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Social Economy
as a Main Driver of
Economic and Social
Development in
**the Western Balkans
and Visegrad Region**



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Social Economy as a Main Driver of Economic and Social Development in the Western Balkans and Visegrad Region

Abstract

This research study provides a synthesis analysis of the social economy ecosystem in two regions: the Visegrad region (V4) and the Western Balkan countries (WB6). It includes an assessment of the state of play of the social economy (SE) in the countries, including an assessment of its nature, size, and key sectors, as well as an overview and analysis of the regulatory framework, the institutional support, the financing options and the available support structures and networks.

The main aim of the research is to give a broader insight into the current situation and ecosystem development in V4 region and WB6 region. The study is quite unique connecting the two regions, showing their limits, obstacles and challenges in relation to social economy as well as in the same time referring to potentials of cooperation, development and further effectively of funding options on the European, regional and national level. The research was performed in the times of COVID-19 pandemics, when collecting the data via interviews with stakeholders and young entrepreneurs was limited to online questionnaires form. The questionnaires served to analyze the potentials for economic and social development from the perspective of stakeholders and beneficiaries, as well as to better estimation of human capital development and talent acquisition of youth in the two regions.

Policy recommendations formulated at the end of the paper mostly refer to strengthening the support, developing and implementing initiatives related to social economy development, and measures for sharing knowledge, resources and joint action to develop the social economy in the countries involved in the study. Putting in place an enabling environment for social enterprises is critical if they are to fulfil their potential in contributing not only to creation of jobs, but also to addressing wider social and economic needs, and to promoting more cohesive and inclusive societies.

This policy research is part of the Visegrad Fund Project: Towards Social Economy: Young Social Innovators as Forerunners of Positive Change in V4 and WB6, led by the Association for education Mladiinfo International from



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Key words: *social economy, Visegrad countries (V4), Western Balkan countries (WB6), social enterprise, entrepreneurship, COVID-19 pandemics, youth, funding, job creation, social inclusion, policy recommendations*

Introduction

The concept of social economy emerges in literature in many different traditions, cultures and approaches. The terms social entrepreneurship and social enterprise have emerged over the last few years. In general, the definitions that are being developed are to cover the wide set of innovative approaches aimed at tackling key social and economic problems¹. When looking at the concept of social economy from a wider perspective, it is seen as offering an alternative to the mainstream market economy. Also considered to be a new model of community engagement and civic participation². The research paper explores the social economy in two regions, Visegrad group and Western Balkans. The paper has been structured into four chapters and their subchapters as follows:

Chapter 1 is introducing the concept of social economy and its distinctive features, while Chapter 2 presents the European Union and its approach to the social economy development, including the information on its funding program opportunities and definition of social enterprises and their contributions to the society, with the main focus of their potential as job creators.

Chapter 3 introduces the social economy from the perspective of the ongoing COVID-19 pandemics, giving a glimpse of the impact of the health crisis on the economy and the potential contribution of the social economy to the recovery of the economy after the crisis.

¹ Martin, R. L., & Osberg, S. (2007). *Social entrepreneurship: The case for definition*. Stanford social Innovation Review, 5(2), 28-39.

² Amin, A., Cameron, A. & Hudson, R. (2003). Chapter two: *The Alterity of the Social Economy*. In Alternative economic spaces, Ed. Andrew Leyshon, Roger Lee, Colin C Williams. SAGE Publications Ltd.



Chapter 4 summarises the main social and economical challenges using macroeconomic indicators, bringing up the most pressing issues of the two regions.

Chapter 5 presents an overview of the current situation and development of the social economy in both regions, providing country reports, analysis taking into consideration the historical background, legislation and examples of main actors of SE in each of the countries.

Finally, Chapter 6 presents the analysis of the challenges in both regions based on the country reports and drafts policy recommendations and conclusions. The research paper concludes with a list of bibliographical references.

The research presented is pioneering in the topic in relation to specifically the following two dimensions:

- Identification of social economy on the three levels of analysis - European, regional and national, including examples of social enterprises in each of the analysed countries.
- Presents potentials and challenges of social economy in V4 and WB countries for the first time, since no empirical research found examining on SE in V4 and WB countries, incorporating notable youth component.

Methodological approach

The methodological approach used in the study includes desk analysis, semi-structured questionnaires and interviews with young social entrepreneurs and relevant stakeholders from both regions.

The desk research was the initial phase of the research, whose primary goals were to provide an insight in the existence, the level of development, the legal framework and the main actors in the social economy in the Visegrad region (V4) and Western Balkan countries (WB6). Desk analysis included a collection of secondary data based on available documents, reports, studies, strategies, etc. related to Social Economy in each economy in the region. Identification and analysis of relevant laws, policies, support mechanisms, measures and financial instruments provide information on the legal, institutional and financial framework for Social Economy.

Data available from national statistical databases were also used, as well as the existing reports from national government institutions and offices,



reports and assessments made by European Commission, international organizations (ILO, UNDP, OECD, etc.) and local CSOs evaluations and reports. The available data were used to assess the size and structure of the sector and to identify the main tendencies in SE development. Besides being mainly focused on SE issues, national reports include background information on the socio-economic situation in society. These provide an overview of the main trends of both economic growth and social development that may be important for understanding the preconditions for SE development in the regions.

Due to the currently limited and fragmented data on SE in the region, in the second phase additional methodology included semi-structured questionnaires with 20 young entrepreneurs and 15 key national stakeholders (representatives of the governments, public institutions, civil society organizations, etc.) in the SE sector or support sector. The questionnaires were conducted mainly to provide additional direct and updated information, examining of knowledge, attitudes and opinions of the respondents, and make assessments of the current capacities of SE actors in terms of their skills and expertise, as well as to identify the main impediments and incentives, their needs and existing potentials for development of SE.

The final part of the research study identifies challenges and provides recommendations for changes and improvements needed in the field of social economy for each region covered with the study from the aspect of making the very concept closer to the target groups, engaging a much higher number of the relevant actors and institutions in the processes of implementing activities of SE, changes of the legal framework and other important aspects for creating a favourable environment for initiating, developing and strengthening of the SE in V4 and WB6 .



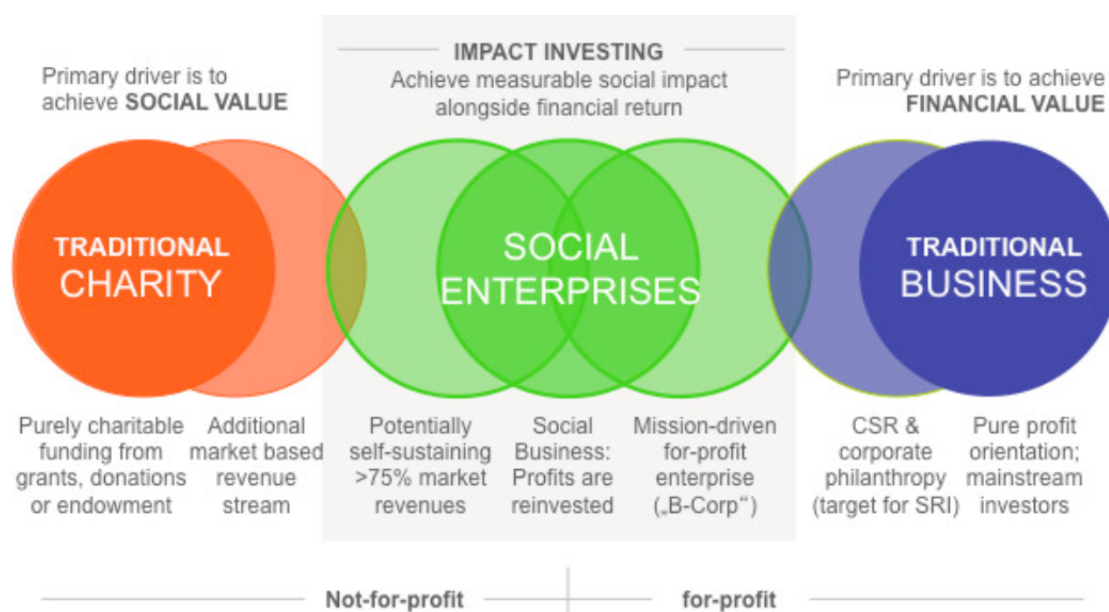
PART I. SOCIAL ECONOMY OVERVIEW

1. SOCIAL ECONOMY – PUTTING PEOPLE FIRST

1.1 SOCIAL ECONOMY- A GLOBAL MOVEMENT

Although social economy (SE) has a long tradition, dating back to the early 19th century when the term first appeared, only recently has the concept been revitalized and recognized as a sector of various economic actors. Recently it is considered as an alternative to the mainstream market economy and as a new model of restoring community and democratic participation. It claims to provide an ideal alternative for meeting social needs, particularly in areas where conventional sources of economic growth and social cohesion have been eroded as a consequence of private-sector disinvestment and/or public sector cuts.³

Figure 1: Profit and non-profit spectrum model



Source: Chidwala, J. (2017): *The proliferation of sustainable social enterprises in Sub-Saharan Africa*. Available at: <https://www.linkedin.com/pulse/proliferation-sustainable-social-enterprises-africa-jo-chidwala/>

SE initiatives are increasingly seen as innovative practices, strongly committed to local socio-economic development and resilient even at times of global economic crisis. Regardless of the different traditions from which they arise, all these initiatives have value-driven activities at their core and an

³Amin, A., Cameron, A. & Hudson, R. (2003). Chapter two: *The Alterity of the Social Economy*. In *Alternative economic spaces*, Ed. Andrew Leyshon, Roger Lee, Colin C Williams. SAGE Publications Ltd.



aim to contribute to the society, primarily at the local community level helping people attain a better quality of life.

Regardless of the legal form of a SE organization, which varies within the region, there are several features that distinguish them from capital-based companies that may be taken as substantial determinants:⁴

- the primacy of individual and the social objective over capital;
- voluntary and open membership;
- democratic control by the membership;
- the combination of interests of members, users, local community and the general interest;
- the defence and application of the principle of solidarity and responsibility;
- autonomous management and independence from public authorities;
- the essential surplus is used to carry out sustainable development objectives, services of interest to members or of general interest⁵.

Table 1. The distinctive features of the social economy⁶

The social economy is made up of private socio-economic initiatives that, regardless of their specific legal status:

- a) **produce goods and services for both market and non-market purposes** and redistribute and/or reinvest revenues and incomes;
- b) are **based on values of sustainability, solidarity, trust, reciprocity, local development, social cohesion and inclusion**;
- c) aim at the **reinforcement of social cohesion, awareness and citizenship**, through internal and external collaboration and collective efforts.

⁴ Monzón, J. L., Chaves, R. (2012). *The Social Economy in the European Union*. Summary of the report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC); Euro-pean Commission DG Enterprise and Industry - Social Economy Available at: <https://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf>

⁵ Monzón, J. L., Chaves, R. (2012). *The Social Economy in the European Union*. Summary of the report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC); Euro-pean Commission DG Enterprise and Industry - Social Economy Available at: <https://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf>

⁶ Monzón, J. L., Chaves, R. (2012). *The Social Economy in the European Union*. Summary of the report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC); Euro-pean Commission DG Enterprise and Industry - Social Economy from: <https://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf>



“The social economy basis is made up of individuals deciding to collaborate on a voluntary, co-operative and reciprocal basis; ownership of the capital does not determine the decision-making process.”⁷

Moreover, the social economy is a driver of economic and social progress that has proven its capacity to provide innovative solution to today’s economic, societal and environmental challenges as shown in Figure 2:⁸

Figure 2. Main contributions of social economy



Source: Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan* (p. 3)

According to the UN Secretary General report on Cooperatives in Social Development (2017), the social economy contributes about 7% to the world’s gross domestic product (GDP) and to global employment. As the European Commission’s reflection paper *For a sustainable Europe by 2030* points out, the Social Economy is an opportunity and a driver for the implementation of the 2030 Agenda and its 17 sustainable development goals in Europe and at global level, especially for the achievement of objective 8 “*promote sustained, inclusive and sustainable economic growth, full and productive*

⁷ Liger, Q., Stefan, M. & Britton, J. (2016). *Social Economy*. Directorate General for Internal Policies, Policy Department A: Economic and Scientific Policy. European Parliament. Brussels (p.7)

⁸ Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan* (p. 3). Brussels. Available at: <https://s3platform.jrc.ec.europa.eu/documents/20182/313344/SEE-Action+Plan+for+Social+Economy.pdf/f81115cc-527e-4e3b-bafe-a8b06ab4372a>



employment and decent work for all."⁹ However, it actually refers to four distinct areas: human, social, economic and environmental - known as the four pillars of sustainability.¹⁰

1.2. SOCIAL ECONOMY: OPPORTUNITY FOR ECONOMIC GROWTH, EMPLOYMENT AND SOCIAL INCLUSION

The added value of the social economy is indisputable. Combining a set of specific and at the same time flexible features regarding both its social basis and the economic activities it performs, the social economy has progressively affirmed itself as a source of social and entrepreneurial innovation for the development of answers to limited government budgets on the one hand and to high social needs on the other hand. The Social Economy structures have proved that they can contribute to innovating the services providing social cohesion, to promoting new forms of local democratic participation and self-financing, as well as to solving social problems that affect a large scale of social vulnerable categories.¹¹

In practical terms, the added value of the social economy can be seen in several areas:

EMPLOYMENT AND POVERTY REDUCTION¹²

The social economy supports employment in many ways: directly, by employing in its own organisations (associations, foundations, and more recently social enterprises) and indirectly through the multiple aims it contributes. The cooperatives organise and keep alive the economic activities of independent workers, small craftsmen and artisans. Social enterprises contribute to the creation of informal jobs (which is a transitory stage between training and employment) and increases a disadvantaged worker's level of productivity and offer high quality jobs to the most vulnerable

⁹ European Commission (2019). *Reflection Paper Towards A Sustainable Europe by 2030*. Brussels. Available at: https://ec.europa.eu/commission/sites/beta-political/files/rp_sustainable_europe_30-01_en_web.pdf

¹⁰ RMIT University (2017). *The four pillars of sustainability*. Future Learn. Available at: <https://www.futurelearn.com/courses/sustainable-business/0/steps/78337>

¹¹ Mateia. A. & Dorobantu A.D. (2015). *Social economy – added value for local development and social cohesion*. Conference proceedings. 4th World Conference on Business, Economics and Management, WCBEM, Science Direct. Available at: <https://www.sciencedirect.com/science/article/pii/S2212567115008783>

¹² Mateia. A. & Dorobantu A.D. (2015). *Social economy – added value for local development and social cohesion*. Conference proceedings. 4th World Conference on Business, Economics and Management, WCBEM, Science Direct. [Social Economy – Added Value for Local Development and Social Cohesion](#)



members of society, thus enabling their social integration and offering local development as well¹³.

COMMUNITY DEVELOPMENT

The majority of social economy actors are community-based organizations. They are rooted in the local community, which makes it familiar with the local community issues and therefore it is also easier to fulfil the needs of that community. They provide locally based solutions to benefit whole communities, not just the vulnerable groups for whom the enterprise is created¹⁴. Knowing that, social innovation¹⁵ takes place as social economy actors' base their interventions on local needs, many of them being a catalyst for social creativity, developing innovative entrepreneurial solutions to the existing problems.

DEMOCRATIC STRUCTURE & SYSTEMATIC/ INSTITUTIONAL CHANGE¹⁶

One of the values of social enterprises is their democratic governing model. Democratic structure is a tool to practice true democracy which enables individuals to create their own life. Such empowerment of usually marginalized individuals can be a powerful instrument of social progress. The benefits related to systematic and institutional change are noticeable in the way, that by means of investment in social economy, major changes are stirred up at the level of policies, attitudes or organisational structures.

SUSTAINABLE, SMART AND INCLUSIVE GROWTH¹⁷

Social enterprises contribute to smart growth by responding with social innovation to needs that have not yet been met; they create sustainable growth by taking into account their environmental impact and by their long-term vision. They are at the heart of inclusive growth due to their emphasis on people and social cohesion. Additionally the growth of the social economy and the emergence of specific organisational forms that make up the

¹³ Mateia, A. & Dorobantu A.D. (2015). *Social economy – added value for local development and social cohesion*. Conference proceedings. 4th World Conference on Business, Economics and Management, WCBEM, Science Direct. [Social Economy – Added Value for Local Development and Social Cohesion](#)

¹⁴ Shahidullah, A.K.M, & Haque, E., C. (2016). *Social Entrepreneurship by Community-Based Organizations: Innovations and Learning through Partnerships*. DOI: 10.5772/62469. Available at: <https://www.intechopen.com/books/social-enterprise-context-dependent-dynamics-in-a-global-perspective/social-entrepreneurship-by-community-based-organizations-innovations-and-learning-through-partnership>

¹⁵ Juneja, P. (2020). *Social Entrepreneurship*. Management Study Guide. Available online at: <https://www.managementstudyguide.com/social-innovation.htm>

¹⁶ Liger, Q., Stefan, M. & Britton, J. (2016). *Social Economy*. Directorate General for Internal Policies, Policy Department A: Economic and Scientific Policy. European Parliament. Brussels

¹⁷ European Commission, (2011). *Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation*. Available at: <https://www.fi-compass.eu/sites/default/files/publications/social-business-initiative-creating-a-favourable-climate-for-social-enterprises-key-stakeholders-in-the-social-economy-and-innovation.pdf>



universe of social entrepreneurship have been accompanied by an increased attention to the social impact of economic activities (both at the individual and at the organisational level) across all sectors of the economy and society.

SOCIAL CAPITAL¹⁸

The main effects of the activities of the social enterprises over the local development are related to the increase of the social capital (fostering the confidence in members and institutions, building stronger relations between the members, creating networks with communities), to the stimulation of innovation and the insertion of innovation into the activity of local institutions, to the employment and to the creation of local development structures.¹⁹

SOCIAL INCLUSION²⁰

The added value of the social economy consists therefore in a higher inclusion rate, proved by an increased involvement of vulnerable persons into the civic affairs and community decision making, as well as in shareholding of social enterprises by a large number of vulnerable persons.

RESILIENCE IN THE TIME OF CRISIS²¹

In recent years, social economy and social entrepreneurship organisations are being relied on, more than ever in order to mitigate the effects of the economic crisis and possibly offer a path towards a different model of economic growth. Among the factors contributing to this trend, as we have seen, is the shift in consumption pattern towards a greater demand for personal and community services that cannot be easily provided by the existing private and public actors. As a result, there is a greater need for social economy organisations, both in the traditional sectors in which they have always operated as well as in new areas of activity.

¹⁸ Mateia, A., & Dorobantu, A., D. (2015). *Social economy – added value for local development and social cohesion*. Academic World Research and Education Center, 4th World Conference on Business, Economics and Management, WCBEM, Science Direct. : <https://www.sciencedirect.com/science/article/pii/S2212567115008783>

¹⁹ Mateia, A., & Dorobantu, A., D. (2015). *Social economy – added value for local development and social cohesion*. Academic World Research and Education Center, 4th World Conference on Business, Economics and Management, WCBEM, Science Direct. : <https://www.sciencedirect.com/science/article/pii/S2212567115008783>

²⁰ Eurodiaconia (2015). *Policy Position: Social Enterprises for Social Inclusion*. Brussels. Available at:

<https://eurodiaconia.org/wordpress/wp-content/uploads/2015/09/policy-position-social-enterprises-for-social-inclusion.pdf>

²¹ University of Edinburgh, Business School (2020). Article: “Is Social Enterprise More Resilient During Covid-19?”. Research blog. Available at: <https://www.business-school.ed.ac.uk/research/blog/is-social-enterprise-more-resilient-during-covid-19>



2. Social Economy - a business model for the future of the European Union

The huge potential of the SE sector is the main reason why numerous activities have been initiated at the EU level to use the single market to help boost the development and sustainability of SE initiatives. In 2017, 112.8 million people in the EU lived in households at the risk of poverty or social exclusion or 22.4 % of the population. 16.9 % of the population in the EU were at risk of poverty after social transfers, while 9.5 % of the population aged 0-59 years in the EU lived in households with very low work intensity. In general, in 2017, 6.6 % of the population in the EU were severely materially deprived.²²

The European institutions have recognized that the impact, the contribution and the opportunities of social economy bring to economic and social development. The policy-makers across Europe have shown an increasing propensity to encourage the social economy, which is progressively viewed as an effective tool to fight poverty, create employment, and foster social cohesion. The social economy as a whole can be considered a cornerstone of the European integration project, as it contributes to the development of “a solidarity-based economy.”

