

Role of Foundations, Funding Research and Innovation in the Bulgarian Society

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Abstract

This report analyses the role of foundations, funding and/or carrying out research and innovation programs in Bulgaria supporting the development of science and scientific institutions. In particular, we examine the types of foundations; origin of their funds and main sources of funding; their investments in research and innovation; supported key research areas; their role in the sphere of research and innovation. Empirical data in the report were collected through a large-scale survey of EU foundations and NGOs, funding and/or engaged in research and innovation, where ISSK – BAS was the Bulgarian partner. The survey was funded by the European Commission and was carried out in the period 2013-2014 in all EU Member States plus Switzerland and Norway. Coordinator of the research was the Department of Social Sciences at the Free University (VU) in Amsterdam.

Key words: *third sector, foundation, scientific research, innovation.*

INTRODUCTION

This study is based on the assumption that civil society, or the so called “Third Sector”, is a category of great importance to the social sciences. At least the very fact that this category has a rich and long history demonstrates this, as well its explanatory potential. After decades when it was absent from the academic debate and public discourse – especially here in Bulgaria and in other countries where

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prevailed Marxist approach – it experienced a remarkable renaissance in recent years. Various authors attach different meanings to these terms, applying them to a wide range of targets and phenomena, various events, charging it with uncountable tasks and functions. Academic debates are increasingly critical to the concept, with voices ranging from constructive contribution to total failure. It has specific empirical referents and philosophical normative claim.

Even without knowing the term, our ancestors in the 19th century created many different self-sustaining, reliable and independent units of emerging civil society. This primitive Bulgarian civil society developed separately from European trends arising from the French Enlightenment. These civic structures, adapted to the conditions of Ottoman rule, proved to be unprepared and inadequate when circumstances radically changed in the sovereign state. Required were diverse type of organization, style and even the pace of work and functioning. Nevertheless, especially during the interwar period, rise of a great number of charities and private funds marked socially life. Just as in the Western European countries, and following the same pattern (based on wealthy individuals' endowments, or donations for purpose of many people) occurred. Most had mainly social or common good aim – such as deprived people – especially war widows', orphans and refugees – support, erecting of public structures such as local schools, churches, orphanages, and so on. A good deal of these aimed at ventures in the field of education (grants for gifted young people to pursue studies here in Bulgaria or abroad), funding of universities and other high schools (first Bulgarian University, Sofia University, founded and built on the 10,200 sq. m donated land and 6.8 million golden Levs given by the eminent investor and merchant banker Evlogi Georgiev from Karlovo, and his brother Hristo Georgiev), supported purchase of equipment for laboratory research, scholarships for travel and participation in research teams at leading scientific centers abroad, up-to-date technology. Most charitable organizations were outlawed during the WWII as bound by “Anglo-American plutocracy” and later again, after the establishment of the communist regime, as “pro-fascist” and “agents of adversary ideology”. Right to exist under the Stalinist dictatorship had only organizations which pledged “to contribute to ultimate victory of communism”.

In addition, the delayed development of civil society in Bulgaria is the result of a number of historical factors common to Southeast Europe (the Balkans). Distorted views on the “outside world” largely hinder the development of society and narrow its prospects. Under these circumstances, the concept of civil society appears to weird and incongruous, something alien and suspicious, which allows it to be monopolized

by political and other elites. There is a clear negative trend for bureaucratization of the fragile civil society and dooming it to unfeasible parasite-type of furtherance, helplessness without external funding (see, for more details, Nikolov, 1996).

Applied was coined by M. Olson and developed by the Bulgarian author D. Minev (Minev, 2011:454) notion of “distributive coalitions”². Unlike "normal" countries, where conflicts shape mainly the distribution of income in transition and overall change of elites, in Eastern Europe, it affects the complex issue of control over material reserves, suddenly proved to be "orphan" in eliminating central planning economy. Here we encounter more complex and socially repulsive types of corruption. In the field of science and innovation we see the same kind of “distributive coalitions” as in the other fields, where money play main role, which cannot be substituted by plain enthusiasm and voluntary contribution. Science and innovation require sophisticated equipment, nothing to say about the expensive human factor – first because of the resource needed for training and maintaining of high quality experts with access to the leading achievements in their area – which also requires overheads for subscriptions, travel etc. Academic personnel is also overrepresented in most other types of nonprofits and in the civil society as a whole, incl. as originators and managers. And in its own sphere these high qualified experts, in addition to the difficult to be overcome historically propelled basis, tend to organize themselves in various forms of flexible, vigorous and well positioned teams to better address research topics, and to apply for grants and funding. Strong advantage of such teams over the restrained, stubborn, difficult to adapt to ever changing environment established scientific facilities is their readiness to rapidly form problem solving units.

