SOCIAL ENTREPRENEURSHIP: CASE OF SLOVENIA

Case study

Nina Tomaževič and Aleksander Aristovnik
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Nina Tomaževič

Nina Tomaževič, PhD, is an Assistant Professor at the Faculty of Public Administration, University of Ljubljana, Slovenia. She teaches Basics of Organisation, Theory of Organisation, Management in the Public Sector, Human Resources Management and Social Responsibility.

Her research interests encompass management, human resources management, social responsibility and business excellence. She is an author of numerous scientific and professional articles, monographs and parts of monographs and has actively participated in international and domestic conferences. She is a member of different project teams and professional as well as scientific associations.

Aleksander Aristovnik

Aleksander Aristovnik, PhD, is an executive director of Zavod 14 and an Associate Professor in the Department of Economics and Public Sector Management at the Faculty of Public Administration, University of Ljubljana, Slovenia.

His research interests primarily encompass public sector economics and management, public finance, macroeconomics and economics of the EU. He has actively participated in around seventy international conferences and recently participated as the head or a member of numerous research projects financed by the Slovenian Research Agency (SRA).

He has also published and reviewed many professional and scientific articles in domestic and international (ISI-cited) journals. He recently became a member of various international associations and organizations (e.g., EEA, INFER etc.) and serves as a member of the Slovenian Officials’ Council.

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**Introduction**

The concepts of social enterprise and social entrepreneurship are rapidly attracting increased attention in academic spheres and from policy-makers, as well as field workers who are setting up new initiatives or reshaping their organizations. These concepts are perceived as defining innovative and dynamic responses to major global challenges in today's societies. The debate about social enterprise is now world-wide, with lively exchanges between American and European scholars. However, the research and landscapes still differ significantly in different regions, and diversity also exists within specific regions such as Europe (Defourny, Hulgard and Pestoff, 2014).

There are many definitions of social entrepreneurship and a number of related terms, but the one offered in the following sentence will be used as a starting point. According to European Commission (EC) (EC, 2015a) social enterprises seek to serve the community's interest (social, societal, environmental objectives) rather than profit maximisation. They often have an innovative nature, through the goods or services they offer, and through the organisation or production methods they resort to. They often employ society's most fragile members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities. The EC wants to contribute to the creation of a favourable environment for the development of social business in Europe, and of the social economy at large. Social enterprise is a key element of the European social model. It is closely linked to the Europe 2020 strategy (EC, 2010) and makes a significant contribution to society. The European Union has set five ambitious objectives - on employment, innovation, education, social inclusion and climate/energy - to be reached by 2020. Each Member State has adopted its own national targets in each of these areas. Concrete actions at EU and national levels underpin the strategy (EC, 2010).

Five measurable EU-level targets for 2020 have been set (EC, 2010):

- 75 % of the population aged 20-64 should be employed;
- 3 % of the EU's GDP should be invested in research and development;
- Greenhouse gas emissions should be 20 % lower than in 1990 (or even 30 %, if the conditions are right), 20 % of energy should come from renewables, and energy efficiency should be increased by 20 %;
- The rate of early school leavers should fall under 10 % and at least 40 % of 30-34-year old's should complete tertiary education;
- At least 20 million fewer people should be in or at risk of poverty and social exclusion.

Slovenia is one of the youngest European Union (EU) members - since 2004. Due to many and big differences in historical development of EU countries there are also many differences in the development of business environment as well as in the institutional frameworks that support that business environment each country. The business environment for social entrepreneurs has much longer tradition and is much more developed in western countries than in Slovenia. In Slovenia the government appointed in Autumn 2014 determined the project for the development of social entrepreneurship as one of ten strategic projects with the aim of forming a strong institutional framework for social entrepreneurship. They were aware of the fact that the changing economic and social conditions, demographic trends and social situation call for a development of new formats for creating added value, particularly on socially responsible foundations. According to the opinion of the Prime Minister (KPV, 2015) social enterprises promote innovation and creativity, develop and implement innovative services and
products and create new jobs for different (also vulnerable) groups of citizens. Slovenia has a lot of potential in the field of social entrepreneurship and cooperatives as it has the tradition and collective mentality which can be socially oriented, focused on solidarity and hard work. The project of promoting social entrepreneurship, cooperatives and economic democracy was included in the coalition agreement. One of the government's targets was to reach EU average of employment in social economy sector. With a 0.7 per cent share of jobs in the social economy sector, Slovenia ranks at the bottom of EU member states, as the average share of such jobs in the EU is about 6.5 per cent. Italy and Spain are mentioned as best practices in this field. Slovenia had had an Act on social entrepreneurship since 2011, which was also followed by a strategy of development and a programme of measures. As a legal basis is not ideal, the act is being amended. The ministry will also update the strategy of development of social entrepreneurship. The integration or horizontal view of the field will be crucial in this respect. The Minister of Economic Development and Technology promised to develop social entrepreneurship measures, particularly in the countryside, green energy and sustainable development.

The main objective of the case study was to provide the theoretical overview and to examine the secondary data on the situation of the following areas considering social enterprises in Slovenia:

- The concept/definitions, goals, purpose and the relevance of social entrepreneurship;
- The relationship of the term social entrepreneurship with other, connected terms, such as social economy, third sector, economic democracy, social responsibility, cooperatives, creative industries, etc.
- The drivers and the antecedents that characterize the two institutional frameworks (environments) as well as the framework, designed by the European Commission (and other international organisations) => strategic direction/documents of the development of social entrepreneurship, legislation and other regulations (e.g. for starting and running the business, tax reliefs, models/tools for measuring social impact), standards, institutions/networks, fundings (co-financing and investing), educational/and training programmes and learning centres, consulting, research projects etc.
- The identification of a few relevant successful practices within each of the institutional frameworks and of new challenges for each of the institutional frameworks.

The main purpose of the study in which the state-of-the-art in the field of social entrepreneurship in Slovenia (also from the EU/EC point of view) was examined, was to detect best practices and the opportunities to improve the studied institutional framework. The findings can be useful for both academic (new findings for further research and debate) and practical purposes (suggestions for improvements of each of the institutional frameworks, also with the aim to fit into the EC efforts when bringing EU2020 strategy into life).

The research was carried out on the basis of literature review (theoretical frameworks – concepts/definitions, previous studies, case studies – best practices) and analysis of the secondary data by the involved institutions (EC, other international organisations, governments’ institutions, networks, educational institutions and other stakeholders) as well as the best practices of social enterprises, found on web pages (also from other EU member countries and elsewhere around the globe) and through personal contacts.
Analysis of EU Framework for Social Entrepreneurship

Reasons for Social Entrepreneurship Initiatives in EU

According to Markopouliotis (2013), an economic crisis was an important milestone when it was necessary to start thinking out of the box. Due to such circumstances, the policy makers and the businessmen need to start raising awareness about business structures with a corporate aim of having a positive social impact and addressing social objectives rather than only maximising profit. It is also important to highlight that these businesses are by no means a niche part of the economy; social businesses is a growing sector in Europe, already representing 10% of all European businesses and employing over 11 million paid employees, 4.5% of the active EU population. It is true that social economy organisations and social enterprises have many specificities. However, ‘mainstream’ companies start to recognise that it is in their interest to minimise negative impacts of their business operations and promote equitable social development. The differences between social enterprises and the ‘mainstream’ should become narrower, to the benefit of the enterprises and the society.

In social enterprises (also known as social businesses), entrepreneurial behaviour is combined with a desire to use the market as a tool for meeting social needs, serving the general interest and common good for the benefit of the community. Working with social enterprises and promoting their development can result in short and long-term gains for public budgets through reduced public expenditures and increased tax revenues compared with other methods of addressing social needs. Social enterprises can also often be more effective in meeting public goals than either purely private or purely public sector actors because of their local roots and knowledge and their explicit social missions (EC & OECD, 2013).

Social enterprises play an important role in addressing social, economic and environmental challenges, in fostering inclusive growth and in increasing social inclusion because they aim to pursue the general interest and to benefit communities. The role of social enterprises and social economy organisations in creating employment is already widely acknowledged (Noya & Clarence, 2007), and has been confirmed by an international analysis which has shown that the number of jobs in the social economy sector increased from 11 million in 2002-03 to more than 14 million in 2009-10, corresponding respectively to 6% and 6.5% of the total paid workforce in the EU-27 (CIRIEC, 2012). The jobs created in the social economy present important features: they usually stay in the local community, as social enterprises rarely delocalise; they support vulnerable individuals – for those social enterprises which pursue this statutory mission (e.g. social co-operatives in Italy or in Poland);
and they contribute to local economic development, such as by creating opportunities in distressed urban areas or in remote rural areas where there is usually little creation of wealth. Social enterprises are also important not only for their capacity to create jobs but as central players in fighting social exclusion, enhancing local social capital and supporting democratic participation, delivering good quality welfare services and furthering more inclusive economic development (EC & OECD, 2013).

What % of the working population is involved in social enterprise in EU, can be seen on the following link (an interactive map), supplemented with a video with a suggestion of social enterprise as a new business model for Europe:

There is a lack of standard and consistently used classifications of social enterprise activity within and across EU countries. It is problematic to obtain a statistically robust picture of what European social enterprises do. However, a broad typology of activities can be drawn on the basis of existing, if discrete, sectoral classifications (EC, 2014b):

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
- Other public services such as community transport, maintenance of public spaces, etc.;
- Strengthening democracy, civil rights and digital participation;
- Environmental activities such as reducing emissions and waste, renewable energy;
- Practising solidarity with developing countries (such as promoting fair trade).

Whilst seeing an expanding array of activities by social enterprises in the EU, in certain countries the legal definition of social enterprise reduces the allowable range of activity. One example would be understandings of activities contained within legal definitions of ‘public benefit’ which are held by de-facto social enterprises in a number of countries such as Austria, Bulgaria, the Czech Republic, Germany and Switzerland. Notwithstanding such issues, the most visible (but not necessarily dominant) activity of social enterprise in Europe can be identified as work integration of disadvantaged groups (by WISE). In a number of countries, WISE activities do constitute the dominant form of social enterprise (for example, Czech Republic, Hungary, Latvia, Poland, Slovakia, Slovenia) with strongly identifiable organisational forms in these activities such as Italy’s ‘type B’ or ‘working integration’ social cooperatives, French enterprises for the reintegration of economic activity, Finnish social enterprises (as per Act 1351/2003) and Poland’s social cooperatives. The delivery of work integration activities is, however, achieved through the provision of a very wide range of goods and services (EC, 2014b).

Beyond work integration itself, the majority of social enterprise services are to be found across the full spectrum of social welfare services or social services of general interest (long term care for the elderly and for people with disabilities; early education and childcare; employment and training services; social housing; social integration of disadvantaged such as ex-offenders, migrants, drug addicts, etc.; and health care and medical services). Childcare services, for example, are the major social enterprise activity in Ireland (one third) whereas in Denmark a survey showed that forty-one per cent of enterprises deliver health and social care and forty per cent of Italian social enterprises operate in social care and civic protection. A related, and overlapping, set of activities are those which are sometimes termed community or proximity services. These often include forms of social care, but also the broader concepts of community development and regeneration (EC; 2014).
There are further common extensions of economic activity that meet collective needs in additional areas: land-based industries and the environment (for example, agriculture, horticulture, food processing, through to environmental services and environmental protection) in countries like the Czech Republic, Malta, and Romania; serving community interest needs in countries like the UK, Germany and the Netherlands (for example, housing, transportation, and energy) and cultural, sport and recreational activities (for example, arts, crafts, music, and increasingly tourism) in Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden (EC, 2014b).

Finally, there are a few European countries where social enterprise reflects much more closely the full extent of activities possible within any economy (for example, in Belgium, Germany, the Netherlands and the UK). Within these countries, social innovation is driving new forms of provision and this even goes as far as new activities such as business services, creative and digital/internet-based services and the provision of sustainable consumer products and services (EC, 2014b).

Overall, as European social enterprise has developed, the main activity fields of work integration and welfare service provision are being expanded to sectors of general-interest other than welfare, such as the provision of educational, cultural, environmental and public utility services. Nevertheless, there are important and substantial cross-country differences in the nature of activities undertaken by social enterprises (EC, 2014b).

Systematic evidence on the type and prevalence of modes of creation of European social enterprise is lacking. However, evidence suggests that public sector contracting and active labour market policies of the Government play an important role in stimulating the creation and development of social enterprise. Looking across Europe, a potential typology of modes of creation can be put forward – with the balance of modes in any one country strongly determined by the pre-existing political economy and shaped by the national framework conditions and ecosystem for social enterprise.

Individual modes can be grouped based on their drivers (EC, 2104):

1. **Citizen-led**
   - **Citizen-driven mission organisation**: groups of citizens have set up organisations, often with few resources at their disposal, to address new needs and societal challenges and/or integrate disadvantaged people through work. This is by and large the predominant mode of creation of social enterprises;
   - **Social start-up**: a social entrepreneur sees the opportunity to trade a new good or service to meet a social aim or need. Generally, these social enterprises are viewed as more individual-based and commercial in outlook from the start (but nevertheless with a social mission), and associated with a narrower ‘Anglo-Saxon’ understanding of social entrepreneurship;

2. **Traditional** non-profit organisations such as charities, associations, foundations, voluntary and community organisations embark on marketization and commercialization
   - **An existing organisation transforms itself into a ‘social enterprise’**: an existing voluntary organisation, charity, association or foundation begins to generate traded income and reaches a traded income threshold as a proportion of all income whereby the organisation is understood by stakeholders to be, or becomes, a social enterprise;
   - **An existing organisation sets up a trading arm which is the social enterprise**: in many instances legal, regulatory or risk appetite precludes an existing voluntary organisation, charity, association or foundation from undertaking economic activity or only doing so to a certain limit. To overcome
this restriction a trading arm is created - and which reinvests a certain level of profits in to its parent organisation. This mode of creation is relatively popular in new member countries of central Europe;

3. Public Sector Restructuring
   • Public sector spin-out (opportunity entrepreneurship): management/staff recognise the greater potential for innovation and new investment sources through autonomy and independence, leading to a spin-out of the service. This process may actively be supported by the ‘parent’ institution or policy makers more broadly through specialist advisor programmes, investment and finance support and initial service procurement agreements;
   • Public sector spin-out (necessity entrepreneurship): drivers such as shifting views on the role of the state in provision, new forms of procurement and provider, social innovation and/or funding cuts lead to an enforced ‘decommissioning’ of an internal public service and an enforced (but possibly supported) ‘spin out’.

Legal and Regulatory Framework on Social Entrepreneurship in EU

The Need for Public Policies
Starting a social enterprise is accompanied not only by all of the challenges, which any entrepreneur must face, but also those which stem from the social dimension. This can be compounded by unfavourable environments characterised by a lack of understanding of the dual economic and social foci of social enterprises. Putting in place policies that provide an enabling eco-system for social enterprises, not only at start-up stage but also beyond, is crucial if these businesses are to fulfil their potential. Policies should focus on promoting social entrepreneurship, building enabling legal, regulatory and fiscal frameworks, providing sustainable finance, offering business development services and support structures, supporting access to markets and supporting further research into the sector (EC & OECD, 2013).

Markopoulouiotis (2013) emphasizes that the European Commission has been working to assist social entrepreneurs with a number of concrete actions. The Social Business Initiative (SBI), launched in 2011, has been the most comprehensive EU policy initiative to date. This initiative recognises that social entrepreneurs are innovators and drive social change. It contains measures to improve the visibility and recognition of social enterprises, to simplify the regulatory environment so that social enterprises can more easily reach beyond national borders, and to improve social enterprises’ access to funding. The SBI marks an important milestone for European policy makers and other stakeholders involved in promoting national and sub-national eco-systems for socially oriented business. Putting in place an enabling environment for social enterprises is critical if they are to fulfil their potential in contributing not only to the creation of jobs, but also to addressing wider social and economic needs, and to promoting more
CASE STUDY

cohesive and inclusive societies (EC & OECD, 2013).

Supporting social enterprise creation and development may allow public policies to meet employment and other social and economic challenges in a more efficient and effective way than if they rely on the public or private sectors alone, therefore improving the spending of public money. This is most likely to happen if public policies for the social economy are co-constructed by governments and the social economy itself, including social enterprises (Mendell, 2010).

The benefits of social enterprises are increased when they are adequately supported by public policies as a number of analyses demonstrate. For example, a study by Askoha/McKinsey & Company analysed the economic and the social impact of ten social French enterprises operating in a range of sectors with various objectives, including job creation for the most excluded, social housing development, and elderly care. The study demonstrated that public money spent to support job creation or the provision of goods and services by social enterprises represented a more efficient way of utilising resources than alternative methods. Furthermore, it is important to consider the social and economic return on investment, in the short, medium and long-term. The study estimates the returns for governments from public resources committed to social entrepreneurship projects based on both direct savings stemming from reduced social benefits and direct spending and future revenues generated by social enterprises (e.g. taxes and direct revenues). The study finds that the support of social entrepreneurs was systematically a cost-effective policy as well as a policy that meets demands unanswered by traditional market channels (EC & OECD, 2013).