2.1. EU Perspective & Support of Social Economy

In order to promote a 'highly competitive social market economy', the Commission has placed the social economy and social innovation at the heart of its concerns, in terms of both territorial cohesion and the search for new solutions to societal problems, in particular the fight against poverty and exclusion, under the *Europe 2020 strategy*, the flagship initiative *The Innovation Union*, the *European Platform against Poverty and Social Exclusion* and the *Single Market Act (SMA)*.²³ Social Economy is also a key actor for the *European Pillar of Social Rights* to be a useful instrument to ensure the economic and social convergence, and to improve the welfare of the more than 512 million EU citizens. Social Economy actors are determined to contribute to shaping a future based on sustainable development and

²² Eurostat (2019). *People at risk of poverty or social exclusion*. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion

²³ European Commission (2011). *Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation*. Communication from The Commission to The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions. Available at: <https://www.fi-compass.eu/sites/default/files/publications/social-business-initiative-creating-a-favourable-climate-for-social-enterprises-key-stakeholders-in-the-social-economy-and-innovation.pdf>



economic and social progress, through a European Union based on cooperation, democracy, solidarity, and respect for its diversity, innovation and active citizenship.²⁴

Social economy was first mentioned within the *Single Market Act* presented by the Commission in 2011, as one of the twelve levers to boost growth and strengthen confidence.²⁵ Moreover, the Council of the European Union defined social economy as a key driver of economic and social development in Europe.²⁶ In February 2013, the Commission put forward a Communication on *Social Investment for Growth and Cohesion*, setting out a vision for modernisation of welfare states in the context of a protracted economic crisis as well as longer-term structural challenges. In 2016, the European Commission adopted the Start-up and Scale-up Initiative²⁷ containing a section on Social economy and Social enterprises. Social start-ups²⁸ therefore have high potential for innovation and positive impact in the economy and society at large.²⁹ Their business model – combining economic efficiency with societal-centred objectives – has proven very resilient.³⁰ Moreover, the Commission has launched with the *European Investment Fund* new financial instruments to boost lending to social enterprises, as well as new social impact equity instruments under the *European Fund for Strategic Investments*³¹ (Figure 3).

²⁴ Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan* (p. 3)

²⁵ European Law. Available at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52011DC0206>

²⁶ Council of the European Union (2015). *The promotion of the social economy as a key driver of economic and social development in Europe*, Council Conclusions. Available at: <http://data.consilium.europa.eu/doc/document/ST-15071-2015-INIT/en/pdf>

²⁷ European Commission Communication (2016). *Europe next leaders: The Start-up and Scale-up Initiative*, Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2016%3A733%3AFIN>

²⁸ A social start-up is a start-up that produces societal impact.

²⁹ Oxford Said Business School (2006). *Social Innovation: What It Is, Why It Matters and How It Can Be Accelerated*. (PDF) [Social Innovation: What It Is, Why It Matters and How It Can Be Accelerated](#)

³⁰ REGULATION (EU) No 1296/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion. Available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0238:0252:EN:PDF>

³¹ European Law. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2016%3A733%3AFIN>




Figure 3. Some of the EU funding and support schemes of SE³²:

EU FUNDING FOR SOCIAL ENTREPRENEURSHIP

AN OVERVIEW | AUGUST 2019



| European Social Innovation Competition | Social Impact Accelerator (SIA) | European Fund for Strategic Investments (EFSI) | EU Programme for Employment and Social Innovation (EaSI) | European Social Fund (ESF) |
|---|---|---|---|--|
| <p>Boosting social innovation by awarding outstanding projects.</p> <p>2019 theme: <i>Challenging Plastic Waste</i></p> <p>Examples of laureate: 2017 laureates (theme: "RE:THINK LOCAL"): • <i>Ulisse</i> - a digital travel platform for deaf people; • <i>HeritageLab</i> - an incubation programme for young people who want to set up a business; and • <i>Career Bus</i> - a career orientation venture for young people from small urban and rural areas.</p> <p>Timeline: yearly since 2012 Annual budget: €200k</p>  <p>With the financial support of the European Commission</p> | <p>Public-private fund of funds addressing the growing need for availability of equity finance to support social enterprises.</p> <p>Examples of supported funds: • <i>BonVenture III</i> • <i>Qltre II</i> • <i>Phitrust Partenaires Europe</i></p> <p>Timeline: since 2013 Total SIA budget: €243m</p> | <p>Fund to finance infrastructures & innovative projects in Europe.</p> <p>Social Impact Window Innovative equity instruments developed to support social enterprises.</p> <p>Examples: • Social incubator/ Accelerator: <i>Ship2B - Equity4Good</i> and <i>Makesense SEED I Fund</i> • Social Business Angels: <i>OXO CEE Angel Fund</i> • Payment-by-Result schemes: <i>Epiqus' KOTO Social Impact bond</i></p> <p>Enhancement of EaSI Instruments</p> <p>Timeline: 2015-2020 Total EFSI EU Guarantee: €26b Expected investment mobilisation: €500b</p> | <p>Supporting the access to finance for social enterprises through its €193m Microfinance and Social Entrepreneurship axis.</p> <p>Framework Partnerships, e.g.: • <i>Partnership with EVPA</i> to promote social enterprise finance (2014-17 + 2018-21)</p> <p>Calls to cover transaction cost for social enterprise finance (€3m) yearly call</p> <p>EaSI Guarantee Instrument (€96m) Call open until 2023, e.g.: • <i>Soria Futuro</i> • <i>TISE</i> to support social enterprises in Poland and the CEE</p> <p>Capacity Building Investments Window (€16m) - launched in Dec. 2016 Call open until 2023</p> <p>More loan instruments to be developed</p> <p>Timeline: 2014-2020 Total EaSI budget: €919m</p> | <p>EU's main financial instrument to support employment and social cohesion, implemented by EU member states through Operational Programmes.</p> <p>Examples of supported initiatives: • Spain: <i>Lanzaderas de empleo</i> • Portugal: <i>Portugal Inovação Social</i></p> <p>Timeline: 2014-2020 Total ESF budget: €80b</p> |

On that basis, the Commission has set up and implemented (in 2017 and 2018) a series of actions³³ for the social economy and social enterprises, adequately financed, which will promote the social economy enterprises in Europe and boost social innovation, structured in five pillars: access to funding, access to markets, improving framework conditions, social innovation, technologies and new business models and international dimension. In this context, social economy representative organisations, led by Social Economy Europe, the European Parliament's Social Economy Intergroup, the European Economic and Social Committee and a significant number of Member States are calling on the European Commission to take a step forward towards a European Action Plan for the social economy.

This Action Plan serves to boost the visibility of social economy enterprises and organisations; support them to generate social and technological innovations; improve their access to finance and EU funding; remove the legal obstacles impeding their ability to grow and operate in the Single Market on an equal footing with other types of companies; as well as inspiring public

³² EVPA- EU Funding for Social Entrepreneurship - Overview. Available at: <https://evpa.eu.com/knowledge-centre/publications/eu-funding-for-social-entrepreneurship-overview>

³³ Commission Expert Group on the social business initiative (GECES) - Thirteenth meeting. Available at: <http://ec.europa.eu/DocsRoom/documents/26812>



authorities from the EU and its neighbouring countries to promote the growth of the social economy as a driver of economic and social progress for all.³⁴

Additionally, in future, the European Action Plan for the social economy, with a proposed duration of 5 years (2020-2025), shall be a key tool to systematically incorporate the social economy into the different socio-economic policies of the European Union, as well as into its actions to achieve the Sustainable Development Goals. In other words, their key aim is to effect social and economic transformation that contributes to the objectives of the Europe 2020 Strategy. Maximizing the social economy's contribution to the Sustainable Development Goals (SDGs) leads to a better balance between prosperity and equity and should contribute to moving towards an "economy that works for the people."³⁵

In short, as shown in Figure 4, the social economy is an enterprise model for the future of Europe that, thanks to its defining values and principles, thus contributing to several key objectives of the EU.

Figure 4. Contribution of the SE to key objectives of EU



³⁴ Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan*. Brussels <https://s3platform.jrc.ec.europa.eu/documents/20182/313344/SEE-Action+Plan+for+Social+Economy.pdf/f81115cc-527e-4e3b-bafe-a8b06ab4372a>

³⁵ Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan*. Brussels. Available at <https://s3platform.jrc.ec.europa.eu/documents/20182/313344/SEE-Action+Plan+for+Social+Economy.pdf/f81115cc-527e-4e3b-bafe-a8b06ab4372a>



Source: Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan*. Brussels

More precisely, at the economic level, social economy business models contribute to the improvement of competitiveness within the EU Single Market. The social economy provides more choices to consumers, helps prevent the formation of monopolies, lowers retail prices, provides opportunities for skill development and innovation and limits information asymmetry.³⁶ On the other hand, at the social level, the social economy represents an area of civic activity, which, through the performance of economic and public interest activities, contributes to professional and social integration of persons at risk of social marginalisation, job creation, provision of social services of general interest and local development.

As the SE is formed by enterprises and organizations which vary in sizes and operate in several sectors - including but not limited to industry, education, renewable energy, re-use and recycling, retail and consumption, housing, tourism and leisure,³⁷ it is easy to notice how the last decades have shown how the SE turns to be an impressive job-creating sector.³⁸ Therefore, in contrast to the trends of increasing unemployment in the overall economy, the **SE sector has experienced employment growth during the last years (from 11 million in 2002-2003 to 14.5 million jobs in 2009-2015)**.³⁹ The following aggregates underline the fact that the European social economy is very important in both human and economic terms and is a crucial part of the EU socio-economic landscape needed to be considered by society and by the policy makers.

Recent data show that the Social economy in Europe (measured as an aggregate of cooperatives, associations, foundations and mutuals) engages:⁴⁰

- more than **14.5 million paid employees** equivalent to **about 6.5%** of the total working population of the EU-28;
- employment of a workforce of over **19.1 million people**, including paid and non-paid workers;

³⁶ European Commission (2013). *Social economy and social entrepreneurship*. Social Europe guide, Volume 4. Luxembourg: EC, Directorate-General for Employment, Social Affairs and Inclusion.

Available at: <https://op.europa.eu/en/publication-detail/-/publication/cc9e291c-517c-4c64-9f29-428b34aea56d>

³⁷ Social Economy Europe (2018). *The Future of EU policies for the Social Economy: Towards a European Action Plan*.

Brussels Available at [https://s3platform.jrc.ec.europa.eu/documents/20182/313344/SEE-](https://s3platform.jrc.ec.europa.eu/documents/20182/313344/SEE-Action+Plan+for+Social+Economy.pdf/f81115cc-527e-4e3b-bafe-a8b06ab4372a)

[Action+Plan+for+Social+Economy.pdf/f81115cc-527e-4e3b-bafe-a8b06ab4372a](https://s3platform.jrc.ec.europa.eu/documents/20182/313344/SEE-Action+Plan+for+Social+Economy.pdf/f81115cc-527e-4e3b-bafe-a8b06ab4372a)

³⁸ Chaves, R. and Monzón, J.L. (eds.) (2008): *The social economy in the European Union*, European Economic and Social Committee (EESC), Bruxelles.

³⁹ Previtali, F. (2019). *The Role and Future of Social Enterprises in the EU*. Available at:

<https://euexperts.eu/2019/02/19/the-role-and-future-of-social-enterprises-in-eu/>

⁴⁰ European Commission (2013). *Social economy and social entrepreneurship* - Social Europe guide - Volume 4, Luxembourg: EC, Directorate-General for Employment, Social Affairs and Inclusion.



- with an additional **82.8 million people volunteering**; and
- **232 million people that are members of cooperatives, mutual societies, and similar entities.**

2.2 Social Enterprises (SEs) as the Core of the Social Economy

Social enterprises are the most innovative form of social economy entities. Most social enterprises are rooted in forms of collective awareness, such as the need to promote social justice, protect the environment, support the social and professional integration of disadvantaged individuals, fill the gaps in service delivery and sustain the development of marginalised and depressed localities.⁴¹

Social enterprises operate in the social economy, which is a broader concept that includes various legal forms such as social cooperatives, private companies, mutual organizations, non-profit-associations, voluntary organizations, charities, foundations⁴². It remains therefore challenging from at least three perspectives (legal, institutional, societal) to measure them both at national and international levels. The existing research and evidence suggest that social enterprises are vibrant agents for local and national economic development. They are contributing to inclusive growth and shared prosperity through job creation, re-integration of vulnerable individuals into society and the labour market. Additionally to inclusive job opportunities creation they also promote environmental sustainability⁴³.

For illustration, according to the European Economic and Social Committee' study on the Recent evolutions of the Social Economy in the European Union,⁴⁴ there are **2.8 million social economy enterprises** and organizations **in Europe**, representing **10%** of Europe's economy/GDP, and intended to make profits for people other than investors or owners. They operate in a **very broad number of activities**, provide a **wide range of products and services** across the EU's single market and **generate millions of jobs**. They have **different legal forms** and various objectives ranging from agriculture

⁴¹ Defourny, J., Nyssens, M. (2013). *Social innovation, social economy and social enterprise: What can the European debate tell us?*. The International Handbook on Social Innovation: Collective Action, Social Learning and Transdisciplinary Research, Edward Elgar Publishing, Cheltenham

⁴² Gordon, M. (2015). *A Typology of Social Enterprise: 'Traditions'*. ICSEM Working Papers, No. 18, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.

⁴³ Buckingham, H. & Teasdale, S. et al (2013). *Job Creation through the Social Economy and Social Entrepreneurship*. OECD. Available at:

https://www.oecd.org/cfe/leed/130228_Job%20Creation%20through%20the%20Social%20Economy%20and%20Social%20Entrepreneurship_RC_FINALBIS.pdf

⁴⁴ Monzón, J. L. & Chaves, R. (2017). *Recent evolutions of the Social Economy in the European Union*. CIRIEC-International. European Economic and Social Committee. Available at: <http://www.eesc.europa.eu/en/our-work/publications-other-work/publications/recent-evolutions-social-economy-study>



and banking to provision of employment and sheltered workshops.⁴⁵ **One out of four new entrepreneurs** in the EU is a social entrepreneur, and in Belgium, France, and Finland, this number climbs to **one out of three entrepreneurs**. Social Economy represents more than **3,2 million enterprises** and organisations and **15 million jobs in the Euro-Mediterranean region**.⁴⁶

There are numerous definitions of social enterprise in the literature, yet, the main characteristics and value in all of them remain the same. The European Commission’s descriptive definition of a social enterprise is the following:

“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities”.⁴⁷

Table 2. Operationalisation of social enterprise definition based on the SBI of the Commission⁴⁸

| Main dimension | General definition | Minimum requirements |
|---|--|---|
| Entrepreneurial/ economic dimension ²⁾ | <p>Stable and continuous production of goods and services</p> <ul style="list-style-type: none"> > Revenues are generated mainly from both the direct sale of goods and services to private users or members and public contracts. <p>(At least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets)</p> <ul style="list-style-type: none"> > Although relying on both volunteers (especially in the start-up phase) and non-commercial resources, to become sustainable, SEs normally also use production factors that typically function in the monetary economy. | SEs must be market-oriented (incidence of trading should be ideally above 25%). |
| Social dimension | <p>The aim pursued is explicitly social. The product supplied/ activities run have a social/general interest connotation</p> <ul style="list-style-type: none"> > The types of services offered or activities run can vary significantly from place to place, depending on unmet needs arising at the local level or in some cases even in a global context. | Primacy of social aim must be clearly established by national legislations, the statutes of SEs or other relevant documents. |
| Inclusive governance- ownership dimension | <p>Inclusive and participatory governance model</p> <ul style="list-style-type: none"> > All concerned stakeholders are involved, regardless of the legal form. > The profit distribution constraint (especially on assets) guarantees that the enterprise’s social purpose is safeguarded. | The governance and/or organisational structure of SEs must ensure that the interests of all concerned stakeholders are duly represented in decision-making processes. |

Source: European Commission (2020). *Social enterprises and their ecosystems in Europe*. Comparative synthesis report. Authors: Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, Rocio

⁴⁵ European Commission. Social economy in the EU. Available at: https://ec.europa.eu/growth/sectors/social-economy_en

⁴⁶ Union for the Mediterranean. “The UfM engages in unlocking the potential of Social Economy in the Region”. Available at: <https://ufmsecretariat.org/potential-social-economy/>

⁴⁷ European Commission, (2011). *Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation*; p. 2. Available at: <https://www.fi-compass.eu/sites/default/files/publications/social-business-initiative-creating-a-favourable-climate-for-social-enterprises-key-stakeholders-in-the-social-economy-and-innovation.pdf>

⁴⁸ European Commission (2016). *Social Enterprises and their Eco-systems: Developments in Europe*. Available at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=952&newsId=2649&furtherNews=yes>



Nogales and Chiara Carini. Luxembourg: Publications Office of the European Union. Available at <https://europa.eu/!Qq64ny>

Taking all together, in order for social enterprises to thrive, they need an "ecosystem" to grow. Starting from initiatives to raise awareness, mentorship and training, network development, support for young social entrepreneurs to effective funding mechanisms, legislation and advocacy. Figure 5 describes the complex and mixed SE ecosystem involving numerous society actors on various levels, necessary to foster development of social enterprises.

Figure 5. Social enterprise ecosystem



Source: European Commission (2020) Social enterprises and their ecosystems in Europe. Comparative synthesis report. Authors: Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, Rocío Nogales and Chiara Carini. Luxembourg: Publications Office of the European Union. Available at <https://europa.eu/!Qq64ny>

As this data and the most enabling countries examples show, a well-balanced ecosystem should ensure policy continuity and political commitment to supporting a relatively well-resourced and integrated infrastructure drawing on a variety of types of support, including the use of social enterprise champions, mentoring, grants to help social enterprises enter into new contracts while keeping their social value focus, and support for ethical chains as well as conventional support to all growing businesses.⁴⁹

⁴⁹ European Commission (2020). *Social enterprises and their ecosystems in Europe. Comparative synthesis report*. Authors: Giulia Galera, Barbara Franchini, Stefania Chiomento, Rocío Nogales and Chiara Carini. Luxembourg: Publications Office of the European Union. Available at <https://europa.eu/!Qq64ny>



3. SOCIAL ECONOMY IN TIMES OF COVID-19 PANDEMIC

The COVID-19 pandemic is far more than a health crisis: it is affecting societies and economies at their core. While the impact of the pandemic is yet to be seen and will vary from country to country, most likely the increased poverty and the inequalities at a global scale are making achievement of Sustainable Development Goals (SDGs) even more urgent.⁵⁰ The Covid-19 pandemic has plunged the world into an economic crisis, with the World Bank projecting a 5.2% decline in global gross domestic profit (GDP) in 2020. This would be the deepest recession since World War Two, and nearly three times as bad as the one caused by the global financial crisis of 2008-2009.⁵¹

The Covid-19 pandemic continues to impact people's lives, families, communities and the economy, whereas its evolution remains uncertain. Country impact assessments have shown that while the pandemic's socio-economic impact is expected to be sizable globally and affect all countries simultaneously, it will be felt differently across countries depending on their underlying economic, demographic and governance structures with deep impacts at the local level.⁵²

3.1 How Social Economy & Social Enterprises Could Respond to Emerging Social Needs on COVID-19 Crisis?

Already, the global COVID-19 pandemic has led to severe economic and labour market shocks. With an estimated rise between 5.3 and 24.7 million in the number of those unemployed globally,⁵³ the impact on youth employment is likely to be severe, given that youth (15-24) are already 3 times more likely to be unemployed than adults.⁵⁴ Furthermore, COVID-19-related shocks to the labour market are likely to have economic and social challenges for EU Member States and WB Countries. Young people are already disproportionately unemployed. In addition, for those who are employed, many work in the informal economy, gig economy, on precarious contracts or in service sectors of the economy that are likely to be severely affected. Vulnerable youth such as migrants and refugees or homeless may fare even

⁵⁰ United Nations Industrial Development Organization (UNIDO). (2020). *Coronavirus: the economic impact* – 10 July 2020. Policy, Research and Statistics Department

⁵¹ World Bank. (2020). *Global Economic Prospects*, June 2020. Washington, DC: World Bank. Available at: <http://documents1.worldbank.org/curated/en/502991591631723294/pdf/Global-Economic-Prospects-June-2020.pdf>

⁵² World Bank. (2020). *Global Economic Prospects*, June 2020. Washington, DC: World Bank.

⁵³ ILO (2020). *COVID-19 and the world of work: Impacts and responses*. Available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf

⁵⁴ ILO (2020a). *Global Employment Trends for Youth 2020*, p.13. Available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_737648.pdf



worse. This could lead to unprecedented levels of unemployed youth and education or training requiring robust social protection expansions. Such forms of employment are markedly more common among youth, as 77 percent of employed young people hold informal jobs, while 126 million are extreme and moderate working poor worldwide. Whilst short-term financial support is needed, the differing levels of impact and a long-term strategy should be considered.⁵⁵

The social economy can benefit societies both during and after the COVID-19 crisis in four spheres:⁵⁶

1. Economy: The social economy contributes to economic development, especially to local economic development, by stimulating economic activity and creating employment, particularly for vulnerable people who are often excluded from the labour market, contributing to GDP growth.

