



# **Bulgarian Center for Not-for-profit Law**

## **Annual Report 2006**





# Mission

**To provide legal support  
for the development of civil society  
in Bulgaria.**

## Short Description

**The Bulgarian Center for Not-for-Profit Law (BCNL) was registered in July 2001 as a foundation operating in public benefit and was entered in the Central Register of public benefit organizations with the Ministry of Justice.**

**BCNL aims to provide assistance to the development of a good legislative framework and encourage transparency, accountability and establishment of an adequate governance structure of non-profit organizations in Bulgaria.**

**BCNL is the local affiliate of the International Center for Not-for-Profit Law and the European Center for Not-for-Profit Law.**

# **A Word from the director**

**Dear colleagues and friends,**

**In 2006 the Bulgarian Center for Not-for-Profit Law celebrated its 5th anniversary. We continued to pursue our objectives with work in several main areas. The most important of them are the improvement of the existing legislation for nonprofits and promoting the social services competitions. An important component of our work relates to the support we provide to the Judicial Strengthening Initiative through organizing public forums and providing support to non-profit organisations active in the field of judicial reform.**

**As far as legislation is concerned, 2006 brought the first amendment to the Law on non-profit legal entities for the last few years. Hopefully, this amendment will help many NGOs as well as contribute to clarifying the role and responsibilities of public benefit organisations. The amendment was drafted on the basis of the Concept for amendments to the legislation concerning non-profit legal entities, which has been supported by more than 400 active organisations in 2006.**

**A competition was organized once more in 2006 to distribute budget grants among non-profit organisations. And once more, there were no clear rules regarding eligibility, the evaluation criteria, the grant size and the number of projects applicants were eligible to apply with. That is why together with the Ministry of Justice and the Ministry of Finances we developed proposals for amendments to the Law on the state budget for 2007. The amendment targets identification of general criteria and rules of the grants competition to be further developed into specific guidelines for applicants as well as an application form. The good news that the proposal was accepted was accompanied by the fact that the 2007 grants budget was reduced. We will work towards changing that in the next competitions.**

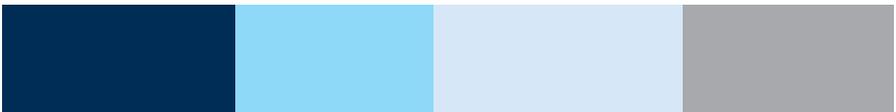
**During the past year we drafted a law on volunteerism together with a group of NPOs working with volunteers. Volunteerism is among the issues dealt with by the Concept on amendments to the legislation concerning non-profit legal entities.**

**In 2006, with the financial support of Counterpart, we provided small grants to municipalities to contract out the provision of social services to nonprofit organizations. Despite the small size of the grants (up to 5000 USD) and the requirement to double the grant amount as their contribution to the project, 13 municipalities received funding, which led to having twice as many social services tenders as compared to the 2003-2006 period. This gives us hope that partnerships of this type may further develop and act as a potential source of financial support to non-profits in Bulgaria.**

**We will continue to work towards strengthening the financial sustainability of Bulgarian non-profits in 2007, and in doing so we will rely on your support and ideas.**

**Wishing you all a successful year,**

***Luben Panov  
Director  
Bulgarian Center for Not-for-Profit Law***



# **BCNL projects in 2006**

- **“An Optimistic Look at NGOs and Domestic Resources” Project**

**The project is funded by the Trust for Civil Society in Central and Eastern Europe and is implemented in partnership with the Bulgarian Charities Aid Foundation. The project started at the beginning of 2005 and was finalized at the end of 2006. Main areas of work are:**

- 1. Information exchange – through running a national annual survey on philanthropy, media monitoring, publications, a web-portal on philanthropy [www.bgblago.com](http://www.bgblago.com), etc.**
- 2. Development of models of corporate and individual philanthropy and training and assistance to groups such as trustees of residential homes for children deprived of parental care, schools or cultural agencies as well as recently established community funds, etc.**
- 3. Increasing the trust in non-profit organisations through better management and partnership with the local authorities by surveying the practices of NPO governance in Bulgaria, and providing small grants towards improvement of the relations between NPOs and local authorities.**
- 4. Developing a unified strategy towards a more favourable legal framework for NPOs in Bulgaria.**
- 5. Organizing an advocacy campaign for introducing amendments in areas identified within the strategy.**

**There have been several priorities underlying the work of BCNL within this project in 2006:**

***Improving the legal framework for NPOs***

**The common efforts of the Bulgarian non-profit organisations for improving the legal framework for non-profit legal entities in Bulgaria were successful. The research carried out in 2005 on**