² The term *distributive coalitions* (Olson, 1982: esp. 74) refers to the type of interest groups that organize to find that public decisions would further serve their interests, to preserve and secure their market positions and redistribute social wealth in their favor, both by state regulation. Some critics believe that these are organizations for collective action, predominantly oriented to the battle for the income and wealth distribution, and not to the increase in production as a whole, which retard the ability of a society to adopt new technologies and to reallocate resources in response to changing conditions, thus reducing the pace of economic growth, and that may adopt an exclusive status trying to limit rents and values diversity among its members. In his attempt to maintain continuity with his arguments from *The Rise and Decline of Nations*, Olson argued that powerful distributional coalitions had arisen during the communist years, in particular, in the state-owned industries. An important sign of this phenomenon was the emergence, in the more market-oriented of these economies, of the soft budget constraint (see, for more details, Olson, 1995; Kornai, 1992, Chap. 24). These coalitions were eventually not toppled after the fall of communism, but, on the contrary – they rather maintained themselves in fraudulent privatizations and rise of the underground economy. Whereas previously taking part in public sector embezzlement, they began to participate in private plundering and predation.

Thus they may invite, for instance, needed interdisciplinary personnel from various institutions, incl. from other countries, being unobstructed from most bureaucratic regulations that are obligatory for the conventional bodies. When add to this apparent advantage undue, exceeded proximity to funding and political circles, this means obstruction of regular channels for competition, fair selection, and project allocation. When such scheme is prevailing, it favors certain groups at the expense of other ones, and ultimately produces domination of “cartels” in the academy. Outcomes may be further deepening of the crisis and retardation of the science and research, frustration and repugnance of the employees – especially younger ones at early stages of their career. A picture too familiar for us here in Bulgaria.

Our conclusion is that the theory of civil society is far from exhausted as a source of explanation and theoretical debate. It must, however, be exempt from unreasonable emotions and fictions and harder to anchor in the empirical reality of individual time and space – without, indeed, rejecting the universal meaning and importance of the concept. And here we see the role of the state, which should provide favorable legislative and regulatory environment to achieve this – prompted and stimulated by active citizens and their organizations.

After this brief introduction to the historical development of civil society in Bulgaria we will discuss the current state of foundations funding and/or carrying out research and innovation programs in Bulgaria.

ABOUT THE RESEARCH

This article is based on the empirical data, collected through a large-scale survey of EU foundations and NGOs, funding and/or engaged in research and innovation, where ISSK – BAS was the Bulgarian partner.

The survey was funded by the European Commission and was carried out in the period 2013-2014 in all EU Member States plus Switzerland and Norway. Coordinator of the research was the Department of Social Sciences at the Free University (VU) in Amsterdam.

Weakness and underdevelopment of civil society in Bulgaria determine the difficulties we encountered in identifying foundations funding and/or carrying out research and innovation in Bulgarian society. After a hard work we compiled a list of about 40 organizations. After further assessing their relevance to the international survey criteria, and eliminating those of them with which no communication turned possible (i.e., supposedly inexistent, non-functional, or with an outdated contact information),

finally a list of 18 organizations with their contacts was submitted to the main team in Amsterdam.

From these, 13 filled-in the questionnaire. 5 foundations failed to do this due to various reasons. Finally, it turned out that from the remaining 13 foundations, which completed the questionnaire, in the last 5 years 10 have supported scientific research and innovation, while three have not.

TYPES OF FOUNDATIONS

All these foundations in Bulgaria currently actively supporting scientific investigation and innovations were (re)established in the transition period, i. e., after the “tender revolution” of 1989, although some of them inherited bodies that already existed in the pre-communist period. According to the year of their establishment, the thirteen (13) foundations investigated may be classified as follows: five (5) of them were registered in the very beginning of the transition (1990-1992); one – in the mid-nineties (about 1995), another five (5) – in 2000-2005, and the last two (2) – in 2010-2011.