Social economy organisations also effectively foster entrepreneurship and business creation, in several ways. *First*, they contribute to bringing economic activity in areas that are neglected due to low profitability. *The second* way in which social economy organisations contribute to entrepreneurship is by bringing an entrepreneurial culture in sectors that were traditionally considered outside of the scope of entrepreneurial behaviour. This is particularly true of social enterprises, which brought an entrepreneurial approach to the delivery of social, health and educational services.⁵⁷

All of the activities that fall under the umbrella of the social economy and social entrepreneurship, of course also generate new employment and help preserve existing jobs, as in the case of the conversion of existing corporations into social economy organisations (primarily cooperatives) in order to keep them in business after their previous owners for various reasons decide to quit. And it is important to note that the new jobs often benefit people who have a harder time accessing work in the rest of the economy, like women and youth.⁵⁸

⁵⁵ ILO (2020a) *Global Employment Trends for Youth 2020*, p.24. Available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_737648.pdf

⁵⁶ OECD (2020). Social economy and the COVID-19 crisis: current and future roles. Accessed from: <http://www.oecd.org/coronavirus/policy-responses/social-economy-and-the-covid-19-crisis-current-and-future-roles-f904b89f/>

⁵⁷ European Commission (2013). *Social economy and social entrepreneurship*. Social Europe guide, Volume 4. Luxembourg: EC, Directorate-General for Employment, Social Affairs and Inclusion. Available at: <https://op.europa.eu/en/publication-detail/-/publication/cc9e291c-517c-4c64-9f29-428b34aea56d>

⁵⁸ OECD (2020). Social economy and the COVID-19 crisis: current and future roles.p.13 Accessed from: <http://www.oecd.org/coronavirus/policy-responses/social-economy-and-the-covid-19-crisis-current-and-future-roles-f904b89f/>



2. Society: The social economy contributes to social cohesion, particularly at the local level, by reducing inequalities through the provision of goods and services for the less well off, and fostering social capital and a sense of community by involving citizens in their activities, in different ways (e.g. as volunteers or members of co-operatives and associations).

Much of the responsiveness of social enterprises to emerging needs of COVID-19 crisis can be summarised in the concept of social innovation, which has become increasingly popular in recent years. Due to their closeness to the users and the local context, social enterprises are ideally positioned to intercept emerging needs in society, and to develop innovative responses to those needs. The social mission of these organisations, combined with their entrepreneurial nature, ensures that the innovations they engage in are aimed at addressing social issues. Historically, now mainstreamed welfare services are examples of social innovation initiatives that started within the realm of the social economy, and the same thing is happening now with respect to the new sectors of activity, like education, renewable energy or integration of migrants.⁵⁹

The history of social enterprises, for instance, shows how they have always been very innovative organisations, ready to act on the emerging needs of their constituents. Because of these characteristics, and because they operate on the market and thus need to maintain a high level of efficiency, social economy organisations also contribute significantly to social innovation, constantly developing new products and services designed to meet social needs. A huge proportion of social enterprises work to achieve systemic change, by introducing new business models, changing value chains, activating unused talents, and exploiting unused resources.

3. Citizens/Individuals: The social economy is also beneficial at an individual level, as it provides basic services, often as a back-up to government services, especially for the most vulnerable groups. It provides opportunities for citizens to participate in local projects that positively contribute to society.

A first important response to Covid-19 crisis of social economy organisations and social enterprises is their contribution to increasing and diversifying the supply of services to families and individuals. Due to their bottom-up nature, these organisations have been able to identify emerging needs and to

⁵⁹ WEF forum. (2020). *Why social entrepreneurs are critical to our response to and recovery from the COVID-19 crisis*. Available at: <https://www.weforum.org/agenda/2020/05/schwab-foundation-covid-response-alliance-social-entrepreneurs-coronavirus-recovery-response/>



develop appropriate responses, often without the support of the public sector.

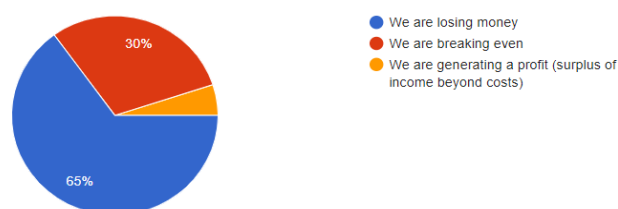
4. Territories: Social economy organisations are strongly rooted in the territory where they operate, which facilitates the rapid mobilisation of local stakeholders to address urgent needs. These organisations are also significant actors in local and regional economies as they create local jobs, reduce economic and social disparities in cities and rural areas, and revitalise communities.⁶⁰

Despite all mentioned contributions of the social economy, it seems to be a “forgotten spot” for state financial support in the times of the ongoing COVID-19 crisis. Based on the responses we have received from social entrepreneurs (out of 20 responses in total), only 15% of social businesses received some kind of financial support, even though more than a 1/3 of these businesses are still generating profit and doing well as before the crisis, which is impressive when considering that they work with vulnerable groups.⁶¹

Figure 6: Support of SE in COVID-19 pandemic

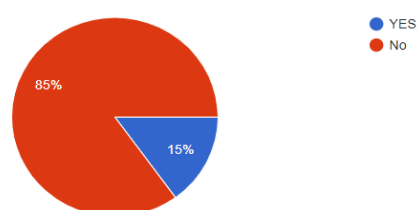
14. We are going through challenging times, with COVID-19 spreading globally, where solidarity is one the first place, but closely followed by economic restart needed. How does the current situation with Covid 19 affect your business?

20 responses



15. Do they get any support to sustain this situation?

20 responses



⁶⁰ OECD (2020a), Regional Strategies for the Social Economy. Examples from France, Spain, Sweden and Poland, OECD Publishing. Available at: <https://www.oecd.org/publications/regional-strategies-for-the-social-economy-76995b39-en.htm>

⁶¹ Primary research: online questionnaire with young social entrepreneurs May-July 2020.



3.2 The rise of future leaders - Young social entrepreneurs' responses to COVID-19

COVID-19 pandemic affects all segments of the population, with young people playing a key role in the management of this outbreak and the recovery following the outbreak. Importantly, the impact on the quality and quantity of jobs will likely disproportionately affect young people engaged in the service sector and/or performing manual routine jobs. Young people with these jobs are also at risk for experiencing heightened health-related hazards because they cannot work remotely. Whilst the public health response to COVID-19 is ongoing, a number of other social policy responses are also necessary as the crisis of COVID-19 expands to socio-economic spheres of life⁶²

In the current COVID-19 pandemic, inclusive social protection is even more vital to protect young people who are already, in normal times, at a higher economic and social risk. Because young people are disproportionately affected by unemployment, the COVID-19 pandemic will likely drastically increase unemployed youth, a population already over-represented in the informal economy (around three quarters of young workers are in informal employment around the world). As many social insurance programmes are linked to formal employment, that leaves many young people, especially young women, underserved or unserved⁶³.

Since the situation with COVID-19 is very difficult for the conventional business which relies on sales, for social enterprises which are very fragile and not self-sustainable, yet their continuity is on the verge of collapsing. Most of the social enterprises have not received any state support to recover from the crisis. The funds and loans are very scarce in normal situations, so in a situation of crises this challenge is multiplied. Only big donors could come to help with financial support as well as support organizations which can provide their pro-bono expertise.

Young innovators have been already responding to the pandemics through social impact innovation. Around the world, a number of initiatives are being developed to leverage young peoples' efforts to generate and deliver support to at-risk populations or populations affected by the pandemic. Whilst most

⁶² ILO (2020a). *Global Employment Trends for Youth 2020*, p.13. Available at: https://www.ilo.org/wcmsp5/groups/public/--dgreports/---dcomm/---publ/documents/publication/wcms_737648.pdf

⁶³ Department of Economic and Social Affairs (DESA), (2020). United Nations. *Special issue on COVID-19 and Youth*. Available at: <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/04/YOUTH-FLASH-Special-issue-on-COVID-19-1.pdf>



of these initiatives are on a voluntary basis (e.g. young people offering to shop for and deliver food to elders or at-risk people), they can also take the shape of social enterprises. Many youth-driven technology innovation hubs are supporting start-ups to develop effective solutions to address COVID-19.⁶⁴

Overall, the COVID-19 pandemic calls for global solutions, intergenerational solidarity, and for innovative, inclusive policy solutions. The Sustainable Development Goals will be more important than ever in accelerating the response and recovery of this epidemic — as well as build the resilience and "social immunity" that the world needs to combat the next pandemic. The following recommendations are put forward for the consideration of Member States and UN entities:

- Consult and meaningfully engage youth in the development of health, economic, and social interventions in response to COVID-19 and in its recovery.
- Incentivize youth innovation for the prevention and treatment of COVID-19 and the management of its corollary socioeconomic impacts.⁶⁵

Young people's social activism and behaviours are contributing to mitigating the economic and social impacts of COVID-19 through compliance with government measures, volunteering, donations and outreach. Young people are turning the crisis into an opportunity for collective action, by supporting their communities by volunteering and giving.⁶⁶

The crisis has not only demonstrated that social economy organisations can be more resilient than investor-owned enterprises, but also highlighted the shortcomings of a model of economic organisation solely based on the actions of two types of institutions: investor-owned enterprises and public organisations.⁶⁷

In order to address these issues, governments should continue the process of easing access to finance for the social economy, by providing grants, loans and other financial services for the provision of funding to support social

⁶⁴ World Economic Forum (2020). "5 Curve-Flattening Technologies Being Developed by Young People". Article available at: <https://www.weforum.org/agenda/2020/05/5-curve-flattening-innovations-being-developed-by-young-people/>

⁶⁵ Department of Economic and Social Affairs (DESA), (2020). United Nations. Special issue on COVID-19 and Youth. Available at: <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/04/YOUTH-FLASH-Special-issue-on-COVID-19-1.pdf>

⁶⁶ ILO. (2020b). Youth & COVID-19: Impacts on jobs, education, rights and mental well-being Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_753026.pdf

⁶⁷ OECD (2020b). A systemic resilience approach to dealing with Covid-19 and future shocks. Accessed from: <http://www.oecd.org/coronavirus/policy-responses/a-systemic-resilience-approach-to-dealing-with-covid-19-and-future-shocks-36a5bdfb/>



economy organisations to overcome the crisis and reshape their business models to prepare for the post-crisis environment.

The “social economy” has played an important role in addressing and mitigating the short- and long-term impacts of the COVID-19 crisis on the economy and society. *In the short term*, social economy actors have assisted the recovery from the crisis by providing innovative solutions that are aimed at strengthening public services to complement government action. *In the long term*, social economy organisations can help reshape the post-crisis economy by promoting inclusive and sustainable economic models. Relying on decades of experience, its specific features and underlying principles, the social economy can inspire models of social innovation and a sense of purpose to firms operating in the market economy.⁶⁸

PART II. COUNTRY REPORTS V4 AND WB6

4. SOCIAL AND ECONOMIC ISSUES IN V4 AND WB6

The heritage of socialism is common for Visegrad countries and Western Balkans in historical terms. As the Soviet Union and Yugoslavia collapsed, all of these countries have faced new challenges while transitioning towards a model focused on the market economy, a factor that explains the transformation of different sectors. The new problems arose in the area and therefore the new solutions came with them. As we can see from the data below from both regions, of V4 and WB6 there are similarities in the issues they are dealing with, especially in terms of (youth) unemployment and social inclusion.

The following section provides an overview of the main trends of both economic growth and social development that may be important for understanding the preconditions for SE development in V4 and WB6.

4.1 Visegrad Four (V4)

Visegrad Four (also known as V4) is a group formed by Poland, Czechia, Slovakia and Hungary - V4 with an aim to cooperate together in a number of fields of common interest. Historically, these countries are close to each other

⁶⁸ OECD (2020). Social economy and the COVID-19 crisis: current and future roles. Accessed from: <http://www.oecd.org/coronavirus/policy-responses/social-economy-and-the-covid-19-crisis-current-and-future-roles-f904b89f/>



and share many cultural and intellectual values originating from common roots⁶⁹. One of the main goals of the group was EU accession which they achieved in 2004, when all the V4 countries joined the European Union. This step has significantly helped them towards social and economic development. They accessed the EU as rather “weak” nations economically, but with huge growth potential. At the time of EU accession, the economic output of the Visegrad countries totalled only about 3.7% of that of the EU28.⁷⁰

Benefits of the EU membership were apparent from the very beginning. From the four freedoms of the single market: free movement of goods, services, people and capital, to greater choice of products and other EU states' investment and different schemes of funding (e.g. access to structural funding, which was limited before the accession). At the same time, there was an increasing pressure to create a better business environment and its support network. Therefore, also new business opportunities for competitive firms had been created. EU funds helped to finance investments in regional development and all the V4 countries were enabled to increase their competitiveness and employment.

On the other side, the EU membership with free movement of workers, also increased the outflow of skilled labour force abroad and contributed to disappearance of certain businesses that could not cope with the competitive pressure.⁷¹ Brain-drain remains one of the main challenges that the region has been still competing with. Other challenges of the region include: productivity gap, long-term unemployment (especially of disadvantaged groups of citizens), low internal mobility represented the country groupings according to the common nature of the most pressing challenges as identified by OECD⁷² in the Table 4 below (Group 2):

⁶⁹ About the Visegrad Group: <http://www.visegradgroup.eu/about>

⁷⁰ Sacio-Szymańska, A. et al. (2016). *The Future Of Business In Visegrad Region*. Eur J Futures Res (2016) 4: 26. Doi 10.1007/S40309-016-0103-3. Available at: <https://link.springer.com/article/10.1007/s40309-016-0103-3>

⁷¹ Klimko, R. (2015). *Labour Market Developments In Visegrad Countries*. International Journal Of Social Sciences Vol. IV, No. 4 / 2015.

⁷² Economic Policy Reforms (2014). *Overview of structural reform actions in the policy areas identified as priorities for growth*, OECD. Available at: <http://www.oecd.org/economy/growth/overview-of-structural-reform-actions-2014.pdf>

**Table 4: Most pressing challenges in V4 counties**

| | Countries | Main challenges | Strengths |
|----------------|---|--|--|
| Group 1 | ESP, GRC, ITA, PRT, SVN | High structural unemployment, low competitiveness | Productivity levels close to average |
| Group 2 | CZE, EST, HUN, IRL, ISR, POL, SVK | Significant productivity gap, high long-term unemployment, low internal mobility and participation of certain groups | Flexible wage adjustments, high percentage of population with at least secondary education |
| Group 3 | DNK, NOR, NLD, SWE | Low average hours worked and overheated housing market | Good productivity level, above average shares of population with tertiary education |
| Group 4 | AUT, BEL, FIN, FRA, LUX | Low participation of older workers and persistently high unemployment. | Good productivity level, relatively high and broadly-based business R&D intensity |
| Group 5 | AUS, CAN, CHE, GBR, NZL, USA | Low productivity growth, high variance in education outcomes and healthcare costs | High investment in knowledge-based capital and good quality tertiary education |
| Group 6 | DEU, JPN, KOR | Fast population ageing, low participation of women, relatively weak productivity in services | High overall employment rates, strong export base, including of capital goods |
| Group 7 | BRA, CHN, CHL, IDN, IND, MEX, RUS, TUR, ZAF | Widespread informality, uneven access to quality education, infrastructure bottlenecks | Strong potential for productivity catching-up, fast-growing labour force |

Source: Economic Policy Reforms (2014). *Overview of structural reform actions in the policy areas identified as priorities for growth*, OECD. p. 16

On the other hand, V4 as a single nation could be counted as 12th largest economy in the world and the 5th largest economy in Europe. Altogether, with the population of 64 million, it would rank as 22nd largest economy (Poland with 38 million, followed by the Czech Republic with nearly 11 million, Hungary with nearly 10 million and Slovakia with 5.5 million inhabitants).

Table 5: Population and gross domestic product of V4

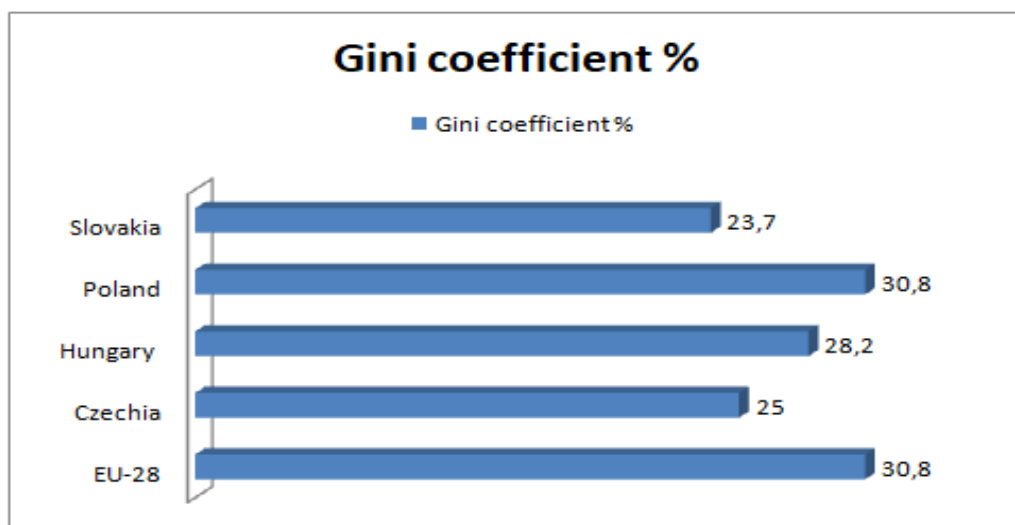
| | Population | Gross domestic product | |
|-----------------|------------|------------------------|-------------------------|
| | | Total (billion EUR) | Per capita (in dollars) |
| | 2018 | 2017 | 2017 |
| EU-28 | 512 379 | 15 383.1 | 30 000 |
| Czechia | 10709 | 207.39 | 20 291 |
| Hungary | 9660 | 131.94 | 14 364 |
| Poland | 37846 | 496.63 | 13 870 |
| Slovakia | 5460 | 90.2 | 17 551 |

Source: <https://www.worldometers.info/gdp/gdp-by-country/>

The *Gini coefficient in V4* (Figure 7) as measure of income inequality shows that V4 (except Poland) are in a relatively positive situation to the EU-28 average of 30.8, with Gini coefficients for Slovakia (23.7), Hungary (28.2) and Czechia (25.0) and lower than the ratio observed for the EU-28 and Poland (30.8), whereas the same as the EU ratio.

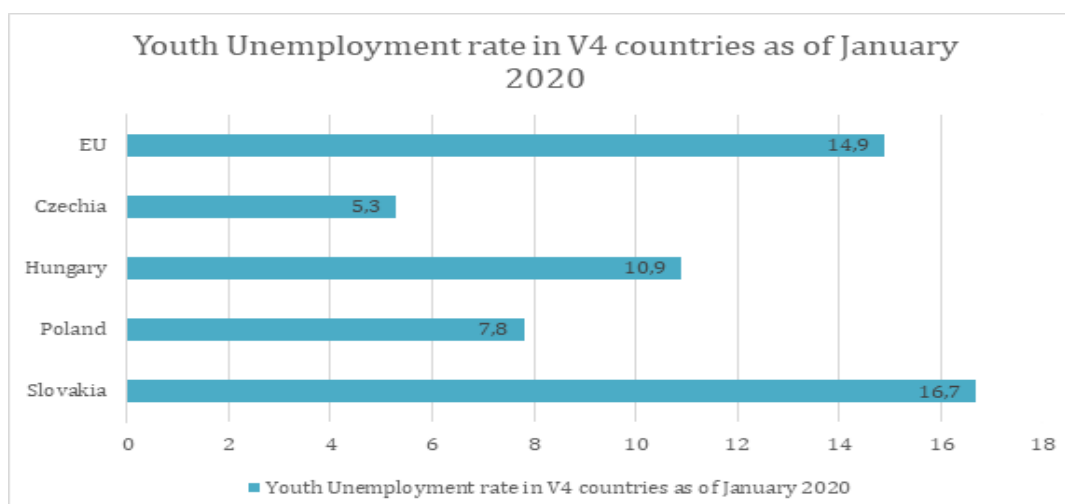


Figure 7: Gini coefficient in V4



Inequalities occur mostly across the regions. The situation affects young people as well (among other disadvantaged groups). Young people constitute about 1/5 of the population in the V4 countries, but the population ageing causes shrinking of the young cohorts. Formal education keeps a very high schooling rate, with most of the young people being in schools until the age of 18. Very high risk remains a proper inclusion of youth with special needs, which leads to poverty of young people (ranging from about 20% to almost 40%). Targeted assistance is directed at selected groups of youth (Figure 8).