**the legal issues faced by NPOs was used by BCNL to develop Proposals for amendments to the Law on non-profit legal entities. These were distributed for discussion to organizations all over the country. The changes proposed were discussed also with the Central Register of the Ministry of Justice, the Legislative council at the Ministry of Justice and the related Deputy Minister of Justice, who supported the amendments proposed.**

**In the middle of May 2006, the supported draft was introduced to the floor of Parliament by the Members of Parliament Donka Mihailova, Ivo Atanassov, and Lyutvi Mestan. Four months and a half later the amendments to the Law on non-profit legal entities were adopted and came into effect on 3rd October 2006. The most important of them are as follows:**

- **Dropping out the requirement for convening the General assembly of associations through the State Gazette. The General assembly can be summoned according to the provisions of the Statutes and only in case there are no specific provisions – through State Gazette.**

- **The law provides for a 2-month term for registration in the Central Register for newly established public benefit organisations and for a new term, 1 year as of 3rd October 2006, for registration of non-profit legal entities which have been registered in court as public benefit organisations before the amendments to the law came into force but were not entered in the Central Register.**

- **New reporting and transparency**



**regulations have been adopted with regards to non-profit legal entities entered in the Central Register. As of 2007 all non-profit legal entities entered in the Central Register of the Ministry of Justice are required to submit in their annual reports information on the type, size and objectives of the received or granted donations as well as information about the donors.**

◦ **New grounds for de-registration of non-profit legal entities from the Central Register have been introduced. Non-profit legal entities entered in the Central Register can be de-registered in case they have not submitted the legally required information about their annual work within the legal deadline – 31st May for consecutive years. Before actual de-registration, however, the Minister of Justice is to send a written notification to the organisation specifying an additional term after which the de-registration is finalized in case the organisation does not submit the required information.**

### ***Better NPO governance***

**In May 2006 BCNL promoted the book “Survey of Non-profit Governance Practices in Bulgaria”. The book consists of two parts. The first part is a representative sociological survey of the Bulgarian NPO governance practices, carried out by the Institute for Marketing and Social Surveys (MBMD) at the end of 2005. The survey gives an insight into the situation of the non-governmental sector in Bulgaria and identifies that organisations are still very much dependent on foreign funding and have predominantly limited budgets.**

**The second part contains an analysis of the existing legal requirements concerning the structure, prohibitions of conflict of interest**



**and other practices referring to NPO governance. This part of the book will be of benefit to all active NPOs because it provides a good outline of the existing legal provisions.**

**In August 2006 BCNL published the survey in English as well.**

**It is published on the BCNL web-site and one can reach it through the “Analyses” heading within the “Analyses and Publications” section.**

### ***Budget subsidies for NPOs***

**One of the serious problems identified in the 2005 survey of legal problems relates to the insufficient level of transparency in the allocation of budget subsidies provided directly to specific organizations as well as in the provision of grants for projects submitted by public benefit organisation under competitive conditions. In this context, a meeting was held in Sofia at the beginning of 2006 to discuss steps and actions to be taken towards establishing equal terms and transparency in allotting state budget grants to non-profit legal entities. The meeting was initiated and organized by BCNL, Balkan Assist, Centre for Independent Living, Bulgarian Charities Aid Foundation and Counterpart-Bulgaria. The meeting was attended by representatives of more than 15 organisations, who all agreed that there is an urgent need to change the practice of the state to annually provide direct subsidies from the state budget to specifically listed organisations. Participants also agreed that there is a need to introduce clear and transparent rules for the competition for providing grants to projects of public benefit organisations. A decision was made to wait until the results of this year’s (2006) grants competition and then launch a campaign towards introducing clear rules for providing state budget grants to non-profit legal entities.**

**Due to the delay of the grants procedure, a task force was set up only in the beginning of September consisting of representatives of the Bulgarian Center for Not-for-Profit Law, Bulgarian Charities Aid Foundation, the Ministry of Justice, the Central Register at the Ministry of Justice, the Ministry of Finances**

**and the Council of Ministers. The task force developed sample Guidelines and Application form to be used for the state budget grants programme in 2007. To provide an efficient legal back up of the proposed guidelines, the Bulgarian Center for Not-for-Profit Law made a proposal to the State budget act for 2007. The proposal was adopted by the Parliament in December 2006.**

### ***1% legislation***

**In searching for new mechanisms of strengthening the financial sustainability of NPOs in Bulgaria and as a follow-up of the initiative for amendments to the legislation concerning tax regulations for donors (which was launched in September 2005 on occasion of the charity campaigns for those affected by the floods), BCNL organised a discussion in May 2006 on the topic of “1% law – mechanisms and practices”. It was attended by representatives of non-governmental organisations based in Sofia.**

