

***BULGARIA PILOT COMMUNITY FUND &
SOCIAL ENTERPRISE PROGRAM***

**QUARTERLY REPORT
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Contact: Thomas Carmody, Director
tcarmody@counterpart.org

COUNTERPART INTERNATIONAL, INC. - Bulgaria

**1200 18th Street, N. W.,
Suite 1100
Washington, D. C. 20036
Tel: 202/296-9676
Fax: 202/296-9679**

**113 Evlogi Georgiev Blvd.
First Floor, Apt. 6
Sofia 1504, Bulgaria
Tel: 359 2 944 1071
Fax: 359 2 944 7291**

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A. Executive Summary

The second quarter of the Bulgaria Pilot Community Fund and Social Enterprise Program (BPCFSE) was a period marked by escalated program activity due to commencement of the Bulgarian staff. This quarter also contained administrative challenges as we sought solution to the increasing hesitancy of our partner, CSDF, to participate in program implementation. This hesitancy necessitated the creation of alternative plans and modifications to the original project proposal to insure timely and efficient implementation of the program.

Shehzad Mehmood, Counterpart International Bulgaria's Finance Officer arrived in March and has been both a welcome and needed addition to our team. Shehzad has worked diligently to bring Counterpart Bulgaria's finances in line with Bulgarian accountancy laws and Counterpart/USAID requirements, to clear the complexities of CSDF's handling of our accounts. In addition, Shehzad interviewed and hired a Bulgarian accountancy firm to ensure that we meet Bulgarian requirements in financial reporting, staff salaries and other financial necessities. His development experience and knowledge of USAID requirements has been of great assistance.

The Counterpart Bulgaria Program Team spent a good part of their time collecting valuable information and making needed contacts. Although it was believed that CSDF would play an important role in this stage of the program, we discovered that their capacities and contacts (to include their affiliates) did not actually meet the needs of the program, nor did they exhibit willingness to participate in the program as agreed upon in the MOU.

The Community Fund segment of the program has moved along at differing speeds in each of the three communities, as was expected. Chepelare is quite far ahead in the process while Blagoevgrad is lagging behind as a result of the elections which will take place in April. Gabrovo is progressing as per schedule, and cooperation with the Swiss Development Cooperation's program, were negotiated to avoid redundant programming.

The Social Enterprise segment of the program saw increased activity with the arrival of Judith Kaufman from Counterpart HQ and Kim Alter, a Social Enterprise consultant. An assessment of the legal conditions for the development of social enterprises was conducted by BCNL. The Assessment Team visited NGOs throughout the country and also visited potential training and technical assistance providers. Criteria for participation in the program and evaluation tools were developed along with the process for application and the application form. A marketing plan was developed and information sessions were planned for different regions of the country.

B. Project Purpose

To enhance the sustainability of Bulgarian NGOs

C. Project Impacts

Project impacts will be gathered through local Monitoring and Evaluation visits when the Community Funds and Social Enterprises have been established.

D. Management Overview

- **Staff** – Monika Pisankaneva, Counterpart’s Community Funds Program Officer, began work on January 8, 2002. Monica’s responsibilities during the first three weeks included preparing the Counterpart offices for full-occupancy and operations, arranging meetings between Counterpart and other local and national organizations implementing programs in Bulgaria, and familiarizing the COP with Bulgarian culture and relevant civil society legislation.

Maria Ilcheva, Program Manager, Gabriela Chiflichka, Social Enterprise Officer, and Desi Dzhurkova, Administrative Officer officially began work on February 1, 2002. Prior to February 1, each of them had voluntarily worked on various activities related to the BPCFSE Program. Maria, Monika and Gabriela assisted in developing project proposals for study tours funded by World Learning. Monika, Desi and Gabriela participated with CSDF in developing their Annual Work Plan. Desi and Monika worked together in overseeing the renovation of the office space and furnishing the office with necessary supplies. The efforts and long hours put in by the Counterpart Bulgarian staff have resulted in effective and rapid program implementation.

Financial Officer, Shehzad Mehmood, joined the Counterpart staff on March 11, 2002 and has been a welcome addition to the Counterpart team. His experience in foreign aid work, particularly his years of work on USAID implemented projects, has substantially improved COUNTERPART BULGARIA’s efficiency and adherence to USAID regulations and policies. Shehzad has standardized all accounting procedures, organized all COUNTERPART BULGARIA accounts, and implemented the necessary financial controls. He has also initiated negotiations with CSDF in an effort to reach an amicable agreement of the financial issues between the two organizations.

Counterpart organized a small reception to welcome all staff members and to celebrate the commencement of office operations. CSDF, USAID, and other friends of the program were invited to the celebration.

- **Volunteer** – Counterpart enlisted the voluntary assistance of Asya, a Political Science student from Sofia University, for a three-week period. Asya was seeking a practicum which was relative to her major, would give her practical work experience, and provide her with the chance to improve her English. The practicum worked out extremely well and was extended by one week. During her stay at Counterpart, Asya created an NGO data base, did translations, and performed general administrative tasks.
- **Labor Contracts** - Counterpart has finalized the labor contracts for all five of its Bulgarian program staff. The five staff positions include Program Manager, Program Officers for Community Funds, Program Officer for Social Enterprise, Administrative Officer and Office Cleaner/Helper (part-time). These contracts were prepared by COUNTERPART BULGARIA based on information gathered on the local Bulgarian laws and other statutory requirements and regulations. However, these contracts will be reviewed by the local accounting firm after it has been appointed and, if needed these contracts will be revised in order to ensure that all labor contracts are prepared in accordance with local Bulgarian laws.
- **Registration** – Counterpart International Bulgaria became an officially registered entity during this past quarter. Counterpart submitted applications to the Sofia City Court, The Tax administration, The Statistical Institute and The National Insurance Institute. After following the required procedures, the Sofia City Court registered Counterpart on February 18, 2002 as branch of foreign not-for-profit public entity i.e., Counterpart International Inc. Afterwards, we were registered at the Tax

Administration and we were issued a tax number as well. Counterpart also received a Bulstat numbers, which was issued by the National Statistical Institute. The National Insurance Institute registered Counterpart Bulgaria for the purposes of social security, pension, insurance and other related payments that will be made on behalf of employees of Counterpart Bulgaria.

- ***Local Bank Account and Financial Activities*** – After Counterpart Bulgaria was officially registered, they opened a bank account with Citibank in Sofia. Being officially registered and having a bank account enabled COUNTERPART BULGARIA to function independently of CSDF in issues such as negotiating contracts, making purchases and committing finances to operational necessities.

In addition to submitting monthly and quarterly financial reports to Counterpart International headquarters in Washington DC, Counterpart Bulgaria will submit various financial reports to the local institutions on monthly, quarterly and annual basis, in order to be compliant with Bulgarian laws governing registered organizations. These institutions include the Tax Administration, Social Security Department and The National Statistical Institute. These reports are of specific nature and for the purpose of their preparation and submission it is required to have experience and an extensive knowledge of local laws and regulations. It is also mandatory that these reports are signed by a registered Bulgarian accountant. In addition, it is required that these reports be prepared and submitted in the Bulgarian language. Therefore, in order to fulfill all these requirements it is necessary to contract the services of a local registered accountant on a part-time basis or to appoint an accountancy firm on a monthly fixed remuneration since the existing internal capacities of Counterpart Bulgaria are unable to handle these complex reports. After thorough research and discussions it was concluded that the appointment of an accounting firm would be more productive, cost effective and secure. We also learned that many international NGOs working in Bulgaria are adopting the same practice. Based on this research, Counterpart Bulgaria contacted a number of well reputed local accounting firms. Three accounting firms - Chronika Limited, TAIS Accounting & Consulting House Limited, and VAV Consultants - were invited to present their services at the Counterpart office. Extensive meetings and discussions were held with these accounting firms in order to choose the firm that best fits the needs of Counterpart International, Bulgaria. At the end of this quarter the selection process is still on going and no firm has yet been selected. It is anticipated that the accounting firm will be identified and appointed during the first half of April 2002.

- ***Counterpart Open House*** – On Tuesday, March 12th Counterpart Bulgaria hosted an open house to announce ourselves and the program to Bulgaria. Fifty invitations were sent out to other organizations, ministries and individuals whom we believed would both benefit from and be of benefit to the program. The invitation list included: USAID, the Red Cross, American University in Blagoevgrad, Bulgarian-American Investment Fund, Catholic Relief Services, Center for the Study of Democracy, Institute for Sustainable Communities, World Learning, Foundation for Local Government Reform, Pledge, Nachala, National Association of Municipalities in Bulgaria, Peace Corps, Swiss Embassy, American Embassy, JOBS program of UNDP, Chepelare, Blagoevgrad and Gabrovo Municipalities, Partners Bulgaria Foundation, Center for Independent Living, BCNL, Foundation Assistance to Charity Bulgaria, Resource Center Foundation, BARDA, Mission without Borders, Civil Initiative Workshop Foundation, SEGA Foundation, Integra, CARE Bulgaria, CSDF, National Social Aid Service, National Employment Service, Every Child Organization, NGO Resource Center, JAR Foundation, Neglected Children Association, Lions Club International, Zonka Women's Organization and the Ministry of Employment and Social Policy. Approximately 35 people attended the event, and important contacts, which have led to subsequent cooperation, were made.
- ***Eastern European NGO Conference in Ukraine*** – The COP was invited to attend the 8th Annual Meeting of the Democracy Network and NGO Program Directors Conference in Kiev, Ukraine and to

make a presentation of the BPCFSE Program as an example of innovative trends in program implementation. Important contacts were made, especially for the Community Funds segment of the program.