Public Policies as a Support to Social Enterprise Development

The SE requires effective and wide-ranging policy if it is to develop. These include finance, labour market strategies, policies to develop market capacity, business training, research and favourable macro policy. A policy mix should be embedded in an integrated approach to policy formation (Mendell, 2014).

The policy landscape in Europe is, of course, very complicated because of the many layers of government and governance, including the EU with its numerous programmes and conditionalities. It is important to raise some of the seeming contradictions between a strong commitment to integrated policy design within the EU and an inflexible approach that this support sometimes assumes within member countries. Moreover, at the supra-national level, many policy sites within the EU itself that address issues closely related to the social economy, such as territorial and/or cohesion policy, to name but two, make no direct reference to the social economy. This is equally true for strategic documents such as the recently released Europe 2020 (EC, 2010) and its commitment to ‘smart, sustainable and inclusive growth’, the subtitle of this document (Mendell, 2014).

The seven ‘flagship initiatives’ prioritised in this important strategic document can be applied to the SE. These are: (1) innovation; (2) integration of youth into the labour market; (3) better access to ICT (a digital Europe); (4) a horizontal industrial policy for SMEs, including (5) procurement policy; (6) labour market policy; (7) and the creation of a ‘European platform against poverty to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society ’ (EC, 2010). There is no explicit reference to the social economy / social entrepreneurship. That said, the call for a ‘co-ordinated European response’ that includes ‘social partners and civil society’ is an important opening to work with the SE, as is the recognition that the objectives of this long-term strategy will be met best by territorial and social partnerships. But it falls upon SE organisations and networks to create and occupy policy space within these broad commitments. The
same holds true for the welcome proposal for partnerships between different levels of government within member countries.

The attention paid to the social economy by the different EU authorities has been growing over more than the last three decades, albeit intermittently and with differences between institutions. The important role of the social economy in the social and economic development of Europe, including its position as a cornerstone of the European Social Model, has progressively been gaining recognition. The social economy in EU policies, the social economy in the Europe 2020 Strategy and the recent EU initiatives towards the social economy are described by Monzón Campos and Chaves Ávila (2012).

In the European Parliament, the European Parliament Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission ‘to respect the social economy and to present a communication on this cornerstone of the European social model’. In 2009 the European Parliament adopted a major report on the social economy that recognised the SE as a social partner and as a key actor in achieving the Lisbon Strategy objectives. The European Commission took two important initiatives on social enterprises, a set of companies that forms an integral part of the social economy: the Social Business Initiative (SBI) (EC, 2011) and the Proposal for a Regulation on European Social Entrepreneurship Funds (EESC, 2012). For its part, the European Economic and Social Committee (EESC) has published numerous reports and opinions on the contribution of companies in the social economy to achieving different public policy objectives (Monzón Campos & Chaves Ávila, 2012).

As mentioned above - recognising that, across Europe, social enterprises face a number of important barriers, the European Commission adopted the ‘Social Business Initiative’ in 2011 (EC, 2011), with the aim of creating an ecosystem conducive to developing social businesses and to facilitating access to funding. The Social Business Initiative proposes ways to improve social businesses’ access to funding, including EU funding through Structural Funds, and the future establishment of a financial instrument to provide social investment funds and financial intermediaries with equity, debt, and risk-sharing instruments. It also envisages activities to measure social business activity and improve the visibility and recognition of social businesses and to create a simplified regulatory environment, including a future proposal for a European Foundation Statute, as well as a forthcoming revision of public procurement rules and state aid measures for social and local services. These efforts at European Union level need to be complemented and exploited at national and local levels by further measures to address the barriers to social enterprise development. The OECD work in several member countries to analyse the conditions and pre-conditions needed to set up social economy and social enterprise organisations has highlighted the following key areas for national and local policy action (EC & OECD, 2013):

- Promoting social entrepreneurship – (1) attracting young talent into the sector through inserting SE within entrepreneurship education activities in schools, vocational education and training colleges and universities; (2) embedding SE as a key element in local or regional economic development strategies;
- Building enabling legal, regulatory and fiscal frameworks – to establish clear legal definitions of social enterprises in order to govern issues such as their tax treatment, access to markets and access to public business development support;
- Providing sustainable finance;
- Offering business development services and support structures;
- Supporting access to markets;
- Supporting further research.

Three themes were emphasised within the SBI (Spear et al., 2012): encouraging responsible business through better corporate social responsibility, including more transparency and accountability, and facilitating social
entrepreneurship, particularly through social investment; and cutting red tape for SMEs. The Social Business Initiative was launched because it was argued that social business would contribute to EU 2020 strategy, by developing inclusive growth (through sustainable jobs, work integration, better quality of social and healthcare services), moving towards sustainable growth (by reducing emissions and waste, and using natural resources and energy more efficiently), and developing smart growth (through innovation and participatory internet use).

According to the EC, SBI aims to (EC, 2016b):
- Introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation;
- Prompt a debate on the avenues to be explored in the medium/long term.

The plan contains 11 priority measures, organised around three themes (EC, 2014b) – see Table 1.
### Table 1: Overview of the SBI Action Plan

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<td>To improve the access to funding for social businesses</td>
<td>1. Developing a European regulatory framework for social investment funds (December 2011).  &lt;br&gt;2. Favouring the development of microcredit in Europe, in particular its legal and institutional environment (from 2014).  &lt;br&gt;3. Setting up a European financial instrument of €90 million to improve social businesses’ access to funding (operational from 2014).  &lt;br&gt;4. Introducing an investment priority for social enterprises in the regulations ERDF (European Regional Development Fund) and ESF (European Social Fund), as proposed in the regulatory package on the Structural Funds 2014-2020.</td>
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<td>To improve the visibility of social businesses</td>
<td>5. Developing a comprehensive map of social enterprises in Europe in order to identify good practices and models which can be reproduced (from 2012).  &lt;br&gt;6. Creating a public database of labels and certifications applicable to social businesses in Europe in order to improve visibility and comparison between them (from 2012).  &lt;br&gt;7. Promoting mutual learning and capacity building of national and regional administrations for putting in place integrated strategies to support social enterprises, especially via the Structural Funds, by means of analysis, sharing of good practice, awareness raising, networking and dissemination (from 2012).  &lt;br&gt;8. Creating a single, multilingual electronic data and exchange platform for social entrepreneurs, incubators and clusters, social investors in order to better advertise and improve access to EU programmes which can support social entrepreneurs (from 2012).</td>
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<td>To improve the legal environment of social businesses</td>
<td>9. Proposing to simplify the regulation on the statute for a European Cooperative Society; as well as a European Foundation Statute. A study on the situation of mutual societies is also envisaged (in 2012).  &lt;br&gt;10. Further enhancing the element of quality in awarding contracts in the context of public procurement reform especially in the case of social and health services. Another key element in here would be to ensure that the working conditions for people involved in the production of goods and services can be taken into account, provided that the Treaty principles of non-discrimination, equal treatment and transparency are fully complied with (from 2012).  &lt;br&gt;11. Simplifying the implementation of rules concerning state aid to social and local services that would directly benefit a number of social businesses (from 2012).</td>
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Source: EC (2014b)
The initiative is implemented in close partnership with stakeholders in the sector and EU countries. The expert group in support of the SBI, Expert Group on Social Entrepreneurship (GECES), is consulted by the Commission on the development, setting up and implementation of all the actions mentioned in the SBI and the further development of social entrepreneurship and social economy. A sub-group of GECES, the Social Impact Measurement Sub-group was set up in 2012 to agree on a methodology to measure the socio-economic benefits created by social enterprises. The overall aim of the SBI (EC, 2016b) is therefore to create an ‘eco-system’ that is conducive to the start-up, development and growth of social enterprises. The SBI sets out the EU’s specific policy objectives towards social enterprise and provides a short-term action plan designed to achieve these objectives. As a follow-up to the SBI (Action 5) the European Commission contracted ICF and Bates Wells Braithwaite (BWB) in April 2013 to undertake a study to map the broad contours of social enterprise activity and supporting ecosystems in 29 European countries (EU 28 and Switzerland) using a common ‘operational definition’ and research methodology (EC, 2014b). This report is the latest report on social entrepreneurship in the EU. Formed for the purpose of that report, the elements of a social enterprise eco-system that are of policy interest to the European Commission are as presented in Figure 1 (EC, 2014b).

**Figure 1:** Conceptualisation of an eco-system for social enterprise

![Conceptualisation of an eco-system for social enterprise](source: EC (2014b))

There are also national policy frameworks formed in some of the EU countries. Twenty-two out of twenty nine EU countries do not have a specific policy framework for supporting the development of social enterprise (although seven are in the process of developing one) - see Figure 2. Where policies exist, they differ widely in scope, coverage and content (EC, 2014b).
The scope, coverage and content of national policy frameworks differ widely. A very few countries (e.g. Italy, the UK) can be said to have in place – or indeed have sought to put in place – several of the components that might be said to comprise an enabling policy environment for social enterprise, such as (EC, 2014b):

- Legal recognition or institutionalisation of social enterprise either through the creation of a bespoke legal form and/or legal status;
- Fiscal incentives for social enterprises/social impact investment;
- Existence of specialist support and infrastructure – business support, coaching, mentoring schemes that takes into account the distinct characteristics of a social enterprise;
- Measures designed to facilitate access to markets, notably public sector markets (by creating demand for the services of social enterprises, introducing social clauses in public procurement for example);
- Measures designed to support access to finance through the creation of dedicated financial instruments and social investment markets more generally; and
- Standardised social impact measurement and reporting systems.

**Legal and Regulatory Frameworks**

A priority for policy in the field of social enterprise development is to establish clear legal definitions of social enterprises in order to govern issues such as their tax treatment, access to markets and access to public business development support. Social enterprise development is very context specific, shaped by wider cultural and historical development patterns. The development of appropriate legal, regulatory and fiscal
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frameworks must therefore emerge from the national and local environments in which social enterprises operate. At the same time, such frameworks must be adapted to the organisational form, or forms, that social enterprises may take (EC & OEDC, 2013).

The associated regulatory frameworks, such as reporting requirements, should not be too onerous in what they require of social enterprises. They also need to recognise the dual focus of social enterprises: the economic and social dimensions. Regulatory measures should be designed to allow social enterprises to meet their social and economic goals and develop medium and long-term sustainability on the market (EC & OECD, 2013).

A solid foundation for the creation of social enterprises lies in the provision of an appropriate legal framework, adapted to capture their specificities and needs. Appropriate legal frameworks at national level will bring clarity to the definition of social enterprises, their mission and their activities. A clear set of rules can be useful for many reasons, including to open up opportunities for fiscal relief (which is intended to reward the social utility of social enterprises), to govern access to public procurement, and to define the beneficiaries of other forms of public support to social enterprises, according to their organisational form, target group and activity, etc. At the same time, provisions may be made for social enterprises to fulfil other requirements, such as reporting on social impact. Issues around profit distribution and asset locks may be incorporated into the legal framework. In countries where no specific legal framework is in place, social enterprises may struggle to have their dual social and economic activities recognised and find themselves subject to legal and regulatory frameworks that are inappropriate (EC & OECD, 2013).

Legal recognition of social enterprises has been suggested as an essential condition for developing the ‘sector’ by many academics and experts, on the basis of the following arguments (EC, 2014b):

- Legal forms/ statuses recognise the specificity of social enterprise and contributes to giving them a clear, precise and easy-to-convey identity;
- The definition of the identity of social enterprise allows policy makers to design and implement specific public policies for social enterprises or social investors, including measures under tax and public procurement law;
- It prevents ‘abuses’ of the social enterprise brand;
- It helps to identify potential investees for social investors.

It sets clearly the boundaries between social enterprise and other concepts (e.g. CSR). However, the above statements are not always supported by actual experience in European countries. While specific legal forms have been fairly successful in a couple of countries (Italy and the UK), they have not been particularly popular in other countries e.g. Poland and France. Regarding legal statuses of social enterprise, there is still insufficient evidence to assess the factors that determine success or failure, mainly because these legal statuses have only been introduced recently in many countries. In Italy, the Law on Social Enterprises of 2006 (creating the legal status of a social enterprise) is currently the subject of debate as it has not had the desired impact on the development of the ‘sector’. It is argued that the law is too restrictive and does not offer any fiscal advantages or other benefits while imposing administrative burden and costs on social enterprises (EC, 2014b).

Numerous laws have been passed in many countries to distinguish social economy enterprise from traditional private and public sector enterprises. The legislative map continues to evolve as more countries adopt new legal forms. From the early passage of the Italian law on social co-operatives (1991), legislation has institutionalised innovations in the co-operative movement to incorporate social objectives, to include broader stakeholder membership and participation and to provide an organisational structure for the self-employed (Coopératives d'activités et d'emploi (CAE) in France). Today, new legislation distinguishes those non-profit organisations engaged in commercial activities as well as social purpose private enterprises.
This not only identifies a new and hybrid business form, but it lifts the current legal barriers that restrict access to investment capital by non-profit organisations. The creation of the Community Interest Company (CIC) in the UK, for example, serves both objectives, establishing a new community company form with the ability to receive investment capital with limits on distribution to reflect the primary social commitment of these entities (Mendell, 2014).

Sixteen European countries have some form of legislation that recognises and regulates social enterprise activity. The national ‘social enterprise families’ are incredibly diverse across Europe, encompassing a range of organisational and legal forms and statuses. Social enterprises adopt a variety of legal forms and statuses (EC, 2014b):

- existing legal forms such as associations, foundations, cooperatives, share companies;
- new legal forms exclusively designed for social enterprises by adapting or ‘tailoring’ existing legal forms e.g. social cooperatives in Italy, Societe Cooperative d’Interet Collectifs (SCICs) in France, Community Interest Companies in the UK;
- legal status that can be obtained by selected or all existing legal forms, which comply with a number of legally defined criteria (e.g. social enterprise legal status in Italy or the Social Purpose Company in Belgium);
- new types of legal forms that allow traditional non-profit organisations to undertake economic activity such as e.g. Non-profit Institute in Slovenia.

The precise characteristics of the different legal forms vary across Europe. However, the commonalities are sufficiently clear and strong for legal forms to be grouped into the following broad categories on the basis of shared characteristics:

- Non-profit legal forms (Foundations, Associations and Non-Profit Companies);
- Cooperatives;
- Legal forms specifically designed for social enterprises (adaptations of the cooperative or company legal form);
- Share companies.
Social enterprise laws in Finland, Lithuania and Slovakia narrowly refer to work integration social enterprises. Italy is the only European country with both a law on social cooperatives (legal form) as well as a law on social enterprises (legal status). Poland has a specific legal form for social enterprises (social cooperatives) and a draft law proposes the creation of a social enterprise legal status (EC, 2014b).

Over the past fifteen years, various European countries have paid particular attention to law-making concerning the social economy. It is during this period that debates over concept and definition, the subject of the legislation and policies to support this social sector have raged most fiercely. Some of the most recent cases are Romania, Poland and France, where bills to regulate the SE have either failed or are being hotly debated. The central point is the very definition of the field of the social economy, whether under that name or that of social enterprises. Its borders are delineated very differently in the three social economy laws in existence, two national (Spain and Greece) and three regional (Wallonia, Brussels and Flanders in Belgium). The differences are even more evident when defining the field of social enterprises, for which a greater number of laws have been enacted (Monzón Campos & Chaves Ávila, 2012).

In 2003 a Statute for a European Cooperative Society (SCE) (EUR-Lex, 2003) and the Directive supplementing the Statute for a European Cooperative Society with regard to the involvement of employees (EUR-Lex, 2003) were adopted, in order to:

- establish the legal status of a European Cooperative Society (SCE) which aims to help cooperatives who have activities in more than one EU country;
- provide a legal basis for other companies wishing to group together.

The aim of the Statute for a European Cooperative Society was to foster this form of the social economy, not only by improving European cooperatives’ possibilities to conduct transnational activities, but also, above all, by
developing the sector in countries that lack cooperative legislation of their own, such as the United Kingdom, or where this legal form had been losing social prestige by being seen as a vestige of the old regime, as in the new Member States of Central and Eastern Europe. Nevertheless, a few years since this regulation has come into force, the results are not as expected (Monzón Campos & Chaves Ávila, 2012).

