NGOs, involving NGOs in the process of developing social strategies, etc., will ensure sustainability and high efficiency and will expand the process of contracting and cooperation between the first and third sector. At the same time, clear rules will isolate informal and unstable local practices.

Examples of Contracting Social Services Between Local Authorities and NGOs

Example: "The blue umbrella" in Olsztyn – an NGO which provides palliative care in partnership with the municipality.

Its sources of income are:

a) social benefits (since the municipality has assigned provision of these services to this NGO, it diverts social benefits designated for each patient and, in some cases, the patients make supplementary payments for the services as well);
b) health insurance fund (for patient training);
c) state fund for rehabilitation and integration (finances a Center – Partnership program teaching people to cope by themselves);
d) local and foreign donations (the Center's equipment was contributed by a foreign donor);
e) fees from patients (for their stay in the Center);
f) specialized voluntary labor (doctors receive reduced salaries).

Accumulating funds from different financial sources, the Center has managed to provide services beyond those previously delivered by the municipality (rehabilitation, trainings, etc.) to approximately 300 patients.

When the Center was established, the services assigned to "Blue umbrella" were formerly performed by nurses hired through the municipality. In order to continue employing the nurses, the NGO agreed to hire them and raise their qualifications.

Example B: Association for People with Mental Disabilities in Nidjitsa. Initially, a group of parents registered an NGO and received a building from the municipality to set up a home for children with mental disabilities. The building was sold, through tender, for 1 zlota. Now, the NGO runs the home and funds it through three state funds (Fund for Social Rehabilitation and Integration, Healthcare, and Education), donations, and membership fees from the children (service charges). Currently, the municipality has funded the transport of the children by purchasing and maintaining a special minibus, which is charged as an additional service.

HUNGARY

I. INTRODUCTION

Social Services

According to the Hungarian model, there are three types of social assistance: financial (benefits), in-kind, and personal assistance, called "social service delivery". The Law on Social Administration and Social Services lists the services that can be contracted - basic social services (meal service, domestic help, family support, and other special forms) and special social services (specialized social institutions) implemented through personal assistance.

The list is exclusive in the sense that only the services stipulated in the law can be contracted for state funding. However, the law provides if it becomes necessary to include new types of services, the law can be changed. New services will be added to the category of "special services" (e.g., care for the addicted was added later due to effective lobbying by NGOs in this area).

For any other service that is not specified in the law, NGOs may get funding from the central and/or local governments through targeted support schemes, public benefit contracts, or grant applications. The annual Law on Budget distributes the funding between the central and local authorities.

Social Service Providers

Any registered NGO may become a social services provider (according to the legal definition of "social services"). In order to become a social service provider, the organization must be licensed (as regulated by the State), which is easier for "basic social services providers" than "social institutions." In addition, associations, foundations and public benefit companies may qualify for public benefit status. If an organization is providing a service that the law states is an obligation of a state body (central or municipal), it may apply to receive the "prominently public benefit status." In order to obtain this status, organizations should present, along with the public benefit organization registration documents, a statement setting forth how, in the course of their public benefit activities, they will fulfill the State or municipal tasks/responsibilities.

However, NGOs are not required to be a public benefit organization in order to provide social services. Often organizations which are not in public benefit are social service providers.

Licensing system

The general social services provider is a person or organization which delivers one of the following services: meal services, home care, family help, and special social services (included in a separate list). Social institutions provide day care and residential services. An obligatory licensing for becoming a social services provider is enumerated. The municipal notary, as specified by law, issues the license for social services providers.

Receiving social institution status is much more complicated and involves two phases. Additional documents are required (availability of premises, permits from relevant state bodies, such as the public state and fire service agencies, etc.) The law specifies the

minimum number of staff required for service provision and requirements for staff training. Failure to comply with requirements could result in repeal of the license.

Tax benefit

NGOs receive different tax benefits depending on their status. The public benefit organizations generally receive bigger tax benefits than other NGOs, as "prominently public benefit organizations" are entitled to larger benefits.

The public benefit organizations are entitled to:

- corporate tax exemption, with respect to activities defined in their statutory documents;
- local tax, fee, customs, and other preferences defined by law.

Public benefit organizations can conduct economic activities, but only to achieve their public benefit objectives, without concurrently jeopardizing them. They cannot distribute profits.

According to the Law on Corporate Tax, "economic activity" does not include a public benefit activity or sales of assets or inventories which solely serve the public benefit activity. If the NGO is not a public benefit organization, economic activity excludes activity connected to statutory defined objectives, or sales of assets or inventories which solely serve such an activity. Consequently, the income from these activities is not subject to tax. Therefore, fees charged for social services are generally not taxed. The income from other economic activities (unrelated to the statutory or public benefit purposes) is taxed proportionately.

> **Example**: running a buffet in a daycare center. If the income from such activity does not exceed a specified threshold, it is exempt. The thresholds vary for different types of organizations, depending on their public benefit status.

In addition to the above, the following tax rules apply to NGO social service providers but are not exclusive to them:

- there is no tax on grants;
- services provided by a public benefit organization are exempt from income tax;
- NGOs are exempt from building and land taxes, if they did not pay corporate tax in the previous calendar year;
- civic organizations are exempt from taxes on local, public tourism and business under the same conditions as the real estate tax exemption;
- civic organizations are also exempt from certain fees for court and administrative proceedings.

Control

The offices of Taxation and Financial Control and National Audit specifically oversee NGO finances and budgetary spending respectively, while the public prosecutor has general control, including monitoring public benefit criteria and compliance with operational and management rules.

Special control procedures have been established for social institutions. These procedures monitor social institutions' compliance with license, legal, and professional requirements. (Generally, all social institutions are subject to control procedures, regardless of ownership and funding.)

Public control

No possibility for public control has been regulated by law for representation of interested parties in supervisory bodies, but NGOs can participate in policy-making at both the national and local level.

In the policy- and decision-making processes, participation is realized through Councils that are representative of professional groups affected by the policies. In the area of social policy, the Social Council plays such a role. The Council is set up by the Social Ministry in order to promote cooperation between social organizations and the government. "Sub-sectoral councils" such as the Women's Council, Councils of Providers of Social Services and Social Training and Social Organizations of Employers and Employees, and others, participate in the Council. Councils are established under various laws and decrees and are characteristic on the national level. Furthermore, representatives of the executive and the local authorities are also part of the Social Council.

Example: In 1993, the Budapest Municipal Council set up a Social and Political Round Table for the Capital. This is the supervisory and organizational body ensuring the development of Concept for Service Planning of Budapest. The role of the Round Table is to supervise the implementation of the tasks listed in the Concept, monitor the Municipal Assembly and its decisions in this regard, and assess the impact of the development of the Concept. The Round Table includes all stakeholders – service providers, state institutions, local government, experts, etc.