- ***Visit to Counterpart Ukraine and Social Enterprise Site Visit*** – The COP took advantage of the time in Kiev and, along with Diana Arnaudova of USAID Sofia, visited Counterpart International Ukraine to discuss the development processes they undertook to establish their Social Enterprise program. Counterpart Ukraine was most helpful in providing information and discussing the process.

We also had the opportunity to visit an existing successful Social Enterprise which is supported by Counterpart Ukraine - The Center for Social and Labor Rehabilitation for Disabled People. We spoke with Ms. Svetlana Mishtenko, who is Councilor to the Director of the organization and a dynamic woman, herself handicapped. This organization provides services to the handicapped in Ukraine. Associated with the organization is a stationery store which provides jobs and training for the handicapped and revenue for the organization. It is the COP's opinion that Ms. Mishtenko should be invited to participate in training the social service NGOs which are accepted into our program.

- ***MOU Negotiations With CSDF*** – Negotiations on finalization of the MOU continued through January with CSDF requesting various minor changes, to which Counterpart agreed. A signing celebration was scheduled to coincide with the welcoming of the Counterpart Bulgarian Staff on February 1st. USAID, when invited to attend the celebration, advised the COP that the MOU could not be signed until a Sub Contractor's Agreement was signed between the two organizations. We received a sample agreement from USAID and modified it to be in line with our program. We met with CSDF on several occasions in an effort to illicit their participation in the development of the agreement; however, CSDF management indicated that the Board would not sign the agreement. The agreement was finalized and as of March 5th was ready for signature. As of the end of this quarter, there is no signed agreement between CSDF and Counterpart International.
- ***Counterpart Bulgaria/CSDF Partnership*** – During the second quarter, a large percentage of the COP's time and effort was devoted to the partnership with CSDF and seeking solutions to the issues which were compromising program implementation. The partnership situation also incurred considerable time and effort on behalf of the program staff as they took measures to ensure that CSDF's responsibilities in program implementation were covered.
- ***Alternative Strategy for Program Implementation*** - As a result of CSDF's failure to participate in program implementation, modifications were made to the program in order to ensure timely and effective progress. The modifications necessitated expenditures, which are not in the budget and would be charged against the portion of funds available for CSDF. The alternative strategy was submitted to USAID for approval.

E. Project Activities by Objective

Objective #1: Facilitate the process of community fund development in three communities in Bulgaria.

The four basic sequential steps that frame Counterpart's approach to fostering the bottom-up creation of Community Funds in the 3 pilot sites - *Assess, Agree, Address, and Assist* – are understood by the Counterpart Bulgaria team as integral to every stage in project development. While activities during the second quarter were mostly targeted at the identification of specific community needs and resources

(*Assessment*), they also aimed at achieving *Agreement* among the key players concerning key issues surrounding Community Funds as a means for addressing grassroots problems. Collecting information about other community mobilization initiatives implemented around Bulgaria helped the Program Team design the strategy for involving local people in a process of joint decision-making and consensus building about a Community Fund and the priorities that it will *Address*. Initial steps were taken toward creating Steering Committees in Chepelare and Gabrovo with ongoing *Assistance* from the Counterpart Bulgaria Program Team. (Please See *Attachment #1* Summary Table of Community Fund Meetings)

The sub-objectives set by the Program Team for the second quarter were:

- To introduce and publicize the program to the pilot communities
- To identify key players
- To gather qualitative information about grassroots priorities in the pilot sites and people's attitude to philanthropy through individual and focus group meetings with key stakeholders in each community
- To gather quantitative information about the priorities of the average citizens and their attitude to the idea of starting up a Community Fund through a Counterpart commissioned representative population survey conducted by a sociological research agency
- To design a successful strategy for involving key players from the pilot communities in the process of starting-up a Community Fund by collecting background information about other community mobilization initiatives implemented in Bulgaria and their challenges, successes, best practices, and lessons learned.

The results achieved during the second quarter surpassed the initial goals that were set. In the process of collecting background information, the Program Team identified opportunities for expanding project impact by incorporating the experiences of existing Community Funds in Lovech, Plovdiv and Bourgas. A strategy for linking all six community funds, upon formal requests for assistance from them, will be further elaborated in the next quarter.

The specific results achieved in the second quarter were:

- The program was introduced in all three pilot communities and the municipal authorities committed to assist us in every way
- Counterpart began the process of qualitative information-gathering in all three pilot communities. Key players were identified in Chepelare and in Gabrovo
- Background information was collected about other community mobilization initiatives implemented in Bulgaria
- Familiarization meetings were organized with the existing bottom-up community funds in Lovech and Plovdiv and an agreement for collaboration was reached with the Lovech Community Fund
- Community Fund operation office space was provided by the municipal authorities in Chepelare and Gabrovo, and a commitment for providing office space was declared by the authorities in Blagoevgrad
- Local coordinators were selected in the 3 pilot sites
- The strategy and operational plan for starting up the Community Fund in Chepelare was developed
- Quantitative surveys on grassroots needs and attitude to philanthropy were conducted in the 3 pilot sites by Alpha Research.

Program Introduced in Pilot Communities

In February the Program Director and Community Fund (CF) Project Manager began assessment visits to the pilot communities by organizing introductory meetings with the town mayors and representatives from the municipal administration. The logistics of the initial meetings in the pilot sites were covered by

CSDF. The overall program goal, as well as the objectives of each program component, was introduced at these initial meetings. The mayors of all 3 pilot sites declared their commitment to assist Counterpart Bulgaria in every possible way in achieving the program goal. A specific contribution of the municipalities would be the provision of rent-free office space to be used for CF operational purposes. Each mayor designated the municipal secretary as a contact person to assist in the identification of key players for the initial information-gathering meetings. The acting mayor of Blagoevgrad, Mr. Asijski, organized a meeting with all social NGOs as an official introduction to the program. The meeting was attended by representatives of 10 NGOs and two representatives of the municipal administration and the Counterpart Program Team which enabled the participants to ask specific questions related to both Community Funds and Social Enterprises. In Chepelare, the initial familiarization meeting with the mayor and the secretary of the municipality was followed by an official introduction of the program to representatives of the municipal administration and the mayors of surrounding villages in the Chepelare region. In Gabrovo, the Program Director and CF Project Manager met with the mayor and the secretary of the municipality, as well as with the vice-mayor and other representatives of the municipal administration. (Please See *Attachment #2* Summary of Community Fund Meetings)

Qualitative Information Gathering and Identifying Key Players

The identification of key players was accomplished successfully in Chepelare and Gabrovo. The process in Blagoevgrad, was delayed slightly due to upcoming mayoral elections on April 20, 2002 (the previous mayor was elected to the national parliament in June, 2001). The municipal administration in Blagoevgrad was busy with the preparation for the local elections and was not able to meet with Counterpart staff. The experience in Chepelare and Gabrovo has shown that the commitment and assistance of the municipal authorities is crucial at the initial stage of launching the program, consequently the Program Team decided to postpone the information-gathering sessions in Blagoevgrad until after local elections.

In Chepelare and Gabrovo the Program Director and CF Project Manager conducted a series of one-on-one meetings with key players who were identified with the help of contact people at the municipal administration. Key players were also identified with the help of Sofia-based NGOs that CF Project Manager met with, and who provided us with their contact lists for the pilot towns. In Chepelare, with the help of the municipal secretary, a group meeting with representatives of the business sector was organized and facilitated by the Program Director and CF Project Manager. During the heated discussion that followed, the introduction of the concept of a Community Fund to be created in Chepelare, some prime movers self-identified, and Program Staff organized individual meetings with them on other occasions. Another group meeting was organized with 23 representatives from NGOs in the municipality, and was followed by individual meetings with the self-identified prime movers. The head of the Department for Humanitarian Activities in the municipality who gradually became key contact person for us in Chepelare, provided invaluable assistance with the organization of the initial information-gathering meetings with key players from all sectors.

In the course of information-gathering, as the number of interested individuals was expanding exponentially, it became apparent that the process would become unmanageable without the assistance of somebody at the local level who would devote all their efforts to maintaining Counterpart Bulgaria's contacts with the community and providing ongoing information about project development, as well as collecting feedback about people's ideas and attitude related to project implementation. The Program Team reached a consensus to hire Local Coordinators in the 3 pilot sites. The Local Coordinators would liaise with the communities on a day-to-day basis and would provide continuity and logistical assistance at the local level.