Equally, the disappearance of proposals for a European Mutual Society Statute and a European Association Statute from the European Commission’s agenda in the past few years has been a serious setback in terms of providing greater opportunities for these forms of the social economy in Europe. In contrast, the Statute for a European Foundation (EUR-Lex, 2012) was on the EU agenda in 2012 (Monzón Campos & Chaves Ávila, 2012) and then withdrawn in 2015.

Legal barriers to the development of social economy entities are one of the key elements in the development of the social entrepreneurship. The institutional framework also defines the social economy's room for manoeuvre in the different sectors of social and economic activity. Although the statutory provisions for the different forms of the social economy recognise their right to operate freely in the market like any other private agent, sector regulations can raise barriers to certain fields of activity and to unfettered development therein. In the case of mutual societies, three patterns of development according to economic sector are found: there are countries where mutuals can operate in numerous fields, as in the United Kingdom, where they can engage in activities ranging from water supply to sports; another group of countries confines their field of action to certain sectors, such as healthcare or health and safety cover; while the final group does not have this legal form. Additionally, where sector rules prevent risks being mutualised, insurance cooperatives and mutual insurance societies cannot be set up. The situation is similar for cooperatives. The ban on consumer cooperatives’ operating in the pharmaceutical sector in some EU countries is well-known. Another example is Spain, where electricity supply cooperatives have for years been supplanted as power suppliers as a result of modifications in the regulations for the electricity sector, despite having been pioneers in satisfying this basic need in numerous regions. Legal barriers have also been raised in the petrol distribution and travel agency sectors. In areas such as social services of public benefit and insurance, certain EU directives introduced over the past decade have not paid sufficient attention to the specific features of social economy organisations, such as associations and foundations in the case of social services and mutual societies in the case of insurance, and have had damaging effects on them as a result. One area where the European social economy’s room for manoeuvre is most seriously affected is its business growth model. One key to the market success and growth of the social economy companies has been their capacity to form federations and cooperative groups. However, these forms of association have been queried by the European Court of Justice, being interpreted as illicit agreements contrary to free competition. Such an interpretation contrasts with the leniency shown towards concentrations of wealth and finance in private capitalist holdings (Monzón Campos & Chaves Ávila, 2012).

On the basis of available evidence, it is not possible to conclude which of the two approaches to social enterprise legislation (legal form versus legal status) is better as each has its advantages and disadvantages. Ultimately, the approach to social enterprise legislation should be based on a consideration of national contexts and traditions, taking into account the costs of certification, social performance verification and reporting, and compliance monitoring and control (EC, 2014b).

Marks, labels and certification systems for social enterprises are not particularly widespread across Europe, but have been implemented in four European countries (Figure 4). However, only a very small number of social enterprises are currently using these marks and labels (EC, 2014b).
To summarize, The European Commission aims for a level playing field in which social economy enterprises can compete effectively and fairly, without regulatory discrimination and taking into account their particular needs. To promote a highly competitive social market economy, the Commission has addressed the issue in (EC, 2016a):

- Social Business Initiative (EC, 2011);

The Commission submitted the following proposals to the Council of the European Union (EC, 2016a):

- Proposal for a Council Regulation on the Statute for a European Cooperative Society (1992);
- Proposal for a Council Regulation on the Statute for a European Mutual (social security and insurance society) (1992);
- Proposal for a Council Regulation on the Statute for a European Association (1992);
In 2003, the Statute for a European Cooperative was adopted. The other two proposals of 1992 were withdrawn in 2006 by the Commission due to lack of legislative progress, while the last one on the European Foundation was withdrawn by the Commission due to lack of progress within the Council (December 2014) (EC, 2016a).

Within a Social Business Initiative (SBI) (EC, 2011) a theme on ‘making the legal environment friendlier for social enterprises’ includes the following actions (EC, 2016b):

- **Action 9**: Simplify the rules regarding legal recognition as a **European Cooperative Society**; put forward a regulation creating a legal status for **European foundations**. Conduct a study on the situation of **mutual societies**.

Simplification of the European Cooperative Regulation - please Report from the Commission 23 February 2012
Proposal for a regulation on the statute for a European Foundation (adopted by the Commission 8 February 2012)
Study on the situation of mutual societies and their cross-border activities (received by the Commission 12 October 2012)

- **Action 10**: Make **quality** and **working conditions** more important criteria for the awarding of **public procurement contracts**, particularly for social and health services.

Enhancement of the element of quality in awarding contracts in the context of the reform of public procurement (adopted by the Commission 20 December 2011)
Procurement opportunities for social enterprises under the new EU procurement rules (June 2014, 223 kB)

- **Action 11**: Simplify the rules for awarding **public aid** to social and local services (which would benefit many social enterprises).

Simplification of the implementation of rules concerning State aid to social and local services (161 kB)

Commission staff working document: Guide to the application of EU rules on state aid, public procurement and the internal market to SGEI, and in particular to social services of general interest (610 kB)
Presentation at the event in Strasbourg (January 2014): video | presentation (763 kB)

**Fiscal Framework**

An enabling fiscal framework is also required that takes into account the social mission of social enterprises. Whilst many other social economy organisations, such as charities, may enjoy fiscal relief, social enterprises frequently find themselves excluded from such benefits. Fiscal incentives can contribute to overcoming some of the difficulties confronted by social enterprises when working with disadvantaged people (such as low skills, requirement for intensive support, etc.) and also recognise their positive social benefits. Indirect fiscal measures can also be utilised to help support investment in social enterprise development. For example, in the UK, social enterprises can access Community Investment Tax Relief (CITR), which, although not specifically designed for social enterprises, was created to encourage investment in disadvantaged areas. It gives those who invest in accredited Community Development Finance Institutions, which focus on disadvantaged spatial areas and social groups, a tax relief of 5% of the amount invested per year, for up to 5 years (EC & OECD, 2013).

Tax incentives are an important element of the regulatory environment for social enterprises. Such incentives take many forms across Europe. They usually reward the social utility mission of the enterprises. In some cases, they are aimed at compensating for the loss of productivity entailed by the choice of hiring less productive individuals who are in a reintegration process inside the enterprise. This is the case for social co-operatives in Poland, whilst in Belgium there are two main measures at the federal level for the social economy: a reduced VAT rate of 6% for some social economy initiatives and a tax exemption up to certain limits for integration enterprises.
However, some countries do not provide fiscal support, and social enterprises may be taxed at the same rate as for profit business, which in the long run can hinder their sustainability (EC & OECD, 2013).

In most Western EU Member States the four main legal forms taken by the social economy enjoy some specific tax treatment. Such special arrangements are more common for associations and foundations because of their non-profit nature and the way they assign resources and surpluses, which give priority to activities of social and/or general interest. Such legislation has been strengthened in recent years in a number of countries; examples include Spain's NPO taxation system, passed in Act 43/2002, Italy's Act 460/1997 on the ONLUS or non-profit organisations of social utility, and Germany’s 'Social Law Code' (Sozialgesetzbuch) governing non-profit organisations. As far as cooperatives are concerned, many countries that have a special tax system do not extend it to all cooperatives. In Ireland, for instance, it is only applicable to credit unions, in Greece only to agricultural cooperatives and in Poland only to social cooperatives. In these same countries, there are different trends in tax treatment at national level. While some countries like Portugal, Italy and Spain apply consolidated special tax regimes backed by recognition of the social role of the social economy in their respective constitutions, other countries are scaling back their existing specific tax treatment. Changes in the legislation on cooperatives in various countries are not unconnected with this trend, as they tend to reduce the restrictions imposed by the Cooperative Principles. These changes reduce the minimum number of persons required to create a cooperative; make it possible to give some members more than one vote; loosen the restrictions on activities and on trading with non-members; make it possible to issue specific bonds, representing risk or debt capital; allow third parties to participate in the share capital and allow cooperatives to transform themselves into joint-stock companies. Quite apart from the reasons put forward for these changes in cooperative legislation – such as economic arguments concerning growth and improved competitiveness – what lawmakers undoubtedly see in these measures are lower operating costs for this legal status and, consequently, less need for special treatment, including compensatory policies and tax measures. This is crucial because it is the main argument used by the opponents of specific treatment for cooperatives. If significant differences between different forms of enterprise are not taken into account, giving tax advantages selectively to some (such as cooperatives) can be seen as unequal treatment amounting to unlawful state aid in contravention of rules on free competition. This is how certain national courts have interpreted the matter, such as those in Italy, which referred the special tax regime for cooperatives to the EU. However, this situation was clarified recently, as on 8 September 2011 the Court of Justice of the European Union ruled on tax exemptions for producers’ and workers’ cooperatives in Italy. It justified their specific tax treatment on the grounds that cooperatives are different in nature from for-profit companies (Monzón Campos & Chaves Ávila, 2012).

The tax situation is very different in the new EU Member States: given the short history of the SE, those fiscal and legislative measures that have been introduced to support it are also of recent date and are focused mainly on associations, foundations and social cooperatives (Monzón Campos & Chaves Ávila, 2012).

There are very few countries with tax breaks specifically designed for social enterprises. The general pattern in European countries is that (EC, 2014b):

1. Tax breaks may exist for certain forms of tax exempt non-profit organisations - NPOs with a recognised 'public benefit' status are usually eligible for a range of tax reliefs, including:
   - Corporation, income and capital tax reliefs;
   - Tax relief on certain forms of expenses;
   - Tax deductions on donations for donors;
   - Inheritance tax relief for donors;
   - Relief on property transactions;
• Relief on local or municipal taxes;
• Reliefs on investment income; and
• Often a range of other tax reliefs.

To be eligible for tax advantaged status, a NPO will often need to show that it exists for the public benefit, has a social purpose and limitations on distribution, does not benefit its members or managers, is accessible to persons on low incomes and meet other qualifying conditions, including sometimes, as in Spain, a minimum time since its set-up or, as in Hungary, a minimal level of financial resources. Beneficial tax regimes exist for NPOs with ‘public benefit’ status in the vast majority of Member States, with only a handful of exceptions. There is generally no exemption from VAT for NPOs. However, not all NPOs will be considered to exist for the public benefit in this way, as some will exist for the benefit of their members or for some other private purpose. This means that a social enterprise constituted as a NPO (association, foundation, institute, non-profit companies etc.) may or may not benefit from tax exemptions applicable to public benefit organisations. In some jurisdictions, only associations and foundations are eligible for the tax advantages which are made available for those NPOs which exist for public benefit.

2. Tax breaks may exist for integration enterprises / WISE, if the concept exists - integration enterprises/ WISE typically benefit from a range of tax reliefs, including:

• Partial reimbursement of wages;
• Deductions or relief from social insurance contributions; and
• In some cases, partial or complete exemption from corporation tax.

Integration enterprises/ WISE also often receive other forms of subsidies, such as subsidies for the adaptation of workplaces and subsidies for other relevant costs, such as the cost of specialised training, transport costs or the costs of specialised or adapted equipment. Tax reliefs are usually predicated on conformity with the underlying integration enterprise/ WISE legal status or legal form requirements, which relate to factors such as the nature, condition and number of the persons employed by the integration enterprise/ WISE.

3. Tax breaks may exist for the conduct of certain forms of activities - many European countries have a range of tax exemptions for certain forms of activities, such as:

• Training and educational activities;
• Development and innovation related activities
• Making donations of goods or services to certain disadvantaged groups;
• Purchase of certain forms of assets;
• Employment of persons in certain localities with high unemployment;
• Investment into small and medium sized companies; and
• Investment into deprived communities or other designated localities;

4. Otherwise, social enterprises are generally taxed according to their underlying legal form - in a number of countries, legally recognised social enterprises are eligible for a range of tax exemptions:

• Forms of corporation tax relief;
• Tax relief on property transactions;
• Relief from local or municipal taxes.

5. In some countries, the tax system varies on a regional or local basis - in France and the UK, exemptions exist for investors into certain social enterprises:

• In France, individual investors are able to deduct up to 25 % of the value of an investment into a social enterprise from income tax;
• In the UK, individuals are able to deduct up to 30 % of the value of an investment into a charity, community benefit society or cooperative from income tax;
• In Italy, taxpayers are able to devolve 5x1000 of the income tax in favour of social enterprises identified each year by the Government department responsible for finance.
Key Stakeholders in The EU Social Entrepreneurship Arena—Institutions/Networks

Social enterprises require business support. However, a one-size-fits-all approach to business support that expects social enterprises to require the same services as entirely commercial enterprises is likely to be sub-optimal if the offer of information, advice, consultancy and so on fails to acknowledge the social dimensions which are central to the creation of social enterprises. In contrast, ‘braided support’, which incorporates both general business support and support specifically tailored to meet the needs of social enterprise, can be more effective for the start-up and development of social enterprises (Daniele et al., 2009). Engaging with social enterprises and other social economy organisations involved in the provision of such support, can also be beneficial in encouraging social enterprise start-up and development (EC & OECD, 2013).

As part of an offer of braided support, specific business development support structures may be established such as innovation parks and incubators. Hubs (e.g. the social innovation park in Bilbao) and incubators (e.g. the NESsT incubators) are important structures to support social enterprise creation and development. Without such support structures there is a risk that social enterprises will only thrive in given territorial niches or sectors of activity. However, the existing support structures for the social enterprise sector are not evenly distributed, but tend to be concentrated in those locations and sectors where social enterprises have already established their presence and have a strong integration capacity. Therefore, to avoid the perverse effect that support structures actually aggravate the uneven development of social enterprises, efforts should be made to transfer and disseminate examples of best practice to other areas. This will be facilitated by top-down initiatives by the public administration and by initiatives supported by the most important networks of support structures at national and European levels.

Social enterprises have specific features which create complex needs demanding diversified solutions. While it is desirable that business support agencies for conventional business deal with social enterprises and support them, there is also a need for specialised support agencies (Daniele et al., 2009). Some of these support strategies and structures promote quality improvement strategies for the goods and services produced by social enterprises (e.g. services charters and quality certification). These services are often provided by organisations targeting the upgrading of networks of social enterprise and systems at national and local levels. Thus, membership organisations for social enterprises can be seen as support structures which are emerging along with the rise of social enterprise (Leś and Kolin, 2012; Nyssens, 2012).

An example of this is the system of social cooperatives consortia, which are the most common support structure for social enterprise in Italy and provide training and consultancy support to their members. Another example is the business and employment co-operatives in France, which utilise peer support to assist new entrepreneurs (EC & OECD, 2013).

Social enterprises also need a support in the field of access to markets. One of the key ways in which public policy can promote the access of social enterprises to markets is through making public procurement more open to the social enterprise sector. European procurement law allows local government authorities to insert certain social clauses in their procurement procedures and terms of reference, such as to encourage the employment of the long-term unemployed. However, the use of these conditions to promote social enterprises remains limited. It appears that public officials are often unsure as to how to incorporate social clauses in their procurement, and are often not well acquainted with the benefits that social enterprise can bring to their local communities. At the same time, some small social enterprises lack the skills, time and resources necessary to enable them to successfully compete in public bids. Building understanding and capacity both amongst local officials and social enterprises is therefore important if public procurement is to be
effectively utilised in supporting the development of social enterprises (EC & OECD; 2013).

The European Commission’s Buying Social: A Guide to Taking Account of Social Considerations in Public Procurement (http://europa.eu/rapid/press-release_IP-11-105_en.htm) highlights the way in which public procurement can be used to achieve social goals. Whilst it is not possible to ‘reserve’ public procurement contracts for specific organisational forms, except in some circumstances for ‘sheltered workshops’ employing disabled people, measures can be put in place to remove hindrances (e.g. capital requirements) in contract procurement processes. In Sweden, for example, the Swedish Social Insurance Agency has involved social economy organisations, voluntary organisations and SMEs in reviews of procurement practices to identify challenges faced in the preparation of bid documents (EC & OECD, 2013).

Across Europe, the following typology of public support measures has been identified (more in EC, 2014b):

- Awareness raising, knowledge sharing, mutual learning;
- Specialist business development services and support;
- Investment readiness support;
- Dedicated financial instruments (e.g. social investment funds);
- Physical infrastructure (e.g. shared working space); and
- Collaborations and access to markets.

On a national level, social enterprise networks and/or some form of mutual support structures exist in almost all countries. The experience of Italy, France and the UK shows that these can play an important role in supporting the development of the sector by offering support, guidance and advice, as well as acting as an advocate for the sector. For example, social cooperatives consortia are the most common support structure for social enterprise in Italy and provide training and consultancy support to their members. Another example is the business and employment cooperatives in France, which utilise peer support to assist new entrepreneurs. Similarly, in the UK, several umbrella organisations for social enterprises have been established and have played an important role in both bringing recognition to the sector and in the development of a range of policy. There are a limited, but growing number of social enterprise incubators, mentoring schemes, specialist infrastructure and investment readiness services across the EU (examples can be found in countries like Belgium, France, Germany, the Netherlands, Slovenia, Hungary, etc.) (EC, 2014b).

