



Innovative Social Enterprise Development Network

# **BENCHMARKING STUDY ON SOCIAL ENTREPRENEURSHIP**

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## INTRODUCTION

This comparative report is prepared in the framework of the Project ISEDE-NET “Innovative social enterprise development network”<sup>1</sup>. The overall objective of ISEDE-NET is to support the development of Social Enterprises<sup>2</sup> across the South East Europe area thus contributing to the strengthening of social and economic cohesion over the transnational area of the project. In this framework, some of the specific objectives, among others, are the identification of the driving forces for the development of Social Entrepreneurship, proven and transferable solutions and common problems to be solved, exchange of experience, as well as finding new solutions for the SEs by implementing pilot innovative actions<sup>3</sup>.

To this direction, the WP3 aims at obtaining a clear picture of the state of art of Social Entrepreneurship in the participating countries and of the external and internal conditions affecting its development. The activity consists in the production of a final benchmarking study, based on the findings of the national researches presented through the National Reports, prepared for each of the participating countries.

In this framework, **the main objective of the present report is to obtain comparative analysis on the state of the art of Social Enterprise industry in participating countries**, including qualitative and quantitative information, legal framework, financial conditions, barriers and driving forces for the sector development, policy implemented, as well as **to identify effective and proven solutions already existing in participating countries and crucial common or widespread problems that need to be solved** for the development of SEs.

The preparation of the final comparative report is due to the active participation and involvement of all project partners in the activities of the Working Package and is based on their national researches and studies, reviews, recommendations and proposals.

Nowadays, in a period of economic recession, **the Social Economy is internationally one of the main issues in the European public policy**<sup>4</sup>. The reason for this is that social economy fights social exclusion and unemployment. People who do not have the necessary qualifications and work experience gain the opportunity to return to work or to find work. Moreover, deindustrialization in many European countries has limited the permanent, full time and formal work. Uncertain and informal employment is increasing in an effort of the private sector to minimize labour costs. Similarly, employment

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<sup>1</sup> Specifically, Working Package3 titled “Research on Social Entrepreneurship”, Activity 3.3 “Exchange of information and benchmarking” among participating countries, these are Austria, Bulgaria, Hungary, Greece, Italy, Serbia, Slovenia and Ukraine.

<sup>2</sup> In the text “SE”

<sup>3</sup> More information on ISEDE-NET project on [www.isede-net.com](http://www.isede-net.com)

<sup>4</sup> COM 2011(206), *Single Market Act Twelve levers to boost growth and strengthen confidence "Working together to create new growth*, 2011

uncertainty is also increasing in the public sector with significant workplace losses. As a result, most European countries face the deregulation of their labour market and the privatization of their public sector.

On the other side, the crisis of European welfare system (in terms of budget, effectiveness and legitimacy) has resulted in a more autonomous development of social third sector initiatives, and public authorities increasingly look to private initiatives to provide solutions that they would have implemented themselves if the economic climate had been as good as in previous periods.

Under these circumstances, the social economy appeared to be the best option as an additional source of employment, since it generates jobs and entrepreneurship by meeting social needs and very often by deploying the socially excluded. The social excluded groups and individuals, abandoned by the government or the private sector, could only survive by providing services in the field of the informal – black economy or in the social economy sector. Social economy refers to a third sector in economies that lies between the private and the public sector. It includes organizations such as cooperatives, mutuals, associations, foundations, social enterprises, NGOs and charities. Diverse groupings are bound together by their sense of duty towards the members whose interests they represent.

In general, the social economy and **the social enterprises** in particular, **are considered to be the provider of services for the socially excluded individuals**; it gives them employment, covers their needs for social protection and makes them active members of the society. At the same time, a significant number of enterprises in the European countries have been established **to provide new services or to respond to groups of people with needs not recognized and satisfied by public authorities or excluded from the public services and benefits**. In fact, many social enterprises combine production of social services and work-integration activities.

**However, the potential contribution of social enterprises to provision of services of community benefit, work integration of disadvantaged social groups and employment creation remains largely unrealized in many European countries, especially in Central and Eastern Europe**, as it is revealed in recent study<sup>5</sup>. In this framework, it is expected that the analysis and information presented in this report will provide not only to the successful completion of the next project phases, but also to strengthen awareness and knowledge about the role of the social enterprises in local development and employment creation.

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<sup>5</sup> Borzaga C., Galera G, Nogales R., *An Examination of the Concept and Practice in Europe and the Commonwealth of Independent States*, in EMES (edited By) *Social Enterprise: A New Model for Poverty Reduction and Employment Generation*, Emes, 2008

The report consists of four parts; additionally, introduction, as well as general conclusions and recommendations on the potential and the perspective for social enterprise development are provided. The introduction describes the methodological framework and organization of the work activities for the preparation of this benchmarking study. Also, a definition of Social Enterprise is provided, based on the experience of the participating in the ISEDE-NET Project.

1. In the first part the **key features of the social enterprise sector** in project participating countries are examined. Specifically the following items about the participating countries are provided:
  - a. general information on using the concept of social enterprises;
  - b. core types, aims, characteristics, target groups, size and activities of social enterprises;
  - c. legal frameworks of social enterprises;
  - d. organizational and management structure of social enterprises;
  - e. information on main sources of funding for the social enterprise sector.
2. The second part refers to the **background and current framework conditions for the development of social enterprises** in the participating countries. Additionally, main driving forces and barriers for social entrepreneurship development are examined.
3. The third part refers to **public policies in the participating country aiming at the promotion of social enterprises development**.
4. In the fourth part **good practices proposed for further exploitation are identified and presented**. The good practices are classified into three categories:
  - a. financial support tools;
  - b. new markets development;
  - c. structure supporting social entrepreneurship.

Additionally, some other dynamic entrepreneurial activities with social mission that are developed in some of the participating countries are identified.

Finally, general conclusions, as well as recommendations on the potential and the perspective for social enterprise development in the participating countries are provided.

## METHODOLOGICAL FRAMEWORK

In order to draw up the present research, the partners were asked to collaborate by preparing an analysis of each Social Economy country's situation.

The followed step from the WP leader have been:

- Preparation and circulation by the WP leader of a draft of Guideline on the structure of the national reports;
- Providing by all project partners feedback, recommendations and proposals for the improvement of the Guideline;
- Forming by the WP leader the final Guideline. Validating it by all project partners;
- Conducting research on social entrepreneurship in participating countries; (elaboration) preparation of national reports by all project partners; one report was been produced per each participating country;
- Transnational meeting in order to present the findings of national reports;
- Preparation of the final comparative benchmarking study by the WP Leader.

The Guideline addresses the identification of the research methodology and the determination of the structure of national reports. In particular, the Guide includes instructions on definitions and data collection methodology for the conduction of the research on social entrepreneurship at national level.

Initially, for the purpose of the project a **working definition on social enterprise is proposed** due to the fact that research concerning social enterprises is hindered by a lack of standard and universally acceptable definitions of social enterprise (see the next chapter). This definition was adopted just as a common frame of project; as a tool which can help project partners to establish the boundaries of the set of organizations that we will consider as social enterprises. As a result of the partners' recommendations it was suggested that this definition shall not be seen too strict; all project partners can **use the term "Social enterprise" in a broad sense**. The partners could refer to a concept/definitions used in their country, which is closed to the definition suggested; moreover, according to the tasks of the project, the aim is to reveal what type of **social enterprises exists in each country combining together social purpose and entrepreneurship** which characterizes social enterprise-type organizations.

In addition, it also was suggested that the **social economy sector is very heterogeneous**, it is certainly composed of a great plurality of actors; social enterprises as a statistical category do not exist in the most of the countries and as result, because of the lack of official data and information it is almost impossible to obtain concise statistical information and to provide a reliable picture. However, in the Guide is supposed that all partners have to provide an overview of the sector in each country; and, in more detailed aspects, they have to specialize and provide an in-depth analysis on a represent core



type(s) of enterprise that is specific in each country, that is the **focus on certain segments** of the social enterprise sector.

Out of this working definition, to gather information about support policies and measures implemented in the participating countries, the Guide purposes some criteria for the identification of such policies. **The public policy/measure is defined as policy which is initiated by the national administration or, in countries where the relevant administrations are decentralized, by regional or local administration.** The measure may also be initiated by private organizations if they are acting under authorization or supervision of the above-mentioned authorities; the provider is acting in line with public policies.

In addition, for identification and record of **good practices, the following common, minimum criteria** were proposed:

- *Viability over time*: the measure/ practice is still in implementation;
- *Transferability and further application*: main characteristics (elements) of the measure concept can be transferred to other territorial context and other social enterprises, the measure can also be reproduced in similar circumstances responding to similar problems;
- *Effectiveness*: the measure has positive (quantitative and qualitative) results/benefits for the target group and impacts, comparing with its main aim and objectives;
- *Utility and social added value*: the measure addresses the needs of the target population; the measure brings (or has the potential to bring) changes/ impacts on economy and society, influencing specific socio-economic problems. Utility and added value might regard: local/regional and/or national economy, social enterprises, social economy sector, different vulnerable population groups, work integration purposes, labour market policies, etc.

As **sources of information**, the project partners had to exploit the available literature, previous research and studies, information provided through Internet, or expert interviews (national authorities, researchers etc.). Also, results and practices of the Community Initiative EQUAL, as well as information from contact with associations, unions, or social enterprises consists other significant source of data.

In the course of the drawn-up of the national reports, the tasks of national partners were divided into three steps, consequently the structure of the reports was shared as follows:

- a) Description of key features of the social enterprise sector;
- b) Identification of driving forces and barriers for Social Entrepreneurship development;
- c) Collection and Inventory of measures/ policies supporting and promoting social enterprises.

Based on the national findings, the present report tries to provide a comparative view and to identify effective and proven solutions already existing in participating countries along with crucial common or widespread problems that need to be solved in the following steps of the project.

## **MOVING TOWARDS AN ISEDE-NET DEFINITION OF SOCIAL ENTERPRISE**

In the literature of social enterprise, the question of definitions remains controversial and is so far unresolved. Different research and studies on this topic have recognized the diversity of conception used across the European countries, pointing out the great variety of organizational types, legal structure, funding, degree of profit orientation, sizes and activities.

Nevertheless, there is a converging consensus on the meaning of **social enterprise concerning the combination of entrepreneurial strategy and social purpose**. The social enterprises represent a new entrepreneurship as they supply new products, apply new methods of organization, use new production factors and act under new market conditions. This new entrepreneurship is combined with ‘social’ aspects, i.e. a social and societal purpose and/or the reinvestment of surpluses for the benefit of a wider social goal (people other than those who control the organization) and the development of the activity in particular. In addition, social enterprises are financed both by resources derived from the market and by non-commercial resources such as public funding and/or private contributions and also rely on non-monetary resources such as voluntary work. Also, the decision-making process in social enterprises tends to be democratic as their members (paid workers, users, etc.) are involved in the management of the enterprise and the members’ power is independent of capital stake.

Given the lack of universal definition however, for the purpose of the project initially has been adopted the approach of a previous research project carried out by the EMES European Network in 1996, which has established definition for the European social enterprise sector trying to identify organizations likely to be called ‘social enterprises’ in each of the 15 countries of the EU in this period. In this project a set of criteria – both economic and social – have been identified to describe an “ideal type” of social enterprise, i.e. a theoretical concept that does not necessarily corresponded to concrete organizations but allows them to be analyzed, as this is mentioned in later EMES study<sup>6</sup>.

**The approach provided by the EMES network, which was proposed as the working definition** of the ISEDE-NET project, is summarises as following<sup>7</sup>: “Social enterprises

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<sup>6</sup> Defourny J., Nyssens M., *Social Enterprise in Europe: Recent Trends and Developments*, EMES Working Paper Series, No. 08/01, Liège, 2008

<sup>7</sup> The EMES definition of social enterprises distinguishes between criteria that are more economic and indicators which are predominantly social. To reflect the economic and entrepreneurial dimensions of initiatives, four criteria have been put forward: Continuous activity in producing and/or selling goods and services; a high level of autonomy; a significant level economic risk and a minimum of paid workers. To encapsulate the social dimensions of the initiative, five criteria have been proposed: An explicit aim of social benefit; citizen initiative; a decision-making power not based on capital ownership; a participatory character, involving those affected by the activity and a limited distribution of profit. Borzaga C., Defourny J. (edited by), *The Emergence of Social Enterprise*, London, Routledge, 2001

are non-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity”.

For the identification of social enterprise types of organizations by the project partners and gather information required for the national reports, **three main criteria** have been put forward:

- a) **An entrepreneurial spirit:** a social enterprise is autonomous (is not a public unit), acts under economic risk and provides goods and/or services. It is market-business oriented;
- b) **A social aim or purpose:** a social enterprise devotes its activities to social objectives. It is generating non-economic outcomes and
- c) **A limited or forbidden profit distribution:** social enterprises are not distributing their profits to those who exercise control over them. Any surpluses generated must be retained in the organization or community. They are reinvested to achieve the social aim and to serve the members’ interest or a wider interest.

However, according to the tasks of the project, the aim was to reveal different types of social enterprises exist in each country. Also, taking into account that in many countries under study the notion of social enterprise may not be used or even exist, the Guideline on the preparation of the national reports mentioned that the project partners can use the term ‘Social enterprise’ in a broad sense, using a concept in each country, closed to the definition suggested in Guideline.

Given the diversity of economic organizations that pursue a social goal among the participating country, as well as the different approach to the question of social enterprise used in each country, as those are revealed by the national reports, **we recognize the need to form a common definition on social enterprises in order to assist the accomplishment of the next phases of the project ISEDE-NET.**

Comparing findings from the national reports and taking into account the recommendations provided by the project partners, the present comparative study proposes a broad and simplified definition of social enterprise, which allows to present and analyze a wide variety of organizations that develop economic activities and pursue social goal, including just emerged initiatives that are expected to evolve into social enterprises and also recording older organizations that have been characterized by new dynamics.

Basing on the EMES definition and according to the need of partner to maintain an opened view of Social Enterprise concept, for the purpose of the ISEDE-NET project, **social enterprise is defined as an organization focuses on achieving community benefit or benefit for specific group of people, applying market-based solutions.** This includes organizations that:

- Develop market-based activities, aiming to address public sector and market failure to solve social problems;
- Are autonomy managed organizations; they may depend on public funding and/ or trade extensively with the public sector, but have the rights to terminate their activities;
- Are led by social purpose and/or community benefit, not for profit maximizing, but may distribute some portion of their profit.

## **PART I: KEY FEATURES OF THE SOCIAL ENTERPRISE SECTOR IN PROJECT PARTICIPATING COUNTRIES**

### **1. General information on using the concept of social enterprises**

**In Austria**, the social economic sector is characterized by a high degree of heterogeneity and complexity concerning the organisational legal forms. There are the rising difficulties when trying to formulate the social economy sector; no comprehensive data are available in the country that provides an overview of its landscape of social enterprises fulfilling exactly the three criteria mentioned in the Guideline. On one hand, no actual secondary data are available or are only available for certain segments of the sector; on the other hand, these data are based on different characteristics and ideas and therefore do not meet the definition suggested by the Guidelines.

Data for the NPO sector are often quoted for a quantitative description of the social economy sector and thereby passed off as social economic data. According to this concept, **the following organisations are traditionally allocated to the social economy:**

- Associations, voluntary organizations and charities;
- Cooperatives;
- Mutual aid organizations;
- Foundations and trusts.

However, according to the definition provided at EU level, a “social enterprise” is a particular kind of “social economy enterprise”. “What distinguishes social enterprises from other traditional third sector organisations ... (is that) social enterprises place a higher value on risk-taking...” Nevertheless, “the generic term ‘social enterprise’ does not represent a conceptual break with existing institutions of the third sector, but a new dynamic, encompassing both newly-created organisations and older ones that have undergone an evolution towards more entrepreneurial activities”. According the Austrian report, “Organisations with legal forms which are typically for-profit can be considered as social enterprises when they demonstrate specific characteristics, including a constraint on the distribution of profits.”

**In accordance with developments of recent decades, the above list of social economic organisations needs to be augmented with new organisational forms.** One of the most common is social enterprise incorporated as **Limited Companies**, which either strictly follow the non-profit idea (no distribution of profits to investors or managers or at least sharply constrain the distribution of profits); limited return on capital; **Limited Liability Companies with charitable or social economic orientation**. In addition, there are several other legal organisational structures. A successful but still lone example in Austria is the so-called “Zweite Sparkasse” (second savings bank) that has the legal form of a **Mutual savings bank**. It was founded by the Erste Stiftung, the major shareholder of Erste Group, one of the largest banks not only in Austria but also in Central and South-

eastern Europe, together with Caritas and Citizens Advice Bureaus, which provide debt-counselling services.

According to the Austrian experience and approach, including in the social economic sector only organisations that directly offer social services is too limited. The approach, following the recent developments of a more economic approach is more suitable. Following this approach, the social economy does not define itself only by providing social services. **To the social economy belong all organisations that:**

- **dedicate their main activities to the solution of social problems.** These need not necessarily be purely social services;
- **reinvest potential profits** (or have a limited distribution to their members, as this is mostly the case with cooperatives);
- the criterion of an **economic approach** should be seen as relative and does not only count for social enterprises as they present themselves in recent developments.

According to the Austrian approach, non-public organisations and enterprises (NPOs, associations), all assume economic risk in some way.

Because of the heterogeneity and complexity of the sector in Austria and for the purpose of the project, the study concentrates further on a specific segment of this sector, namely on so-called “**Work Integration Social Enterprises**” (WISEs). Another reason to concentrate on WISEs is the fact that, while for other social enterprises the fields of activity are often defined and new positioning is only possible within them, those work integration social enterprises are more open and are always looking for new fields of activity to achieve their objectives in a better and/or more cost-efficient manner.

WISEs usually have a defined mandate and subsequent deducible objectives but their operational area may be very different and they have no strict content restrictions. Theoretically they are free for a lot of fields of activities to achieve their objectives for their concerned target groups.



**In Bulgaria**, social entrepreneurship (in its ideal “western” definition) is not a popular business model for contributing to sustainable community development despite its worldwide acknowledged potential for sustainability. One of the reasons of this is the lack of awareness of this social model. The concept was first introduced in 2002 by the Bulgarian Centre for Non-For-Profit Law<sup>8</sup>. This project introduced the first purposeful introduction of the term “social enterprise” in Bulgaria among non-governmental organizations and local communities.

On the other hand, the concept of social enterprise is not fully integrated into policies, laws and public debate in Bulgaria. In the Bulgarian legislation there is no legal definition of social enterprise, nor are there any rules that regulate their status, form and activities. A Bulgarian legal act where the term “social enterprise” is used still does not exist. In general, the concept of social enterprise is closely related to the internationally

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<sup>8</sup> For more information: <http://www.bcnl.org/en/index.html>

acknowledged understanding of social entrepreneurship.

**Despite the lack of normative regulation, public awareness and strict definition of the term “social enterprise”, the practice in Bulgaria shows that organizations developing social entrepreneurship exist and they declare themselves as social enterprises.** Social enterprises are understood as **social mission driven organizations, which apply market-based strategies to achieve a social purpose.** This is a broad concept, which encompasses all existing models of community enterprises without limiting them to specific legal structures.

Following this broad concept, someone can describe the historical background of social enterprises in Bulgaria, starting from cooperatives as the first manifestation of social mission driven profit organizations (and this history has a significant role for the configuration of the social economy today).

Other main traditional forms of social enterprises are the general **Non-Profit Organizations, which are used for almost every kind of activity of public benefits.** There are three models of NGOs:

- 1) the first executes **business activities aiming at supporting the social mission** of the organization;
- 2) another model is the **non-profit organization, which provide employment for disadvantaged people** (people with disabilities, minorities, etc) or provide training and development of labour skills;
- 3) the third much popular model is **non-profit organization, which provide social services paid by the customers or by the public authority.**

With regard to this, it has to be mentioned the opportunities for similar social enterprises as a result from the amendments in the Social Assistance Act, in force since 1 January 2003, thus creating a legal mechanism for the municipalities to assign by means of competition social services to non-profit organizations. These forms of social enterprises are regulated as official legal forms through the Non-Profit Legal Entities Act.

In general, the organizations, those are mainly involved in community development and are the closest to the concept of social enterprises are **NGOs with different profile, cooperatives and chitalishtas** (a specific form of cultural association, which supports educational, training and cultural activities in local communities. Its status is regulated in a specialized law – the Law on public “chitalishta”<sup>9</sup>).

The accession of Bulgaria to the EU (on 1 January 2007) led to reinforcement of the role of third sector organizations in the social and economic development of the country. The strategic vision and role of the third sector are outlined in all the basic national documents prepared to follow the EU guidelines, such as the National Development Plan 2007-2013, the National Strategic Reference Framework 2007-2013, the National Reform Programme 2006-2009 etc. Capacity building and enhancement of the effectiveness of the third sector are envisaged in many different spheres, including the social protection system, services for businesses, educational services, deinstitutionalization, healthcare,

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<sup>9</sup> More information at: [http://www.chitalishte.bg/index.php?set\\_language=2](http://www.chitalishte.bg/index.php?set_language=2)



childcare etc. All the Operational Programs foster interaction between the state and third sector organizations, and highlight their intervention capacity and public-private partnerships. Third sector organizations are identified as key beneficiaries of a number of EU-funded actions.

In order for the state-of-the-art analysis to be objective, it has to be taken into account that the Bulgarian SE model has originated from a strictly controlled state sector with complete engagement of the state in the social matter in the past, compared with the current situation of intensive state retirement from these problems. Along with the new opportunities and perspectives for business initiatives, this process of retirement leads to some negative effects like reallocation of public funds from the former state structure to private bodies.

However, **there is a prospect for future development of community enterprises/initiatives in Bulgaria based on the numerous active NGOs struggling for better sustainability**, most of them deprived from foreign donors since Bulgaria's accession to the EU and with more and more of them looking for new opportunities for income generation. The fact that foreign donors are withdrawing is frustrating for most organizations, but this also serves a positive purpose of selection of the fittest NGOs and the most apt at being sustainable and independent.



**In Hungary**, the notion of Social Enterprise has a narrow-sense interpretation, in which those enterprises have been established explicitly for the purpose of providing social services, the permission of the services they provide was allowed by a regulation<sup>10</sup> different from the permitting of the state institutions. In a broad sense, **Social Enterprises mean all different kind of organisations that have a social mission and are self-financing on a long term basis**. Also socio-ecological factories and the producing-service providing factories belong to them.

As a definition, today social economy in Hungary is used as a collective term in which are included all the **social enterprises in the narrow (providing social services), as well as in the broad sense (self-financing organizations with social mission), and also the cooperatives**. In general, this economy is between the state and the market, in order to fulfil its social mission, it performs business activity, and it is self-financing.

Specifically, in 2006, the X/2006<sup>11</sup> **law on cooperatives was born, then it was also followed by a governmental decree<sup>12</sup> on social cooperatives**, and so a new form of social economy could appear in Hungary.

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<sup>10</sup> Until 2010, the 188/1999 (XII.16) governmental decree, then the 321/2009 (XII.29). With this latter decree has the sector neutral regulation been established

<sup>11</sup> The cooperative is an organisation working on the base of the principles open membership and changing capital that has a legal entity and the aim of which is the promotion of the fulfilment of the economic, and other social (cultural, educational, social and health) needs of its members

<sup>12</sup> Passage 1 of §8 of the 141/2006. (VI.29) governmental decree says: Social cooperative, in accordance with the §7, is a cooperative: The aim of which is to establish the working conditions for its socially disadvantaged members, and to improve their social state in other ways; That works as a school association; The social association has to include in its name the nomination social association –or - in case of scholar association- the nomination scholar association.

In Hungary, social economy consists of non-profit organisations undertaking employment of disadvantaged people, the social association, the associations reorganised after the change of the political regime and the social enterprises.

**The majority of these organisations are not in a private ownership; their operation is lacking the democratic decision making expected from the social economies.** Generally these organisations were either established by the local government or the state, or they are significantly supported by the state, and only so they are able to provide their existence.



**In Greece**, the “social economy sector” as a relevant category for employment policy formation has attained, thus far, only a marginal position. And this is confirmed by the fact that the percentage of those employed in the social economy sector in Greece is still remaining lower than in other EU countries; according to the existing statistical data, the employment in the Social Sector in Greece (2002-2003) is 1.8% of the total employment in the country, compared to the about 6% of the total employment of the EU-25 (CIRIEC, 2007).

Nevertheless, **the Greece authority has accomplished a great step in the last month, with the emanation of the Law 4019/2011 on Social Economy and Social Entrepreneurship** that was set to implementation in 30 September 2011. It is the first legislative action introducing the concept of Social Economy in Greece. **The law identifies Social Economy as “the sum of economic, entrepreneurial, productive and social activities, undertaken by juridical entities or associations whose statutory goal is the pursue of collective benefit and the service of wider social interests”.**

The Law, besides to define the general sector of Social Economy, identifies the **following entities as belonging to Social Economy:**

- 1) Social Cooperative Enterprises;
- 2) Limited Liability Social Cooperatives;
- 3) Existing juridical entities which cumulatively abide by the following criteria:
  - they have a statutory purpose of social benefit through the production of goods or the provision of services of collective and social character,
  - they present priority of individuals and labor over capital,
  - they employ a democratic system of decision-making,
  - they enjoy autonomy in management of their activities,
  - their profits are utilized primarily on the service of their statutory goals and secondarily for any eventual restricted profit distribution,
  - they operate on the principle of sustainable development,
  - their operations are exclusively described in the Law (integration; production and provision of goods and services of social/social-care character; production of products and provision of services to meet the needs of society

- culture, environment, ecology, education, social benefit services, promoting local products, saving traditional activities and crafts etc. - which also promote local and collective interest, the development of employment, the enhancement of social cohesion and the strengthening of local or regional development).

Even before the law, in Greece there existed, since the early 1990s in particular, pioneering attempts to form social enterprises undertaking activities in the social services sector and in general, a rapid increase in collaborations among various agencies and bodies in the social field. This recent development can be partly attributed to the necessity to deal with the problem arising from socio-economic changes and to the serious challenges at present facing the state of the social policy area. Before the definition, the majority of these organizations have taken the legal form of 'associations' or 'civil law societies' (which are legal entities of private law as provided by the Greek Civil Code); some of them have been established as co-operatives. Despite this evolution, the efforts made in recent years to develop new productive activities, business-oriented, aiming to employ persons from vulnerable population groups and to contribute to the solution of serious problems such as unemployment, social exclusion and discrimination in general, remain fragmentary.

In general, it appears that Greece belongs now to the countries in which the concept of the Social Economy is accepted and nowadays recognized; but it is necessary to see how the sector will develop itself after the Law on Social Economy.



**In Italy**, social economy concerns socio-economic initiatives that are not included in the sphere of public sector, neither they do in the traditional sector of private economy, as it is known by its 'for profit' character.

**In Italy the Social Economy sector was born in the 1960s' with the birth of the Social Cooperative. This has been the first kind of Social Enterprise in Europe. The Italian background is well developed in terms of Law (the Law on Social Cooperatives dates back to 1991 has been enriched by the Law on Social Enterprise of 2006) and the social enterprises (mainly with the social cooperative form) have been playing a fundamental role in the guaranteeing the welfare public services to all citizens.** The Social Economy sector has been recognized by the Public Administration both by Law and by the numerous partnerships between P.A and Social Cooperatives in the last 30 years. Besides the over 13.000 social cooperatives and 600 social enterprises, in Italy there exists a huge panorama of foundations and associations carrying out economic activity with social purposes of general interest. The whole sector represents an important side of the Italian economic system.

The term Social Economy in Italy means all the economic activity that focus on the values of solidarity, collaboration, collective effort and aims at the enforcement of social cohesion.

Specifically on Social Enterprise, with the 155/2006 Law a general definition has been introduced to the Italian legal system: “are Social Enterprise all private organizations whose carry out in a main and stable way an economic activity organized in order to produce or exchange goods or services of social utility, designed to achieve objectives of general interest”. The first general aspect that has to be highlighted is that social enterprise is neither a new legal form, nor a new type of organization, but a legal category in which all eligible organizations may be included, regardless of their structure. The requirements are:

- being a private organization;
- performing an entrepreneurial activity of production of social utility goods and services (the list of activities is reported);
- acting for the common interest;
- operating without any kind of profit.

Therefore, the eligible organizations could in theory be cooperatives (i.e. employee, producer, or customer owned firms), social cooperatives, investor-owned firms (i.e. business corporations), or traditional non-profit firms (i.e. associations and foundations). In this regard, Italian law is a general law on social enterprises and not a particular law on a specific (or unique) form of social enterprise. Following the law, the business has to be of social utility (social assistance; health care; social-health care; education and training; environment and ecosystem protection; valorization of cultural heritage; etc.) or it can be an entrepreneurial activity aiming to the work integration of disadvantaged and disabled worker. In this latter case, for an enterprise to be social, the nature of the sector of activity is irrelevant. What matters is that the activity is carried out by employees, of whom at least 30% are underprivileged or disabled.

This reflects the previous Law 381/91 on Social Cooperatives that shared them into two types:

- a) types A Social Cooperatives carrying out social services, social assistance, health and education services;
- b) types B Social Cooperatives carrying out any kind of activity with the integration of disadvantaged people.

At the moment, in Italy the Social Cooperative is still the most diffused form of Social Enterprise.