Figure 8: Youth Unemployment rate in V4



Unemployment of young people in the V4 countries is relatively low in Czech Republic, compared to Slovakia having the highest unemployment rate. The research and practise show that some of the indicators are skills mismatch,



temporary job contracts, and missing preparation for the job market by the educational institutions. The situation of NEETs (young people not in employment, education or training) is the most alarming one. In three out of four countries, in PL, HU and SK the situation indicates persisting difficulties in transitioning from education to work. Young people from the V4 countries often face difficulties to find jobs in their regions, or have very low salaries, so most of the youth declare to be willing to move for a job. After the EU accession, many of the young people, mostly from Poland and Slovakia, migrated to Western European countries.⁷³

4.2 Western Balkans (WB6)

The populations of the Western Balkans six (WB6) - Albania, Bosnia and Herzegovina (BiH), Kosovo, Montenegro, North Macedonia and Serbia - are affected by significant social inequalities, high levels of poverty, widespread joblessness and precarious work, and poor accessibility and quality of crucial social and health services.⁷⁴ Due to the similar heritage of socialism, mainly characterized by a command and semi-market economy, followed by long-term transition, all the governments are faced primarily with inadequate resources to institute sustainable solutions to the social and economic challenges they face.

The six Western Balkan countries (WB6) share similar challenges when it comes to the overall economic stability and growth, employment, poverty risks and social inclusion. They all face a severe macroeconomic situation - high public expenditure, high levels of public debt and budget deficit, which all lead to an inability to achieve stable and sustainable growth (Table 6). Unfortunately, the grey economy, corruption, and political instability are considerable problems for these countries. Mass emigration and declining population rates, democratic backsliding, growing economic and social inequalities, as well as social exclusion are common characteristics for WB6.⁷⁵

Table 6: Population and gross domestic product of WB6

| | Population (000) | Gross domestic product | |
|---------|---------------------|------------------------|---------------------|
| | | Total (billion EUR) | Per capita (EUR) |
| | | 2018 | 2018 |
| EU-28 | 513 471 | 15 383.1 | 30 000 |
| Albania | 2 877 | 11,58 | 4 000 |

⁷³ Report: *Visegrad Youth Comparative review of the situation of young people in the V4 countries*. Available at: https://www.minedu.sk/data/files/3644_mladez-v-krajinach-v4.pdf

⁷⁴ Jusić, M. (2018). *Unequal Chances and Unjust Outcomes: Confronting Inequality in Southeast Europe*, Sarajevo: FES.

⁷⁵ Jusić, M. & Obradović, N. (2019). *Enlargement Policy and Social Change in the Western Balkans*. The Friedrich-Ebert-Stiftung. Available at: <https://library.fes.de/pdf-files/bueros/sarajevo/15801-20191120.pdf>



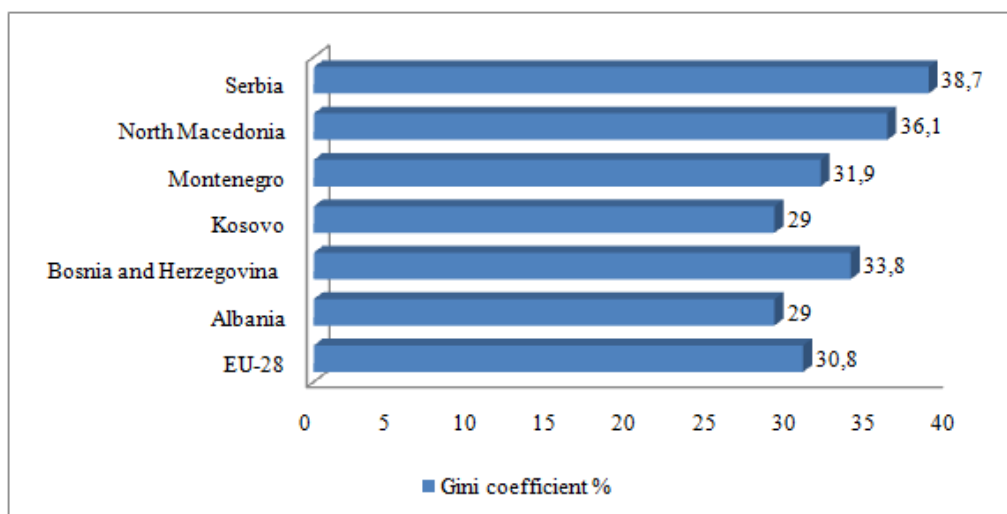
| | | | |
|------------------------|-------|-------|-------|
| Bosnia and Herzegovina | 3270 | 15,30 | 4 400 |
| Kosovo | 1 799 | 6,41 | 3 600 |
| Montenegro | 628 | 4,30 | 6 900 |
| North Macedonia | 2 077 | 10,73 | 4 800 |
| Serbia | 8737 | 42,48 | 5 600 |

Source: Eurostat (online data code: nama_10_gdp)

<https://www.statista.com/statistics/685925/gdp-of-european-countries/>

Income inequality has become increasingly important to the size and scope of the social economy. The *Gini coefficient in WB6* (Figure 9) is an alternative measure of income inequality. It shows the extent to which all income within the population differs from the average income: the closer the coefficient is to 100, the less equal is the income, while the closer it is to 0, the more equal is the income. In the EU-28, the Gini coefficient in 2018 was 30.8 (see Figure 9) while Gini coefficients for North Macedonia (36.1), Montenegro (31.9), Serbia (38.7) and Bosnia and Herzegovina (33.8) were also higher than the ratio observed for the EU-28. According to the latest available data, the lowest ratio is in Albania and Kosovo (29).

Figure 9: Gini coefficient in WB6



Kosovo. 2017, instead of 2020

North Macedonia. 2018 instead of 2020

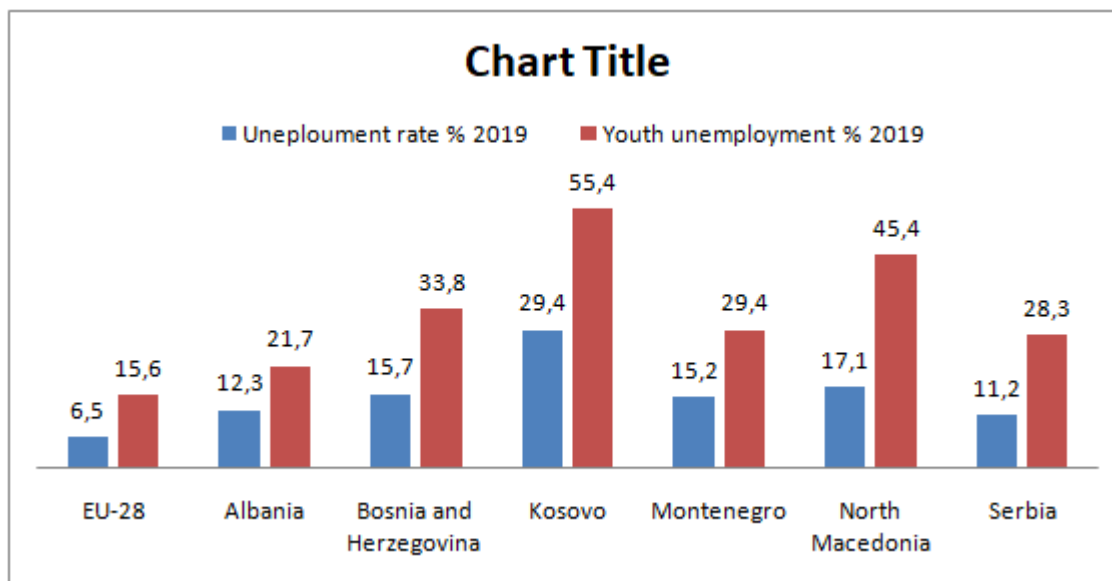
Source: <https://worldpopulationreview.com/countries/gini-coefficient-by-country/>

A major macroeconomic trend affecting the growth of social services is the rate of unemployment. Unemployment, poverty and social problems are among the most critical threats to development in the region. The unemployment rate is extremely high, varying from 11,2% in Serbia in 2019 to 29,4% in Kosovo indicating that many citizens face poverty risks and possible social exclusion. One of the main reasons for such high levels of



unemployment, besides the malfunctioning of the economy, is the miss-match between educational and economic policies leading to a miss-match between the available labor force and the needs of the market. A gender imbalance is traditionally present among the unemployed, but most worrying is youth unemployment, which is high even in the societies where the overall unemployment rate is below 20%.⁷⁶ (See Figure 10)

Figure 10: Unemployment and youth employment in EU-28 and WBC



Source: <https://www.ilo.org/ilostatcp/CPDesktop/?list=true&lang=en&country>
<https://tradingeconomics.com/european-union/unemployment-rate>

The number or the share of the people who are at risk of poverty or social exclusion combines three separate measures and covers persons who are in at least one of three situations: persons who are at risk of poverty; persons who suffer from severe material deprivation; persons living in a household with very low work intensity.

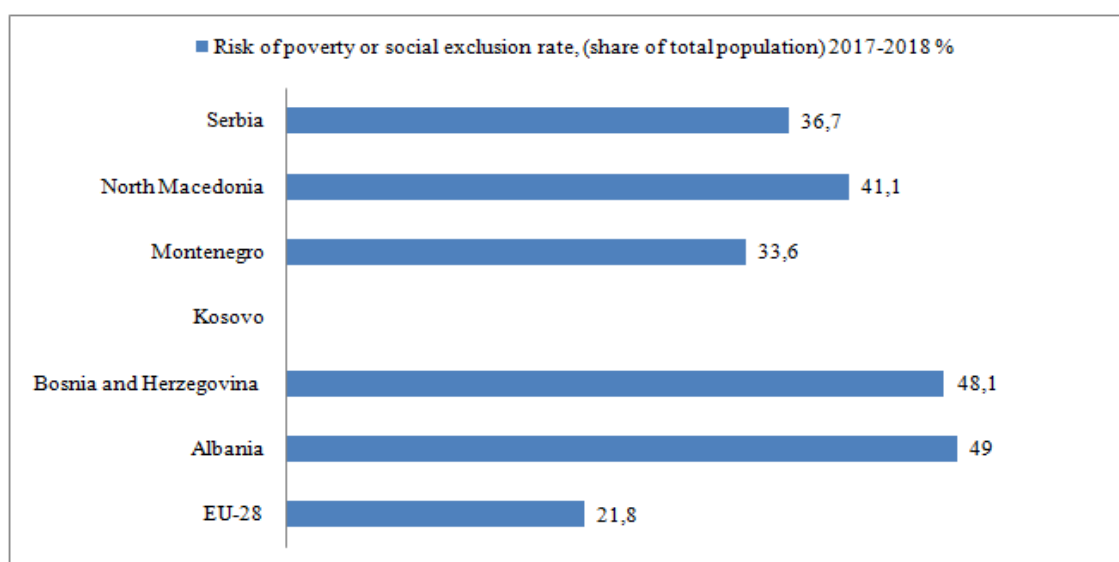
Almost all WB countries (except Kosovo) have data for this indicator, with values ranging from 33.6 % in Montenegro to 41,1 in North Macedonia and 48,1 in BiH (estimated) and 49 in Albania, which is almost 50% higher than EU-28 average. Kosovo is one of the poorest countries in Europe, and a growing proportion of the population is at risk for social exclusion and long-term poverty. According to the Kosovo Agency of Statistics, 17.6 percent of the population lived below the national poverty line of EUR 1.82 a day in 2015,

⁷⁶ World Bank Group (2019). Western Balkans Labor Market Trends 2019. The World Bank, 1818 H Street NW, Washington, DC 20433, USA. Available at: <https://wiiw.ac.at/western-balkans-labor-market-trends-2019-dlp-5168.pdf>



while 5.2 percent lived below the national extreme poverty line of EUR 1.30. Moreover, the opportunities for social mobility were scarce among the economically disadvantaged, the less educated, and those facing discrimination from the general public.⁷⁷

Figure 11. Risk of poverty or social exclusion rate, (share of total population) 2017-2018 %



Source: https://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion
<http://www.instat.gov.al/media/6544/income-and-living-conditions-in-albania-2017-2018.pdf>

The available data for individual WB6 countries suggests that systems of social protection are not sufficiently effective in tackling the high rates of income inequality (Figure 9) and at-risk-of poverty rates (Figure 11) in the region.⁷⁸

In addition, it can be said that Western Balkan countries do have a few benefits when it comes to the general business environment: geographical proximity to the EU market, a relatively good business environment, a relatively stable macroeconomic environment, a stable and relatively developed financial system, relatively low costs and skilled workforce, and ensured protection of the rights of investors and contracts resulting in the Stabilization and Association agreement, EU and other CEFTA bilateral trade

⁷⁷ World Bank Group (2018). Social Protection and Health Expenditure Note. Kosovo. Available at: <http://documents.worldbank.org/curated/en/190411561720305500/pdf/Kosovo-Social-Protection-and-Health-Expenditure-Note.pdf>

⁷⁸ Jusić, M. & Obradović, N. (2019). *Enlargement Policy and Social Change in the Western Balkans*. The Friedrich-Ebert-Stiftung.



agreements.⁷⁹ As developing economies move from centralized economies to market economies, enterprise and entrepreneurship become important. The Global Entrepreneurship Index (GEI) shows differences among WB6 countries, as far as entrepreneurship in general is concerned. As shown in Table 7, all WB6 are lagging behind V4 countries, which on the other hand, are ranked in the top third of the GEI (see Table 8 below).

Table 7. The Global Entrepreneurship Index Rank of WB6 Countries, 2019

| Country | Global rank | Country score |
|------------------------|-------------|---------------|
| Albania | 22,5 | 87 |
| Bosnia and Herzegovina | 19,5 | 97 |
| Kosovo | / | / |
| Montenegro | 31,8 | 57 |
| North Macedonia | 23,1 | 85 |
| Serbia | 28,6 | 67 |

Source: https://thegei.org/wp-content/uploads/2020/01/GEI_2019_Final-1.pdf

4.3 Key lessons from V4 to WB6

Experiencing similar problems of social transformation and transition the V4 and WB6 countries have a lot to learn from each other. Despite the successful integration of V4 countries into the European Union and its funding instruments provided, the countries still struggle with a very high inefficiency in proper inclusion of people with special needs, which leads to poverty of disadvantaged people. A major macroeconomic trend affecting the growth of social services is the rate of unemployment, poverty caused by social exclusion and social problems are among the most critical threats to development in the two regions.

Joining the European Union has had obviously a considerable impact on the development of social entrepreneurship and social enterprises in V4 countries, in a direct way (mainly through various programs and EU funding) and indirect way (by more infrastructure, support, raised awareness, building social capital, supporting the civil society, etc.). EU funds are essential for many organisations, mostly the non-governmental organizations, including social enterprises.

⁷⁹ Tosković, J. et al. (2016). *Comparative analysis of the investment environment in the economies of the Western Balkans*. Education University, Regional and Business Studies, Vol 8 No 1, 15-27



European integration process is one of the most important priorities for all Western Balkans countries, despite their differences. Although using different paths, all WB 6 countries strive towards the same goal. Extremely valuable tool in the process is the partnership with EU member states and ensuring their support. This partnership and cooperation is even more important when it comes to relations with neighbouring countries. Moreover, the structural weaknesses of the WB economies have not been removed. In comparison with the Visegrad group of countries, the WB countries are today less developed, less competitive and less integrated into the global economy; most countries still have extremely high unemployment rates; and they are more de-industrialised than even some of the older, and most of the newer, EU member states.

Social economy in both regions is often related to socio-economic development at the local level, although could be moved forward more to cross-regional level of development and cooperation. Besides being difficult to determine and measure the economic contribution of these initiatives and their social impact, their characteristics place them at the heart of the socio-economic development of local communities, having large potential for solving year long socio-economic issues and grant better economic advancement and prosperity of its citizens.⁸⁰

5. DEVELOPMENTS AND CURRENT STATE OF SOCIAL ECONOMY IN V4 AND WB6

In the next section we will present the data on social economy ecosystem development in each of the V4 and WB6 countries. This part of the analysis maps the field situation on existing social businesses, combining the results of two questionnaires we have developed and distributed online. The first one “*Questionnaire on Social Entrepreneurs in V4 and WB6*” filled out by 20 young social entrepreneurs, the second one “*Questionnaire for stakeholders*” filled out by 15 relevant stakeholders in V4 and WB6. The data are not supposed to be representative since the main findings are based on secondary sources and desktop analysis, but rather complementary to existing reports. At the every end, the summarizing report shows differences

⁸⁰ Regional Cooperation Council Secretariat (2015). Strategic Study on Social Economy Development in the Context of the South East Europe 2020 Strategy, Belgrade http://arhiva.emins.org/uploads/useruploads/knjige/RCC_Study-on-SE-in-SEE-Region_-2015-web.pdf



and similarities in legal and institutional framework and financial incentives and support mechanisms for SEs in each country in two regions.

5.1 Visegrad

Despite the fact that each country of V4 has its particularities, there is a common phenomenon that comprises them all: the countries have been under a system of centrally planned economy connected to the Soviet Union. With this being considered, it is important to mention how both the social and the political spheres perceived the idea of social enterprises. As the idea of co-operatives strongly associated with the former political regime, meaning their subservience to the State's authority, the perception of those spheres has been negative, meaning that, to some extent, there has been a delay in investing and providing a comprehensive analysis and legal framework in which the upcoming social enterprises are able to work within.⁸¹ Even though historical roots are quite similar in Visegrad countries, there are country-specific characteristics. The Global Entrepreneurship Index (GEI)⁸² shows differences among V4 countries, as far as entrepreneurship in general is concerned (Table 8).

Table 8. The Global Entrepreneurship Index Rank of V4 Countries, 2019

| Country | Global rank | Country score |
|----------------|-------------|---------------|
| Czech Republic | 43,5 | 40 |
| Hungary | 46,2 | 33 |
| Poland | 49,5 | 29 |
| Slovakia | 42,6 | 41 |

Source: https://thegedi.org/wp-content/uploads/2020/01/GEI_2019_Final-1.pdf

Despite the fact that the Social Economy has been developing and rising from the 1980s in other parts of the world, in the Czech Republic, for example, it started to develop in 2008, with the Thematic Network of Social Economy (TESSEA) being established in the following year and making a compilation of principles of Social Economy only in 2010⁸³. Hungary and Slovakia are the

⁸¹ Sacio-Szymańska, A. et al. (2016). *The Future of Business in Visegrad Region*. Eur J Futures Res (2016) 4: 26. Doi 10.1007/S40309-016-0103-3

⁸² Global Entrepreneurship Index (2019). Available at: <https://thegedi.org/2019-global-entrepreneurship-index/>

⁸³ Dohnalová, M., et al. (2015) *Social Enterprise in the Czech Republic*. ICSEM Working Papers, No. 24, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.



two countries where there is little or no recognition of the concept of social economy in the public discourse, although there is an emerging need for social economy development⁸⁴. As for Poland, the country has also faced the backlash from popular opinion during the period of transition from the centrally planned economy to the market economy but, the crisis of the institutions and the Welfare State have opened a space for the development of the social economy on its second wave⁸⁵. Up to date, there are 5,200 social enterprises registered in Poland – which makes 0.3 per cent of all registered businesses, according to the European Venture Philanthropy Association⁸⁶.

Last but not least, in the Visegrad countries there is a need of paying attention to the historical background in order to properly understand the late blossoming of Social Economy and social enterprises as they consist in a heterogeneous region in transitional economy. The particularities in this region mean that the idea of importing the models that have been, at least to some extent, successful in Western European countries is not all that it takes to promote the advance in the field.

In general, the social enterprise sector in the region lacks the awareness of people and it is not yet popular, despite that, there has been some growth of a network, which is slowly developing. As an example, Impact Hub, as an international network has offices in Prague, Bratislava and Budapest, offering mentoring and funding to social start-ups.⁸⁷

COUNTRY REPORTS

CZECH REPUBLIC

History and discourse

The first conference on the social economy to be organised in post-communist countries took place in Prague in 2002 and it can be considered important for Czech social enterprises. In Czech Republic, we can observe a “bottom-up” approach; social enterprises are based on voluntary initiatives of

⁸⁴ CEP -CMAF (2002) Social Economy Charter, European Standing Conference of Cooperatives, Mutual societies, Associations and Foundations, Brussels; Monzon, J. L., Chaves, R. (2012) The Social Economy in the European Union, Summary of the report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC); European Commission DG Enterprise and Industry - Social Economy

⁸⁵ Wygnański, K. (2007). *Social Economy in Poland: definitions, application, expectations and uncertainties*. Social economy texts 2007

⁸⁶ Financial Times: *Social Enterprises Find First Foothold In Central And Eastern Europe*. Available at: <https://www.ft.com/content/09f94d2e-0ad5-11e6-b0f1-61f222853ff3>

⁸⁷ Financial Times: *Social Enterprises Find First Foothold In Central And Eastern Europe*. Available at: <https://www.ft.com/content/09f94d2e-0ad5-11e6-b0f1-61f222853ff3>



the citizens. The implementation of projects supported by the European Structural Funds is to be considered the real beginnings of the social enterprise phenomenon in the country. Mainly, the Human Resources and Employment Operational Programme of the European Social Fund supported this idea, connecting the concept predominantly with the employment of disabled people⁸⁸.