The relevant institutions in the EU and their web pages are as follows:

1. EC (European Commission):

EC recognises the following challenges of social enterprises and offers the support as follows (EC, 2016a):

- Access to finance - social enterprises are struggling to find the right funding opportunities due to the lack of understanding of their functioning and their small size. However, they can benefit from all European programmes such as COSME, or the Structural Funds such as the Regional Development Fund and the European Social Fund. The EC recommended EU countries to prioritise the activities of social enterprises in the national operational programmes for the period 2014 to 2020;
- Low degree of recognition - the EC finances projects to review legislation, share good practices, awareness raising events and projects for the collection of statistical data, for cooperatives and mutuals and social enterprises;
- Varying regulatory environments across EU countries and activity related obstacles for some legal forms of social economy enterprises - the EC
examines how best to respond to these problems in the area of state aids, public procurement or legal statuses to promote the appropriate policies;

- Lack of entrepreneurial skills - social enterprises managers and starting entrepreneurs are eligible under EC exchange programme - Erasmus for Young Entrepreneurs.

2. **SIE (European Social Innovation):**

   SIE is not designed to replace existing networks of innovation, but rather to bring them together. That’s why SIE connects with policy makers, funders and foundations, private sector organisations and social enterprises, NGOs and social service organisations, as well as think tanks, centres for social innovation and most importantly, practitioners. Besides the news and research reports, one can find the country directory with the relevant information from the specific EU member state:


3. **CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy):**

   CIRIEC is a non-governmental international scientific organization. Its objectives are to undertake and promote the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest.

4. **EMES International Research Network:**
   http://emes.net/

   EMES is a research network of established university research centres and individual researchers whose goal has been so far to gradually build up an international corpus of theoretical and empirical knowledge, pluralistic in disciplines and methodologies, around our ‘SE’ concepts: social enterprise, social entrepreneurship, social economy, solidarity economy and social innovation.

5. **SEE (Social Economy Europe):**
   http://www.socialeconomy.eu.org/who-see

   Social Economy Europe is the EU-level representative organisation for the Social Economy. It was set up in November 2000, under the name of CEP-CMAF. Cooperatives, mutual societies, associations, foundations deemed it essential to establish a permanent dialogue on European policies that are of common interest. In November 2000, they set up the European Standing Conference of Cooperatives, Mutual societies, Associations and Foundations (CEP-CMAF). In January 2008, the CEP-CMAF changed its name into Social Economy Europe. Social Economy Europe works in areas of common interest for its members and, acts in accordance with the principle of subsidiarity, ensuring the added value of the organisation’s actions.

6. **OECD (Organisation for Economic Co-operation and Development):**
   http://www.oecd.org/about/

   The mission of the OECD is to promote policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. They work with governments to understand what drives economic, social and environmental change. They measure productivity and global flows of trade and investment. They analyse and compare data to predict future trends. They set international standards on a wide range of things, from agriculture and tax to the safety of chemicals. They are
focused on helping governments around the world to:

- Restore confidence in markets and the institutions that make them function;
- Re-establish healthy public finances as a basis for future sustainable economic growth;
- Foster and support new sources of growth through innovation, environmentally friendly ‘green growth’ strategies and the development of emerging economies;
- Ensure that people of all ages can develop the skills to work productively and satisfyingly in the jobs of tomorrow.

7. EU Transparency Register

Since decisions taken by the EU affect millions of European citizens, they must be taken as openly as possible. The EU institutions interact with a wide range of groups and organisations representing specific interests. This is a legitimate and necessary part of the decision-making process to make sure that EU policies reflect citizens’ real needs. The decision-making process must be transparent to allow for proper scrutiny and to ensure that the Union’s institutions are accountable. The European Parliament and the European Commission are committed to being open about the groups and organisations with which they interact. The Register exists to answer questions such as:

- What interests are being represented at EU level?
- Who represents those interests, and on whose behalf?
- With what budgets?
- The Register has the following key features:
- A public website where organisations representing particular interests at EU level register and up-to-date information about those interests;
- A Code of Conduct governing relations of interest representatives with the EU institutions;
- Alerts and complaints mechanism to enable anyone to trigger an administrative inquiry into information contained in the Register or suspected breaches of the Code by registered organisations or individuals;
- Guidelines for registrants and a helpdesk.

8. European Social Franchising Network
http://www.socialfranchising.coop/

Although social franchising is like commercial franchising, it is significantly different. The social franchise is normally set up not to maximise profits, but to enable people to work together and share ideas. The founder is driven by a social goal, such as the employment of disabled people, the democratisation of the economy or tackling climate change. As such the social franchise has a social purpose and is often owned by its social franchise members but it is also a business that makes profits. Without these profits, it could not survive and grow and meet its social aims.

The European Social Franchising Network was born out of links made between social franchises established by the EU’s Equal programme. It was established because members felt there was a need to:

- Promote the concept of social franchising and the social franchise offer of members;
- Facilitate the development of best practice in social franchising and in membership;
- Create a positive environment for the development of social franchising.
- Membership is currently free and full membership is only available to social franchises. Associate membership is available to aspiring social franchises and organisations that support the development of social franchising.
According to Monzón Campos’s and Chaves Ávila’s (2012) report the organisations that represent the social economy in Europe are:

1. **Cooperative family:**
   - **EUROCOOP:** European Community of Consumer Cooperatives, http://www.eurocoop.org/en/;
   - **CECODHAS:** European Liaison Committee for Social Housing — cooperative section, http://www.housingeurope.eu/member-53/cecodhasp;
   - **CECOP:** European Confederation of Workers’ Cooperatives, Social Cooperatives and Participative Enterprises, http://www.cecop.coop/;
   - **COGECA:** General Confederation of Agricultural Cooperatives, http://www.copacogeca.be/Menu.aspx;
   - **GEBC:** European Cooperative Banking Group, http://www.eacb.coop/en/home.html;

2. **Family of mutual societies:**
   - **AIM:** International Association of Mutual Societies, http://www.aim-mutual.org/healthcare-and-social-benefit-for-all/;
   - **AMICE:** Association of Mutual Insurers and Insurance Cooperatives in Europe, http://www.amice-eu.org/;

3. **Family of associations and social action organisations:**
   - **CEDAG:** European Council of Associations of General Interest, http://www.cedag.eu/;
   - **EFC:** European Foundation Centre, http://www.efc.be/;
   - European Platform of Social NGOs, http://www.socialplatform.org/;

4. **Platforms for social enterprises:**
   - **CEFEC = Social Firms Europe = European Network of Social Firms, Social Co-operatives, NGO’s and organizations that all share the objective of creating paid work for disabled and disadvantaged people, https://www.google.si/?gws_rd=cr&ei=6dsLV9PJHoOcsAH0tqmwCA#q=CEFEC%3D+Social+Firms+Europe**

Most of these European-level representative organisations are in turn members of Social Economy Europe, the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations, which is currently the highest-level European social economy interlocutor for the European institutions.

**Financial Resources**

**The Need for Financial Resources**

A key role of public policy is to stimulate the emergence of a strong financial marketplace for social enterprises. One of the tasks to achieve this is to increase understanding of social enterprise within the traditional finance sector. For example, the public sector may provide loan guarantees to banks for their lending to social enterprises in order to offset the perceived risk and increase the familiarity of banks with the opportunities and demands of the social enterprise sector. In parallel, more innovative institutional arrangements between governments and financial institutions may be encouraged, for example through policy measures that co-invest with the private sector and that seek social returns as well as financial ones. This may take different forms in different
In addition to the more recent financial innovations (e.g. social investment), the role of other sources of finance in this landscape is shifting (e.g. community-based investment, programme related investment and venture philanthropy, and traditional financial providers such as philanthropy, financial institutions and public financing). Such an evolving landscape is defined by a general approach to proactive investment choices, aimed at supporting business which can have a strong social impact while ensuring financial returns on investments. Indeed, this approach, commonly known as ‘impact investment’, intends to generate measurable social and environmental impact alongside a financial return. From the many products and strategies that correspond to this proactive investment attitude, seven hold particular promise as sources of financing for social enterprises: solidarity finance; venture philanthropy; institutional investment; individual investment; quasi-equity and equity instruments ethical or social capital markets (Mendell and Nogales, 2009) and crowdfunding (see more in EC & OECD, 2013).

The Sources of Financial Resources
While for-profit enterprises usually base their business models on revenues generated through trading activity, social enterprises typically adopt a ‘hybrid’ business model i.e. they derive their revenues from a combination of (EC, 2014b):

- Market sources e.g. the sale of goods and services to the public or private sector; and
- Non-market sources e.g. government subsidies and grants, private donations, non-monetary or in-kind contributions such as voluntary work etc.

Social enterprises thus, rely on a mix of revenue streams. The main revenue streams can be described as follows (EC, 2014b) - see also Figure 5:

- Revenue derived from public contracts: social enterprise contract with public authorities and agencies to receive fees for defined services (quasi-markets). The structure of these payments can be quite different, varying from direct payment by
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public authorities to social security systems, voucher systems, or indirect payment through third-party intermediaries;

- Direct grants / subsidies: provided to social enterprises by public authorities e.g. grants for specific project-based activity, employment subsidies are often made available to WISE as ‘compensation’ for employing people with impaired work ability and for the resulting productivity shortfall;

- Market based revenue derived from private sources: through the sale of goods and services to other businesses and final consumers;

- Membership fees, donations and sponsorship; and

- Other forms of revenue include income from renting assets (such as property), penalty payments, prize money or income from endowed assets, and non-monetary forms such as in-kind donations (e.g. old IT equipment, food or building material). Volunteering time, especially, has remained an important source of in-kind revenue.

In countries like the Czech Republic, Finland, France, Italy and the UK, social enterprises derive a majority of their revenue from market sources and particularly from the sale of goods and services to public authorities. In several other countries (e.g. Austria and Poland), the entrepreneurial dimension was found to be less strong with social enterprises deriving less than 50 % of their revenue from market sources (EC, 2014b).

Public sector funding dominates the revenue streams of social enterprises, reflecting in large part their missions and activity focus such as work integration, and provision of social and welfare services. For example, an estimated 45 % of social enterprises in Italy have public bodies as their main clients. In the UK, 52 % of social enterprises derive some income from the public sector and 23 % describe it as their main or only source of income (EC, 2014b).

**Figure 5:** Revenue streams for social enterprises

Source: EC (2014b)
A notable dynamic by which social enterprise are generating earned income is the increasing contracting out of services in healthcare, social care, education, criminal justice, leisure and a host of other areas by public authorities across Europe as a means of securing best value for money and offering greater choice and personalisation to the users of these services (EC, 2014b).

High reliance of social enterprises on the public sector has, however, raised concerns about the long-term sustainability of their business models in the face of austerity measures being implemented across Europe, although evidence suggests the importance of the specificity of national context, activity and enterprise business model in shaping impacts. In Italy, for example, such cuts are currently challenging social cooperatives whereas, in the UK, such cuts have further encouraged social enterprises to successfully identify new market opportunities (EC, 2014b).

**Publicly Funded Support Measures**

Public financial policies, such as budgetary policies, directly or indirectly assign funds for the promotion and development of the social economy. In some cases these are public funds, like the Portuguese Prodescoop programme for the promotion of cooperatives. Analogous subsidy programmes to promote cooperatives and employment in cooperatives also exist in Germany, Italy, Cyprus and Spain. In other cases they are mixed or joint funds, managed by the government and by social economy organisations: examples in France are the National Fund for the Development of Associative Life (FNDVA) and the National Fund for the Development of Sport (FNDS). In various funds the funding is off-budget. In some cases, such as RAY and Oy Veikkaus AB in Finland or the ONCE in Spain, the resources are obtained from the revenue from games of chance (lotteries, slot machines). In others the funds are related to legislative change, for example by linking passive employment policies to active ones, such as the possibility of receiving unemployment benefits as a lump-sum if the unemployed person decides to set up a cooperative or a sociedad laboral (labour company) in Spain, or the policies to assist employment in associations and the employment cheque system in France (Monzón Campos & Chaves Ávila, 2012).

A number of countries have initiated a broad variety of policies, measures and schemes specifically addressing and providing support to social enterprises and social economy entities more widely. These include Belgium, Denmark, France, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The scope and scale of such publicly funded schemes, however, varies significantly across countries (EC, 2014b).

There are a number of European countries that have very limited or no publically funded schemes specially designed for and targeting social enterprises. This is particularly the case in newer Member States, particularly from Eastern Europe - Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovenia, Slovakia and Romania where ad hoc and fragmented initiatives have been funded through Structural Funds. However, there are also a few examples of older Member States where publicly funded schemes targeting social enterprises are very limited or non-existent, including Austria, Finland, Germany, Ireland, and the Netherlands. In a few countries (Finland, Netherlands), it has been a deliberate policy choice to not develop bespoke schemes for social enterprise (EC, 2014b).

European Structural Funds (ERDF and ESF) have also played a key role in many countries (particularly new Member States such as Bulgaria, Poland, Romania, Hungary, but also older Member States such as Italy and the UK) in raising the visibility and profile of social enterprise through awareness raising activities such as events, workshops, awards/competitions and pulling together a fragmented community of actors - and also contributed to financing the creation of new social enterprises (EC, 2014b).

The social economy receives funding in EU member countries through European Structural Funds, in particular, the European Social Fund. While the terms appear to be quite flexible, the implementation of ESF programmes is often the opposite, as the review team witnessed in
Poland where the current ESF Programme, imposes rigid criteria and implementation norms. Likewise, in France, where current EU funding for services in the general interest imposes strict norms, the impact on social enterprises and the social economy is often negative, as objectives of these organisations are modified to comply with programme criteria. Moreover, social economy initiatives providing these critical services find themselves competing for limited funding, a perverse process that creates winners and losers, rather than provide much needed support for organisations providing these services and contributing to social and economic wealth in regions across the country (Mendell, 2014).

A vast majority of social enterprises rely on paid workers. The use of volunteers is limited and often linked to the legal form adopted by a social enterprise. Whilst social enterprises adopting a company or a cooperative legal form will typically only employ paid workers (the use of volunteers is not excluded, but is rare). In contrast, social enterprises adopting the legal form of an association or foundation will often use a mix of volunteers and paid workers; often relying quite heavily on the former. The level of use of paid workers as a share of total workforce is difficult to identify due to lack of statistics, but frequent use of paid workers is reported (EC, 2014b).

Today, the growing field of social finance in many parts of the world is inspiring financial innovation to meet the investment needs of SE and to create a new social finance market for investors interested in new social investment opportunities. The literature in social finance describes the many different vehicles currently available. From the micro credit revolution in the 1990’s to the growth of ethical savings and lending institutions, to socially responsible investment, the landscape of social finance has changed dramatically in recent years (Mendell, 2014).

While numerous social financial institutions and investment products have emerged in recent years internationally, access to capital remains a critical need. In countries such as Poland, Korea and Slovenia, a social finance market does not exist. In France, this market is well developed, but largely confined to debt instruments. Throughout many countries, the overwhelming presence of debt finance available to the social economy is generating disequilibrium in this market which requires the development of a diversity of financial tools including debt, equity and quasi-equity instruments to correspond with the life-cycle of social economy enterprises and organisations (start-up, or even pre-start-up in some cases, consolidation and growth). The tendency to introduce short-term micro finance tools in many countries, for example, is necessary but insufficient for the evolving social economy (Mendell, 2014).

The policy choices for government are therefore numerous, including new regulations for financial institutions, legislation, credit enhancement (guarantees) and fiscal incentives for potential investors (tax credits). Government can also enter into partnerships with social finance institutions or intermediaries as an investor or partner. This not only contributes to the capitalisation of these institutions but it can leverage private investment, by reducing perceptions of risk. And government can provide base funding to social finance institutions either as start-up support or as ongoing, recurrent funding, given the objectives these institutions are meeting (Mendell, 2014).

Government has a critical role to play in supporting this rapidly evolving social finance landscape. The policy options are numerous; they are not mutually exclusive. It is increasingly clear, however, that the returns to government are higher if policies are designed collaboratively with social economy practitioners who are best placed to identify market potential and needs (Mendell, 2014). The relevant institutions in support of funding the establishment and functioning of social enterprises are as follows:

A. EU Priority: Jobs, Growth and Investment
B. EC, Directorate-General for Employment, Social Affairs and Inclusion
C. Financial funds from Cohesion Policy
   1. EU level – European Structural and Investment Funds
2. EU level – European Social Entrepreneurship Funds
3. Slovenia:
   http://www.eu-skladi.si/sl/ekp,
   http://www.eu-skladi.si/sl/ekp/klucni-dokumenti,
   http://www.eu-skladi.si/portal/sl/ekp/tematska-podrocja,
   http://www.eu-skladi.si/portal/sl/ekp/tematska-podrocja/9-tematski-cilj#

Within a Social Business Initiative (SBI) (EC, 2011) a theme on ‘making it easier for social enterprises to obtain funding’ includes the following actions (EC, 2016b):

- **Action 1**: Put forward a European regulatory framework for social investment funds.