II. FUNDING

Social services are funded by the central state budget and various social security funds (pension and healthcare funds and labor market) or the local government.

Central Budget Funding

It is provided in three main ways:

- Grant support (resulting from an open grant tender process);
- "Unique" decisions, also called targeted support, when the Parliament or another government body, decides to support a specific NGO (if it is a parliament decision, the NGO will be included in the Law on the Budget).
- "Normative support" is support calculated on the basis of allowances necessary for one person and given to licensed organizations providing social (or health, educational) services.

"Normative" budgetary support

NGOs and church organizations, which establish and maintain institutions that provide legally established public services in the areas of social care, healthcare, public education, and higher education (collectively known as "human services"), may receive "normative support." Though most social and educational services are provided by local (versus national) NGOs, contracts for delivering "normative support" are usually concluded at the ministerial level. "Normative support" is granted based on the number of sick persons served or students studying at a particular institution. NGOs receive the same amount of normative governmental support as similar government institutions. In general, the provision of "normative support" is typically done on a contractual basis, although there is no legal requirement to do so. (In comparison, licensed for-profit providers are entitled to 30% of the amount given to state and NGO providers for "normative support.")

Local Budget Support

Local governments may also designate a certain amount from their annual budgets to support local NGOs delivering services. Local governments do this through a separate fund established for this purpose, such as the funds established in Csorna and Dombóvár. The separate funds usually include representatives from local NGOs to decide how the funds will be distributed. Local authorities in some cities in the Western region of Hungary even earmark a part of their income from local taxes for NGOs. If a local NGO undertakes local public tasks in the social, healthcare or educational field on a contractual basis, it can apply for "normative" support from these local government funds.

1% Law

In addition to state funding, individual taxpayers – natural persons – may designate 1% from their income tax to be paid to a named NGO and another 1% to a church. Unfortunately, the impact of this legislation on social services providers cannot be assessed yet. 1999 research shows that NGOs benefiting most from such funds are organizations with a very popular cause (e.g. children with cancer) or very close to their beneficiaries (e.g. school foundations). Apart from some specific cases, like hospital foundations, there is no data indicating that social service NGOs receive significant sums from tax designations.

Support from Ministries and Public Funds

The largest NGOs receive support for their operational costs from different Ministries. They appear "by name" in the annual budget of the respective Ministry (Hungarian Red Cross receives money from the budget of the Health Ministry), according to their field of activity, and receive a specified amount of public support. NGOs may receive budgetary support from separate public funds and special budgetary programs operating under relevant Ministers. Funds can be established only by an Act and the Act must specify the tasks and income sources of the fund and the Minister authorizing the fund. Currently, there are two separate funds: Labor Market Fund and Central Nuclear Financial Fund. Grant application mechanisms are different for each ministry, which are often criticized by NGOs for being too slow and bureaucratic.

Budgetary Support for Operational Expenses

Normative support includes expenses calculated for actual service delivery, which may or may not include staff costs. According to the law, it is the responsibility of the proprietor to provide operational costs not covered by normative support.

In 2003, a law was passed that created a new central fund supporting NGO operations. It is funded by 1% designations, which the government matches.

Organizations receiving subsidies for their operations are not entitled to operational expense support from the new central fund, nor are organizations which carry out direct political activities.

Non-financial Support from Local Authorities

Local governments may provide free premises to create "not-for-profit centers" (e.g., House of Civil Communities in Pécs). Some municipalities publish free newspapers and newsletters reporting on the activities of local NGOs (this is a practice of the municipalities around Budapest). There are also cases of free legal and other assistance, provided to NGOs solving local problems. (In 1998-2002, several hundred NGOs were given real estate by local authorities. This raised serious debate since the process was not very transparent.)

Fees

A 1993 government decree stipulates that a fee is payable for personal assistance to the beneficiary. However, the service is free for the beneficiary who does not have income or lives in a social service institution and does not have savings, real estate, or a job.

The law defines two types of fees: institutional and personal fee. The institutional fee (personal assistance fee) is calculated by the institution delivering the service (this could be a local government, ministry, or non-state institution). The fee is computed and paid by the institution's financing agency. The law also provides for a personal fee, as determined by the head of the institution, to be paid by the beneficiary and not to exceed the institutional fee.

The price of the service can exceed the expense of the actual service if a special law requires a program or service give aid beyond the basic personal assistance provided by the institution, or when a particular institutional service is used by a person not legally related to the institution. The institutional fee is public and consumers must be informed.

III. CONTRACTING

There are tasks, including public services, that local governments must undertake and some they may choose to undertake. Social service delivery belongs to the 'must undertake' category. ('Must undertake" includes assignment to third parties.)

The 1990 Law on Local Governments regulates four forms of service delivery:

- The first form is services solely provided by the local government. In this case, service delivery is usually organized by the local administration, or its budgetary institutions, because funding comes from the local budget. Alternatively, the local government may enlist the assistance of a company over which it has firm control and/or establish a business enterprise using either the business association or cooperative form.
- The second form of service delivery is through contractual relationships with private providers (including concessionaires). Generally, such agreements are signed with

private companies or entrepreneurs, but in certain cases the local government partner can be a state institution.

- The third form of service delivery is through associations of municipalities or by another municipality.
- The fourth form of service delivery is by transfer of service delivery responsibilities to the private sector through privatization and contracting. This is implemented by contracting with a legal person (including an NGO). The contracting of services, however, cannot be delegated.

The local government may choose which public service provision method to select. Moreover, special laws may regulate the extent to which a public service may or may not be contracted (in health services, only a very limited number of them are delivered by private providers - e.g. dialysis or hospice care).

Example: The Service Planning Concept of Budapest identifies three types of public service contracts into which the municipality has entered.

a) The first contract form includes services which the Local Government is legally obligated to provide. The fundamental instrument/mechanism for financing NGOs is a contract institutionalizing a system of guarantees for protecting the interests of both parties. (National legislation does not require contracts in such cases so Budapest's decision is a "best practice.")
b) In addition to legally required social services, there are some locally, specific or target group needs for particular services. In this case, a public benefit contract is signed with a public benefit (usually a prominent one) NGO.
c) Budapest also supports NGOs through grant competitions using specific city budget funds (Support Fund for Public Service Contracts with a Social Purpose, the Equal Opportunity Fund, and the Capital Solidarity Fund). The beneficiaries can be NGOs, small local governments, budgetary institutions, and individuals.

Procedures

As described above, any social activity can be assigned by the central or local government. There is no legally mandatory procedure that can be generally applied for providing funds. This process is weakly regulated and each local government may create its own mechanism for tenders and contracts. (The Budapest illustration above is one example. Nevertheless, smaller local governments often do not have a special contracting procedure and negotiate contracts on a case-by-case basis or based on an established practice.)