For the period under investigation (2005-2012) only 10 out of 13 foundations were carrying out and/or supporting research and innovation activity, while the other three didn't, despite the enlisting of this activity as their priority. A characteristic example in this respect is the “Science” Foundation, established by the Union of the Scientists in Bulgaria, whose proclaimed priority is the support of Bulgarian science, but during the last few years it has been unable to accomplish it for financial reasons. More generally, this situation is indicative for the present day financial state of affairs in the whole area of science and innovation in Bulgaria.

From the 10 foundations genuinely operative in the field of science and innovation, six (6) define themselves as **Operating foundations**, which use their expenditures to achieve their goals by themselves, by carrying out projects within their own organization. In fact, this is the type of foundations in the field that predominates in Bulgaria. In contrast, there are only 2 foundations that define themselves as **Grant-making**, i. e., which make grants to other organizations, and/or support projects carried out by other organizations. There is also one (1) foundation which is unable to define itself as either Operating or Grant-making, because, according to its opinion, they coalesce components of both categories. Another one does not ascribe itself to none of the two categories, most probably because of the fact that support of scientific

research and innovation plays secondary role in its activity, i. e., this is only complementary to its central activity.

The R&I foundations in Bulgaria are aiming typically at acquiring new applied knowledge, i. e., knowledge with particular application or use intended: in fact, 7 of them finance **applied research** and only two indicate that, in addition to it, are also intended for **basic research**, i. e., research acquiring new knowledge with no specific application or use intended. At the same time, three of the studied foundations do not indicate any support to both these research (sub)fields. This is an indication that, most probably, their activity is predominantly or even exclusively oriented to auxiliary areas aiming at the facilitation of research & innovation activities and to dissemination of their results.

The balance between **research and innovation** activities in the foundations investigated is as follows: foundations involved exclusively in research – five (out of ten), exclusively in innovation – two, both in research and innovation – 3.

ORIGIN OF FUNDS

With regard to the financial founder, the foundations in Bulgaria are most frequently established by the initiative of **private individuals** as is the case with seven (7) out of the ten investigated foundations. In some of these cases the private individuals' initiative was supported by a university and another non-profit organization (one foundation). In other case private individuals' initiative was shared with an initiative by a research institute, another non-profit organization and certain public institution, especially municipality (among them, one foundation).

In the remaining three cases foundation's establishment may be considered as non-private in their basic character. In the first such case it was established by a common initiative of a non-profit organization and the public sector (the government). In another case the foundation's establishment was achieved as a sovereign initiative of a university. One of the foundations declined to answer this question.

In terms of their **total income** for the financial 2012 Bulgarian R&I foundations belong to two categories: up to 100 000 Euros – three, and from 100 000 to 1 000 000 Euros – four; three (3) foundations declined to reveal their 2012 income.

The frequency of the main sources of income for the R&I foundations in the country is as follows:

- Income from an endowment (interests, dividends and capital gains) – 3 foundations;

- Donations from individuals (i. e., gifts, bequests) – 4 foundations;
- Donations from for-profit corporations – 3 foundations;
- Donations from other non-profit organizations – 3 foundations;
- Income from government (mainly EU and to much lesser extend national, regional, local) – 6 foundations;
- Service fees, sales, etc. – 4 foundations.

Sources of income	Amounts in Euros
Income from an endowment	101 970
Donations from individuals	1096
Donations from for-profit corporations	2556
Donations from other non-profit organizations	7669
Income from governments	295 574
Service fees, sales etc.	366 596
Unknown	1 022 954
Total income	1 798 415

EXPENDITURES

According to their **total expenditures** for the 2012 financial year the foundations in the country may be categorized in the following two categories:

- Expenditures up to 100 000 Euros (3 of the investigated 10 foundations);
- Expenditures between 100 000 and 1 000 000 Euros (another 3 foundations).

The other four foundations declined to respond about their expenditures and, thus, confirmed the common tendency to avoid revealing information on the foundation's financial matters.