**Katerina Hadzi-Miceva from the European Center for Not-for-Profit Law (Hungary) presented the European experience in the 1% laws and Milan Andrejkovich from the First Slovak Centre for NPO Services (Slovakia) introduced the participants to the advantages and disadvantages of the legal mechanism behind the 1% practices in Slovakia.**

**The economist Tzvetan Hadjiiski presented an analysis of the economic effect of the 1% law, if adopted in Bulgaria.**

### ***Volunteerism***

**In 2006 the Bulgarian Center for Not-for-Profit Law initiated the drafting of a law on volunteerism by setting up an expert group of lawyers. The European Center for Not-for-Profit Law and BCNL prepared an analysis on the legal framework of volunteerism in other European countries to serve as a basis for the work of the expert group. The group’s work was monitored by leading organisations working with volunteers and familiar with the problems faced by volunteerism in Bulgaria. These organisations were given an opportunity to attend specially organised regular**

**events where they were able to voice their opinion and provide recommendations to the experts. These organizations included Bulgarian Red Cross, Green Balkans Association, the National Alliance for Volunteer Action, YMCA, Bluelink network, CVS-Bulgaria, Caritas, Peace Corps. The final draft was approved by the organisations at the consultative meeting in December 2006. It is planned that the draft will be distributed to non-governmental organizations for opinion and recommendations followed by an advocacy campaign for adopting the law that will be organized by the volunteer organisations.**

### ***Small grants competition***

**In June 2006 a small grants competition was organised for municipalities and non-profit legal entities with a total budget of 10 000 BGN with a maximum grant size of 2000 BGN. Supported activities included development of local regulations on partnerships between non-profit organisations and municipalities, and organising local campaigns and initiatives towards improving the dialogue between municipalities and NPOs. The granted projects included proposals submitted by the Municipality of Pazardjik, the Municipality of Tundja, the Association of Parents of Children with Cerebral Palsy - Varna, Partners-Samokov Association and NGO Club Targovishte.**

- **“Judicial Strengthening Initiative in Bulgaria” Project**

**In 2006 BCNL together with the International Center for Not-for-Profit Law continued to be part of the “Judicial Strengthening Initiative in Bulgaria” project funded by the US Agency for International Development (USAID).**

**In January and February BCNL participated in organising Constitutional forums attended by representatives of the Parliamentary represented political powers, supreme Bulgarian magistrates, and civil society organisations. Among the special guests to the second forum were specialists and lecturers on constitutional**

**law and the judiciary from Italy and Spain. The aim of the event was to discuss the forthcoming third amendment to the Constitution of the Republic of Bulgaria and its effect on the judiciary.**



**The Bulgarian Center for Not-for-Profit Law financially supported the Legislative Drafting Institute in developing a commentary to the proposals for amendments to the Constitution as well as running focus groups with lawyers and representatives of the court system. BCNL and East West Management Institute organized a training seminar (12-14th June) on fundraising for Bulgarian NPOs working on issues related to judicial reform or/and the court system. The training aimed to strengthen the organizational and financial capacity of NPOs by expanding their knowledge and skills in fundraising. Balazs Sator, Director of the Civil Society Development Foundation in Hungary was invited as trainer. CSDF Hungary organizes the largest regional**



*Balazs Sator and Luben Panov as advocacy trainers*

**fundraising conferences in Central and Eastern Europe.**

**On 4th July BCNL organised a seminar for MPs on “Regulatory impact assessment”. Bulgarian and European legislative practices and experi-**



**ences in the field were presented. The main presenters included prof. Alan Page, public law professor in the University of Dundee, Scotland, and Dr. Ivo Hristov – Legal Advisor to the Legal Affairs Committee, 40th National Assembly.**

**In the middle of September BCNL organized a training on advocacy for NPOs working in the area of the judicial reform in Bulgaria. The trainees were grantees of the East West Management Institute. They were introduced to the concept of advocacy in Central and Eastern Europe and Bulgaria in particular, the process of advocacy as well as the experience and the results of advocacy campaigns run in Bulgaria and the region. Balazs Sator, Civil Society Development Foundation in Hungary, and Luben Panov, BCNL, were the trainers.**

**In the middle of 2006 BCNL and Access to Information Program launched a new initiative related to the issue of access to information within the judiciary system. An analysis was made within this initiative on the existing legislation in Bulgaria concerning access to information in the judiciary. Two focus groups were**

**run with court journalists and lawyers and they discussed the main findings of the report as well as the recommendations made towards amendments to the legislation aiming to improve the access to information in the court system. The analysis and the recommendations were submitted for discussion to stakeholders and court-related institutions.**

## **• “Social Contracting” Project**

**In 2006 BCNL in partnership with Counterpart International-Bulgaria continued to take an active part in the encouragement of the decentralization of the social service provision through strengthening public-private partnerships between the local authorities and non-governmental organisations. The project was successfully completed in August 2006.**