The service funding decision-making body also varies. In Budapest, for example, the City Council makes decisions for providing normative support; the Social Department may contract with NGOs to provide public benefit; and the Social Policy and Human Rights and Minorities Committees, with the help of experts, make decisions on Fund grant applications.

Typically, most NGO complaints are related to regular delay on the part of the Ministry or local government due to "strict" adherence to set procedures and, to some extent, a lack of transparency and promotion of the procedures.

The specific criteria for applicants' assessment are not made public. Criteria are usually developed by the Social Committee that includes NGO representatives and experts. At present, there are no general criteria for evaluating funding applications. It is possible to have specific rules established for a particular sector. (For example, Government Decree 97/2003 on contracting medical services includes detailed procedures for tenders.) In the context of social services, no similar provisions were found but some requirements for social services contracts are prescribed, such as a contract can only be signed with licensed organizations.

Additionally, only a written social contract is acceptable and must include data and details on the status of the provider; precise requirements for service delivery; social situation; precise number of service beneficiaries; service price; form of payment; annual local government reporting requirements; etc.

The main body that supervises and controls public service contracts, including social service contracts, is the State Audit Office. This agency has the power to investigate and make recommendations, but does not have the power to enforce sanctions. (Such powers lie with the public prosecutor.)

The State Audit Office published two reports on support to NGOs from the state budget in 2002. These reports contain negative assessments of the way NGOs spent public money. As the general findings were intended to influence the practice of social service contracting, the reports focus on grants from public foundations and "targeted support" from Ministries. The reports disclose a lack of transparency and accountability, along with poorly drafted contracts from the mid- or late 1990s (the actual service delivery does not correspond to that described in the contract).

Example: Local authority in Debrecen

Two of the most interesting forms of partnership established between a local authority and NGO are:

- cooperation contracts (financing contracts);
- support contracts (crisis aid)

Cooperation contracts

In 1997, contracts with 17 NGOs were written totaling financial aid in the amount of 43 million forints (215,000 USD). The local government invited NGOs to draft project proposals, negotiations were held with the applicants, and contracts were signed. The term of the contracts was one year, with a possible 60-day extension. The organizations were required to submit quarterly financial reports and prepare a detailed performance report before the end of the project.

Support contract (crisis support aid)

Civil society organizations provide crisis support aid in two ways; delivering food once a day and providing small amounts of cash to persons in need. In this case, the contract between the organization and the social department not only regulates the amount of cash that can be delivered, but also the requirements for offering food and the number of supported persons per month. This form of support is very flexible because the organizations are constantly in touch with the beneficiaries and can adjust their services as the beneficiaries' needs change.

CZECH REPUBLIC

I. INTRODUCTION

Social Services

Social services in Czech Republic are legally defined in the regulations adopted by the Ministry of Labor and Social Affairs (MOLSA), which administers social services at the national and local level. According to MOLSA's Methodology for subsidies to NGOs implementing social service pilot projects from 2002, "social service" is defined as an activity helping socially disadvantaged people integrate into society and protecting them from social isolation by inclusion in the normal life of society. According to MOLSA's Methodology for state budget subsidies to the regions in 2005, a region may use the subsidy for delivering the following social services: personal assistant, social patronage, homes and shelters, early care, disaster care, protected and supported housing, workshops, temporary and supported employment, temporary relief services, and counseling offices. This list of social services is standard and may be updated on an annual basis by the Ministry. Additionally, there are exceptions for subsidies to projects offering new and innovative social services, which, if a pilot project, may even be treated preferentially.

Social Service Providers

Social service providers can be both public (governmental) and private legal (non-governmental) persons, as well as individuals.

The main groups of social services providers are:

- **State, regional, and municipal social care institutions** - The social care institute is a separate body characterized with its own address, consumer group, staff, and a combination of mutually related services and facilities for delivering social services. Called subsidiary organizations, they are established and controlled by the regions, municipalities, or MOLSA (though rarely) as the State representative. These organizations are, to a greater extent, funded by their founder, but they may receive donations or provide services for fees.
- **Private NGOs** - Public benefit corporations (PBCs), Associations, and church establishments.
- **Private commercial legal entities** - Limited liability companies (LLC) and stock holding companies (SHC).
- **Individuals** - Assistants to disabled people and others similarly situated.

Currently, there is no stipulation in Czech legislation specifying procedures for becoming a social service provider. In 1999, a bill determining licensing of and standards for social service providers was drafted, but it has not yet been adopted by the Government or Parliament.

In terms of social services licensing and standards, existing legislation indicates social services do not need, and should not be subjected to, any certification. Czech MOLSA's methodologies provide for some general requirements, such as persons providing the social service must have

suitable education and there must be fixed quality standards for social services like procedural, staff, and operational standards.
Note: The Czech system allows any person to be a social services provider, but only the ones mentioned above, together with the licensed physical persons, may receive subsidies from the State (MOLSA) or regions.

Laws setting requirements for social service providers vary according to the type of service provided. Public Benefit Corporations (PBC) must submit an annual and financial report on their activities. However, this is a requirement for all PBCs whether they are social service providers or not. The remaining groups of providers are not required to submit such reports, but usually do.

In order to receive state, regional, or municipal subsidies, which often is the only source of funding for associations and church run establishments, there are conditions that must met. Contracts require maximum transparency in their activities and strict financial reporting. Moreover, they must be monitored and approved on methodology, facilities, equipment, human resources, etc.

There is no specialized state body, agency, or ministry in Czech Republic responsible for registering social service providers. Every legal person has to state its purpose. For NGOs (PBCs, Associations), its statutes are filed with the PBC Register within the Czech Ministry of Justice. For commercial entities (LLCs, SHCs), its purpose must be stated in the commercial register and a license for planned services be provided by the municipal licensing agency where the company has its headquarters. Delivery of social services is not licensed as such.

It is important to note that NGOs and business entities are not equal in the delivery of social services. Business entities do not receive any preference for providing social services and the current policy of MOLSA is not to provide them any subsidies.

Taxation

Since there is no particular status for social service providers, there is no provision in the legislation for special tax benefits for either NGOs or business entities. Czech NGOs have the right to deduct up to 30% of profits up to CZK 1 million (approximately 31 thousand EUR) and are fully tax exempt if profits are CZK 100,000 (approximately 3100 EUR) or less.

Social service delivery is explicitly included in the list of non-profit activities for which tax benefits can be used and the delivery of social services is recognized and encouraged in legislation as a public benefit purpose for which foundations and funds can be registered. Funds to NGOs as donations from natural or legal persons are tax exempt, while incomes from fees services are taxed under the profit deduction scheme mentioned above. Thus, when an NGO provides social services and charges fees to consumers, income would be taxable if, after subtracting related expenditures and 30% reduction, it exceeds CZK 100,000 (approximately 3,100 EUR) up to CZK 1,000,000 (approximately 31,000 EUR).

