

Bulgarian
Center for
Not-for-Profit Law

Annual Report

2003



Sofia, 2004

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Not-for-Profit Law**

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MISSION

The mission of BCNL is to provide legal support for the development of civil society in Bulgaria.

We believe that the favorable legal environment for not-for-profit organizations will contribute to the development of modern civil society in Bulgaria.

BCNL IS THANKFUL TO ITS DONORS

International Center for Not-for-Profit Law

Open Society Institute – Sofia

United States Agency
for International Development

European Union,
PHARE Programme

Dear friends and colleagues,

In 2003 the Bulgarian Center for Not-for-Profit Law (BCNL) continued to work for improving the legal framework for not-for-profit organizations in Bulgaria.

Continuing our activity from 2002, we prepared several proposals for draft amendments to the tax framework of public benefit NGOs which could provide additional support to their activity like, for example, the abolition of the tax on dividends and return to the NGO of part of the corporate income tax from related economic activity. Unfortunately, our efforts were not successful due to the negative public attitude towards foundations after a series of publications in the press.

A main focus of our activity during 2003 was the support for the NGO/Government partnership, as well as opportunities for contracting social services to these organizations. In 2003 with the participation of a BCNL representative was prepared and adopted the Implementing Regulation of the Social Assistance Act which provides the exact legal requirements for organizing competitions for social services suppliers. We organized a series of meetings and seminars on the latest framework for social services in Bulgaria with municipal counselors and officers and NGOs involved in the social services sphere. In 2003 we also initiated activities in particular municipalities to provide support for the organization of competitions for social services suppliers.

It was important for us to initiate and participate in a campaign to promote philanthropy and the existing tax concessions for donors.

Hopefully, thanks to our efforts as well, philanthropy will become a part of the culture of Bulgarian people.

Another important initiative are the efforts to create a Blueprint for financial sustainability of NGOs in Bulgaria. We hope that this Blueprint will unite NGOs in our country for supporting future legislative steps in this regard.

We also should not forget the help we provided to NGOs for registration in the Central Registry and in court.

These initiatives will continue in 2004 and BCNL will continue its main priorities, related to the improvement and effective implementation of the legal framework for not-for-profit organizations.

Luben Panov,
Director of the Bulgarian Center for
Not-for-Profit Law



WHO ARE WE

The Bulgarian Center for Not-for-Profit Law (BCNL) was founded in 2001 as a not-for-profit legal entity with public benefit purposes. BCNL is registered in the Central Registry at the Ministry of Justice for public benefit NGOs.

BCNL was established with the assistance of the International Center for Not-for-Profit Law (ICNL).

The two organizations work in close cooperation under an Affiliation Agreement.

A main activity of BCNL is to provide assistance in identifying legislative priorities and in drafting legislation concerning NGOs. BCNL organizes seminars and trainings on legal and practical issues related to the legal framework of NGOs. BCNL has a team of experts who provide legal assistance related to the registration and activities of NGOs.

MANAGEMENT STRUCTURE AND STAFF

BCNL has a two-tiered governance structure.
The supreme body is the Board of Trustees.
The Director is the managing body.
The BCNL office is located in Sofia, Bulgaria.

BOARD OF TRUSTEES

Stephan Klingelhofer - Chairman of the Board of Trustees,
(President of ICNL)

Vyara Mukova - Attorney at Law

Radost Toftisova – Legal Consultant (ICNL)

David Moore – Regional Director for Central and Eastern Europe (ICNL)