**In Serbia** the concept of social entrepreneurship received **initial recognition among third sector representatives, trade unions leaders, professionals, academics and the government officials at the beginning of 2000**, fostered by international initiatives on social enterprises, which provided a much-needed analysis of the complex issues related to these alternative forms of economy.<sup>13</sup>

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<sup>13</sup> At the beginning of 2000 the OECD LEED Centre for Local Development in Trento organized several international gatherings and created a scientific advisory group on social economy and social innovation. Trento University conducted the first comparative research on social economy from an international perspective and the results were

Although there is no still authentic definition of Social Enterprise in Serbia and proper legal framework has not been adopted, it is accepted that the model of **social enterprise consists of new, emerging organizations that have developed between the market and the state to pursue social and economic goals**. Social enterprises are defined as **private and autonomous organizations providing goods or services with an explicit aim to benefit the community, owned or managed by a group of citizens and in which the material interest of capital investors is subject to limits**.

In this context, different social actors corresponding to social enterprises have been recognized on the socio-economic scene. Despite their differences, organizations identified as **social enterprises share the following social functions**:

- potential of **generating new jobs and economic integration of disadvantaged groups** through the employment;
- **social integration of marginalized social groups through economic integration or purely social integration** (day centres for persons with disability, the inclusion of refugees in organizations with resident membership, etc.).

These efforts have provided a better understanding of contemporary trends of socially oriented economy, assisted the government in mobilizing resources for alternative economy related programs and, as such, contributed to the process of social policy reconstruction in Serbia. Dealing with different target groups, these organizations are capable of accepting innovation in new ways of employment and services provision, in particular in the social protection of vulnerable groups. An overview of the main activities undertaken by innovative social enterprises shows that most of these organizations deal with training and social care services, while their production activities are sporadic.

**The innovative social enterprise network is still under-developed** regarding internal structure, capacity to provide employability, training for employment and a wide range of services. **Beside the new network of social enterprises, the “traditional” segment** consists of a number of pre–transitional organizations which, like in other Central-East European countries, **are mainly self-organized groups of disabled people with a substantial voluntary participation**. The vast majority of these organizations were established in the seventies, their main task being to provide supplementary services (e.g. recreation or sport). During social transition in Serbia some of these groups have attempted to evolve, carrying out reforms and building their capacity by providing social services and self-employment programs, designed to strengthen entrepreneurship and activities aimed at integrating vulnerable people into active life.

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published in the book Borzaga C., Spear R., (edited by) *Trends and Challenges for Co-operatives and Social Enterprises in Developed and Transition Countries*, Edizioni 31, Trento, 2004

Beside, EMES European Research Network and the United Nations Development Program – Bratislava Regional Centre (UNDP-BRC) have conducted comparative research on social enterprise, organized several international gatherings, regional workshops and related publications on the topic of promoting SE in Eastern and Central Europe. Serbia has been also included in a 12 country mapping of heterogeneous organizations corresponding to social enterprise. UNDP-EMES, *Social Enterprise – A New Model for Poverty Reduction and Employment Generation*, UNDP Regional Bureau, Bratislava, 2008. UNDP-BRC, *Study on Promoting the Role of Social Enterprises in CEE* and the CIS Initial Overview Study, 2006

**The organizations that do correspond to social enterprise are established under a variety of legal acts, such as the Cooperative Law 1989, The Law on Social Organizations and Citizens' Associations, 1982 and the Law on Citizens' Associations, 2009, the Law on Enterprises for Vocational Training and Employment of Persons with Disabilities, 1996, the Company Law, 2004 and the Law on Churches and Religious Communities, 2006.**

An important trend can now be identified among such organizations in Serbia; this is the creation of networks among organizations that share the same mission in various regions of the country. These networks usually have a central organization that acts as a central focus point and coordinates the work of the whole network.



**In Slovenia social enterprise sector just started to emerge; there is no uniform definition of the social enterprises in the country.** Only recently, the promotion of social entrepreneurship appeared on the politicians' agenda. Initial attempts to describe the field, were made by research aimed at analysing social enterprise sector, as well as giving policy recommendations for introducing social entrepreneurship.

According to the existing research (Branco et al., 2004), social economy is defined as social-economic category, where various legal entities and individuals create support environment for inclusion of vulnerable groups of citizens in social and working environment. Social economy should cover all individuals, who for various reasons cannot live independently. The concept is based on the principle of equality, where the status of the individual is not important, but it is crucial that the individual is unable to get actively involved in the society. The same research defines social enterprise as ethical, professional, innovative and systemic approach, which by performing different activities achieve the goals of social economy.

According other research (Lužar et al., 2005) the social economy is defined as a part of a third system of economy – system of self-help, mutuality and social goals, while the social enterprise is organisation aims at achieving social wellbeing.

The closest to what is understood under the term **social enterprise in Slovenia is the definition used in Public tender for stimulating the development of social enterprises of Ministry of Labour, Family and Social Affairs (2009)**. The tender defines eligible applicants, among others, as:

- legal entities that have **non-profit character** defined in their constitution act, do not distribute profits and reinvest them in their core business;
- at least one member of the social enterprise or partnership must have experiences in **working with target vulnerable group** (the following target groups were defined: persons older than 50 years, young people below 25 years without or low level of education, Roms, ex drug addicts who are in the process of rehabilitation, ex prisoners, immigrants and refugees);

- it must be aimed at **including at least 10 and max 20 persons of vulnerable group in training activities** and providing to at least 25 % of the persons included full-time employment (at least 3 persons).

In the unclear defined sector of social economy in Slovenia, it is estimated that there should be thousand of societies, 250 foundations, 250 private institutions which declare them as non-profit development enterprises, 150 companies for disabled, and tens of cooperatives. Societies are voluntary, independent, non-profit associations of individuals, who organize with a common interest, in general this kind of organization is too “wide” and too external to market, to be defined as social enterprise. Foundations are founded with the helpful or charitable purpose; however, they also perform economic activities, if these are necessary to finance their charitable activities. Non-profit private institutions, when established, define that profit is not distributed among the owners, but is reinvested in development. Company for disabled is an enterprise in which at least 40% of the employment represents disabled persons. Cooperatives are organizations with the defined number of members, established to promote economic interests of their members.



**In Ukraine** the notion of ‘social enterprise’ is quite new. However, there have been numerous discussions on the need to reform social services; one of the possible approaches is to ensure the involvement of NGOs, as representatives of an emerging social economy, to the provision of social services. At the moment the NGOs are the main actor playing a role in the undefined Ukrainian social economy sector.

According to the Law of Ukraine “On social services” of 01.01.2004, **social entrepreneurship is defined as “comprehensive measures targeted at social groups or individuals that find themselves in complicated situations and need external assistance”**. Social entrepreneurship is a new way of economic activities that combines a social mission with economic efficiency and innovation, characteristic for businesses. Social entrepreneurship is a concept that essentially changes the main focus and mission of businesses activities, where all the profits from commercial activities are channeled for addressing social problems.

There are four main indicators of NGO commercial activities in social entrepreneurship:

- the **social mission dominates over the commercial one**; which means that the fixed goal of the organization is to address a certain social issue;
- there is **stable commercial effect**, which comes not only from purely commercial activities, but also from disseminating books, organizing seminars and conferences. Stable commercial effect is the precondition for self-repayment and competitiveness;

- **innovation, which joins social and economic resources**, thus allowing the social enterprise to address social problems and fill in the niches where other organizations are not presented;
- **a comprehensive network**, since NGOs are backed up by certain groups, whereas social entrepreneurship finds support in the social environment.

Social entrepreneurship in Ukraine is undertaken by:

- 1) Central and local government authorities, and other public organizations funded from the national or local budgets;
- 2) Charity funds and charity organizations, including NGOs that focus on environmental, recreational, amateur sports, cultural, educational, and research activities; public associations of disabled people and their local offices, established in accordance with the Law of Ukraine “On citizens’ associations” and
- 3) Religious organizations.



## 2. Identifying core types of social enterprises: aims, characteristics and target groups

**In Austria**, the social economic sector is characterized by a high degree of heterogeneity and complexity concerning the organisational legal forms, as mentioned. This is far more the case concerning the characteristic fields of activities. Because of the different target groups and the adapted tasks and requirements a comparison as regards content is hardly possible. Their internal differences overbalance to a high degree their similarities as the characteristic fields of activities and situations such as unemployment, need of care, homelessness, addiction, refugee status, asylum counselling or child care can exemplary show. Because of this heterogeneity and complexity, the study concentrates on a specific segment of social enterprise, so-called “Work Integration Social Enterprises” (WISEs).

Their main **aim** is the integration of hard-to-place persons (e.g. long-time unemployed or disabled persons) into the regular labour market. In WISEs the employed disadvantaged people earn income and their integration attempts to be achieved through productive activity and tailored counselling. WISEs are instruments of an active labour market policy for people experiencing serious difficulties in (again) getting a job in the first labour market, thus avoiding further social exclusion. Besides achieving this main objective, WISEs should also follow economic or socio-political objectives.

In order to present **the characteristics**, there are six models of WISEs:

- 1) Social economic enterprises (SÖB)
- 2) Non-profit employment projects (GBP)
- 3) Non-profit temporary-employment agencies (AKÜ)
- 4) Integrative enterprises (IB)
- 5) Employment projects for disabled persons
- 6) Social integration enterprises that make (only) use of an integration subsidy to finance their services of integration into the labour market. This subsidy is open for all enterprises and therefore also for profit-oriented enterprises.

Some of the models are based on federal directive of the Austrian Public Employment Service for the funding of social economic enterprises and on directive for non-profit employment projects, others are based on the directives on integrative enterprises and on directive on the vocational preparation of disabled persons of the Ministry of Work, Social Affairs and Consumer Protection. These authorities are the main financier of these instruments.

The WISEs are labour market instruments that are characterized on the one hand by its nature as an enterprise and on the other hand by the combination of economic (including the duty to gain its own share) and labour market political criteria for success (qualification and transfer of long-term unemployed or similarly disadvantaged persons into the first labour market).

The WISEs are mostly established and run by non-profit and self-help founded institutions and typically they have the character of a small enterprise. Whether they launch a product or they offer services they have to stay competitive in the market. They

are institutions of the second labour market; this distinguishes them precisely from any wage subsidies and other traditional labour market political instruments. These Social Enterprises shall help to sustainably integrate hard-to-place people into the labour market by offering close to the market but temporary jobs. In doing so, they operate under market conditions. They have the social task of supporting above all people with limited productivity in recovering their capabilities to enter into the regular labour market.

The models described can be viewed comprehensively in several respects. There are some differences regarding:

- a) **the target groups.** All of these models focus on the integration of hard-to-place persons into the labour market, such as: long-term unemployed, disabled persons, returners (especially after the maternity leave), migrants, recipients of social welfare, others. There are different graduations:
  - people who do not need a vocational preparation for integration into the first labour market and are therefore fit for integration. They are the target group for “non-profit secondment (model 3)” as well as for an “integration benefit or occupational integration of disabled persons (model 6)”;
  - the models “integrative enterprise (model 4)” and “employment projects for disabled persons (model 5)” aim at unemployed persons with a disability severity beyond 50%. Requirement: the person concerned is classified as able to rehabilitate and afterwards or directly fit for an employment in the first labour market (diagnosis and classification is done by a doctor);
  - for all other groups, including people with a disability severity under 50% (after possible rehabilitation and appropriate preparatory measures), the models of SÖBs or GBPs are available.
- b) the financiers/subsidy donors: more details are presented in the relative part of this report (titled “Sources of funding”).
- c) the type of funding.



**In Bulgaria**, the existing forms of Social Enterprises are:

- non-profit organizations which perform profit activities and use the profit for financing the social mission of the organization;
- non-profit organization which provides employment of people with disabilities or provides training services (for example, trainings for development of labour abilities);
- non-profit organizations engaged with social assistance;
- socially oriented cooperatives.

According to the characteristics of Bulgarian Social Enterprise, it is possible to share the Social Enterprises panorama into NGO and Social Cooperatives.

The **characteristics and aims of NGOs** are presented here following:

- the model of employment creation and development of work force. In this model the economic logic of the business initiative is based on the opportunity to create new work positions for the target groups. Frequently this model is related with the so-called protected employment where the SE is employer of people with disabilities.
- the entrepreneurial model where the Social Enterprise is a mediator between the target groups and the market. This model is characterized by the participation of the people with disabilities in the production of goods as a work therapy; afterwards the SE takes care of finding a market for the products and engages in marketing and distribution.
- the model of direct service. The SE provides paid social services to external clients and at the same time it is a provider of social services to its members, but this time it is being paid according to contract with a municipality or the state. It is important to mention that the SE develops the same services but directed to different clients. Frequently this model includes employment of disabled people who participate in the provision of services to clients in worse condition.

The socially oriented cooperatives (SE Cooperatives) are of importance for identification of the social entrepreneurship development in the country. Cooperatives have the longest history, although they are rarely considered a Social Enterprise. However, SE Cooperatives have completely social character and support the prosperity, the interests and necessities of its members.

The concrete activities of the **cooperatives are aimed at:**

- labour readjustment of its members and creation of permanent employment of the members;
- redistribution of dividends between the members;
- professional and financial support in starting own business, vocation, granting of commodity loans and collaboration in finding trade building;
- support by provision of social services;
- provision of special services for people with physical or mental disabilities or with financial problems;
- provision of legal, methodological, technical and medical help of the members in relation to their rehabilitation and integration in the society as well as protection of their rights and interests.

The **main characteristics of cooperatives** are:

- a political or economical function.  
Political functions include: Vocational/training activities (many members of SE Cooperatives find professional fulfillment and specialize in certain professional field) and Integration activities (by creating a job and supporting its members, the Cooperatives assure the gradual integration of the members in the society).  
The economical functions include: Transformation function (transfer of private economic activity functions into an organization with social and integration

- purposes); Coordination function (overcoming the imperfections of the economic environment and the problems for certain groups to integrate at the labour market and therefore – in the society).
- an economic activity: retail or wholesale trade with industry products, mostly textile, knitwear, shoes. The cooperatives have trade buildings on the whole territory of Bulgaria.
  - an officially regulated legal status. This fact makes the cooperatives' activity much more easy and transparent. The problems of this type of organizations have different character in comparison with the SE NGOs which have to overcome the lack of state policy and the misunderstanding of control organs. Cooperatives are established in much more beneficial circumstances which results in their larger size and broader activity.

**SE Cooperative target groups** are marginalized or vulnerable groups such as blind people, physically disabled, people with hearing impairment, etc. This explicitly social orientation is provoked by the fact that the cooperatives are established by a group of people with the purpose to help the group. The aim of each SE Cooperative is the protection of the rights of these groups – right to work, to be part of the society, to be integrated.

**The general Social Enterprises in Bulgaria work with different target groups** which are marginalized or have disabilities, such as: people with physical or mental disabilities; ethnic minorities; children and families at risk; young people not integrated in the society (e.g. orphans); women victims of violence; elderly.



**In Hungary**, social economy consists of the following organisations:

- Non-profit organisations undertaking employment of disadvantaged people;
- Social association;
- Associations reorganised after the change of the political regime;
- Foundations;
- Public Benefit Companies;
- Social cooperatives.

The main **characteristic** of the social economy sector is that the majority of these organisations were established by the local government or the state, or they are significantly supported by the state, and only by the public presence they are able to provide their existence. The establishment of the above-mentioned organizations was accompanied by the intention of decentralization; the aim of the state is to leave the former state tasks to non-state organizations in a way that it still holds the control above them.

The **main aim** of the social economy organizations can be defined as an activity in the “second economy”: they increase their resource with different funds – from the State and Eu – and by their activity they facilitate the integration of the permanent unemployed people into the “primary labour market”. These organizations provide services in different areas, such as training, advisory, social support and mental care. Consequently, the **target group** is people with difficulties in entering in the labour market.

A specification is due for Social Cooperatives and Public Benefit Organizations.

In the establishment of the **Social Cooperatives** a significant role was undertaken by OFA (National Employment Foundation) since 2006, when the Government brought a Law about social cooperatives. It shows the development of social cooperatives that on 21 May 2010 the National Association of Social Cooperatives was established, that was established by eleven social cooperatives.

In 2006 as mentioned, the government of the time has introduced the law about cooperatives<sup>14</sup>, and then adopted the governmental decree<sup>15</sup> about social cooperatives. As it is suggested in the law “the bill considers cooperatives an organizational framework that is able to combine cultural, social and community organizer functions” .... while the cooperative mobilizes the social-economic resources that are available in the communities that are able to cooperate. Such resources would not dominate with the separate operation of individuals.”

The stipulation of the law about associations is of historic significance from two different points of view. On the one hand, 16 years after the change of the regime, it has rehabilitated the cooperatives, and on the other hand it has opened the way to the establishment of social cooperatives. “The cooperative – according to the intention of policy makers – is a community established in accordance with the freedom for associating, and the principle of self-aiding in which the members were associating with the aim of fulfilling their common economic, social, cultural needs and incentives by their own participation and financial contribution, in the framework of a democratic local government, doing basic and entrepreneurial activity, serving the interest of the members.”

Finally, the 1997 modification of Civil Code introduced the institution of **Public Benefit Organization** as well. According to the Civil Code of Hungary, “The Public Benefit Company is a legal entity of public benefit, serving the common needs of the society without the aim of gaining profit or fortune”. The public benefit company can do businesslike economic activity in order to promote public benefit activity; the profit deriving from the activity of the company cannot be divided up between the members. For the public benefit company, the Rule relevant to the Economic Companies<sup>16</sup> and the company of limited liability shall be applied, as appropriate.

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<sup>14</sup> The X/2006. law about associations

<sup>15</sup> 141/2006(VI.29) governmental decree on associations

<sup>16</sup> 1997/CXLIV.tv.(law)



**In Greece**, the main social enterprise-types of organizations are:

- Social Cooperatives of Limited Liability (Koi.S.P.E) for people with mental health problems;
- Social Cooperative Enterprises of the Law 4019/2011 (too recent to be analysed);
- Women's Agro-tourist Cooperatives.

In addition, there exists in Greece a variety of other organizations (non-profit and non-governmental organizations) being engaged - and increasingly so in recent years - in a wide range of activity and programs in the area of social welfare and service provision.

Generally speaking, the main types of social enterprises in Greece fulfill the generally accepted criteria for social enterprises as formulated in the scientific literature. They can be characterized in the following way:

- economic and social objectives are pursued equally;
- economic activity is non-profit oriented;
- the initiatives are economically independent;
- whether at national or regional level, the initiatives are often networked with each other in order to provide mutual support and joint representation of interests;
- the initiatives tend to include their employees in decision-making processes.

Since the early 1990's, in particular, partly as a response to increasing situations of social exclusion, one observes an increase in the emergence of such organizations which are concerned mainly with addressing specific problems and covering recognized needs of certain vulnerable groups of society (disabled persons, immigrants, ethnic minorities, etc.) through the provision of training, job-finding support, psycho-social support, rehabilitation services, etc.

For the purposes of this report reference shall be made mainly to the "core social enterprises", that are: the "Women's Agrotourist Cooperatives" and the "Social Cooperatives of Limited Liability" (Koi.S.P.E) for people with mental health problems.

Both types of initiatives are based on the legal framework provided for the cooperatives and which bears the following determining **characteristics**: it requires the coming together of individuals with a common purpose or problem, it aims at the realization of a mixture of economic and social objectives, it is not under State control but under collective control and democratic management through democratically elected (one member, one vote) organs, it can exercise entrepreneurial activities with emphasis on the production of socially useful products and services, and finally, the funding of its operation derives mainly from the selling of its products and services, while it can receive any donations or State grants.

It appears therefore that both types are characterized by an entrepreneurial capacity although their degree differs between the two: in the case of the agrotourist cooperatives it is greater than in the case of the social cooperatives established by specific socially excluded groups of people. The latter rely more upon subsidies than the former type of cooperatives. The agrotourist women's cooperatives are mainly financed through the

market (i.e. selling of products and tourist services) and to a lesser extent by state allowances, which are not on a regular basis.

**The economic and social aims** of both types of cooperatives stem from the principles of equal participation, solidarity and mutual aid among their members, while they put equal weight on the social and the economic purposes. Among the objectives and activities of both kinds of cooperatives are: the social and cultural development of their members, the fulfillment of social needs, the professional training of their members and in certain cases the expansion of social tourism etc.

In the case of the agrotourist cooperatives, it may undoubtedly be said that this specific kind of cooperative constituted a ‘pioneer’ initiative in this kind of activity, even by EU standards; such initiatives reflect new ways of satisfying social needs (upgrading the social status of their **target group**: women living in rural areas) and at the same time, they represent sources of new employment opportunities, generating income not only for the members themselves, but also for the local community, supporting the local development.

The low level of education and working skills of rural women has transformed them into a source of reserve labour, a kind of all-purpose labour force. This transformation has given women the advantage of flexibility in terms of employment and the facility to render professional the role of housewife, permitting them to take commercial initiatives primarily on a co-operative basis. Co-operative establishment was the rural women’s initiative – sustained by the Greek state and EU policy – to generate their own solution to their common economic problem and ensure economic self-reliance as a first step towards their social liberalization. Indeed, their ability to contribute to family income has changed authority and decision making relationships within the household and society in general, a fact that has improved the social rural woman model.

With regard to the cooperatives, the **target group** is clear: they are established by persons with disabilities, their operation has already provided the opportunity to their members to regain social and ‘unused’ skills or to develop new occupational skills through on-the-job training and work experience; their operation also has helped the majority of their members, who were patients of the psychiatric hospitals, to lead an independent life, either in apartments or with their families. Another novel feature of this type of social enterprise is that, unlike the other types of cooperatives where membership is composed of only one type of stakeholder, its formation requires wider partnership relationship, consisting of three main categories: persons with mental health problems, mental health professionals and other persons and agencies from the local community.<sup>17</sup> In addition, the fact that the activities of the cooperatives are located within the community and that the

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<sup>17</sup> The information provided for the Social Cooperatives for people with mental health problems is based on: Seyfried E., Ziomas D., *Pathways to social integration for people with mental health problems*, Report prepared for the Peer Review in the Field of Social Inclusion Policies, European Commission, DG Employment, Social Affairs and Equal Opportunities. Athens, 2005

Also, on: Ziomas D., *Social co-operatives for persons with mental health problems in Greece: a specific form of social enterprise* in Osborne S. (edited by), *The Third Sector in Europe: Prospects and challenges*, Routledge, London, 2008

cooperatives regularly organize cultural events, has led to the sensitization of the local society; one observes that there is a growing interest in recent years among other vulnerable population groups supported by other stakeholders-professionals in the social services to form such special purpose cooperatives.

In common with many other initiatives and enterprises active in the social economy, social cooperatives are characterized by a double function with regard to their general objectives, in so far as they are businesses which use their market-oriented production of goods and services to pursue a social mission, i.e. to provide employment for people threatened by social exclusion.



**In Italy**, until 2006, the legal framework regulating social economy in Italy was based on various legal acts of different range and types.

According to the legislative decree 155/2006 the social enterprise is rather a qualification/label than a special legal form that is assigned to the entities carrying out in a stable way an economic activity that consists in the production or the exchange of goods and services of public benefit, having general social aims. Hence, social enterprises can have different legal forms. Social cooperative is the main legal form of social enterprise; however there are many subjects in Italy constituting the “third sector” that can be defined as social enterprises:

- cooperatives;
- associations;
- foundations;
- ONLUS organizations (ONLUS is a fiscal definition).

The Social Cooperatives, as a main type of social enterprises, **aiming** at pursuing the general interest of the community to promote the human needs and social inclusion of citizens (Law 381/91 identifies the peculiar nature of those cooperatives). The social cooperative is therefore a particular form of cooperative, whose social aim is clearly expressed; it is an alternative to normal enterprise and complementary to the "normal" cooperative. The law stated that the primary beneficiary of their activities is the community, or groups of disadvantaged people. Members may be people who works, manages, benefits from its services, such as a disadvantaged or marginalized community; it is possible to have as member people who are unpaid volunteers, but they must not account for more than 50% of the total workforce.

Social cooperatives are permitted to distribute profits, subject to the following conditions: distributed profits are restricted to 80% of total profits; profit per share must be no higher than 2% of the rate of that available on bonds issued by the Italian Post office. No profits can be distributed if the co-operative is dissolved. This effectively prevents demutualization.



There are two categories of social co-operatives: 'A' co-ops and 'B' co-ops. Their **characteristics and target groups** are presented here following:

- *Type A*: They can deliver health, social or educational services. They operate as commercially orientated businesses, with workers and volunteers being members of the co-op. Many 'A' co-operatives have established 'privileged' relationships with municipalities (also termed preferential bidders for work). About 70% of social co-operatives are 'A' co-ops. All the people who need assistance or education represent their target group: elderly people, children, minors, people with disabilities, etc.
- *Type B*: These are cooperatives for integrating disadvantaged people into the labour market. At least 30% of workers in a B co-operative must be disadvantaged in some way. Those groups benefiting from B co-operatives include people with physical or learning disabilities; people with sensory difficulties; people released from psychiatric hospitals or otherwise treated for mental illness; drug and alcohol addicts; people who have been given an alternative to custodial sentences.

It is worth mentioning that this type of social enterprise has a significant role for the work integration of disadvantaged people, since there is only one type of work integration social enterprises' dealing with this issue in Italy: the B-type social co-operatives (which can be included among the category of social enterprises). In fact one could also mention the experience of organizations other than social co-operatives, whose activity also involves disadvantaged people. But, on the one hand, these organizations cannot be defined as enterprises according to the EMES criteria and, on the other hand, they do not have integration through work of disadvantaged people as their priority aim.

Besides, there is a *Type C*, which refers to Consortia of social enterprises formed by single social cooperatives linked together.

In Italy, at 2008, there were more about 14.000 social cooperatives.



**In Serbia**, six types of organizations are recognized which correspond, in different degree, to social enterprises. Especially, the following organizations are identified:

- Cooperative networks;
- Citizen Associations (self-help groups in particular);
- Enterprises for persons with disabilities;
- Spin-off enterprises in the form of limited and joint stock companies;

As main type of social enterprises appear the Cooperatives and the Social and Citizen Associations (self-help groups).

The listed forms of organization differ in their degree of similarity to social enterprise. Some of them meet the listed criteria almost completely (e.g. social cooperatives), while others, by virtue of certain features, stray from the ideal type (such as: profit orientation in agricultural cooperatives, low tendency of paid work and production/ service-providing activities in voluntary organization, low degree of autonomy in agencies for the

development of small and medium enterprises and the like). Besides, even if the organizational forms listed are perceived from the point of view of their development, it can be noticed that some of them have the potential to grow into real social enterprises, while the others will stray further, should legal/social conditions change.

The cooperatives appear as main type social enterprises, representing 79% of all organisations in the sector. There were a significant number (2.800) of cooperatives registered; for all that a smaller number is still to be active (around 800 in 2008).

Beside these cooperatives, which are mostly inherited from the past, there are around 50 to 100 newly created cooperatives that have begun to develop an entrepreneurial dynamic focused on social goals, such as services for the elderly or integrative programs designed for people with disabilities. The following forms of cooperatives, which represent innovative social enterprises organized in a cooperative form, are currently present in Serbia.

Here are summarized **aims, characteristics and target groups**:

- Agricultural cooperatives, created by associations of small agricultural producers in an effort to strengthen their position on the market and pool the resources required to develop agricultural production;
- Women's cooperatives exploring ways of providing jobs and reducing poverty and unemployment among vulnerable groups of women including those who were laid off during the transition period, less qualified and elderly persons and long-term unemployed;
- Ecological cooperatives that promote healthy food, organic, environmentally safe agriculture and local tourism development;
- Social cooperatives, created to integrate extremely marginalized disabled groups, (economically and socially), people with limited capacities, or who completely lack the ability to work. Compared to agricultural and women's cooperatives, which have profit directed activities, social cooperatives are focused primarily on social objectives.

Other significant social enterprise-type are the social and citizen organizations (self-help groups); according to the latest information (2008), 162 citizen associations are active in Serbia. In general, their **aim** is welfare and social protection for the most vulnerable people. The main sub-categories of third sector social enterprise are oriented to two **target groups**: refugee groups and self-help groups for women and people with disabilities. The latter are a well-organized, traditional segment of voluntary organizations focused on programs for the handicapped population (blind, deaf, developmentally delayed, paraplegics, and disabled veterans). Self-help groups for women stimulate business activities and job creation and promote the social inclusion of vulnerable women. Some minority groups, which strengthen the social inclusion of their members by means of production, also fit the definition of social enterprise; their activities often include sewing, weaving or pottery-making and sometimes involve marginal minority groups, such as the Roma people.

Social enterprises for persons with disabilities or enterprises for vocational training and the employment of persons with disabilities are the organizations that come closest to the concept of social enterprise; there are 55 such enterprises in 2007. Under socialism, a well-organized segment of self-help groups, focused on the integration of disabled people, was established during the 1970s in Serbia. Their activities promote social integration through the creation of jobs, micro-projects, self-employment and other types of activities that foster an enterprising spirit and support people with disabilities.

Spin-offs enterprises that are formed as voluntary organization are frequently formed as limited liability enterprises, rarely joint stock companies. Nevertheless, regardless of their legal form, these enterprises are characterized by a close association with their founder (voluntary organizations or for-profit enterprises). In this sense, these enterprises have relatively limited autonomy. There are 24 spin-off entities which correspond to innovative social enterprise in Serbia (2008).



**In Slovenia**, there were more than 25 thousand intuitions registered in Slovenian social enterprise sector in 2008, but most of them were societies, and it is difficult to define them social enterprise as responding to the EMES criteria or the ISEDE-NET definition. The sector represents almost 17% of all enterprises in the country; however, it represents only 2% of the total employment.

The general social enterprise sector consists of:

- Societies;
- Non-profit private institutions;
- Companies for disabled;
- Cooperatives;

The main part of the institutions recorded consists of the societies; they represent 80% of the total organizations, but they are association of persons engaged in a common profession, activity, or interest, without clearly specification if they carry out similar-business activity or not.