Background Information on Other Community Mobilization Initiatives in Bulgaria

Since the creation of a Community Fund is essentially a community mobilization process, Counterpart Bulgaria felt the need to explore the successes and challenges experienced by other development agencies operating around Bulgaria. Counterpart specifically focused on groups who have implemented community mobilization programs utilizing participatory methodology and aiming to create partnerships between local NGOs, local government and the business sector. Information-gathering meetings were conducted with the following organizations:

- **PLEDGE Bulgaria** – operating in 35 municipalities around Bulgaria, teaching communities how to identify grassroots problems and local resources for their solution. Local people are stimulated to organize themselves to address the problems with local resources instead of waiting for outside donors. The PLEDGE process of community mobilization includes 3 steps: needs assessment, brainstorming solution ideas, and realization of the most feasible ideas. The process is realized with the help of a local initiative group called *facilitators* who are trained by PLEDGE on participatory methods for problem identification and solving. PLEDGE provides grant money for the realization of the most feasible ideas, but the grant never covers 100% of the costs. Local resource mobilization is a key factor for the successful implementation of the projects.
- **Bulgarian Charity Aid Foundation - BCAF**'s mission is to stimulate local businesses to become socially responsible and donate money to local initiatives. They have been organizing business meetings to popularize charitable giving in Bulgarian towns since 1997. They implemented a small NGO grants scheme which required a 30% local business contribution in covering their project implementation costs. On the basis of their long-term experience with local business BCAF has developed a training module called Local Resource Mobilization in collaboration with the organization Workshop for Civic Initiatives started by Charity Know How in Bulgaria. BCAF has also started an initiative for payroll donations among businesses based in Sofia. They currently have 90 individual donors and 8 companies from the Sofia region.
- **Foundation for Local Government Reform - FLGR**'s mission is to promote local self-government and the democratization of the local authorities in Bulgaria. They have implemented a small grants scheme supporting grassroots NGOs who develop projects in collaboration with the municipal authorities. In 1999 FLGR funded the initiative of Civil Society Development Foundation to promote community funds as an option of mobilizing local resources to support grassroots NGOs.
- **American Red Cross - ARC** works in collaboration with the Bulgarian Red Cross (BRC) and provides capacity building trainings to them. At the moment they are launching a program for integrated community action planning to assist elderly and disabled people in 6 regions of Bulgaria. The process will begin with data collection about the condition of elderly people. PLA and PRA methods will be used. The second step is organizing focus-group discussions and public forums that need to choose one project for each region to be funded by ARC. This program is a follow-up of a previous program implemented by the ARC; provision of social assistance to elderly pensioners in 22 regions of Bulgaria. The grant that ARC will provide will be managed by the local BRC branch with oversight from ARC.
- **Bulgarian Media Coalition - BMC** has recently implemented a USAID funded program that teaches local NGOs how to work with media. Training seminars involving NGOs and local media were conducted in the main cities of all 9 Bulgarian regions. Counterpart CF Project Manager met with the Executive Director of BMC to discuss ways to involve local and national media in popularizing the Community Fund component and the whole pilot program. BMC offered their assistance in organizing future media campaigns in the pilot CF sites, as well as a press conference in Sofia to popularize the entire program.
- **Institute for Sustainable Communities – Democracy Network Program - ISC** has assisted local NGOs through a network of affiliates, and have implemented various community development programs. Their most recent program implemented in 3 municipalities of Kurdjali region (a region

of high concentration of ethnic Turkish population) aims at participatory community needs analysis and generating ideas about development projects with the help of the community forum methodology. All-inclusive community forums were organized in the target municipalities whose structure reflected the socio-economic characteristics of the communities. Counterpart CF Project Manager attended the community forum in Kurdjali and observed this methodology in action. The forum was facilitated by an external moderator and attended by 140 people. The discussion was organized in small groups around worktables, as well as in the large group. The forum prioritized needs identified in preliminary focus group discussions within different community groups and sectors, and generated ideas about projects that will meet the top priority needs. ISC would provide grant money to the best project proposals.

- **Swiss Development Cooperation.** Funded by the Swiss government, SDC has implemented a municipal forums program in 6 municipalities in the region of central Balkan Mountains. The forums organized by SDC fostered participatory democracy at the local level. There were 10-12 sessions of each forum per year, and every session was devoted to a specific problem area, providing in-depth analysis of the problems faced by the municipality and generating possible decisions and recommendations directed to local government. SDC also funded several projects in each of the participating municipalities that reflected the priorities identified by local people. One of our CF pilot sites – Gabrovo – was included in the first phase of SDC’s program. Counterpart Bulgaria believes that this will facilitate our work in Gabrovo since the local community has become used to participatory decision-making involving representatives of all sectors. The Community Fund initiative is a good follow-on to the public forum program.

The meetings with the above organizations focused primarily on the methodology that they have applied and on lessons learned. General conclusions drawn from these meetings by the Program Staff:

- Operation at the local level is most effective when there is a key contact person responsible to disseminate information and provide logistical support for meetings and other events
- Community mobilization is most successful when “genuine leaders” take the lead. Differentiating between active citizens who really care about their community and people who want to take advantage of the program for personal benefit, and getting the active citizens involved in the Steering Committee, is the key to success. It can be achieved on the basis of in-depth understanding of community life for which one needs an insider’s perspective.
- From all community mobilization programs implemented in Bulgaria, the public forum methodology has proved most useful for achieving large-scale and all-groups inclusive involvement in the process of community needs assessment and decision-making. It would be most appropriate for the purpose of starting up a Community Fund. Counterpart Bulgaria decided to organize public forums in all pilot sites with the objectives of reaching a consensus about the priorities to be addressed by the Community Fund, discussing the process of starting up a Community Fund in each town, and making a decision about the topic of the test fundraising campaign.

Counterpart Bulgaria also researched the Mott-funded initiative to transform existing Open Society Clubs into Community Foundations. Introductory meetings were organized with OSC-Ruse and OSC-Varna. These are 2 of the 4 clubs that have received matching funds from Mott Foundation for locally raised funds. Their experience in inspiring community philanthropy is quite ambiguous. OSC Varna has managed to raise \$200,000 since 1996. Despite this success, they are quite pessimistic about the chances of creating a sustainable Community Foundation. According to the Executive Director of OSC Varna, the Bulgarian society has not yet accumulated enough wealth to support the institutionalization of charity initiatives. He does not believe that a non-profit organization would be able to create an endowment and operate it in the most reasonable way to ensure the sustainability of a Community Fund. According to him, it would be more feasible for an organization to organize charitable fundraising for a specific project/purpose and implement it directly, rather than collecting funds regularly and re-granting them to other organizations. OSC Ruse is more optimistic about the future of Community Funds in Bulgaria. They

have organized local fundraising along 3 priorities: children and youth, the elderly, and the environment. The collected funds were used either for projects implemented directly by OSC, or for projects implemented by OSC in collaboration with another NGO, and sometimes for projects implemented exclusively by other NGOs. They are planning to introduce the system of payroll donations among businesses in Ruse, following the example of BCAF. They expressed willingness to support Counterpart by sharing experience and know-how about the organization of charity campaigns.

Aside from local fundraising initiatives fostered by international development agencies, Counterpart researched some genuine Bulgarian philanthropic initiatives. The most successful example is the activity of Business Association Sevlievo 21st Century – in the town of Sevlievo. The Program Director and CF Project Manager met with the Chair of the Board of the Association, and discussed its mission, goals and experience in organizing charity events. The Association organizes systematic local fundraising to support town development. It has also created a scholarship fund for gifted children from Sevlievo with money from annual membership fees. Two major charity events are organized annually. Last year the money was devoted to restoring one of the town's churches. The Board discusses and makes decisions about the priorities that will be supported. The opinion of the municipal authorities is also taken into account when funding priorities are decided upon. The charity events usually involve charity balls, lotteries with donated prizes, and charity auctions for artwork. About 23,000 Bulgarian Lev was collected at an event last year. The experience of the Association can serve as a model for the development of other similar business associations around Bulgaria.

Meetings With Existing Community Funds in Lovech and Plovdiv

As outlined in the Assessment Report produced by USAID, in the year 2000, CSDF supported the creation of bottom-up community funds in 4 Bulgarian regions - Plovdiv, Bourgas, Haskovo and Kurdjali. CSDF provided Counterpart with a one-page description of the project implementation and copies of some bulletins published and distributed to local NGOs within this project. Four seminars were organized with NGOs from Plovdiv, Haskovo, Kurdjali and Bourgas region. They discussed the trends in NGO development in Bulgaria, the forms of collaboration between NGOs and local government, the legal framework for starting up municipal funds for social development, and the benefits that these funds will bring to the development of the third sector. There was a concluding seminar and round table discussion in Sofia. Following CSDF's initiative, 4 attempts to start up bottom-up community funds were made, 3 of which resulted in formal registration of the funds as legal entities. Community funds were registered in Plovdiv, Bourgas and Lovech, and failed to register in Kurdjali.