Luben Panov - Director of BCNL

STAFF

Luben Panov – Director

Marieta Dimitrova – Legal consultant

Tony Dimov - Legal consultant

Nadia Shabani – Legal consultant

Andriana Petrova - Lawyer



WHAT HAVE WE DONE IN 2003

I. Work for Improvement of the NGO Legal Framework

• Not-for-Profit Legal Entities Act

Since the beginning of 2003 BCNL and the Open Society Foundation – Sofia initiated a campaign for discussing the necessity of draft amendments in the Not-for-Profit Legal Entities Act. The practical implementation of the law indicated the existence of some problems which hamper the activity of many NGOs. In the beginning of the year a working group of BCNL experts was formed which prepared proposals for draft amendments to the Not-for-Profit Legal Entities Act, on the basis of seminars and discussions held throughout Bulgaria. The proposals aim at improving the practical implementation of the law and facilitating the activity of NGOs, as well as the work of the bodies engaged in their registration and the control over their activities, without changing the philosophy and the spirit of the law. Some of the main proposals relate to: a change of the procedure for summoning the General Assembly (without a publication in the State Gazette); separation of the statutes from incorporation act of foundations; clear separation of the powers of foundation bodies from those of association bodies; clarification of some provisions concerning public benefit NGOs, etc. The draft proposals were discussed at discussions with practicing lawyers, engaged in the in the field of not-for-profit law, and representatives of NGOs from the whole country.

During the month of November 2003 a National discussion was also held at the Military Club in Sofia. The participants were representatives of NGOs from all over the country, as well as officers of



state institutions and deputies to the National Assembly. Representatives of over 60 NGOs took part in the discussion.

The proposed amendments are expected to be introduced on the floor of Parliament in the first half of 2004.

In 2003 BCNL together with the Open Society Foundation and the Program and Analytical Center for European Law started a joint initiative for creating a Blueprint for financial sustainability of the NGO sector in Bulgaria. The aim is to systematize different tools that would help the financial independence of NGOs and to work for their practical implementation through legislative and other methods. An even more important objective of the project is through this process to unify the NGO support for these legislative activities which would in that way be more successful.

• Tax Legislation

In 2003 continued the active work of BCNL for drafting amendments to the tax laws related to NGOs. On the basis of the proposals that were prepared in 2002 by the joint working group of the Ministry of Finance and experts from BCNL and other NGOs, BCNL prepared proposals for draft amendments to the Corporate Income Taxation Law and the Value Added Tax Law which include:

- clear definition of NGO incomes that are not from economic activity such as grants, donations, etc;
- abolition of the so called dividend tax for public benefit NGOs, registered in the Central Registry ;
- right to withhold 50 % of the corporate tax on related economic activity by public benefit NGOs;
- Inclusion of public benefit NGOs among the recipients of donations exempted from value added tax.

An economic analysis was also prepared that indicated the possible effect from the adoption of these proposals on the budget. The proposals were supported by the Parliamentary Civil Society Committee. Unfortunately, the Ministry of Finance did not approve of the proposals and did not include them in its project for drafting amendments to the tax laws. The proposals were introduced on the floor of Parliament by separate

Members of Parliament, but did not get the support of the Parliamentary Committee on budget and finance.

BCNL, together with its partners from Bulgarian Charities Aid Foundation, Open Society Foundation- Sofia and the Resource Center Foundation, initiated a national campaign for encouragement of philanthropy. As a first step, a national survey on donation practices and knowledge of the existing tax concessions was held among citizens and companies. The survey results showed an obvious necessity of acquainting the citizens and business?s with the opportunities for tax benefits for donations which apparently are not well known among the general public. The future steps of this joint initiative would most probably include the making of TV spots, publication and distribution of printed materials that would describe the procedure for using the tax benefits for donors. .

- **Social Services**

A BCNL representative participated in the working group for drafting amendments to the Regulation on the Implementation of the Social Assistance Act which took effect in April of 2003. The Regulation includes provisions defining the procedure for organizing of competitions for supply of social services. In this way a particular opportunity is given for partnership between municipalities and NGOs, and this creates the opportunity for a real privatization of social services in Bulgaria.

In connection with the new aspects of the legal framework of social services, in 2003 BCNL organized 8 trainings throughout the country for municipal officers and NGOs - potential providers of social services.

- **Law on Healthcare Institutions**

In 2002 BCNL prepared draft amendments to the Law on Healthcare Institutions that enable public benefit NGOs to become healthcare institutions. In 2003 the proposals were supplemented and discussed on two public discussions which were attended by NGO representatives, lawyers and deputies of Parliament. The supported proposals were introduced on the floor of Parliament. The Members of Parliament accepted the idea for opening the healthcare sphere for NGOs. The legislation in a number of European countries, USA and Canada enables hospitals and other healthcare institutions to function as NGOs.