**In Ukraine**, there are two sectors where social enterprises can operate: government and non-government (NGOs). These two sectors are further divided into five groups; those are the main actors of the social enterprise sector:

- public entities that are accountable to the central executive authorities (the Government);
- organizations accountable to local communities (local governments);
- organizations, accountable to both central executive authorities and local governments (joint management);

- non-government sector (NGOs): citizens, associations, charity organizations and funds, religious organizations, etc;
- physical entities: individual citizens as volunteers.

The **aim** of social enterprise are:

- improving the quality of life of the target group;
- ensuring stable and independent funding for a non-profit organization;
- generating new approaches to addressing the problems.

According to the Regional Social Programs Fund's definition, social enterprise relates to business activities aimed at alleviating or addressing social problems; **its characteristic features are:**

- *social impact* - focusing on addressing/alleviating social problems; sustainable, positive, measurable social outcomes;
- *innovation* - applying new approaches that magnify the social impact;
- *self-repayment and financial stability* – social enterprise's capability to address social problems for as long as it is needed, at the expense of the enterprise's own income;
- *scalability* – expanding the scope of social enterprise's activities (on the national and international level) and disseminating the experience (model) in order to reinforce social impact;
- *enterprising approach* - ability to see market niches, find new opportunities, accumulate resource, develop new decisions that ensure a long-term positive impact on the society as a whole.

The most widespread **target groups** for the NGOs (2004) are “youth” (48%), “organization members” (32%), “children” and “school students” (24% each). Women are mentioned as a target group in 14% of the cases, the disabled – 13%, retired and elderly persons – 12%, (according to “Counterpart” creative center).

### 3. Size and sectors of activity of the core types of social enterprises

**In Austria there are roughly 6000 enterprises of the social economy** in which under 125,000 persons were employed. Additionally, about 150,000 persons worked as volunteers in the social economy.”<sup>18</sup>

AUSTRIA	Entities	Jobs
<b>Organizations traditionally allocated to the social economy<sup>19</sup> in 2005:</b>		
Associations, Voluntary Organizations Foundations and Charities	8.437	190.000
Cooperatives	685	62.145
Mutual aid organizations	--	8.000
<b>Social economic enterprises that fulfil the criteria of provision of social services, no or limited distribution of potential profits to private persons<sup>20</sup> in 2003:</b>		
Social associations	5.800	--
Limited companies with non-profit orientation	200	--
Cooperatives with social economic objectives	20	--

Regarding the **WISE**, core type of social enterprises analysed for the purpose of this report:

- the **sector of activity** is the Work Integration of people with difficulties. The service of WISEs is orientated to close the gap that is left by the state or the market and these enterprises are often the only provider of certain services that are of no interest for other enterprises or seem not to be economic. Due to the fact that WISEs always look after production or service niches for their activities they often take over pioneering tasks in certain areas.
- there are in a **sum of 259** of WISEs (2007), which are usually **small businesses**.

To stay competitive on the market innovative ability, management abilities and the development of new business areas are necessary. Additionally, an increasing orientation on the clients as well as a precise profile of the organisation is very important to differ oneself from other service providers.

Other type of WISE is **ECO-WISEs**, which are focusing on ecology.

- the **sector of activity** relates with ecological business area and/or services/products produced in an ecological and sustainable way. The definition covers therefore two different levels: not only the ‘what’ but also the ‘how’ is of great importance. ECO-WISEs perform an important contribution to the improvement of the environment. They refer to the principles “triple bottom line”

<sup>18</sup> Ibidem, p. 43.

<sup>19</sup> Chaves R., Monzón Campos J.L., *The Social Economy in the European Union. Report for the European Economic and Social Committee*, CIRIEC, CESE/COMM/05/2005, 2007

CIRIEC, *The Enterprises and Organisations of the Third System. A Strategic Challenge for Employment*, Liège, 2000

Data provided by the Austrian project correspondents BRAZDA Johann, SCHEDIWY Robert (University of Vienna

<sup>20</sup> *Überblick über die Organisationsstrukturen der Sozialwirtschaft in Österreich*, in Sozialwirtschaft in Österreich – Alternative oder Lückenbüßerin. Kurswechsel, issue 4/2004. Which services are added in detail is unfortunately not mentioned in this source.

that is based within the concept of sustainable development (consideration of ecologic, economic and social dimensions).

According to existing survey, a fifth of these enterprises believe that they “offer services that are not covered by the state or market”; especially, ECO-WISEs operate in the following fields: waste management and waste disposal; construction work and subconstruction work; counselling in the environmental field; recycling; design respectively fabrication of products from recycling material; renovating; repairs; clearing out; landscape gardening and cultivation; grassland cultivation; landscape maintenance and environmental protection; gastronomy; food production (bio-products); handcraft (locksmithery, carpentry, painting, tailoring, etc.); cleaning; relocation, transport; others like social shops, second hand shops, renting service.

#### **Regarding the GBPs, SÖBs:**

- the **sectors of activity** are: carpentry, painting, locksmithery; park cultivation; relocation, repair, maintenance; services in/around the house; transport, renovation; second hand shops; office services, administration; tailoring, textile cleaning, laundry; recycling; gastronomy, catering; dispatch; nonprofit secondment & others.

#### **Regarding IBs:**

- the **sectors of activity** are: metal machining and processing, woodworking, assembly (industrial assembly, universal assembly and electrical assembly), the manufacturing of electronic and mechatronic products, all the way to print shops, textile production, plastics processing and others. In some business segments, IBs are direct competitors of other local companies.



**In Bulgaria**, the main types of organization in the social economy sector in general, are Foundations and Associations as well as Cooperatives according to the existing statistical data.

<b>BULGARIA<sup>21</sup> (2008)</b>	<b>Entities</b>	<b>Jobs</b>
Associations and Foundations	22.000	--
Cooperatives in 2010	853	165.105
Cooperatives of people with different disabilities	34	--
Cooperative Unions	34	--
Central Cooperative Union	1	--
Private providers of social services (the main field of activity for the social enterprise type organizations)	820	--

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<sup>21</sup> Cfr. Borzaga et al. (2008)

There are no statistics about the number or the percentage of the NGOs developing additional economic activity. This fact is due to the lack of official state policy in favour of social entrepreneurship which leads to lack of any official statistics about the development of this sector in the state. It is considered that the encouragement of the social services decentralization is the first step for promotion of social entrepreneurship.

**The main sectors of the SE-NGOs** are three: social services, health services and training and educational services. Except from that, often SE-NGOs transform to employer of people in vulnerable social position independently from the field of their activity.

The main fields for development of social enterprises in Bulgaria are:

- the social assistance area of operation;
- the protection of health;
- the provision of training and educational services (trainings, art education or qualification courses provided to specific groups – marginalized, physically disabled or vulnerable groups by the “chitalishta”. Mostly this cultural or art activity is part of their regular mission but it is becoming more popular these organizations to turn to activities with social impact aimed at groups which need social integration).

The **Social Enterprise-Cooperatives**, which unite different social or vulnerable groups, have long history of existence; some are established in the socialist era (1946-1989), some, even before that. Frequently the **main purpose** of these organizations is the work integration and social rehabilitation of the target group. Throughout their long history different groups of disabled people have different specializations and monopolies in the production of different goods. For example, the cooperatives of the Union of People with Hear Impairments specialize in the production of goods for the healthcare field, textile and furniture, while those of the Union of the Visually Impaired People are active in the production of Electric installation products, filters for the automotive industry; packages for different products.

The **size** of most of the cooperatives is between 50 and 150 people; this size makes them the biggest organizations focused on vulnerable groups in Bulgaria.



**In Hungary**, information about the social economy is gathered from existing works, as well as from the public benefit reports of the non-profit organisations, because there is no separate data collection for the social economies in the country. The data of social economy are included in the data of enterprises and also, in the information collected about non-profit organisations. Thus, it is difficult to give precise information about the participants of social economy, the number of its workers, the kind of activities they do, as well as about their economic successful.

<b>HUNGARY (2008)</b>	<b>Entities</b>	<b>Jobs</b>
Civil Organizations	6.989	--
Foundations	20.967	--
Associations	30.286	--
Organizations that have implemented labour market programs	206	--
Social Enterprises (which have a social and employment integration mission)	500-600	--

The existing financial data reveals that the financial weight of the whole non-profit sector, including besides the civil sphere also the state-founded and state-financed public foundations and public benefit companies, was significant in Hungary in 2006; however, the sustainability of social enterprise like organization is in question and the sector is subordinated to the state, as this is stressed in the Hungarian National Report.



**In Greece**, the total number of the employment in Social Economy sector (around 70.000) represents 1.8% of the total paid employment or 2.9% of the wage-earning employment in the country. Given the lack of information, however, the possibility of more special purpose organizations and cooperatives having been established during the last years should not be ruled out.

<b>GREECE<sup>22</sup> (2005)</b>	<b>Entities</b>	<b>Jobs</b>
Cooperatives	7.233	12.345
Mutual Insurance Companies	--	489
Associations, Foundations	--	57.000
Social Enterprises (Women's Agrotourist Cooperatives Social Cooperatives of Limited Liability <sup>23</sup> ) in 2006	130	400

The majority of these organizations are created by civil society as main actor, in order to meet and solve the needs of their members, in other words, they are non-market oriented, non-for profit organizations. With the exception of the cooperatives, these legal configurations do not fulfill the criteria of combining together social solidarity and entrepreneurship, which characterizes social enterprise-type organizations.

The first social cooperative was established in November 2002 in Leros Island with mentally ill persons from the Leros psychiatric hospital as well as persons from the local community. In total, it employs about 50 people of which around 30 are mentally ill persons. In addition, other smaller 13 social cooperatives have been established recently in different regions; each of these cooperatives employs **between 10 and 30 people**<sup>24</sup>. It is difficult to make a general assessment of their operation and their impact to date on the

<sup>22</sup> Cfr. Chaves et al (2007)

<sup>23</sup> Data is based on: Ministry of Labour and Social Protection, General Secretariat of Management of Community and Other Sources, *The European Social Fund in Greece 2000-2006*, Athens, 2009

<sup>24</sup> Data and information is also provided in: Makridi A. *The contribution of Social Cooperatives (KoiSPE) in the quality of life for disadvantaged social groups*, Diploma's Research, Charokopeio University, Athens, 2009



socio-economic integration of the mentally ill persons, given that they are still at an early stage of development.

According to the Greek law for the Social Cooperatives of Limited Liability, all business sectors are feasible. The existing cooperatives cover in general, the service sector, the industrial, environmental and tourist sector. Particularly, **the businesses the KoisPEs** carry on include honey production, laundering, catering, baking, cafeteria operation, printing, carpet weaving, gardening, furniture manufacture, paper recycling and car washing.

Regarding the **Women Agrotourist Cooperatives, their businesses** are listed according to the following categories, according to the Hellenic Ministry of Rural Development and Food: outlets/ exhibitions of agro-tourism products; agro-tourism catering and recreation centers; tourist offices organizing or implementing programs offering outdoor activities and tours for eco and cultural tourists; farms; businesses producing traditional products, and popular art workshops. **The main areas of the cooperatives' activities are production of traditional products at the cooperative workshops and their sale directly** to customers without middlemen. Main activities undertaken by the women's enterprises are accommodation, handicrafts, food products and catering; the less common products are traditional uniforms, dried herbs and flowers.

The establishment of the women's agrotourist cooperatives and the first stage of development were greatly supported by the General Secretariat for Gender Equality through subsidies and the provision of know-how and systematic training courses to women members. Today more than 110 female co-operatives exist in Greece, as mentioned. According to existing studies, rural tourism in Greece is small-scale tourism developed in rural areas by cooperative firms, linked to activities such as accommodation, eating, catering, outdoor activities, tours with ecotourism and cultural interest, recreation, folk art workshops, etc. The women's enterprises are mostly small or medium size; the number of members varied, starting **from 5 persons up to 25**.



**In Italy**, the Social Economy sector is composed by around 56.000 entities and statistical information focuses not only on Social Enterprises as registered in Official records. Due to the fact that this is a new legal entity form and that the attributes described can be referred also to other types of enterprises, collected data refers to different business categories.

<b>ITALY</b>	<b>Entities</b>	<b>Jobs</b>
Social Enterprises (according to the Italian Law n. 118/05) in 2009	508	--
Social Cooperatives in 2008	13.938	317.339
Social enterprises with different non-profit legal entities in 2007 (Associations, Foundations, etc)	41.742	257.579

Regarding the **size of the social enterprises**, about 50% of the total number has 1 until 9 employees, 40% has 10-49 employees, 9% has 50-249 employees and 1% has more than 250 employees.

**Social enterprises sectors are:**

- social assistance;
- health assistance;
- education and training;
- environmental protection;
- cultural heritage valorization;
- social tourism;
- university education, research, cultural services;
- work integration of people hardly employable in all industrial, agricultural or services activities.

In particular, **social cooperatives sectors are:**

- Type A: social assistance, health services and education;
- Type B: work integration of people with disadvantages

The Type A social cooperatives are the most diffused and they most frequently provide social services (81%), less often health services (13%) and education (6%). The social service cooperatives most often provide their services in facilities or residences in which they operate; but some also serve in a domestic mode, taking the service to the homes of their clients. Regulations at regional level are more and more contributing to the certification for personal services provided; this fact on the one hand is increasing the quality of services and on the other hand is increasing the costs of the service itself.



**In Serbia**, there is no statistical information on the economic size, number of enterprises, employment turnover, production, percentages of GNP growth rates or other specific evidence regarding social actors, which correspond to social enterprise. Social enterprises do not exist as a statistical category, therefore it is almost impossible to obtain concise statistical information and provide a reliable picture.

In the absence of reliable statistics on social enterprises recent research reports and studies<sup>25</sup> recognize the following data.

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<sup>25</sup> Kolin M., Petrusic N., *Socijalna preduzeća i uloga alternativne ekonomije u procesima evropskih integracija*, Evropski pokret u Srbiji, 2008

Kolin M., *The evolution of cooperative principles and the emerging third sector activities in Serbia*, in Borzaga C., Spear R., (edited by) Trends and Challenges for Co-operatives and Social Enterprises in Developed and Transition Countries, Edizioni 31, Trento, 2004

Cfr. UNDP – BRC (2006); UNDP – EMES (2008)

<b>SERBIA<sup>26</sup> (2008)</b>	<b>Entities</b>	<b>Jobs</b>
Cooperatives	898	--
NGOs in 2005	900	--
Citizen associations	162	--
Social Enterprises for persons with disabilities	55	2.926
Spin-off Entities	24	

In Serbia there are about 24,000 social and citizen organizations (self-help groups) the majority of which are sport clubs, cultural and artistic organizations, humanitarian and charity associations and professional organizations, not exactly social enterprise.

The 162 citizen associations active in Serbia refer to self-help groups specializing in welfare and social protection for the most vulnerable groups.

Regarding the **size** of these organizations, beside a small number of well-developed, large social enterprises (20-30 people), operating in Belgrade or regional centres (Nis, Uzice, Novi Sad), other entities are small-size operations with a low and very unstable annual budget. Although small, somewhere between informal groups and real institutions, these organizations are made up of educated and motivated professionals, though often with no strong formal structure or permanent employment. The internal structure of these organizations is under-researched, however, according to data from the beginning of 2000, the third sector showed poor employment potential as 77.3% of these organizations did not have a single employee, 17% employed 1-5 people and only 2.3 % had 11 or more employees<sup>27</sup>.

The type of SE described above, which integrates a combination of entrepreneurial strategy with social purpose, generally operates to answer unmet needs. The target groups of the SE network is very heterogeneous, unemployed group of young people and vulnerable groups of women among including those laid off during transition and the long-term unemployed, less qualified persons, highly marginalized group of persons with disabilities and people with a limited capacities to work. Their **specific fields of activity** are the training and re-integration of persons excluded from the labour market. On the other hand, various personal social services are aimed mainly at the disabled, sick and elderly, vulnerable refugee and minority groups, such as the Roma community. The local development of disadvantaged areas and activities aimed at developing the local economy, in which SEs accelerate the growth of a local community or provide increased employment for various social groups in underdeveloped regions, have recently started to provide support to relevant stakeholders.



**In Slovenia**, the social enterprise sector consists of societies, non-profit private institutions, companies for disabled and cooperatives; there were more than 25 thousand

<sup>26</sup> Cfr. UNDP – EMES (2008)

<sup>27</sup> NGO Policy Group, *Third Sector in Serbia, Status and Prospects*, Belgrade, 2001

intuitions registered in Slovenian social enterprise sector in 2008. The sector represents almost 17% of all enterprises in the country. Social enterprise sector employed almost 20 thousand employees, representing slightly more than 2% of the working population; it has almost 3,5 billion Euros of assets. Total revenues generated by social enterprise sector represent approximately 6 % of the GDP.

<b>SLOVENIA (2008)</b>	<b>Entities</b>	<b>Jobs</b>
Societies	20.131	2.878-
Non-profit private institutions	4.990	3.541
Companies for disabled	115	9.387
Cooperatives	301	3.457

In five-year period (2004-2008) the number of societies and non-profit private institutions increased for almost 20% and the revenues also increased for almost 25%, while the value of assets slightly more than 20%. For the same period, the number of the companies for disable has not changed, however the revenues increased for more than 70%, while the number of the cooperatives as well as the revenues increased slightly.

Regarding **the sectors of activity, the most of the societies** in 2008 were registered as sport and recreational societies (33,9%), followed by cultural and art societies (14,2%), societies for people help (13,3%) and scientific, educational and professional societies (9,0%).

**Non-profit private institutions** are rather diverse group of institutions, in 2008:

- 63,0% of them are registered as unions (employed only 6,5% of all employees and generated only 13,4% of total revenues of the group),
- 27,4% as private institutions (employed almost 80% of all employees and generated 54,1% of the revenues of the group),
- 3,5% as foundations (employed 2,7% and generated 10,5% of total revenues of the group),
- other refer to political parties, religious communities and other non-profit institutions.

For most of the non-profit private institutions **the sector of activity** had been classified within Other activities (69,4%), followed by Professional, scientific and technical activities (8,5%), Education (6,7%), and Health and social security (4,9%).

**Companies for disabled** are the most homogenous group and probably the closest to the definition of social enterprises. Most of the companies for disabled operates in the **sector** of Manufacturing (60,9%), followed by Administrative and support activities (13,9%), while in other industries less than 5% of the companies for disabled had been classified.

Regarding **the size** of the social enterprise type of organizations, according to the existing studies analyzing economic performance institutions of social economy, they employ relatively small number of employees. Especially, more than 80 % of the societies do not

employ any employees and only 17 % of them have more than 2 employees<sup>28</sup>. They found that the number of workers is a bit higher in private non-profit private institutions. Only 35 % of the do not employ workers and almost 50% of them have more than 2 employees. Even more workers are employed in companies for disabled, in 2008 on average 82 workers. In this group we can find micro, small, medium-sized and large firm, the number of employees ranging from 0 to 1.002. The same figures can be found for cooperatives.



**In Ukraine**, according to the analytical report “Civil society in Ukraine”<sup>29</sup>, there are about **4,000 registered and active NGOs** per 47 million population in 2004. More than 50% of the NGOs do not have permanent staff.

**Regarding the sector of activity**, most active NGOs focus their activities on:

- protecting public interests and lobbying (advocacy) (45%);
- training and consultancy services (41%);
- disseminating information (39%);
- education (37%);
- social services (28%);
- research and analysis (23%);
- charity (19%);
- rehabilitation (10%);
- social and political recommendations (10%);
- implementing grant programs (8%) (source “Counterpart” creative centre).

In general, all kind of social enterprises focus their activities in the **following areas**: Amateur sports; Culture and art; Assisting special needs groups and their protection; Assistance to refugees; Charity; Protection of personal and civil rights; Consumer protection; Protection of democracy; Environmental protection; Education and training; Fighting all forms of discrimination; Fighting poverty; Healthcare and health services; Protection of historical landmarks; Children’s and youth problems; Protection of animals; Assisting the government in implementing its certain functions; Research and development; Bridging the gaps in the society; Socio-economic development; Social welfare; Other socially relevant activities.

Regarding **the size**, 80% of Ukrainian NGOs are membership organizations:

- 24% have from 11 to 30 members,

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<sup>28</sup> Kolarič Z., Černak-Meglič A., Rihter L., Boškič R., *Velikost, obseg in vloga zasebnega neprofitnega sektorja v Sloveniji*, in T. Rakar 2006 Raziskovalni projekt v okviru CRP – Celovita analiza pravnega in ekonomskega okvirja za delo nevladnih organizacij, Univerza v Ljubljani, Fakulteta za družbene vede, Ljubljani, 2006

<sup>29</sup> Kuts S., Palyvoda L., *Civil Society in Ukraine: “Driving engine or spare wheel for change?”*, CIVICUS Civil Society Index Report for Ukraine, Kyiv, 2006

- 26% have more than 100 members.

According to the World Bank, only 28% of the surveyed NGOs required formal registration of members. The majority of NGOs does not bind their members with any requirements or do not require formal membership at all. Non-formal membership is characteristic for various citizens' associations and charity organizations.

As for the staffing issue:

- 57% reported the average of five permanent staff.
- an equal amount of organizations that have either more or fewer than three permanent staff.

The volunteers' involvement in the NGOs is gradually decreasing. In 2004, 73% of the NGOs attracted volunteers, whereas in 2002 this indicator was at 78%. On the average, there are about 15 volunteers working with an NGO. According to the World Bank, about 10% of the organizations rely only on volunteers' involvement. Volunteers usually perform tasks that do not require qualifications; they do not plan to develop their career in these organizations in the future. Partially, this explains the high percentage of students among volunteers. 53% of volunteers are students, who view volunteer activities as a way of professional development and the opportunity to acquire practical experience.

At the same time, there are highly qualified experts who devote some time to volunteer activities. Since a lot of NGOs are located outside large cities and lack financial resources, most of them cannot afford permanent staff. Such organization, and especially those focusing on social problems, cannot pay for the professional development and training of their most active members. Rural NGOs are often not registered at all and operate only based on the good will and enthusiasm of their members.

#### **4. Legal structure framework, organizational and management structure of Social Enterprises**

##### **Austria**

**Work Integration Social Enterprises**, depending on their specific model, are run in the **legal form of an association, a limited liability company or non-profit organisation**.

They have non-profit status, although it is not a basic requirement. Their employment structure is divided into key personnel and transit workers.

A WISE has to include in the application for a subsidy an operational concept as well as a description of the quality management. The quality management should guarantee the implementation of the operational concept especially concerning the mentoring services for the target groups and their satisfaction of the participation.

The costs arising through the quality management are eligible, especially those costs that arise to achieve the “seal of quality for social integration enterprises”. This seal of quality is an award for social integration enterprises to guarantee accurately defined social, operational and economic quality standards. With the seal of quality organisations whose purpose is the social and occupational integration of people commit themselves to fulfil certain standards. Their observance of those standards is periodically monitored.

Within the application for this seal of quality selected auditors analyse the integration enterprise and investigate for example how effectively and efficiently subsidy means are used. At the same time they look at the strengths and the development possibilities of the organisation. The conclusions may then start improvements for guaranteeing and improving the quality.

##### **Requirements for the seal of quality for social integration enterprises:**

- the organisation must be a social integration enterprise;
- orientation on the four basic values of non-discrimination, social integration, gender mainstreaming and non-profit status. Therefore a SÖB, if it has no non-profit status, cannot get this seal;
- observation of legal (especially labour-related) conditions;
- existence of a concept for personnel development;
- gender mainstreaming objectives.

A first step is that the WISE registers its interest at the federal umbrella organisation for social enterprises which is the owner of the “seal of quality for social integration enterprises”. Then the organisation gets the guide on how to attain the seal. All following processes are forwarded to the Quality Austria that is an accredited certification authority and responsible for the assessments.



##### **Bulgaria**

The lack of officially recognized and legalized Social Enterprise structure requires the use of varieties among the existing legal forms of organization. The choice of appropriate

organizational structure and legal status of the SE is strongly related to its main purposes and activities.

**There are two most popular legal forms of SE-NGOs:**

- Economic activity of legal non-profit person – association of foundation, in this case the SE is part of the NGO;
- Profit company, established by the NGO, the incomes of the activity are reinvested in the social objectives.

Most of the SE engaged in providing social services, frequently as state delegated services, implements their social activities separately from the economic activity, which is set up as a company. The most frequent form of social enterprise is sole trader or Limited Liability Company. These two forms are easy to be established; they are the most commonly used and both types retain the responsibility for the economic risk to the social services provider (the organization that has established the SE).

Generally speaking, the legal status is one of the main and most serious problems which Bulgarian SE faces. The lack of a specific legal regulation of their activity results in frequent problems with representatives of the state and local control authorities because they don't understand their organizational structure, there is no template for implementing such kind of activity and the control institutions doubt in corruption schemes or an attempt for personal profit.

The **second type of SE in Bulgaria is the cooperative**. Similar to the SE-NGOs, the SE Cooperatives are engaged mostly in employment/training of disabled people and they don't operate completely according to the economic rules and the market demand. The two main differences are the long history of the cooperatives in Bulgaria and their clear and undisputable legal status.

Regarding the SE Cooperative in Bulgaria, according to the National Cooperatives Act art 1, "Cooperative is an association of physical persons with variable capital and variable number of members that makes trade activity with the purpose to satisfy their economic, social and cultural interests through assistance and cooperation". Art. 2 states that "A cooperative may be established of at least 7 efficient physical persons who decide to form constituent assembly. The Constituent Assembly approves articles of the association and elects a president of the cooperative, steering committee and control committee". A cooperative is a legal entity owned and democratically controlled by its members. Members often have a close association with the enterprise as producers or consumers of its products or services, or as its employees.



### **Hungary**

At the dawn of the change of the regime in Hungary, the laws that were laying down the prerequisites of the establishment of the third economy was born. In 1993 with the modification<sup>30</sup> of the Civil Law<sup>31</sup> the following enterprises were established, which form

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<sup>30</sup> 1993/XCII. law put the public foundation, the public board and the public benefit company into the Civil Code

<sup>31</sup> 1949./IV.tv (law)



the social economy sector and are concerned as a social enterprise in the board sense: **Associations, Public boards, Foundations, Public Foundation and Public benefit company.**

With the modification of Civil Code in 1997, a new economic company form was born that paved the way for the third economy; this is the **Public Benefit Company**<sup>32</sup>. Until recently the Rule has already seen many changes, and in 2006<sup>33</sup> a new law was born defining the operation of economic companies.

The following organizations registered in Hungary can be qualified as public benefit organizations:

- Social organization, with the exception of providing association and political parties and the employer's and employee's interest representation organization;
- Foundation;
- Public foundation;
- Public board if the law about its establishment makes it possible;
- Nation sport specialized association;
- Nonprofit company;
- The Hungarian Higher Education Accreditation Committee and the Higher Education and Scientific Board, and the Hungarian Rectoral Conference;
- European Territorial Cooperation Association;
- Higher education institution not working as governmental organization;
- Social cooperative fulfilling public benefit activity.



### Greece

**Law 4019/2011 on Social Economy and Social Entrepreneurship** was set to implementation in 30 September 2011. It is the first legislative action introducing the concept of Social Economy in Greece. The law consists of 20 articles.

Art. 14 identifies the following entities as belonging to Social Economy:

- Social Cooperative Enterprises of the Law 4019/2011;
- Limited Liability Social Cooperatives of the Law 2716/1999;
- Existing juridical entities which cumulatively abide by the following criteria:
  - they have a statutory purpose of social benefit through the production of goods or the provision of services of collective and social character,
  - they present priority of individuals and labor over capital,
  - they employ a democratic system of decision-making,
  - they enjoy autonomy in management of their activities,
  - their profits are utilized primarily on the service of their statutory goals and secondarily for any eventual restricted profit distribution,
  - they operate on the principle of sustainable development,

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<sup>32</sup> 1997/CLVI tv. (law) about public benefit organisations

<sup>33</sup> 2006/IV tv (law)

- their operations are exclusively described in Art.2,§2.

Art. 2, § 2 further elaborates on these specific and exclusive fields of activity needed in order for an entity to be identified as belonging to the Social Economy in Greece as follows:

- a. Social Cooperative Enterprises of Integration: they focus on integration of individuals belonging to Volatile Population Groups into the economic and social life; this provision also covers Limited Liability Social Cooperatives of the Law 2716/1999;
- b. Social Cooperative Enterprises of Care: they focus on production and provision of goods and services of social/social-care character towards certain population groups such as the elderly, infants, children, disabled and chronically ill;
- c. Social Cooperative Enterprises of Collective and Productive Purpose: they focus on the production of products and the provision of services to meet the needs of society (culture, environment, ecology, education, social benefit services, promoting local products, saving traditional activities and crafts etc.) which also promote local and collective interest, the development of employment, the enhancement of social cohesion and the strengthening of local or regional development.

The above-mentioned three categories of Social Cooperative Enterprises are included into the basic definition of the Social Cooperative Enterprise as introduced through Art. 2 § 1: “The Social Cooperative Enterprise is established as an entity of Social Economy. It is a civil cooperative with a social cause possessing entrepreneurial capacity by law. The Social Cooperative Enterprise members can be either individuals or juridical entities. Its members participate with one vote regardless of the cooperative shares they possess”. The Social Economy in Greece as identified by Law 4019/2011 exclusively includes civil cooperatives of the kinds described in detail in its Art. 2 along with Limited Liability Social Cooperatives provided by Law 2716/1999.

The legal status regarding establishment and management of a **Social Cooperative Enterprise is in general terms provided by Law 1667/1986.**

Summarizing the legal framework for the Social Cooperative, a KoiSPE has the following characteristics:

- independent legal and tax status as a business, trading with limited liability;
- retention of supervision by the Ministry of Health;
- permission to carry out any economic activity;
- exemption from corporate taxes except VAT;
- three categories of members: people suffering from mental illness (>35%); mental health professionals (<45%); other individuals and sponsoring organisations (<20%);
- two of the seven-member board come from the user category;
- users may earn a wage without losing their benefit payments;
- each member buys one voting share (typically worth €175) and may also buy additional non-voting investment shares.