Counterpart initiated meetings with the Executive Directors of Lovech and Plovdiv Community Funds. The meetings focused on the structure of the funds that were created in Plovdiv and Lovech, on the start-up process and on their fundraising attempts. The funds that emerged involved representatives of local government, the NGO sector and local business in their Boards of Directors. A common feature of all emerging funds was that they failed to engage key figures from local business and this presupposed the failure of their attempts to raise funds locally. Lovech Fund succeeded in obtaining a grant from BCAF and organized a re-granting competition in which the project proposals were evaluated by all of their founders whose number was over 30. They also received full support and some financial assistance from the municipality. Their biggest challenge was how to involve local business. The community fund in Plovdiv did not manage to obtain financial support from the municipality. They spent the money collected from the founders on salaries, organized a grant scheme in which the money was supposed to come from the municipal budget, but the municipality failed to provide the funds they had promised and this was the end of the fund's activity. The fund's Board was very disappointed that none of the international development agencies in Bulgaria offered any assistance to this local initiative when they were approached with requests for help. Lovech Community Fund seemed more viable and persistent in their attempts to find a reliable way of accumulating funds. They expressed interest in getting involved in our program, and willingness to share all their experience and lessons learned with us. We discussed the

opportunity of linking Lovech Community fund with Gabrovo Community Fund in a way that both funds will receive training within the program, and Lovech will provide technical assistance to Gabrovo during the start-up process. The proximity of the two towns is a favorable condition for the realization of this strategy. The specific steps of linking the two funds in a way that will maximize the program's impact will be further discussed with Lovech Community Fund.

Operation Office Space Provided by Chepelare and Gabrovo Municipalities

In the first meetings with the mayors of the three pilot municipalities, Program Staff requested their assistance in finding a small office with a telephone that can be used as a place for small-group meetings, as well as for day-to-day operations related to program implementation. The mayors agreed to provide us with such offices in a municipal building where the rent would be covered by the municipality. During the second meetings with the mayors of Gabrovo and Chepelare Counterpart was shown some options for office location and were asked to choose. The offices in Gabrovo and Chepelare were both conveniently located in centrally located buildings. In Blagoevgrad, due to the upcoming local elections, nobody at the municipality was able to make a decision about the office space. The secretary of the municipality promised to accommodate the Local Coordinator that we would elect in the building of the municipal administration until an alternative place could be found. In Gabrovo and Chepelare the municipalities undertook the renovation of the office space provided to the program and all accompanying costs.

Local Coordinators Selected in All Three Pilot Sites

Counterpart has learned that successful operation at the local level would be impossible without the logistical help of a local person and that local people need to be hired to ensure continuity of program operation, broad dissemination of information, and logistical help with the organization of all local project-related activities. Program Staff advertised the position in local media (newspapers in Gabrovo and Blagoevgrad and cable TV in Chepelare) and received CVs and motivation letters including salary requirements. Counterpart Bulgaria developed a methodology for selection which involved the participation of local government representatives in the selection procedures. In this way we ensured transparency of the process and received additional information about the candidates. Selection interviews were then conducted with the short-listed candidates. The interview committee consisted of the Program Director, the CF Project Manager and a representative of the municipal administration. In Gabrovo the municipal secretary was involved in the selection procedure, in Chepelare the Head of the Humanitarian Activities Department was involved, and in Blagoevgrad the Chief Expert on Economic Development was involved. Decisions about the best candidates were reached by consensus and in all cases consensus was easily achieved. In Chepelare the mayor decided to provide us with a back-up person who would be employed by the municipality and would work in the Community Fund office as an assistant-coordinator. Program Staff accepted this offer and approved the second best candidate as an assistant-coordinator.

Strategy and Operation Plan for Chepelare Community Fund Developed

From all three pilot municipalities, it was easiest to identify key players and start up a community mobilization process in Chepelare. One reason is the small size of the municipality – 10,000 people, of which about 6,000 live in the central town. On the first trip to Chepelare the mayor expressed his desire that the administration would prefer the Community Fund to serve the whole municipality, and not only the main town. Program Staff believes that this would be manageable due to the small size of the municipality and the good communication demonstrated between the mayor of Chepelare and the village mayors during a group meeting. The municipal administration in Chepelare was most active in providing us with information about local development priorities and about active citizens to be approached by the Program Team. The one-on-one meetings with key players were also very productive, and some people immediately undertook the responsibility of talking to others about involving them in the process of starting up the Community Fund. The representatives of the business sector believed that the Community Fund Board should be constituted of at least 50% business people in order to ensure the involvement of local businesses in the fundraising campaigns, good management of the collected funds and reasonable

spending. Other active citizens from different sectors shared the same opinion. It was agreed by the key players that the process of starting up the Community Fund in Chepelare should be a large-scale community mobilization process involving the active representatives of all community groups and sectors. Achieving consensus about the priorities of local development that the Community Fund would address was seen as a key element to the success of the fund. On the basis of background information collected in the initial meetings with key players, Program Staff developed a community map that was further discussed and elaborated with the self-identified prime movers. This map features all spheres and groups in the socio-economic profile of Chepelare municipality. The Program Staff aimed to identify one prime mover from each sphere who would manage to unite people from her/his sector (or group) and involve them in the process of starting up the Community Fund. These prime movers were drawn in the development of the strategy for starting up the fund and the organization of the test fundraising campaign. The Program Staff introduced them to the idea of organizing a community forum in Chepelare that would assist in reaching public consensus about the priorities to be addressed by the Community Fund. The idea of a community forum was well liked by all key players that we have talked to. An Initiative Group was formed, consisting of self-identified prime movers who would assist Program Staff in the organization of a public forum as a major step in the community mobilization process for starting up the Community Fund. This group consists of two representatives of the business sector; one representative of the municipal administration; one representative of the sports clubs (winter sports are very popular in Chepelare); one representative of youth; one representative of the NGOs and one representative of the sphere of culture and crafts.

The strategy for starting up the Community Fund in Chepelare (to be implemented April-September 2002), discussed and elaborated with the help of self-identified prime movers, contains the following steps:

- Achieving agreement about the structure of the community forum to be organized in Chepelare and undertaking specific tasks related to the preparation process by the Initiative Group.
- Conducting a broad information campaign about the objectives of the forthcoming community forum with the help of the Initiative Group and the Local Coordinators.
- Conducting focus group discussions with representatives from different community groups and sectors that will serve as preparation for the public forum. The objective of these discussions will be to prioritize the needs of each community group and sector, to discuss the idea of the Community Fund as a means for solving grassroots issues, and to familiarize the participants with the objectives of the forthcoming community forum.
- Organizing a community forum that will help key representatives of different community groups and sectors to reach an agreement about the priorities that the Community Fund will address. A Steering Committee of self-identified prime movers who want to engage in starting up the fund will be elected at this forum, and the specific goal of the first fundraising campaign will be determined.
- Conducting a roundtable discussion with representatives of the business sector on the special role of business in community development, i.e. corporate responsibility, corporate citizenship and investing in social development.
- Organizing a test fundraising campaign with the help of the Steering Committee during the town celebrations around May 24, 2002. It will demonstrate how the Community Fund's model functions, and will increase people's motivation to create this fund.
- Developing Community Fund strategic plan by the Steering Committee.
- Preparation for legal registration of the Community Fund in Chepelare with the help of the Steering Committee and the Local Coordinator.
- Organizing of a founding assembly in September 2002 and election of the Community Fund's Board of Directors. The Community Fund will become a legal entity by the end of September 2002.

Similar strategies for starting up the Community Funds in Gabrovo and Blagoevgrad will be developed with the help of prime movers in those towns. There might be slight modifications according to the

specifics of each town. In Gabrovo the strategy will build upon what was achieved by the Swiss Development Corporation for organizing Public Forum as a local parliament. Program Staff will look for ways of involving the Steering Committee of the Public Forum, and expanding the representation of local business in the forum structure. In Blagoevgrad the process of achieving public consensus about priorities to be addressed by the Fund might take more time due to the chasms among key figures with different political affiliations. This issue was discovered during preliminary discussions with members of the community.

Needs and Attitudes Toward Philanthropy Surveys Conducted in All Pilot Sites by Alpha Research

In order to obtain a representative sample of public opinion about grassroots needs in the pilot communities, Counterpart Bulgaria issued a tender for conducting a sociological survey. Counterpart received offers from 4 research agencies and evaluated them according to proposed size of the research sample, proposed methodology, interviewers' background, duration of the research and references. Counterpart, with assistance from CSDF, selected Alpha Research Agency. The survey questionnaire was presented to Counterpart Bulgaria for approval before the research started. Four hundred structured interviews were conducted in each pilot site. The population sample was developed according to the demographic profile of the town/municipality, and included people from all community groups and sectors. The draft report was presented to Counterpart at the end of March (Please See *Attachment #3* Text of Alpha's Community Fund Surveys).

Objective #2: Assist in the development of social enterprises throughout Bulgaria

The Social Enterprise project was conceived in response to the new NGO Law which gives NGOs the legal framework in which to conduct business activities. In project implementation, the team was guided by the activities outlined in the SE project proposal, modifying them when necessary.

