



Bulgaria Reforms Laws on Not-for-Profits

Challenge

After Bulgaria’s transition to a market-based democracy, the development of a vibrant civil society was hampered by the outdated legal regime governing the activities of not-for-profit organizations. The 1949, Communist-era law provided for strict state control over the activities of not-for-profit organizations and limited their role to simply validating directives of the ruling Communist Party. The continued application of the law during the 1990s denied Bulgarian citizens the opportunity to participate fully in the country’s political life or exercise their constitutional rights of freedom of association, assembly and speech.



Photo: USAID

Leaders of International Center for Not-for-Profit Law conduct training for the Bulgarian Chief Tax Directorate.

Programs have sought to replace the outdated law governing not-for-profits with modern legislation based on internationally accepted standards.

Initiative

Creating a legal and fiscal environment in Bulgaria that is conducive to the development of not-for-profit organizations has been a high priority for USAID. Programs have sought to replace the outdated law governing not-for-profit organizations—as well as the tax and other related laws—with modern legislation based on internationally accepted standards. Since 1996, USAID has supported the International Center for Not-for-Profit Law as the primary source of both Bulgarian and international legal expertise. The program has been critical in establishing consensus among all stakeholders, drawing together a multi-party caucus supportive of a modern legal framework. Through this participatory process, a new law was drafted allowing not-for-profit organizations to engage in self-sustaining economic activities, limiting state control over the activities of not-for-profit organizations, and establishing a central registry for public benefit organizations. The tax law was also amended to introduce preferential treatment for public benefit organizations and create additional tax deductions for donations.

Results

Adopted by Bulgaria in September 2000, the law includes some of the best international practices for not-for-profit organizations, and, as it meets the standards of the European Union, will facilitate Bulgaria’s accession to the organization. The tax reform that followed gave public benefit organizations favorable tax treatment that promotes their activities. USAID and the International Center for Not-for-Profit Law have also established the Bulgarian Center for Not-for-Profit Law—the only local legal resource of its kind—and have provided assistance to hundreds of organizations and officials, giving Bulgaria’s citizens access to a reliable source of information on not-for-profit legal issues. The Center tackles a wide range of legal and tax issues, including the private-sector provision of social and healthcare services. Both the Center and the legal reform have helped increase transparency, accountability and participation in Bulgaria’s political processes.