Law 1541/85 foresees the establishment of **agricultural cooperative organizations which are legal entities of private law and are basically productive and trade oriented**. Law 1667/86 regulates the establishment of “urban” cooperatives which are also legal entities of private law and can be distinguished into different categories related to the kind of activity, i.e. productive, consuming, supplying, crediting, transportation and tourism. “Urban” cooperatives are not to be involved in agricultural activities, since this is an exclusive area of the agricultural cooperatives. Among the objectives and activities of both kinds of cooperatives is the social and cultural development of their members, the fulfillment of social needs, the professional training of their members and in certain cases the expansion of social tourism, etc.

Regarding the **organizational aspects and the management**, it should also be stressed that all social cooperatives are based on the principle of democratic management, which in turn is based on the clause ‘one member-one vote’. In general, the legal form of cooperatives, used often in Greece by Social Firms, helps to implement democratic participation and empowerment of the users. They are shareholders and therefore in the position to influence the structure and decision making.

Especially, the managing bodies of the Koi.S.P.E. are the following:

- General Assembly, which is the highest decision-making body for all matters concerning the Koi.S.P.E., composed of all its members;
- Management Board (or Administrative Council), which is composed of seven members elected by the general assembly and which is responsible for the management and operation of all activities of the Koi.S.P.E.;
- Supervisory Council which is composed of three elected by the General Assembly and which is responsible for the supervision and monitoring of the activities of the management board.



### **Italy**

Until 2006, the legal framework regulating social economy in Italy was based on various legal acts of different range and types and the fundamental rights and principle that stand at the basis of the social economy was regulated by the Constitution of Italy (equal social dignity of citizens, right to work, right of association, etc.).

According to the **legislative decree 155/2006 on Social Enterprise**, the SE is rather a qualification/label than a special legal form. It is assigned to the entities carrying out in a stable way an economic activity that consists in the production or the exchange of goods and services of public benefit, having general social aims. Hence, social enterprises can have different legal forms (cooperatives, public companies, associations, foundations, etc.). **Social co-operative is the main legal form of social enterprise; however there**

**are many subjects in Italy constituting the “third sector” that can be defined as social enterprises: cooperatives, associations, foundations, NGOs, etc.**

Beside the general legislative framework defined by the Legislative Decree 155/2006 which regulates social enterprise, the single legal forms include:

- the Civil Code provisions regarding Associations and Foundations (Art.14-42), and co-operatives (Art. 2511-2548);
- the Law 381/91 which defines and regulates Social Cooperatives;
- the Presidential Decree n. 917/86 on Non-Commercial Associations (entities).

Other acts and laws include the tributary law (Legislative Decree 460/97, defining the characteristics of ONLUS (*Organizzazione non lucrativa di utilità sociale* - non-profit organizations for social aims). It is a cross-section category of non-business bodies applicable to social cooperatives, volunteering organizations and NGOs; being recognized as an ONLUS Organization gives right to some benefits related to tax regime.

Regarding the **organizational and management structure of the social co-operative**, as main legal form of social enterprise, before the reform a co-operative statute had limited, or rather, no freedom to determine the system of administration and control of the co-operative. Therefore, the co-operative structure could only conform to the so-called “tripartite” (or three-tier) system of administration and control. In order to permit a more efficient and effective management of a co-operative, a recent reform of 2003 enables co-operative statutes to choose among three different systems of administration and control: the so-called “tripartite” (three-tier), “dualistic” (two-tier) and “monistic” (one-tier) systems. It is worth noting that these options are taken from the regulations governing the main Italian legal form of for-profit enterprise, namely, the “società per azioni” (public company), with only a few adaptations to the co-operative form.

The default system is the traditional tripartite one (and it is the most used), since the other methods must be expressly opted for by statutes. It is divided into three bodies: the member assembly, the board of directors and the board of supervisors. Among its main ordinary functions, the member assembly appoints and removes directors and supervisors and approves annual accounts. Directors are in charge of the management of the company and they may perform all the acts necessary for the implementation of the social object.

Supervisors verify the duties performed by directors, the observance of the legal and statutory rules governing their actions, as well as their general good faith. Only registered auditors, registered professionals (such as lawyers and notaries), and law or economics professors may be appointed as supervisors (although at least one supervisor must be a registered auditor). A co-operative must also appoint at least one registered external auditor for the specific aim of auditing annual accounts unless the board of supervisors is entirely formed of registered auditors, in which case the board of auditors can also be in charge of this particular function.

Other important information about the governance of Social Cooperatives regards their co-operative nature: according to International Cooperative Alliance principles they are

democratic organization (one member, one vote), they are opened to new members (the equity is variable) and the members have to be autonomous and independent.



### **Serbia**

The existing legal framework does not recognize organizations that might be strictly defined as social enterprises. However, organizations that correspond to the EMES concept of social enterprises almost entirely are established in Serbia under the **Cooperative Law 1989**, The **Law on Social Organizations and Associations of Citizens**, 1982 (amended 1989), the new **Law on Associations of Citizens**, 2009, the **Law on Enterprises for Vocational Training and Employment of Persons with Disabilities**, 1996, the **Company Law**, 2004 and the **Law on Churches and Religious Communities**, 2006.<sup>34</sup>

The Cooperative Law 1989 regulates different types of cooperatives including **newly formed social cooperatives**. The existing legal framework for cooperative development is essentially out-dated, which results in a series of difficulties for the development of modern cooperatives. The tax regime under which these entities operate is currently similar to that applied to for-profit enterprises, while efforts to amend and replace law in force are in progress at the Ministry of the Economy of the Republic of Serbia. The trend is focused on further improvement of cooperative legislation, tax policy deductions and favourable loans for cooperative support programs.

Non-profit organizations, including self-help groups and voluntary organizations, are regulated by the **old Law on Social organizations and Citizen Associations** (1982, amended in 1989). This legal framework fails to consider the social commitments and the degree of disadvantage taken on by social enterprises and restricts their potential to engage in economic activities. However, the recently adopted **Law on Associations (2009)** is closer to international standards and regional best practices. The new law has improved administrative practice, including the introduction of a low-threshold registration process, opened doors for economic performance and tax deductions aimed at fostering corporate donation and economic activity. Associations can acquire property

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<sup>34</sup> The Law on Enterprises for Vocational Training and Employment of Persons with Disabilities, Official Gazette of the Republic of Serbia, 1996, The Company Law, Official Gazette of the Republic of Serbia, No. 125/2004, The Law on Preventing Discrimination of Persons with Disabilities, Official Gazette of the Republic of Serbia, No.33/06, The Law on Cooperatives, Official Gazette of the Republic of Serbia, No.57/89, 46/95, The Law on Social Organizations and Associations of Citizens of the Republic of Serbia, Official Gazette of the Republic of Serbia, No.24/82, 39/83, 17/84, 50/84, 45/85, 12/89 and 53/93, 67/93, 48/94 and 101/2005, The Law on Associations of Citizens, Social Organizations and Political Organizations in the Socialist Federal Republic of Yugoslavia, Official Gazette of the Social Federal Republic of Yugoslavia, No. 42/90 and Official Gazette of the Federal Republic of Yugoslavia, No. 24/94, 28/96, 73/2000, The Law on Associations of Citizens in the Republic of Serbia, Republic of Serbian Official Gazette, No. 51/2009, The Law on Churches and Religious Communities, Official Gazette of the Republic of Serbia, No. 36/06, Statute of the Agency for the Development of Small and Medium Sized Enterprises

form membership fees, voluntary donations, as well as other donation and gifts, financial subventions, interest rates on investments, rents, dividends and other envisaged by law. This legal solution makes it possible for associations to be self-sustainable and able to pursue their goals and missions through economic activities.

The enterprises for vocational training and employment of persons with disabilities (with profit orientation) are regulated under the **Law on Enterprises for Vocational Training and Employment of Persons with Disabilities, 1996**. The Law on the Prevention of Discrimination of Persons with Disabilities 2006 and the Strategy for the Improvement of the position of Persons with Disabilities 2007-2015 also stimulate active labour market measures and the employability of persons with disabilities. These organizations enjoy tax benefits under finances regulations: exemption from the payment of contributions for the first 24 months for new employees engaged via the National Agency for Employment, a VAT reduction from 18 percent to 8 percent, exemption from profit tax, lower customs tariffs on imports of machines and equipment not manufactured in the country. These enterprises may also enjoy other advantages regulated under documents of local self-government (for example, for communal services and electricity). In addition, they have priority rights when bidding for certain contracts, provided they fulfil the other criteria (regular payment of contributions for employees, quality of products and services).

According to the **Law on Churches and Religious Communities from 2006**, voluntary organizations with religious affiliation can establish certain institutions and organizations, within the framework of social and charitable activities, undertaking production and/or service activities. The law also stipulates that in performing the activities and providing income, churches and religious communities can be fully or partially exempt from taxes and other obligations, in accordance with the laws regulating certain public revenues.

SME companies and spin-of enterprises are established under the **Company Law (2004)**, which regulates these and other profit organizations.



### **Slovenia**

Beside the fact that there is a lack of clear definition of social economy sector and/ or social enterprises, there are various legal entities activating in the social economy sector. Legal basis to found a society is the **Law on Societies**; according to this law, a society is a private legal entity that is responsible for its liabilities with all its assets.

It is independent and non-profit association founded to realize some common aim of its members. It is not allowed to found a society with the goal to generate profits. Any a society generate any surplus, it has to be used for realizing the goals of the society. Besides, it is not allowed to be distributed among members. Societies can conduct profitable activities, but the activity must be connected with the aim and the goal of the society, as complement activity and only to the extent necessary to achieve the goal.

According to the **Law on institutions, non-profit private institutions** are organizations that are funded to perform activities in education, science, culture, sport, health, social security, etc., if their goal of their activities is not generating profits.

**Companies for disabled are founded** according to the **Law on employment rehabilitation and employment of disabled but operate according to the Corporate law** as any other firm in Slovenia. These companies can operate as any of the legal forms. A firm gets the status of a company for disabled if at least 40% of the employment represents disabled persons. According to the law, it is required that at least 60% of the profit must be used to increase the equity capital of the firm or used for investments associated with improving working environment for disabled or preserving or increasing employment. The most of the companies for disabled are set up by firms as their subsidiaries.

According to the **Law on cooperatives**, a cooperative is an organization with the defined number of members, established to promote economic interests of its members. It can perform one or more activities if it is connected with its aim. As for other forms of social enterprises, it required that at least 5% of profits must be used to build obligatory reserves. But, if the rest is not used to build other funds, the profit can be redistributed among members.

The **organizational and management structure** of those entities depends on the legal requirements:

- according to the Law on Societies, members of the society cooperate in management directly or through their representatives. This is defined in the act of the society, which is adopted by the members meeting;
- Non-profit private institutions are managed by the council consisted by the representatives of the founder, workers and representatives of the users. Daily activities are managed by the director. Professional works can be managed by professional manager who is as director nominated by the founder. Non-profit private institutions can have also professional council;
- Companies for disabled operate according to the Corporate law as any other firm in Slovenia, meaning that the requirement concerning management relate mainly to the size of the firm.
- According to the Law on cooperatives, a cooperative has to have general assembly, a president, supervisory board and an inspector. Cooperative that has more than 10 members has also management board. If the rules of the cooperative allow, it can have also a director and other management bodies.



## **Ukraine**

The legislation still does not have a definition of social enterprise and does not create the environment where all the benefits of this phenomenon could be advantageously used. Some acts mention only individual issues associated with social enterprise. Thus, **art. 86 of the Civil Code of Ukraine** says that “non-business associations can undertake supplementary business activities in cases when the legislation does not rule otherwise and if these activities conform to the primary goal of the association and facilitate the attainment of this goal”. It can be deduced from art. 85 of the same Code, along with articles 44-45 of the Economic Code of Ukraine, those non-profit legal entities can be considered as social enterprises.

The main distinguishing features characterised social enterprises are:

- the Legal status of social enterprises is non-profit associations (public and charity organizations) or commercial companies founded by non-profit organizations;
- social enterprise aims at implementing the organization’s mission and thus does not distribute profit among its members;
- target group members are actively involved in social enterprise; its activities are aimed at improving the conditions and the social status of the target group members.

According to the Ukrainian legislation, **non-government organizations (NGOs) can have one of the three legal forms: citizens’ associations, charity, and religious organizations**. NGOs of the first type usually have their members as beneficiaries; they are self-profitable organizations (SPOs). Charity organizations are so-called “socially useful” organizations; according to their charters, they operate for the benefit of the society or some of its sectors. The third type, religious organizations, operates both as socially useful and self-profitable organizations. They satisfy the religious needs of their members and also work for the interests of the public good.

Articles 8 and 16 of the **Law of Ukraine “On social services”** rule that the NGOs wishing to offer professional social services (receiving the support from the national and local budgets) are obliged to meet the licensing requirements. The requirements are listed in the Cabinet of Ministers Decree “On the list of documents to be supplied with the application for a license for a specific type of economic activity”.

On the other hand, art. 6 of the **Law of Ukraine “On citizens’ associations”** guarantees the citizens right to freely choose the area of activities. Thus, the citizens’ associations can offer social services to their members according to their charters, submitted for registration to the Ministry of Justice. The Law of Ukraine “On social services” presupposes (although does not state explicitly), that citizens’ associations need to indicate the provision of social services as their goal in the charter. It is desirable that the licensing normative acts take into account the licensing requirements and identify the conditions under which such licenses can be issued. **New normative acts need to be**



**developed in accordance with the amended Law of Ukraine “On citizens’ associations” (2006), the draft Law “On non-business organizations”, and the Civil Code of Ukraine. The latter defines NGOs as non-business non-profit organizations.**

According to the World Bank, about 85% social enterprise types of organizations operate on the local or regional level. Only one in ten organizations classifies itself as a national one. 5% reported that they belong to an international NGO network. According to 2004 Counterpart survey, the majority of Ukrainian NGOs are registered as citizens’ associations, and only 10% - as charity organizations. The focus of their activities is social problem, with the emphasis on satisfying the needs of their members or those of the society in general.

According to Article 3 of the Law of Ukraine “On citizens’ associations”, the goal of an association of citizens is to satisfy their social, economic, and other common interests. Thus, the number of people whose interests are protected by the association is limited to its members. Consequently, a citizens’ associations can offer services only to its members and as such stands closer to self-profitable organizations (SPOs). In practice, one of the strict requirements for the registration of a citizens’ associations is that it indicates the goal of its activities, including the scope for protecting the members rights and interest, in its charter documents. However, the Law of Ukraine “On social services” envisages the provision of services not only to association members (or satisfying their needs), but also to other persons who are not members of non-government organizations. The fact that the Law of Ukraine “On social services” misrepresents the scope of activities that citizens’ associations have the right for, needs to be clarified (this inconsistency is preserved in the draft law “On citizens’ associations” of 2006, so the problem is still there). The current legislation treats citizens’ associations as if they had the right to offer social services only to their members, except for cases when a separate legal entity (company or non-commercial organization) is created purposefully for providing social services.

## 5. Sources of funding and kind of jobs in the social enterprises

**In Austria**, a mixed financing is used at for all models of WISEs (except for the “integration benefit”, model 6). This means that several organisations or institutions shall contribute to the financing; this already happens in practice. It must be stated in advance that no subsidy applicant has a claim on a subsidy. The grant lies in the discretion of the subsidy donor.

The **primary financier is the Public Employment Service**. Except for individual funding for disabled persons (model 6), it contributes financing to all instruments. Other important subsidy donors for the first five models are the **local or regional authorities**, especially the regional governments and the communities. Depending on the model the local authorities should cover at least 30% of the funding needs, which cannot always be realized. Then the rest is borne by **another subsidy donor** (or the project cannot be financed at all). Very few projects are financed only by local or regional authorities without any contribution of the Public Employment Service.

The **integration measurements for disabled persons are mostly financed by the compensation tax fund**; requirement for this is at least 50% degree of disability, as well as capability of rehabilitation.

Regarding the financing for the aforementioned instruments, **two kinds of financing are used**:

- **Project funding**: Except for the two instruments of model 6, all instruments are financed with project funding. Within project funding the beneficiary is the respective organisation that offers and performs the labour market political measure;
- **Individual funding**: Individual funding means that the funding is granted for a specific person (“funding of persons”) and not for an employing organisation. Even if the organisation profits by that because it does not have to bear partially or totally the personnel costs for a defined period, the individual funding shall nevertheless incentives the employing organisation to transfer the funded person into a regular permanent employment.



**In Bulgaria**, the existing statistical information on the figures of corporate tax paid by NGOs for doing business activities shows, indirectly, the financial viability of social business in the country. According to this information, it is suggested that there is good potential for business activity to be developed even further in Bulgaria, judging from the facts that in 2007 and 2009 the figures are significantly higher than the years before that. According to the Bulgarian report, if state policies are amended in such a way that they help such businesses with some regulations, then it could be expected an even further increase in income over the next few years.

**Regarding the Bulgarian cooperatives, they may receive funds or incomes through different ways, most of them are even officially recognized by the law.** Different sources of funding may be divided in two main groups, which reflect the two main directions of its activity:

- **incomes from membership**, as the cooperative is a kind of association of people with a joint mission or interest;
- **incomes from trade or production activity**, as it functions as an enterprise. The cooperative may have an economic activity as well as it has a property and it is able to operate with it – other profitable activity.

In addition, since 1999 a **Fund “Rehabilitation and social integration” is established under the Disabled people Protection, Rehabilitation and Social Integration Law.** The Fund is part of the structure of the Ministry of Labour and Social Policy and is sole legal person with own budget. The Fund is financed by a special annual subsidy by the state budget limited to the amount of 0,1% by the gross domestic product, income from events for people with disabilities, fines, interest rates in existing capita. The activities that may be financed by the fund are also limited; among them there are: Subsidies for specialized enterprises or cooperatives of disabled people. Specialized enterprises are the trade companies or cooperatives which guarantee special labour conditions and a certain proportion between disabled people and healthy people as employees.



**In Hungary**, the main financial source seems to be the public funding; the growing number of nonprofit and churches organizations after the change of regime, has led to the regulation of financing as well. So in 1996, the 1996/CXXVI law was born, it was known as “1% law” that already gives opportunity to the citizens to freely support service providers. The law states that the private person can have a declaration about the 1% of the remaining part of his tax after reduction of his tax discount for the benefit of an organization practicing public benefit activity. The 1% is given to the churches, foundations, state and local government institutions providing social service, but no Public Benefit economic companies could and can be subjects to it.

In 1993, in the social law<sup>53</sup> it has already appeared the notion of non state maintainer, and the participation of non state organizations in social services was regulated in the 188/1999(XII.16.) governmental decree.

In 2003, the Parliament adopted the “Civil Law”<sup>54</sup> establishing the **Civil Fund with the aim of providing resources for civil organization**, these are:

- foundation established on the basis of 1959/IV. law,
- organizational unit of organizations having a legal entity, except for parties;

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<sup>53</sup> 1993/III. tv (law)

<sup>54</sup> L./2003 law about the National Civil Base Programme

- foundation founded by a party;
- association established with the participation of a party;
- any organization, association and public foundation fulfilling economic interest representation;
- insurance association and public foundations”.

It is revealed from the definition that the law narrows down the notion of civil to associations and foundations, but it does not consider as civil even those economic companies that had been established from private fund.



**In Greece**, the resources of the **Social Cooperatives of Limited Liability originate from the following sources:**

- funding from the Regular State Budget or the Public Investment Program exclusively for co-funding programs from the European Union or International Organizations;
- funding from National Organizations, the Investment Program, Development Programs, E.U. or International Organizations;
- legacies, donations and surrender the use of property;
- incomes from economic activities of the Koi.S.P.E.;
- incomes from Koi.S.P.E. property utilization.

According to the Employment arrangements and regulations in the Social cooperatives of Limited Liability, the mentally ill persons can be employed in the social cooperatives and get a salary in accordance with their productivity and the hours worked. This salary is added to any benefit or pension that the mentally ill person is entitled to receive. If the person is lacking social insurance, the social cooperative is required by law to provide social insurance coverage.

According to **Law 4019/2011 Social Cooperative Enterprise** profits are not distributed to its members except if they are its employees. In this case, “profits are distributed annually by a 5 per cent for the creation of a reserve; by a 35 per cent they are distributed to employees of the enterprise as a productivity motivation according to statutory regulations; the rest is provided for enterprise activities for the creation of new employment positions”.

**The Law provides funding, economic and tax incentives.** Of special interest is the establishment of a **Social Economy Fund, which will contribute to the economic development of the given enterprises.** Further on those employed in Social Cooperative Enterprises who belong to Volatile Social Groups and at the same time enjoy social care subsidies, allowances or hospital fees will continue to receive such provisions. Such Social Cooperative Enterprises are not subject to income tax for the percentage of profits, which is allocated for the creation of reserve or the employment development activities. Finally, the percentage of profits distributed to employees is subject to income tax only and exclusively under the first level of tax rate currently at force. Any other tax rate level

for this income is not applied.

Regarding the agro-tourism in Greece, its development was incorporated within the EU strategy; the latter instituted **funding programs for its promotion and subsidized agrotourism activities**. The above-mentioned programs are: Regulation 1257/1999; the Regional Operational Programs (ROP) of the 1st, 2nd and 3rd Community Support Framework Support (CSF) and the Community Initiatives Leader I, Leader II and Leader Plus. The managing authorities for the related funds are, most commonly, the Ministry of Rural Development and Food, prefectures, regions or local action groups (Development Agencies).

According to existing studies, the majority of **women's agro-tourist cooperatives received financial support during their establishment from several state authorities through various funding programs**. Furthermore, 26% of the women's agrotourism cooperatives were incorporated into subsidized programs in order to expand their range of activities.

It is worth mentioning that other programs and initiatives, which indirectly reinforce investments in agrotourism, are also being developed by the EU and national agencies, such as: the UFE/ EU program, the NOW community initiative, programs by the Hellenic Organization of Small and Medium-Sized Enterprises and Handicraft (EOMMEX), programs by the Greek Manpower Employment Organization (OAED), ECOS – OUVERTURE and INTERREG.

However, according the existing research and studies, in many cases the limited national funding as well as no funding at all can describe the profile of the small-scale agrotourist cooperatives. In general, empirical research conducted in Greece has shown that financial reasons (mainly the lack of start-up capital) and the preference of women to work in teams have led to the formation of co-operations instead of individual enterprises. Evidence has showed that women tend to establish small businesses and do not invest a large amount of capital, which in many cases is derived solely from personal savings and not from bank credit. Women are involved in retailing, and have small incomes and small investment demands.



**In Italy**, main sources of funding for **the social cooperatives**, as a core type of social enterprises, **are the incomes generated by services and products sold**, they can derive from public and private entities, which are customers of social cooperatives. At the moment, the percentage of incomes deriving from Public Administrations is higher than the one deriving from private clients. In addition, **contributions and grants can be given through regional and national laws (not directed directly to the enterprise, but inherent with the activity carried out)**. However, it is well and universally known that cooperatives face a problem of undercapitalization, especially due to the irrelevancy of capital in governance and its limited remunerability.

It has to be considered that, if cooperatives do indeed encounter a problem of undercapitalization, normally they do not face a problem of lack of assets (therefore,

undercapitalization constitutes a problem particularly in the starting-up phase of the enterprise). This is partly due to **the legal obligation to direct part of their profits to reserves**. Italian law obliges cooperatives to earmark 30% of total annual profits for the legal reserve, regardless of the amount of the legal reserve. The compulsory contribution to reserves is a solution to the undercapitalization problem in line with co-operative principles, as it reinforces the non-distribution constraint and the solidarity aspect of a cooperative (solidarity among cooperators, from old co-operators toward new co-operators).

Another external solution is offered by the cooperative movement, in terms of **cooperation among cooperatives** (sometimes in Italy this is called “system mutuality”). Italian law cooperatives are obliged to allocate 3% of total annual profits to the mutual funds for the promotion and development of cooperation established (under article 11 of law n° 59/92) and headed by the representative organizations of the cooperative movement with the aim of promoting and financing the development of new cooperatives in various manners, as well as through the participation in their capital as founders. In the event of dissolution of the cooperative enterprise, its assets have to be allocated to these funds.

The most recent reform of Italian law sought to reinforce cooperative finance by other new means. In this regard, the general rule is found in article 2526, which states “the statute may provide for the issue of financial instruments, in accordance with the regulation on limited shareholder companies”. The freedom given to cooperatives to draft their statutes accordingly is very wide. Indeed, statutes may define financial and administrative rights of financial instrument holders (art. 2526, par. 2, c.c.). As to the financial rights, even in non-social cooperatives, financial instrument holders can be remunerated without limit (the only limit in “mainly mutual” cooperatives regards financial instruments held by user-members). As to the administrative rights, the law only sets the limit that the category of financial instrument holders cannot have more than 1/3 of the total votes in the member assembly (art. 2526, para. 2, c.c.). The right to elect administrators could also be awarded to financial instrument holders, but with the maximum of 1/3 of total administrators (art. 2542, para. 4, c.c.).

Beyond this, the concrete characteristics of issued financial instruments will depend on the statute: **a cooperative may issue equity-financial instruments (and therefore admit investor members), debt-financial instruments (as, for example, bonds), or hybrids** (as, for example, participative bonds, that is, bonds related to the performance of the enterprise, or shares awarding a minimum return, regardless of the performance of the enterprise, but not voting rights). Perhaps, **the most important case is that of investor (non-user) members**. It is known that the opportunity for a cooperative to admit members who are only interested in the remuneration of the capital (and not in mutuality) has long been discussed. The question is whether the presence of a non-user (investor) member can turn out to hinder the cooperative institutional “mutual purpose”. If the administrative rights of investor members are limited by mandatory provisions of the law. Italy first introduced this type of finance solution, that is, investor members, in 1992 (art. 4, law n° 59/92), and since then (at least, according to the common understanding in the co-operative field) this option has not been exploited largely outside cooperative

investors, such as mutual funds, that is to say, investors sharing the same view and ideas. In other words, membership has not been attractive for potential investors who are not a part of the cooperative movement. This is understandable in light of the fact that potential investors in a co-operative do not have a degree of power (to control) proportionate to the amount of the investment and the financial risk. Insofar as they cannot control the cooperative, profit seeking investors act rationally if they prefer to invest in a non cooperative company.

No specifications are made for **Social Enterprises** according to D.Lgs 155/2006: their survival is assured by the presence of an income (customers could be public or private institution). Differently from Social Cooperatives, the Social Enterprises do not have tax exemptions, and they could receive grant or subsidies only with regard to the activity they carry out (e.g. the integration at work of disadvantages, etc.).

Finally, all the social enterprises registered as ONLUS (fiscal definition) can benefit from the **“5x1000” contribution**. Italian citizens can autonomously decide to donate the “5x1000” of their tax amount to a specific ONLUS, through a declaration in their annual fiscal declaration.



**In Serbia**, it can be estimated that almost the entire innovative social enterprise network has been encouraged and **financially supported through international organizations, global civil society networks and many foreign governments**; however, there is no systematic evidence available. In other words, many foreign donors have decided to support the national poverty eradication strategy by providing programs for the training and re-integration into employment of persons excluded from the labour market, various personal services (e.g. childcare services, aid for disadvantaged people, services for elderly people, home care services) and the local development of disadvantaged areas.

Access to funds from local and European programs is still limited for the social enterprise sector. The financial support for SEs derived from domestic donors and the business sector remains small, but the trend is upward with an increasing number of businesses supporting third sector organizations in Serbia (foreign banks are among the most active). If it exists at all, socially responsible business in Serbia is only at the embryonic phase.

Nevertheless, the **various programs and instruments, through which the EU supports the activities of civil organizations in Serbia, represent the largest single source of funding to activities definable in the social economy sector** (CARDS, IPA, Civil Society Facility and other forms of EU funding). These projects are often aimed at supporting partnerships on a local level, economic progress and poverty reduction through the employment of vulnerable groups.

**Some ministries** – such as the Ministry of Economy and Regional Development – **have elaborated financial tools involving alternative credit and start up loans to encourage new business and foster employability through SMEs.** This support ranges from the engagement of business incubators to consultancy services and financial issues. Overall business support services (providing business advice, market research, marketing and communication, etc.) and various training projects for (future) social entrepreneurs or managers in the social enterprise sector and services providing information and knowledge have also been established.

A significant number of social services provided to local communities by third sector entities have been organized and financed through the **Social Innovation Fund (SIF), a mixed resource base** (i.e. funded both by public authorities and international donor's programs). **Certain cities in Serbia**, such as Belgrade, Niš, Novi Sad, and Zrenjanin, **have also set up funds for the promotion of third sector development**, but these are still at their early stages. Nevertheless, local government in small and underdeveloped regions is financially incapable of supporting civil society.

Groups of people with needs either not recognized by public authorities or excluded from public benefits are being catered to by a substantial number of social enterprises set up to provide new services. Many of these activities were initiated independently by groups of citizens, with little or no public support. Nonetheless, since the services provided were acknowledged to be of public interest, after some years, the state or the local authorities often decided to finance several such social enterprises, according to the level of disadvantage with which they were dealing.

In some other cases, development was prompted by public policies. Indeed, **there are many social enterprises with mixed resource bases – funded both by public authorities and by fees directly paid by the users, or a combination of public funds and resources from donors and volunteers.** Moreover, a growing number of social enterprises secure public resources to provide a service by bidding, thus competing with other social enterprises, third sector organizations and for-profit enterprises.



**In Slovenia, the main sources of funding (2006) in nongovernmental sector are revenues from municipalities (28,7% of all revenues), followed by membership fees (18,9%) and donations from people (9,2%).** Thus, almost a third of the sources come from the members or followers. Despite the tax policy that does not stimulate donations from firms, this is another important source of funding (9%).