Legislature

Social entrepreneurship and the social economy have not yet been defined by Czech law. Czech legislation does not contain a concept or a definition of social enterprise. There is only one law specifically related to SE, which is *Act No. 435/2004 Coll. on Employment*. This law defines relations between employers and employees in the Czech Republic and regulates the relationship between the state and the employers of people with disabilities. People with disabilities are entitled to receive a higher degree of protection in the labour market. Only social enterprises employing persons with disabilities receive state financial contributions.⁸⁹ The consequence of this regulation is that most social enterprises employ disabled persons presented in Table 9 below:

Table 9: Target groups employed by social enterprises in Czech Republic

| TARGET GROUP | Number of Social enterprises (SE) | Number of SE in % |
|--------------------------------|-----------------------------------|-------------------|
| Physically handicapped | 96 | 64% |
| Unemployed (long-term) | 57 | 38% |
| Youth | 24 | 16% |
| Ethnic groups | 22 | 15% |
| Caregivers of family member(s) | 21 | 14% |
| Homeless and prisoners | 14 | 9% |
| Addicted people | 11 | 7% |
| Other groups | 26 | 17% |

Source: Kšenzulák, M. (2016). *The comparison of social business in the Czech Republic and France*. Diploma Thesis.

⁸⁸ Francová, P. et al. (2011). *Study of the Infrastructure of the Social Economy in the Czech Republic*, TESSEA

⁸⁹ Dohnalová, M., et al. (2015) *Social Enterprise in the Czech Republic*. ICSEM Working Papers, No. 24, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.



SE actors in Czech Republic

In the academic field, the main institution which focuses part of its work and research on social enterprise is the Faculty of Humanities at Charles University in Prague. Two other institutions also focus part of their work and research on social enterprises: the Research Institute for Labour and Social Affairs, whose research team is headed by Průša, and the charitable trust P3 – People, Planet, Profit. Since 2011 this trust has spread the idea of social economy and social enterprise in Czech society. The trust provides consultancy in the field of social enterprise, it supports the preparation of projects for establishing social enterprises and implements projects to support and promote social enterprises. In 2009, the trust created the “TESSEA Thematic Network for the Development of the Social Economy” (TESSEA Tematické síť pro sociální ekonomiku); since then, it has been coordinating this network’s activity⁹⁰.

“Important role play incubators, which are located in almost every region of the country and some of them are focused in social enterprise, but even those, which are not purely focused on SE can accept projects relevant for SE to their incubators.”⁹¹

Some examples of social enterprises and social start-ups in Czech republic are:

- **Pragulic**⁹²: the way to experience Prague by guided tours done by homeless people.
- **Czechitas**⁹³: “We help women, girls and children to explore the world of information technologies.”
- **Seniorem s radostí**⁹⁴ (“Being senior with pleasure”): sustainable care for elderly
- **Indiánky**⁹⁵: first organization dealing with infertility in the Czech Republic.

Social economy concept is getting stronger in Czech republic in recent years. There exist already many start-up programs and awards in Czech republic supporting the development of social entrepreneurship from an early stage (e.g. Social Impact Award Czech Republic⁹⁶). One of the main challenges is still a low availability of investment and so the majority of enterprises finance

⁹⁰ Dohnalová, M., et al. (2015) *Social Enterprise in the Czech Republic*. ICSEM Working Papers, No. 24, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.

⁹¹ Primary research: online questionnaire with young social entrepreneurs May-July 2020.

⁹² Official webpage of Pragulic: <https://pragulic.cz/en/>

⁹³ Official webpage of Czechitas: <https://www.czechitas.cz/en/>

⁹⁴ Official webpage of Seniorems Radostí: <https://senioremsradosti.cz/>

⁹⁵ Official webpage of Indianky: <https://indianky.cz/>

⁹⁶ Social Impact Award Czech Republic official webpage: <https://socialimpactaward.cz/>



their operations from their own revenues. Banks loans are very limited as they have high demands (banks demand lien on real estate or security by guarantors), that is certainly a problem for social enterprises that are just starting especially⁹⁷. Additionally to the funding mechanism there is still missing legal regulation of social entrepreneurship on the national level.

HUNGARY

History and ongoing discourse

The discourse in Hungary, in the public or in the academic sphere, refers mostly to the terms to describe socioeconomic organizations (somewhere between for-profit and “non-profit sector” or “civil society”). Other terms that we come across are: community enterprise, community development, corporate social responsibility (CSR), used to a certain extent in the context of social economy⁹⁸. The term “social economy” became more visible in the public discourse at the time of EU accession; it is used by policy makers and researchers in the field.

Social initiatives in Hungary are mostly non-profits integrating people and offering employment to the most vulnerable groups. In addition, the following features are listed: *“social economy organisations operate on a local level, between the public and the market sector; they react to local needs left unsatisfied by private companies and public institutions; they provide employment; they generate income and intend to become self-financing over time; part of their revenues comes from non-public sources (such as private philanthropy or market income); and their target groups include the long-term unemployed, early school leavers with employment difficulties, women responsible for caring for children, the elderly, people with disabilities and persons with social integration disorders”*⁹⁹

Legislature

In 2005, the Act on public interest volunteer activity determined the content of volunteering. The year 2006 was quite significant in the development of social economy in Hungary. The concept of “non-profit company” was introduced in the law about companies as well as the social cooperative legal form was also introduced in Hungary in the same year. This form of

⁹⁷ Bednáriková, D. & Francová, P. (2011). *Study of the Infrastructure of the Social Economy in the Czech Republic*. Nová ekonomika, o.p.s., Prague. Available at: https://www.ess-europe.eu/sites/default/files/publications/files/study_social_enterprise_tessea_en.pdf

⁹⁸ Fekete, G. et al. (2017). *Social Enterprise in Hungary*, ICSEM Working Papers, No. 47, Liege: The International Comparative Social Enterprise Models ICSEM) Project.

⁹⁹ Ibidem.



organisation is free to carry out business activities, but can keep the public benefit status. The issue of the social economy became more significant in public policy therefore as well, but the decline in the growth in the number of nonprofits stopped in the year 2006.¹⁰⁰

Still, the regulations in Hungary are too confusing and bureaucratic. The atmosphere and discourse around nonprofits or social enterprises is rather negatively framed by the Hungarian government. Since 2013 all social cooperatives by new legislation have been allowed to include legal persons as their members. The law amendment in December 2016, made this inclusion compulsory for all social cooperatives. Due to such development, the influence of the state and local governments is higher, and the independence of these initiatives is more limited.

In June 2017, the Hungarian Parliament introduced a new law on the Transparency of Foreign Funded Organisations requiring associations which received foreign funding to register as foreign-funded organizations and make it visible in all their communication. Civic society tried to oppose this law, but it was adopted anyway. According to many experts, this law is stigmatising and harmful for the whole third sector in Hungary¹⁰¹.

“According to the data of the Hungarian Central Statistical Office, there were about 67 thousand civil society organisations in Hungary in 2017, so based on this, the current number probably still doesn't exceed 70 thousand. However, if we talk about social enterprises only, this number is much lower, probably being a couple thousand only. School or employment cooperatives are popular ways for students or pensioners to work, one of the largest school cooperative is FürgeDiák. There is an abundance of NGOs working in Hungary in so many different aspects of life, ranging from sports, culture, science to leisure activities and or education and so on, so naming one example really is a difficult task. There are also traditional social cooperatives and non-profit companies with social aims.”¹⁰²

SE actors in Hungary

Social enterprises in Hungary are relatively new, averaging about seven to eight years by the NESsT's definition- “enterprises that solve critical social

¹⁰⁰ Ibidem.

¹⁰¹ Fekete, G. et al.(2017). *Social Enterprise in Hungary*, ICSEM Working Papers, No. 47, Liege: The International Comparative Social Enterprise Models ICSEM) Project.

¹⁰² Primary research: online questionnaire with young social entrepreneurs May-July 2020



enterprises in a sustainable manner¹⁰³ However the fact that the social enterprise is not clearly defined by the legislation, it makes it more difficult to estimate a real number of social businesses in the country.

Social impact investors that are relevant for the ecosystem in Hungary include:

- **NESsT**, launched in 1997: seed capital in the form of grants and soft loans; capacity support; social capital.
- **Ashoka**: since 2009 financially supports social entrepreneurs in Hungary for 3 years in order to spread their model.
- **Polgár Alapítvány az Esélyekért**: program of microloans for people living in deep poverty, primarily Roma.
- **Corporate Social Responsibility** is increasing in Hungary, but significant funding has been provided for non-profit social enterprises yet.
- **State remains to be the main donor for the nonprofit sector** (EU funding included): complemented by the local government budget.¹⁰⁴

Some examples of social enterprises and social start-ups in Hungary are:

- **Amigos for Children Foundation**¹⁰⁵: - an organization established by Hungarian university students whose aim is to teach foreign languages to seriously ill children.
- **Rákóczi Alliance**¹⁰⁶: an association that focuses on the cultural, literature and community ties of the Hungarian youth in the Carpathian basin.
- **POKET**¹⁰⁷: an initiative of promoting literature by installing vending machines in Budapest from which you can purchase books that can fit in your pocket).
- **METAMORF**¹⁰⁸: communication board game developed by high school students.

Main challenge of the SE development in Hungary is still that the social enterprise is not clearly defined by the legislation, therefore most of the social initiatives in Hungary are mostly non-profits. Additionally, the existing regulations in Hungary are still too confusing and bureaucratic. Moreover in

¹⁰³ Etchart, N. et al. (2014). *The State of Social Entrepreneurship in Hungary*. SEFORIS Country Report. Available at: https://static1.squarespace.com/static/56d2e6bbb654f9329ddb20e/t/5773e69ad2b857ac04f54c38/1467213468259/Country_Report_Hungary.pdf

¹⁰⁴ Etchart, N. et al. (2014). *The State of Social Entrepreneurship in Hungary*. SEFORIS Country Report.

¹⁰⁵ Official website of Amigos for Children Foundation: <http://www.amigosagyerekekert.hu/>

¹⁰⁶ Official website of Rákóczi Alliance: <https://www.rakocziszovetseg.org/>

¹⁰⁷ Official website of POKET: <https://poketonline.hu/>

¹⁰⁸ Fan page of Metamorf company: <https://www.facebook.com/metamorf.company/>



general, the atmosphere and discourse around nonprofits or social enterprises is rather negatively framed by Hungarian government¹⁰⁹.

POLAND

History and ongoing discourse

The interest in the social economy in Poland is not a new phenomenon. Already in the 1920s and 1930s the concept was commonly used by Polish economists (e.g. Stanisław Grabski, Leopold Caro). The most “burning issue” of the debate in Poland is the dispute of (rather secondary importance) on the proper translation of the term „social economy”. More importantly the essential aspects of the social economy issue, being it both excessive narrowing, e.g. only social employment, or broadening of its meaning (to include e.g. business philanthropy), can be leading to its total vagueness and “banalisation”. The growth of social economy and social entrepreneurship in Poland should be seen as a „long march”, similar to other countries in the region¹¹⁰.

Legislature

Poland can serve as an interesting example of social enterprises’ development, mostly because it has a rich experience in cooperative and reciprocal activities. Moreover, the charity work having centuries-old tradition should not be forgotten either. The debate on social enterprises’ relevance helping to solve social problems boosted after Poland’s integration with the European Union. Since then there have been social economy programmes created at all levels (national, regional, and local)¹¹¹.

The legislation was adopted as well (e.g., the Social Cooperatives Act) and additionally public funding allocated to this purpose and public policy for social enterprise solutions have made even more boosting in the development. Due to these activities new organisations were created, combining social with business objectives (e.g., social cooperatives, non-profit companies) in Poland. Despite the positive developments, there are still barriers and limitations of the social enterprises at the same time. Among some of them the experts list up e.g. lack of effective mechanisms, difficult

¹⁰⁹ Fekete, G. et al. (2017). *Social Enterprise in Hungary*, ICSEM Working Papers, No. 47, Liege: The International Comparative Social Enterprise Models ICSEM) Project

¹¹⁰ Wygnański, K. (2007). *Social Economy in Poland: definitions, application, expectations and uncertainties*. Social economy texts 2007

¹¹¹ Pacut, A. (2020) *Drivers toward Social Entrepreneurs Engagement in Poland: An Institutional Approach*. Department of Management of Public Organisations, Cracow University of Economics, 31-510 Krakow, Poland



access to external sources of funding, the lack of appropriate legal forms and last but not least poor understanding of the concept of social entrepreneurship¹¹².

SE actors in Poland

Social enterprise organisations in Poland can be clustered into three models¹¹³. Each of them derives from a different organisational field.

Model 1 consists of co-operatives: these forms of organisation has a long and complex history in Poland. The autonomy of co-operatives was restricted during communism. In this category, social cooperatives represent a new type of cooperatives and relate directly to the concept of a modern social enterprise.

Model 2 consists of entrepreneurial non-profit organisations (foundations, associations and other voluntary organisations): the influence of the EU is the most significant in this type of SE actors, as a result of development and transformation from classic non-profits towards the social model of their functioning. One of the main reasons for this transformation is the diversification of funding by combining public funds with market revenues. However, this type of organisation is not yet so common in Poland and is developing rather slowly.

Model 3 consists of forms of work and social integration: similar to other analysed countries, the most common are social enterprises for the disabled—such as vocational rehabilitation facilities and sheltered workshops. They all emerged in the mid-1990s to tackle social and economic exclusion among disabled people in all V4 countries. The main reason was more effective integration of disabled in the labour market. These organisations are part of an active social policy in Poland¹¹⁴.

There exist several umbrella organisations grouping different social enterprises, like:

- **Union of ZAZ Employers and Other Social Enterprises:** established in 2012, grouping around 40 organisations.

¹¹² Pacut, A. (2020) *Drivers toward Social Entrepreneurs Engagement in Poland: An Institutional Approach*. Department of Management of Public Organisations, Cracow University of Economics, 31-510 Krakow, Poland

¹¹³ Ciepielewska-Kowalik, A. et al. (2015). *Social Enterprise in Poland: Institutional and Historical Context*, ICSEM Working Papers, No. 11, Liege: The International Comparative Social Enterprise Models (ICSEM) Project

¹¹⁴ Ciepielewska-Kowalik, A. et al. (2015). *Social Enterprise in Poland: Institutional and Historical Context*, ICSEM Working Papers, No. 11, Liege: The International Comparative Social Enterprise Models (ICSEM) Project



- **National Audit Association of Co-operatives of Disabled and Co-operatives of the Blind:** established in 1992, having 180 cooperatives as members.
- **National Audit Association of Social Co-operatives:** established in 2007, grouping 44 social co-operatives¹¹⁵.

Officially there are 1 235 social enterprises registered in Poland. Examples of social enterprises in Poland are:

- **Hospicjum Proroka Elijasza**¹¹⁶: building hospice villages around Poland;
- **Institute of Social Safety Foundation**¹¹⁷: offers comprehensive training and consultancy in the areas of providing security, preventing and countering radicalisation. In schools, local governments, corporations and companies;
- **Light Foundation**¹¹⁸: integration and supporting the seriously ill and disabled;
- **Mama Foundation**¹¹⁹: promotes participation of mothers in public life.

Some more examples (provided by the respondents in the questionnaire) are: Fundacja, Edukacyjna SIŁACZKA, Fundacja Kamila Maćkowiaka, Spółdzielnia Socjalna Pecunia, VITASANA Spółdzielnia, Socjalna

Poland already has a pretty good ecosystem for the support of the social economy. Social economy development programmes have been created at all the levels (national, regional and local) as well as the legislation (e.g. the Social Cooperatives Act) was adopted. Despite that, however, there are still remaining challenges and limitations which need to be addressed better, such as difficult access to external funding, insufficient business support by experts and specialists, and poor understanding of the concept of entrepreneurship in general. Public recognition of factors needed for engagement in social economy is poor, both in the academia and researchers' community and public decision-makers.¹²⁰

¹¹⁵ Paczynski, W. et al (2014). A map of social enterprises and their eco-systems in Europe. Country Report: Poland, European Commission. ICF Consulting Services

¹¹⁶ Official webpage of Hospicjum Proroka Elijasza: <https://hospicjumeliasz.pl/en/home/>

¹¹⁷ Official webpage of Institute of Social Security Foundation: <https://www.fundacjaibs.pl/information-in-english/>

¹¹⁸ Official webpage of Light Foundation: <http://fundacja.swiatlo.org/fundacja/o-nas/>

¹¹⁹ Official webpage of Mama Foundation: <http://www.wilcoproject.eu/wordpress/wp-content/uploads/Mama-Foundation.pdf>

¹²⁰ Pacut, A. (2020) *Drivers toward Social Entrepreneurs Engagement in Poland: An Institutional Approach*. Department of Management of Public Organisations, Cracow University of Economics, 31-510 Krakow, Poland



SLOVAKIA

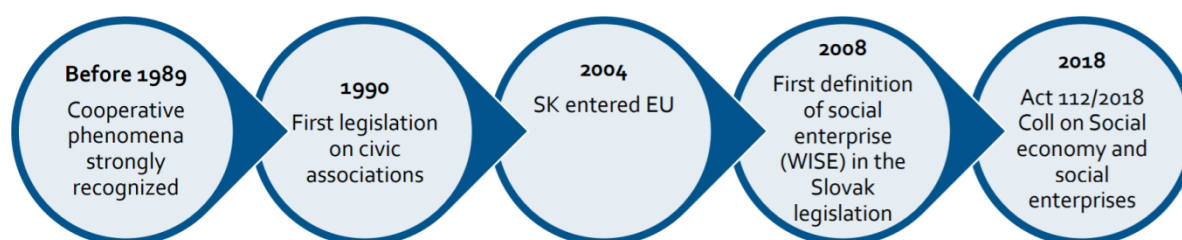
History and discourse

Social economy discourse in Slovakia has been limited to particular communities – mostly academic communities, grass-roots civil society, philanthropists and entrepreneurs. There is an exchange of ideas, practices and reflections of and about social economy, although it remains limited to theoretical level mostly due to the relative lack of active actors in this sector. The understanding and perception of social economy by the general public in Slovakia is negatively affected by pilot social enterprises created between the years 2008-2009 with governmental support. The results of the “testing” were a media scandal and accusation of inefficient use of allocated finances. The idea of a social enterprise was hugely discredited.¹²¹ Counting with several initiatives and different types of co-operatives, in Slovakia there is a lack of joint vision as a result of the limited, missing and insufficient discourse in the public sphere¹²².

Legislature

In Slovakia social enterprises were defined in legislation by the amendment of Act No. 5/2004, on employment services from 2008. However, since 2018 social entrepreneurship is regulated by a new law, Act no. 112/2018 Coll. on the social economy and social enterprises and on the amendment of certain laws as amended¹²³.

Figure 12: Development of legislative regulation of SE in Slovakia



Source: Poláčková, Z. (2019) *Social Entrepreneurship: A Placebo Or A Genuine Solution?*. Presentation of host country, practice by independent researcher, Available at: <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&newsId=9365&langId=en>

¹²¹ Strečanský, B. & Stoláriková, K. (2012). *Social Economy and Social Enterprises in Slovakia*. CIVIL SZEMLE. 2012/4. Available at: <https://www.researchgate.net/publication/297277851>

¹²² Strečanský, B. & Stoláriková, K. (2012). *Social Economy and Social Enterprises in Slovakia*. CIVIL SZEMLE. 2012/4

¹²³ Act no. 112/2018 Coll. on the social economy and social enterprises:

<https://www.noveaspi.sk/products/lawText/1/90081/1/2/zakon-c-112-2018-zz-o-socialnej-ekonomike-a-socialnych-podnikoch-a-o-zmene-a-doplneni-niektorych-zakonov>



This act means a radical change in understanding of a social enterprise which was previously only understood to be an instrument of support for employment where at least 30% of the workforce were disadvantaged job seekers. The Act no. 112/2018 Coll. on the social economy and social enterprises is characterised by five key principles:

1. engages in continuous, independent economic activity, in its own name and on its own responsibility,
2. primary objective is the achievement of measurably positive social effects,
3. achievement of such positive social effects is promoted by products or services that it produces, supplies, renders or distributes, or is promoted by their method of production or provision,
4. that, if
 - a. it earns profit, uses more than 50% of such profit (after tax) for achieving its primary objective according to point b),
 - b. it distributes some of its profit according to the Commercial Code, it distributes such profit in a manner that does not impede the achievement of its primary objective according to point b),
5. that involves concerned individuals in directing its economic activities¹²⁴.

SE actors in Slovakia

In the academic sphere: Department of Sociology at Comenius University in Bratislava or Center for Research and Development of Social Economy and Social Entrepreneurship at the Economic Faculty of University of Matej Bel in Banská Bystrica are two institutions that produce research of SE concept. Academia plays a crucial role in critical understanding of SE in Slovak societal and cultural context. Another important actor in capturing and disseminating learning and creating the ecosystem is civil society. The organisations (such as NeSST, UNDP, Integra Foundation or TriLobit association) work on developing soft skills, business planning and enterprising skills. Civil society act as participants in the field of social economy by selling mostly services¹²⁵.