- **Action 2**: Encourage the development of microcredit in Europe, specifically by improving the related legal and institutional framework.

- **Action 3**: Set up an EU financial instrument to provide easier access to funding.

- **Action 4**: Make social enterprises an investment priority of the European Regional Development Fund and European Social Fund.

**Presentation of the event in Strasbourg (January 2014): How the European Social Fund can contribute to social enterprises?**

Crowdfunding is an emerging alternative source of financing. It refers to open calls to the public, generally via internet, to finance a project through either a donation, a monetary contribution in exchange for a reward, product pre-ordering, lending, or investment. Any type of project can launch a crowdfunding campaign: SMEs, artists, innovative start-ups, social entrepreneurs may all benefit from different forms of crowdfunding. The EC is exploring the potential and the risks of this relatively new and growing form of finance, as well as the national legal frameworks applicable to it, in order to identify whether there is value added in European level policy action in this field (see more at EC, 2016c).

**Educational and Training Programmes, Learning Centres and Consulting**

The concept of social entrepreneurship is a popular content of scholarly books and articles – they are written about the characteristics of organizations thought to be instances of social entrepreneurship. It holds a place in the curriculum of leading business schools, and it is the subject of numerous professional and academic meetings. There are associations devoted to studying and implementing social entrepreneurship, and there are numerous web sites on which one may become acquainted with the concept and receive information and/or advice on putting it into practice (Peredo & McLean, 2006).

The path to social entrepreneurship starts long before a business idea is discussed. Nurturing a culture of inclusive entrepreneurship, including social entrepreneurship, by encouraging diverse role models of successful business is a preliminary step to attracting potential social entrepreneurs, and including social entrepreneurship in school and university curricula is another important element of strengthening this culture and training future managers (EC & OECD, 2013).

A wide range of skills is required to create and develop a social enterprise and these skills range from those for promoting social inclusion (these are needed when working with individuals on their employability and integration into the labour market and include life skills, social skills and work skills to support entry in the labour market), skills for entrepreneurship and management (e.g. marketing and finance, business planning and development, skills for growth and scaling), skills for meeting regulatory and reporting requirements and negotiating with bureaucracies, and skills for workforce development, essential to achieve
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sustainability and growth (Spear et al., 2012). Such skills reflect the complexity of the ‘missions’ undertaken by social enterprises, and highlight the need for training which recognises that complexity. Putting in place the educational and training programmes to meet the needs of various types of participants: community leaders, administrators, and managers of social enterprises, is crucial to social enterprise development (EC & OECD, 2013).

In the EU countries, policies of dissemination, training and research are directed at providing visibility and social receptiveness on the one hand, and on the other at developing competences in training and research for the benefit of the sector as a whole. There are stable support channels for training and research that specialise in the social economy in several European countries. The universities and federations are usually in charge of undertaking these functions. In some cases like Sweden, Portugal, Italy, Spain and France, specialised training and research centres organised into networks have appeared. The CIRIEC International network is one of the most active. Other networks have also made an appearance, such as the EMES network, the international network of the Johns Hopkins Comparative Non-Profit Sector Project and inter-university networks in individual countries (like the German network for cooperatives, the French social and solidarity economy inter-university network, the CIRIEC-Spain network of researchers into the social economy or the Portuguese network for the third sector, among others). All of these have helped to spread the concept of the social economy and information about it across Europe. On the teaching side as well, postgraduate courses in the social economy have emerged in recent years at well-established university centres – most of which are linked to these networks – within the framework of the Bologna reform to create a European Higher Education Area (Monzón Campos & Chaves Ávila, 2012).

The training and education on social entrepreneurship / social economy in EU is executed by the following institutions:

1. **EC programme Erasmus for young Entrepreneurs:**
   Erasmus for Young Entrepreneurs is a cross-border programme facilitating the exchange of entrepreneurial and management experience. The exchange is implemented by a stay of a newly established or potential entrepreneur with a well-experienced entrepreneur running a small or medium-sized enterprise (SME) in another country. In the last five years, more than 2,500 pairs of entrepreneurs have benefitted from the programme. The EC’s goal is to organise 10,000 exchanges by 2020. Erasmus for Young Entrepreneurs is implemented through local contact points selected through annual calls for proposals.

   Erasmus for Young Entrepreneurs aims to boost Europe’s entrepreneurial culture. The programme:
   - reinforces entrepreneurial attitudes by offering skills, knowledge and experience;
   - increases the number of start-ups and boosts their resilience;
   - fosters the cross-border transfer of ideas, knowledge and cooperation between small firms;
   - helps small firms to network, innovate, and go international;
   - helps to create jobs.

2. **EMES International Research Network:**
   EMES is a research network of established university research centres and individual researchers whose goal has been so far to gradually build up an international corpus of theoretical and empirical knowledge, pluralistic in disciplines and methodologies, around our ‘SE’ concepts: social enterprise, social entrepreneurship, social economy, solidarity economy and social innovation. One of the most relevant contributions by EMES is the development of training and education programs based on the solid research experience of the network. Whether in the form of formal university programs or in the form of intensive trainings for graduate students, EMES and its members are devoted to excellence in
training around third sector and social enterprise issues among others.

3. **SEE (Social Economy Europe):**
   Social Economy Europe is the EU-level representative organisation for the Social Economy. The Charles V training programme, organised by Social Economy Europe, the EU-representative organisation for Social Economy, offers a global vision of the European dimension economy. The training programme take place in Brussels, the ‘capital’ of the European Union. It presents an overview of the European Union Policies relating to Social Economy, but also the main political challenges the sector is facing in the current context, as well as the political opportunities at the EU level to further promote social economy as a fundamental actor of the European Economic and Social Model.

4. **School for social entrepreneurs**
   At the School for Social Entrepreneurs (SSE) they empower people from all backgrounds to create positive social change. Their courses help individuals start, sustain, and scale social enterprises, charities and community projects. They help build confidence and gain practical business skills in technical areas like marketing and finance. They are committed to jargon-free learning delivered by experienced professionals. SSE uses an innovative learning approach, which focuses on real world issues and practices. They also provide courses aimed at established not-for-profits, covering common issues in the charity sector.

5. **Social Enterprise Academy**
   They help people use their personal strengths to build sustainable enterprises and achieve greater social impact. Their learning and development programmes focus on learning by doing and are flexible, practical and responsive.

6. **Postgraduate courses at EU universities,** e.g.
   - Goldsmiths, University of London
   - Hult International Business School Europe:
   - Altis, Milano:
   - Bocconi University:
   - Lumsa, Rome:
   - Online courses worldwide, e.g.:
   - University of Oxford, Department for continuing education:
   - Copenhagen Business School – Coursera:
   - Unite for Sight
   - Wharton University of Pennsylvania – Coursera:
   - Wharton University of Pennsylvania

Within a Social Business Initiative (SBI) (EC, 2011) a theme on ‘increasing the visibility of social entrepreneurship’ includes the following actions (EC, 2016b):

- **Action 5:** Identify best practices by establishing an exhaustive register of social enterprises in Europe.

- **Action 6:** Create a public database of labels and certifications applicable to social enterprises in Europe.

  ![Database of labels and certifications](647 kB)

- **Action 7:** Help national and regional governments introduce measures to support, promote and finance social enterprises.

  National and regional administrations - promotion of mutual learning and their capacity building: Guide to social innovation

  ![Guide to social innovation](5 MB)

- **Action 8:** Create a multilingual information and exchange platform for social entrepreneurs, business incubators and clusters, as well as social investors. Increase the visibility of EU programmes to support social entrepreneurs and make it easier to obtain funding.

  Social Innovation Europe Platform - electronic data exchange platform for social investors and entrepreneurs

  Access to EU education and training programmes
Research in the field of social entrepreneurship could be supported by governments and public research institutes. This would enable an ongoing assessment of the different needs of social enterprises, in their various organisational forms, and how they could be more effectively integrated into national and sub-national social and economic policy. Issues such as monitoring, measuring social impact, the establishment of mutual learning platforms for all actors and sound ex-ante evaluation of support strategies might be part of the researches to be undertaken. In the UK, the Third Sector Research Centre was established by the Economic and Social Research Council, the Office for Civil Society (Cabinet Office) and the Barrow Cadbury Trust. The Centre seeks to develop an understanding of the third sector as well as how its contribution can be maximised. Alongside research, the Centre also works with both policymakers and practitioners to build capacity through the creation of capacity building clusters and knowledge exchange processes (EC & OECD, 2013).

Support for such activities, and ensuring that there are strong links between researchers, policymakers and practitioners, can have a very positive impact on social enterprise and its development. At the sub-national level it can also contribute to the identification of specific needs of both social enterprises and the communities in which they are based (EC & OECD, 2013).

A pioneering body of research has been produced in Europe on the topic of social enterprise. The first European research project on social enterprise titled ‘The emergence of social enterprise in Europe’ (EMES) was carried out from 1996 to 1999 within the EU’s Fourth Framework Programme (FP4) for research and technological development. This project contributed to the development of a coherent definition of this nascent term by identifying the three dimensions of a social enterprise (social, economic and governance dimension) and developing a set of nine indicators reflecting the characteristics of an ‘ideal-type’ of social enterprise. Later on, a EU-funded research project on ‘The Socio-Economic Performance of Social Enterprises in the Field of Integration by Work’ (PERSE, 2001-2004) completed the first comparative analysis of work integration social enterprises (WISE) across eleven European countries. Since then, numerous other research projects have been carried out at a EU and national level to advance understanding of social enterprise in order to inform policy-making and practice. The European Commission has funded several large-scale, cross-disciplinary research projects on social enterprise and related topics through the EU’s Seventh Framework Programme for Research (FP7). The most notable examples include (EC, 2014b):

- **Social Enterprise as Force for more Inclusive and Innovative Societies (SEFORIS)** - EU contribution: 2.5 million EUR; Timetable: 1 January 2014 – 30 April 2017; Website: [http://www.seforis.eu/](http://www.seforis.eu/)

- **Enabling the Flourishing and Evolution of Social Entrepreneurship for Innovative and Inclusive Societies (EFESIEIS)** - EU contribution: 2.5 million EUR; Timetable: 1 December 2013 – 30 November 2016; Website: [http://www.fp7-efeseiis.eu/](http://www.fp7-efeseiis.eu/)

- **Social Entrepreneurs as Lead Users for Social Innovation (SELUSI)** - EU contribution: 1.45 million EUR; Timetable: June 2008 – September 2011; Countries covered: Hungary, Romania, UK, Spain, Sweden; Website: [http://www.selusi.eu/](http://www.selusi.eu/)


The research on social entrepreneurship / social economy in EU is executed by the following institutions:

1. **CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy):**
   CIRIEC is a non-governmental international scientific organization. Its objectives are to undertake and promote
the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest:

- action by the state and the local and regional public authorities in economic fields (economic policy, regulation);
- public utilities;
- public and mixed enterprises at the national, regional and municipal levels;
- the so-called ‘social economy’ (not-for-profit economy, cooperatives, mutuals, and non-profit organizations); etc.

In these fields CIRIEC develops activities of interest for both managers and researchers.

2. **SIE (European Social Innovation Research):**

   SIE is Europe’s largest active social innovation community. SIE shows who is doing what, how and why across Europe. SIE was established in 2011 as the first pilot action on social innovation under the Innovation Union. The SIE platform has become a community of over 3000 people across Europe, a go to place to understand the context of social innovation in different countries, and a database of organisations and events across Europe. The latest SIE research project is ‘Social Enterprise as Force for more Inclusive and Innovative Societies (SEFORIS)’. The ‘SEFORIS’ research project seeks to understand the potential of social enterprise within the European Union and beyond to improve the social inclusiveness of society through greater stakeholder engagement, promotion of civic capitalism and changes to social service provision. It began in January 2014 and will run until the end of April, 2017. The employed will include a) investigation of key processes within social enterprises for delivering inclusion and innovation, including organisation and governance, financing, innovation and behavioural change and b) investigation of formal and informal institutional context, including political, cultural and economic environments and institutions which directly and indirectly support social enterprises.

The methodology will be to start from policy and social enterprise practitioner issues to develop a theoretical framework for inclusion and innovation processes in context, followed by novel experimentation with social enterprises and in depth case study analysis to expand and enrich. Longitudinal survey data will be used to test and validate conclusions. Representative policy makers and social enterprises will be engaged throughout the process to ensure relevancy and transmission of results and findings.

3. **EESC (European Economic and Social Committee):**

   The European Economic and Social Committee (EESC) is a consultative body that gives representatives of Europe’s socio-occupational interest groups and others, a formal platform to express their points of views on EU issues. Its opinions are forwarded to the Council, the European Commission and the European Parliament. It thus has a key role to play in the Union’s decision-making process.

   On 16 and 17 January 2014, the EESC, the Commission and the city of Strasbourg co-organised an unprecedented event: more than 2000 social entrepreneurs and supporters gathered to jointly identify new ways of boosting the sector. They called for new, innovative funding sources, business support, networking, and clearer EU-wide regulations. The event concluded with the Strasbourg Declaration (EESC, 2014), a milestone that captured a wide range of areas where social entrepreneurs want to see further changes: The 10 priorities (EESC, 2014):

   1. Develop a second phase of the SBI;
   2. EU Institutions: ownership and deliver on the actions;
   3. Co-create new policies to support social enterprise (SE);
   4. Creation of an eco-system for SE;
   5. Partnership to support SE;
   6. EU and Member States reinforce the role of SE in reforms;
   7. Better cooperation between SE and between public authorities;
8. Suitable public and private financial instruments;
9. Further research and national statistical collection;
10. Inclusion of social indicators when reporting progress.

Based on the Strasbourg Declaration, the EESC is now in the lead in this policy area and has launched the Social Enterprise Project to define policy directions and concrete actions to be forwarded to the next Commission and Parliament. Consisting of a project group of 9 EESC members, the Social Enterprise Project comprises actions including a strengthened cooperation with social enterprise supporters, the participation of the project group members in European events, and the consultation and involvement of various social economy stakeholders and supporters of social enterprise. Action points guiding the Social Enterprise Project (EESC, 2014):

1. Co-create new policies to support social enterprise;
2. Partnership to support social enterprises;
3. Develop a second phase of the SBI.

Following a going local strategy, the Social Enterprise Project is also taking part in local events spread around Europe to conduct fact-finding missions, collect best practices and investigate policy ideas and recommendations for the EU institutions.

4. **EMES International Research Network:**

EMES is a research network of established university research centres and individual researchers whose goal has been so far to gradually build up an international corpus of theoretical and empirical knowledge, pluralistic in disciplines and methodologies, around our ‘SE’ concepts: social enterprise, social entrepreneurship, social economy, solidarity economy and social innovation.
Analysis of Social Entrepreneurship in Slovenia

Historical Background of Social Entrepreneurship in Slovenia

The concept of social enterprise is very new to Slovenia; it was used for the first time in the context of ESF-funded pilot projects launched in 2009 to support the development of social enterprise. Since then, interest and activity in the social enterprise ‘space’ has grown. The impetus for this interest is in part driven by the economic crisis and connected disappointment of the masses with capitalism, resulting in the emergence of movements advocating new ways of organising the economy. At the same time, the Government is increasingly interested in using work integration social enterprises (WISE) as a tool for tackling high levels of structural unemployment (EC, 2014b).

Against this backdrop, Slovenia adopted the Act on Social Entrepreneurship in 2011 (SEA, 2011) which among other things, provides a definition of social entrepreneurship and social enterprise (EC, 2014b):

- **Article 2: Definitions:** Non-profit legal entity shall mean a society, institute, foundation, company, cooperative society, European cooperative society or other legal entity governed by private law not established for the sole purpose of generating profit, which does not distribute assets or the generated profit or excess revenue over expenditure, except to a limited scope in accordance with legislation;

- **Article 3: Definition of social entrepreneurship:** Social entrepreneurship shall represent the permanent performance of social entrepreneurship activities or other activities, which are subject to special conditions of employment, in the manufacture and sales of products or the provision of services on the market, for which the generation of profit is neither an exclusive nor a main objective. Social entrepreneurship shall strengthen social solidarity and cohesion, promote the participation of the people, support voluntary work, improve society's capacity for innovation in addressing social, economic, environmental and other issues, ensure the additional supply of products and services in the public interest, develop new employment possibilities, provide additional jobs and enable social integration and vocational reintegration of the most disadvantaged groups in the labour market (social entrepreneurship objectives).

