



NATIONAL COUNTRY REPORTS

POLAND, MACEDONIA, HUNGARY, CZECH REPUBLIC, SLOVAKIA
2022/2023

Project title:

**“Building International Bridges – Social
Entrepreneurship as a Tool for Local Economic
Empowerment”**



supported by

• Visegrad Fund



FOREWORD

The country reports provided in this online compilation are designed to provide a brief overview of social entrepreneurship development per partner country.

We would like to give an idea to the readers where Poland, Macedonia, Hungary, Slovakia and the Czech Republic are in terms of social entrepreneurship practices, financial instruments, partnerships and which recommendations can be provided for further improvements in motivating municipalities, companies, social enterprises, civic society organizations, academia and individual citizens to adopt a more innovative approach to solving social issues of marginalized groups and creating long-term social impact.

While the reports from Poland, Hungary, Czech Republic and Macedonia are written based on the experiences of the project partners, the Slovakian report is based on the online research and the BRESE project report:

Border Regions in Europe for Social Entrepreneurship, Analysis of the state of social entrepreneurship in Slovakia (doc. PhDr. Alžbeta Brozmanová Gregorová, PhD./Doc. Ing. Mária Murray Svidronova Maria, PhD.)

Special thanks goes to the project partners from Poland, Hungary, Czech Republic and Macedonia who have participated in the creation of this report, including the Jupiter company members who supported us technically in the creation process.



NATIONAL REPORTS ON SOCIAL ENTREPRENEURSHIP POLAND

This report is based on the findings of the project

Strengthening Social Economy for Innovative and Resilient Regions – SOCRATES

Analysis of the situation of social economy entities

and social enterprises in Poznań

Lidia Węsierska Chyc Fundacja Pomocy Wzajemnej Barka

Condition of the social economy in Poland

Social entrepreneurship definition

Until 2022, the concept of social economy was not legally defined in Poland. Only this year the Social Economy Act was passed and came into force, regulating this sector of the economy. However, social economy entities and social enterprises have been developing in our country for many years based on other previous legal regulations. Therefore, when analysing the legal environment of social economy, the following should also be taken into account: the Act on Social Employment, the Act on Vocational and Social Rehabilitation and Employment of Disabled Persons, the Act on Public Benefit Activity and Volunteerism, the Act on Social Cooperatives and the Public Procurement Law.

Social entrepreneurship law

Law on Social Economy

The law adopted on 5 August 2022 entered into force on 30 October 2022.¹

Among other things, the Act regulates:

- 1) organising and operating principles of a social enterprise;
- 2) rules for obtaining and losing the status of a social enterprise and supervision of a social enterprise;
- 3) instruments to support social enterprise;
- 4) principles and forms of support for the development of the social economy by public administration bodies.

The social economy is, according to the Act, understood as the activity of social economy entities for the benefit of the local community in terms of social and professional reintegration, creation of jobs for people at risk of social exclusion and provision of social services, realised in the form of economic activity, public benefit activity and other paid activity (educational activity, cultural activity, profit-making activity of rural housewives' associations).

Social economy entities include:

- social cooperatives,
- occupational therapy workshops and work activity facilities,
- social integration centres and social integration clubs,
- workers' cooperatives, including cooperatives for disabled persons, cooperatives for the blind and cooperatives for agricultural production,
- NGOs,
- religious legal persons and organisational entities,
- associations of local authorities,
- joint-stock companies, limited liability companies and sports clubs which are companies not operating for profit, allocating all their income to the achievement of their statutory objectives and not distributing their profits to their shareholders and employees.

¹ With the exception of Article 67 and Article 72(2)(b) and (3), which shall enter into force on 1 January 2023.