“These include various non-profit organizations that run schools, social housing, day-care centers for children or people with special needs and otherwise disadvantaged, protected sheltered workshops, educational

¹²⁴ Act no. 112/2018 Coll. on the social economy and social enterprises:

<https://www.noveaspi.sk/products/lawText/1/90081/1/2/zakon-c-112-2018-zz-o-socialnej-ekonomike-a-socialnych-podnikoch-a-o-zmene-a-doplneni-niektorych-zakonov>

¹²⁵ Strečanský, B. & Stoláriková, K. (2012). *Social Economy and Social Enterprises in Slovakia*. CIVIL SZEMLE. 2012/4



organizations in the non-formal education or cultural associations. They are strongly mission-driven and do not identify themselves as social entrepreneurs, although in the last period this name became more popular".¹²⁶

Some examples of social enterprises and social start-ups in Slovakia are:

- **Notabene**¹²⁷: magazine helping the homeless people to earn their living.
- **Radnička**¹²⁸: café in centre of Bratislava, employing people with Down syndrome.
- **Purejunk**¹²⁹: waste turned to functional furniture by professional designers.
- **Wasco**¹³⁰: a washhouse employing disadvantaged people (Roma, unemployed, etc.)
- **Nosene**¹³¹: modern second-hand that is remaking the clothes into new pieces and supporting also single mothers and mothers in difficult life situations.

Slovakia has moved a step further in social economy with the Act no. 112/2018 Coll. on the social economy and social enterprise, although there is still a long road to go. The main challenges to overcome in the Slovak social economy ecosystem are raising the proper awareness of social entrepreneurship in its real meaning on all levels (as it has been negatively influenced by the events of 2008-2009 scandals). Creating a joint vision of sustainable support for social enterprises in Slovakia which are often underfinanced is needed. Most of the social enterprises in Slovakia are providing work opportunities for disadvantaged people, thus finance first and foremost to cover personnel costs accompanied with other operational and administrative costs is crucial¹³².

V4 SUMMARY ANALYSIS

Historically, all the V4 countries have a tradition of cooperatives, which makes a good basis for social economy development. Although all four

¹²⁶ Strečanský, B. & Stoláriková, K. (2012). *Social Economy and Social Enterprises in Slovakia*. p.90. CIVIL SZEMLE. 2012/4

¹²⁷ Official webpage of Notabene: <https://www.notabene.sk/>

¹²⁸ Official webpage of Inklúzia organisation: <http://www.inkluzia.sk/index.php?lang=sk&fontsize=12&menuid=64>

¹²⁹ Official webpage of Purejunk: <http://www.purejunk.sk/>

¹³⁰ Official webpage of Wasco: <http://wasco.sk/>

¹³¹ Official webpage of Nosene: <https://nosene.sk/>

¹³² Poláčková, Z. & Stefancic, M. (2016). *Social enterprises and their eco-systems: A European mapping report Updated country report: Slovakia*. Researchgate. Available at: https://www.researchgate.net/publication/334067902_Social_enterprises_and_their_eco-systems_A_European_mapping_report_Updated_country_report_Slovakia



countries are part of the European Union, supporting social entrepreneurship via various financial schemes, the ecosystem is still to be developed more in all the areas (policy, legal, regulatory and financial frameworks). For example, Poland and Slovakia have legislation for the social economy and social enterprises, but Czech Republic and Hungary have not yet legal regulation for social enterprises. As we see (Table 11.), most of the funding in V4 countries to the social economy comes from the EU funds. This is a progressive trend that is on the rise worldwide, including the countries of the European Union. In the EU, social entrepreneurship is mainly supported by the European Commission, the European Parliament and the European Economic and Social Committee. In most of the countries the respondents however, report the difficulty to obtain the funds even if they exist.

In particular, in 2018, the European Investment Fund (EIF) and all seven Erste Group member banks have signed a Social Entrepreneurship guarantee agreement. The program has been planned to finance social organisations in Czech Republic, Hungary and Slovakia (among other funded countries: Austria, Croatia, Romania and Serbia) under the EU Programme for Employment and Social Innovation (EaSI)¹³³ for the period of five years. This new financing agreement was made possible by the European Fund for Strategic Investments (EFSI), the core of the Investment Plan for Europe¹³⁴.

Out of the four countries of the Visegrad group, Poland has the most developed ecosystem of social economy. Historically, Poland also had a good background for the social economy. The country has got a well-developed public support, both in the framework of EU-funded and domestic programmes. Financial tools such as non-refundable grants for business start-ups, or repayable funds for already existing organisations are well-established. Additionally to financial support a variety of services in forms of mentoring, consultancy, training and simple awareness is being provided which helps the ecosystem to grow even more and faster. The help in both manners (financial and non-financials) is targeted to both individuals and organisations¹³⁵.

¹³³ EU Programme for Employment and Social Innovation (EaSI). Available at:

<https://ec.europa.eu/social/main.jsp?catId=1081>

¹³⁴ Investment Plan for Europe. Available at: https://ec.europa.eu/commission/strategy/priorities-2019-2024/jobs-growth-and-investment/investment-plan-europe_en

¹³⁵ Pacut, A. (2020) *Drivers toward Social Entrepreneurs Engagement in Poland: An Institutional Approach*. Department of Management of Public Organisations, Cracow University of Economics, 31-510 Krakow, Poland



Table 10 and Table 11 present a comparative overview of the policy, the legal and financial incentives and the regulatory frameworks for Social Enterprises (SEs) in Visegrad countries showing similarities and differences among them.

Policy, legal and regulatory frameworks for Social Enterprises in Visegrad countries (Table 10)

| | |
|-----------------------|--|
| Czech Republic | <p>Law on SE does not exist yet</p> <p>“Bottom-up” approach (social enterprises are based on voluntary initiatives of the citizens)</p> <p>The implementation of projects supported by the European Structural Funds</p> <p>The Human Resources and Employment Operational Programme of the European Social is crucial for development of SE</p> <p>The concept is connected predominantly with the employment of people with disabilities</p> |
| Hungary | <p>Social initiatives in Hungary are mostly non-profits</p> <p>Integration of people offering them employment to the most vulnerable groups</p> <p>Regulations in Hungary are still too confusing and bureaucratic</p> <p>The atmosphere and discourse around nonprofits or social enterprises is rather negatively framed by Hungarian government</p> <p>Social enterprise is not clearly defined by the legislation</p> |
| Poland | <p>Legislation was adopted as well (e.g., the Social Cooperatives Act)</p> <p>Public funding allocated and public policy for social enterprise solutions made</p> <p>New organisations were created combining social with business objectives (e.g., social cooperatives, non-profit companies)</p> <p>Lack of appropriate legal forms and last but not least poor understanding of the concept of social entrepreneurship</p> |
| Slovakia | <p>Since 2018 social entrepreneurship is regulated by a new law, Act no. 112/2018 Coll. on the social economy and social enterprises</p> <p>A lack of joint vision</p> <p>A limited, missing and insufficient discourse in the public sphere</p> <p>Focus on integration of disadvantaged job seekers</p> <p>Limited to theoretical level mostly due to relative lack of active actors in this sector</p> |

Financial incentives and support mechanisms for social enterprises in Visegrad countries (Table 11).

| | |
|-----------------------|---|
| Czech Republic | <p>Mainly obtaining subsidies from EU funds</p> <p>Low availability of investment</p> <p>Operational loans from financial institutions/banks is a major obstacle to the stabilisation</p> <p>(Social) Cooperatives have history and tradition</p> |
|-----------------------|---|



| | |
|-----------------|---|
| | Majority of enterprises finance their operations from their own revenues ¹³⁶ |
| Hungary | <p>Subsidies from EU funds and other foreign funds</p> <p>“NESsT” is important player of SE development in Hungary, Norwegian Civic Fund and the Swiss Fund</p> <p>No government agency is responsible for the social economy</p> <p>Social cooperative is the well-known form supported by state</p> <p>In 2011 the Hungary’s government accepted the Hungarian Employment Plan that involved the recognition of the social economy by the government</p> <p>National Employment Public Foundation (OFA)- established by the Ministry of Labour (currently National Employment Foundation)¹³⁷</p> |
| Poland | <p>Subsidies from EU funds and other foreign funds (although difficult access to external sources of funding)</p> <p>Significant public funding allocated to this purpose and public policy</p> <p>Social economy development programmes have been created at national, regional, and local levels</p> <p>Relevant legislation was adopted (e.g., the Social Cooperatives Act)</p> <p>Financial tools (available in the form of non-refundable grants business start-ups, or repayable funds for the development of existing organisations)</p> <p>Variety of services (consultancy, training, information)¹³⁸</p> |
| Slovakia | <p>Mainly obtaining subsidies from EU funds</p> <p>(Social) cooperatives have history and tradition</p> <p>Social entrepreneurs coordinated by the Ministry of Employment, Family and Social Affairs of The Slovak Republic</p> <p>A lack of funding opportunities as specific grants and opportunities to finance social entrepreneurship</p> <p>Can receive funding thanks to e.g. bank loans (e.g.: “social bank concept” by Slovenská Sporiteľňa (Erste group)</p> <p>Small steps taken within national programmes of structural funds – namely Operational Programme Human Resources</p> <p>Limited opportunities for training of social entrepreneurs¹³⁹</p> |

¹³⁶ Study of the Infrastructure of the Social Economy in the Czech Republic: https://www.ess-europe.eu/sites/default/files/publications/files/study_social_enterprise_tessea_en.pdf

¹³⁷ Buchko, T. (2016). *Social Entrepreneurship and Its Implications for Hungary*. Periodica Polytechnica Social and Management Sciences, 26(1), pp. 38-48, 2018, <https://doi.org/10.3311/PPso.9376>. Creative Commons Attribution

¹³⁸ Pacut, A. (2020) *Drivers toward Social Entrepreneurs Engagement in Poland: An Institutional Approach*. Department of Management of Public Organisations, Cracow University of Economics, 31-510 Krakow, Poland

¹³⁹ Social entrepreneurship in Slovakia: <https://www.interreg-central.eu/Content.Node/CE-Responsible/Social-entrepreneurship-in-Slovakia.html>



5.2. SOCIAL ECONOMY DEVELOPMENTS IN WB6

In all Western Balkans countries, the civil society sector has been the driving force for the development of the SE sector by projects supported by foreign donor funding. The existing social enterprises (SEs) are most frequently incorporated as a) civil society organisations (CSOs), mostly associations or foundations; b) cooperatives, c) Limited Liability Company (LLC) or Shareholder Company and d) companies for employment of the people with disabilities including sheltered companies. Except in Serbia, where the majority of SEs are in a form of cooperative (65,64%), in other countries the associations lead the way, initiating economic activities within the existing non-profit organization, mostly funded by the national and/or international donors to sustain financial sustainability of the organizations.¹⁴⁰

SEs in the Western Balkans aim to help a diverse range of people, with a particular focus on disadvantaged, vulnerable, marginalized, or excluded social groups, including: ethnic minority groups (e.g. Roma), long-term unemployed, people with disabilities, refugees, the elderly, victims of domestic violence, women, women entrepreneurs, children and young people.¹⁴¹

SEs in the Western Balkans cover a broad range of sectors, products/services, and activities, including: agriculture (e.g. processing, packaging, organic food production, herbs), arts and crafts (e.g. production, promotion, protection of traditions), catering, cleaning, clothing/textiles, education and training, energy (e.g. alternative, renewable), employment and work integration, environmental sustainability, conservation, finance (e.g. ethical, alternative, inclusive banking), health, healthcare, health promotion, recycling, waste treatment and management, sports and recreation, social services,

¹⁴⁰ Ilijevski K.& Iloska,A. (2018). *Social Enterprises And Their Ecosystems In Europe Country Fiche Former Yugoslav Republic Of Macedonia*

https://www.researchgate.net/publication/329935660_SOCIAL_ENTERPRISES_AND_THEIR_ECOSYSTEMS_IN_EUROPE_Country_fiche_FORMER_YUGOSLAV_REPUBLIC_OF_MACEDONIA

¹⁴¹ Phillips, J. et al (2016). *Social Entrepreneurship In The Western Balkans: State of Play*. PlusValue Collective, Temperance 110. Hampstead Road, London. Available at: http://www.pvtest.org/wp-content/uploads/2017/02/se-in-w-balkans_state-of-play.pdf



protection, inclusion, tourism (e.g. accommodation, food services, ecotourism), cultural heritage.¹⁴²

The mapping studies within the six countries of the Western Balkan region revealed significant differences in the size of the sector within the region. Though none of the countries have systemic data collection of the size of the sector, some countries do have estimations as a starting point based on different research, mapping studies, questionnaires answers or experts' estimations. The estimation number of SEs varies from a low number of 30 in Montenegro, Kosovo and 50 in Bosnia and Herzegovina, in Albania 319 (including cooperatives), to a high number of around 3000 in Serbia (including cooperatives).¹⁴³

In practice, social enterprises do not receive the needed public recognition, do not enjoy tax benefits, and are struggling with administrative burden and inconsistent implementation of regulations. WB countries already have some support infrastructures in place in the form of intermediary organizations, incubators, accelerators, training centres, mentoring and coaching programs coupled with funding, as well as various networks advocating for the interest of social economy actors. Most of the societies face two major obstacles for further development of SE – a lack of human capacities on the side of both representatives of relevant institutions in understanding the concept and of social entrepreneurs in making their initiatives more sustainable if not self-sustainable.¹⁴⁴ Yet, despite the lack of institutional understanding and unfavourable legislative, economic and institutional framework, there are examples of successful social enterprises changing the perception towards the sector, and producing a greater social impact.

COUNTRY REPORTS WB6

ALBANIA

History and discourse

¹⁴² Regional Cooperation Council Secretariat. (2015). *Strategic Study on Social Economy Development in the Context of the South East Europe 2020 Strategy*, Belgrade. Available at: http://arhiva.emins.org/uploads/useruploads/knjige/RCC_Study-on-SE-in-SEE-Region_-2015-web.pdf

¹⁴³ Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR). *Social Economy in Eastern Neighbourhood and in the Western Balkans Synthesis report* March 2018. Available at: https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en

¹⁴⁴ Babović, M. et al. (2015) *Strategic Study on Social Economy Development in the Context of the South East Europe 2020 Strategy*. Belgrade: European Movement in Serbia, 197 pages. Available at: http://cepsmn.org/files/STRATEGIC_STUDY_ON_SOCIAL_ECONOMY_DEVELOPMENT.pdf



The concept of social enterprise is still unclear and far from being fully acknowledged in Albania. Based on the EU operational definition, Albanian social enterprises exist in various legal forms: associations, centres and foundations (i.e., those carrying out economic activity); agricultural cooperatives; and Limited Liability Companies.

Legislature and institutional framework

In 2016, Parliament passed the Law No.65/2016 "On Social Enterprises in Albania", which recognizes the non-profit organisation (NPO) as a legal form of social enterprise yet excludes other existing typologies. Based on the law, NPOs can apply for the status to the Ministry of Health and Social Protection. If they comply with the set of criteria, NPOs will be eligible to obtain the status. The legal framework is contested by the social enterprises and other stakeholders because of its ambiguity and restricted criteria. The challenge for the future lies in taking a broader view of the legal framework, fiscal incentives and financial support for all social enterprises types that operate in the Albanian ecosystem.¹⁴⁵

The social enterprise sector in Albania enjoys only partial institutional support, an incomplete legal framework, and lack of a proper understanding on the importance of social enterprise by the key institutional stakeholders. Furthermore, as in many other Western Balkan countries, it is marked by dependence on grant funding for start-ups, zero public funding, limited tax relief and a lack of an agreed and properly defined agenda to develop the social economy among the key stakeholders (relevant ministries at all levels, CSOs, cooperatives).

The two main support organizations providing capacity building, expertise and financial support in Albania are Partners Albania and YUNUS Social Business. Partners Albania provides grants for social enterprises either for profit organizations or non-profit entities. The grants vary from EUR 3000-150,000. The length of support can range from 9 months to 2 years. Partners Albania functions as an intermediary organization, which manages sub granting schemes of EU, or other donors. The EU delegation in Albania is the only donor that is investing specifically in social entrepreneurship

¹⁴⁵ European Commission (2020a). Social enterprises and their ecosystems in Europe. Country fiche ALBANIA Ariola Agolli Eriola Haska Juliana Hoxha. Available at: Social enterprises and their ecosystems in Europe. Country fiche: Albania



development. Recently, RYCO has launched a fund for WB6 Lab, which will enhance the capacities of a local structure supporting SEs. Other mechanisms address different legal forms such as IPARD is an important support mechanism for Albanian agricultural cooperatives, municipality of Tirana, AIDA, UNDP support start-ups. The EU's Instrument for Pre-Accession Assistance in Rural Development (IPARD) is an important support mechanism for Albanian agricultural cooperatives. The Albanian Investment Development Agency (AIDA) is a public agency that aims to support SMEs through several funding programmes, including the Competitiveness Fund, Creative Economy Fund, and Enterprise Support Fund for Start-up Initiatives and the Innovation Fund.¹⁴⁶

SE actors in Albania

Estimates show that social enterprises registered as NPOs (associations, centres and foundations) represent the most numerous group in absolute terms (around 319).¹⁴⁷ The estimated number of other legal forms is significantly lower. Social enterprises registered as NPOs mainly operate within social services, vocational training and youth career counselling. Cooperatives operate within agriculture. Limited Liability companies engage in a diverse range of activities commonly associated with the delivery of innovative and eco-friendly products and/or services. In terms of the legal framework, only six NPOs have received the status of social enterprise.

Recent studies have evidenced that the main challenges of social enterprises despite their legal forms such as non-profit organizations, cooperatives, or businesses are access to funds, available financial schemes, lack networking and have difficulties in the market penetration. Since most of the social enterprises are in the entry or growth stage of their lifecycle, they lack the capacity to absorb these funds. The most widespread legal form that conveys social entrepreneurship features is the non-profit organization. These organizations tend to identify the goods and services offered based on their internal capacities rather than market needs. This characteristic derives from the lack of capacities these organizations have in business plan development, market research, networking, and marketing strategy design. The support should be addressed in these directions: access to funds accompanied with mentoring for at least 2-3 years, know-how, networking opportunities, access to markets and alternative forms of funding such as soft loans, business angels, and social impact.

¹⁴⁶ Primary research: online questionnaire with Stakeholders from Albania May-July 2020.

¹⁴⁷ Babović, M. et al. (2015) *Strategic Study on Social Economy Development in the Context of the South East Europe 2020 Strategy*. Belgrade: European Movement in Serbia, 197 pages. Available at: http://cepsmn.org/files/STRATEGIC_STUDY_ON_SOCIAL_ECONOMY_DEVELOPMENT.pdf



Good practices of social enterprises: YAPS¹⁴⁸, Te Xhoni café¹⁴⁹, Design by Pana¹⁵⁰, New York Tirana Bagels¹⁵¹, MamiCare¹⁵², Arka¹⁵³

BOSNIA AND HERZEGOVINA (BiH)

History and discourse

The social economy sector in BiH is also in the early stages of development. BiH has a uniquely complicated governance structure and the generally uni-ethnic focus of its political parties and regional institutions makes the building of a transparent picture on the state of the social enterprise sector almost impossible. There is no accepted definition of social enterprise in Bosnia & Herzegovina, and the definition of ‘social’ enterprise is associated with welfare, while ‘societal’ enterprise is associated with a broader set of cultural and ecological values.¹⁵⁴

Legislature and institutional framework

There is also no specific legal form for social enterprises, yet organisations can have a legal form as traditional/mainstream enterprises. In BiH, social economy and social entrepreneurship have been developing within the institutional and legal framework for CSOs, foundations and cooperatives, yet a legal status for cooperatives also exists.¹⁵⁵ The social entrepreneurship discourse in BiH is characterised by several diverse distinct tendencies such as: primary focus on social integration and employment of vulnerable groups; economic activities of CSOs to ensure financial sustainability; and wider understanding of SE from the aspect of a good economy.¹⁵⁶ This diverse spectrum adopted by support organisations has also influenced the development of different forms of social enterprises in the country in terms of their nature and focus of work. The SEs in Bosnia and Herzegovina usually operate under several legal forms: a) civil society organisations (CSOs), mostly associations; b) cooperatives, c) limited liability company or shareholder

¹⁴⁸ Official webpage of YAPS: <http://www.yaps.al/yaps/?lang=en>

¹⁴⁹ Official webpage of Te Xhoni café: <https://www.facebook.com/Bar-CafeTe-Xhoni-281388575869908/>

¹⁵⁰ Official webpage of Design by Pana: <https://designbypana.com/>

¹⁵¹ Official webpage of New York Tirana Bagels: <http://newyorktiranabagels.com/>

¹⁵² Official webpage of MamiCare: <https://www.facebook.com/MamiCareAlbania/>

¹⁵³ Official webpage of Arka: <https://arkayouthcenter.com/en/>

¹⁵⁴ Social Economy in Eastern Neighbourhood and in the Western Balkans Country report – Bosnia and Herzegovina - January 2018. Available at: https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en

¹⁵⁵ YADA Foundation (2017). *Self-Financing and Social Enterprise among Civil Society Organizations in Bosnia and Herzegovina*. Available at: <http://yada.org.tr/wp-content/uploads/2020/03/9-Bat%C4%B1-Balkan-%C3%BClkeleri-ve-T%C3%BCrkiye%E2%80%99de-STK%E2%80%99lar-Aras%C4%B1nda-Sosyal-Giri%C5%9Fimcilik-ve-Kendini-Finanse-Etme.pdf>

¹⁵⁶ Social Economy in Eastern Neighbourhood and in the Western Balkans Country report – Bosnia and Herzegovina - January 2018. Available at: https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en



company and d) companies for employment of people with disabilities including sheltered companies.