The different activities' shares of the Bulgarian R&I foundations within their total expenditures are as follows: **between 20% and 80% for research, between 5% and 20% for innovation**, and between 20% and 95% – for other purposes. It is quite evident that the expenditures for research and innovation do not have a leading position, giving way to the expenditures for other purposes (while the expenditures for innovation are almost negligible).

Expenditures to	Euros
Research	266447
Innovation	142068
Other purposes	349150
Unknown	478568
Total Expenditures	1 236 235

The expenditures of the foundations solely for **research** have a two-component structure: first, **expenditures for direct research activities**, ranging from 20% to 80% of the total research expenditures, and **expenditures for research related activities**, varying between 20% and 100% of the total research expenditures. This structure confirms that actually a significant part of the R&I foundations in the country does not truly support research activity per se, but, more probably, predominantly research related activities, as follows:

- Organizing and carrying out scientific conferences, symposia, seminars, round tables;
- Supporting publishing and information activity, financing publications in scientific journals, and promotion of research results;
- Financing scientific communication, covering expenses for taking part in scientific events.

Distribution of expenditures to research Direct vs. Research Related (in Euros)		
Direct Research	92780	35%
Research Related	164003	61%
Unknown	9662	4%
Total expenditures to Research	266 447	100%

As a share of the total foundations' research expenditures, the expenditures on the **applied research** strongly outweigh their fundamental counterpart. As a rule, the foundations declaring (financial) support for **fundamental research**, expend for these purposes about 30% of their total expenditures, while the corresponding share of applied research expenditures varies between 30% and 100%. In addition, the total number of the foundations declaring 100% applied research expenditures (four) exceeds those with declared lesser shares (between 30% and 70%) for applied research (3 foundations).

Distribution of expenditures to research Basic vs. Applied (in Euros)		
Basic Research	25504	9%
Applied Research	228058	86%
Unknown	12883	5%
Total Expenditures to Research	266 447	100%

FOCUS OF SUPPORT

As a research field with strongest support from the investigated R&I foundations in Bulgaria emerges the field of the **social and behavioral sciences**. In 2012 it was supported by 5, i. e., by half of the studied foundations.

The second position in this respect is occupied by the **natural sciences**, which were supported in 2012 by 3 foundations.

Field of **engineering and technology** was supported in 2012 by two foundations and, accordingly, upheld the third place of this grading.

The lowest level of support by the R&I foundations was given to such disciplinary fields like **medical sciences, humanities, agricultural sciences**. Each of these fields was supported by a single foundation.

Changing priorities of public interests' determinants in Bulgaria (incl. of foundations) to the different disciplinary areas occur against the background of a widely recognized world-wide shift of priorities from "hard" sciences like physics, chemistry, mathematics, etc. to biology and "softer" behavioral/social sciences like law, economics, psychology, sociology, etc. Along with these global tendencies there are, indeed, specific national factors for this re-alignment of scientific priorities. Reflecting the important changes in the value system of Bulgarian society after the fall of communism, there is a rising preference toward the softer branches of science, esp. the social ones, allegedly promising better and easier to accomplish life chances in career, fame and financial terms. For instance, there is a long term expansion of social/behavioral science experts in the sphere of private (demoscopic) agencies, associations and foundations as well as in the "corridors of power".

Expenditures to	Amount in Euros
Natural Sciences	42 948
Engineering and Technology	No answer
Medical Sciences	No answer
Agricultural Sciences	No answer
Social and Behavioral Sciences	179 074
Humanities	No answer
Unknown	44 425
Total expenditures to research	266 447

With regard to **research related activities**, strongest support in 2012 by the R&I foundations was given to activities connected with the **dissemination of the research results** – 5 out of 10 foundations.

Two types of activity are on the second place – **technology transfer** and **science communication/ education**.

Three types of activity, which received the support of two of the foundations, occupy the third place: **research mobility and career development; infrastructure and equipment**, and **civic mobilization/advocacy**.

Expenditures to	Amounts in Euros
Research Mobility and Career Development	No answer
Technology Transfer	15384
Infrastructure and Equipment	108108
Dissemination of Research	20512
Science Communication/Education	9743
Civic Mobilization/Advocacy	10256
Total Expenditures to Research Related Activities	164 003

The **subjects/beneficiaries** of the R&I foundations support may be arranged as follows:

- Public institutions in the higher education – they represent the biggest share – between 10% and 90% of the grants provided for 2012;
- Research institutes – they represent up to 40% of the grants provided for 2012;
- Individuals – between 10% and 20% of the grants provided for 2012;

- Representatives of the non-profit sector – up to 20% of the grants provided for 2012;
- Government sector (excluding higher education institutions): the lowest share – up to 10% of the grants provided for 2012.