Control

From 2004, Czech MOLSA began testing a new system of *social services inspectors* to provide public control of social service delivery. The inspectors have the right to visit social service providers, their facilities, etc. and check the quality of the services provided. If there are any violations, the inspectors are expected to report to MOLSA, or another specialized independent authority, and

set time limits for eliminating the violations. As this system is new, it is not yet clear the impact will be. As to which persons can exercise public control, Czech law uses the phrase "any person may show legal interest," but is expected to be limited either by the Social Services or Public Benefit Organizations Laws. Social policy at the local level is determined by elected regional and municipal self-governing bodies, usually through committees which include independent experts in particular fields.

II. FUNDING

State and Local Funding

Currently, there is a considerable amount of state funding available for social services. There is a special tender procedure under which the Ministry of Labor and Social Affairs distributes subsidies to NGOs which are social service providers. Since 2004, this centralized system is gradually being transformed into a decentralized system in which the self-governing bodies from the 14 regions play a leading role.

The mechanism for providing subsidies from the central budget generally is for MOLSA to negotiate an overall sum from the State budget which is allocated to the social support system. A significant portion is distributed to the regions, and the remainder is used to subsidize NGOs that participate in annually announced tenders. The regions and municipalities may add additional funding from their budgets as well.

The local funding mechanism utilizing local budgets is fully under the control of the local self-governments. Usually, in order to disburse subsidies or sign a contract for service delivery exceeding a certain sum, the mayor, as the signatory, must initially receive approval from the Body of Representatives, which is an independent municipal body locally elected. State subsidies for social service providers are limited to associations, church social establishments, public benefit corporations, and licensed natural persons. Foundations and funds cannot receive state subsidies.

Spending State Subsidies

MOLSA decides whether a certain type of social service is to be funded, or co-funded, by the state budget. Regions must comply with the Ministry's regulations regarding use of the subsidies. However, when regional or municipal funds are spent, there are no restrictions on funding social services not defined in the Ministry's regulations. Services assigned for delivery are entirely dependent on the concrete needs of the specific region or municipality.

State subsidies to NGOs may only cover expenses necessary for the social service delivery. For example, NGOs can not add profit or administrative expenses to their proposed budget. Furthermore, there is a principle that states that when a budget subsidy is designated for a specific activity, it can not be increased with subsidies from another central government body for the same activity. Moreover, the NGO receiving the subsidies is not allowed to provide funding to other legal or physical persons unless the payments relate to the fulfillment of the activities for which the subsidy was given.

The state subsidy provided to regions and municipalities covers up to 70% of all expenditures related to social service delivery. The regions and municipalities may include the use of movable or immovable property as their contribution to social service delivery. It is common practice to have a municipality fund the construction or grant the use of one of its own buildings to an

NGO, or even a company, to run a home for the elderly, homeless hospice, kindergarten, and others.

Fees

Some services are provided for free while for others services, the provider charges fees. The statutory body overseeing providers approves a services price list for one year. The fees are usually paid in cash upon completion of the service. However, if the service is not paid by the customer, it is covered by the social insurance company, which collects insurance payments and decides which types of services to reimburse. The customer has the right to free social services as set down by a special municipal expert social committee.

Generally, the State and municipalities may charge fees for social services which are not fully covered. For example, overages for staying in a home for the elderly or institution for the mentally handicapped are covered by withholding a certain percentage of the customer's pension, not to exceed a legally defined maximum. In some cases, the family is expected to partially cover additional costs set forth in the price list. Consumers and their families may apply for lower fees if their social status does not allow them to pay the standard fees.

MOLSA regulates the funding and pricing of social services. Oversight is provided by regional inspectors through MOLSA's Revision Committee. The inspectors are there to help customers when there are violations of prices or payments.

III. CONTRACTING

MOLSA governs the entire tender procedure whereby the State and local powers assign delivery of social services to NGOs. The types of services subsidized by the State budget depend on annually announced priority needs.

In 2004, MOLSA provided subsidies programs designated best for encouraging social services in the following spheres:

1. At the local level (municipal or regional), if the local community shows interest in developing innovative social services;
2. At the national level, if planned services address needs to a substantially higher degree than at the regional level;
3. Services targeting improvement of marginalized Roma communities, including Roma integration and social work support.

Procedures

In order to receive funding, a NGO must submit registration documents proving its status as a legal entity together with the following data:

1. General provisions - basic information about the applicant and a summary of the proposed project;
2. Essential part - summarized information on the social services to be provided;
3. Appendix - summarized information about the social institution(s) which will participate in the proposed project; c
4. Certified documents proving the incorporation of the organization or a permit for performing social service activities:

- associations submit a notarized copy of their statutes and registration from the Ministry of Interior;
- church organizations submit a notarized extract from the governmental body verifying church and religious community registrations;
- public benefit corporations submit a notarized extract from their permit for performing such activities;
- physical persons must prove their right to perform such activities by submitting a notarized copy of their permit.

MOLSA has established three mechanisms for evaluating projects.

1. **Evaluation Committees** - Assess project compliance to the stated requirements and project quality (including the proposed budget) and makes project support suggestions;
2. **Subsidy Committees** - Review whether public interest has been taken into consideration and individual Evaluation Committees have applied identical criteria and then makes recommendations to the Minister of Labor and Social Affairs on proposal approval and subsidy provision;
3. **Minister of Labor and Social Affairs** - Subsidies are approved by the signature of the Minister of Labor and Social Affairs.

The procedure applied by MOLSA in 2000 and 2003 for non-NGOs was experimental, but since 2004 the procedure has been accepted as regular practice. From 2004, the State Budget Act directs part of the budget to the regions for local social services. The process used is similar to the one described above for NGOs. In terms of timing, the applicants are usually required to submit their subsidy applications for the next year before a fixed date in the current year. By the end of the current year, MOLSA decides which NGOs are to be subsidized and provides the funds at the beginning of the following year. The applicants may appeal to the Minister of Labor and Social Affairs, in which case the process may continue until May or June.

Contracts

The basic applicant requirements (for associations, church establishments, public benefit corporations, and licensed natural persons) specify that the applicant must pursue social public benefit activities targeted at improving the situation of socially disadvantaged persons. General contract rules, which regulate the assignment of social service delivery, are in the Law on Use and Distribution of State Budget Funds. MOLSA has a contract template for such assignments which is periodically updated to reflect new needs. Through its Department of Social Services, the Ministry exercises direct control over the execution of contracts. The Department may propose suspending the subsidy under a specific contract or subsidizing a certain applicant. Ministry of Finance provides financial control over the procedures and terms of payment determined by MOLSA. Indirectly, the Supreme Control Office may order and conduct a detailed check of subsidy distributions and the people who handle the distributions, such as the intermediate or end users.