However, there are significant differences among different type of the institutions. The main source of funding for **societies are revenues from municipalities** (31,4 % of all revenues), followed by membership fees (18,7%). The donations from firms represent 8,8% and the donations from people 7,2%.



**Non-profit private institutions generate the largest share of revenues by performing their non-profit activities** (41,9%). They get approximately fifth of their sources (20%) from the government, while municipalities and people contribute another 7,6% and 7,7%, respectively.

**Companies for disabled generate half of the revenues (50,6%) by performing their non-profit activities** and almost a quarter (23,0%) with performing profit activities. Other revenues represent 12%, while the state contribution only with 5%.



In Ukraine, according to the Law of Ukraine “On citizens’ associations” (No 2460-XII of 16.06.1992) they may undertake commercial activities only on condition that these aim at achieving the goals indicated in the charter. In art. 52-55 of the Civil of Ukraine that came into force on 01.01.2004, the **nongovernmental organizations’ activities are identified as independent and systematic non-profit economic activities**. It can be deduced from the Ukrainian legislation that social entrepreneurship is an integral part of the NGOs commercial activities.

Art. 8 of the Law of Ukraine “On citizens’ associations” lists the conditions under which associations can receive funding from the government for providing social services (the criteria for the inclusion into the list of national-level associations). Art. 8, among other things, provide for the **right of NGOs and their enterprises for tax benefits; national-level NGOs can receive funding from the state budget**. The Law “On social services” (Art. 7) provides for competitive tendering, which should facilitate cooperation among NGOs, government authorities, and local self-governments. Although there are no apparent discrepancies between art.8 of the Law “On citizens’ associations” and art.7 of the Law “On social services” it still can be noticed that the draft of the new Law “On citizens’ associations” does not clarify whether citizens’ associations can take part in the bidding and make agreements for providing social services. Another issue that has to be reviewed relates to relaxing eligibility criteria for state funding, since the majority of associations that are able to and would like to offer services in the community do not classify as national-level associations.

Some NGOs (especially those that were established during the Soviet Union times as public mass organizations) enjoy considerable benefits both in the legislation and in the funding that they receive from the state budget, in contrast to the NGOs that were established after Ukraine gained independence and operated in the conditions of transition to democracy and market economy. Unequal approach to the state funding of NGOs has the following consequences:

- direct state funding of some NGOs, provided for by the Law “On state budget”;
- indirect subsidies and special tax benefits for NGO employees that work with special needs groups (the funding for national organizations and companies

- founded by associations of the disabled comes from the Ministry of Labour and Social Policy through the Social Protection for the Disabled Fund; children's, youth, and women's organizations are funded by the Ministry for family, youth, and sports);
- NGO funding on the bidding competition basis according to art.8 of the Law "On social services".

Regarding the Financial and technical assistance, according to USAID data of 2005, financial security scored lowest among the Ukrainian NGOs characteristics. Although the same report indicates some improvement in the financial situation of Ukrainian NGOs, most of them, according to the World Bank survey, still consider poor financial and technical provision as one of their main problems.

According to "Counterpart" survey, 95% of the NGOs rent offices or use them for free, while 13% have their own premises; 75% have computers, 65% have emails and/or access to the internet. According to the World Bank information, 75% of Ukrainian NGOs have offices, but only 50% have modern office equipment. At the same time, a lot of socially-oriented organizations located outside large cities have neither offices, nor equipment. According to USAID, a lot of small NGOs, especially in the regions, do not have or do not need substantial funding. A lot of them perform activities that do not require considerable resources (disseminating humanitarian aid among the special needs groups, offering other social services) and can do with small charitable donations. Such humble financial needs can be explained by the desire to avoid complicated financial audit procedures and associated labour costs. Some NGOs, in order to avoid financial reporting and tax payments are not registered at all; this affects their performance and cooperation with the mass media. One can say that most Ukrainian NGOs do not have enough money for audit and bookkeeping.

Analyzing the aforementioned NGO surveys, it is also necessary to review the sources of funding. On the average, **about 38% of the NGO budget comes from private companies, 34% - from central and local authorities. The main source is the funding from international donor organizations**, which averages at 67%. According to the World Bank survey, the stereotypical claim that Ukrainian NGOs exist only thanks to grant money is groundless. At the same time, only about 93% of NGOs receive funding from international donors (53% of NGOs on the regional and local level, 63% - on the national level and as part of an international network). Due to heavy competition, international funding goes mainly to the NGOs that cover the whole country or to those located in large cities, especially in Kyiv. On the other hand, less than 45% of national NGOs cooperate with private companies. Regional and local NGOs, on the other hand, have the most active contacts with business, since local entrepreneurs are well aware about the local NGOs activities.

## 6. Conclusions

In the most of the participating countries, there are **significant difficulties in formulating the social economy and especially the social enterprise sector** mainly because of the heterogeneity and complexity of the sector, the lack of official recognition, as well as the lack of statistical information, given the fact that social economy and social enterprises are not exist as statistical category (except Italy). The term ‘social enterprise’ is widespread; the concept of the social enterprise and the degree of recognition varies across the countries.

It is worth noting however, that the **third sector organizations in general, are on the increase in the recent years across all participating countries**; their role appears very important in both social and economic terms. The level of recognition in the public administration, the academic and political areas is also on the increase. Besides the new co-operative initiatives emerged in Italy in the late 70s to address unmet needs, especially in the field of work integration and of personal services, recognized by the Law creating a specific legal form for these ‘social solidarity co-operatives’ in 1991, all participating countries have introduced new legal forms reflecting the entrepreneurial approach adopted by an increasing number of third sector organizations, even through the term ‘social enterprise’ is not always used.

Overall, **the concept of social enterprise seems to be widely accepted in Italy, in the rest of the participating countries there is a lower level of awareness, in contrast with the increasing number of dynamic activities developing market-based strategies to achieve social purpose** and in contrast also, with the new legal regulations that have been appeared in the recent years in all participating countries, which provides circumstances facilitating an emerging of new entrepreneurial activities with social purpose.

Despite the differences in the legal form, organizations identified as social enterprises share the following main elements: they focus on achieving community benefit or benefit for specific group of people, applying market-based solutions. In more details, as social enterprise types organizations are those which:

- develop market- based activities, aiming to address public sector and market failure to solve social problems;
- are autonomy managed organizations; they may depend on public funding and/ or trade extensively with the public sector, but have the rights to terminate their activities;
- are led by social purpose and/ or community benefit, not for profit maximizing, but may distribute some portion of their profit.

The main concepts emerging from the chapter are summarized in the following tabs.

	<b>AUSTRIA</b>	<b>BULGARIA</b>	<b>HUNGARY</b>	<b>GREECE</b>
<b>Typology of SEs considered in the research</b>	WISE (Work Integration Social Enterprise).	NGOs and Social Cooperatives	Public benefit Organistazions and Social Cooperatives	Social Cooperatives, Social Cooperatives of Limited Liability (Koi.S.P.E) and Womens's Agrotourist Cooperatives
<b>Legal structure framework</b>	WISE can adopt the form of an associations or a limited liability company or NPO but it needs, to be considered a SE, the" seal of quality for social integratio enterprises" certified by Quality Austria	Lack of a specific regulation. Usually the SEs are cooperatives or Limited Liability Companies	Law on Public Benefit Company (1997) Law on Social Cooperatives (2006)	Social Cooperative Enterprise (Law 4019/2011 and 1667/1986) and Limited Liability Social Cooperative (Law 2716/1999)
<b>Sources of funding</b>	Usually the main financial baker is the Public Employment Service, followed by the local or regional authorities. The integration measurements for disabled persons are mostly financed by the compensation tax fund.	Regarding the cooperatives the main sources of fundings are the income from the mebership andfrom trade or production activity. In addition for those enterprises that work with disableb people there is the "Fund for rehabilitation and social integration".	The main financial source seems to be the public funding through a part of the Civil Fund with the aim providing resources for civil organization, created in 2003	The resources of the Social Cooperatives of Limited Liability are: <ul style="list-style-type: none"> <li>· funding from the Regular State Budget;</li> <li>· legacies,</li> <li>donations and surrender the use of property;</li> <li>· funding from National Organizations, the Investment Program, Development Programs, E.U. or International Organizations;</li> <li>· incomes from economic activities of the Koi.S.P.E..</li> </ul>

	ITALY	SERBIA	SLOVENIA	UKRAINE
<b>Typology of SEs considered in the research</b>	Social Cooperatives	Cooperatives, Citizen Associations (self-help groups in particular), Enterprises for persons with disabilities	Non-profit private institutions, Cooperatives and Enterprises for persons with disabilities	NGOs
<b>Legal structure framework</b>	Social Cooperatives (Law 381/91) and Social Enterprises (Legislative Decree 155/2006)	Cooperative Law (1989), Law on Associations (2009) Law on Enterprises for Vocational Training and Employment of Persons with Disabilities (1996)	Cooperative Law and Law on employment rehabilitation and employment of disabled people	Art. 86 of the Civil Code of Ukraine, Art. 8 and 16 of Law of Ukraine on Social Services and art. 6 of Law of Ukraine on citizens' associations
<b>Sources of funding</b>	Main sources of funding for the social cooperatives are the incomes generated by services and products sold (generally to the PA). In addition, contributions and grants can be given through regional and national laws. Furthermore a cooperative may issue equity-financial instruments (and therefore admit investor members), debt-financial instruments (as, for example, bonds), or hybrids. No specifications are made for Social Enterprises according to D.Lgs 155/2006. Finally, all the social enterprises registered as ONLUS (fiscal definition) can benefit from the "5x1000" contribution. Italian citizens can autonomously decide to donate the "5x1000" of their tax amount to a specific ONLUS.	It can be estimated that almost the entire innovative social enterprise network has been encouraged and financially supported through international organizations, global civil society networks and many foreign governments. In addition Certain cities in Serbia, such as Belgrade, Niš, Novi Sad, and Zrenjanin, have also set up funds for the promotion of third sector development, and there are many social enterprises with mixed resource bases – funded both by public authorities and by fees directly paid by the users, or a combination of public funds and resources from donors and volunteers.	The main sources of funding (2006) in nongovernmental sector are revenues from municipalities (28,7% of all revenues), followed by membership fees (18,9%) and donations from people (9,2%). Thus, almost a third of the sources come from the members or followers. However, there are significant differences among different type of the institutions, for example companies for disabled people generate half of the revenues (50,6%).	On the average, about 38% of the NGO budget comes from private companies, 34% - from central and local authorities. The main source is the funding from international donor organizations, which averages at 67%.

## PART II: BACKGROUND AND CURRENT CONDITIONS FOR SOCIAL ENTREPRENEURSHIP DEVELOPMENT - DRIVING FORCES AND BARRIERS

### 1. Background and current framework conditions for the development of Social Enterprises

In Austria, the Work Integration Social Enterprises, as a specific segment of the social economy sector represented for the purpose of the project, have their origin in the 1980s. In 1983, “new experimental instruments of an active labour market policy were established to support the self-organisation of unemployed persons when looking for new jobs or to create working possibilities to maintain working ability”<sup>35</sup>. The background for this development was the high, persistent unemployment rates in Europe in the 1980s and, to a relatively lesser extent in Austria, where they led to the pursuit of new approaches in active labour market policy<sup>36</sup>.

In 1984, the first social employment actions for long-term unemployed persons were started, especially **Aktion 8000**. The programme’s objective was to create 8000 new jobs for long-term unemployed persons within expedient areas directly within the non-profit sector or public sector. Private enterprises were excluded from this programme because the established jobs had to meet the public and common interests.<sup>37</sup>

This policy contributed to the emergence of a number of start-ups of social enterprises and WISEs, particularly in the late 1980s. The companies originated out of private initiatives as small projects. The reform of the labour market administration body in 1994, an increase of subsidies for active labour market measures and Austria’s accession to the European Union encouraged a further increase in active policy measures (because of their co-financing support by the European Social Fund) and consequently of social enterprises and WISEs in the middle of the 1990s.<sup>38</sup>

Aktion 8000 was the forerunner of the still-existing instruments “social economic enterprise” (SÖB) and “non-profit employment projects” (GBP) that were established in 1993 (SÖB) and 1995 (GBP). These instruments allowed, for the first time, funding several jobs within one employer and therefore fund such projects and enterprises as a whole<sup>39</sup>.

Following the founding generation, these enterprises were then professionalized<sup>40</sup> and a further one started around 2005.<sup>41</sup>

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<sup>35</sup> BMASK (Bundesministerium für Arbeit, Soziales und Konsumentenschutz), *Dokumentation Aktive Arbeitsmarktpolitik in Österreich 1994 – mid-2009*. BMASK, Abt. VI/3, Vienna, 31 July 2009

<sup>36</sup> Bundesdachverband für Soziale Unternehmen in Österreich – BDV Austria (edited by), *WISEs and their Role in European Policies. National Report - Austria*. Vienna, August 2008

<sup>37</sup> Lehner Peter Ulrich, 2009, quoted at: [www.pfz.at/index.php?art\\_id=849](http://www.pfz.at/index.php?art_id=849)

<sup>38</sup> Cfr. Bundesdachverband für Soziale Unternehmen in Österreich (2008)

<sup>39</sup> Cfr. BMASK (2009)

<sup>40</sup> Lechner F., Loidl R., *Aktive Arbeitsmarktpolitik im Brennpunkt I: Evaluierung Sozialökonomischer Betriebe, Arbeitsmarktservice Österreich*, AMS report 18, Vienna, 2000

**At the end of the 1990s the first non-profit temporary employment agency was founded.** These organisations increased in number since then, while the number of “traditional” SÖBs and GBPs has not changed enormously since the beginning of 2000 apart from some ups and downs. The statistics still show an increase in SÖBs and GBPs because the temporary employment agencies use one of these models.

**At the end of the 1970s a further kind of social enterprise was established on the market, the so-called sheltered workshop.** Sheltered workshops are economic enterprises that predominantly employ disabled persons to integrate them durably into the labour market. Later on, the sheltered workshops were restructured and nowadays trade under the name of “integrative enterprises” (IB).

For a quantitative increase in transit jobs, limits exist because of the available means. Additionally, a further reduction of existing jobs may be feared due to the current policy of savings within EU member states.



**In Bulgaria, foundations, associations and cooperatives used to have a long-established history and the current situation in the social sector in Bulgaria is related with the historical development of the third sector in the last century.** This development has been marked by intensive and dramatic changes, including transition to communist rule, followed by re-invention of the third sector after 1989 with the onset of capitalism, which brings along big windows of opportunity for development together with a biased attitude towards external donors, charities and foundations.

**In general, Foundations in Central and Eastern Europe were incorporated into the public infrastructure in the period before the change of the regime, while cooperatives and associations became part of the nationalized economy and were forced to play the role of quasi-public agencies.** In this role, associations had to deliver a narrow range of services and cooperatives had to produce goods and services within the nationalized economy.

**In the aftermath of 1989, NGO development accompanied the formation of the new political system, the free media and the early business sector.** At this period, early business activities were often merged/combined with NGO activity and this caused the first wave of public distrust for the activities of NGOs, which were allegedly servicing private and not public goals. This led to the mid 90s change of legislation which removed various tax and other benefits for NGOs. The mid 90s brought even more impediments to NGO development because of the ensuing economic crises and the austere negative attitude of governments to community organization.

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<sup>41</sup> AMS Niederösterreich, Personal communication, 5/5/2010.

**The accession of Bulgaria to the EU (on 1<sup>st</sup> January 2007) has reinforced the role of third sector organizations in the social and economic development of the country.**

The strategic vision and role of the third sector are outlined in all the basic national documents prepared to follow the EU guidelines, such as the National Development Plan 2007-2013, the National Strategic Reference Framework 2007-2013, the National Reform Programme 2006-2009 etc.

All the Operational Programmes foster interaction between the state and third sector organizations as well as public-private partnerships. Third sector organizations are identified as key beneficiaries of a number of EU-funded actions in OP Administrative Capacity and OP Human Resources.

The Operational Programs and the new policies following EU guidelines have been complimentary to the needs of the Bulgarian third sector and resulted in a rapid increase in the number of social service providers subsidized by the state. This was preceded by a situation where had (and still have in many cases) a dysfunctional and inefficient system for provision of social services.

Another factor for increased demand for paid social services is the low absorbing capacity of the labour market, with a great number of disabled people left out of the labour force due to their decreased work performance. The underdeveloped local economies are not sophisticated enough to adapt to the needs to people with disabilities and accept them in the workforce. Large-scale poverty and social exclusion is another factor that leads to increased need for social services. The 631 (and more) social service providers in Bulgaria (as of 30 April 2006) currently perform mainly delegated state activities, such as day centres for disabled children and adults, day centres senior citizens, social rehabilitation and integration centres, homeless children shelters; protected housing for mentally disabled people, etc. As a result of these developments, the social services budget for the activities delegated by the state increased by 18.5 percent in 2006.



**In Hungary**, the non-profit sector, that could have been cradle of the social economy, got stuck in its development after the Second World War. **Since 1987**, when the Civil Code of Hungary was modified and this modification made it possible the foundation to be a legitimate form of operation, can be counted **the birth of the third sector<sup>42</sup> in the country**. So besides the still very strong state and the developing market sector, **the third sector started its way by offering a new range of public services**. As a matter of fact, it was the fail of the state that gave birth to this sector by the fact that the public service providers could not give answers to the appearing problems arising due to the social economical processes. With the appearance of the third sector, the state monopoly was not only stopped in the field of public services, but also the party state ideology that used to be incorporable was beginning to disintegrate as well.

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<sup>42</sup> From 1987 to the birth of public benefit company form, the foundations were significant economizing organisations besides their function of collecting donations.



On the other hand, the persistence of the long-term unemployment showed that neither the public sphere, nor the entrepreneurial market sector in itself is able to provide efficient answers to the treatment or the decreasing of long-term unemployment. That's the point when the support of the employment initiatives of nonprofit organizations is started, that's the workplace establishment outside the mainstream of the labour market.

A very significant participant of the third sector are the associations, they were organisations that worked even after the world war, in the framework of party state conditions. So the Law on Association, born in 1989, has not established a new form, but took down the political guardianship from these organisations. In 1989, there were 8000 associations working in Hungary<sup>43</sup>.

**In the third sector in Hungary**, after the change of the legal and political environment, **there was a significant structural change in 1990s**. It shows the economic weight of the sector that the number of organisations having interest representation and the organisations doing economy development activity has significantly increased compared to the earlier statistics. It shows the economic weight of the sector that the number of organisations having interest representation has significantly risen and, compared to the earlier, the organisations doing economy development activity are representing a more significant rate. Here belong the different social employers, the non-profit institutions helping the unemployed.



**In Greece**, employment is characterized by certain tendencies observed in less developed economies, such as high percentages of people employed in agriculture, large self-employment, large proportion of employees working in the public sector, low percentage of people with dependent employment, large size of “hidden” economy, relatively low activity rates of women, etc.

However, developments in Greece in recent years such as the contraction of agricultural employment, the restructuring and insufficient growth of the industrial sector, the restrictive monetary policies and the insufficient economic growth, the restriction of hiring by the public sector, the increase in the labour force participation of women, etc. have already resulted to **a considerable increase in the unemployment rate**<sup>42</sup>. Besides, the implementation of restrictive economic policies in recent years, in an attempt to limit the public sector deficit, have resulted in **cuts in public expenditure and especially in the social and welfare services: this together with the continuous immigration flows to Greece from the Balkans and Eastern Europe since 1990 have triggered an increase in situations of social exclusion.**

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<sup>43</sup> In the statistics, they were appearing under the heading partner enterprises.

<sup>42</sup> Especially, in this period of economic crisis, the unemployment rate has risen from 7.2% in 2008 (September) to 12.1% in 2010 (February), according to the National Statistical Service, while for the same period the employment decreased by around 186.000 permanent jobs.

Indeed, it appears that the processes which lead to social exclusion are gaining more and more ground over recent years in Greece, affecting in various ways different socio-economic groups and individuals: unemployed, people with low income, persons with physical or mental disability, former patients, prisoners, ex-prisoners, ethnic or cultural minorities, women, young persons, etc. Yet, the existing forms of public provision of social, welfare and support services are inadequate to meet the increasing needs in this area, while the existing mechanisms of matching supply and demand for labour are relying mainly on traditional measures and procedures which, under present conditions, render their role insignificant.

It is generally acknowledged that work opportunities in the present unemployment situation have become increasingly difficult for certain population groups, young, women, etc. and especially for those persons with physical or mental disabilities. **This situation of increasing unemployment and social exclusion in combination with the restrictive monetary policy and insufficient economic growth, led to the emerging of collective entrepreneurial initiatives aiming at work integration of the different disadvantaged population groups.**



**In Italy, social cooperatives, which is considered as the predecessor of social enterprises not only in the country, but in the European countries in general, gained momentum during the 1970s as a result of local authorities having difficulty in directly ensuring welfare services.** At a time that the request for these services was increasing social policies were modified so that the management of services was delegated to external bodies, usually non-profit organizations, leaving local authorities mainly with the financial and administrative roles. The aim of this policy was to reduce the cost of social security. Since the mid 1990s, hence, local authorities began to outsource many of their public procurements.

The social cooperatives' operational fields and sphere of influence in social policies now varies across the different Italian regions. **In some areas the relationship between social cooperatives and the public authorities is highly developed**, especially in the North of Italy, where the public procurements for social services (Type A) have been reserved for Social Coops for years. Besides, for Work Integration Social Cooperatives (Type B) there is the possibility to define public agreements with Public Administration without compete in tender with other enterprise. This particular form has lead to a great development in the public activities carried out by social cooperatives (green spaces maintenance, school and public buildings cleanings, etc.), but in the last years the State has less money and also in these activities it has to reduce the budget.

**The role of social cooperatives and of the third sector in general, can be more than simply a provider: it should be partner in programming and planning social policies in a system of governance.** In this regard a major new law was introduced in 2000, L 328/2000, about national planning for social services in which third sector is involved.

The law established the general principles of the integrated system of intervention for social services, where the planning and the organization of the service provision have to involve both public and private bodies, according to the principles of subsidiarity, cooperation, effectiveness and efficiency.

Nevertheless, one thing is to prescribe a role, while a completely different thing is to apply such role effectively, above all if it is a new system. It is mostly a cultural problem which requires time so that each participant learns how to work together in this new way. In any case, numerous changes are underfoot, fewer and fewer resources are available to satisfy social and health care needs and social cooperatives are at the forefront of a great crisis, the competition are increasing and the public resources are scarce, bearing in mind that the first customer of Italian Social Cooperatives is the Public Administration.



**Serbia** has a long tradition of cooperative movements, which is closely connected with traditional family patterns: mutuality and solidarity as one of the basic values and principles of the family way of life. **After the Second World War, the evolution of the cooperatives fell under the considerable influence of communist ideals regarding the collectivization of the private sector in agriculture. The cooperatives became an integral part of the political system and planned economy** when their ownership was transformed into so-called, "public" enterprises without compensation, so that significant property in agriculture came under government ownership.

**The post-1989 period is a new phase in the development of cooperatives in Serbia.** Instead of the former legal regulations, a new set of laws has been introduced, such as the Laws on Associations in Serbia (1989) and the Law on Cooperatives (1996). Under this new legal framework cooperatives are organizations by their members while their material assets are collective property. Their task is to strengthen farming households as economic subjects and to enable them to develop market relations.

**The program of economic restructuring, following the democratic changes in 2000, marked a renaissance of the cooperative as one of the important opportunities for the open labour market and the integration of disadvantaged workers.** The Serbian public is not sufficiently informed about the significance of the cooperative movement and its importance in the contemporary economy of developed countries and Serbia has not adopted a proper legal framework for cooperative to flourish, yet cooperatives have been recognized and are present on the Serbian socio-economic scene.

**The modern cooperatives movement is mainly concentrated on agriculture, ecological cooperatives and some women's initiatives, while it still need adequate promotion and an appropriate legal framework to regulate new forms of cooperative.** The strong predominance of neo-liberal policies that has affected the transition process has neglected alternative economy and failed to recognize the potential of associations and new cooperatives as producers of goods and services.



**In Slovenia**, some enterprises for disabled persons already arose in the 1960s. At that time, a special regulation provided that the status of a workshop for disabled' could be attributed to companies employing at least 50% of disabled persons. For instance, in 1963, 23 companies for disabled were active in Slovenia. Later on, their number has gradually decreased, while it started to rise again after 1988.



Information about **Ukraine** did not been collected.

## 2. Main barriers for the development of social enterprise sector

**In Austria**, there are three main barriers for the development of WISEs:

- 1) **limited budget of the public authorities for those measures.** A potential quantitative increase in transit jobs is indeed limited by the means provided. The means are already exhausted with the current offer. Further, there is fear that due to the current saving policies a further reduction in means is possible. A further reason is that the instruments and models described are the most expensive within the labour market policy.
- 2) **limited duration of subsidy agreements of WISEs consists a barrier for the social enterprises development.** Subsidy agreements have duration of one year. Under these conditions it is difficult to develop new forms of business activities and hedge its strategic position.
- 3) **missing of a long-term financed second labour market** in Austria. Even at high integration quotas of 40 – 50%, there arises the question of what transit workers who cannot be integrated ought to do. This is very severe because achieving the integration quotas depends on external factors and those that cannot be influenced, such as the general or regional employment cycle and the dynamics of the regional labour market.



**In Bulgaria**, the barriers are:

- 1) there is still **no legislation regulating the status of social enterprises and recognizing the social enterprises as legal entities**, as there is no state policy regarding social enterprises in the country..  
The lack of specialized law affects primarily the already created social enterprises (companies or NGO with commercial activity) who report their inability to continue operating in a system which does not recognize what entities they are.
- 2) **there is not a clear public conception on the notion of social enterprise.** The OP Human Resources launched a Pilot Social Enterprise Support Program through the Agency for Social Assistance. This was the first time that an official state program recognizes and addresses the problems of social enterprises. However, the program has been heavily criticized for its lack of focus and clear criteria about what is social entrepreneurship. As a result of this lack of understanding on part of the Ministry of Labour and Social Policy, the Program funded 46 social projects of social service providers and other NGOs. The organizations that have been funded however do not have the capacity to develop a business within a non-profit organization, as they lack basic business, marketing and product development skills. This makes the program more unsustainable than it should be, investing funds into organizations without making them financially independent and market oriented, which is what social entrepreneurship is all about.

- 3) in general, the Operation Programs have shown **heavy bureaucratic procedures**, corruption and financial conditions that have put off many organizations. However, the new government<sup>43</sup> is planning simplification of bureaucratic procedures and also, fighting corruption.
- 4) the **national policy which states that when people with disabilities or retired senior citizens are in an institution, if they work, their payment is very limited**. This limitation is a barrier to such people who are employed in social enterprises because they are not motivated to work hard and to add value and quality to the manufacturing process. This regulation needs to change so that people in institutions are motivated to participate in the workforce with the help of social businesses that provide the necessary work conditions.

**Regarding the SE Co-operatives** of people with disabilities in Bulgaria, they share common barriers, needs and vision for their future.

- 1) **they need information on funding opportunities** for their activities to help them modernize their processes to meet higher demand;
- 2) **cooperatives are not using all their assets to increase their efficiency and competitiveness**. They usually own large territories of land, real estate, factories (usually run down), but have failed to modernize them to help them meet EU standards and free market standards;
- 3) **they have failed to adapt to the new market economy and still follow old managerial style** that does not meet the demand for fast production, quality products, constant innovation and good overall competitiveness.
- 4) **their distribution channels** are weak, if existent at all. Co-op Rodina distributes their production only via 6-7 reliable partners/clients in the whole country.
- 5) **they don't have a marketing department to identify market niches and to carry out market research**. In General, the Cooperatives need assistance with funding consultations, training, volunteers, general business information, real estate, marketing;
- 6) the state provides support in terms of public procurement, but **disloyal competition deprives them from winning business**;
- 7) new social policy of the new government has **cut direct state procurement to co-ops**, thus depriving them from their only secure access to markets.



**In Hungary**, the barriers are:

- 1) **dependence from state and EU Funds**; lack of resource and infrastructure, the enterprises suitable for community entrepreneurship have low capital;
- 2) social economy organizations **do not have a stable, long-term market**;

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<sup>43</sup> GERB is a newly established political movement called Citizens for European Development of Bulgaria, elected 2009.

- 3) the **expertise of the people working in the organisation is not professional**, because they do not possess that knowledge that is necessary to enter and to stay on the market. In their daily operation, the market, the employment and the social elements mix with each other and they do not suit the requirement of staying economic;<sup>47</sup>
- 4) there is **no bank service provider** behind this sector in Hungary, so they are unable to handle their liquidity problems, they cannot invest, develop, often even the continuity of the enterprise is endangered. In order to decrease and handle the risks, also the insurance background is missing. In many cases, their independence from the State is only an illusion. Also those supporting forms are missing or working only partially, that would facilitate the market operation of economies, the extension of the demand.
- 5) **taxation discounts, regulations providing supporting market operation, support of the roads leading to the extension of paying demand are all missing** (e.g: voucher system, etc.). Furthermore another very serious boundary of sustainability is that although there are supports, but they are not present at the place and the time requested by the third sector, they can be taken often in the format of tenders, that is uncertain, but often it does not precede the needs;
- 6) **laws of different fields regulating the operation of SE are not harmonized**; the system supporting the third sector are only partially presented in the Hungarian regulations.