The Program team set the following Social Enterprise project objectives for the second quarter:

- To conduct a social enterprise assessment
- To research training and technical assistance providers
- To research existing micro credit practices in Bulgaria
- To promote the Social Enterprise project
- To develop an NGO database
- To develop a strategy and the procedures for NGO participation in the Social Enterprise project.

Results achieved during the second quarter:

- The social enterprise assessment was completed
- Draft report on legal environment for NGOs was developed
- Meetings with local training and technical assistance providers were held
- Research was conducted on existing micro credit practices in Bulgaria and on potential partnering organizations
- Introduction of the SE project to the NGO sector and interest in participation raised
- Strategy and procedures for NGO enrollment in the Social Enterprise project developed
- Eligibility criteria, draft evaluation criteria and application form were developed
- Training request for social enterprise study tour was approved and will be funded by USAID.

Social Enterprise Assessment

The objective of the assessment was to obtain a clearer perspective of the actual situation in Bulgaria and the opportunities and challenges facing social enterprise creation and development. The program team identified the following areas to be assessed:

- The scope and nature of existing social enterprise activities
- The legal and taxation aspects of social enterprises, both challenges and opportunities as defined by Bulgarian law
- Identification of the extent to which NGOs are ready to start their own business activities
- Research the extent to which NGOs understand the social enterprise concept, legislation, the process of business planning and management of a social enterprise
- Identification of NGOs with the potential to develop social enterprises

During the assessment phase, investigation was conducted to clarify the concepts of “social services” and “social service NGOs”, which is necessary to identify the Social Enterprise project target group, to develop the NGO eligibility criteria and to plan activities. According to the current law, social services are considered a form of social assistance along with the support provided by the state. However, the trend is towards enhancement of social service provision such as education and health care as well as diversification of the groups eligible to receive social services.

For the purposes of the assessment, an assessment team was set up and all members were assigned tasks. The following persons were on the team: Lyuben Panov, Director of BCNL; Iliana Nikolova, Executive Director of Workshop for Civic Initiative Foundation; Judith Kaufman, Counterpart Washington; Kim Alter, Virtue Ventures; Maria Ilcheva, Program Director, Counterpart Bulgaria; and Gabriela Chiflichka, Social Enterprise Project Manager. The assessment team members were charged with the development of NGO enrollment eligibility criteria, evaluation criteria, and a loan application form. Counterpart Washington developed the tools for assessing the readiness of NGOs to start-up and operate social enterprises as well as the understanding of the social enterprise concept. (Please See **Attachment #4** Social Enterprise Promotional Material)

Information Gathering

An essential part of the assessment was information gathering. Various methods were used such as surveys, studies and reports on the NGO sector, the legal and tax environment for the establishment and development of social enterprises, interpretations of laws by experts, interviews with interested NGOs and organizations affiliated with NGO development, talks and recommendations of local formal and informal leaders and ministerial experts, solicitation of opinions and views from organizations, observation, etc.

Meetings and phone interviews with a number of organizations based in Sofia were conducted by the Social Enterprise Project Manager. The objectives of the meetings were to introduce the Social Enterprise project and to gather information for the various aspects of the assessment. Organizations were asked for information regarding existing social enterprises. Counterpart arranged a meeting with Partners Foundation who have projects in support of ethnic minorities in Kyustendil; Vidin, and Lom; Workshop for Civic Initiatives Foundation that has funded projects of social NGOs throughout the country; the Resource Center; Center for Independent Living that is an NGO whose mission is to support physically disabled people in Sofia; the Consulting Center of the Center for Independent Living which actually provides social services to its target population; Bulgarian Charity Aid Foundation, etc.

Information about the project, along with a request for assistance in identification of social enterprises, was sent to affiliates of CSDF, NGOs throughout the country, Peace Corps Volunteers, UNDP JOBS centers, etc. The CSDF database, which was initially believed to be a major source for information about social enterprises, did not include information of value to the Social Enterprise Program; the information gives a summary of projects funded through the Foundation and there is no clear indication of business activities.

The Social Enterprise Project Manager attended a Discussion Forum on Social Policy and Partnership between the Government and NGOs. She took advantage of the opportunity to introduce the program and provide information on existing social enterprises. Representatives of donor organizations, social service NGOs, and government attended the forum, during which the Survey of Development of Social Assistance and Social Services was presented. The survey was initiated by the Institute of Sustainable Communities and carried out by the Institute for Social Policy and Social Work. The goals of the survey were to give a picture of the activities of NGOs providing social services and to explore the relations between the two main social service providers - the national and local government and the NGO sector. The survey results showed that:

- Unity between the state and NGO sector exists on the main concepts of social assistance reform
- Both sectors perceive the state as a the main player in social assistance and agree on the need to strengthen the powers of local governments and communities in the decision making process relative to the accumulation and distribution of resources
- The state faces a lack of information on the potential and the increasing role of the NGO sector as a provider of alternative social services
- The state does not provide all social services and excludes a large percentage of marginalized people
- The NGO sector is proving its value through increasing participation and competency in providing services based on the specific needs of the target population. The scope of NGO activities is directed to cover the gap left by the state.

The recommendations are to improve communication between the state and the NGO sector in order to identify and define responsibilities, to develop mechanisms for financing social service provision, to develop mechanisms for service management, to develop service standards, to diversify social services, to develop local plans for social service provision and to create coordination between the institutions responsible for rendering social assistance and the NGO sector. A positive result of the meetings and talks were the lists of social NGOs that Counterpart Bulgaria received from the organizations which assisted in understanding the picture and the dispersal of social service NGOs. It will serve as a basis for the development of a database of potential social service NGOs and will be instrumental for organizing information seminars that are part of the Social Enterprise Project's Promotional Campaign.

Diana Arnaudova from USAID was most helpful, providing guidance in the identification of organizations that have started business activities as well as the provision of a list of organizations funded under PHARE Access. Lists of social NGOs were also received from the Institute of Sustainable Communities who shared their list of more than 400 social NGOs and a list of NGOs licensed to provide social services, the Workshop for Civic Initiatives Foundation, Partners Foundation, Open Society Club-Rousse, Home of Science and Techniques- Vratsa, Razgrad and the NGO Resource Center.

The Program Director established contacts with a crafts shop called Traditzia (Tradition) run by the Ambassadors' Wife Foundation, which aims at marketing and selling a variety of handicrafts and souvenirs produced by marginalized groups. A list of several NGOs that deliver and sell the products of their target groups at Traditzia has been provided as an example of potential social enterprises.

Reports, surveys, and other written materials were researched including the Status and Development of the NGO sector in Bulgaria made by the Institute for Marketing and Social Studies, Reports on Tax Environment for Public Benefit NGOs- Current Legislation, Future Changes and Fiscal Impact, NGOs in Bulgaria, Tax analysis on Donation in Bulgaria assigned by The Resource Center, BCNL, BCAF and presented to Counterpart Bulgaria by the Resource Center, Survey on Development of Social Assistance and Social Services received from the Institute for Sustainable Communities. This last survey was very helpful as it outlined the picture of NGOs providing social services.

The difficulties encountered in identifying social enterprises in this manner led the Social Enterprise Project Manager to change strategy. From reports and surveys researched, it was clear that there are indeed NGOs performing business activities in support of their mission. The reports didn't give specific evidence of social service NGOs, but did give evidence that 4.6% of the organizations that would register as public benefit organizations would work in the area of social assistance and 63% would work for the development of civil society, education, culture, health care, sports, etc. All these fields can be considered areas for social service provision with a broader interpretation of the concept "social services". Presently, according to the Bulgarian law, social services are one of the forms of social assistance and are understood as activities to meet "basic living needs"; these being defined as "adequate food, clothing and shelter". In addition, the Counterpart Bulgaria team reached the conclusion that the NGOs understand neither the term nor the concept of "social enterprise".

To introduce the social enterprise concept, an informational flyer containing examples of social enterprises was developed and distributed throughout the country through web pages of organizations that are visited by NGOs such as the Foundation for Local Government Reform, the Resource Center, the Open Society Clubs, the Union of Bulgarian Foundations and Associations, Bulgarian Association of the Regional Development Agencies, CSDF affiliates and other NGOs. In disseminating the information, we were careful to have wide geographic coverage to ensure that organizations throughout the country were included. Shortly after the information was distributed, interested organizations began to call requesting information about Counterpart's Social Enterprise program and how they can get involved.