SE actors in BiH

Existing social enterprises in Bosnia and Herzegovina are engaged in multiple sectors, from graphic design to agriculture, education, healthcare, citizens rights (safety & voting, etc.), access to proper nutrition and quality food supply chain to the rural farmers, information technology to the delivery of services to marginalised groups, preservation of traditional crafts, and manufacturing. Especially in the rural areas agriculture is seen as a suitable sector for social integration of vulnerable groups and is explored by many SE initiatives. The available data from the Cooperative Association of BiH indicates there are around 850 cooperatives – 367 in the Republika Srpska (RS) and 237 in the Federation of BiH¹⁵⁷ and around 20 social enterprises.

Almost all of the identified SEs launched by CSOs utilised grant funding from a range of foreign donor funded programmes with different focuses such as the Youth Employment Project (funded by the Swiss Embassy), the EU-funded Smart Start whose focus is on financial sustainability of CSOs, Care International Balkans through the EU-funded project “Inclusive economic growth and creation of employment in Eastern Bosnia – Birac region” etc.¹⁵⁸ Social enterprises have also used grant support available for CSOs within the Instrument for Pre-Accession (IPA), the European Instrument for Democracy and Human Rights (EIDHR), as well as funding from other donors such as USAID, UNDP, Soros Foundation Yunus Foundation, E7 SME programs and many foreign programs for small business grants and loans, EBRD, EFSF, WoD Bank-IFC, etc. Related to public funding, the companies for employment of PwD are using the financial benefits provided by the Fund for rehabilitation, training and employment of PwD in FBiH. Other supporters are Human Foundation, Fundacija 787, Hastor Foundation, International Burch University, Networks, YEP/GOPA partnership with Swiss government.

The main challenges for SE development in BiH are the insufficient knowledge of the concept and the possibilities that open through social economy, non-existence of the adequate institutional framework, sporadic programs and initiatives for employment through social entrepreneurship,

¹⁵⁷ Social Economy in Eastern Neighbourhood and in the Western Balkans Country report – Bosnia and Herzegovina - January 2018. Available at: https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en

¹⁵⁸ Assessment Report on Social Entrepreneurship in Bosnia and Herzegovina <https://www.ess-europe.eu/sites/default/files/publications/files/assessment-report-on-social-entrepreneurship-2.pdf>



lack of the initial capital, financial sustainability, needed knowledge and skills.¹⁵⁹

Good practices of social enterprises: Mozaik foundation¹⁶⁰, Uspon¹⁶¹, Super zena¹⁶², EkoDizajn¹⁶³, Nesto vise¹⁶⁴, Funky Guerrilla¹⁶⁵

KOSOVO

History and discourse

Kosovo is a young country, with a young population, a young economy and serious socio-economic problems stemming from very high poverty and very limited social inclusion of vulnerable groups. Social entrepreneurship is a relatively new and underdeveloped concept within Kosovo. In Kosovo, the issue related to social inclusion and provision of social services for the benefit of society, mainly related to the activities of Non-Governmental Organizations (NGOs). Kosovo has about 4882 registered NGOs, but only 500 are active.¹⁶⁶ Some of these NGOs are involved in social and economic activities in support of employment and social services provision. Nevertheless, SEs are emerging mostly within the civil society sector and indicate untapped potential to boost an entrepreneurial and innovative spirit and self-sustainable solutions for community development.

Despite their existence, social enterprises remain relatively unknown and their focus has been mainly to provide services for the community. The CSOs engaged in social entrepreneurship activities tend to serve the needs of ethnic and other minority groups including, persons with disabilities (PwDs), women, and those generally excluded from labour markets. For example, the NGO "Kosovo Women's Network" was involved in the implementation of various economic activities for the employment of women or organizations supporting the social sector. Another example comes from the "Hendikos" which provides services and employment for people with disabilities, and in particular provides social services for children with disabilities.¹⁶⁷ The SE

¹⁵⁹ Assessment Report on Social Entrepreneurship in Bosnia and Herzegovina <https://www.ess-europe.eu/sites/default/files/publications/files/assessment-report-on-social-entrepreneurship-2.pdf>

¹⁶⁰ Official webpage of Mozaik: <https://mozaik.ba/>

¹⁶¹ Official webpage of Supon: <https://www.facebook.com/socijalnopreduzece/>

¹⁶² Official webpage of Super zena: <http://superzena.ba/>

¹⁶³ Official webpage of Ekodizajn: <https://nestovise.org/nase-socijalno-preduzecce-ekodizajn/>

¹⁶⁴ Official webpage of Nesto Vise: <http://nestovise.org/>

¹⁶⁵ Official webpage of Funky Guerilla: <https://www.fashyas.com/BA/Bosanska-Gradiska/1391350384437550/Funky-Guerrilla>

¹⁶⁶ Gogiqi, F, Sela, N.& Aliu, H.. Social Enterprises In A Good Opportunity To Kosovo's Economic Development. Available at: https://www.academia.edu/30879720/SOCIAL_ENTERPRISES_IN_A_GOOD_OPPORTUNITY_TO_KOSOVOS_ECONOMIC_DEVELOPMENT_docx

¹⁶⁷ Gogiqi, F, Sela, N.& Aliu, H.. Social Enterprises In A Good Opportunity To Kosovo's Economic Development. Available at:



sector offers a powerful channel for the empowerment of women as the largest of the vulnerable groups, and the most disenfranchised in terms of access to work, ownership of property, and access to social services.

Legislature and institutional framework

The social enterprise movement was already recognised by the government of Kosovo in 2011, and has resulted in the current draft legislation on social enterprise. In 2016, the Ministry of Labour and Social Welfare in Kosovo proposed draft legislation in which social enterprise is described as: “A legal person irrespective of the manner of its establishment, which contains social objectives in its charter, conducts economic activities, carries out production of goods and services in the general interest of society and integrates people from vulnerable working groups.”¹⁶⁸

The existing legislation on Social Enterprises is somewhat enabling for social entrepreneurship permitting Civil Society Organisations (CSOs) to earn income from the provision of services or the trading/sale of goods and to tender for government service and supply contracts, albeit with unclear taxation rules. The institution responsible for the registration of NGOs is the Ministry of Public Administration, Department for registration and liaison with NGOs. Law No.03/L-134 on Freedom of Association and Organization predicts that nonprofit organizations can develop an economic activity within the purposes related to the activities of the organization. NGOs that conduct economic activities within the rules provided in this law take “public benefit status”. Any profit made must be made from delivery of services reflecting their core mission, and must have a reasonable amount. The cooperative movement is weak, and the legal framework is limited to farmers’ cooperatives, thus omitting recognition and the allowing of social cooperatives and other types of mutual.

SE actors in Kosovo

Most of the social enterprises operating in Kosovo are registered as NGOs, with social enterprise programs set up on the side to assist with financial self-sufficiency. These NGOs nevertheless remain dependent on grants or donations for most of their income. As a result, social enterprise is approached with a charity mind-set, rather than in a commercial spirit. Existing social enterprises find the current legal definition of social (in the draft legislation) extremely narrow and restrictive, thus limiting their

https://www.academia.edu/30879720/SOCIAL_ENTERPRISES_IN_A_GOOD_OPPORTUNITY_TO_KOSOVOS_ECONOMIC_DEVELOPMENT_docx

¹⁶⁸ Article 65 (1) of the Constitution of the Republic of Kosovo - Draft Law on Social Enterprises



creativity for using business to help address Kosovo's social and environmental challenges.¹⁶⁹ The SEs that do operate are small, have been created with donor funding, and are dependent on grants, which means that their missions and operations are mostly financially unsustainable without continued grant funding.

Only a small number (4%) of organizations had a clear business mindset and currently operate within the labour market as registered businesses. According to the NESsT report¹⁷⁰ estimates of the number of active SE actors ranges from 30-100, the majority of which are in the early stage of development with sustainability not yet on their agenda. Like their regional counterparts, Kosovar SEs are likely to employ fewer than 10 people and are in line with micro enterprises.¹⁷¹

All SEs need access to technical skills for strategic development, lack of business skills, lack of commercial capacity and production equipment, need for market orientation and branding.

Good practices of social enterprises: Shoqata e Grave Fermere¹⁷², Down Syndrome Kosovo¹⁷³, Sa-Punë¹⁷⁴, Open door¹⁷⁵

NORTH MACEDONIA

History and discourse

The concept of “social enterprise” in North Macedonia was introduced by the third sector to refer to the work integration SEs which emerged from associations providing work engagement for disadvantaged people (mostly for Roma and persons living with addictions) and associations working on deinstitutionalization of persons with disabilities or providing daycare services for the same target group¹⁷⁶ The existing legislation in the Republic of North Macedonia does not recognize and does not regulate social

¹⁶⁹ Kartalozzi, I. & Xhemajli, V. (2017) http://www.ngolens.org/wp-content/uploads/2018/01/Research-on-Social-Enterprises_Kosovo.pdf

¹⁷⁰ Varga, E. (2017) *Social Enterprise Ecosystems in Croatia and the Western Balkans: A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia*, NESsT, 2017 Available at: <http://connecting-youth.org/publications/publikim19.pdf>

¹⁷¹ Social Economy in Eastern Neighbourhood and in the Western Balkans Country report – Kosovo Herzegovina - January 2017 https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en

¹⁷² Official webpage of Shoqata e Grave Fermere: <https://shgpk-ks.org/>

¹⁷³ Official webpage of Down Syndrome Kosovo: <http://www.downsyndromekosova.org/>

¹⁷⁴ Official webpage of Sa-Punë: <https://www.facebook.com/sapuneKS/>

¹⁷⁵ Official webpage of Open Door: <https://www.facebook.com/NGO-Open-Door-1559803340806930/>

¹⁷⁶ Ilijevski K.& Iloska,A. (2018). *Social Enterprises and Their Ecosystems In Europe Country Fiche Former Yugoslav Republic Of Macedonia*. Available at:

https://www.researchgate.net/publication/329935660_SOCIAL_ENTERPRISES_AND_THEIR_ECOSYSTEMS_IN_EUR_OPE_Country_fiche_FORMER_YUGOSLAV_REPUBLIC_OF_MACEDONIA



enterprises and social entrepreneurship because there is still no common understanding of the concepts.

Legislature and institutional framework

In official government strategies, however, the concept of social enterprise has been introduced for the first time in broader strategies for cooperation with the civil society sector (2012-2017), which provides for a more general measure for the development of a broader concept: social economy. The measure envisions activities that explicitly target CSOs with economic activities while omitting other models that form the spectrum of social enterprises. The same vision is presented within the current National Strategy for SEs development (2018-2020), in which social enterprises are seen only as a mechanism for ensuring financial sustainability for the civil society sector.¹⁷⁷

As a result of the increased donor attention and availability of financial support for the development of social enterprises, the number of initiatives is increasing. The prevailing financial support is provided under IPA programmes, USAID and the Swiss development agency.¹⁷⁸ While the majority of funding is focused on short-term capacity-building programmes, there is no continuity in providing, for example, ongoing mentoring support and funding for social enterprises in the early stages of development. Stakeholders recognise the role of Government and local authorities in the development of an enabling ecosystem for social enterprises, but are also aware that this support is a missing link, mostly due to the low awareness of the concept on the part of those public actors. As a result, there is a lack of adequate measures aimed at social enterprises at different stages of development.

Despite the absence of specific legal forms for social enterprises, some of the existing legal acts allow the establishment and functioning of entities that can be recognized as social enterprises, such as civil society organizations and foundations, cooperatives, sheltered workspaces, crafts organizations, cooperatives and the informal waste collection sector has the potential to be transformed through social entrepreneurship. The conducted research shows that SEs exist and operate within the current legal framework. SEs are established as legal bodies under the current laws (Law on Associations and

¹⁷⁷ Public-Citizens Association for Research, Communications and Development 2019. Capacity Analysis of Social Enterprises in Northern Macedonia: Policy Study Capacity Analysis of Social Enterprises in Northern Macedonia: Policy Study. Available at: https://public.org.mk/wp-content/uploads/2019/05/Analiza_na_socijalni_pretprijatija.pdf

¹⁷⁸ Ilijevski K.& Iloska,A. (2018). *Social Enterprises and Their Ecosystems In Europe Country Fiche Former Yugoslav Republic Of Macedonia*. Available at: https://www.researchgate.net/publication/329935660_SOCIAL_ENTERPRISES_AND_THEIR_ECOSYSTEMS_IN_EUROPE_Country_fiche_FORMER_YUGOSLAV_REPUBLIC_OF_MACEDONIA



Foundations, Law on cooperatives and the Law on Employment of Persons with Disabilities).

SE actors in North Macedonia

The existing social enterprises in the country are small entities, with a small number of employees, ranging from 1 to 5 people. The social enterprises in the country that were interviewed are mainly dependent on foreign donor assistance and its own funding. There is a lack of adequate support from the government, public institutions, and local self-government. Only a small number of SEs used active employment measures, for practical work, subsidized employment, and support for self-employment, opening job opportunities for all, a measure for the employment of persons with disabilities.

During 2018/2019, the Government of the Republic of North Macedonia worked on reforms in the system of public procurement and social protection, which provide an incentive legal framework for the development of social enterprises. The new Law on Public Procurement promotes the concept of social procurement, which allows the contracting authority to reserve the right to participate in a public procurement procedure of economic operators, whose main goal is the social and professional integration of persons with disabilities or persons from socially vulnerable groups, who reinvest the profits for that purpose, in accordance with the law.¹⁷⁹

A favourable trend is the new Act on Social Protection, which introduces the possibility for social agreements that will be reserved for existing social enterprises. Social Enterprises Network (SEN) was established (including 20 SEs and 25 supporters from CSO's and business sector) as a platform for communication and cooperation between different social enterprises, promotes the public image of the sector, provides cooperation and multisectoral partnerships with other essential factors at national and regional level and at EU level. Other acceleration programs are Ceed Hub Skopje and Seed funding Business Hub Skopje.

Social entrepreneurship in remains in its nascent stages without the country's recognition and support (institutional, legal or financial) despite being named as one of the priorities of the Government and disregarding the rapid

¹⁷⁹ Public-Citizens Association for Research, Communications and Development. 2019. Capacity Analysis of Social Enterprises in Northern Macedonia: Policy Study Capacity Analysis of Social Enterprises in Northern Macedonia: Policy Study. Available at: https://public.org.mk/wp-content/uploads/2019/05/Analiza_na_socijalni_pretprijetija.pdf



growth of social entrepreneurship practices (social enterprises) and their needs and challenges.

The research conducted for this study confirms that existing social enterprises face many challenges, starting with the process to register, to ensure financial sustainability, the absence of human capital and facilities that will make them competitive in the open market, the absence of political recognition, innovative financial instruments, and support mechanisms in line with the development phase in which they are located.

Good practices of social enterprises: Pokrov¹⁸⁰, ARNO¹⁸¹, Mama Organa¹⁸², Nega Plus¹⁸³, Kopce¹⁸⁴, Lice v Lice¹⁸⁵, Dobra zemja¹⁸⁶, HOPS¹⁸⁷, Umbrella¹⁸⁸

MONTENEGRO

History and discourse

According to the last EU assessment progress, Montenegro has the highest level of preparedness for membership among the negotiating states. The country has experienced relatively stable economic growth nevertheless accompanied with challenges in the form of social inclusion, unemployment (particularly among vulnerable groups) and poverty.

The concept of social economy, as currently addressed by the policies, is largely seen as a tool for labour market inclusion of vulnerable groups. While individual SE examples have demonstrated the significant potential beyond labour market inclusion, the lack of a legal definition and positive legislation on social economy demonstrates a failure to properly recognise its potential and does not support the growth of SE as a way of driving the broader sustainable development agenda.

In such a context, the Montenegrin social enterprise (SE) sector itself is relatively small even for a country with a limited population. It is a nascent sector with an estimated 100 SEs operating in the country and as in most of the Western Balkan countries, most of the identified social enterprises are registered as NGOs. The identified social enterprises are in their early stages

¹⁸⁰ Official webpage of Pokrov: <http://socialinnovators.eu/pokrov/>

¹⁸¹ Official webpage of Arno: <https://www.arno.org.mk/>

¹⁸² Official webpage of Mama Organa: <https://ceedhub.mk/social-entrepreneurship/mama-organa/>

¹⁸³ Official webpage of Nega Plus: <https://www.facebook.com/negaplus/>

¹⁸⁴ Official webpage of Kopce: <https://crvenkrst-centar.org.mk/en/category/kopche-en/>

¹⁸⁵ Official webpage of Lice v Lice: <https://licevlice.mk/>

¹⁸⁶ Official webpage of Dobra Zemja: <https://dobrazemja.org.mk/>

¹⁸⁷ Official webpage of Hops: <https://hops.org.mk/>

¹⁸⁸ Official webpage of Umbrella: <https://www.facebook.com/umbrella.mk/>



of development, either developing or validating their business models. However, individual SEs showcase the potential to impact upon social inclusion and sustainable development, especially in local communities.

Legislature and institutional framework

Social entrepreneurship is a relatively new model and is not properly recognised by the law. The legislative environment is not supportive for the development of the SEs. After the formation of the working group for drafting the Law on social entrepreneurship and the Entrepreneurship strategy in 2012, Montenegro tried to make progress with the regulation of this area. In 2013, an attempt to create a general normative framework for social entrepreneurship in Montenegro failed. However, this idea has found its place in the Strategy for the Development of Non-Governmental Organizations in Montenegro 2014-2016. The closest legal framework for social enterprises in Montenegro is in the Law on Non-Governmental Organizations.¹⁸⁹ The Law on NGOs establishes strict limitations to the economic activities with unclear fiscal and taxation rules; which does not enable the growth of the entrepreneurial activity crucial for SEs survival in the open market. Cooperatives do not constitute a prominent part of the SE spectrum.

SE actors in Montenegro

Although the SE sector is in its infancy and does not enjoy sufficient governmental and institutional support, progress is being made in building out the infrastructure necessary to support it. CSO actors such as FAKT, CRNVO, the Local Democracy Agency Niksic and the business incubator BSC Bar have created a positive environment for the development of SEs, providing skills development and other key services. There is no existing SE network in the country and the Montenegrin SEs do not participate in regional or EU SE networks which limits their opportunities for peer-learning and joint advocacy.¹⁹⁰

All social enterprises have been founded with and continue to rely on donor funding. There are no support mechanisms specifically designed to support SEs and those that do access funds do so by accessing support aimed at promoting active employment measures for vulnerable groups and the civil society. Given the relatively small size of the sector, it is of little surprise that there is a lack of the prerequisite skills necessary to develop social enterprises.

¹⁸⁹ Veljanov Z. (2018). SOCIJALNO PREDUZETNIŠTVO U CRNOJ GORI - NOVA RJEŠENJA ZA BOLJI REZULTAT. Available at: <http://www.crpm.org.mk/wp-content/uploads/2018/09/Socijalni-pretprijetija-MNE2.pdf>

¹⁹⁰ Social Economy in Eastern Neighbourhood and in the Western Balkans Country report. Montenegro, Available at: https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en



Among these, business & financial management skills are particularly lacking and going forward will hinder sector development.

Although Montenegro has made progress in stimulating the growth of social enterprises, there are still many legal and practical obstacles that need to be overcome. There is a lot of space for improvement in the legislative framework, but there are also many success stories and experiences that can serve as a starting point for the development of social economy development policies.

Good practices of social enterprises: Caritas Bar¹⁹¹, Nova sansa u Novom¹⁹², Happy Paws¹⁹³, Association of Old Crafts, Skills Nit

SERBIA

History and discourse

As Serbia moves inextricably towards EU accession, it has had to deal with significant economic and social structural challenges. Notwithstanding, social economy and social entrepreneurship does very much exist, predominantly in the form of organised cooperatives, associations and enterprises employing people with disabilities. The concept of “social economy” is not recognized in an adequate manner within the legal system in Serbia, although the importance of the concept and its positive effects have been recognized in the civil sector and among the expert public.¹⁹⁴ However, several laws contain provisions that may be the basis for and support to the development of social entrepreneurship (they govern a possible field of action of social enterprises, the way of constitution and operation, as well as the method of taxation).¹⁹⁵ Positive trends such as the introduction of social cooperatives in the law on cooperatives are to be noted.