**The project aimed at developing the process of social contracting in Bulgarian municipalities through encouraging the local author-**



**ities to contract out social services to non-profit organisation. The project team supported the local authori-**

**ties in organising competitions as per the Implementing Regulations of the Social Assistance Act, which define the procedures of contracting social services. An important component of the project referred to strengthening the capacity of the main participants in the social contracting process by organizing training events for local non-governmental organisations, representatives of municipalities and state institutions. They were introduced to**

**the opportunities they have available within the existing legislation. An analytical report, made by BCNL experts, outlined the legal framework and the mechanism of funding social service provision in Bulgaria.**

**Main 2006 initiatives:**

- **Legal and technical assistance in organizing competitions for contracting social services to NPOs;**
- **Preparation of a How-to Manual for Social Contracting;**
- **Small grants.**

**The Social Contracting Program's most important component was related to organising the Small grants competition for**

**municipalities at the end of 2005. The selection of municipalities was made in January 2006 and in February the contracts were signed with**



**the municipalities organizing the social contracting. Between April and May there were 13 competitions for contracting social service provision. Three training seminars on social contracting were organized for municipal staff.**

**The results of the Small grants competition:**

- **13 awarded municipal projects;**



- **63 658 USD granted;**
- **175 332 USD co-funding;**
- **10 of the services were local activities (funded by the local municipal budgets);**
- **11 newly developed services.**

**A two-day international conference was organized in May to present good EU public-private partnership practices. The event was organised by BCNL, World Learning, Counterpart International-Bulgaria, the National Association of Municipalities in the Republic of Bulgaria (NAMRB) and Partners-Bulgaria Foundation. Lecturers from Poland, Hungary and Germany were invited to participate. There were more than 120 representatives of local authorities, non-governmental organisations and state institutions taking part in the event. Opening speeches were given by Ivanka Hristova, deputy Minister of Labour and Social Policy; Michael Fritz, USAID Mission Director and Ginka Chavdarova, NAMRB Executive Director.**

**The experience gained throughout the project was put together in a handbook - Social Contracting Guide. It gives a thorough analysis of the existing legislation concerning the opportunities for contracting social services to private providers. The book uses a very accessible approach to describe the procedures to be followed by municipalities when organising competitions for contracting social services.**

- **“New perspectives for vulnerable groups - improving the quality of social services and support to social enterprises” Project**

**The project was implemented in partnership with the Programme and Analytical Centre for European Law (PACEL). It started in December 2004 and was completed in May 2006. The project’s main aim was to contribute to overcoming the isolation of vulnerable groups through establishing a favorable**



**environment for the development of social enterprises; and setting up a system for quality control of social service provision.**

**The key project activities in 2006 were related to the development of proposals for legislative amendments in support to social enterprises and the improvement of the quality control of social service provision. Two expert groups were set up involving representatives of the Ministry of Finances and the Agency for Social Assistance. The amendment drafts were followed by organising work meetings across**

**the country where stakeholders (representatives of institutions, local authorities and NPOs) were able to present their recommendations and comments. The issue was widely covered by the media both nationally and locally. The closing conference was attended by more than 60 participants, who presented their support to the proposals.**

- **“Social Services against New Employment” (SANE) Project**

**In 2006 BCNL experts took part in a task force aiming to develop draft criteria and standards for evaluating the quality of the “social assistant” service. The initiative was part of the SANE project and was supported by the UN Development Programme. The work of the task force resulted in proposing amendments introducing standards of the “social assistant” service and additional criteria defined within a separate methodology. The drafts were discussed at a number of roundtables by representatives of the national authorities and social service providers.**

- **“Solving practical issues related to social services decentralisation” – a project of the Social Policies Family**

**BCNL was an active participant in the project of the Social Policies Family supported by the Open Society Institute and the**

**Trust for Civil Society in Central and Eastern Europe. The project aims to facilitate the process of decentralisation of social service provision in Bulgaria through running an active advocacy campaign by the Social Policies Family. A strategic document was developed within the project – a Concept paper on encouraging the reform process, which outlines the pressing issues faced by the**



**decentralization of social services and their contracting to external providers. The paper also identifies possible solutions. The Concept paper was followed by an active campaign at different sites. It included 5 meetings with representatives of the regional associations of municipalities in seeking their support for the campaign and the concept itself. The initiative was also supported by NAMRB. A number of meetings were organised with national institutions who were acquainted to the Concept paper of the Family. The campaign was widely covered by the media both locally and nationally (articles were published by the Dnevnik daily and Mediapool). In the beginning of 2007 a roundtable discussion with all stakeholders – institutions, municipalities and NPOs – will be organized to share their ideas for solutions to the problems of the decentralisation process and the establishment of public-private partnerships.**