**In Greece**, the main problems are:

- 1) **lack of support structure** and counseling services concerning the everyday operation of Social Economy organizations/ enterprises;
- 2) **insufficient funding and lack of appropriate alternative financial tools** for Social Economy activities and social enterprises;
- 3) **lack of specialized and experienced key personnel**, lack of appropriate educational and training tools;
- 4) **insufficient laws and regulations encouraging and promoting disabled persons** to work in Social Economy activities. A basic feature of the Social Economy and social enterprises is the creation of employment opportunities for those persons that face the greatest difficulties to enter the labour market. In that context the greatest problem is the absence of a culture (even among professionals dealing regularly with disabled persons) that regards the disabled as capable of employment in the open labour market. It goes without saying that the disabled enjoy limited employment opportunities - less than any other unemployed group. The Social Economy ought to focus on that problem and provide some answers.

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<sup>47</sup> Futó P.H., Kinga L., Pál M.A., Soltész A., *A szociális gazdaság jelene és jövője Magyarországon (kutatási zárótanulmány)*, Budapest, 2005

- 5) **hindrances inhibiting the networking** and representation of the Social Economy sector and social enterprises;
- 6) **hindrances in setting up cooperation** between Social Economy enterprises and the public sector. Many local agencies, especially among the Local Government Organisations, often lend support to Social Economy enterprises and are willing to cooperate with them, since the supply of products and services contributes to local economic and social growth. This occurs in spite of the absence of any regulatory framework for such cooperation.



**In Italy**, the problems are:

- 1) **the “instrumental” use of social enterprises made by public administration to reduce their costs of external products and services.** For a long time social cooperatives, conceived as the first typology of social enterprise, have been closely connected to public administrations and public tenders and especially since 2008 **public administrations have been reducing budgets** dedicated to these kind of contracts. This is causing a decrease in the level of annual turnovers and therefore lower resources for further development of social enterprises.
- 2) **the difficulty for Public Administration in considering the social enterprises as partners and not only as suppliers of services.** There are several initiative, deriving from the National or Regional Laws, to create serious partnerships in the definition of social policies and they foresee the presence of the third sector in the decisional process, but the Public Administrations often prefer to decide autonomously without involving the social economy sector.



**In Serbia** the main barriers are:

- 1) **lack of supporting environments and infrastructures;**
- 2) **restricted access to resources;**
- 3) **privileged administrative treatment for specific organizational forms;**
- 4) **unsuitable institutional framework;**
- 5) **inconsistent legal environment;**
- 6) **lack of skilled social entrepreneurs;**
- 7) **chronic financial problems:** frequent operating losses, inability to secure adequate presentation on the market, inability to collect debts, the burden of debt from previous years, surplus workforce coupled with impossibility to transfer the surplus to the National Agency for Employment (due to unpaid obligations). It has been pointed out that a number of enterprises pay only contributions, not salaries, and, furthermore, in most enterprises salaries are in arrears by over one year<sup>44</sup>;

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<sup>44</sup> Cfr. UNDP – EMES (2008)



- 8) **tax regulations of the non-profit sector are relatively limited** and do not provide any real incentives for companies or individuals interested in supporting the development of third sector organizations. Exceptions are envisaged in the case of equipment imported within humanitarian assistance programs and when it is intended for disabled people.

There are other difficulties in promoting social enterprises in Serbia:

- 1) **difficulty in obtaining empirical information on the existence of social enterprises**, the active sectors to which they contribute and the number of individuals they employ. The potential role of social enterprise in social policy and economy is still being overlooked, as these organizations are not recognized as long-term welfare and economic partner;
- 2) **general public is not well informed about the social enterprise sector**, its nature and purpose, while government officials still see the third sector as a marginal, unreliable yet partially useful technical executor of small-scale projects. This slight recognition often goes hand in hand with the opinion that social enterprises are financially vulnerable, economically unsustainable and therefore unable to produce goods, deliver services and generate employment on a long-term basis;
- 3) **co-operation between third sector entities, including self-help groups, and the business sector is very poor**. There are only a few positive examples where profit-making enterprises have supported self-help group projects and this occurred chiefly during some public campaigns



**In Slovenia**, the main barriers are:

- 1) social enterprises for **persons with disabilities are often faced with problems coming from a rigid pension system**. In the Action program for disabled persons 2007 – 2013 is envisaged a possibility of restoring a system which will enable the disabled person to move from the status of disabled person into the employment seeker status or vice versa (to give the disabled person status quo of acquired rights) during his/her incorporation in regular work under Act Concerning Social Care of Mentally and Physically Handicapped Persons (1983) or Pension and Invalidity Insurance Act (1999). But actually employment legislation that kind of flexibility doesn't enable. Also, the Pension and Invalidity Insurance Act of 1999 fulfils the demand for multidisciplinary treatment of disabled persons, gives financial relieves to the employer due to adaptation of working places to the needs of disabled persons, but doesn't anticipate additional employments stimulations because employers are not stimulated to employment of disabled persons.



**In Ukraine**, the main barriers are:

- 1) **the poor financial and technical provision** for social enterprises;
- 2) **the lack of appropriate legislation and environment.**

### 3. Driving forces for the development of social enterprise sector

In Austria, the driving forces for WISE development are:

- 1) Performance elements **in the agreements and professionalism of the services of WISEs**. In the first decade (1980's) and a half, the budget for the WISEs had the character of a funding for what the WISEs had only to prove an agreed use. This has changed in the last decade. Now the agreements with the WISEs are also based on a kind of a service level agreement. By changing their own point of view of being a service consumer rather than a subsidy donor, the awarding authorities also raised their level of expectations. Service level agreements express the requirements of cost awareness, efficiency and quality management. A service level agreement includes agreements between the public authority and the non-profit organisation about the service, the quality and quantity of the service, the period and the payment. These agreements are according to that "treaties with ex ante calculated costs and defined duties and tasks". "The most important difference is the wording of contracts. In a subsidy agreement a subsidy is agreed on between the donor and the organisation or project. In a service contract the public ordering customer pays for the provision of a service through an NPO." In contrast to a subsidy agreement, the service contract is characterized by the fact that the public authority and the NPO act as two equal contracting parties (de facto the monopoly of being the ordering customer creates an unequal influence). "In this case, the NPO provides services that are precisely defined by their kind, subject, dimension and quality... to a third party."
- 2) **No duty for bidding for services of WISEs**. Most agreements between Public Employment Service, the Federal Office for Social Affairs and other public authorities (e.g. regional governments) and the social integration enterprises are mixed forms between subsidy agreements and service contracts. According some authors opinion concerning the NPO sector is also valid for WISEs: "Hardly an NPO speaks of being a subsidy recipient. A close look at the financial agreements shows indeed that the services and services in return that are agreed on in the service contract are very generally described and often conform to the whole NPO purpose. They are seldom precisely operationalized."
- 3) **Lobbying**. The WISEs are organized into umbrella associations at the regional level. There are about 10 regional networks/associations, which are members of the Federal Association of Social Enterprises. In practice, however, the umbrella associations have little influence on the shortening of subsidy means; thus, WISEs try to use informal networks and cooperation.



In Bulgaria, the main driving forces are:

- 1) **high capacity of NGOs and human capital**;
- 2) **evolving coordination of activities** in the field;

- 3) **diversification** of community social services. Bulgaria traditionally has good entrepreneurs despite the fact that 45 years of state-regulated economy has blocked entrepreneurship for decades. People are again returning to private business, with their experience of entrepreneurship evolving quickly;
- 4) **evolving experience of entrepreneurship**;
- 5) **good European practice** for truly sustainable social services. Moreover, good European practices are fast in reaching the Bulgarian non-for-profit organizations, setting an example of sustainable social businesses, inspiring people from Bulgaria to venture into this new business model them. All this backed up by right legislation and state policy, plus EU funds and other income sources, starts to shape a better looking future for community firms in Bulgaria;
- 6) **EU funding** available;
- 7) some **good examples of successful social businesses**. There are many experienced organizations in the non-profit sector with years of practice and capacity. When the conditions are favourable, social entrepreneurship will be the next way for them to go, especially because it provides independence from the irregularity of sporadically and more and more beaurocratic projects and external donors, it thus provide long-term sustainability.



**In Hungary**, the driving forces are:

- 1) **returning to the traditions and trend preceding the Second World War**;
- 2) the impact of **social and political transformation**;
- 3) **the lack of welfare service**, the reaction to the appearing needs. In general, it is recognized that the non-profit organisations provide the frameworks of the self-organisation and lobby and give occasion for the development of services tailor-made for the particular needs of smaller-larger social groups, for the non-profit oriented innovation, and the community handling of social problems.



**In Greece**, the main driving forces are:

- 1) the great **number of social needs unsatisfied** by the public or private sector bodies;
- 2) the needs **for higher quality of social services**;
- 3) the **limited employment opportunities** in the period of economic crisis and restrictive economic policy;
- 4) the **high level of unemployment and social exclusion**;
- 5) the **needs for active market policy targeting disadvantaged groups** and for new approaches to job creation and integration into the labour market certain vulnerable groups of society.



**In Italy**, the main driving forces include:

- 1) the **substantial legitimization of social enterprises in the framework of local governance systems**, where new policies are planned in sectors of relevance for social enterprises;
- 2) the **possibility for social enterprises to implement new partnerships**, involving other third sector actors, especially banking foundations - not only for representation and lobbying purposes, but also with a view to bringing about innovative welfare models at the community level;
- 3) the **establishment of fruitful relations with other economic actors** - beyond a few "best practices" examples in the sphere of corporate social responsibility – with a view to integrating disadvantaged workers into work.



**In Serbia**, the main driving forces include:

- 1) **the drivers of employment in the social economy are non-governmental organizations**, promoting the employment of vulnerable and underprivileged categories and (mainly experimental) projects offering programs that reinforce social cohesion and integration. This new approach includes programs within the framework of new forms of employment in sectors where traditional “*investor driven*” companies cannot provide a socially acceptable response to unemployment;
- 2) the persistently high unemployment rate. From a labour market perspective, structural reforms have resulted in new groups being threatened by unemployment including women, poorly qualified young people and single mothers, the disabled and ethnic minorities as the Roma population. These groups have few opportunities to find employment on the traditional labour market, yet they also lack adequate public support and legal measures. The Serbian labour market is characterized by a downward trend and a higher unemployment rate for women. Starting from the premise that women suffer the most significant disadvantage in periods of transition, **cooperatives and other forms of social enterprises have been recognized as models of economic empowerment for women**. The contemporary feminist movement therefore is focused on the social economy and alternative forms of the production and provision of services through the establishment of new forms of employment.
- 3) relevant demographic estimates forecast that the **aged population** will grow over the forthcoming decades. Moreover, it might be presumed that **long-term care for the elderly will become a growing need** and the scope of the long-term care should be catered to with significant increases of assistance for this risk group. This demographic shift put further pressures in the field of social provision in critical areas, such as social protection and social services for the elderly. These changes will probably increase the demand for social services on local communities.



**In Slovenia**, the main driving force is:

- 1) the **legislation in general, is very stimulative for introduction of social entrepreneurship**; evidence for this is increasing number of societies and non-profit private institutions, as well as the increased revenues of all types of community enterprises. It seems that the needs for inclusion of disadvantaged population groups into the labour market through development of social enterprises and the relatively legislation consist the main driving forces promoting social enterprise sector.



**In Ukraine**, the main driving force is:

- 1) the **capability of social enterprise types of organizations to address social problems**, applying new approaches.

#### 4. Conclusions

**Institutions of the third sector have a long-established history in all participating countries.** However, **the last 30 years in many European countries, including Italy, Austria and Greece, have emerged new initiatives in the third sector addressing the problems not only for their members, but of the community,** developing activities for work integration and combating social exclusion, as well as for provision of social goods and services in respond to increasingly appearance of unsatisfied community needs. These developments are a result of difficulties facing the public policy in ensuring social services and providing measures for combat unemployment and social exclusion. In the Central and Eastern European countries, the foundations were incorporate into the public infrastructure in the period before the change of the political regime, while cooperatives and associations became part of the nationalized economy and were forced to play the role of quasi-public agencies. In this role, associations had to deliver a narrow range of services and cooperatives had to provide goods and services within the nationalized economy. **After the change of the political regime, the structural changes and the socio-economic situation in these countries in general, have led to the emerging of the third sector by the fact that the public service providers could not give answers to the appearing problems arising due to the social economic processes.**

With the appearance of the third sector, the stage domination was not only limited in the field of public services, but also **the role of the third sector have been encouraged as a main provider of social services.**

On the other hand, **the persistence of unemployment** revealed that neither the public sphere, nor the private sector is able to provide efficient solutions for the decreasing of unemployment; thus, the development of employment initiatives is started by non-profit organizations.

Summarizing the recent developments and the existing conditions in all participating countries, it seems that **the main driving forces for the development of social economy sector and social enterprises type organizations in particular, appear similar in all countries;** these are:

- a great number of social needs unsatisfied by the public or private sector;
- the increasing needs for higher quality of social services;
- the limited employment opportunities in the period of economic crisis and restrictive economic policy;
- the high level of unemployment and social exclusion;
- the needs for active market policy targeting disadvantaged groups and for new approaches to job creation and integration in favor of certain vulnerable groups of society.

On the other hand, there are potential and some **favorable factors**, in different degree in each of the participating countries, facilitating the further development of social enterprises:

- the existing successful practice and experience of sustainable social entrepreneurship across Europe;
- EU supportive policy and funds;
- appropriate legal regulations in some countries, in order to take inspiration from them (especially in Italy, where there is the substantial legitimization of social enterprises in the framework of local governance systems, where new policies are planned in sectors of relevance for social enterprises, as well as the possibility for social enterprises to implement new partnerships, involving other economic actors, especially banking foundations).

However, the social enterprise sector in all participating countries face a number of **different barriers and problems** that make difficult the development and function of the sector. These are:

- financial sustainability;
- lack of alternative financial mechanisms from the public subsidies;
- lack of supportive legal regulations;
- lack (or inadequate) support structures and counseling services for social enterprises;
- lack of appropriate educational and training tools;
- lack of specialized and experienced key personnel and managers to design the activities, to identified new markets and to promote social enterprises' goods and services is significant problems for the sustainable development of the social enterprise sector.



## **PART III: PUBLIC POLICIES PROMOTING SOCIAL ENTERPRISES**

### **1. Public policies promoting social enterprises**

**In Austria**, integration of people at a disadvantage on the labour market is regarded as a public task and makes part of the **Austrian labour market policy**. The emergence of measures to fight unemployment and exclusion from the labour market dates back to 1980, when the first social integration enterprises were founded. The main strategic actor defining criteria for support (both financial and social) is the **Ministry for Economic Affairs and Labour**. **Some transnational program (like the European Social Fund or Employment Pacts) also co-finances integration measures**. The Austrian Labour Market Service is the executing partner.

In the view of the Austrian Labour Market Service, the longer unemployment period leads to lesser chances of getting a new job. The long-term unemployed often have a low level of qualification, or no professional qualification at all, which makes it more difficult for them to find a job. But the period of unemployment also has a negative effect on their ability to find a job.

Integration measures in Austria try to stop this downward trend. Since the early 1980s the Austrian Labour Market Service supports initiatives, projects and enterprises that fight the two major problems caused by long-term unemployment: growing inhibitions to take up a new job and social exclusion. Social integration enterprises offer temporary employment for discriminated and/or (socially) handicapped persons. Their main feature is the combination of the production of goods or services and a social mission of integration through employment.



**In Bulgaria**, there is no clear definition of Social Enterprise. The developed, for first time mainly by the Bulgarian Center for Non-for-profit Law concept (with the support of the Counterpart Project, funded by USAID in 2002) is not integrated into policies, laws and public debate in Bulgaria. Even more, this term is not included into laws or State planning documents. In the currently prepared Regional Social Strategies are pointed out Specialized Enterprises instead Social Enterprises. It is a heritage of socialism past when the Specialized Enterprises are being established mainly to ensure job places for disabled people. Some of them are still working.

The accession of Bulgaria to the EU, on 1<sup>st</sup> January 2007, has reinforced the role of third sector organizations in the social and economic development of the country, as it was mentioned. **The strategic vision and role of the third sector are outlined in all the basic national documents prepared to follow the EU guidelines, such as the National Development Plan 2007-2013, the National Strategic Reference Framework 2007-2013, the National Reform Programme 2006-2009 etc.**

Thus, in spite of missing term in the National Legislative Framework some measure on the national level aiming at the promotion of social economy sector are planned and their implementation is forthcoming. Evidence for this development is found in the following documents that determine the national, regional and local policies in the field of development of social services:

- a) National Report on Strategies for Social Protection and Social Inclusion 2008-2010;
- b) National Strategy “Vision for deinstitutionalization of the children of Bulgaria”;
- c) Strategy for Ensuring Equal Opportunities for People with Disabilities 2008 – 2015;
- d) Action Plan for Ensuring Equal Opportunities for People with Disabilities 2010 – 2011;
- e) Social Assistance Act and others.

It is worth mentioning that in the next months the State aims at assisting the social inclusion of people with disabilities by supporting the specialized enterprises and cooperatives for people with disabilities for delivering of trainings, acquiring or improving of the professional qualification and providing of employment for people with disabilities. The **Act on the Integration of People with Disabilities** outlines active measures for employment and professional rehabilitation of people with disabilities. Cooperatives and specialized enterprises are among the possible forms of participation in labour activities. They provide employment for people with sensory and other disabilities. Their activities are implemented through annual funding provided by the state on a project or competition basis.

The **Social Assistance Act** also contains provisions for the development of social services in support of the social inclusion and social integration of people from vulnerable groups (people with disabilities, marginalized groups, ethnic minority groups and other vulnerable groups).

In addition, the OP Human Resources launched (2007-2013) a **Pilot Social Enterprise Support Program** through the Agency for Social Assistance with a total budget of 15.680.000 BGN (approx. 8 million EUR), having two main components: a). Support for existing social enterprises and b). Support for the foundation of new social enterprises.

**Regarding the cooperatives**, there are two legal acts which are of importance for their taxes and duties regulation: the **Cooperatives Act and the Corporate Income Tax Act**, foreseeing financial concessions for cooperatives. Art. 35 of the Cooperatives Act states that “Cooperatives and cooperative unions are not charged with any taxes regarding their establishment, reorganization, shutdown and liquidation”. According to Corporate Income Tax Act, cooperatives are partly exempted from corporate taxation – 60% of the tax /the tax is 10% of the annual corporate incomes of the companies/. These tax concessions are clear sign for the state support of the cooperative activity. This favored status helps them to be competitive at the market and to focus on other problems typical for most of them: property issues, production cost price, market placement of the products.



**In Hungary**, according to the Law, the Public Benefit Organizations are entitled to have the discounts in general. **The 1997/CLVI Law** enumerates the public benefit organizations, the supporters of public benefit organizations, the discounts that the service takers of the public benefit organizations are entitled to take, it denominates the types of discounts and their most important legal resources.

It is a general rule that:

- the participants of the third economy are entitled to have tax exemption;
- the taker of the targeted service provided by public benefit organization gets exemption under the payment of personal income tax – as a targeted allowance;
- the given support (furthermore referred to as donation), is entitled for further discount concerning company tax payment and discount concerning personal income tax, and in case of long-lasting donation, from the second year of support, the person is entitled for an extra discount;
- the public benefit organization in its targeted activity sphere is entitled for the employment of a person doing civil service;
- however, if the public benefit organization has public debt according to the Taxation Law, then he is not entitled for the discounts.

On the basis of the authorization law in 2003 about public procurement the government stipulated a decree<sup>59</sup> about the detailed **rules of public procurements reserved for protected employers**, in which it declared that "the requester of the bid can reserve his right of participation in the public procurement procedures directed for product and service procurement for protected workshops<sup>60</sup>". This fact has to be referred to in the announcement.

Among the public policies promoting the development of social economies is worth mentioning the activity of the **National Employment Public Foundation (OFA)**. The public foundation was established by the Ministry of Labour on 30 June 1992, and on 1 January 1997, at its transformation into public foundation, its circle of founders was extended with the Government of The Hungarian Republic. The funding programs of the OFA were financed by the Hungarian State, the resource for their support was provided by the Labour Fund. Its mission is to serve the decreasing of unemployment and the service of the extension of employment, by which it fulfills an important role in the Hungarian labour policy institutional system. Several programs funding the community enterprises have been launched in the previous years, such as the educational and employment transit projects that were launched in 2004, funded by EU.

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<sup>59</sup> 302/20006(XII.23) governmental decree. Also that organisation is regarded as a protected workshop that has settled down in a state enjoying a national footing and that employs people with changed working capacities in more than 50%.

<sup>60</sup> In the Member States of the European Union, and on the basis of the passage (4) of §1 of the Hungarian Public Procurement Law, also that organisation for national treatment ,that employs people with changed working capacities in a degree that is beyond 50%

In addition, the “**Social land program**” has been launched, which is a very significant pre-figuration of community enterprises; it has been present in Hungarian social politics since 1992 as a tool of giving a chance of development for the rural areas and settlements. For today, this program was already put to its place, under the supervision of the Ministry of Economy. Many small settlements received soil usage and different tools for doing agricultural activity. The program provided an opportunity for craft agricultural farming and animal holding and by activating the families to work based on the use of local resources. The operators of the program in the settlements are primarily the local governments and their multi-purpose associations and the nonprofit organizations established by the local governments. Later on, **the social land program became the part of the local social assistance system.** In 2009, the social land program was going on in 10 counties, 44 rural areas, and in 194 settlements, mostly in the most disadvantageous areas of Hungary. Nearly the half of the beneficiaries was of gypsy origin. The presented programs gave impetus to the development of Hungarian social enterprises by offering their innovative solutions. To all these contributed those good practices serve as a good example not only with their novelty, but also with their sustainable development.

As an appropriate example of the public policy planned in Hungary, two specific measures are provided. The first one aims at the **support of atypical employment forms for the period 2010-2014.** The project is funded by the ESF co-financed by the Hungarian national budget. The aim of the project is to promote self-employment of disadvantaged people and to increase their labour opportunities providing employment of the job seekers.

The second Measure regards a **Law regulating the operation of social associations.** The aim of the regulation is to motivate the members of the society to become active participants of social economy that is special form of association that includes in itself the characteristic base values of social economy and is struggling to fulfill such needs to the fulfillment of which the other fields of the sector are not capable. The social associations are the autonomous associations of persons, who voluntarily associate with each other with the aim of implementing their common economic, social, educational and cultural aims through their democratically managed enterprise. The social association is an organization working based on the principles of open membership and changing capital. It has a legal entity. Association, revenue production in the format of association means a solution in the handling of unemployment and the promotion of employment.



**In Greece,** it is generally accepted that employment policies towards the social vulnerable groups have shifted significantly since the end of the 1990s in favour of active measures. Largely under the influence of the European Employment Strategy, the policy mix has increasingly **placed emphasis on improving their employability instead of improving income support measures and other traditional passive policies.** In this

context particular steps have been taken over recent years to establish the individualized approach.

In particular, the number of employment promotion schemes and accompanied support actions has been on the increase over recent years, targeting on various vulnerable groups such as disabled, immigrants, unemployed individuals, ex-drug users, etc. Under the framework of certain **Operational Programs** (Sectorial or Regional) of the Greek CSF, as well as under the **Community Initiatives**, a number of measures and actions reflect the **policy mix defined as active inclusion policy in the sense that these measures entail, in particular, labour market activation programs** (including vocational training schemes) and **supportive services**, which involve actions such as empowerment, vocational counseling and facilitating access to basic services. Note should be made of the fact that the implementation of a range of supportive services in favour of vulnerable groups relies heavily upon the engagement of a great number of NGO's.

Regarding the **Law for the Social Cooperatives of Limited Liability (Koi.S.P.E.)**, it **foresees association with legal entities of public law in order to facilitate the operation of these cooperatives**. Thus, the state, public organizations, local authorities as well as their respective legal entities are supplied with goods and receive services from the Koi.S.P.E. In that case, the supply of goods/services offered can take place by contracting with the Koi.S.P.E. The above-mentioned bodies are allowed to give away to Koi.S.P.E., for the purpose of use only, assets (landed property or real estates) and any other form of facilities. Also, there is forecast for tax reductions from the Social Cooperatives; **Koi.S.P.E.s are exempted from any kind of taxation, direct or indirect, except VAT.**

**Regarding the agrotourist cooperatives**, the women entrepreneurs in rural areas constitute a Greek particularity, implemented and supported by a top-down national policy in the framework of **the agricultural policy in Greece**. Women's entrepreneurship in rural tourism in Greece was, in fact, stimulated by the establishment of the cooperatives. In the late 1980s, the Greek General Secretariat for Equality encouraged rural women in the direction of entrepreneurship in rural tourism by means of training seminars.

In the effort to promote agrotourism, the European Union has adopted and defined the criteria and principles that need to be implemented by national governments and by farmers who develop agro-tourism activities, so that they are able to take advantage of the measures offered to them through community actions. **Thus, after 1998, many European projects and initiatives helped women in their activities** (NOW, EQUAL, LEADER), which showed particular growth after 2000. The above-mentioned programs (especially the CI Leader) constitute the main support mechanism and source of funding, subsidizing the establishment of women cooperatives, as well as training and other activities.

In many cases, the **different types of social enterprises have joined and supported by various programs such as counseling** (e.g. Accompanying Support Services), **technical support and grants** (e.g. programs for Self-employment of Manpower Employment Organization - OAED, EOMMEX' entrepreneurship programs, programs in the framework of the CI LEADER, CI Employment or Integrated Programs for Rural Development). In many cases these organizations adjusted the providing services to the specific needs of the entrepreneurial initiatives with social purpose.

With the emanation of Law 4019/2011, the legal background will be enriched by public policies directly aimed to support the Social Economy: it is still too early to define the impact of the Law.



**In Italy**, as main and more important public policy promoting social enterprise development could consider the **substantial legitimization of social enterprises in the framework of local governance system, where new policies are planned in sectors of relevance for social enterprise**. The legitimization of social enterprises depends on three main Law: the Law 381/91 on Social Cooperatives, the Legislative Decree 460/1997 on ONLUS and the Legislative Decree 155/2006 on Social Enterprise. In 2000 the Public Agencies for the ONLUS was created, with the aims of addressing, controlling and promoting the ONLUS organizations (it is a fiscal category that refers to associations, committees, foundations, social cooperatives).

The main public policies in order to support social economy sector is the identification of their social utility, and this is recognized by benefits for the sector organizations. **Social Cooperatives** can benefit from some tax exemptions: they do not pay tax on annual income (as all the cooperatives), Work Integration Social Cooperatives (Types B) do not pay the social contribution to the disadvantaged workers (the State pays it) and they can directly state agreements with the Public Administrations, without compete in tenders. Referring to **the ONLUS**, they benefit from the same tax exemption on annual income and, in some Regions, they can benefit from other measures, e.g. the exemption on IRAP (regional tax on Production Activity), etc.

Other than tax exemption, the third sector organizations that integrate disadvantaged people at work **can receive subsidies or contribution in Public Programs founded by State, Regions or Provinces** in order to support the inclusion at work of specific kind of disadvantages (mainly disability and psychiatric impairment).

The role of social cooperatives and of other third sector organizations in general, is more than simply a provider; these organizations can be partner in programming and planning social policies in a system of governance. In this regard a major law (**Law 328/2000**) was introduced in 2000, as is mentioned in previous part in this report, about national planning for social services in which third sector is involved. The law **established the**

**general principles of the integrated system of intervention for social services, where the planning and the organization of the service provision have to involve both public and private bodies, according to the principles of subsidiary, cooperation, effectiveness and efficiency.**

In general, the innovative character of the new Law, which incorporates the principle of pluralism of organizational forms eligible to become social enterprises, as well as introduces a number of new sectors of business activities, other than welfare services, creates a favorable context for the development of social enterprise sector.



**In Serbia, there is no particular national policy or measures for the promotion of the social enterprise sector, however, there are different types of policies/measures which directly support new organizations, driven by entrepreneurial spirit and focused on social aims.**

The most efficient programs have been conducted by international organization such as the United Nation Developed Program, Bratislava Regional Office, the national NGO - European Movement in Serbia, and governmental strategy programs, such as the Poverty Reduction Program, the Social Innovation Fund and other policies and measures issued primarily by the Ministry of Labour and Social Policy.

**The overall objectives of the policies and projects proposed are focused on increasing the knowledge and understanding of the social enterprise sector** and estimating the extent to which these actors can play a part in the solution to a number of social problems facing Serbia such as: high unemployment, rural under-development and poverty, the decline in community solidarity and social capital, the lack of market access for many small-scale producers, existing and newly created inequalities and social cohesion in local communities.

However, following the new European trend in social policy, **third sector organizations are becoming integrated partners with governmental organizations in Serbia and are recognized in important national strategies that legitimize their role in the planning and implementation of policy as well as significant actors in providing social services.**

**The Strategy for the Development of Social Policy (Ministry of Labour) underlines how further development of welfare services focuses on the development of community-based social protection,** while further governmental programs should promote the welfare mix concept and strengthen partnerships in community based services, which need to replace the state socialist welfare system and the dominant role played by the state in service provision.

Also, **Social Innovation Fund (SIF) was established by Ministry of Labour and Social Protection, funded by the Serbian government with a large contribution from other European donors.** It advocated and promoted the concept of welfare mix, the

protection of the most vulnerable groups of society, the fostering of social dialogue and supported reform projects in different areas of social policy. In a new emerging system in which government and non-profit organizations operate in place of the state monopoly, non-profit organizations have begun to obtain formal recognition as partners of public authorities and professional groups in policy implementation. The government has come to realize that it needs NGOs, not only as watchdogs of accountability, but also as potential partners in providing services and innovative programs. The SIF has been the main mechanism engaged to develop local services for the social protection of vulnerable groups and consequently to promote the SE sector and foster co-operation among social enterprises. The SIF has invested €6 million in the development of social protection and supported around 260 projects in local communities organizing day care centres, home care for the elderly, pensioners' clubs, providing programs for the disabled and other programs fostering social cohesion at the local level.