The sources of funding of social enterprises in Serbia can be classified into two groups: the first group includes the funds that support social entrepreneurship which can be directly used to finance the establishment and operation of social enterprises, because they recognize the need for alternative activities in the field of social protection, what they also

¹⁹¹ Official webpage of Caritas: www.caritas.org

¹⁹² Official webpage of Nova sansa u novom: <http://novasansaunovom.com/>

¹⁹³ Official webpage of Happy Paws: <https://www.facebook.com/nvohappypaws/>

¹⁹⁴ Statistical Office of the Republic of Serbia, Economic Impact of Social Enterprises in the Republic of Serbia, Belgrade 2014 http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2014/06/economic_impact_of_social_enterprises_in_the_republic_of_serbia_RZS.pdf

¹⁹⁵ These are: the Law on Social Protection, the Law on Vocational Rehabilitation and Employment of Persons with Disability, the Law on Associations, the Law on Foundations, the Law on Enterprises, the Law on Cooperatives, the Law on Volunteering, the Law on Corporate Income Tax and the Law on Value Added Tax



emphasize in the description of their activities. The second group is the funds intended for financing of various needs of vulnerable groups.¹⁹⁶

Legislature and institutional framework

The legislation seems to be driven more by the need for regulating the sector and controlling it, as opposed to a development and support to the sector's growth. In such circumstances, SEs themselves are concerned that the law could create additional barriers. Options such as reserved public procurements, subsidisation of employment and a portfolio of potential tax incentives are being considered.

The CSO and SE stakeholders increasingly advocate for the development of a national strategy and action plan for the sector and for the introduction of viable support measures that would support sector growth. It is recommended a new (fourth) version of Law on Social Entrepreneurship to be accompanied by careful consideration of targeted legislation that will recognize the full spectrum of social enterprises regardless of their legal status and of the economic sectors in which they operate.

SE actors in Serbia

Even with an unfavorable legislative, economic and institutional framework, Serbia has developed an emerging, but notable social economy sector whose principal actors, by their volume, are the cooperatives that also employ the greatest number of people working in SE. The social economy is mostly developed within the CSOs. Mapping studies registered some 2-3.000 social enterprises where all cooperatives were counted which should not be the case. THE latest EC report and European Movement in Serbia assess that the number of active social enterprises is around 500. These are mostly **A**ssociations of citizens that already work with vulnerable groups and that have established social enterprises and included users of their services.

There are also important networks in Serbia working for supporting and promoting social entrepreneurship and social enterprises, like the Coalition for Development of Social Enterprise (CDSE) providing advocacy, promotion, financial and non-financial support initiatives, training, SENS (Social Economy Network Serbia), etc.¹⁹⁷ Social Inclusion and Poverty Reduction Unit

¹⁹⁶ Damjanovic, A., Ristic, Z. & Danilović, N. (2017) *Social Entrepreneurship In Serbia-The Entrepreneurial Spirit Leading To Social Changes*. Conference paper: International Scientific Conference on Economic and Social Development. Belgrade, Serbia, Volume: XXI. Project: EKONOMIC AND SOCIAL DEVELOPMENT. Available at: https://www.researchgate.net/publication/317182032_SOCIAL_ENTREPRENEURSHIP_IN_SERBIA-THE_ENTREPRENEURIAL_SPIRIT_LEADING_TO_SOCIAL_CHANGES

¹⁹⁷ YADA Foundation (2017). *Self-Financing and Social Enterprise among Civil Society Organizations in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey*. Available at: <http://yada.org.tr/wp-content/uploads/2020/03/9->



(SIPRU) is the main institutional actor in supporting SE and continues to partner the Coalition for the Development of Social Entrepreneurship on public policy issues and the promotion of social enterprises. In Serbia, unlike most of the other countries in the region, besides the regional players, the local social investors are emerging to support social enterprises through diverse funding mechanisms. Smart Kolektiv (SK) is perhaps the most high-profile organisation actively working to promote and develop social entrepreneurship. Other supporters are: Impact Hub, Divac Foundation, Solidarity Economy Network, Social Impact Award, etc.

The social enterprise sector in Serbia provides a variety of products and services, most commonly serving agricultural producers, people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma etc. Only a limited number of all social enterprises indicate environmental protection or sustainable development as their core mission; especially among those related to agriculture.¹⁹⁸

Access to finance has been identified as the biggest challenge for social enterprises in Serbia. The relative shortage of project management and sector-specific experience (planning, budgeting, and process management) and a lack of business management skills/experience necessary to plan for and manage financial, legal, and marketing processes, the lack of knowledge of how to enter the market and have a competitive product financial support, support for product sales and market conquest, support for entering large retail chains are the other challenges for SE development in Serbia.

Good practices of social enterprises: Caritas Sabac, Nasa kuca, Reflektor teatar, Bagel Bejgl, Super bake, Radanska ruza, Lastavica, Lice Ulice, Kuhinja na tockovima, Moja Pijaca, Agroiris, Ekobag

WB6 SUMMARY ANALYSIS

Absence of a strategic approach towards social economy as well as lack of commitment by the Governments of WB characterise the ecosystem for their development. The frameworks necessary to create, nurture and sustain an environment of social inclusion are in some countries on the political agenda, but the majority of these framework elements are incomplete, unenforceable or poorly understood by institutional stakeholders.

[Bat%C4%B1-Balkan-%C3%BCIkeleri-ve-T%C3%BCrkiye%E2%80%99de-STK%E2%80%99lar-Aras%C4%B1nda-Sosyal-Giri%C5%9Fimcilik-ve-Kendini-Finanse-Etme.pdf](#)

¹⁹⁸ Rosandic, A. & Kusinikova, N. (2017) *Social Economy in Eastern Neighbourhood and in the Western Balkans. Country report – Serbia*. Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR). Available at: https://ec.europa.eu/growth/content/social-economy-eastern-neighbourhood-and-western-balkans_en



The same goes for governmental bodies and institutions - there is still no body in charge for the whole sector. Most SE initiatives operate under the laws governing non-governmental organizations (NGO) or associations and cooperatives, as well as companies. As social enterprises within the WB6 operate in the market with the same conditions as commercial ones, the SME situation and development influences the social economy sector as well. There is no equal access to opportunities for cooperatives, social enterprises and CSOs, in contrast to large firms which have access to resources with which to compensate for the poor business climate.

The ministries responsible for the economy, social welfare, labor and entrepreneurship regulate the field within which SE initiatives operate. Over the past few years there have been several attempts to create a legal and institutional framework in the societies of the region, in particular for social entrepreneurship. The absence of a single law on SE and/or social entrepreneurship does not mean that the existing legal framework is not adequate for its development. However, it does mean that there are still no concrete incentives by the state to support SE initiatives which would create a stimulating environment for their operation.

Bearing in mind that there is a narrow legal and institutional framework in which it is possible to place SE initiatives, financial support is also modest. However, it is possible to identify state, international and domestic donor support and Corporate Social Responsibility (CSR) contribution. Currently, most of the limited financial incentives available to SE are provided through funding schemes for civil society organizations or through active labor market measures based on EU funds, in particular IPA Programs and ERDF. Besides this, much of the financial resources for social economy development come from international donors, most commonly the USAID, UNDP, WB, British Council, ILO and others.

State support comes from different funds used to finance projects for civil society organizations (CSO), grants for cooperatives and active labor market measures channeled through national employment services. None of these is set specifically for social enterprises. However, some of it is used to support social services provided by private entities and the employment of disadvantaged or disabled people, hence it is basically used to support SE activities. Financial support from the state is also noticeable in tax reductions for some forms of CSO or in public procurement of services. However, none of this is exclusively aimed at social economy actors and some of the procedures are not sufficiently transparent, making it less accessible for SE initiatives.



Faced with a situation where the SE is unregulated and fragmented, but being aware of the importance of providing social services and work integration of disadvantaged and disabled groups, national institutions throughout the region have opened dialogue for the establishment of some kind of support to SE. However, these efforts remain ad hoc and uncoordinated. Having in mind the cross-cutting nature of social economy which incorporates aspects of economy, social and labor market inclusion, empowerment of vulnerable groups, environment, agriculture, sport, education, culture, innovation and etc., horizontal coordination and responsibility still lack sufficient mechanisms that would be beneficial to utilize the full potential of the sector.

Table 12 and Table 13 present a comparative overview of policy, legal, financial incentives and regulatory frameworks for Social Enterprises (SEs) in the WB countries showing similarities and differences among them.

Policy, legal and regulatory frameworks for Social Enterprises (SEs) in Western Balkan Countries (Table 12)

| | |
|-------------------|--|
| Albania | <p>Law on SE released in 2016 under Ministry of Social Welfare and Youth/Limited in its scope</p> <p>Primary purpose of SE is social inclusion</p> <p>Only NGOs qualify as SEs (limited exclusively to NGO that must employ person from vulnerable groups)</p> <p>No implementation of the Law yet, consequently no SE has been registered yet</p> <p>State doesn't have any policies or measures for SE support</p> <p>No financial/tax benefits for SE</p> <p>The Agency "Promoting social business" was established, but with limited outreach</p> <p>National Strategy for SEs development</p> |
| BiH | <p>The existing legislation doesn't legally recognise SEs (no law for SEs)</p> <p>SEs mentioned in two policy documents: Development Strategy of BiH and Social Inclusion Strategy of BiH</p> <p>No tax or fiscal incentives for SEs regardless of their legal form</p> <p>Policy documents for Employment and Social Inclusion model</p> <p>Republika Srpska is developing Law on SE</p> <p>SEs are part of the strategic documents</p> |
| Kosovo | <p>Draft Law on SE - limited to employment and integration of vulnerable groups with limited recognition of social innovation and solidarity-based economy</p> <p>Ministry of Labour and Social welfare responsible for future bylaws and implementation mechanisms</p> <p>Allows all legal entities SE status</p> <p>Social Inclusion model</p> |
| Montenegro | <p>Draft Law suggested in 2013 but not yet developed</p> <p>National SE strategy and policy documents not developed</p> |



| | |
|------------------------|---|
| | <p>Employment of vulnerable groups model for profit companies established by CSOs</p> <p>Little institutional understanding of the concept</p> <p>Lack of tax relief and /or incentives</p> |
| North Macedonia | <p>SE is seen as a market inclusion model for vulnerable groups</p> <p>Draft Law on SE from 2012, but not yet approved</p> <p>The existing legislation allows functioning various forms of SEs</p> <p>Scope of proposed law broadly in line with the EU definition of social entrepreneurship</p> <p>Social Inclusion and Poverty Reduction model</p> |
| Serbia | <p>No Law on SEs</p> <p>Strategy for Professional Rehabilitation and Employment of PwD enables creation of SEs to employ PwD</p> <p>Social inclusion and employment model</p> <p>Not national strategy and approved policy documents</p> |

Financial incentives and support mechanisms for social enterprises in Western Balkans (Table 13)

| | |
|------------------------|---|
| Albania | <p>No public funding for SE</p> <p>Existing SME financial instruments are not available for SE</p> <p>Predominantly international donors provide grants for start-ups</p> <p>No other funding (business angels, loans, finding for growth, etc.</p> <p>No commercial loans from banks other than the EBRD/EIB</p> |
| BIH | <p>SE funding focused of capacity development through start up, support, technical assistance and promotion of the concept of social entrepreneurship</p> <p>Commercial banks are not engaged beyond philanthropic support</p> <p>All existing SEs have been founded and operated with grant funding</p> <p>Public funding sources offer financing and technical support only to companies that employ PwDs</p> |
| Kosovo | <p>Lack of consistent technical or financial support for SEs</p> <p>Majority of SEs are CSOs and unable to access long-term sustainability funding</p> <p>Donor driven funding initiatives</p> <p>Banks do not provide microfinance's and specialized products for SEs</p> <p>Government funds lacks transparency</p> |
| Montenegro | <p>SEs are able to access funding through active employment measures, grants for SCOs and other SME support measures</p> <p>All SEs operate with grant funding</p> <p>Banks and private sector are not engaged</p> <p>Government funds lacks transparency and efficiency</p> |
| North Macedonia | <p>SEs in the early stage of development prefer grant funding as start-up capital</p> <p>Lack of tailored start-up and growth funding for SEs</p> <p>Public grant-schemes do not exist.</p> |



| | |
|---------------|---|
| | Current support measures to SMEs are not open to SEs registered as CSOs and cooperatives Commercial and microfinance financing are not suitable for SEs. |
| Serbia | Grants or subsidy funding form - preferred form in early stage funding for SEs A lack of tailored start-up and growth funding for SEs Debt or equity financing is challenging for SEs due are not prepared for commercial realities |

6. POLICY RECOMMENDATIONS

The conclusions and recommendations that follow reflect a synthesis of V4 and WB countries findings, including specific needs identified in this analysis and answers from questionnaires with young entrepreneurs and national stakeholders, together with needed incentives and impediments for creating a favourable environment for initiating, developing and strengthening the SE in both regions.

V4 COUNTRIES

- ❑ **Creating a legal framework for social entrepreneurship in all the V4 countries** would be recommended. So far there is legal regulation for social enterprises in Poland and Slovakia.
- ❑ **Developing a supporting infrastructure for employees and employers.** There is a potential of sharing good practices as the understanding of social enterprises as the main job creators for disadvantaged groups is common in the V4 region. Most of the social enterprises in V4 group are providing work opportunities for disadvantaged people. Financing mechanisms on the national levels should be created in order to cover personnel costs, operational and administrative costs of these social businesses.
- ❑ **Making mechanisms for easier access to existing EU funds and programs** supporting social entrepreneurship in European Union countries. Although there are available funds for social businesses and the whole social ecosystem's support provided by the European Union, the system of funds distribution is rather complicated especially for young entrepreneurs and new social start-ups.
- ❑ **Support of the social economy to be more regionally and locally distributed.**
The social economy sector in the regions lacks the awareness of people and support. Mainly it is focused on the capital cities, Prague, Bratislava,



Budapest and Warsaw, where different hubs and initiatives grow and are offering mentoring and funding to social start-ups.

- ❑ **To support the measurement of the efficiency and functioning of social enterprises in the form of their professionalization and capacity building**, and in time to follow up on this by introducing methods of measuring impacts. There is a need for the introduction of comprehensive measurement of efficiency as a condition for obtaining funds from public sources. Also further research and testing of possible methods of evaluating benefits and sharing experiences from abroad while respecting regional realities would be valuable.

WB6 COUNTRIES

- ❑ **Social Economy should be included in the WB6 governments' agendas as one of the priorities in socio-economic development.** Adoption of the Strategy for Social Economy should be the basis for the development of coherent policies and supportive measures, but more importantly, those measures should be accompanied by budget allocation and a strong commitment to their implementation.
- ❑ Attempts at **creating a legal framework for social entrepreneurship** are recognized and welcomed; however, stronger political will to finish this process is required.
- ❑ **The institutional framework should reflect a broader understanding of SE as an important generator of social innovation, production, and services in various economic sectors** and avoid the risk of reducing it to a tool for the employment integration of vulnerable groups or the provision of social services, as is often the case.
- ❑ **A structured funding mechanism is needed in all WB countries** that would award grant funding for the initial start-up and development phases and low-interest debt financing for growth and sustainability.
- ❑ **All of WB countries do have support mechanisms for Micro and SMEs** that need to be easily adapted to the social enterprise requirements and needs.
- ❑ **WB Countries should develop more structured and consistent targeted support to SEs by incorporating the SE issue in the economic development sphere, rural development, and environment protection spheres.** In all six Western Balkan countries social enterprises need to bridge the entrepreneurial skill gap and



strengthen organizational and management capacity to be able to validate their business model and reach wider market and potential scaling.

JOINT RECOMMENDATIONS - V4 AND WB

- ❑ **Development of financial incentives and support mechanisms are needed in order to provide sustainable funding opportunities for SE organizations** and development of systematic and regular public incentives, as well as public-private mechanisms for the development of new SEs. These should include start-up grants and soft loan schemes and would also offer financial mechanisms to scale-up the economic activities of SE organizations. In addition, other supportive subsidies should be enabled such as tax benefits and exemptions for specific types of organizations and activities.
- ❑ **Governments should also facilitate access to financial resources** through the development of specific funds for SE and by supporting organizations such as social investment funds, as well as bottom-up initiatives such as crowd-funding and incubators.
- ❑ **Funding mechanisms to SEs should be tied to technical, capacity and/or mentoring support**, provided by already proven models of incubators or intermediary organizations that can provide such technical assistance.
- ❑ **The introduction of the broader tax benefits**, providing direct support, or trade opportunities for SEs is strongly advised.
- ❑ **Public dialogue among the various stakeholders is needed** to harmonize understanding of the social economy model.
- ❑ **Increase of capacities for SE.** The low level of capacity in SE should be increased through the development of cross-sectoral networks or support centers for transfer of knowledge and technology, exchange of ideas and share of best practices.
- ❑ **SEs should have full access to SME trainings, seminars, and mentoring programs.** Decentralization of the capacity building support, covering rural areas or smaller towns, should be imperative for further strategic documents and capacity support to be developed.
- ❑ **Support of the important role of the education system in shaping and developing social entrepreneurship** and encouraging new social enterprises with awards, mentoring and challenges.



- ❑ **Ongoing technical support via support centres, incubators and/or accelerator programs should be encouraged.**

- ❑ **Recognise the potential of social entrepreneurship to be one of the main tools of economic recovery after COVID-19 crisis**, in general, mitigating the aftermath of the crisis. The states should invest into the social economy, which can help in both social and economic recovery after the pandemic.

CONCLUSION

Combining a set of specific and at the same time flexible features regarding both its social basis and the economic activities it performs, the social economy has progressively affirmed itself as a source of social and entrepreneurial innovation. Limited government budgets on the one hand and to high social needs on the other hand find answers in social economy.

The research paper analysed ten countries, four from the Visegrad group and six of Western Balkans. The originality of the paper lies in bringing the two regions together when looking at their strengths, weaknesses and challenges in social economy. The heritage of socialism is common for Visegrad countries and Western Balkans in historical terms. As the Soviet Union collapsed, all of these countries have faced new challenges while transitioning towards a model focused on the market economy, a factor that explains the transformation of different sectors. The new problems arose in the area and therefore the new solutions came with it. As we could see from the data from both regions, there are similarities in the issues they are dealing with especially in terms of (youth) unemployment and social inclusion.

In most of the analysed countries of our paper, the priority of social economy is understood as supporting employment of disadvantaged groups or creation of informal jobs (which is a transitory stage between training and employment) and increases a disadvantaged worker's level of productivity and enabling social integration. The added value of the social economy consists also in a higher inclusion rate, proved by the increased involvement of the vulnerable persons into the civic affairs and community decision making, in shareholding of social enterprises by a large number of vulnerable persons.

The most important impetus for SE development comes from the sector itself. SE actors and activists play a fundamental role in the promotion of SE and social entrepreneurship by providing support to newly established



organizations and establishing bottom-up networks for transfer of specific knowledge on SE. The majority of social economy actors are community-based organizations, rooted in the local community, who know and fulfil the needs of that community, with the focus on sustainability and ecological aspects of living. They are providing locally based solutions to benefit whole communities, not just the vulnerable groups for whom the enterprise is created. Therefore, social economy actors base their interventions on local needs, many of them being a catalyst for social creativity, developing innovative entrepreneurial solutions to existing problems.

In recent years, social economy and social entrepreneurship organisations are being relied on more than ever in order to mitigate the effects of the economic crisis and possibly offer a path towards a different model of economic growth. Among the factors contributing to this trend, as we have seen, is the shift in consumption pattern towards a greater demand for personal and community services that cannot be easily provided by the existing private and public actors as proven also in the ongoing COVID-19 crisis. As a result, there is a greater need for social economy organisations both in the traditional sectors in which they have always operated and in new areas of activity.

Values such as solidarity, cooperation and trust have always been the fundamental principles of SE. Revitalizing those values means a great push forward for SE and vice versa – with the development of SE, social capital increases even more. Therefore, SE may play an important role as a driver of regional dialogue and cooperation. In both regions, the European Union is providing an already valuable input through direct support to sustainable intermediary organizations as well as through encouraging public-private-non-profit partnership in building SE support infrastructure throughout the countries.

Besides investing in statistical systems of the regions, there is a great need to build capacities for evidence-based policymaking and effective governance in the social sphere. Mechanisms of policy transfer and learning, through the exchange of ideas and practices, could facilitate a deeper social dimension within the enlargement process. At the same time, the administrative capacities of different levels of government in the region need to be strengthened in order to be able to take advantage of increased financial support.

Although a weak entrepreneurial culture slows down the growth of SE and social entrepreneurship especially in WB6, there is huge potential in social capital, which needs to be tapped into in the creation of sustainable socio-



economic development of local communities as well. There is an untapped potential for regional cooperation among the WB6 countries, which is also a prerequisite set by the European Union for the region. Among the good practices that the V4 could share to WB6 is the civil society cooperation, experience and best practices in developing social economy ecosystems.



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Official website of POKET: <https://poketonline.hu/>

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