- **“Bulgarian NPOs on the verge of accession – support towards sustainability” Project**

**In 2006 within a project funded by the PHARE Civil Society Development Programme 2003 and in partnership with The Programme and Analytical Centre for European Law (PACEL) BCNL co-organ-**

**ized training seminars for non-governmental organisations on advocacy and European funding programmes.**

**The main aims of the training events were: assistance in strengthening**

**organisational and financial sustainability of local NPOs by facilitating their access to quality training on advocacy, active participation in establishing public-private partnerships, applying and implementing EU funded projects.**

**The project’s duration was from January to September and within this period 6 training events were organized – Sofia, Plovdiv, Burgas, Varna, Russe, Vratza. A handbook on advocacy and funding for NGOs from EU programmes was published.**

**The training seminars introduced the participants to the theoretical backgrounds and practical skills in all basic aspects of advocacy and application and implementation of EU funded projects. Main training topics included: advocacy strategies; establishing partnerships with public institutions; the role of non-governmental organisations in the EU accession process and the post accession period; funding NPOs by EU programmes; legislative process and decision-making on national and local level; civil control and prevention of administrative arbitrariness.**



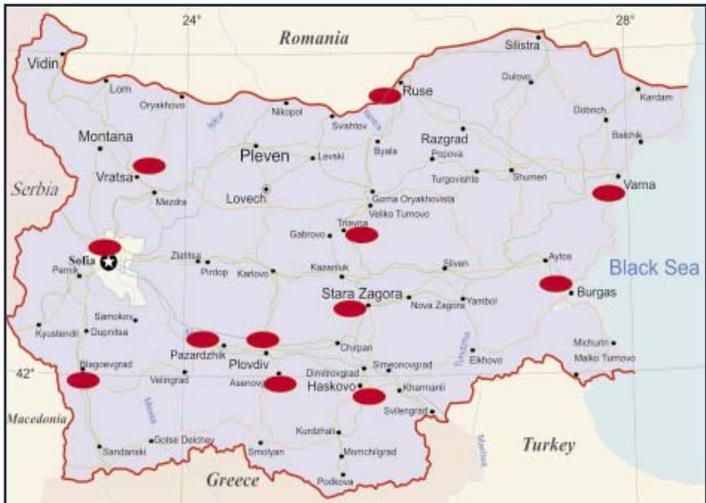
# TRAINING AND CONSULTATIONS

- **Consultations**

**In 2006 the BCNL team continued to provide consultations to Bulgarian non-governmental organisations. The total number of organisations to which BCNL experts provided assistance in 2006 was 255, including 48 cases of assistance in court registration and re-registration, 132 consultations, assistance in 58 applications to the Central Register for public benefit organizations. The most frequently asked questions to the BCNL experts were related to: NPO management, structure and governing bodies, economic and non-economic activities by NPOs, taxation, donations incentives, social service provided by NPOs, organising competitions under the Social Assistance Act and its regulations.**

- **Training**

**In 2006 BCNL organized a number of events, conferences and training seminars. BCNL organised 25 events independently and there were more than 15 training seminars and other events where BCNL experts were invited as lecturers on various topics related to the legislative framework**



**for non-profit legal entities in Bulgaria. The events were held in Sofia, Bourgas, Stara Zagora, Russe, Varna, Vratza, Plovdiv, Blagoevgrad, Tryavna, Pazardjik, Haskovo, Assenovgrad. Training and discussion topics included updates on legislation concerning social service provision in Bulgaria, social contracting, regulations of social enterprises – comparative analysis and Bulgarian legislative framework, general legislation concerning non-profit legal entities, taxation of non-profit legal entities and their donors, regulation of volunteers, protection from discrimination and related European practices, advocacy and advocacy campaigns, better NPO management, 1% philanthropy (1% law), state budget subsidies for NGOs, etc.**

- **Study visits**



**In 2006 BCNL hosted a study visit by a group of lawyers from Tajikistan and Uzbekistan sent by the International Center Not-for-Profit Law (ICNL). Within five days**

**they were introduced to the legal framework and major initiatives of NGOs in Bulgaria and attended meetings with representatives of state institutions, local authorities and leading NGOs.**



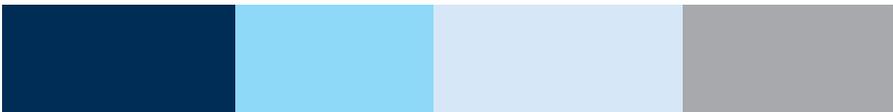
- **bcnl.org**

In 2006 BCNL updated its web-site making it much more accessible and easy to work with. The range of information, which is regularly published and updated, was expanded significantly. BCNL keeps informing the web-site visi-



tors of all new events happening in the NPO sector. The news published inform of the most recent legislative amendments concerning non-profit organizations, current grant competition, initiatives related to NPO work and BCNL partners across the country. The opportunity to access up-to-date information makes the web-site very attractive and the number of visits to the site has increased as compared to 2005.