The Social Enterprise Project Manager conducted meetings and phone interviews with NGOs to identify existing social enterprises and potential NGOs for enrolment in the SE project. Union of Deaf, Union of Blind, Common Good Projects Foundation- Plovdiv, Trakart 2002- Plovdiv, BALIZ Pernik, Equal Chance Association- Dryanovo, Infocenter for NGOs –Gabrovo, CARE Bulgaria, Bulgarian Association for Development of Marketing – Bourgas, Tabitha Foundation 2000- Sofia, Lonely Mother-Association- Bourgas, Center for Social Practices- Sliven, Civil Society Foundation- Bourgas, Star of Hope Foundation- Sofia, Humanity Association- Pazardjik, Regional Union of Diabetics 'Flame of Hope'- Bourgas, Karin Dom- Varna, Friends of Sea Club- Varna, Social Care Association- Dryanovo, Society Gavroshe- Varna, etc. Most of the organizations interviewed realize their need to develop their business planning and management skills prior to being able to absorb loans. Some of the organizations are interested only in training and technical assistance but not in loans.

Meeting with CARE Bulgaria

This meeting was important as CARE Bulgaria is implementing a Social Entrepreneurship program. The project goal is to improve the social integration of children and youth with disabilities and their families through creation of opportunities for income generation and implementation of small community projects by the Board of Trustees of the Day Care Centers for Children with Disabilities in Montana, Bansko, and Pernik. The Board of Trustees is comprised of parents of the disabled and will manage the created social enterprises. The project definition of social entrepreneurship is business entrepreneurship, which generates income that covers the costs and provides profit to be used to further the NGOs' social mission. At the end of the project, the generated income will be reinvested in improvement of the conditions for social integration of the disabled children and youth. The conditions for successful functioning of social entrepreneurships will be developed through a planned system of training of the three Boards of Trustees in the following: organizational management, development and implementation of a business plan, monitoring and evaluation of social projects, management of sustainable social entrepreneurship.

CARE Bulgaria will give the Board of Trustees a grant of about 6,000 EURO to fund their business projects. Identified business ideas include candle production, maintenance of a greenhouse, and paper bags production. The production activities will be performed by the kids and young at the Day Care Centers and will be managed by the Board of Trustees. The project combines both the need of

rehabilitation for the disadvantaged groups, through involvement in production activities with rehabilitation purposes, and ensuring the means to fund the NGO activities through alternative income generation activities.

Assessment Visit

On the basis of the gathered information, several social service NGOs were selected to be visited during the assessment visit of Judith Kaufman and Kim Alter. The objectives of the visit were to identify the level of development of social enterprises in Bulgaria; and to assess potential training and technical assistance providers. The NGOs were selected to form a mix of organizations at different levels of social enterprise development. The site visits were a good opportunity to further assess the attitude of NGOs towards starting their own enterprises as well as their needs. They offered suggestions that they felt would help in the further planning of the Social Enterprise project, e.g. giving a quicker start of the enrolment procedures, focusing on training to ensure effective loan operation, etc.

The following NGOs were visited: the Bulgarian Association for People with Mental Disabilities and the social entity of the Municipality in Pernik; the Social Care Association in Dryanovo that has developed a social enterprise providing various paid services to the community; Karin Dom-Varna that works with disabled children; the Gavroche Society in Varna whose target groups are homeless kids and youth and Romi; Friends of the Sea in Varna who are working with young orphans, providing them with training and jobs; the Center for Social Practices in Sliven which assists the elderly and disabled; the Knowledge for Everybody Association in Bourgas that has devoted themselves to supporting kids and youth with narcotic dependencies through provision of; the Single Mother's Association in Bourgas employing single mothers in their workshop where women sew underwear for children's homes and the hospital; the Diabetics Care Association of Bourgas that has registered a cooperative to operate a shop for food and diabetic specific technical equipment and thus create jobs for diabetics.

During the visits, the assessment tool designed by Kim Alter was tested and adapted. The same tool could be used during the NGO site visits, which will be the second stage of the enrolment process (Please See *Attachment #5* Social Enterprise Assessment Report).

Round Table Discussion on Opportunities for Development of Social Enterprises in Bulgaria

The Social Enterprise Program team organized a round table discussion with the objectives of increasing awareness of the social enterprise concept and to discussing the opportunities for development of social enterprises in Bulgaria. Representatives of approximately 35 organizations were invited: USAID, social service NGOs whose target groups are disadvantaged people, training and technical assistance providers, etc. Interest was quite high and there were more attendees than were invited. Kim Alter made a presentation What a Social Enterprise Is, social enterprise practices were presented and a discussion on the opportunities for social enterprises took place. The findings from the round table were:

- There is a need to develop social enterprises as an alternative method of income generation and NGOs are becoming more aware that they should be proactive in using it to achieve organizational self-sustainability especially in light of forthcoming lack of foreign donor financing
- NGOs need to develop their business skills to ensure the viability of their social enterprises.

Assessment of Legal Environment for NGOs

BCNL was assigned to make an analysis of the legal opportunities for NGOs to develop social enterprises (Please See Accompanying Document for BCNL's Analysis of Social Enterprise). The scope of work encompassed the following areas:

- What is a social enterprise and is there a legal definition under Bulgarian law? What should be the appropriate Bulgarian legal term?
- Legal framework of NGOs in Bulgaria. Registration, types of NGOs, structure, operation

- What are the legal possibilities in Bulgaria for NGOs to perform economic activities and what are the different forms under which they can do that?
- Taxation of NGO activities – how is the income of NGOs taxed, how are donations taxed, how are donors of NGOs taxed?
- Taxation of the economic activities of NGOs – how is the income from the economic activity taxed, profits and dividends taxes?
- Related and unrelated economic activity – What is the difference between them and how are NGOs treated with relation to this?
- Legal framework for provision of social services especially services for disadvantaged groups – can NGOs provide social services, under what conditions can they do that, is there a separate treatment of NGOs providing social services to disadvantaged groups?
- Possibilities for loans and credits to be given by social enterprises – current legal framework for loan giving, restrictions for credit operations, NGOs and crediting, credit unions, other legal forms suitable for provision of credits.
- Relation of social enterprises with small and medium enterprises – how will social enterprises be treated under the special law governing SMEs?
- Employment and volunteerism provisions that might be related to the social enterprises – are there benefits for opening new working places, other benefits for providing employment in less developed regions.
- Legal advice as to the legal form of the social enterprises.
- Conclusions as to the needs for a special legislation for social enterprises?
- Legal opportunities constraint for granting loans to NGO enterprises and for the creation of the Social Enterprise Loan Fund.

Conclusion - Conditions for development of social enterprises in Bulgaria do exist and social enterprises do exist. At the moment, NGOs are still dependent on grants from donor organizations. NGOs also rely on support on the part of national, regional, or local governments. In particular, NGOs that provide social services put a great deal of hope in the National Strategy for Social Assistance and the amendments in the State Orders Act which regulate social contracting and provides the NGOs with the opportunity to be paid by the state for the social services they provide. There is a need in developing of procedures of cooperation and coordination of responsibilities and efforts among the state and the third sector as well as a need for all key players to participate in the development of a viable National Strategy for Social Assistance that will respond to the changing reality in the area of social services. The Social Assistance Act stipulates the creation of a Social Assistance Fund through which projects of licensed social service NGOs can be funded. An obstacle is that the only money in the fund at the moment comes from licensing fees and the number of licensed organizations is relatively small. Another potential obstacle is that the state will not have sufficient funds to support the Social Assistance Fund or to maintain it at necessary levels due to the insufficient budget amounts allocated for social contracting.

These developments will force NGOs to look for different approaches for income generation such as the establishment or operation of a social enterprise.

Research of Training and Technical Assistance Providers

The program staff has concentrated on organizations that have a network of local offices throughout the country. There are two such organizations - Bulgarian Association of Regional Development Agencies and Business Centers (BARDA) and the Business Centers and Business Incubators established by the UNDP JOBS program.

The JOBS project aims to enhance the economic development of regions with high unemployment levels by creating a sustainable environment for job generation through support to micro and small businesses and agricultural producers. The JOBS project demonstrates a replicable model for stimulation and

creation of micro and small enterprises. The JOBS project has created a network of 24 Business Centers, including 11 Business Incubators and 3 Business Information Centers across Bulgaria that provide services to businesses in order to help them grow.

Business Centers/Business Incubators (BCs/BIs) provide information and consulting services, training, financial services and below market rate premises. Through the JOBS project, BCs/BIs also provide their communities with access to financial mechanisms and information technology. Activities of Business Centers include: delivery of locally-based, comprehensive support to micro and small businesses and agricultural producers, introduction of new management techniques and technologies, provision of international and local consultants to develop projects, business opportunities and business links, establishment of contacts and cooperation with national and international institutions and trade organizations, sponsorship programs and special funds, facilitation of financing, stimulation and support of a "dialogue" on the local and national level to promote entrepreneurship and building confidence between the public and private sectors. In addition, the Business Centers offer: consulting services in finance and accounting, marketing and advertising, business management and business planning, training seminars in start your business, computer literacy and language training, information services such as full Internet access, access to market information both domestically and internationally, technical support, e.g. photocopying and faxing, word processing and promotional materials, translation services. Their target groups are: unemployed, active micro and small enterprises, producers of agricultural goods for own consumption with entrepreneurial potential, local institutions: state, private, NGOs. Business Incubators offer: fully renovated premises, below market rate rents, full package of services, and promotion of tenants' businesses.