Problems arising from performance of assigned delivery contracts vary among different providers. Often a provider fails to spend the entire subsidy during the calendar year and the remaining funds must be returned to the State unless, with good reason, the Minister decides otherwise. Another problem which appears is a change in the capacity to delivery social services during the term of the contract thereby negatively affecting the service quality.

Direct negotiations for State subsidies are rarely possible for projects outside the framework of MOLSA tenders for a given year. Legislation does not provide any circumstances under which direct negotiations are appropriate.

SUMMARY

In summary, NGOs are definitely accepted as social service providers. The decentralization of services is not only financial but also includes the direct transfer of responsibility and control. The process of decentralization is directed towards local authorities and who then contract with independent providers.

England

In England, social service delivery is generally implemented through a mixed model – state bodies are responsible for planning and funding services and delivery is assigned to independent providers. Each social services provider must be so registered. NGOs that provide social services are entitled to the same tax benefits available to all charitable and voluntary organizations.

Social care financing is through the central State budget which funds local authorities which can perform the task themselves or assign it to others. Funding to municipalities for social service is based on a strategic plan developed locally (the Strategic Plan for Social Services is adopted by the Municipal Council after broad consultation with stakeholders – providers, business and NGO representatives, consumers, and social workers). Although it has no legal framework, a widespread practice in England is mixed funding (services are funded simultaneously by the State and non-governmental sector). However, NGO funds can not be used to cover services the state is required to provide. Additional funding from NGOs can only operate to complement or raise the quality of services provided by public bodies.

Contracting of social services through external providers is traditional in the English model as it creates greater opportunities for options, effectiveness, and efficiency in service provision. Also, although the municipality is not required to assign tasks to NGOs, they are preferred partners because they have better possibilities for attracting alternative funding and their objectives are closer to the consumer needs.

In England, there is no unified system for funding service delivery. The latest trend is *best value approach* – maximizing the benefit combined with continuous service improvement. There is also a shift from a contracting to a partnership culture where the emphasis is put on joint service delivery and long-term cooperation. The most frequent problem of local authorities is finding the balance between maximum flexibility in contracting and exercising efficient control of the performance.

Germany

A distinctive feature of the social service system in Germany is the high degree of decentralization in delivery and funding. The local authorities at the regional and municipal level are the ones that make overall social policy for the relevant territorial unit, as well as developing strategies for achieving the objectives of the policy. NGOs are social service providers and, from a fiscal point of view, they are entitled to general preferences and do not pay profit tax on the services (if included in the statutory acts) they provide.

Sources of funding for social service delivery are divided into two groups – state sources, which include central, regional, and municipal level bodies and private ones. The funding for social services is provided predominantly by local budgets. Sometimes, but rarely, funding is tied to the

implementation of pilot project programs testing new methods of service delivery subsidized by the State, region, or European Union.

An unusual feature of Germany's social service system is the principle of subsidiary. According to this principle a disadvantaged person should first seek help from his/her family, then the neighbors, municipality, or NGO and, finally, from the State. Allotting money and assessing persons applying for funding depend on the specific nature of the service. Legislation generally requires a contract to regulate the provision of social services, and their funding and control. Direct negotiations, without a tender, are the most frequent mechanism for selecting providers.

The greatest shortcoming of a highly decentralized system of delivery and funding of social services is the risk that certain vulnerable groups, living in small settlements, might be deprived access to necessary social services.

Poland

In Poland, an important factor in the development and establishment of long-term partnerships between local authorities and NGOs was the Public Benefit Activity and Volunteerism Law. Legally, it gives the opportunity for various public services providers (not just social services) to have access to public funds for providing public services and to participate in the relevant policy-making process (half of the members of the Council for public benefit activities will be NGO representatives).

The law sets forth an obligation for public administration bodies to cooperate and be partners with third sector organizations, but no sanctions are envisaged if the rule is not observed. This is a shortcoming since this principle may, in some cases, remain just wishful thinking.

In terms of funding, it should be noted that despite several centralized programs for financing social care, the majority of the funds are provided by local governments. There is both financial decentralization and actual decentralization of service provision (from the local authority to external providers).

Although there is no rule that obligates municipalities to hold tenders and outsource services, contracting in Poland existed even before the law's (which details contracting procedures) passage. The aim of the law is to expand the process of contracting and cooperation between the first and the third sector and to replace the informal and varying local practices with clear rules.

Hungary

The Hungarian model funds social services centrally (from the central state budget and/or various funds) and from local governments. Responsibility for funding is part of the annual budget law. Central budget funding is made through grant support (using an open tender process); "unique" decisions (NGO are supported by decision of various public bodies); and "normative support" (funding based on support standards that would have been used by the relevant state institution if it provided the service).

The local authority has an obligation to make social services available, but it can decide whether to provide them independently (through its units) or privatize them by assignment to external providers.

NGOs can be social services providers after completing a special licensing. Organizations can apply for the status of public benefit organization. If they are providing services that are required by the State, NGOs can receive privileged status – that of a "prominently public benefit" organization. These organizations are entitled to the greatest tax benefits. There is also an avenue for individuals to make donations to a NGO; they can designate 1% of their income tax to any NGO.

There is no specific tendering procedure prescribed by legislation for funds to social service providers. In each specific funding mechanism (grants, "normative funding", etc.) certain rules are being observed. In addition, every local authority can detail provisions for service delivery funds.

Although decentralization and social contracting are well developed in the Hungarian model, in the last few years two problems have arisen: on the one hand, the bureaucratic and onerous nature of State funding procedures and, on the other, the insufficient transparency and accountability in funds granted to NGOs.

Czech Republic

Czech legal framework does not regulate the status of social service provider. In principle, any person can be a social service provider, but only those listed with the Czech Ministry of Labor and Social Activities (MOLSA) can receive state subsidies for social service delivery.

Due to the lack of legally regulated status of social service providers, legislation does not provide any special preference for them. When the provider is an NGO, it uses the general tax benefits envisaged for such organizations.

Until 2003, the system of funding for social services was centralized and MOLSA, on behalf of the state, determined and gave funding to municipalities and social service providers - both state (including regional and municipal) and private (NGOs, trade companies, and individuals) social service providers. Since the beginning of 2004, a decentralization process has begun and, instead of the Ministry, the leading role is played by local government bodies. Under decentralization, the Ministry allocates funds from the consolidated state budget to the regions and they organize and supervise the spending of social sphere funds.

MOLSA announces annual competitions for delivery of social services to which only NGOs can apply. The rules for social contracting between the state (including local authorities) and NGOs is set forth in a MOLSA rulebook regulating the overall tender procedure, method for applying, documents required by the NGOs, project evaluation, conclusion of the contracts, and provision of funding. In practice, when implementing contracts assigning the delivery of social services, a problem frequently arises when providers find it impossible to spend the allotted funds within a calendar year and must return them to the state, unless they can provide a sound reason for keeping them, a matter decided by the Minister.