- **Article 4: Social entrepreneurship principles and requirements:** A non-profit legal entity may engage in social entrepreneurship provided that it is established and operates pursuant to the following principles and requirements (hereinafter: the principles), which indicate its public benefit nature and social character:
• it is established by the voluntary decision of its founders (autonomous initiative);
• its sole purpose is not to generate profit (non-profit purpose of establishment);
• it is established with the main purpose of continuously engaging in social entrepreneurship or other activities with a view to employing the most disadvantaged groups in the labour market and thus serving the public interest (performance of activities in the public interest);
• its members work voluntarily (voluntariness);
• it is managed independently (independence);
• the manufacture and sale of its products or the provision of its services in the market are largely organised according to market principles (market orientation);
• it typically involves voluntary work (voluntary work participation);
• individual founders or owners do not exercise dominant influence over decision-making; decisions are adopted by all members according to the principle one member-one vote, and irrespective of the capital share (equality of members);
• the stakeholders are involved in decision making (stakeholder participation in management);
• assets, profit and excesses revenue over expenditure are used for the purposes of social entrepreneurship or other non-profit purposes, profit or excesses revenue distribution is not allowed or is limited in accordance with this Act (non-profit operation);
• it provides for the transparency of its financial operation and for internal control over its inventory management and financial operations (operations transparency);
• it permanently performs its activities for the benefit of its members, users and the wider community (operating for the public benefit).

**Article 5: Area and activities of social entrepreneurship activities:** The Act lists the following ‘social entrepreneurship activities’:
• social assistance;
• family assistance;
• protection of persons with disabilities;
• science, research, education;
• provision and organisation of youth work;
• protection and promotion of health;
• ensuring social inclusion, promotion of employment and vocational training of unemployed people and persons at risk of unemployment;
• job brokerage for people referred to in Article 6 herein, including the activity of hiring out such workers to another user;
• organic food production;
• nature conservation, landscaping, environmental protection and animal protection;
• promotion of the use of renewable energy sources and the development of the green economy;
• tourist services for people otherwise excluded from or limited by their living conditions in accessing them, provided in a manner that respects the values of sustainability, accessibility and solidarity (social tourism);
• shops for socially disadvantaged people (social shops), shops selling the products of small producers from the most undeveloped environments, based on ethical, transparent and equal business relationships between producers and traders aimed at ensuring fair pay for the producers and their survival (fair trade), and shops with services and products from social entrepreneurship activities;
• culture, technical culture and preservation of cultural, technical and natural heritage;
• amateur sport and physical activities for recreational purposes and socialisation;
• protection and rescue activities;
• promotion of local communities’ development;
• support services for social enterprises;
• other areas of social entrepreneurship activities as defined by specific acts.
• **Article 8: Social enterprise:** Any non-profit legal entity can acquire the status of a social enterprise provided it meets the following criteria:

  - It has been established with a view to permanently performing the social entrepreneurship activities and employing at least one worker in the first year of its operation and at least two workers in subsequent years (hereinafter: social enterprise of Type A); or
  - established with a view to employing persons referred to in Article 6 of this Act and being engaged in a particular activity by permanently employing at least one third of these workers out of the total staff (hereinafter: Type B social enterprise); and
  - It operates according to the principles of social entrepreneurship stipulated by the Act.

According to Šporar and Strojan (2015) a number of social innovation projects in Slovenia have been launched in last decade. The majority of them have come as a result of individual entrepreneurial initiatives within more innovative organisations. Having said this, there is no overview or historical research on social innovation (SI) in Slovenia. This is due to the fact that the field is largely under-developed and there is a lack of a supporting environment for social innovators, including a scarcity of data. The organisation of the first Slovenian Social Innovation Competition in 2012, which saw over 50 social innovation projects participate, was an important step, which promoted SI and placed it on the agenda for the first time. The increasing popularity of social innovation can now be noticed by the number of responses submitted to different calls and tenders for funding from public sources (both national and local) where social innovation is often listed as a key selection criteria. There is however no harmonized methodology for evaluating social innovation projects.

Drawing on EU operational definition, the social enterprise spectrum in Slovenia includes both organisations that have been inherited from the previous regime (traditional cooperatives and companies for the disabled – sheltered workshops for disabled and job centres for disabled), which provide the most significant contribution to GDP and employment creation in Slovenia, and recently established organisations (zavods - institutions and societies - foundations).

### Statistical Data on Social Entrepreneurship in Slovenia

As of 5 October 2018, 259 organisations are officially registered as social enterprises (MEDT, 2018). The growth rate in registration is high. The social enterprises include associations, institutions, foundations, private limited companies and cooperatives. The proposed EU operational definition encompasses Slovenian definition described in the Act (2011).

However, the current register comprising of those holding the statues of social enterprises according to Social Entrepreneurship Act (SEA, 2011) is not representative of the actual number of social enterprises by EU operational definition in Slovenia. Based on the opinion of some main experts in the field there are few possible explanations on why this is the case; the lack of financial incentives, the lack of tax incentives and high administrative burden caused by high reporting duties. The registration process is lengthy and discouraging because the administration is not aware of the procedures connected with social enterprise registration. The legal environment was quite enabling even before the introduction of the 2011 Social Entrepreneurship Act. For example, social enterprises could (and still can) be set up using the legal framework of institute (zavod), company for the disabled, cooperative and NGO. On the other hand, the policy makers have somewhat different opinion; that low number of registration could mean that the organisations are not social enterprises, or they lack knowledge to recognize their operation as a social purpose, or they fail to see registration could help them position themselves on the market (EC, 2014b).
Nevertheless, as of 12 February 2017, 144 companies for the disabled (at least 40 per cent of employees need to consist of people with disabilities) (MLFSAEO, 2017) are not included in the register despite the fact that some would fulfil EU operational definition as well as Slovenian definition for enterprises Type B (WISE). The current legislation (SEA) does not allow companies for the disabled to double register as a social enterprise due to possibility of double funding for the same purpose (EC, 2014b).

Data on how many of the 27,772 NGOs (CNVOS, 2018) fall under the EU or Slovenian definition of a social enterprise are not available. Similarly, data on social entrepreneurs within the mainstream enterprises emphasizing social mission in their business models are not available (EC, 2014b).

The concept of social enterprises is new and therefore, statistics are scarce. Whereas statistics on the number of registered social enterprises and the number of registered companies for the disabled are available for recent years, there is not any recent statistics on the structure of the Slovenian NGOs sector and associations which would enable estimating the number of those entities falling within the EU definition of social enterprises. It is for instance estimated that in 2009-2010 the share of employees in social economy in Slovenia presented 0.73 per cent of all employees. But the notion of social economy falls beyond social enterprises (EC, 2014b).

However, it is estimated that Slovenia has around 900 organisations, which potentially fulfil the criteria laid out by the EU definition (EC, 2014b).

### Table 2: Estimate on number of social enterprises

<table>
<thead>
<tr>
<th>Type of social enterprise</th>
<th>Total population (2012 or 2013)</th>
<th>Estimate of the % meeting operational criteria</th>
<th>Key assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social enterprises</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>registered under 2011 Act (ex-lege social enterprises)</td>
<td>46</td>
<td>100%</td>
<td>Assumes that 100% of the registered enterprises meet the operational criteria applied under this assignment</td>
</tr>
<tr>
<td>Companies for the disabled</td>
<td>142</td>
<td>Low proportion</td>
<td>Companies for the disabled fulfill the social and economic criteria, but only a low proportion of enterprises also meet the criteria relating to independence and participatory governance</td>
</tr>
<tr>
<td>total</td>
<td>80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGOs</td>
<td>23,075</td>
<td>3.6%</td>
<td>60% of NGOs work in public interest. 80% of organisations did not have employees. 30% of income is generated from market sources.</td>
</tr>
</tbody>
</table>

Source: EC (2014b)
Most of the current social enterprises deliver their impact through people they employ (Type B or WISE enterprises). As already noted, this is in part due to the incentives provided through active labour market policy and strong legacy of companies for the disabled. Other impact relates to environment and health through production of organic food, re-cycling and waste treatment. Provision of welfare services is less common, since the State continues to hold a dominant role in the provision of public goods and services. However, this has been opening up with the provision of ‘commissions’ (EC, 2014b).

**Table 3:** Fields of activity of social enterprises in Slovenia

<table>
<thead>
<tr>
<th>Field of activity</th>
<th>Enterprises registered under 2011 Act</th>
<th>Companies for the disabled</th>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social protection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protection of persons with disabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science, research, education and upbringing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision and integration of youth work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sport and physical culture, whose purpose is recreation and socialization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment and waste treatment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensuring social inclusion, promotion of employment and vocational training for persons who are unemployed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work integration programs to help disadvantaged workers enter the labour market, including social workshops, sheltered employment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organic food production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature conservation, management and protection of the environment and animal welfare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting the use of renewable energy sources and the development of green economy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism for persons whose living conditions preventing or impeding access to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale, retail, services and repairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate, housing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture and arts</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: EC (2014b)
In general, the current trends mainly relate to activities promoting food sufficiency, energy sufficiency, environmental causes, affordable housing and intergenerational activities (EC, 2014b).

Most of the social enterprises target disadvantaged groups (young, unemployed, homeless, older people, etc), among them people with disability are probably the most commonly targeted. However, general public and communities are also targeted through social enterprises focusing on promoting food sufficiency, energy sufficiency, environmental causes etc. (EC, 2014b).

Legal Regulation and National Policies of Social Entrepreneurship in Slovenia

Legal framework
The Slovenian Social Entrepreneurship Act (SEA, 2011) lays down the definition, objectives, principles and activities of social enterprise in Slovenia and social enterprise legal status is available for legal forms that meet prescribed conditions. Any private legal person can be deemed as a 'social enterprise' under this law, provided they are not established for the sole purpose of generating profit and do not distribute profit except in a limited scope in accordance with legislation (EC, 2014b).

The Social Entrepreneurship Act defines two types of social enterprises (SEA, 2011):

- type A, which carries out (one or several) ‘social entrepreneurship activities’ as laid out in Article 5 of the Act or as defined in the Regulation on Determination of Activities of Social Entrepreneurship; and
- type B, which is a work-integration social enterprise (employing people from vulnerable groups). The following groups are defined as vulnerable target groups: the disabled, unemployed persons that are hard-to-employ due to lasting physical or mental problems, the very long-term unemployed (over 24 months), first-time job seekers (unemployed persons, registered with the Employment Service of the Republic of Slovenia for more than six months if employed for the first time after having finished their education or after having finished their traineeship following their university studies, higher education or higher vocational programmes or if their early stage researcher status terminated), the people aged over 55, Roma people, young drop-outs from primary and secondary education, ex-prisoners (for one year after serving the sentence), refugees included in the integration programmes, drug and alcohol abusers that are in rehabilitation programmes or up to two years after the rehabilitation programmes, and homeless people.

Despite there being a legal definition of social enterprise, there are disagreements and misconceptions about the concept of social enterprise. Some Slovenes argue that social enterprises must not generate profits while others believe that only cooperatives are real social enterprises (EC, 2014b).

In the EC survey (EC, 2014b) the consulted stakeholders were unified in acknowledging the importance of both the entrepreneurial and social dimension of social enterprises. They however, disagreed on the detail:

- The level of market orientation: one social investor believes that social enterprises should seek to generate 100 % of their revenue from market sources. In the view expressed by a representative of WISE, this share could at the most reach 50 %;
- Social aim: whereas some understand social enterprise mainly as type B enterprises (WISE), other stakeholders noted the wider role of contemporary social enterprises (type A).

Stakeholders also expressed different views as far as the governance dimension is concerned. Some stakeholders believe the governance of social enterprises does not need to officially represent interests of relevant stakeholders in decision-making processes. According to their
opinion, transparency of the governance processes is sufficient for the governance of social enterprises. However, other stakeholders believe stakeholder participation in the governance structure should be strictly imposed, to prevent a misuse of the social enterprise definition (EC, 2014b).

There seem to be an agreement between various stakeholders interviewed that current companies for the disabled and employment centres (which have a special legal status and under current legislation cannot be registered as a social enterprise) are social enterprises and should be allowed to register as a social enterprise. However, according to Ministry of Labour, Family and Social Affairs the reason for not allowing double registration is to prevent double funding; enterprises for disabled and employment centres have the advantage of secure and generous public funding that covers significant part of their operations through the provisions of the Act Regulating the Training and Employment of Disabled Persons. Public support amounts from 40% to 60% of their revenues (EC, 2014b).

Although social enterprise legislation within Europe varies, the trend has been to create this new legal form to meet specific labour market integration objectives and to provide social services, principally through co-operatives. In some countries, the definition is wider and includes private sector enterprises. This is summarised below as European trends regarding social enterprise legislation (OECD, 2010):

1. Adaptation of the co-operative form: this trend began in Italy in 1991 when the law N° 381 on social co-operatives provided the legislative framework to institutionalise activities which had developed spontaneously in the previous twenty years. A similar legal development was followed in Portugal, Spain, France, and more recently in Poland. In Italy the law on social enterprises (2005) separates social services from work integration. In the other countries activities that can be carried out by social enterprises (co-operatives) vary, ranging from general activities (e.g. Portugal and France: social services and work integration within the same enterprise) up to specific ones, mainly limited to work integration (e.g. Poland).

2. Adoption of a general social enterprise legal form: a second trend provides a more general legal framework for social enterprises. In this case, any enterprise can become a social enterprise provided that they comply with a number of criteria. This trend first appeared in Belgium where the ‘social purpose company’ (Société à finalité sociale) was introduced in 1995. This law can apply to any commercial company, including co-operatives and private limited companies. This trend has been adopted by the UK, Italy, Finland and Slovenia.

The Slovenian law does not provide for a specific legal form for social enterprise. As a result social enterprises adopt existing legal forms as laid down in Art. 2 of the Act, the most common ones being: society (association) and institution, followed by Limited Liability Company and the Cooperative legal form. These legal forms do not recognize the specific features and characteristics of social enterprise, which often acts as a practical impediment to the development of social enterprise. In addition, there is an absence of incentives to encourage social enterprise formation, as there are currently no fiscal benefits attached to the majority of legal forms used by social enterprises.

As mentioned earlier, the law provides for the legal status of social enterprise. The status of social enterprise is approved by the authority, responsible for the initial registration of the legal entity applying for the status. There are therefore several approving bodies – for associations: administrative units, for private institutes, cooperatives and companies: courts, for foundations: ministries.

**Policy Framework**
The Social Entrepreneurship Act (SEA, 2011) regulates social enterprise activity. It also stipulates a series of measures aimed at fostering the development of social enterprise,
including the requirement to set up a Council for Social Entrepreneurship and to adopt a Strategy for the development of social entrepreneurship and a Programme of Measures to implement the strategy every four years.

So far, the following measures have been implemented:

- The Council for Social Entrepreneurship has been established. It is composed of representatives of all ministries (except the Ministry of Foreign Affairs), two representatives of social enterprises, one representative of social partners and one expert;
- The Regulation on Determination of Activities of Social Entrepreneurship has been adopted (Official Gazette, 54/2012, amended 45/2014);
- The rules for monitoring the activities of social enterprises have been prepared (Official Gazette, 35/2013);
- Accounting standards for social enterprises (Official Gazette, 2/2012);

The first Strategy for Social Entrepreneurship Development for the period 2013 – 2016 (Strategy) was eventually published in July 2013. It sets out three high level objectives for the period 2013 – 2016 (MEDT, 2018):

- To increase the visibility of social entrepreneurship and knowledge of the principles of social entrepreneurship;
- To upgrade existing supportive environment for entrepreneurship; and
- To promote the employment of vulnerable groups in the labour market.