The web-site forum allows visitors to ask questions concerning the legislation on non-profit legal entities and receive timely responses by BCNL experts. The web-site also gives access to excerpts of all publications and legislation analyses published by BCNL experts. All legislation documents are up-to-date and most of them are available in English too.



# **INITIATIVES WITH PARTNERS**

- **Partnership agreement with BAPID**

**In 2005 BCNL and the Bulgarian association for persons with intellectual disabilities (BAPID) signed a partnership agreement on exchanging support to projects, training and other initiatives within the social field. In 2006 the two organisations continued to work together – BCNL experts provided legal aid to BAPID member organisations on various issues related to the structure and decision-making process of the non-profit legal entities, social contracting possibilities and public-private partnerships between the local authorities and NPOs in the social field. Two training seminars were organised by the two organisations on “Protection of persons with intellectual disabilities from discrimination and related European practices”.**

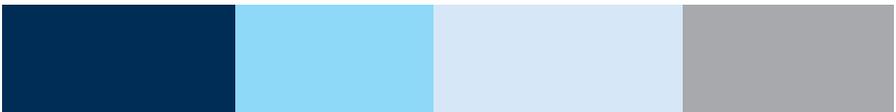
- **Social Policies Family**

**In 2005 the Open Society Institute initiated the setting up of the Social Policies Family. The members of the Family include 16 leading organisations operating within the social field, such as: The Bulgarian Center for Not-for-Profit Law, the Bulgarian Association for persons with intellectual disabilities, Initiative for Health Foundation, Ethnic Minorities Health Problems Foundation, Global Initiative on Psychiatry (Geneva Initiative on Psychiatry), “St. Georgi” National Roma Centre, Caritas-Bulgaria, EveryChild Foundation, the Samaritans Association, the Pokrov Foundation, Generous Heart Foundation, SOS Children’s Villages in Bulgaria, Help the Needy Foundation, Social Activities and Practices Institute, Association of Social Enterprises, Partners-Bulgaria Foundation.**

**The aim of the Family is to bring together the efforts of the organisations towards seeking solutions to pressing social needs. The Initiative committee was coordinated by BCNL, which was to prepare the establishment of the Family and decide on its future structure.**

- **Agreement with the Chitalishte Development Foundation**

**An agreement was signed in 2006 with the Chitalishte Development Foundation for providing legal assistance on part of BCNL to community centres (called “*chitalishte*” in Bulgarian) across the whole country which are part of the national network of the Chitalishte Development Foundation. The Chitalishte Development Foundation has been a long-standing partner to BCNL. The agreement allows for BCNL experts to provide legal advice to the community centres on various legal issues related to their work. Consultations have been provided in writing, by phone or e-mail. The network consists of more than 300 centres from all over the country.**



# **BCNL PRESENCE AT INTERNATIONAL CONFERENCES**

- **Social entrepreneurship**

**The issue of social entrepreneurship is becoming increasingly important in Bulgaria and non-profit organisations developing such practices start to have an important role in developing an effective social policy. Aiming to contribute to strengthening the capacity of the organisations in this field, BCNL experts attended a number of international events on the development of social economy and social enterprises in the European context. They were able to hear about many good models which were also applicable to the Bulgarian reality. Among such events were the International conference in Warsaw organized in May within the EQUAL programme of the European Social Fund (with follow-up in December in Rome); the Belgrade conference in July about opportunities for giving publicity to the concept of social entrepreneurship in Central and Eastern Europe.**

- **Protection of persons with  
intellectual disabilities  
from discrimination**

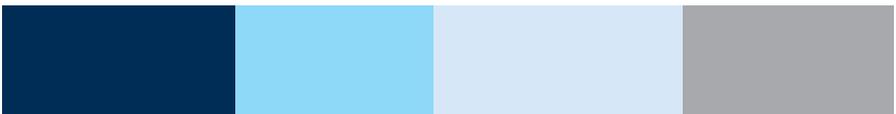
**BCNL experts took part in international conferences on the rights of persons with intellectual disabilities, which were organized as an Initiative of Inclusion Europe – a European network of organisations working with such social groups. The events were held in Prague and Brussels. Protection of human rights of persons with intellectual disabilities and better enforcement of antidiscrimination legislation in Bulgaria becomes a pressing issue and in 2006 BCNL has significantly built on its expertise within this area.**

- **International conferences**

**BCNL Director, Luben Panov, took part in a conference related to the concept of public benefit and the status of these organisations in Central and Eastern Europe, which was held in Slovakia in May 2006. BCNL was invited to attend the partners' meeting of the Trust for Civil Society in Central and Eastern Europe in October in Budapest as well as the annual meeting of the Grant-makers East Group in Belgrade.**

- **Other**

- **BCNL has been a member of The European Charities' Committee on Value-Added Tax (ECCVAT) since 2005.**



# PUBLICATIONS

- **Survey of Nonprofit Governance Practices in Bulgaria**

The publication presents a survey on the internal structure and governance practices of NGOs in Bulgaria. A contemporary methodology has been used for the survey provided by Board-Source – an international resource centre for practical information concerning non-governmental organisations. The publication is available in Bulgarian and English.