Direct contracting for State subsidies is made only rarely and is used for services that are beyond the scope of tenders announced by MOLSA for the given year.

In conclusion, in models studied (some of which are very socially advanced – England and Germany – and others which have recently undergone transition and integration into the European family – Poland, Czech Republic, and Hungary) many suitable examples of "social contracting" between the state and representatives of the third sector can be found. These good practices can serve as useful examples for further development of social reform in the Republic of Bulgaria.

PRACTICE IN BULGARIA

NGOs and Social Services

After 1990, NGOs have continuously had their place in social service delivery in Bulgaria. The type of social services they have provided and continue to deliver depends on the capacity of the provider, the specific features of the town or village, the territory on which the provider implements its activity, and the needs of the target groups that the provider aims to meet. What we can definitely conclude, however, is that NGOs in Bulgaria are predominantly dealing with community-based social services, i.e. social services concerning the family or a similiar environment. Practice has shown that NGOs organize soup kitchens for children and adults, public soup kitchens, daycare centers, centers for social rehabilitation, home assistant services, home social patronage, social mediator, and social counseling. In very rare cases, an NGO may run a shelter or another specialized institution for the provision of social services. Usually, in these cases, the premises for service delivery are part of the NGO's assets.

The practices studied show that NGOs working in the area of social services, beside the specific social service, often provide other assistance as well as paying bills, hygiene care, basic medical care, home visits, administrative and transport services, and provision of clothes and food for the socially vulnerable groups. A frequent practice is for organizations to combine the delivery of social services with certain health services such as assistance by nurses, rehabilitation, gynecological examination, psychiatric consultation, sexual consultations, anonymous free consultation, and testing for AIDS and other diseases.

The main consumers of social services provided by NGOs are various disadvantaged groups. In general consumers of social services are:

- poor and disadvantaged children, families, and individuals;
- homeless children;
- elderly, single, and sick people;
- retired people with a fixed monthly income;
- people, addicted to psychotropic substances;
- single mothers;
- asylum-seekers and refugees;
- farmers;
- students graduating high-school.

The forms and ways in which social services are provided are extremely varied. In cases of day-care centers and soup kitchens, services are provided on their premises. Such are the examples of providing meals in soup kitchens for adults and children, the functioning of a daytime crisis center, providing shelter, food, clothes, and medical care to children, youth, or women at risk, etc.

For instance, "Caritas Bulgaria," a not-for-profit legal entity, through its local structures in Plovdiv, Ruse, and Sofia, has set up three centers for social integration and rehabilitation for children and youth with disabilities, five centers for home social patronage that provide services to elderly and sick people, and a center for social integration and rehabilitation for single mothers in Sofia.

In Gabrovo, one of the local not-for-profit legal entities - Institute for Social Activities and Practices - has launched a Family Support Center that has rooms for mothers and babies, a kitchen, a living room, and sanitary units and provides shelter to needy mothers. The Center aims to provide conditions that are closest to home with mothers preparing the food for themselves and their children and taking care of their hygiene. Concurrently, specialized individual and group consultations are held in the Center under set programs according to the users' needs.

Qualified or other assistance services are delivered either at a designated place in the community which is accessible to users or in their homes. There is an interesting case in Pleven where a local structure of the Bulgarian Red Cross (BRC) provides a "Social Mediator" service, in partnership with the municipality. People, who have been specially trained meet social service consumers in five pensioner's clubs in the city, study their problems and provide systematic consultations and support for solving them. There is a similar provision of social services in Dobrich where the local BRC has a home assistant, nurse, social worker, and rehabilitation provider who visit homes to provide support and food packets to the needy.

Given the current practice, unfortunately some NGOs working in the area of social services have not yet registered with the Agency for Social Assistance (ASA). Registration with ASA is an absolute prerequisite for providing social services and it is only a question of time before fines are imposed because they have not brought their activities in line with the requirements of the Social Assistance Act.

NGOs and Local Authorities

Before the amendments to the Social Assistance Act, the most popular form of partnership between municipalities and NGOs, working in the area of social services, was the donation of municipal movable or immovable property according to the Municipal Property Act. Using the excuse that there was no regulated legislative procedure for providing funding to NGOs from the municipal budget, the mass practice was for municipal administrations to refuse to fund joint provision of social services.

In Stara Zagora, for instance, the local structure of the BRC uses a municipal building provided gratuitously, for a 10-year period, for its office and as a children's daycare center. The building of a former kindergarten in the town of Dobrich has been given to the local BRC which has set up a daycare center for children from poor families.

With the latest amendments to the Social Assistance Act, art. 24a, for the first time, Bulgarian social legislation specifies a possibility for NGOs providing social services to receive funding from the municipal and/or the state budgets. The provision of the funds is implemented through a specified procedure for conducting tenders assigning social service delivery. According to the Social Assistance Act and its Implementing Regulations, after holding a tender, the Mayor can assign the management of specialized institutions and the delivery of social services in the municipality. The Mayor of the municipality signs a contract with the applicant that is ranked first.

In practice, according to the current legislation, tenders can be held for assigning social services that are delegated State and local responsibilities. Public services that are a delegated State responsibility are funded through the municipal budgets with a subsidy from the State budget. The public services that are local responsibilities are funded the municipal budget.

During the last year and a half, since the adoption of amendments to the Social Assistance Act and its Implementing Regulations, the municipal administrations around the country have not been very proactive in announcing tenders for assigning social service delivery. By September 2004, there was no data for successfully held tenders. Currently, some developments can be witnessed in this area. The announcements for the first tenders have been published and we are optimistic about the future development of social contracting. To ensure successful social contracting, however, the NGOs need to actively interact with the municipal administrations and exert public pressure for holding tenders to assign social service delivery.

Traditionally, organizations seek funding from international donors, receive funding through projects, and have no practice of applying for funding through the special Social Assistance Fund. Of course, this impacts their financial sustainability in the long-term. Certainly, there are NGOs working in the area of social services that carry out activities to involve the community in running campaigns for collecting food and fundraising. Some organizations find alternative methods for ensuring stability of their activity, such as signing contracts with medical educational institutions for attracting free qualified human resources. Through such agreements, students are offered free facilities and possibilities to gain practical experience, and on its part, the educational institution considers the work as practical schooling, required by the curriculum for completing a semester of training. But on the whole, the not-for-profit sector is not mobilized nor using all legal means available to push for tenders to assign social service delivery predominantly funded by a State or municipal subsidy.

In this respect, there is a peculiar detail that we came across when conducting the questionnaire (one of the sources of this survey), a large share of the respondent NGOs providing social services characterized their relationship with the specific municipality where they worked as "good," without specifying more. NGOs working in the social sphere should be more proactive and demanding in their relationships with municipal administrations.