The new employment policy has also begun to explore and promote partnership projects between NGOs, public agencies and local government, which advocates combating unemployment among the most excluded social groups, the conceptualization of alternative employment and other work integration programs in local communities. In the **“National Employment Strategy 2005–2010”** considerable support has been provided to the development of the private sector and the creation of new jobs through various credit schemes for small and medium enterprises (Republic Development Fund, Start-up program for beginners, micro credits for employment, credits for the support of women entrepreneurship), the establishment of business incubators, financial support and counselling services for future entrepreneurs through seminars, providing consultancy services, organizing business stock exchanges, supporting participation at the Fair of Entrepreneurship etc. **The promotion of the new approach in job creation and principles of social economy, as a model for the future social policy, has been primarily focused on refugees, women, disabled and other vulnerable groups.**

**The Law on the Prevention of Discrimination of Persons with Disabilities 2006 and the Strategy for Improvement of the position of Persons with Disabilities 2007–2015 stimulate the employability of the disabled.** The Centre for Independent Living is an organization aimed at integrating disadvantaged workers. These and similar initiatives supporting vocational training and the employment of the disabled, programmes promoting social integration through job creation, micro-projects, self-employment and other activities that foster an entrepreneurial ethos and support the disabled represent the way forward in developing both income generating and social activities.

**The Fund for the Development of the Non-Profit Sector of AP Vojvodina, which was founded in 2004,** started to support cooperation between the local government and non-profit organizations, while other initiatives, which strengthen the sustainability of third sector entities through national foundations and charities, have been promoted more recently. During past few years a growing number local governments have begun to



provide services through the NGOs that have participated in their calls for tenders. Currently, the MLSP is active in funding NGOs, which provide community social care.



**In Slovenia**, a variety of **public policies and measures has been designed in the recent years aiming at promoting social inclusion, promoting Entrepreneurship for specific target groups** (through the OP for Promoting Entrepreneurship and Competitiveness 2007-2013), integrating vulnerable groups into the labour market (through the OP for Human Resources Development 2007-2013), **provision of social assistance services** (through the National Social Assistance Program), **promoting equal opportunities for the persons with disabilities** (through Program of Action for Persons with Disabilities 2007-2013).

A short overview of the legal framework related to social economy and social entrepreneurship in Slovenia shows that many different Laws (such as Act on: employment, rehabilitation and employment of disabled, business support environment, the public-private partnership, balanced regional development an even on agriculture and rural development, etc.) have been at least in the aims indirectly tackling about field of social entrepreneurship as a tool for active social integration of weak groups. But explicitly it is not mentioned in neither of listed laws.

On the other side, the most State's strategic documents for the period 2007-2013 try to find a space for social economy in Slovenian society without concrete politics for enforcement. **The majority of “umbrella” legislative and social regulative support in the field of social economy and social enterprises in Slovenia is still under legal “authorities” consideration.**

Is worth mentioning that in Slovenia, the social enterprises are predominantly companies employing disabled persons, and their status is legally settled. **Employment of disabled persons is facilitated through Vocational Rehabilitation and Employment of Disabled Persons Act (2004)**. This law settles the rights relating to the employment rehabilitation of disabled persons as well as the establishing of conditions for their equal right to participate on the labour market. The enterprises for disabled persons have no special legal characteristics in view of the worker status.

**Rules on social enterprises (2005) determine on what conditions the enterprise could acquire and keep the status of enterprise for disabled persons.** Because of its special status enterprise for disabled persons receives state subsidies regulated by special regulation. The amount of the subsidy depends on the degree of invalidism and/or his achieving working results. A person with disability has the right to salary subsidies if his performance at work is below that of non-disabled employees and is due to his disability. In accordance with the Pension and Invalidity Insurance Act (1999), the Health Care and Health Insurance Act (2006) and the Parental Protection and Family Benefits Act (2006) the disabled enterprises don't pay contribution for social protection of all employees. So-called allocated sources or financial resources from exemption and tax relief should be

spent for investments in tangible assets connected with work of people with disabilities, workplace adaptations and improvements, covering the deficit in turnover due to higher absenteeism of disabled persons, training and education of people with disabilities, payments of revisions and for other development purposes which ensure better employment of people with disabilities.

**Enterprises for disabled persons have favourable status when there is a public order (Public Procurement Act, 2006).** Under specific circumstances the offer of disabled enterprise could be 5% higher than economically the most reasonable offer prepared by the non-disabled bidder or employment centre.



**In Ukraine**, despite the fact that the notion of “social enterprise” is quite new for the country, there have been numerous discussions on the need to reform social services; one of the possible approaches is to ensure the involvement of NGOs, as representatives of an emerging social economy, to the provision of social services. **The Government’s intentions to reform social services and develop a social economy can be traced in an array of declarative documents. They indicate that the Government is looking for opportunities of attracting NGOs to the social policy initiatives.**

Ukrainian legislation still does not have a definition of social enterprise; however, there is a number of legal arrangements that regulate the social entrepreneurship in the country.

In general, the social entrepreneurship is regulated by the following Ukrainian legislation:

- The Constitution of Ukraine;
- The President’s Report “On the main principles of economic and social policy. National strategy for the decentralization of social services”, adopted by the Parliament’s Decree No 216/94-BP of 10 October 1994;
- The President’s Decree “On the main directions of social policy for 1997-2000”, developed by the Cabinet of Ministers of Ukraine and approved by the President’s Decree No 1166/97 of 18 October 1997;
- The President’s Decree “On the main directions of social policy for 1997-2000”;
- The President’s Decree “On the main directions of social policy until 2004”;
- The Cabinet of Ministers’ Program “Meeting the needs of the people” (2005);
- The Law of Ukraine “On social services”;
- The Law of Ukraine “On the basis of social protection for the disabled in Ukraine”;
- The Law of Ukraine “On youth and children’s public organizations”;
- The Law of Ukraine “On charity activities and charity organizations”;
- The Law of Ukraine “On the freedom of conscience and religious organizations”;
- The Law of Ukraine “On citizens’ associations”.

## 2. Conclusions

The experience of the participating countries showed that **the increasing importance of the social economy is recognized by national authorities**; various supportive policies and measures have been implemented in different fields. **These policies often do not address especially at social enterprises, given the fact that in almost all participating countries there is lack of official definition and legal recognition of the social enterprise sector.** Thus, usually the function of special legal entities (e.g. associations) and/or of wide groups of third sector organizations (e.g. non-profit organizations) that are involved in entrepreneurial activities with social purpose is increasingly facilitating through different legal regulations and other supportive measures.

It is worth noting also that, in several of the participating countries, when the term of social enterprise is relatively new or there is no particular national policy/measures for promotion of the social enterprise sector, this **policy is used in connection with the issue of active labour market policies in general and/ or with the measures for social and work integration of persons with disabilities and other disadvantaged groups.**

The most common support measures are the favorable legal regulations for different segments of social sector organizations and the public financial support.

1. In Austria, a specific segment of social enterprise, Work Integration Social Enterprises, were established as instruments for active labour market policy. The main financier of these instruments are Austrian Public Employment Service, the Ministry of Work, Social Affairs and Consumer Protection.
2. In Bulgaria the public policies are mainly based on two Act: the Non-Profit Legal Entities Act which gives the opportunity of NGOs to develop, except not-for-profit activities, also for profit activity. The Social Assistance Act which provide a good ground for valuable partnership between the state and third sector In addition, other supportive measures are related with the taxis and duties regulation for a wide range of organizations involved in economic activities with social mission, for example, the Cooperatives Act and the Corporate Income Tax Act, foreseeing financial concessions for cooperatives.
3. In Hungary the public policies are based on two entities recently introduced by Law: the Public Benefit Company, which is a legal entity of public benefit, serving common needs of the society, without the aim of gaining profit and the Social cooperatives. The non-profit organizations can also benefit from some tax exemptions.
4. In Greece a new Law on Social Economy has been recently introduced. Moreover, a Law for establishment of social cooperatives for people with mental health problems was introduced, foreseeing, among others, funding from the regular budget, exemption from corporate taxes for these cooperatives, as well as association with legal entities of public law in order to facilitate the operation of the social cooperatives. Regarding women's agritourist cooperatives, their

support depends on the support of the rural tourism in the country; related to national and European support.

5. The substantial identification of social enterprises – through specific law and benefits – and the recognition in the framework of local governance system in Italy is the main important public policy promoting social enterprise development. The role of social cooperatives and of other third sector organizations in general, is more than simply a provider; these organizations can be partner in programming and planning social policies in a system of governance.
6. Different types of policies have been introduced in Serbia, which support new organizations driven by entrepreneurial approach and focused on social profit, despite the lack of particular national policy for the promotion of social enterprise sector. Non-profit organizations have begun to obtain formal recognition as partners of public authorities and professional groups in policy implementation. Also, Social Innovation Fund was established, funded by the Serbian government with a large contribution from other European donors. It advocated and promoted the concept of welfare mix, the protection of the most vulnerable groups of society, the fostering of social dialogue and supported reform projects in different areas of social policy. In general, the promotion of new approach in job creation and principle of social economy as an instrument for the future social policy has been introduced in all strategic national documents (National Employment Strategy, Law of the Prevention of Discrimination of Person with Disabilities, etc.).
7. Different new Laws in Slovenia (such as Act on: employment, rehabilitation and employment of disabled, business support environment, the public-private partnership, balanced regional development and even on agriculture and rural development, etc.) have been indirectly aim at enhancing social entrepreneurship as a tool for active social integration of weak groups. A variety of public policies and measures has been designed and included in the most stage's documents in the recent years aiming at promoting social inclusion and promoting Entrepreneurship for specific target groups (the OP for Promoting Entrepreneurship and Competitiveness 2007-2013); the OP for Human Resources Development 2007-2013); the National Social Assistance Programme); the Programme of Action for Persons with Disabilities 2007-2013).
8. In Ukraine, beside the lack of official definition and appropriate legal form for the social enterprise sector, there is a number of public arrangements that facilitate the involvement of non-profit organizations in the provision of social services and the development of economic activities addressing social problems.

Despite these positive developments observed in all participating countries, social enterprise development continues to face a number of barriers, in varying degree, which are related with the lack of favorable and supportive framework, including limited budget of public authorities and insufficient laws and regulations encouraging and promoting social enterprise development.

## **PART IV. GOOD PRACTICES PROPOSED FOR FURTHER EXPLOITATION**

### **1. Financial support tools**

#### **I. Italy: Capitalization of the social enterprises through their members. JEREMIE FSE Fund for Lombardy Region**

##### Aim, objective and target group

**The main objective is increasing the capitalisation of social cooperatives through direct loans of their members.**

The direct beneficiaries of the facilities are members of cooperatives involved in the program that can access to resources to capitalize their business. Final beneficiaries of the measure are cooperatives that take advantage of the capital increase made by the members.

The facility will be operated by individual members of cooperatives that meet social inclusion programs. They are:

- social cooperatives (type A and type B);
- production and labor cooperatives that employ persons belonging to the weaker labor market for at least 30% of the remaining workforce.

The weak labor market size are considered by all those provided by the L 381/91 in addition to some categories among those recognized at Community level:

- young people between 16 and 25;
- women over 40;
- men over 50;
- immigrants;
- people with below qualifications degree;
- people looking for work for over 12 months;
- single-parent families.

##### Main characteristics

Given the commitment to make a corresponding increase in share capital in a cooperative, the Intermediary bank gives - in favour of the member - a loan of € 2,000 repayable in monthly instalments at a fixed rate in 5 years (about 35 euros per month). On financing, the Intermediary bank benefits from the JEREMIE Fund (covering about 80%).

In the face of the corresponding subscription of share capital, JEREMIE Fund, through the Intermediary Bank, pays to the member an interest-free loan equal to the amount of additional bank financing (€ 2,000), this loan is “redimibile” (not longer to return) if the member remains in the cooperative for at least every 5 years.

The cooperative then immediately receives a capital increase of € 4,000 for each member who participates in the measure. Faced with this possibility is committed to keeping all

members "supporters" to their workforce (if employed) and/or social basis for at least 5 years.

In the last edition the Intermediary Bank was mainly Cooperative Banks (BCC). They are not only dedicated to social enterprises, but they are part of the cooperative movement and, in general, they should better understand the needs of social economy sector.

#### Performance, innovation and effects

JEREMY (Joint European Resources for Micro to Medium Enterprises) has received a lot of consensus in the last edition. Numerous social cooperatives decided to promote and to join the project in order to improve their own capitalization giving a benefit to their members.

The scheme appears relevant with the supporting policies regard to the following aspects:

- supporting the financial stability and sustainability of social cooperatives;
- encouraging the direct involvement of members;
- providing loans offering interest rates for members

#### Perspective

The funding scheme has a medium term perspective (5 years), but its impact is expected to positively affect sustainability in the long run, increasing the capitalization of social enterprises and improving their economic soundness and reliability. A second edition of this measure is scheduled.

## II. Italy: Ethical and Cooperative Bank & Province of Foggia “Credit for Women”

### Aims, objective and target groups

**The measure aims at supporting women in business through provision of credit. The beneficiaries are businesses run by women or mainly participated in by women** (in accordance with the criteria mentioned above), also including firms established as craft enterprises (as defined in Law 215 of 25 February 1992) **having their registered office in Foggia and their activities mainly based in this province.** A basic requirement in order to qualify as a beneficiary is that the business must fall under the description of a small enterprise as laid down in Ministry of Industry Explanatory Circular 900315 of 14 July 2000 with regard to assistance to production in accordance with Law 488/1992.

### Responsible organization(s)

The *Diama credito alle donne* (“Credit for Women”) project was created in 2005 after work done jointly by the Equal Opportunities Department, the Production Department and the Department of Labour and Occupational Training of the Foggia Provincial Council and the Banca Popolare Etica s.c.p.a. The project is fully consistent with the Provincial Council’s policy of paying increasing attention to equal opportunities and with the activities that the Council performs in support of women in business.

It is also a valid and replicable example both of collaboration among various councillors and departments within the Provincial Council itself and of a partnership between a public authority and a banking institution in which each respects the other’s role and particular characteristics. In this specific case, it would seem appropriate to draw attention to the intense harmony between the objectives of the Foggia Provincial Council’s action and the values directing and guiding the daily work of the Ethical Cooperative Bank.

Third parties such as associations and private individuals that are interested may also support the fund by subscribing escrow certificates of deposit in units of at least 1,000 euro or by donations. This form of co-partnership is an innovative, little known but very practical way of supporting people and communities in the borrowing phase of local self-development, since, instead of proceeding on the basis of the traditional donation instrument, a sum is allocated to set up a guarantee fund, which becomes a real guarantee for loans to women. The sum deposited is restricted for use in specific projects, and may be returned at the end of the project, when the loan that has been granted is totally repaid. Naturally donations may also be accepted.

### Main characteristics

Loans may be used by women as micro-credit to create a new production unit or to enlarge or modernise already existing facilities. “Enlargement” refers to a plan resulting in an increased capacity to deliver services by means of higher occupation and higher production factors. “Modernisation” means a plan to introduce innovations to the business in order to increase productivity and/or improve the conditions arising from how

work is organised. Investments in all the various sectors are possible, but the following prevail: socio-cultural, environment and tourism, typical local crafts.

The project takes the form of a bilateral agreement that has been entered into by the Province of Foggia and the Ethical Cooperative Bank, which lays down detailed rules for the functioning of the project, the methods for its implementation and the obligations of the parties. An integral part of the rules are the “Regulations for the guarantee fund for businesses mainly run by women”. The Agreement has a term of 5 years and in any event until the expiry of the last loan, may be added to by means of a mere exchange of correspondence or supplementary documents and may only be renewed at the express wish of the parties.

The loans are governed by different rules according to type:

- a) for enlargement or modernisation, they can have a maximum term of 5 years and may not exceed 10,000 euro per transaction;
- b) for new business ideas, their maximum term is again 5 years, but a pre-amortisation period of not more than 6 months may be requested and the maximum amount per loan may not exceed 70% of the total investment up to a total of 25,000 euro.

#### Performance, innovation and effects

As already mentioned, the project has taken the form of two calls for applications up to now. The first, in March 2005, led to 11 loans being granted, amounting to above 100,000 euro. The second in April 2007, thanks to an increase in the funds available, led to the disbursement of 23 loans, amounting to more than 300,000 euro in all.

This strong local response was the result of efficacious communication on the part of the Foggia Provincial Council and the action taken by the system, which enabled a number of local authorities and operators in the sector to join the scheme, thus enhancing the virtuous network that had already given good results in the past with regard to other projects launched by the Provincial Council.

These results also encourage the Foggia Provincial Council to consolidate work on equal opportunities and social inclusion, which it is carrying on with determination and capacity for innovation, considering this type of activity a challenge of civilisation and progress to be taken to a successful conclusion.

The project adopts various mechanisms for monitoring data and information, distributing them among the parties. The Foggia Provincial Council also intends to set up an observatory on the condition of the female population of the Province, which will assist it in consolidating the various projects for women that have been put in hand, including “Credit to Women”. This observatory will be the point of reference and synthesis, within which all policies regarding equal opportunities and actions on behalf of women will be harmonised and steered, also and above all in the application of the important innovations introduced by Regional Law 7/2007, containing rules for gender policies and services for the reconciliation of life and work obligations.



In this scenario, the Foggia Provincial Council, as coordinating body, will act as a link between the work done by local authorities and the associations, placing its accumulated experience at the disposal of the plan, and will undertake to see that the equal opportunities projects that are implemented interact with each other so that in a short time the observatory will become a point of reference for the entire area.

### **III. Italy: The financial solidarity network of Consorzio InConcerto**

#### Aim, objective and target groups

**The measure aims to strengthen and develop social cooperation in the Province of Treviso. The beneficiaries are the cooperatives that belong to the Consorzio InConcerto** in Castelfranco Veneto. This consortium is a second-level cooperative consisting of 15 social cooperatives (five type A and ten type B). The geographic area concerned is the one corresponding to the cooperatives' operating area (ULSS 8 and 15 health authority districts, between the Provinces of Treviso and Padua).

#### Main characteristics

The Network is a fund to which all the Consorzio cooperatives belong, each paying 0.10 euro per hour worked by their member/workers. The fund capitalises the consortium. The scheme was conceived during the years in which the economic crisis, above all in the industrial markets, required an instrument to act as a means of defence and a guarantee which allowed the consortium both to finance new social projects and to help the cooperatives in the group that were in economic and financial difficulty; it has also proved itself to be valuable in the present period (from 2008 onwards) of serious economic crisis. It is a form of financial self-sustainability and is available to both workers and cooperative members. This fund can increase the capital of the consortium, which then strengthens its economic position and can obtain credit from banks and other financiers easier. It is also an investment fund that can be used to face period of crisis, to invest in social and important projects of members.

Given the positive result, the Consorzio and its member cooperatives intend to enhance the fund's intervention capacity by involving external partners (public authorities and banks).

#### **IV. Greece: Micro credit Mechanism and Model in favour of Women Social Enterprises**

##### Aim, objective and target groups

**The main objective was the development of Social Economy Mechanisms and Structures in favour of Women Social Entrepreneurship. In this context, the aim of the measure was to face the low or no access by women of low or no income in the entrepreneurial and financial environment and to give women small funds to develop SMEs** in urban, mountainous and remote areas in the Epirus through the development of Microcredit Model and mechanism. Target groups of the measure are unemployed women – future entrepreneurs, women and social entrepreneurs and local development organizations active in the social economy sector in general.

##### Responsible organization

Development Partnership DIONI II DP by the title “Women entrepreneurship and Trans regional support system in Social Economy” in the framework of the CI EQUAL (1<sup>st</sup> Round).

##### Characteristics

The measure (micro credit) is being developed in five regions in Greece, where the women face a high rate of unemployment, barriers for developing SME's, exclusion, poverty and inaccessibility to financial institutes. To meet the above gaps, through the measure is developing new innovative Mechanisms, Structures, and Services and an Alternative Finance mechanism for social enterprises in the Cooperative Bank of Ioannina, in the region of Epirus (one of the poorest regions in Europe).

These activities aim at the supporting women and social economy entrepreneurship through the development of Women Social Enterprises (mainly in the field of biological and local /traditional products. Especially, two (2) Trade Houses (Multi service centers / structures for the support, promotion and certification of Women Enterprises) were established and operated. Also, a Micro credit Mechanism in favour of Women Enterprises, in the region of Epirus (one of the poorest area in Europe), was implemented by the Cooperative Bank of Ioannina, to provide micro-loans to women – future entrepreneurs with favourable terms and favourable deposits. The measure was developed in 2004.

##### Performance, innovation and effects

The implementation for the first time in Greece of a Micro credit model and mechanism for social enterprises consists an innovative practice in the country, because there is no legislation and institutional framework for Alternative and Women Micro credit. The direct effects of the measure were: Ten (10) low-interest loans for women were offered (they are not considered adequate); Gathering of 300.000 Euro deposits through the Micro credit Alliance Account to be offered as loans, when needed; Increase of the deposits in the Bank; Creation of 5 Micro credit consultants, who were especially trained in order to provide micro credit services. Information and Sensitization to other Greek

cooperative Banks, in order to develop similar Micro credit / alternative finance products; Contacts and dissemination activities for 2000 women and Local Authorities, in the district of Epirus; Personal and group consultation services are delivered addressing to existing and future entrepreneurs.

## 2. New markets development

### I. Italy: Valorization of the chain of recovery of technological waste

#### Aim, objective and target group

The valorisation of the chain of recovery of technological waste has the **main objective of developing and enhancing the recycle and re-use market and a sustainable disposal for technological waste. The direct and indirect beneficiaries are the enterprises and their employees, as well as the local community, as far as sustainable and environmentally-friendly local development is promoted.**

#### Responsible organization

This scheme was developed by a social enterprise (Vesti Solidale) in the Lombardia region since 1998. This social cooperative (type B) has been implementing different activities in the environmental sector (especially the collection, re-use and recycle of used clothes and technological waste) in partnership with private organisations and local Authorities. Public and private bodies are involved not only in the collection of the material (the waste they produce), but also in raising the awareness about environment protection and the recovery of re-usable waste. On the other side profit and non profit enterprises can be involved in commercial partnerships for selling the recovered material or parts of it.

#### Main characteristics

Technological waste (i.e. electronic devices, mobile phones, computers, cartridges, etc.) is collected from enterprises, organizations and citizens. The material which cannot be recovered is dismissed in an environmentally friendly way, while the rest is recycled or recovered and sold again to commercial partners, starting a new virtuous circle. Waste recovery is an entrepreneurial activity and it is sustained by market position and commercial partnerships themselves; besides, private foundations are already involved in projects financing the development of the sector (e.g. Niarchos Foundation).

Overall, the network counts over 60 local authorities (13% of ink cartridges and 15% mobile phones collected); almost 900 private companies, 7 social cooperatives. In spite of the economical crisis (reducing collection and sales opportunities), it has been possible to keep a significant network and most of all to maintain employment level in the collection and treatment of technological waste. Other no profit organizations are involved in the socially and environmentally relevant projects that can be financed by sales' revenues.

The geographical scope of this activity is local and regional (Lombardia) but it's possible to assess the feasibility of applying the model of this best practice in similar experience at the national level and in other EU countries. Possible sources of funding are: Sponsorship by foundations and other private donors; Environmental funding programs at regional and local level; Commercial partnerships with social and private enterprises; EU financial

contribution, in particular within the framework of the new EU strategy "2020".

#### Performance, innovation and effects

A positive spill over in the territory is given by the fact that part of the revenues deriving from this activity is reinvested with social and environmental aims. So far from 1998 to 2008 about 900,000 euro of the whole revenues coming from recovery projects have been dedicated to social and solidarity projects. Vesti Solidale has a turnover of over 2.700.000 euro (in 2008) and employs over 50 persons (of whom almost 40% are disadvantaged persons).

Moreover, since the activities are carried out by social enterprises (in particular type B Cooperatives); there are important employment opportunities for disadvantaged people (e.g. disabled persons, former prisoners, immigrants, unemployed people).

#### Perspective

The action is carried out on a long term perspective, accordingly to the market and economical conditions, since technological waste disposal is an issue posing a growing need for solutions at all levels, in Europe and worldwide. The feasibility of involving European partners for commercial partnership and best practice exchange should be assessed, especially in the light of the European enlargement and the environmental priorities. It must also be stressed the importance of facing the environmental issues also in the Eastern EU countries.

## II. Bulgaria: Environmental/creative organizations of young people

### Aim, objective and target group

The latest developments in the community-based organizations are characterized by the **emergence of a few environmental/creative organizations of young people that emerged spontaneously as a result of the many environmental problems Bulgaria has been facing in the last decade.** These organizations are set apart from the rest of the NGOs in the fact that they are led by very young people with a European vision on environmentalism and sustainable development, looking for independent funding, not relying on state funds, EU funds, or any other donor programs. Such organizations are becoming more and more popular in Bulgaria, reviving the community sector to a whole new level which could well be the future of Bulgaria's community sector.

### Main characteristics

Most of these organizations are based on environmental issues and do **social work by addressing environmental problems.** A good example of such organization is the Gorichka NGO ([www.gorichka.bg](http://www.gorichka.bg)), translated as Little Forest, owned and managed by a young famous Bulgarian Tennis Player. She started this initiative to raise young people's awareness about environmental problems. This has massively grown into one of the largest young people's movements in Bulgaria, starting **new initiatives like promoting organic and local production, organizing environmental events, raising funds in partnership with businesses, producing and selling bags from the transparent on billboards, producing and selling organic clothes.**

Another very successful enterprise of this kind is called NEOPHRON [www.neophron.com](http://www.neophron.com). It is a real social company, owned by BDZP (Bulgarian Association for Bird Protection). Neophron is a company owned by the Association and its main activity is organization of alternative tourism routes for international tourists, environmentally conscious. It is basically **a tour operator, which attracts rich people from the west who want to do bird watching and walking in the unspoilt wild Bulgarian nature. Neophron's yearly income is approximately 500,000 €, the profit of which is reintegrated as a donation in the Association and then redistributed for various activities within the Association.** This company has a history of 9 years.

### **III. Serbia: Work integration of youth with mental disabilities through paper bags production**

#### Aim, objective and target group

**Association for the support of the persons with disabilities “Nasa Kuca” (Our house) has been established in order to provide services and employment for the persons with disabilities.** Main objectives of the initiative are also:

- research and consultations;
- training of trainers and training of users;
- networking with local governments (municipality of Zvezdara, Belgrade), Chamber of Commerce and business;
- production activities, as well as media promotion.

#### Responsible organization

Association “Our Home” which started to provide support services for people with disabilities seven years ago.

#### Main characteristics

The Association started by group of parents of persons with disabilities as a day care centre provided different kinds of activities, primarily oriented on vocational training, developing of social skills and enabling conditions for employment and social inclusion of disabled. The high rate of unemployment that affects persons with disabilities, of whom only 13% is employed, has been one of the main driving forces for the program. During the 7 years of its functioning, the association developed business together with “Bakers of Serbia” company producing paper bags. Ten young people from the day care center has been trained and enabled to work and earn for everyday living, while association would like to expand their practice and provide more jobs for more persons with disabilities which would be included at the program. The Association has developed also other activities, such as research and consultations about selection of equipment and market need; training; networking and etc. Total amount budget so far is 40,000 €, of which 10,000 € has been spent for machines purchase, venue reconstruction 5,000 €; tools, equipment 15,000 €, and salaries and fees 10,000 €.

#### Performance, innovation and effects

Ten young people from day care centre are educated in within their capabilities in machine work, package, etc. and are included in working process. Also, networking with municipality, community and local entrepreneurs is established. The expectations of the Association regard expanding experience in other cities and regions, expanding production on other paper items: napkins, boxes, etc., networking with catering companies and other agencies which provide services for elderly due to distribution of products, expanding activities to delivery of medicines and food for people in need.



The practice has innovative character, providing support for mentally disabled people. Employment of people with mental disabilities in Serbia is problematic, because regulatory limitations concerning working capacity of the people with disabilities. This population is generally excluded, therefore founding of social cooperative is suitable model for work integration. Regulatory mechanisms of work capacity should be improved and than opportunities for employment opportunities could be better.

On the other hand, production of paper bags is perspective production and it could be sustainable. At the same time, it is environmentally conscious and secure for users. Other positive results from the practice are the better public awareness concerning multiple problems of the people with disabilities and their work capacities, as well as the recognition from local community and support from the local government.

### 3. Structure supporting social entrepreneurship

#### I. Greece: Network of social enterprises: Women Cooperatives' Cluster

##### Aim, objective and target groups

The aim of the measure is to establish and to operate a **cluster as network (with the participation of 15 types of social enterprises), supporting the operation of women cooperatives (mainly) and of ‘productive sheltered workshops’ for people with disabilities in Crete.** The cluster, through interconnected actions, consists an effective supporting tool promoting cooperation between core types of social enterprises in Greece (women's cooperatives); it is expected to help women cooperatives for the promotion and publicity of their products and also for the development of a collective spirit between them. Main target groups are the women and persons with disability.

##### Responsible organisation(s)

Implemented by the Development Partnership KRIKOS (partnership of 14 organizations in Crete, *Coordinator body*: Heraklion Development Agency S.A.) in the framework of the Community Initiative EQUAL (2<sup>nd</sup> Round).

##### Main characteristics

There are about 20 women cooperatives in Crete whose main activity is the production of traditional local sweets, food and handicrafts. The operation of all these cooperatives has given a solution to the unemployment problem that exists in rural and remote areas and affects especially women of low education and professional profile. The majority of the women cooperatives in Crete are small enterprises that sell their products and services in their community level. The deficiency of entrepreneurial spirit of their members, the need for modernization of their infrastructure as well as the inability to undertake innovative initiatives are some of the factors that hinder women cooperatives from finding new marketing networks. Network members, operating in a competitive local and wider economic environment, face difficulty in promotion and advertising of their products and services. They didn't exploit the potential of electronic commerce; they didn't have also a joint presence in the local economy and society.