ROLE OF BULGARIAN R&I FOUNDATIONS IN THE SPHERE OF RESEARCH AND INNOVATION AND IN THE EUROPEAN INTEGRATION

Their role in the sphere of research and innovation the investigated foundations see in the following order of decreasing consent:

- **Complementary** to the public ones, etc. – “*almost always*” define their role as such 4 out of the 7 foundations, which answered this;
- **Substituting** for the public ones, etc. – “*almost always*” define their role as such 3 out of 7 foundations; according to two of them, they perform it “*from time to time*” only;
- On a much lower degree foundations define their role as **initiating**, i. e., as devoted toward **starting a project with the expectation that its realization will be taken by other subjects** – only two of them answer “*almost always*”; another two – “*from time to time*”, one – “*almost never*”, and two – “*never*”.
- On a lowest extent, the R&I foundations define their role as **competitive**, i. e. as oriented toward defy with other initiatives – 4 of the foundations answer “*never*”; two – “*almost never*”, and only one sees itself in this role “*always*”.

Thus, it is realistic to accept that the **R&I foundations in Bulgaria perform most of all activity that is complementary and/or substituting the public role**. To a much lesser degree they perform an initiating or competitive role in starting and enforcing competitively their own activity/initiative over other actors’ activities/initiatives. Some additional indicator for their weaker role and impact on the sphere of research and innovation is also the fact that almost one third of them (3 out of 10) have serious difficulties in answering the question about the role they play in the R&I sector. Most probably, this means either that they don’t consider themselves as leading or even as an important factor in the R&I sector, or simply that for these foundations support of the research and innovation activity has only secondary, complementary to their central object of activity role.

From the point of view of the Bulgarian R&I foundations their **own role in the European integration** is in their contributions to the:

- **Integration on educational issues** (e. g. to encourage and support free movement of the academic community within Europe) – 5 out of 10 foundations;

- **Integration on research issues** (e. g. to encourage and support joint research projects within Europe) – again 5 foundations;
- **Integration on social issues** (e. g. the convergence on living and working conditions) – 3 foundations;
- **Integration on cultural issues** (e. g. the process of one culture transmitting ideas, technologies and products of another) – 1 foundation;
- **Economic and entrepreneurial integration** – 1 foundation.

It is clear that the studied Bulgarian R&I foundations all together see their contribution to the European integration as an active contribution to the integrative effort predominantly in the fields of **research and education** and, most rarely, in the field of culture.

Geographically speaking, the activities of the Bulgarian R&I foundations in 2012 are realized mostly on the **national level** (3 foundations). Another two of the investigated foundations unfold their activity on **both national and international levels**. It is necessary to point out that here the level of the response refusals is again very high: 5 out of 10. No one of the studied foundations unfolds (financial or other) activity in the other member-states of the EU.

Geographical level	Amounts in Euros
National Level	86407
International Level	248181
Unknown	73 927
Total expenditures to R&I	408 515

CONCLUSION

Summing up, development of most of the Bulgarian R&I foundations seems to be limited so far by the weakness of their formal identities and the scarce socio-economic environment. Both these deficiencies reproduce their immature self-confidence and work-ethics³.

What is no less notable, though plausible, is the propensity of most of the R&I foundations to simply emulate advanced European foundations practices in the field, without serious efforts to find out their own, unique and/or national specific

³ This was clearly visible even in their approach to the survey. With very few exceptions, the foundations staff was reluctant to cooperate and inaccurate in delivering already taken commitments, in particular with regard to information on financial sources and expenditures.

solutions. Against this background, perhaps the most positive achievement of the Bulgarian R&I foundational sector so far is their very historical return: elaboration of legislative and institutional framework that safeguards and stimulates continuation and viable functioning; the first steps towards its integration in the pan-European network of R&I foundations. Certainly, these developments represent an important change in the right direction, especially compared with the situation in some other post-communist European societies.

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