Public Control

The Social Assistance Act and its Implementing Regulations stipulate that public councils must be set up within municipalities. These councils are established by decision of the municipal council to provide assistance and help in the delivery of social assistance as well as to exercise public control over its implementation.

Even prior to the amendments to the law, there were examples of functioning public councils. In the municipality of Stara Zagora, for instance, a Public Council for Social Activities and Child Protection was set up in 2002 and it includes representatives from over 20 NGOs, local authorities, and representatives of State structures and, to a large extent, functions as a public council controlling the activities of the municipality in the area of social assistance. The main goal of this council is to coordinate the activities carried out by different organizations in supporting vulnerable groups and try to influence the municipal policy to be better aligned with the needs of these groups.

There is data on public councils (as envisioned by the Implementing Regulations of the Social Assistance Act) that have been set up in the municipalities of Plovdiv in April 2004, the municipality of Yambol in September 2003, the municipality of Dobrich in March 2004, the municipality of Ruse, and other towns. According to the NGOs that are social service providers, there are yet no serious results from the activity of the existing public councils.

CONCLUSION

The prerequisite for real social contracting is the availability of adequate legislation. In Bulgaria, this is already in place. The amendments and supplements to the Social Assistance Act in force since 01.01.2003 (promulgated State Gazette, No. 120 of 29.12.2002) and the amendments and supplements to the Implementing Regulations of the Social Assistance Act in force since 01.05.2003 (promulgated State Gazette, No. 40 of 29.04.2003) create a legal mechanism for implementing social contracting. Social contracting as a process involves two elements: first, the municipal administration, through the Mayor, conducts a tender for assigning social services and second, signs a contract with the applicant that wins the tender.

Due to the specific nature of their activities, NGOs seem to be the best partner for state and municipalities in delivering social services.

Despite the availability of suitable legislation, and unlike the rest of the European Union members and the other former Eastern European countries (with political and economic development similar to Bulgaria), it is still difficult to talk about best practices for social contracting in the delivery of social services in Bulgaria. For a very long period of time, the state and municipalities have been the main providers of social services. Now it is necessary to change the ethos of people dealing with social service delivery.

In conclusion, we would like to point out that despite the difficulties and the negative experience we shared in studying the practice of providing social services and social contracting in Bulgaria, we, the authors of the current study, are optimistic and, bearing in mind the experience of other European Union members and other countries which have gone through a transition period, we think that the social reform in Bulgaria is going in the right direction.

ATTACHMENT # 17

Counterpart Program Clearinghouse / Library List of Resources

Title	Published by:	Character	CIB #
A			
A generation in transition: older people's situation and civil society's response in East and Central Europe (EG)	HelpAge International /May 2002	Booklet (Copy) 1-872590-11	CIB-SE-003
ABC in work between nonprofit organizations and media	Bulgarian media coalition /2002	Book 954-90715-4-5	CIB-SE-14/13
An Assessment of Current Opportunities for Social Purpose Business Development and Recommendation (EG)	The Venture Fund Initiative /December 1998	Publication	CIB-SE-10/4
An Illustrated Guide to Community Garden (EG)	AFSC (American Friends Service Committee) A Quaker Organization Community Gardening Project / 2000	Book (Copy)	CIB-SE-008
Analysis of the Legal Framework for the SE Development in Bulgaria (EG)	Bulgarian center for Non-for-Profit Law /April 2002	Publication	CIB-SE-10/2
Assessment Tools fro Microenterprise training and Technical Assistance (EG)	FIELD (Microenterprise fund for innovation, Effectiveness, Learning and Dissemination) /Spring 2001	Book (Copy) 0-89843-313-4	CIB-SE-009
B			
Beauty of the North Central Bulgaria Tourist route from the Danube to Stara Planina mountain (BG)	NCRDA /2002	Booklet	CIB-SE-018
Building a better future: Older people I Serbia (EG)	HelpAge International /November 2001	Publication (Copy)	CIB-SE-004
C			
CARE Bulgaria's Program Overview (EG)	CARE Bulgaria's Program Overview (EG)		CIB-SE-12/3
Case Studies in Social Enterprise Counterpart International's Experience (EG, BG)	Counterpart International,, Inc. /September 2002	Publication	CIB-SE-012
Catalogues describing what imprisoned people are producing (BG /5)	Prisons in Bulgaria /	Catalogues	CIB-SE-024
CIB Round Table /27 March 2002/ (BG)	CIB/ March 2002		CIB-SE-12/5
Collection of Investigations (BG)	Resource Center Foundation; BCNL; Charity Aid Bulgaria Foundation /2001		CIB-SE-11/2
Comments on Law for nonprofit legal entities	Ivo Hristov BCNL consultant, ISC /2001	Booklet	CIB-SE-14/12
Common Good Projects Foundation (EG)	Common Good Projects Foundation (EG) Annual Report 2000		CIB-SE-12/4
Confident Behavior – Step to success (BG)	Center for Independent Living – Varna /2000	Book 954-619-037-3	CIB-SE-021
Contemporary Marketing and Management Techniques		CD	CIB-SE-12/6
D			

Title	Published by:	Character	CIB #
E			
Eight Basic Principles for Nonprofit Entrepreneurs	By Jerr Boschee, Entrepreneurial spirit /July – August 2001	Article	CIB-SE-11/3
Equal treatment, equal rights – Ten actions to end age discrimination (EG)	HelpAge International /November 2001	Publication (Copy)	CIB-SE-006
F			
G			
Government and Nongovernmental Organizations as partners (EG, BG)	NGO Resource Center, ICNL /2000	Book	CIB-SE-14/4
H			
How does the Dutch probation system work? (EG, BG)	Center for Integration of Crime Manifested and Risk Groups, Pazardjik /2002	Book 954-91015-6-8	CIB-SE-14/15
I			
J			
K			
L			
Labor Code (BG)	"New Star", Sofia /March 2001	Book	CIB-SE-14/7
Law for nonprofit legal entities; Questions and answers (BG)	Resource Center Foundation, BCNL /2001 "New Star", Sofia /2001	Book 954-90.542-6-8	CIB-SE-14/5
Legal Administration of Medical Institutions in Bulgaria, European Countries and USA, Comparative analysis (BG)	Open Society Foundation Sofia, BCNL, PARCEL / January 2002	Book	CIB-SE-14/10
Love Inside Us	Center for independent living – Varna /2001	Small poetry book 954-90429-7-9	CIB-SE-025
M			
Main Principles of the Laws for Civil Organizations (BG)	NGO Resource Center /1999	Book 954-90542-1-7	CIB-SE-14/9
Managing the Double Bottom Line A Business Planning reference Guide for Social Enterprises (EG)	Sutia Kim Alter, /2000	Book 1-888753-17-X	CIB-SE-014
Models for Partnership: Community Civil Society	NGO Resource Center /2002	Book 954-90542-8-4	CIB-SE-14/3
N			
O			
Obligatory Social insurance Code (BG)	"New Star", Sofia /2001	Book	CIB-SE-14/8
P			
Participatory Research with Older People (EG)	HelpAge International /March 2002	Sourcebook (Copy)	CIB-SE-007
Partners Bulgaria Foundation (BG, EG)	Newsletter /Fall-Winter 2001 & other materials		CIB-SE-12/8
Partners for Local Development, Successful Practices in Bulgaria (BG)	Foundation for Local Government Reform C.E.G.A. Foundation / 2001	Book 954-755-007-1	CIB-SE-14/11
Peace Corps Bulgaria Information Package – Program "Local Business Development"	Peace Corps Bulgaria /December 2002	Printed materials	CIB-SE-027
Profits for Nonprofits An assessment of the challenges in NGO self-financing	Lee Davis and Nicole Etchart, NESsT / 1999	Book	CIB-SE-013