II. Implementation

• Consultations and Technical Legal Assistance

During 2003 BCNL experts have consulted over 100 organizations. The consultations were on the implementation of the Not-for-Profit Legal Entities Act, labor legislation, taxation and other issues relevant to the NGO legal environment. Consultations by telephone and e-mail have been provided for NGOs from all around the country. With the assistance of BCNL experts just during 2003 22 new NGOs are registered and 18 re-registrations are made.

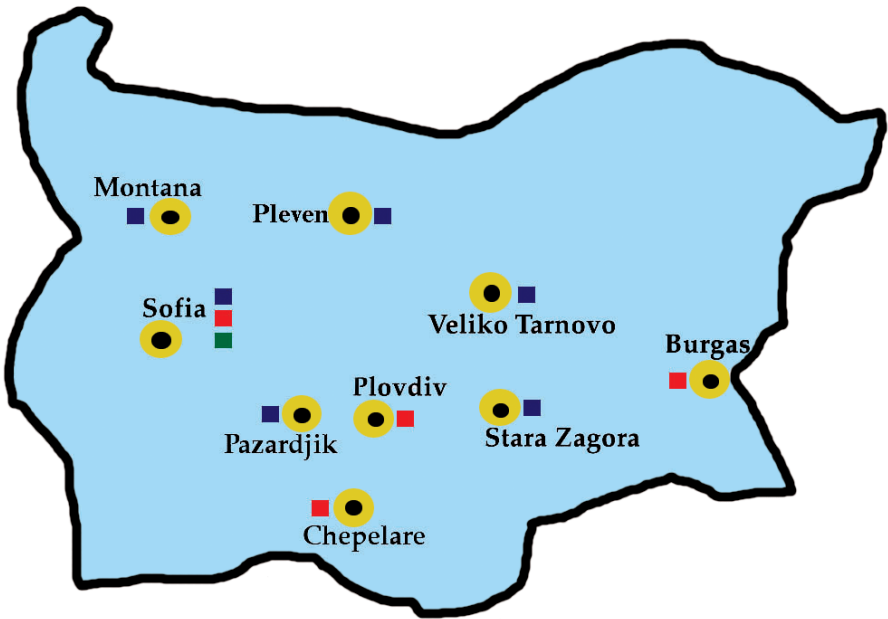
BCNL and Counterpart International – Bulgaria proceeded their successful assistance during 2003. With the support of BCNL in Stara Zagora was established the fourth Community Fund by the Bulgaria Pilot Community Fund and Social Enterprise Program. BCNL also helped for the registration of the Social Enterprises Foundation, which will be the main distributor of loans under the component micro-financing of social enterprises from the pilot program. BCNL's director was elected as a member of the Board of the new Foundation.

• Central Registry




In November of 2002 BCNL in cooperation with the Ministry of Justice began a campaign for registration of public benefit NGOs in the Central registry. The campaign continued successfully in 2003 and public benefit organizations from all over the country received free legal assistance from BCNL experts for filling out the application form and preparing it in electronic form which is necessary for the registration. BCNL has assisted almost 500 organizations to fill in and file their applications in the Central Registry.

• Seminars

In 2003 BCNL organized 16 seminars in the form of discussions and trainings throughout the country. BCNL experts were participating lecturers in another 11 seminars. The seminars were attended by 887 participants – representatives of NGOs and practicing lawyers, municipal and tax officers, accountants and Members of Parliament, representatives of the government. The seminars were held in different Bulgarian cities –



Legend

-  Legal seminars
-  Social seminars
-  Seminars on healthcare institutions

Plovdiv, Burgas, Veliko Tarnovo, Sofia, Chepelare, Gabrovo, Stara Zagora, Montana, Pleven and Pazardzik. The aim of BCNL is that people from all over the country can benefit from its expertise.