The Programme of Measures for executing the Strategy was adopted on 3rd July 2014. The table below outlines the measures proposed in the Programme of Measures together with the foreseen financial commitments and sources of funding (EC, 2014b).
<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Activity</th>
<th>Target</th>
<th>Financial commitment € (2014-2015)</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase the visibility of social entrepreneurship and knowledge of the principles of social entrepreneurship</td>
<td>Campaigns, exchange of good practices</td>
<td>2 national campaigns per years (targeting different stakeholders)</td>
<td>54,000</td>
<td>National</td>
</tr>
<tr>
<td></td>
<td>Organisation of workshops</td>
<td>30 workshops per year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To upgrade existing supportive environment for entrepreneurship</td>
<td>Explore the possibility of adjusting legislation pertinent to entrepreneurship environment to enable access of social enterprises to supporting measures for entrepreneurship</td>
<td>Preperation of the amendment to the existing legislation on supportive environment for entrepreneurship</td>
<td>Completed in 2013</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To supplement and expand existing supporting environment of VEM offices to social entrepreneurs</td>
<td>Capacity building on social enterprise registration procedures for employees consulting at VEM offices.</td>
<td>Completed in 2013</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Help with registration at VEM offices to at least 50 social entrepreneurs.</td>
<td>400 consultations to social enterprises or to potential social entrepreneurs (goal for 2013-2016 period)</td>
<td>30,000 (including the above activity under*)</td>
<td>National</td>
</tr>
<tr>
<td></td>
<td>Training provision (external experts) for managers of social enterprises employing vulnerable groups on management skills and working with vulnerable groups.</td>
<td></td>
<td>80,000</td>
<td>ERDF/ESF</td>
</tr>
<tr>
<td></td>
<td>Promotion and consulting on social entrepreneurship to farmers to develop supporting environment in rural areas</td>
<td>Support to improve production capacities, incentives for cooperation and joint marketing of products, creation of social enterprises in the rural areas.</td>
<td>230,000 1,700,000</td>
<td>National EAFRD</td>
</tr>
<tr>
<td></td>
<td>Promoting social entrepreneurship in the area of culture</td>
<td>Financial support to start up social entrepreneurs in the media industry or media cooperatives</td>
<td>300,000</td>
<td>ERDF/ESF</td>
</tr>
</tbody>
</table>
To support social enterprises active in the area of culture developing new products and services

Promoting social entrepreneurship in the region of Pomjüre 1,500,000 National

Development of a model to measure the social impact of SEs 1,500 National

Upgrading public procurement in the direction of achieving social impact

Integrating the principles of social entrepreneurship as one of the criteria for selecting providers of public procurement procedures

Changes in sectorial legislation to promote social entrepreneurship

Incentives for employment of vulnerable groups

1500 subsided jobs (goal for 2013-2016 period) 1,800,000 National
730,000 ESF

Development of workshops for social enterprises type B

Development of learning workshops. 200 beneficiaries of workshops. 15,000 National
250,000 ESF

Development of capacity building programmes for people working with vulnerable groups

Preparation of capacity building programme for managers of type B enterprises. 15,000 ESF

Promoting establishment of social enterprises Type B in the context of public works programmes.

Preparation of public works programmes to promote the establishment of social enterprises type B. 2,000,000 National

Youth guarantee

Pilot projects for youth guarantee 4,000,000 ESF

To promote the employment of vulnerable groups in the labour market.

Notice 1: VEM offices serve as one-stop shops for companies or entrepreneurs to carry out all activities linked to the formation of a company and some other procedures that are carried out by a business entity upon or after its formation.

Notice 2: Enterprise established for the recruitment of vulnerable people, in such a way that a given activity is carried out in a continuous recruitment of at least one third of these workers from all employees (hereinafter referred to as social enterprise type B)

Source: EC (2014b)
As noted by the MLFSA, the Programme of Measures strived for larger pre-start-up support for entrepreneurial skills. However, it was only partially successful also because the ESF Regulation places social entrepreneurship in the function of social inclusion much more than in the function of competitiveness. MLFSA is of opinion that for Slovene situation, placing social entrepreneurship strongly in relation to social inclusion in ESF regulation is not favourable (EC, 2014b).

In terms of funding sources the above table provides an overview of foreseen national vs. EU funds to carry out the recently adopted Programme of Measures. National funds are foreseen to cover 44% of the total funding or 5,644,000. EU funds (ESF/EDRF and EAFRD) are foreseen to contribute 56% of the funding.

Stakeholders interviewed in the context of this EC study (EC, 2014b) highlighted the following weaknesses of the current strategy and the Programme of Measures:

- The measures are primarily focused to Type B (WISE) social enterprises;
- The strategy does not include any measures aimed at facilitating access to finance support (i.e. a financial instrument).

As of March 2014 there were only a very limited number of public measures implemented in Slovenia which were specifically designed for social enterprises (EC, 2014b):

- Two calls were launched in 2009 and 2012 by MLFSAEO to support pilot projects. All together 24 projects received EUR 6.5 million of ESF funding through these tenders. Pilot projects included training and employment of persons from vulnerable (hard-to-employ) groups (work-integration type of social enterprises). For instance one of the 17th projects co-financed under 2012 call established a ‘Roma restaurant'; a restaurant employing Roma people and serving Roma food. First, cooks and other staff necessary to run a restaurant was trained (Roma people). After two years four of those trained were employed in the restaurant. Another project employed five textile workers (women over 50) made redundant after restructuring of the company Prevent. They sew and sell re-usable grocery bags;
- Most MLFSA programmes, actions, tenders are traditionally open to SE type of organisations such as ALMPs, social affairs, family and disabled.
- Calls for projects promoting social entrepreneurship in the region of Pomurje in 2011 issued by the Ministry of Economic Development and Technology. EUR 300,000 was awarded. The second call in 2013 was restricted to entities registered as social enterprises according to the Act (2011). The call was re-launched under the Programme of Measures and EUR 1.5 million were planned to be rewarded for the period of 2014 – 2015. The calls co-finance labour costs (gross wages), material, equipment and rent for social enterprises;
- In 2014 a ‘public works’ programme prepared by MLFSAEO and Slovenian employment service was extended to registered Type B social enterprises. The programme intended to activate long term unemployed from vulnerable groups. Projects operate for two years with an aim to establish Type B social enterprises or upgrade existing Type B social enterprises11. EUR 2 million were available for this measure;
- Project SEA - Social Economy Development Agency financed from the Cross Border Co-operation Programme Italy-Slovenia 2007-2013 (ERDF). EUR 1.3 million was available between 2011 and 2014. The aim of the project was to promote the development of social entrepreneurship in the border area through the implementation of joint activities and the establishment of common policies for the development and promotion of social entrepreneurship and to set up a Social Economy Development Agency in the legal form of a European Cooperative Society.

Based on the Social entrepreneurship initiative from 2011, Strasburg declaration (EESC, 2014)
and the Social Entrepreneurship Act (SEA, 2011) the Slovenian initiative for the development of social entrepreneurship initiative Slovenia 2020 was formed and sent to the Government by ŠENT (2018), SKUP (2018) and SFSP (2018). Ten key points were stated in the initiative anticipating that the parliament, government, economic-social council and other state bodies would start to think and act in the direction of assuring the implementation of social entrepreneurship initiatives in all of their structures.

According to Tadej Slapnik, the Secretary of State in the Office of the Prime Minister, the Government prepared a strategic project for promotion of social entrepreneurship, cooperatives and economic democracy. A systemic regulation and integration of the social economy in all of the key documents for the promotion of entrepreneurship is being prepared. The Government is also preparing the strategy of the development of the social economy and economic democracy for the period from 2017 until 2027 (RRA LUR, 2018).

Key Stakeholders and Support Mechanisms of Slovenian Social Entrepreneurship

**Key Stakeholders**

Till 1st January 2015 the main responsibility for design and implementation of policies, support instruments and measures for social enterprises and infrastructures as well as for the implementation of the Social Entrepreneurship Act lied with the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MLFSACEO) and all ministries responsible for social entrepreneurship activities (MLFSACEO, 2017). At that time, the field of social entrepreneurship was shifted under the patronage of Ministry of Economic Development and Technology (MEDT) (MEDT, 2018). Among other things, the MEDT provides expert support to the Council for Social Entrepreneurship, maintains a register of social enterprises and organises events (debates, presentations etc.) on social enterprises (EC, 2014b). The focus now lies more with entrepreneurship and less with social innovation and inclusion (SIE, 2017).

The Council for Social Entrepreneurship on the other hand, is responsible for policy design and specifically, it has been tasked with preparing a strategy for social enterprise development. It initially made slow progress and stakeholders were dissatisfied. For instance, the members of the Slovenian Social Entrepreneurship forum, one of the main networking and advocacy platforms of social enterprise and entrepreneurship in Slovenia, publicly expressed their dissatisfaction with the delay of preparation of the first Strategy (EC, 2014b).

In Slovenia social enterprises function more or less on their own, they have not formed many associations or networks. However, some NGOs work as umbrella organisations for several social enterprises (e.g. CAAP Maribor is an umbrella organisation for 5 associations developing social enterprise activities). The Slovenian Forum of Social Entrepreneurship (SFSP) is the main network of social enterprise stakeholders in Slovenia (EC, 2014b).

SFSP works around the principles of social entrepreneurship, as represented by Mohammed Yunus. It connects social entrepreneurs, policy makers, potential investors and other social enterprise stakeholders. It facilitates joint research and innovation networks, develops joint projects etc. In addition, SFSP acts as an advocacy body of social enterprise stakeholders with the aim of influencing public policy and establishment of a legal framework to support the work of social enterprises. In December 2012 SFSP prepared suggestions for the Strategy and Programme of Measures where it warned policy makers to accelerate the preparation and adoption of the Strategy and suggested main areas and support mechanism to be included in the strategy. In January 2014 SFSP organized public discussion of the proposed Programme of Measures 2014 – 2015 for the implementation of the Strategy. The outcome of the public discussion was summarised in “Views and suggestions of Slovenian Forum of Social Entrepreneurship regarding Programme of Measures 2014 – 2015 and EU operational programs 2014-2020.
in the field of social entrepreneurship and cooperatives”. SFSP works towards the development of international links and learning from best practice examples. SFSP is also a partner of Social incubator established by Student organisation of Ljubljana (ŠOU) (EC, 2014b).

In the following text some other selected stakeholders and events, important for the development of social entrepreneurship in Slovenia in the last few years will be described.

DPlac (2018) is a nexus of entrepreneurial ideas with social impact and a support environment for individuals or teams with entrepreneurial ideas with social impact. DPlac offers the programs for future entrepreneurs, such as Ferfl (2018).

European Investment Bank, Faculty of Economic and the Social entrepreneurship centre at the University of Ljubljana in 2016 opened a call for Social Innovation tournament. The Social Innovation Tournament is the flagship initiative of the Institute’s Social Programme. It is organised every year in a different country to reward and sponsor European entrepreneurs whose primary purpose is to generate a social, ethical or environmental impact. Four prizes are awarded by a jury, composed of specialists from the academic and business world: General Category and Special Category 1st and 2nd Prizes of EUR 50 000 and EUR 20 000 respectively. The Final Event took place in Ljubljana, Slovenia on 20 October, where the fifteen selected projects competed for the 4 prizes (EIB, 2018).

The Social Entrepreneurship Centre at the University of Ljubljana brings together the University and 6 members of the University with the aim to develop research, education, consulting and other support activities in social entrepreneurship. The Centre was established by the University of Ljubljana, Biotechnical Faculty, Faculty of Economics, Faculty of Social Sciences, Faculty of Social Work, Faculty of Administration and Faculty of Education to set up an applied framework for research and development that connects researchers, educators and students from different areas with the economy and non-governmental sector, while offering potentials for cooperation to all those interested in the topic (UL, 2018).

There are few events that promote social innovation:

- Slovenian Social Innovation Competition run by Fund 05;
- Days of Social Economy run by Slovenian Association for Mental Health (ŠENT) and the Union of private institutes (SKUP);
- Social Innovation Camp run by Social Innovators of Future (Youth Guild Association);
- SIXPO run by a group of volunteers.

Certification Schemes and Social Reporting
Voluntarily registration of social enterprises according to the Act (2011) is currently the only certification system available in Slovenia (EC, 2014b).

Social enterprises can join different award schemes, such as Family friendly enterprise (Ekvilib, 2018), e.g. Centerkontura, d.o.o., or Horus (IRDO, 2018).

MEDT (2018) offers the link to the model for measurement of social impact that helps social enterprises when needing the access to bank services with the presentation of financial benefits or lower risks for investors. It also enables the possibility of applying to the EU callsl and promotes the process of social investment by banks and private investors into the projects with social purpose.

Social Investment Markets
Social enterprises (ex-lege and de facto) heavily depend on government and EU support for reintegration of disadvantaged groups into the labour market. This, however may not be representative for the whole population of social enterprise as there was strong self-selection to registration driven by interest in access to specific financial support instruments. Businesses also heavily rely on voluntary work of the management (EC, 2014b).
Entities included in the registry of social enterprises have three main sources of income (EC, 2014b):

- EU project grants;
- subsidies for employment of vulnerable groups (public works programme and subsidies for employing vulnerable groups from ESF); and
- income from market generating activities.

Social investment market in Slovenian is immature. The supply of finance for social enterprises is scarce. In general, three streams of external financing are currently present (EC, 2014b):

- Financial products offered through the programme Good exchange initiated by SKUP (2018) - community of private associations;
- Smaller bottom up initiatives (Strat-up fund within the social incubator KNOF (2018));
- However, most of the social enterprises seek financing through regular commercial bank loans (using their own property as a collateral).

Good exchange platform established by SKUP (2018) - Community of private associations - coordinates national and international suppliers of finance and offers first tailored financial products to social enterprises in Slovenia. Good exchange founded the first private financial fund with the aim of financing social entrepreneurship and social innovations in Slovenia SKLAD05 (2018).

For many years there were almost no financial supports offered by the Government. At one of the latest symposiums on the future of social entrepreneurship, the representative of Ministry of Economic Development and Technology presented the following financial forms of support which are designed in support of social entrepreneurs and cooperatives with social entrepreneurship status in all stages of their life cycle. These are (RRA LUR, 2017):

- Grants for the start-up phase where the focus is be, in particular, on the adequacy of the prepared business plan, innovativeness, market orientation, and compliance with the principles of the social entrepreneurship and cooperatives. The main objective is to offer support to 50 new social enterprises or cooperatives with social entrepreneurship status or new business undertakings of existing social entrepreneurship (MEDT, 2018);
- Microfinance support for the growth and development of existing social enterprises - the form and the way of microfinance from the European regional development fund haven’t been defined yet, but it is known that 12 million EUR is available for microfinance. The main objective is to offer support to 600 social enterprises and cooperatives in the year 2016, the amount of micro-credit will be maximum of 25,000 EUR.

Among non-financial forms of support with indirect financial impact, the most important are more favourable conditions for social enterprises in the processes of public procurement, and the promotion of partnerships between local communities and social enterprise (RRA LUR, 2018):

In the current EU financial perspective, there are 3.2 billion EUR available for Slovenia to implement the cohesion policy. There are also some programs at the EU level, such as (SKUP, 2018):

- COSME 2014-2020 - the main objective is to increase the competitiveness of small and medium enterprises – there are 2,3 billion EUR available for strengthening the competitiveness of the enterprises, promotion of entrepreneurship culture and for creating and development of small and medium enterprises;
- Horizon 2020 - 79,4 billion EUR will be available for research and innovation;
- Erasmus+ - 14 billion EUR will be available for education and training.

Most of the social enterprises currently operating financed their operations through grants, promoters own capital or regular commercial bank loans. Those loans however, required personal collateral (EC, 2014b).
Social entrepreneurs in Slovenia often express the opinion that the supply of finance currently does not meet the demand for financing. On the other hand, the investors claim that social enterprises lack a viable business model which is why financing is scarce. Managers lack the know-how about financing opportunities beyond national and EU project support. The lack of management and financial knowledge is connected with the fact that most social entrepreneurs come from the NGO sector which traditionally relies on grant funding. There are not many social entrepreneurs with business background (EC, 2014b).

Examples of Slovenian Best Practices


The following subchapters offer the description of five interesting practices.

Korenika
http://www.korenika.si/korenikainposlanstvo

Organic-social farm Korenika farm is located in Šalovci, in the heart of the Goričko Nature Park. After a few years of operation, it has become recognizable to the wider geographical area and by the expert community recognized good practice in the field of social entrepreneurship, employment of disabled persons and other vulnerable groups in society. They have established a system of organic production and food processing – on twenty hectares of land they produce crops, herbs, fruits and vegetables, in and in the forest, they pick berries and mushrooms, which are processed into organic products. They developed their own brand and sell herbal teas, cold-pressed oils, dried and preserved fruits and vegetables, home canning, juices and syrups that are sold in selected shops in Slovenia and in an online store. They arranged a spacious herb garden and home to many animals, which are very popular among the youngest visitors. The number of visitors is constantly growing, as well as the increasing number of activities and education, which are hosted in a pleasant and calming rural environment. With the advent of many visitors, they increasingly develop tourism and catering business. Many schools and kindergartens have expressed a desire to guided tours and science days. Among the young visitors the focus is on horses and other animals. At Korenika the holiday camps with horses are organized each summer (Korenika, 2018).

Figure 6: Korenika organic social farm

Source: Korenika (2018)
Poligon
http://www.poligon.si/en/

Poligon is an autonomous platform for non-profit and for-profit project development with an agenda to empower the self-employed. It unites communities in Slovenia, which operate in the field of creative economies, social entrepreneurship and culture. These communities have developed as a response to the economic downturn and increasing precariousness of young professionals. Cofounders of Poligon are Slovenia Coworking, Slovenia Crowdfunding, Kreativna Cona Šiška (Rompom) and Ljudje.si, who have invested over 5000 hours into developing and educating about coworking and crowdfunding over the past two years. Poligon creative centre is officially represented by Poligon, institute for development of creative industries, private non-profit institute established in 2012 (Poligon, 2018).