The Bulgarian Association of Regional Development Agencies (BARDA) is a decentralized non-governmental umbrella organization of independent regional development agencies and business centers in Bulgaria. BARDA has 18 full members and 15 associate members. They all share the responsibility of financing the organization according to an agreed upon membership subscription scheme. The network offers support to small and medium-sized enterprises, municipalities and the unemployed in their respective regions through provision of the following services: assistance in developing business plans, assistance with market research, advice and training for business start-ups, advice on availability of finance, advice on national and international program opportunities, facilitating national and international cooperation and exchange, advice on import and export opportunities, support for active employment measures, information on investment opportunities, information on fairs and exhibitions.

BARDA headquarters in Sofia, the Regional Development Agencies in Varna and Sliven, and the JOBS centers in Turgovishte and Nova Zagora were visited and assessed during Judith Kaufman's visit to Bulgaria.

Several other organizations are also training providers; however they work through organizing training seminars for their target groups, provision of training materials and trainers, e.g. the Resource Center, FLAG, etc. Counterpart can use their trainers where the contracted training and technical assistance provider lacks capacity or resources.

Research on Existing Microcredit Practices

The program staff researched the Resource Center Foundation that is implementing an NGO Loan Program, Microcredit Fund and Ustoi. The NGO Loan program could be of particular interest because it aims at funding business activities of NGOs through two types of loans: bridge loans and loans for business activities. The loans can be used needs directly related to the business plan, e.g. buying goods, materials and raw materials, equipment, development of promotional campaign, renovations, etc. The yearly interest rate is 12%. The RC gives investment loans for 24 months and operating cost loans for 18 months. The following loan sizes are offered: for equipment- maximum of \$20,000; for operational

capital- maximum of \$ 7,000; for equipment and operating capital- maximum of \$ 20,000. The maximum loan repayment term is 36 months, with a 3 month grace period. To date, 22 loans have been given under the NGO Loan program, 8 of which were for business activities. The program is managed by 2 people from Sofia. Monitoring visits are made by the Program Director every 3-4 months.

The Microcredit Program was launched in 1999. The Resource Center Foundation implements this program in close cooperation with Soros International Economic and Development Fund (SEDF), as financial guarantor of the lending program, and United Bulgarian Bank (UBB) as the loan provider. The Program targets Bulgarian regions with high unemployment levels, low economic growth and several distinct ethnic communities. During the past two and a half years, the Resource Center Foundation founded seven offices – Smolian, Sliven, Kardjali, Vratsa, Silistra, Blagoevgrad and Burgas.

Ustoi program is implemented by CRS Bulgaria with the financial support of USAID. It is operating through three local offices in Stara Zagora, Pleven and Veliko Tarnovo and also covers the regions of Nova Zagora, Kazanluk, Haskovo, Dimitrovgrad, Gabrovo, Troyan and Gorna Oryahovitsa. The process of lending money is on the base of the Cooperative act, i.e. loans are given only to the cooperative members. As of 18 January 2001 a total 3408 loans had been given to 1661 active clients.

Promotion of the SE Project to the NGO Sector

Promotion of the SE program is ongoing. Activities accomplished include a 2-page promotional brochure presenting the goals of the project, project target group and phases was developed and distributed through SCDF affiliates, through the electronic bulletin and paper-based newsletter of the Foundation for Local Government Reform. The material was also sent to the Resource Center, the partner organizations of the Institute of Sustainable Communities, BARDA, Open Society Clubs, and other NGOs throughout the country. The Social Enterprise Project Manager participated in an NGO meeting in Blagoevgrad where 10 social NGOs attended together with the Program Director and Community Fund Project Manager. The Program Director attended a national Conference of Women NGOs in Veliko Turnovo and made a presentation in front of 100 representatives of NGO and governmental sector.

Development of NGO Database

Based on the gathered information on social service NGOs, a database will be developed during the project. The database will include data on the organizations and their business activities. In the long term, it will be very valuable in achieving the forth goal of the Social Enterprise project, namely: To promote the practice and advantages of creating social enterprises in Bulgaria and to support with information for other Counterpart projects targeting social service NGOs.

Development of Strategy for NGO Enrollment in the Social Enterprise Project

The program staff, along with Judith Kaufman, made the decision to have 25 NGOs enrolled instead of the initially planned 15 for the following reasons:

- To ensure a large enough pool of NGOs to compete for loans based on their performance during the training phase. Prior to giving the loans, Program Staff will have the opportunity to familiarize themselves with the strengths and weaknesses and to assess the NGOs capacity for loans.
- To increase the project impact by enhancing the knowledge and skills and changing attitudes of a bigger number of NGOs.

The strategy encompasses the following steps:

- Development and implementation of an information campaign
- Development of the selection and eligibility criteria as well as the application form
- Selection of 25 NGOs by a Review Board comprised of representatives of USAID, Counterpart Washington and Bulgaria, BCNL, and independent experts
- Site visits to the short-listed NGOs.

Development of the Selection and Eligibility Criteria and the Application Form

An applicant organization should meet the following selection criteria: 1) a public benefit NGO; 2) an NGO providing social services to marginalized groups; 3) an NGO with at least one year of experience in providing social services to marginalized groups, 4) an NGO with potential and capacity to conduct business activities related to its mission and goals.

The evaluation criteria and the application form were developed by Kim Alter, a social enterprise consultant (Please See *Attachment #6* Social Enterprise Selection and Evaluation Criteria and *Attachment #7* Social Enterprise Application Form).

Social Enterprise Study Tour

A training request to World Learning developed by the Social Enterprise Manager for a social enterprise study tour to either Poland or the Ukraine was approved. The objective of this program is to address the training needs of the Executive Directors and/or members of Board of Directors of 15 social service NGOs. Topics to be covered include:

- Understanding the concept of social enterprises and their characteristics;
- Understanding the legal and economic aspects of the social enterprise operation;
- Understanding their roles and responsibilities for the establishment, management, and development of a viable social enterprise;
- Gaining knowledge, skills, and attitudes necessary for establishment and management of own enterprise, e.g. business planning, strategic management, marketing, identifying business opportunities and recognizing threats, networking, contact building and maintenance, etc.;
- Understanding opportunities and challenges in the process of management of their own enterprise;
- Developing a business plan and instruments for establishment and management of their won social enterprise;
- Creating a positive image in the community and persuade about the benefits the new social enterprise will provide for addressing community needs.

Study Tour in Ukraine

The Social Enterprise Project Manager and a CSDF staff member participated in a study tour organized by the Counterpart Alliance for Partnership office in Ukraine from February 11 to 14. The objectives of the tour were to observe the Ukrainian model of social enterprises through visits to existing social enterprises, and exchange of experience with Ukrainian and Bela Russian social enterprise program implementers. The following NGOs were visited: the Mercy Charitable Fund in Zhitomir, the Peace Beauty Culture Association and Kastalia Fund in Kiev, the Our Children Organization and Yanush Korchak Rehabilitation Institute in Odessa.

The social enterprises had various business activities such as alcohol free cafés and second- hand shops, bakery and cream production, cloth selling, computer courses, School of Models which charges for the training, shows with the participation of their models, ceramic pieces produced by disabled and placed by the NGO on the market, educative- production atelier where disabled are involved in sewing, washing-up, and wood toy production.

Most of them use the legal figure of sole proprietor to ensure the social enterprise functioning. In Bulgaria, NGOs can perform business activities without taking a specific legal shape provided they are related to the organization's social mission. On the other hand, if they want to give to their business a specific legal form, limited company or civic association is more suitable.

The recommendations for the Bulgaria Social Enterprise project based on the study tour experience are:

- Explore the different types of legal forms for generating income through business in Bulgaria
- Explore the taxation conditions for NGO businesses and procedures for profit reinvestment
- Require guarantees when granting loans to selected NGOs
- Monitor usage and investment of loans by the selected NGOs on a regular basis
- Provide the selected NGOs with relevant training and technical assistance and monitor their progress.

Objective #3: Enhance the capacity of the Civil Society Development Foundation to support community funds throughout Bulgaria.

- ***CSDF Assessment*** – As part of Counterpart’s commitment to enhancing the capacity of CSDF to become a support organization for Community Funds throughout Bulgaria, we facilitated an OD Assessment of the foundation. This assessment is seen by Counterpart as an experienced and learned process for the development of an NGO partner. In other countries, NGOs that embrace the assessment stand ready to address their shortcomings and are truly interested in improving and participating in the project. Although the OD consultant cooperated with CSDF in editing some of the findings, and made every effort to work with them in the development of an action plan to address the shortcomings of the foundation, CSDF has not responded.
- ***Assessment Summary*** - The Civil Society Development Foundation (CSDF or the Foundation) has undergone major restructuring of the governance structures and management in the last year and a half. These changes have generally been positive and have helped stabilize an organization whose continued existence was questionable at the time the restructuring was embarked upon.

The main strengths of CSDF include strong support and commitment from the Board of Directors, a strong team of capable and committed staff, strong name recognition, a wide range of contacts in the NGO and government sectors, and an interested and supportive constituency.