- Legal seminars

The seminars on the new legal framework for NGOs, which BCNL organizes since the Not-for-Profit Legal Entities Law was adopted, were combined with other issues such as explanation of the compulsory registrations NGOs must undertake, the opportunities for economic activity, taxation of NGOs, as well as basic questions about the obligation of NGOs as employers. BCNL organized 2 trainings in Sofia and was invited by the Bulgarian Association for the Promotion of Citizens' Initiatives to organize a seminar in Burgas. The participants were able to initiate discussions on current problems which they had faced during their activity.

Our experts were invited to introduce the NGO legal framework and other related legal issues on trainings organized by the Bulgarian Association for People with Intellectual Disabilities in Sofia. Lectors from BCNL also participated in trainings organized by Counterpart – Bulgaria: 3 in Sofia and 1 in Chepelare.

BCNL lectors presented the NGO legal framework at the meeting of the ecological NGOs in Plovdiv in October.

A BCNL expert held a lecture on the tax concessions on a training organized by 3 NET in November.

- Social seminars

During the past year the BCNL activity focused in the area of social services. This issue became extremely important for NGOs after the latest amendments to the Social Assistance Act and the possibility created there for NGOs to receive financing by the municipalities as social services suppliers. After the amendments of the law and the lack of practical implementation, a necessity for interpretation of the new opportunities for social services provision arised.



BCNL organized 6 trainings on the social services legal framework throughout the country, which were especially targeting municipal officers and NGOs.

BCNL in cooperation with the Foundation for Local Government Reform organized 3 pilot seminars in Veliko Tarnovo, Montana and Stara Zagora. The participants were municipal officers and representatives of local and regional sub-divisions of the Agency for Social Support. The total number of participants was 150.



Another 3 trainings were organized in Stara Zagora in cooperation with the local Open Society Club, in Pleven – with the support of the Bulgarian Association for Fair Elections and Civil Rights and in Pazardjik- with the Regional Fund- IGA, Pazardjik.

BCNL lecturers were invited to present the social services legal framework at two trainings, organized by Counterpart- Bulgaria and the American Red Cross in Sofia.

- Seminars on healthcare institutions

BCNL, together with the Institute for Research of Integration, organized a meeting for discussion of the draft amendments to the Law on Healthcare Institutions that were prepared by the Center. It took place in Sofia during the month of May. The discussion was attended by 36 participants among which were representatives of the Ministry of Healthcare, Members of the Parliamentary Healthcare Committee and other Members of Parliament, experts and representatives of NGOs working in that area. The participants shared different problems they have experienced caused by the lack of legal opportunity for healthcare institutions to be registered as NGOs. All the participants supported the creation of a legal possibility for NGOs to be healthcare institutions.

Another discussion on this issue was held at a seminar on the legal framework of one of the different kinds of healthcare institutions- the hospice. A comparative analysis on the legal framework of hospices in the European countries and Bulgaria was presented. 25 participants –

representatives of interested organizations and institutions attended the event.

- A seminar on endowments

In May in Sofia BCNL in cooperation with the Program and Analytical Center for European Law (PACEL) and the Open Society Foundation - Sofia organized a discussion on a new issue concerning the third sector – endowments. Endowments help NGOs to achieve financial sustainability through long-term investments in different financial instruments.

The discussion was attended by representatives of the Chief Tax Director-



ate, representatives of the Commission of Economic Policy of Parliament, representatives of a number of NGOs and the media. The main lecturer on the seminar was Mr. Robert Thomas, di-

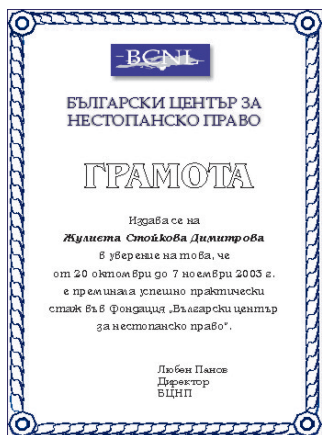
rector of the Endowments Program of the East – West Institute, an expert with a long experience in countries like the Czech Republic, Poland, Hungary and the Slovak Republic.