- **System for control of social services. Social enterprises framework - Proposals for amendments to the legislation**

The publication came out under a project within the PHARE Civil Society Development 2002 Program and contains proposals for legislative amendments encouraging social entrepreneurship as well as the system for quality control of social service provision. The booklet contains attached excerpts of related legal provisions.

- **Legal framework of the social services in Bulgaria**

The book was first published in 2004. Its second updated edition is a response to the huge interest towards social services and the opportunities for



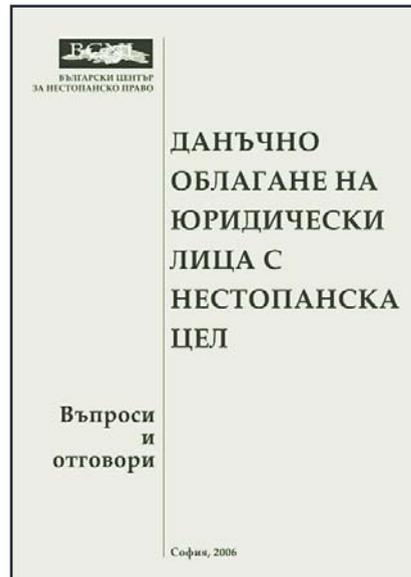
**decentralisation in this field. The book was published with the support of the Open Society Institute-Sofia.**

- **Social contracting guide**

**The successful work within the Social Contracting project resulted in preparing an analytical paper on the legislative provisions concerning the social contracting process and the system for funding social services in Bulgaria. The guide gives an outline of the conceptual difficulties in the process of decentralizing social services as well as good practices in social contracting utilised by some Bulgarian municipalities. Having all the analyses, recommendations and guidelines to offer, the Social contracting guide will be helpful to both the direct participants in the process (municipalities and NGOs) and national public institutions involved in social policy-making.**

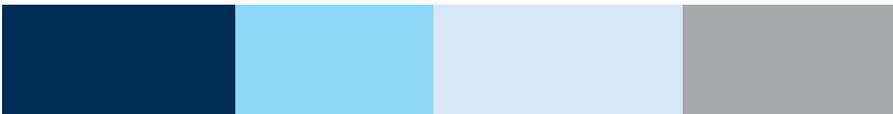
- **Taxation of NGOs**

**This is a second edition of the book. It gives an outline of the existing legislation as of January 2006. The book uses accessible language to describe the legislative provisions relating to taxation of NGOs. The new edition includes matters discussed in the first book but organised in a new manner and with new examples added. Key part of the second edition is the interpretation of the new tax provisions for non-profit legal entities in 2006 resulting from the amendments to the substantial tax laws, the adoption of the Tax and social security procedure code, and the changes in the registration procedure of the legal entities for taxation purposes, respectively.**



- **Non-profit legal entities act – questions and answers**

**The Publication contains the whole text of the Non-profit Legal Entities Act (NPLEA) with the last amendments in force from 3 October 2006, as well as 48 questions and answers interpreting the frequently asked questions concerning the implementation of NPLEA. The publication is intended to be a practical guide for Bulgarian NPOs, jurists and experts interested in the basic legal framework of non-governmental organizations.**