Title	Published by:	Character	CIB #
(EG)			
Q			
Quality Management		CD	CIB-SE-12/7
R			
Rating of Non-government organizations in Bulgaria (BG)		Publication	CIB-SE-10/1
Regional Reference Book of Nonprofit Organizations – Bourgas May 1999 (BG)	Center for development of nonprofit organizations – Bourgas / 1999	Reference book	CIB-SE-022
Report for Small and Medium Enterprises 2000 – 2002	Agency for small and medium enterprises /2002	Report	CIB-SE-023
Report No 82 Analysis of Potential Roles of Government and NGOs in Providing Health and Social Services in Armenia (EG)	Counterpart International for Armenia Social Transition Program /August 2, 2002	Report (Copy)	CIB-SE-010
Rousse: A river of opportunities	"Dunav press" /October 2002	Investment profile	CIB-SE-028
S			
SE Pilot Program: Plan of Action (EG)	CIB		CIB-SE-12/1
Sensation	Center for independent living – Varna /2002	Small poetry book 954-90429-9-5	CIB-SE-026
Social services and Nonprofit Organizations (BG)	NGO Resource Center /2000	Book	CIB-SE-14/2
Social Support – Distribution of roles? (BG /2)		Publication	CIB-SE-11/1
Standard rules on the equalization of Opportunities for Persons with Disabilities (BG)	United Nations Department of Public Information /2001	Book	CIB-SE-020
State and development of the non-governmental sector in Bulgaria /Final Report/ (EG)	Institute for Marketing and Social Services /January 2001	Publication	CIB-SE-10/3
State of the world's older people 2002 (EG)	HelpAge International /2002	Booklet (Copy) 1-872590-08-X	CIB-SE-005
Strategic Tools for Social Entrepreneurs Enhancing the Performance of Your Enterprising Nonprofit (EG)	J. Gregory Dees, Jed Emerson, Peter Economy /JohnWiley & Sons, Inc. 2002	Book 0-471-15068-1	CIB-SE-001
System of Personal Assistants – Models and Practices (BG)	Center of Independent Living – Varna /2001	Book 954-90429-5-2	CIB-SE-015
T			
Tax Administration of Nonprofit Organizations in Central and Eastern Europe (BG /2)	ICNL /2001	Book	CIB-SE-14/1
Taxation of incomes of physical persons (BG)	"New Star", Sofia /2001	Book	CIB-SE-14/6
The juridical systems in Bulgaria and Netherlands (EG, BG)	Center for Integration of Crime Manifested and Risk Groups, Pazardjik /2002	Book 954-91015-5-6	CIB-SE-14/14
The Social Enterprise Sourcebook Profiles of Social Purpose Businesses Operated by Nonprofit Organizations	Jerr Boschee /Northland Institute 2001	Book (Copy) 0-9713899-0-X	CIB-SE-002

Title	Published by:	Character	CIB #
(EG)			
U			
UNICEF, Children's Fund UNDP (RUS)	Minsk /2001		CIB-SE-12/2
V			
Vision for Encouraging Export in Northern Central Region (BG)	NCRDA (Agency for regional development of Northern Central Region) /August 2002	Booklet	CIB-SE-017
W			
What Heifer International is doing all around the world 2002 Project Profiles (EG)	Heifer Project International / 2002	Booklet (Copy)	CIB-SE-011
Why not? (BG)	C.E.G.A. Foundation /issue1, March 2002	Newsletter	CIB-SE-019
Women & Business (BG)	Women Association "Ekaterina Karavelova" /2001	Booklet	CIB-SE-016

USEFUL INTERNET SITES FOR GRANTSTEEKERS

Community Resource Institute	www.granted.org	Provides a directory of internet community resources	CIB-W-01
Council of Foundations	www.cof.org	Provides links to grant makers websites	CIB-W-02
Eduzone	www.eduzone.com	Resources, scholarships, grants, education news, and free home pages for teachers and educators	CIB-W-03
Fast Web	www.fastweb.com	Tips on financial aid and scholarship and career information.	CIB-W-04
Foundation center	www.fdcenter.oprg	The Center collects, organizes, analyzes, and determinates information on foundations to grant seekers, researchers, policymakers, the media, and the general public. They also offer great guidelines on proposal writing, located at http://fdcenter.org/learn/shortcourse/prop1.html	CIB W-05
Foundations. Org	www.foundations.org	Provides links to grant makers' websites	CIB-W-05
Founders Online	www.fundersonline.org	Provides information on foundations and corporate funders active in Europe. Also provides links to Europe's online philanthropic community.	CIB-W-06
GrantProposal.com	www.grantproposal.com	Provides advice and numerous tips on the aesthetics and technicalities of proposal writing	CIB-W-07
The Grantsmanship Center	www.tgci.com	Provides links to U.S. and international funding sources.	CIB-W-08
GuideStar	www.guidestar.org	Offers a searchable database	CIB-W-09

Title	Published by:	Character	CIB #
		of over 700,000 U.S. nonprofit organizations	
National Endowment for the Arts	www.arts.endow.gov	Serves as a comprehensive resource for the arts community and its supporters.	CIB-W-10
Nonprofit.About.com	http://nonprofit.about.com/ careers/nonprofit/cs/ helpwithgrants/index.htm	An comprehensive resource with Links, foundation, and assistance with proposal writing	CIB-W-11
Nonprofit Gateway	www.nonprofit.gov	Provides links to Federal government information and services	CIB-W-12
Oryx Press	www.oryxpress.com/miner.htm	This publisher of "quality information products" includes on their site a detailed and helpful article on proposal planning and writing	CIB-W-13
Philanthropy News Network	www.pnnonline.org	Information for the nonprofit sector, also provides free e-mail alerts twice weekly	CIB-W-14