The main challenges to the further development of CSDF include lack of clear consensus on directions for strategic development and position in the public space, a pattern of crisis management, foreign donor dependency, lack of promotional and public relations strategies, and weak monitoring and evaluation systems.

This report contains more detailed information on and analysis of the above-mentioned strengths and challenges in following areas:

- Strategic Management
- Governance
- Financial Sustainability
- Human Resources
- External Relations
- Products and Services
- Information and Communication
- Capacity Building

Goals and strategies for overcoming the challenges referenced in this report are outlined in the attached Action Plan for Capacity Building of CSDF.

- ***Counterpart’s efforts to enhance CSDF’s capacity to support community funds throughout Bulgaria have met with serious challenges which at this writing have not been resolved.***

Objective #4: Document and disseminate lessons learned and best practices for community funds and social enterprises.

Counterpart Bulgaria staff developed internal regulations on systematic data collection and analyses. Even though it is still too early for written reports and conclusions, all the information from round table discussions, focus groups and key informant interviews is carefully systematized. The developed structure for a computerized data base on Social Enterprises will help in keeping the information in an organized manner and ensure the track record of the organization in the social sector.

F. Coordination and Cooperation

Counterpart International – Bulgaria conducted a series of meetings with other donor organizations in order to get acquainted with their programs and experience and exchange ideas about future coordination in program related activities. Listed below are some of the organizations:

Swiss Development Cooperation Funded by the Swiss government, SDC has implemented a municipal forums program in 6 municipalities in the central Balkan Mountain region. The forums organized by SDC fostered participatory democracy at the local level. There were 10-12 sessions of each forum per year, and every session was devoted to a specific problem area, providing in-depth analysis of the problems faced by the municipality and generating possible decisions and recommendations directed to local government. SDC also funded several projects in each of the participating municipalities that reflected the priorities identified by local people. Gabrovo was included in the first phase of SDC' program. Counterpart Bulgaria believes that this will facilitate our work in Gabrovo since the local community has become used to participatory decision-making involving representatives of all sectors. The Community Fund initiative is a good follow-on to the public forum program.

ISC has been very cooperative and supportive in the start-up phase of the program. With their long experience in community mobilization they provided the CI-B team with invaluable information and advice on the approaches to be used locally. The CF Manager attended a public forum organized by DemNet program and got a real experience on using the public meeting for prioritization of the community problems and priorities. Also a real help for our program was the exchange of documents and forms, that made it possible to use their expertise and knowledge on USAID funded projects. In addition SE Manager attended a discussion forum on social policy that was organized by ISC. During the forum the Survey of Development of Social Assistance and Social Services was presented. The survey was initiated by the Institute of Sustainable Communities and accomplished by the Institute for Social Policy and Social Work.

BCAF – Business Meetings in Sofia and Blagoevgrad to Promote Philanthropy

Bulgarian Charity Aid Foundation also provided us with invaluable information on their projects and invited CI-B team to participate in meetings with business representatives to promote the philanthropy and donation. BCAF is considered as a resource organization for philanthropy promotion and development and can bring a lot to our program in establishing community funds.

Open Society Clubs in Varna and Rousse

COUNTERPART BULGARIA team developed a fruitful partnership with some of the organizations within Open Society Foundation. The Open Society clubs in Russe and Varna provided us with information on their practical experience in fundraising campaigns. The meetings were very informative in terms of local perception towards donation, the approaches that they used and the projects that they

funded. The relation will be further developed in the future on the grounds of using their practical expertise and experience gained.

In addition to the above meetings arranged and attended by the Counterpart Bulgaria staff, the COP met with the following individuals and organizations:

Steven Klingelhofer and David Moore of ICNL, Luben Panov and Mihail Boyadjiev of BCNL – The main objectives of the meeting were: 1) to determine the cooperation between BCNL and Counterpart Bulgaria, and 2) to introduce David Moore. As Mr. Klingelhofer has been appointed CEO of ICNL he will not be traveling to the region as frequently and Mr. Moore will take up the bulk of the regional responsibilities. The Counterpart annual work plan was reviewed and BCNL's participation was invited both in support of Social Enterprises and Community Funds. BCNL will include the decided upon activities in their action plan.

Mr. Python, Swiss Consultate – In addition to the above comments regarding this meeting, it is pertinent to note that Counterpart Bulgaria and the Swiss Forum representatives negotiated an agreement regarding activities in Gabrovo. In discussion it was concluded that it would not be efficient nor the best use of resources, both human and financial, for Counterpart and the Swiss Forum to be active in Gabrovo. Together we agreed that the Counterpart program is a fitting follow-on to the Swiss Forum program and that the transition from a financially supported program to a more sustainable program necessitated the withdrawal of the Swiss Forum from the city. The Swiss will implement a similar program in another city of Bulgaria and thus spread their financial resources

Jane Grube, Dem Net ISC – COP and Mrs. Grube had several meetings this last quarter. ISC staff and Mrs. Grube have been most cooperative and have assisted Counterpart Bulgaria in administrative and program issues, lending their support and experience. ISC was quick to provide samples of USAID required documents and other procedures and forms used in program implementation. ISC has also proved a valuable and cooperative source of information relative to NGOs and their function in Bulgaria.

Mr. and Mrs. Dimitar Bosduganov, Lions International and Zonka Women's Club – Mr. Bosduganov was instrumental in starting the Lions Clubs throughout Bulgaria, and Mrs. Bosduganov is deeply involved with the Zonka Women's Clubs. They have both cooperated with Program staff in establishing contacts with these two organizations which offer the Community Funds and Social Enterprises valuable contacts for distributing program information and avenues of future cooperation.

Yordan Stanimirov, Habitat for Humanity, Yordan Stoyanov, Mission Without Borders, and Petrozar Petkof, Alliance Bulgaria – The COP met with the representatives of these organizations. Although immediate cooperation is not visible, together we agreed to assist each other through spreading information of our programs and to seek means of cooperation.

G. Leveraging

The Mayors of the three municipalities included in Community fund program component (Blagoevgrad, Gabrovo and Chepelare) expressed a strong interest towards the program and made a real commitment to it. Proof of this was the fact that they provided office space for free and renovated it for the Community Fund office. In addition, they provided desks, chairs, and tables and secured a telephone line for the office. This helped in organizing local office space for the coordinators hired by COUNTERPART BULGARIA.

Another example of leveraging municipal assets with program needs was the access to information about municipal strategy, priorities, contact lists with business and NGOs. The Mayor of Chepelare decided to hire an additional staff for the municipality to work exclusively for the Community Fund. The salary of the additional staff is covered by the municipality.

H. Lessons Learned

Community Funds:

- Operation at the local level is most effective when there is a key contact person responsible to disseminate information and provide logistical support to meetings and other events.
- Creating a realistic picture of the community needs during the Assess phase is possible only if one meets with many different people and hears different, sometimes conflicting, points of view. Each individual opinion is like a piece in a puzzle, and the more meetings Program Staff organized, the fuller and clearer the general picture became.
- Community mobilization is most successful when the “genuine leaders” take the lead. Differentiating between active citizens who really care about their community and people who want to take advantage of the program for personal benefit, and getting the first involved in the Steering Committee, is the key to success. It can be achieved on the basis of in-depth understanding of community life for which one needs the insider’s perspective
- Communities with different socio-economic histories and different level of citizen participation require the development and application of distinct strategies for community mobilization in starting up the funds.
- Community mobilization is easier to achieve in a smaller community (Chepelare)
- The initial start-up process takes longer time in a community in which there are greater chasms between groups with different political affiliation, and the level of civic participation in decision-making is quite low (Blagoevgrad).
- Development programs should build upon what was already achieved by previous development programs, because all development agencies operating in a given community have to rely on the same group of civic-minded local leaders. Duplication activities should be avoided, and when there is a danger of duplication, development agencies should discuss opportunities for working together (Gabrovo – the Public Forum program of the Swiss Development Cooperation agency).
- The process of starting up a Community Fund is in essence a community mobilization process. Its success depends to a large extent on the possibility of drawing in representatives from all community groups and sectors and applying participatory approaches in reaching a community-wide consensus on the priorities that the fund will address. Consequently, a Community Fund support NGO should be one that has experience with community mobilization programs and motivation to work intensively at the local level. CSDF proved to lack the capacity and motivation to develop a hand-on experience in starting up a Community Fund. Counterpart Bulgaria must be very careful in formulating practice-oriented criteria for the selection of a future partner that will work closely with Program Staff to become a reliable Community Fund support NGO.

Management:

- As efforts to increase CSDF’s capacity by encouraging their participation in program implementation, facilitating an assessment, seeking mutually acceptable solutions to challenges did not result in the hoped for environment for partnership, we learned that partners should be selected at the onset of program implementation rather than through a process of pre selection.

Volunteers:

- Having volunteers is valuable, and can be a mutually beneficial and rewarding experience. Our experience has lead us to seek other volunteers and to develop specific programs for them which will assist us in program implementation and which will assist them in the development of their professional careers.