# **BCNL STRUCTURE AND MANAGEMENT**

## **Board of Trustees- Supreme body**

**David Moore - Chairman of the Board of Trustees**

**Vyara Mukova-Toneva**

**Stephan Klingelhofer**

**Ivo Hristov**

**Luben Panov – Director, Ex officio member**

## **TEAM**

**Luben Panov – Director**

**Alexander Yolovski – Organisational development**

**Mira Ivanova (01.06 – 06.06), Nadia Lazarova (07.06 – 12.06)  
- Accounting**

**Tony Dimov – Legal consultant**

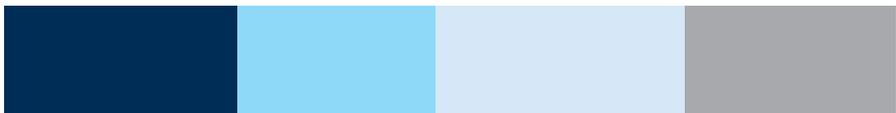
**Nadia Shabani– Legal consultant**

**Marieta Dimitrova – Legal consultant**

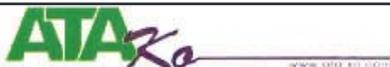
**Andriana Petrova – Legal consultant**

**Dimitar Burnev - Lawyer**

**Atanas Slavov - Lawyer**



# FINANCIAL REPORT



## INDEPENDENT AUDITOR'S REPORT

To the management of  
Bulgarian Center for Not-for-Profit Law  
Sofia

We have audited the accompanying financial statements of Bulgarian Center for Not-for-Profit Law (the Foundation), which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes (from page 8 to page 15).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Bulgarian Financial Reporting Standards for Small and Medium-sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

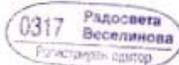
In our opinion, the financial statements present fairly, in all material respects the financial position of "Bulgarian Center for Not-for-Profit Law" as of December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with the Bulgarian Financial Reporting Standards for Small and Medium-sized entities.

March 12, 2007

Sofia, Bulgaria

FOR AND ON BEHALF OF  
ATA CONSULT LTD

  
Radosveta Veselinova  
Certified public accountant



**ATA KO** EOOD Идентификационен номер 831386415

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# BALANCE

of Bulgarian Center for Not-for-Profit Law  
as at 31.12.2006 in thousands leva

ASSETS		
Sections, groups, items	Amount ( )	
	Current year	Previous year
<b>A. Non-current assets</b>		
<b>I. Tangible</b>		
<i>1. Equipment, computers</i>	3	6
<b>Group I Total:</b>	3	6
<b>II. Intangible fixed assets</b>		
<i>1. Software</i>	1	1
<b>Group II Total:</b>	1	1
<b>III. Intangible financial assets</b>	1	1
<b>Section A Total</b>	5	8
<b>B. Current assets</b>		
<b>I. Receivables</b>		
<i>1. Advance payments for project</i>		21
<b>Group I Total</b>		21
<b>II. Cash</b>		
<i>1. Cash</i>		1
<i>2. Demand deposits</i>	124	133
<b>Group II Total</b>	124	134
<b>III. Deferred expenses</b>		
<b>Section B Total (I+II+III)</b>	124	155
<b>Total assets (A+B)</b>	129	163
<b>LIABILITIES</b>		
Sections, groups, items	Amount	
	Current year	Previous year
<b>A. Equity</b>		
<b>I. Registered capital</b>		
<b>II. Reserves</b>		
<i>1. Purposive reserves</i>	66	47
<i>general reserves incl.</i>	22	1
<b>Group I Total:</b>	66	47
<b>Section A Total (I+II)</b>	66	47
<b>B. LONG-TERM LIABILITIES</b>		
<b>I. Financing</b>	4	4
<b>Section B Total (I+II)</b>	4	4
<b>C. SHORT-TERM LIABILITIES</b>		
<b>I. Short-term payables</b>		
<i>1. Payables to the budget</i>	3	
<i>2. Payables to employees</i>	1	
<b>Group I Total:</b>	4	
<b>II. Financing</b>	55	112
<b>Section C Total (I+II)</b>	59	112
<b>Total liabilities (A+B+C)</b>	129	163

# PROFIT AND LOSS ACCOUNT

of Bulgarian Center for Not-for-Profit Law  
for the year ended 31.12.2006 in thousands leva

EXPENSES	Current Year	Previous Year
<b>I. OPERATION EXPENSES</b>		
<b>A. Cost of regulated activities</b>		
<i>1. Programs costs</i>	329	213
<b>TOTAL A:</b>	329	213
<b>B. Administrative expenses</b>		20
<b>TOTAL I:</b>	329	233
<b>II. FINANCIAL EXPENSES</b>		
<i>1. Losses from currency exchange rates</i>		
<i>2. Other financial expenses</i>	8	
<b>TOTAL II:</b>	8	
<b>III. TOTAL EXPENSES</b>	337	233
<b>IV. RESULT</b>	22	18
<b>GRAND TOTAL (III + IV)</b>	359	251

REVENUE	Current Year	Previous Year
<b>I. OPERATING REVENUE</b>		
<b>A. Income from regulated activities</b>		
<i>1. Financing</i>	332	233
<b>TOTAL I</b>	332	233
<b>II. FINANCIAL INCOMES</b>		
<i>1. Interest incomes</i>	3	3
<i>2. Gains from currency exchange rates</i>		5
<b>TOTAL II:</b>	3	8
<b>III. PROFIT FROM ECONOMIC ACTIVITIES</b>	24	10
<b>IV. TOTAL REVENUES</b>	359	251
<b>GRAND TOTAL (IV)</b>	359	251