III. Educational Initiatives

- **Legal Clinics**

BCNL continued to support the NGO law clinic at the Sofia University. Regular classes with the clinic members were held during the whole school year in BCNL`s office. The students were taught in different practical aspects of the NGO legislation by a BCNL expert. Competitions were organized with the members of the clinic who participated in different simulative games.

The students who had successfully finished the practical two-semester course received certificates.



- **Internship Program**

Since its establishment BCNL has set up a training program on basic NGO legal issues for law students from the universities in Sofia, Plovdiv, Veliko Tarnovo and Ruse where NGO law is taught in a clinic or a course. In 2003 four students from the universities of Plovdiv, Veliko Tarnovo and Sofia have successfully finished the program.

In 2003 the program was extended and the students had the opportunity after finishing their training in BCNL to continue their practice in NGOs.

- **NGO Law Textbook**

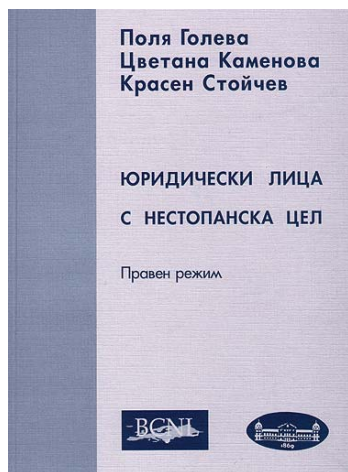
BCNL initiated the preparation of a NGO Law Textbook, which was published in 2003. The Textbook presents an in-depth analysis on the NGO legal framework in Bulgaria. Examples from CEE countries are included as well. The textbook will facilitate the incorporation of the not-for-profit legal component in the curricula of the legal departments of Bulgarian universities. The textbook is written by: Tzvetana Kamenova, Polyana Goleva and Krasen Stoychev, distinguished professors of the University of Plovdiv and members of the Institute for Legal Sciences, part of the Bulgarian Academy for Sciences (BAN).

IV. Publications & Analyses

BCNL has a rich library of NGO materials on the legal environment of NGOs in Bulgaria and abroad. The materials are regularly updated. A big part of them are also accessible through BCNL's website www.bcnl.org.

In 2003 three books were published by BCNL:

- Hospices in Bulgaria - a brochure containing the main procedures concerning the legal registration, subsequent control, taxation and other issues related to Hospices in Bulgaria.
- Hospices in Bulgaria and the European Union – a comparative analysis on the main principles of the legal framework of hospices in different countries, as well as examples of good practices.



ХОСПИСИТЕ В БЪЛГАРИЯ

Какво е хоспис? Според българското законодателство хоспис е вид лечебно заведение, в което дежуристи и други специалисти осъществяват професионално медицинско наблюдение, лекарско лечение, предписано от лекар на лице в терминално състояние, с хронични инвазивизиращи заболявания или психико-социални проблеми.

- Хосписите са от тип „трета група – по-особени“ лечебни заведения, уредени в гл. V на Закона за лечебните заведения (ЗЛЗ).
- От главна точка на съдебната и административната си регистрация хосписите нямат нивкои общи белези с видовете лечебни заведения за извънболнична помощ.

О какво хосписите са различава от другите лечебни заведения?

- Независимо че съществува близост между хосписите и домовете за медико-социални грижи според предмета на осъществяването от тях дейност, съществени са разликите в режима на възникване на двата вида лечебни заведения. Хосписите подлежат на ретрастрационен режим (съдебна и административна регистрация). За домовете за медико-социални грижи е в сила специален разрешителен режим, подобно на процедурата за болничните лечебни заведения.

Кой може да създаде хоспис? Учредители могат да бъдат държавата, общините, дееспособни български или чуждестранни физически или юридически лица.

- учредяване на хосписа като юридическо лице (граждско дружество или кооператив) според действащото законодателство и
- последваща регистрация по реда на чл. 40 от ЗЛЗ в Районния център по здравеопазване (РЦЗ) по седмично на хосписа.

Как се създава хоспис?

Български център за нестопанско право  www.bcnl.org

- Not-for-Profit Legal Entities. Legal Framework – a textbook which presents the NGO legal framework in Bulgaria, as well as the arrangements for registration and functioning of NGOs of CEE countries.