The integrated intervention of the cluster includes: common publicity of the cooperatives' products; common promotion and sales organization; creation of a common “brand name”; settling of common services (e.g. common purchase of supplies in lower prices); operation of common “sale points”. The measure has developed in the period July 2005 – December 2007.

##### Performance, innovation and effects

The initial direct effect of the measure is the creation and the operation of Network-Cluster, under the legal form of non-profit organization, with the participation of 15 social type enterprises. The Cretan Economy Social Network based on the needs of social economy enterprises forms the first corporate network in the region of Crete.

The local Social Enterprise Cluster is a new way to address the needs of social enterprises; it provides solutions to problems such as: poor aware mechanisms, marketing and in general, promotion of products in the competition. The Cluster tries to face also the insufficient expertise and experience of personnel on issues such standards, quality, innovation and organization of the production process, as well as on the inefficient use of new technologies, particularly information and communication technology

#### Perspectives

The great challenge of the project was to bring together to cooperate for a common purpose all the women cooperatives in Crete. The sustainability of the Cluster is concerned as a fact, because the women cooperatives, as members of the Cluster, are already in action and don't depend from any public subsidies.

## II. Greece: Support and Certification Centre for Social Enterprise

### Aim, objective and target group

**The Support and Certification Centre for Social Enterprise aims at certification of cooperative social enterprises and the granting brand "Qualified cooperative social enterprise" that will certify the source of origin of the social enterprise's product (not the same products), for aiming at their further promotion and recognition.**

Target group of the measure is agrotourist cooperatives (women's) and in general, all cooperatives and other organizations that activate in the social economy sector. The certification has become an important tool on the market; a license shall make the company identifiable by its customers and contribute to creation of a favorable business environment for social entrepreneurship and social enterprises. The Centre created in 2007 in the framework of the CI Equal Development Partnership Social Amphictyony.

### Responsible organization

Development Partnership Social Amphictyony, under the CI Equal, 2<sup>nd</sup> Round.

### Main characteristics

The measure is innovative for the Greek entrepreneurial environment, given the fact that there is not exist or operate some services or authority for certification of social enterprises. The establishment of such structures concerns as a critical success factors for the social entrepreneurship, this structure provides specialized services and ensures support for the sustainability of the business initiatives in the social economy sector.

### Performance, innovation and effects

The direct effect of the Centre was the certification of 5 women's cooperatives (210 beneficiaries in total) in Magnesia prefecture. The effects are expected to be long term, from the Centre for Social Assistance and Certification Operations - KEPKE is that it will provide a competitive advantage of the cooperatives that would have the brand; this is a means of promotion of products of the cooperative. It will also facilitate collaboration with stakeholders (eg local communities, private companies, public sector bodies and local authorities etc.).

### III. Greece: Incubator Natura Shop

#### Aim, objective and target group

**The measure aims at pilot operation of Incubator for new business, in order to facilitate and ensure supporting environment for business creation by unemployed women from one of the poorer suburbs of Athens in promising economic growth areas, involving a theme park in organic and traditional craft foods. Unemployed local women have set up fifteen small firms in the theme park.**

One of the successes of the measure is that it is located (with the help of local authorities) in a hundred hectare protected park with a series of lakes, canals and venues for holding events, through the collaboration with the local authority. The lakes are rich in birdlife and the World Wildlife Fund has an office in the park from which it organizes many activities. This means that a lot of people visit the park to follow a range of itineraries in the park.

#### Responsible organisation(s)

The measure was implemented in the Framework of the CI Equal (1<sup>st</sup> round) by the Development Partnership “Cooperation Plus” (“SYNEPIXEIRONTAS”).

#### Main characteristics

An integrated support was provided to the 15 new enterprises, which include:

- training: twenty women were provided with a specially designed three months training course which not only covered general enterprise development, but also specific training on the organic and traditional food sector. One third of the time was spent on-the-job training in a traditional or organic food shop in the Athens area so that they could obtain hand-on experience of the business, its suppliers and its market. They also took part in food fairs in Thessalonica and Athens;
- elaboration of Business Plan;
- entrepreneurial support;
- configuration space for the enterprises, decoration, purchase of equipment;
- legal advice, tax assistance;
- finding suppliers;
- promotion and publicity;
- connections with the wider community;
- elaboration of operational regulations for the operation of the Enterprises;
- space for children to carry out environmentally friendly experiments.

The fifteen women chosen were able to use the shop spaces and common facilities of the Natura Shop free of charge. However, they had to register as a self-employed entrepreneur or company and be responsible for their income, profit or loss through the purchase and sale of their stock.

The “Natura” food center is itself set in the attractive courtyard of what used to be the stables of the King’s summerhouse. These were specially redesigned to house fifteen enterprises selling different kinds of organic and traditional Greek products. There is a

restaurant, which offers a mouth-watering range of the best dishes from around the country. Next to it is the office for testing the official certification of the products on sale as well as the business advice center. Finally, there is a center for children to play and carry out “environmentally friendly experiments” under the supervision of a trained member of staff. It is being used to provide special classes and activities around recycling and other environmental issues for local schools. The measure was applied in 2004.

#### Performance, innovation and effects

The direct effects of the measure regard to: operation of Thematic Park for organic and traditional products, 15 enterprises for organic and traditional products, Office for control of certification of organic products, Place for creative carry out of children.

The most important innovative element of the measure may be the active involvement of the local authority and its support in the process of creation of the Thematic Park and the Incubator as a mechanism for facilitate and support entrepreneurial activities from unemployed women.

Also, the partnership between urban and rural regions set up by Cooperation Plus is exploring new ways to promote a more entrepreneurial culture, and create a supportive environment for SMEs and for promotion of local traditional products in a way that also clearly contributes social and territorial cohesion and inclusive labour markets practices.

The five regional entrepreneurial support centers set up by the municipal partners in these five regions, also helped to select the best products and producers, to develop contacts and organize the logistics. Thus, the partnership between municipalities in urban and predominantly rural regions covering both the supply and demand for certain products is innovative; it give the opportunity to marginal regions for promoting and selling their traditional products.

#### Perspectives

The official external evaluation of EQUAL estimates that around half the enterprises will survive under current circumstances. The women interviewed confirmed this picture.

#### **IV. Hungary: Industrial Cooperative network**

In 1986, in the framework of the party state social and economic regulators, the **Összefogás (it means: Cooperation) Industrial Cooperative was established, that has for today developed to become a national network: it gives work at 24 campsites for about 700 mentally impaired, and cumulatively disabled people.** The apartment houses tailor-made for the particular needs provide residence for 70 disabled people and employees. The international Schwab Foundation awarded the “Society-Conscious Entrepreneur of the Year” prize to this organization in 2006.

## V. Italy: “Venice and Other Economy” - Promotion and development of local network to support social economy

### Aim, objective and target group

**The project aims to build and promote a Venetian Economy of Solidarity Network by implementing specific projects. The aim is to create a real "District of Economy of Solidarity" based on alternative methods of production, consumption, savings and working.** The beneficiaries are the enterprises and their workers, especially disadvantaged workers, citizens, consumers and the local community as a whole. The geographic area involved is that of the Venice City Council.

### Responsible organization(s)

The project, initially promoted and coordinated by the Venice City Council, involves social enterprises (above all B-type social cooperatives), small firms, consumer groups and associations, citizens, producers of organic foods and fair trade organizations. All together, they have established an association named AERES.

### Main characteristics

The City of Venice launched the project with 150,000 € in the 2006 and 95,000 € in the 2008. In addition to this, the City of Venice set up a Working Group made of three Administration Departments promoting the project (Environment, Welfare and Productive Activities) as facilitators. The City of Venice has also invested 17,500 € in 2010 for micro-credit addressed to start up enterprises with projects and activities consistent with the project objectives. Finally, the City of Venice assigned a portion of space in the former central milk as a venue for project activities.

From 2006 to 2008, the City of Venice set and led a local expert group working on Another Economy, which is made of 44 subjects. In October 2008, 27 of these organizations gave life to a new association, called AERES. From December 2008, the project has been led by AERES. In March 2010, a pact of subsidiary was signed between the City of Venice and AERES association for promoting and developing the social economy in the Venice area and realizing activities.

### Performance, innovation and effects

Thanks to the project and the progress that it has made, some new business activities have been created or have grown: 3 raw milk vending machines, which helped a farmer that was about to close down to increase the number of his cows to meet demand; 3 organic food markets a week in Venice and Mestre with various local producers; 4 type-B social cooperatives that take it in turns to manage, maintain and clean the Other Economy Centre employing disadvantaged personnel; 1 new cooperative to run the snack bar.

The measure is an innovative form of mixed public-private partnerships for the promotion and development of social economy and local development, which must be both environmentally and socially sustainable. Especially, the measure is a participatory form of public financial support to the development of new businesses and the increase of



employment; co-design of public - private activities of public interest. The activities developed aim to create a local network, which involves and gives value to the activities of different stakeholders (producers, enterprises, social cooperatives of type B, consumers and citizens). These activities must be related to social economy and solidarity and must respect the environment and the social characteristics of the area. At the beginning, the City of Venice has acted as promoter, facilitator and financial supporter.

#### Perspectives

The expectation is that the network is able to economically sustain itself, after the initial financial boost. The expectation is that the project continues in coming years and brings more economic development opportunities for the subject of the network.

## **VI. Serbia: Networking among organizations that share the same mission**

These networks create in various regions of the country and usually have a central organization acting as a focus and coordinating the work of the whole network. Examples of such organizations are:

- **Association for Women's Initiative – AWIN, which networks a large number of women's organizations and initiatives all over Serbia**, through various programs of education, empowerment and employment of women;
- **Ethno-network, linking together cooperatives of cottage industry and rural tourism or informal organizations of women engaged in these activities in rural areas;**
- **Agro-network, linking together farmers' clubs, cooperative managers and women's clubs in rural areas;** and the network of telecottages linking telecottages together as information centres in rural communities. Over the last six years, the telecottage movement has developed and now includes around 70 telecottages all over Serbia. Telecottages are non-governmental organizations whose principal mission is to support the development of rural communities and connect them with a broader social community through the introduction of IT into rural areas. These are small information centres open to all members of local community and provide various IT services (use of computers, Internet access, certain services are specific to certain telecottages only), opening the local community to a more extended community and creating new potentials for the members of local rural communities.

## **VII. Serbia: Women's associations promoting entrepreneurship**

Over the past decade various women's associations have been founded to promote entrepreneurship. Of these the most significant are the Association of Business Women from Belgrade, the Business Association of Women from Novi Sad, Femina Creativa from Subotica, the Centre for Enterprises, Entrepreneurship and Management, the Academy for Female Entrepreneurship from Kikinda, Teodora from Niš and Ažin from Belgrade. **The struggle against gender stereotypes in professional activities is high on the agenda of these associations, as is the establishment of centres for female entrepreneurship, capacity building in business and management and education.** To help women entrepreneurs earn recognition, they provide information on funding opportunities and organizing training seminars on company foundation. Their main objectives focus on various incentives to drive vertical mobility of women and improve the status of women in society. Suggested initiatives include, *inter alia*, improved disbursement of loans to promote female entrepreneurship and all forms of self-employment, since the impossibility to access capital stands as the key obstacles to entrepreneurship. Many of the activities of these groups are anchored in the strong feminist movement, which, at beginning from the 80s, developed different alternative programs focused on various issues related to the status of women in Yugoslav society.

#### 4. Other dynamic entrepreneurial activities with social mission

##### I. Bulgaria: Childcare Cooperative

The newly developing type of Cooperatives is another good example of a new form of enterprise. This cooperative is a result of persisting problem in the capital city where there are not enough kindergartens for all small children. The parents have to stay at home, taking care of the children, or they have to hire a baby-sitter, which is very expensive. **A group of 7 parents have organized this new cooperative and each day one of them takes a day off work to take care of the children in a small apartment they rent.** In this way, they all work 4 days a week, and there is always someone reliable to take care of the children. This initiative has grown into a more developed form – they have started to organize courses, meetings, green events, etc, some of which do bring some profit.

##### II. Bulgaria: entrepreneurial activities for social and work integration of people with disabilities.

An example of entrepreneurial model of SE is a non-profit organization of parents of children and young people with disabilities. They have developed an **art-therapy atelier where the children can spend most of their days and where they have the opportunity to participate in the making of souvenirs, cards or small ceramic articles.** After organization of several charity bazaars for souvenirs, the parents decide to find a permanent market for their products. That is how they establish a SE – workshop for souvenirs. The profit is used for buying of new materials and development of additional services in the center.

Other example of similar and successfully working Social Enterprise, which is most directly related to the providers of social services (the model of direct service) is **“Chovekolubie” Association in Pazardjik. This organization provides services for people with mental disabilities by helping them through alternative therapies: art therapy, work therapy, sport (chess, in particular).** Since 2001, the association has established a Center for mental health; since 2005 the organization has developed its activity by establishing a Center for social rehabilitation and integration of people with mental disabilities where social services delegated by the state are provided. The patients who are in better condition are employed by the association to work in the Center for mental health or the Center for social rehabilitation and integration of people with mental disabilities and to help the other patients. This social business is not self-sustainable, it doesn't make any profit, but it does have a social aim. This is typical of most social service providers at the moment.

##### III. Bulgaria: Cultural Centre.

A successful and newly developed form is a Cultural Centre in Sofia's city center called the Red House Centre <http://www.redhouse-sofia.org/>. It is an **initiative of a social entrepreneur who wanted to provide a venue for all artistic people with a new attitude to solving problems in Bulgaria.** The Municipality of Sofia donated a house to them, which they rebuilt and this house now is the home of all artistic people, where

festivals are held, environmental meetings are organized, art exhibitions take place, etc. The profit the organization makes as an NGO (not a separate company) is returned into the organization and supports similar activities.

#### **IV. Hungary: work integration of disadvantaged people.**

The restaurant called "Tasting" of the Blue Bird Foundation from Szekszárd was the Hungarian winner of NeSst-Citi Social Enterprise Development Competition. **The restaurant came true in the framework of the HEFOP 2.3.1. program, and today it fulfills an individual role in the preparation for integration and the world of work, providing training and working opportunity for its disabled employees.**

Also, in 2009 the 10.000 \$ prize for the organization making the most remarkable business plan in Hungary was awarded to Csoport-téka Association on The Prize Giving Ceremony. They are working on the reintegration of people who often have multiple disadvantages.

#### **V. Serbia: Centre for independent living of people with disabilities**

The Centre was founded in 1996 on a cross-disability principle in Belgrade, has five branch offices in other towns, the organization works on **promoting the philosophy of independent living for people with disabilities and creating the conditions for its implementation in Serbia.** Accordingly, the Centre's mission specifies promoting a social approach to disability, affirming the abilities of persons with disabilities and the development of their working potential through social entrepreneurship. Moreover, personal social services, awareness raising and working to eliminate double discrimination and the promotion of the rights of disabled women and their social integration through social economy are also specified in this network's mission.

#### **VI. Serbia: Social Cooperative for integration of people with disabilities.**

**The bookkeeping cooperative "Veselinović", Kraljevo, founded in 2003 on the initiative from the NGO Forum, Kraljevo, could be considered as part of a dynamic segment. This group deals with the recording of financial transactions - sales, purchases, income, and payments for individuals and organization and has 15 regular clients.** Social cooperatives that help excluded workers to (re)join the labour market, create new jobs, provide additional education, training and retraining, social and vocational rehabilitation are good examples of newly developing forms of social enterprise. The Handicap and Integration Centre project have developed social enterprise in the south of Serbia and was announced **as the first social cooperative in Serbia ("Vivere" in Kragujevac). This organization, supported by the Veneto Region, Italy, aims at improving the treatment of people with disabilities through training and everyday working activities.** The organization's program for vocational training and employment of persons with disabilities, which promotes social integration through job creation, micro-projects, self-employment and other activities fostering enterprise and supporting people with disabilities, illustrates the future direction for their income generating and social activities.

## VII. Serbia: Liceulice - Face of the street.

Liceulice project is fully dedicated to alleviation of cultural, social and other types of marginalization and in particular is directed to the complex problems of the **street children with the aim of laying the foundations for the long-term and self-sustainable implementation of the program of their social reintegration and inclusion**. Wider objective of the project is work-integration of different marginalized social groups through media-publishing and other commercialized activities. More concrete, the target group of this project is work-integration of vulnerable individuals and marginal social groups or more specifically – children living at the streets.

The most important activity provided by the project is publishing *Liceulice*, a monthly magazine familiar to the concept of “street paper”, distributing and selling by vulnerable, marginalized groups organized by the project and provided through the organized network of civil society organizations in Serbia. By this activity these groups engaged in distribution and selling earns up to 50% of the value of each copy. Young artists and volunteers along with other professionals are participated at the project helping with their skills and energy in publishing magazine. It is important to underline that *Liceulice* is dealing with variety of topics from everyday life, promoting “new views” and solutions for marginalized groups, values of diversity, multiculturalism and generally responsible attitudes toward the social and natural environment.

Expected results: Establishing distribution centre with all necessary mechanisms for distribution and selling magazine, provided by *Liceulice*; Stable production and distribution of magazine *Liceulice*, on a monthly basis. The total monthly sales of 8-10 thousand copies account: 5,000 copies in Belgrade, and 4,000 copies in Novi Sad, Nis and other cities in Serbia up to 1,000 copies through other channels of distribution; Employment and economic empowerment of street youth, and other vulnerable groups; up to 30 vendors, which means that distributive centre in every moment would have 50 trained vendors. Given the expected fluctuation of the target group, it can be predicted that yearly in Belgrade, through training and records of distributive centre is to be included between 130 and 200 beneficiaries; Establishing an independent organization on the principles of social entrepreneurship; High degree of sustainability of the project (organization *Liceulice*): 30% sales, 50% advertising, 20% of donations and sponsorship; Better public awareness for street children.

The project is organized and provided by *Smart Kolektive* introducing the concept of socially responsible business which is extremely important for present social and economic situation in Serbia.

## GENERAL CONCLUSIONS AND RECOMMENDATIONS

**The third sector organizations have a long established history in all participating countries;** however, new initiatives addressing the problems not only of their members, but of the community, developing activities for work integration and combating social exclusion, as well as for provision of social goods and services in respond to unsatisfied community needs, **have emerged in the last 30 years in many European countries, including Italy, Austria and Greece. In the Central and Eastern European countries (Bulgaria, Hungary, Serbia, and Slovenia), the structural changes and the socio-economic situation after the change of the political regime have led to the development of the third sector** mainly by the fact that the public service providers could not give answers to the appearing problems, such as unmet needs for social services and persistence of high unemployment.

**In almost all participating countries, there are significant difficulties in formulating the social economy and especially the social enterprise sector** mainly because of the heterogeneity and complexity of the sector, the lack of official recognition, as well as the lack of statistical information, given the fact that social economy and social enterprises are not exist as statistical category (**except Italy**). Overall, the concept of social enterprise seems to be widely accepted in Italy, in the rest of the participating countries there is a lower level of awareness, even if it is growing, in contrast with the increasing number of dynamic activities developing market-based strategies to achieve social purpose and in contrast also with the new legal regulations that have been appeared in the recent years in all participating countries, facilitating an emerging of new entrepreneurial activities with social purpose.

**In general, following the European priorities in the social policy, the promotion of social entrepreneurship in all participating countries has been included in the political agenda in the last few years and the strategic role of the third sector and of the social enterprises especially, is outline in all basic national documents to follow the EU guidelines.**

Regarding the segments of social enterprises identified in the participating countries, wide variety of organizations are recorded as types of such enterprises, the main of which are:

- Social Cooperatives,
- Non-profit Organisations (NPOs),
- Civil societies,
- Work Integration enterprises,
- Agricultural cooperatives,
- Companies for disabled people,
- Non Governmental organizations (NGOs),
- Associations,

- Foundations,
- Public Benefit Companies (especially in Hungary),
- Citizen Associations (self-help groups in Serbia).

**Despite the differences in the legal form, organizations identified as social enterprises share the following main elements: they focus on achieving community benefit or benefit for specific group of people, applying market-based solutions and with limited or no possibility to share profit.**

The listed forms of organisations differ in their degree of similarity to social enterprises; some of them meet the main criteria adopted by the Guideline, while others diverging from these criteria. However, **it can be noticed that a large number of these organisations have the potential to grow into sustainable social enterprises, if they will be supported with appropriate mechanisms and tools.**

Summarizing the recent developments, it seems that the third sector organizations in general and in particular the different types of social enterprise organizations are on the increase in the recent years across all participating countries and their role appears significant in both social and economic terms. **The increasing importance of the social economy in general, is recognized by national authorities and various supportive policies and measures have been implementing in different fields. These policies often do not address especially at social enterprises, given the fact that in almost all participating countries there is lack of official definition and legal recognition of the social enterprise sector; thus, the different legal regulations and other supportive measures usually facilitate the function of special legal entities and/ or of wide groups of third sector organizations involved in entrepreneurial activities with social purpose.**

The most common support measures implemented in all participating countries are the favorable legal regulations for different segments of social sector organizations and the public financial support. Main sources of funding for the organizations of the social economy sector are still come from public funds, as well as from EU programs or from other international organizations and donors. However, **the income from sale of goods and services (economic activities) is becoming increasingly important for all types of social enterprises in all participating countries.**

Although the positive developments mentioned above, the development of the social enterprise sector in all participating countries face a number of different barriers and problems, in varying degree, that make difficult the further development and function of the sector. The limited public resources, the lack of alternative financial tools and in general, the restricted access to resources in order to ensure the financial sustainability, the lack of supportive legal regulations for the social enterprises, as well as the lack (or inadequate) of support structures and counseling services are among the main barriers. Also, a lack of appropriate educational and training tools and of specialized and



experienced key personnel and managers to design the activities, to identify new markets and to promote social enterprises' goods and services, is significant problems for the sustainable development of the social enterprise sector. **Below, the potential and perspectives for the future development of the social enterprise sector are presented:**

- **In Austria**, a further quantitative increase of WISEs would be possible especially within a demand-oriented guaranteed minimum income, which is an Austrian government plan to fight poverty and grant a minimum income to those who are unemployed but have no right to get unemployment pay.  
The counselling of the employable persons concerned with reintegration into the labour market shall be performed by the job centre.  
The next target is the establishment of a one-stop-shop instead of the today's responsibility of each individual province.  
For the future perspective of the WISEs, an intensified cooperation with other actors and especially, with the private sector could show positive effects, as it is suggested in the Austrian national report. Social enterprises are not a part of the everyday economy; in many cases no know-how about the work of social integration enterprises exists.
- **In Bulgaria** the following preconditions are needed:
  - a Law for Social Enterprises needs to be passed as part of a larger revision of the Act for Social Assistance, which needs to give more freedom to NGOs to carry out commercial activity;
  - state-wide lobbying/partners network needs to be initiated to promote and protect the concept of social enterprises. NGOs have a large need to improve their networking capacity to have better representative powers;
  - more state delegation needed for social enterprises: either direct contracts, preferential public procurements; preferential access to markets, tax deductions, etc.;
  - NGO Liquidity Assistance Fund or similar organization needs to be set up to support NGOs in a liquidity crisis that prevents them from active participation in EU funded projects;
  - revised Social Policy with reduced limitations on income generation for people with disabilities.
  - with regard to the achievement of long-lasting and sustainable effect of the results in overcoming the social exclusion, it is necessary to strengthen the link between the active labour market policy and the social assistance policy mainly;
  - deinstitutionalizing social services and bringing them closer to the normal family environment is one of the priorities of the policy for provision of social services and the implementation of this policy should continue through expanding the territorial scope, improving the quality and variety of social and health services within the community.
- **In Hungary**, there are the following priorities: a) the strengthening of the guarantees of sustainable economy, b) the decreasing of the problems in rural

areas, the extension of gaining revenues and c) the development of local communities. The LEADER resources are supporting the implementation of such regional development strategies that are built on the cooperation of the local administration, the entrepreneurs and the civil organization. It gives actual decision-making right into the hands of their community. These priorities show that rural development can be the cradle and the generator of Hungarian social/community enterprises.

- **In Greece**, the recent law defining social enterprises organization is one of the most important intervention in promoting social economy sector. In the next future there will be the need to enlarge the range of employment opportunities to various disadvantaged population groups as well as, the need for delivering more and better public services.

Overall, it may be said that there is a recognized need in Greece to create the appropriate environment and favourable conditions for the development of social economy organizations, as well as better cooperation between state agencies, local authorities and social enterprises. Yet, the development of social enterprise sector depends heavily on the establishment of intermediate support structures, adopting alternative financing mechanisms and creating favourable circumstances for development of economic activities with social purpose.

- **In Italy**, the institutional innovation provided by the Law on social enterprises created a favourable context for the development of social enterprises. However, other variables related to the socio-economic context, have also to be taken into account in analyzing the state of the art and the prospects for development of social enterprises, given the potential impact of these variables on the start-up and sustainable functioning of social enterprises. Thus, factors to be considered that can positively impact the sector's perspectives and prospects include, except the substantial legitimization, the existing local governance system, where new policies are planned, as well as the possibility for the establishment of effective partnerships and cooperation with other actors and economic sectors. Social cooperatives have developed intensively in a specific niche; the next challenge Italian social enterprises will have to face is the expansion of their activities in a wider set of economic sectors, and under a plurality of organizational forms.
- **In Serbia**, following issues have to be addressed:
  - the establishment of a coordination organization or clearing house for cooperative activities which would maintain relations with the government and international community and serve as a collective voice and catalyst for a whole range of issues regarding the promotion of the cooperative movement;
  - the promotion of a suitable legal framework and regulatory initiatives, harmonized with solutions found in other EU countries;
  - educational and training programs, seminars and courses to generate an understanding of the cooperative form of business and mutual societies for

- social services, providing as a solid foundation upon which cooperative movement might be revitalized;
- publication of a specialized monthly magazine or bulletin for cooperatives member and the general public with different kind of reliable information, useful both for understanding and promoting new experiences and practices.
  - **In Slovenia**, for the promotion of social entrepreneurship will be helpful the connection of the simulative Employment Relationship Act with other legislation, such as the Employment and Insurance against Unemployment Act, the Pension and Invalidity Insurance Act, the Vocational Rehabilitation and Employment of Disabled Persons Act and the Tax legislation.  
In general, in Slovenia the legislation still doesn't have appropriate regulations, which would precisely define social enterprises and responsible ministry, determine register of social enterprises, criteria for getting and keeping the status, ways of monitoring, reporting and stimulating the social entrepreneurship and cooperation between ministries and other key stakeholders. All these elements should be settled by the Act of Social Entrepreneurship, which is in preparation.
  - **In Ukraine**, there are indications that the Government is looking for opportunities of linking the non-profit organizations to social policy initiatives. Despite the introduction of different legal regulations facilitating the social entrepreneurship' development, new normative acts need to be developed in accordance with the existing arrangements in order to provide specific legislation, as well as to create favorable environment promoting social entrepreneurship in the country.

Summarizing the recent developments and the existing conditions in all participating countries, it seems that there are important **driving forces for the further development of the social enterprise sector, such as unsatisfied social needs, increasing needs for higher quality of social services, limited employment opportunities** in the period of economic crisis and restrictive economic policy, **high level of unemployment and social exclusion, needs for active market policy targeting disadvantaged groups and for new approaches to job creation and integration** into the labour market certain vulnerable groups of society.

On the other hand, there are **potential and some favorable factors**, in different degree in each of the participating countries, facilitating the further development of social enterprises; that is the strong **will of the human capital; the existing successful practice and experience of sustainable social entrepreneurship across Europe, EU supportive policy and funds; some appropriate legal regulations in the countries.**

However, the social enterprise sector in all participating countries still to face a number of different barriers and problems that make difficult its development and function and the main challenge is to exploit the existing practice, to define precise Laws on Social Enterprises, to identify and implement supportive measures in order to promote the sustainable development of all types of social enterprises.

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The Institute of Social Policy, one of the 3 research institutes of the National Centre for Social Research (EKKE), was established in Athens in 1995. EKKE falls under the jurisdiction of the Ministry of Development (General Secretariat of Research and Technology) and is the only public agency in the area of social research in Greece.

The institute conducts basic and applied research in the broader areas of employment, social policy, inequalities, demography, and family issues.

The Institute's research personnel consist of a blend of experienced tenured staff and of recently recruited young researchers on temporary contracts, thus ensuring:

- the support of the research projects and of the overall research activities of the Institute;
- the implementation of modern managerial methods and a competent secretarial administration;
- job experience opportunities for a new generation of social researchers, that become acquainted with research methods, the formulation of proposals, and ways to attract funding and new research projects. The qualifications of the researchers working at the Institute cover a wide range of expertise, ranging from sociology, demography and economics to political science, psychology and criminology.

### **SOCIALIS – Research Centre on Social Cooperatives, Social Enterprises and Non-Profit Organization (Italy)**

SOCIALIS was born in 2010 in the town of Brescia, in the North of Italy. Members of SOCIALIS are the University of Brescia and the Catholic University of Sacred Heart of Brescia. Moreover, the main organizations of third sector and the academicians involved in the social economy studies are members of the research centre.

Objective of SOCIALIS is to support and develop awareness of issues concerning the third sector, by creating a link between universities and industry organizations that are part of it.

To achieve these objectives, SOCIALIS carries out the following activities:

- research, training and dissemination activity about the social economy sector;
- organization and management of conferences, conventions, seminars and scientific initiatives, in collaboration with universities and research centres in Italy and abroad;
- promotion of professional exchanges and cultural relationships with universities, research centres and non-profit organizations in Italy and abroad, including adhering to Italian and international networks and associations;
- fostering among the members and, more generally, in the Brescia community awareness of issues related to the cooperative social and non-profit sector, including the provision of publications, books and other documentation.

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