Coworking spaces are often regarded only as spaces of work. However, a fully equipped office does not make a coworking space quite yet. First and foremost, coworking is a method of work, which requires a friendly, diverse and connected community (Poligon, 2018).

Figure 7: Poligon creative centre

Source: Poligon (2018)

Poligon Creative Centre is more than just a coworking space with a community which shares space and equipment. Poligon operates two specialized labs and they’ve also created a special programme of events for the Residents and Friends to help them increase their knowledge and skills and help them further develop as professionals (Poligon, 2018):

- **Poligon Maker Lab and Photo Services:**
  There is a workshop with a 3D printer and other technical equipment, which enables quick prototyping and high-quality product development. Additionally, Poligon offers a photographic services specialised for high quality product photography.

- **Crowdfunding Lab:** The Slovenia Crowdfunding Initiative has introduced Slovenia to crowdfunding and provided support to all its successful Kickstarter projects. As part of Poligon’s programme, Slovenia Crowdfunding are established Crowdfunding Lab, which will continue to educate, research and support inventors as well as everyone considering this form of financing. Crowdfunding Lab is supported by Regional Creative Economy Centre.

Kralji ulice (Kings of the street)
http://www.kraljiulice.org/

Organisational form: Association (društvo)
Kralji ulice (‘Kings of the street’) is an association working on re-integration of homeless people. Their market generating income activity includes a newspaper ‘Kings of the Street’, first newspaper on homelessness and related social issues in Slovenia. It is a street newspaper, written and sold by the homeless. The newspaper is published monthly with a circulation of 10,000 copies sold in Ljubljana, Maribor, Slovenska Bistrica and Primorje region. In addition, the association opened a thrift store ‘Stara roba nova roba’, providing employment and development of skills for homeless with ecologically oriented activity (re-cycling). The project was funded through 2009 call from Ministry of Labour, Family, Social Affairs and Equal Opportunities. Some activities include providing apartments for homeless, counselling and day centre (EC, 2014b).

Kings of the Street is an independent non-governmental humanitarian organization with a non-profit objective, which was formally established in September of 2005. Brings together experts and professionals and other individuals and individuals dealing with homelessness and related phenomena and individuals that experienced homelessness and related social exclusion. They care to study, learn and explore homelessness, prevent homelessness, to improve the living conditions of homeless and homeless, for the development of practical work on homelessness and publishing activities in this area. Programs conducted by the Kings of the Street, are designed to homeless and other socially excluded groups. Users are provided with professional assistance and support to integrate into the formal and informal help and enabled and facilitated to access to social resources (SIE, 2017).

**Figure 8:** Kings of the street

Source: Kings of the street (2018)

**Center ponovne uporabe (Center of reuse)**
http://www.cpu-reuse.com/

Organisational form: Company (LLC), first officially registered social enterprise in Slovenia. Center ponovne uporabe (CPU) is a company specialising in reusable goods. Their business model consists of renovating abandoned not used spaces (rented for symbolic price) and turning them into collection centres for donations of old goods and thrift stores. The products are refurbished and sold. They currently operate in 13 cities across Slovenia. The company employs people with disabilities and other disadvantaged groups on the labour market (CPU, 2018).
Reuse centers have been established within the framework of the project ‘Create the conditions for operation of the network REUSE centers with green jobs’, co-financed by the Ministry of Labour, Family, Social Affairs and Equal Opportunities and the European Social Fund (CPU, 2018).

More about the project (CPU, 2018):

- **Short project title:** USE - REUSE
- **Co-financing:** Ministry of Labour, Family, Social Affairs and Equal Opportunities and the European Social Fund
- **Beneficiary:** Environmental Research Institute
- **Project Partners:** Technology Centre for Applied Ecology Ltd., the Association of Ecological Movements of Slovenia
- **Duration:** 3.12.2010 - 3.12.2014
- **Target group:** unemployed women

The purpose of the project was to extend the already developed practice of setting up conditions for the functioning REUSE center aimed at recovery and reuse of waste at the regional level. The result were seven new REUSE centers (social enterpise) - two in the Savinja region and one in Central, Southeastern Slovenia, Gorenjska, Zasavská and Podravska. The project put in place the conditions for the formation and operation of the network of centers REUSE, which enable the employment of target groups of the unemployed on newly created green job. At individual locations REUSE organize practical and motivational workshops (CPU, 2018).

The survey revealed that each individual possesses at least 5 kg per year of useful products, which have so far finished in the discarded waste in overcrowded landfills. In the realization of innovative business idea of reducing the quantities of landfilled waste the reuse center is devoted to the renewal, reconstruction, disassembly and preparation of useful products for reuse (CPU, 2018).

The Centre has an open door for those who want to bring yet useful products and wish to buy refurbished products at a symbolic price. Green price shows the actual cost savings at the expense of the environment and has the aim to increase the awareness regarding the environment, because today no one asks how many raw materials, water, energy and emissions were needed for the new product. By throwing away still usable products we throw away raw materials, consume energy, water and pollute the nature (CPU, 2018).

With newly opened jobs the centre for reuse prolongs the life-cycle of still useful products and even prevents that they end up in a landfill. Since the EU gives substantial priority to waste prevention and reuse, such centers are open throughout Slovenia and enabling the protection of nature and a new job in the field of waste management. The waste is not only a problem, it can also be a challenge (CPU, 2018).

**Summary of Characteristics of Social Entrepreneurship in Slovenia**

Social Innovation in Slovenia is in its early stages, and remains largely underdeveloped without a supporting environment for social
innovators. A number of social innovation projects in Slovenia have been launched in the last decade. The majority of them have come as a result of individual entrepreneurial initiatives within more innovative organisations. The issues addressed by social innovation in Slovenia include long-term and youth unemployment, the inclusion of marginalised groups, the development of sustainable impact tourism and technological social innovation (e.g. apps for disabled people, such as mobile app for people with visual impairments), education and social finances (e.g. round up models, microcredits with crowd guarantees) (SIE, 2017).

Social enterprises in Slovenia usually employ subsidised workers (i.e. WISEs) to help disadvantaged workers enter the labour market including people with disabilities, long term unemployed, young unemployed, homeless, drug addicts, elderly and other vulnerable groups. However, the use of paid workers also extend beyond WISEs. Organisations still rely considerably on voluntary work, especially the management of the enterprises. Beyond work integration programmes, registered social enterprises also operate in environmental area, education, agriculture, retail, catering and health. Institutions work in a range of different fields of activities ranging from family care to culture and arts. They are also very active in the field of social protection (EC, 2014b).

**Table 5: Summarized data on social enterprises in Slovenia**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Criterion</th>
<th>Legally recognised social enterprises</th>
<th>De facto social enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Social Enterprise (2011)</td>
<td>Companies for the Disabled</td>
</tr>
<tr>
<td>Entrepreneurial dimension</td>
<td>The organization must engage in economic activity: this means that it must</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>engage in a continuous activity of production and/or exchange of goods</td>
<td>Yes</td>
<td>Some do</td>
</tr>
<tr>
<td></td>
<td>and/or services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social dimension</td>
<td>It must pursue an explicit and primary social aim: a social aim is one</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>that benefits the society</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Independence and governance</td>
<td>It must have limits on distribution of profits and/or assets: the purpose</td>
<td>Yes, as general legal rule, elaborated</td>
<td>Yes, 40% of the profit can</td>
</tr>
<tr>
<td></td>
<td>of such limits is to prioritise the social aim over profit making</td>
<td>in by laws</td>
<td>be distributed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes, as general legal rule, elaborated</td>
<td>Yes, as general legal rule,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>in by laws</td>
<td>elaborated in by laws</td>
</tr>
<tr>
<td></td>
<td>It must be independent i.e. organisation autonomy from the state and</td>
<td>Yes, as general legal rule, elaborated</td>
<td>Many are subsidiaries of</td>
</tr>
<tr>
<td></td>
<td>other traditional for-profit organisations</td>
<td>in by laws</td>
<td>larger companies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes, as general legal rule,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>elaborated in by laws</td>
</tr>
</tbody>
</table>
**CASE STUDY**

<table>
<thead>
<tr>
<th>It must have inclusive governance, i.e. characterised by participatory and/or democratic decision-making processes</th>
<th>Yes, as general legal rule, elaborated in by laws</th>
<th>Mainly not fulfilled</th>
<th>Yes, as general legal rule, elaborated in by laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated number (2009 unless stated otherwise)</td>
<td>46</td>
<td>142</td>
<td>23,075</td>
</tr>
<tr>
<td>Estimated % meeting cover criteria (apx)</td>
<td>100%</td>
<td>20%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Estimated number meeting core criteria</td>
<td>46</td>
<td>30</td>
<td>830</td>
</tr>
</tbody>
</table>

### Entrepreneurial dimension

<table>
<thead>
<tr>
<th></th>
<th>Share of income derived from: fees (incl. Membership fees), trading income, rental income on assets, income from public contracting (both competitive tenders and direct contracting); grants and donations etc.</th>
<th>30%-50% income generated from market sources 50%-70% of income received from subsidies for employing vulnerable groups and other grants</th>
<th>30% of the income generated from market sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>The use of paid workers</td>
<td>Yes by law</td>
<td>Yes by law</td>
<td>Some do</td>
</tr>
</tbody>
</table>

### Social dimension

<table>
<thead>
<tr>
<th></th>
<th>Fields of activity</th>
<th>Employement opportunities for vulnerable groups, social/environmental services of general interest</th>
<th>Employement for disabled</th>
<th>Social/environmental services of general interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target groups (customers/users of goods and services provided)</td>
<td>Vulnerable groups, general public</td>
<td>People with disabilities</td>
<td>Vulnerable groups, general public</td>
<td></td>
</tr>
</tbody>
</table>

### Independence and governance

<table>
<thead>
<tr>
<th></th>
<th>Transparency – a system for measuring and reporting impact</th>
<th>Obligatory social accounting</th>
<th>No system for reporting social impact</th>
<th>No system for reporting social impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal forms</td>
<td>Institutes, cooperatives, societies, companies</td>
<td>Companies</td>
<td>Institutes, societies, foundations, associations</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** EC (2014b)

---

**Challenges for Social Entrepreneurship in Slovenia**

One of the greatest obstacles in the development of social innovation and social entrepreneurship in Slovenia is the fact, that the concept of social economy and social innovation are still very new and are just starting to establish themselves as generally recognized (SIE, 2017).

The next problem Slovenia has been facing (similar to other transitional countries) is confusion in values and attitudes and in the use of terms related to the social economy. At the
political level, the social economy is not well understood, and in particular, the specific form of social enterprises, as a new tool for social cohesion. This poor understanding is no doubt the result of years of top-down socio-economic development strategy and the confusion regarding the meaning of ‘social ownership’ which was always associated with state ownership and is markedly different from what democratic countries understand as a ‘social ownership initiative’ (Mendell, 2014).

There are many concerns regarding the situation in the field of social entrepreneurship in Slovenia. Top-down programme driven strategy is driving the adoption of strategies for the social economy is true in all countries, but even more so in the transition economies. In Slovenia there is the necessity for a process approach to new policy initiatives that takes into consideration the need to transcend historically rooted perceptions. Even vocabulary cannot be universally applied; the metaphors are not the same. A more extensive public dialogue and popular education about the social economy and social enterprises is necessary. This is as true within government as it is for the society at large. Path dependency is not a barrier to change but it will shape how change is implemented (Mendell, 2014).

The fact is also that there is a lack of any competent study on social innovation in Slovenia. There are no accepted standards, nor criteria regarding what constitutes social innovation. Therefore, it is hard to source and include all relevant stakeholders (Šporar & Strojan, 2015). The enumerated problems represent the important challenge, which is a detailed analysis of social innovation and social entrepreneurship in Slovenia. The following table presents a short SWOT analysis, designed by the authors of the report after going through the research on the situation in the field of social entrepreneurship in Slovenia.

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• favourable framework supporting the employment of people with disabilities</td>
<td>• heritage of distrust</td>
</tr>
<tr>
<td>• many groups/networks supporting the development of social entrepreneurship</td>
<td>• state dependency of enterprises for disabled</td>
</tr>
<tr>
<td>• some good practices (innovative and successful) of social enterprises already exist</td>
<td>• some negative attitudes to social enterprise, social entrepreneurship and the social economy</td>
</tr>
<tr>
<td></td>
<td>• business/management skills deficit in new social enterprises</td>
</tr>
<tr>
<td></td>
<td>• performance and funding issues of disability companies</td>
</tr>
<tr>
<td></td>
<td>• weak, although dynamic, NGO sector</td>
</tr>
<tr>
<td>OPPORTUNITIES</td>
<td>THREATS</td>
</tr>
<tr>
<td>• EU membership – EC with its policies supports the development of social enterprises (social economy); EC designed different kinds of support and financial incentives</td>
<td>• relatively small market for products and services of social enterprises</td>
</tr>
<tr>
<td>• current government develops many activities in order to support social economy and social entrepreneurship</td>
<td>• underdeveloped micro-finance system, conservative attitude of banks</td>
</tr>
<tr>
<td>• increasing awareness of policy makers and wider public regarding the relevance of social entrepreneurship</td>
<td>• lack of framework for financial and support needs of during start-up, development, and growth of their social enterprises</td>
</tr>
<tr>
<td>• strengthening research/policy/media networking</td>
<td>• vertical integration policy and local officials not always well informed about policy framework</td>
</tr>
<tr>
<td>• social entrepreneurship role in addressing the size of the informal economy</td>
<td>• continuing budgetary constraints limiting opportunities</td>
</tr>
<tr>
<td>• niche/quota strategy for procurement could use social clauses in current legislation</td>
<td>• sustainability risks for new social enterprise</td>
</tr>
<tr>
<td></td>
<td>• danger of opportunistic exploitation of offers on project calls and consequent reputation risks</td>
</tr>
</tbody>
</table>
Below are some recommendations for enhancement and promotion of social entrepreneurship in Slovenia:

- execution of exhaustive research on social entrepreneurship in Slovenia and neighbouring countries as well as at the level of EU;
- establishing a strategy with relevant local/national government and sector stakeholders;
- establishing a social entrepreneurship coordinative function to negotiate with relevant responsible bodies and ensure the strategy is supported and implemented; such a function would need to operate at the inter-ministerial level;
- strengthening public relations (promoting models of good practices; attracting public figures and celebrities to social entrepreneurship; competitions for best social enterprise and best social entrepreneurs of the year; the use of online media to publish monthly newsletter for social entrepreneurs; publish the news on social entrepreneurship in other media);
- strengthening the relationship between the new and the established social enterprise sectors, for example through a chamber of commerce type model;
- developing the capacity of NGOs, particularly of medium and large NGOs, to generate income streams and engage in welfare service provision and procurement contracts;
- building the programmes for acquiring entrepreneurial and managerial knowledge of new and existing social entrepreneurs; developing a network of social entrepreneurship trainers; ensuring that social enterprises have full access to SME programmes of support at national and local levels; ensuring that social entrepreneurs have full access to SME training and mentoring programmes, that SME related legislation and policy is inclusive of social enterprise; examining the potential to develop scaling models such as social franchising;
- developing good practice partnership projects between municipalities and social enterprises;
- improving vertical and horizontal policy integration for social entrepreneurship through briefing documents and administrative guidelines;
- capacity building, communication, education and training of relevant administrative officials about relevant policy frameworks;
- making full use of available EU funding streams to establish projects for the development of social enterprises (including training/education at various levels);
- designing a comprehensive framework of financial institutions and instruments to support the different phases of social enterprise development (linking activities/support from Budget and Lottery Funds enabling access for NGOs, social enterprises and companies for the disabled; introducing measures to address the conservative attitude of banks; promoting legislation to establish a comprehensive framework for micro-finance, so that it does not need to be channelled through the banks and is appropriately regulated in line with international experience; developing a comprehensive framework to support the financial needs of social entrepreneurs during start-up, development and growth of social enterprise);
- building partnerships with international organisations operating in ethical markets; building capacity of large NGOs for acquisition of donations and legacies.
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Zavod 14, zavod za sožitje in napredek, is a non-profit (ELF full member) organization whose headquarters are in Ljubljana, Slovenia. Zavod 14 promotes social liberal ideas (balancing between individual liberty and social justice) and seeks to protect liberal values (e.g. democracy, the rule of law, social development, good governance etc.) The mission of Zavod 14 is to strengthen the initiative of civil society as well as the integration and cooperation of the interested public, assist in conveying interested stakeholders’ perspectives to state and other institutions, cooperate on preparing and implementing politics, and contribute by joining the initiative of civil society with international associations.