V. Internet Services

In 2003 BCNL continued to develop its website. Latest news and happenings from the not-for-profit sector in Bulgaria and abroad are regularly published. The on-line library now provides a separate section on the taxation practice concerning NGOs. It also has useful links to important Bulgarian institutions and international organizations.



The BCNL website is included in the network of the European Foundation Center as part of the legal websites project, with websites containing basic information on the legal framework related to the work of NGOs.

VI. Projects

In 2003 BCNL continued to work under the project for creation of a favorable legal environment for NGOs which will be over in April of 2004. The project is financed by the International Center for Not-for-Profit Law with funding from the United States Agency for International Development (USAID).

In 2003 BCNL completed a project, financed by Open Society Foundation – Sofia, “Legal Arrangements on Hospices in the Republic of Bulgaria”. As a result of the project was prepared a comparative analysis on the legal framework of hospices in Bulgaria, the Central and Eastern European countries and the European Union.

In December, 2003 BCNL started a project called “Social Services in Bulgaria – new opportunities for development“, funded by the PHARE “Civil Society Development“ Program of the European Union. The project will continue eight months and will end in July 2004.

The project aims at developing the system of social services in Bulgaria and at encouraging the partnership between NGOs and municipalities in the supply of social services. The project is targeted at municipal counselors, officers in municipal administrations and state institutions, responsible for providing social services, as well as NGOs involved in the social sphere. Under the project an analysis of the legal framework of social services in Bulgaria will be prepared and published and a number of trainings throughout the country will be organized on social service delivery. In the municipality of Smolyan will be organized a competition for selection of a supplier of social services.

VII. Financial Report

PROFIT AND LOSS STATEMENT

as of 31 December 2003

Bulgarian Center for Not-for-Profit Law

	Current year in BGN	Previous year in BGN
INCOMES		
1. Incomes from incorporation	0,00	0,00
2. Incomes from financing	131287,62 ...	167771,31
3. Incomes from donations	0,00	200,00
4. Incomes from for-profit activity	13471,82	14688,27
5. Incomes from currency transactions	818,83	32818,10
6. Incomes from interests	109,11	120,52
7. Incomes for future periods	0,00	0,00
Total income	145687,38 ...	215598,20
EXPENSES		
1. Expenses on incorporation	0,00	0,00
2. Expenses on financed activity	131287,62 ...	166866,00
3. Expenses on for-profit activity	1215,79	8437,22
4. Expenses on currency transactions	6303,36	18799,23
5. Other financial expenses	812,45	905,31
6. Tax Expenses	2880,17	1469,00
Total Expenses	142499,39 ...	196476,76
REMAINDER FOR THE NEXT PERIOD	3187,99	19121,44

BALANCE
of the Bulgarian Center for Not-for-Profit Law
as of 31 December 2003

	Current year in BGN	Previous year in BGN
ASSETS		
Long-term Assets		
1. Long-term Tangible Assets	8805,53	16872,05
2. Long-term Intangible Assets	3152,68	4086,16
Total Long-term Assets	11958,21	20958,21
Short-term Assets		
1. Cash 77,05	204,21	
2. Funds in Bank Accounts	62211,75	53070,60
3. Deposits Granted	156,00	156,00
4. Receivables	38,60	7,79
5. Expenses for Future Periods	5476,35	
Total Short-term Assets	67959,75	53438,60
Total Assets	79917,96	74396,81
LIABILITIES		
1. Liabilities to the Budget	1577,49	1317,14
2. Social Security Liabilities	93,00	67,98
3. Personnel Liabilities	0,03	0,00
4. Liabilities to Suppliers	3,93	14,12
5. Other Short-term Liabilities	0,00	100,00
6. Financing	42455,32	31526,41
Total Liabilities	44129,77	33025,65
Incomes for Future Periods	0,00	0,00
Total Liabilities	44129,77	33025,65
Net Asset Value	35788,19	41371,16
including		
capital in Long-term Assets	12187,25	20958,21
Reserves	23600,94	20412,95
Total	35788,19	41371,16

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