Social enterprise status can only be acquired by certain social economy entities:

- social cooperatives,
- workers' cooperatives, including cooperatives for disabled persons, cooperatives for the blind and cooperatives for agricultural production,
- NGOs,
- religious legal persons and organisational entities,
- association of local authorities,
- joint-stock companies, limited liability companies and sports clubs which are companies not operating for profit, allocating all their income to the achievement of their statutory objectives and not distributing their profits to their shareholders and employees,
- units creating social economy entities.

In order to obtain social enterprise status, these entities must meet, among others, the following conditions:

- carrying out paid public benefit activities, economic activities or other activities of a paid nature;
- The State Treasury, a local government unit, a state or local government legal person or a natural person does not have control, i.e. decisive influence, over the social economy entities in question. Social cooperatives established by legal persons are excluded from this condition;
- the activities of a social enterprise serve local development and are aimed at: social and professional reintegration of persons at risk of social exclusion or the implementation of social services;
- the entity employs at least 3 persons under a contract of employment or a cooperative employment contract of at least ½ full time;
- in a social enterprise operating for the social and professional reintegration of people at risk of social exclusion, at least 30% of the total workforce must be people at risk of social exclusion who are employed at least ½ full-time;
- for each employed person at risk of social exclusion for whom a job has been created with grant support, the social enterprise must develop and implement an individual reintegration plan for a period no shorter than the period of employment of that person required in connection with the grant support (in practice, this will be a period of 18 months, provided the person does not resign from employment early);
- the social enterprise shall have a consultative and advisory body composed of all the persons employed in that enterprise; when there are more than 10 employees, then the body shall include representatives of those persons in a number of not less than 3;
- the social enterprise does not allocate the profit or balance sheet surplus obtained from its activities for distribution to its members, shareholders, stockholders and persons employed therein.

The status of a social enterprise is obtained at the request of a social economy entity or a unit creating a social economy entity by a decision of the governor competent for the seat of that entity or that unit. The governor is also in charge of controlling the social enterprise compliance with the above-mentioned conditions and if they are not met, he/she may issue a decision on losing the social enterprise status by the given entity.

The main social enterprise support instruments that the Social Economy Act introduces are:

- 1) the possibility of financing from the Labour Fund a part of the remuneration/salary corresponding to the contribution to pension, disability, sickness and accident insurance (of the employee and the employer) in case of persons employed in the social enterprise who are at risk of social exclusion, for 36 months from the date of employment (24 months - in full amount, another 12 months - in half amount).
- 2) the possibility to provide support to the social enterprise in the form of one-off funds for the creation of a job position and funds to finance salary or labour costs. This support can be financed from the Labour Fund, the State Fund for Rehabilitation of Disabled Persons, from funds at the disposal of Social Economy Support Centres (including European Union funds).
- 3) a social enterprise is entitled to a subsidy on the loan interests taken in the bank or in so-called "cooperative savings and credit union loans units" according to the regulations in the Act on Vocational and Social Rehabilitation and Employment of Persons with Disabilities.
- 4) entities purchasing products or services (excluding trade) from the social enterprise are entitled to a reduction in payments to the State Fund for the Rehabilitation of Persons with Disabilities.
- 5) A public finance sector entity can stipulate that only social enterprises can compete for the award of a public contract to which, due to its value, the provisions of the Public Procurement Law do not apply (currently PLN 130,000).

In addition, the Act regulates the principles and forms of support for the development of the social economy by public administration bodies.

At national level, these will include:

- preparing national development programme for the social economy,
- establishing of the National Committee for the Development of the Social Economy,
- granting accreditation to entities providing support services to social economy units and the status of a social economy support centre,
- ensuring the implementation of support services for social economy entities at the national level, including the possibility of developing and financing departmental programmes for supporting the social economy,
- collecting data in the area of social economy, including those compiled by the President of the Central Statistical Office,
- activities to disseminate knowledge about the social economy.

At regional level, these will include:

- preparing a regional development programme for the social economy,
- establishing of a Regional Committee for the Development of the Social Economy,
- developing and consulting with social economy actors the scope of intervention in the area of social economy in programmes and other documents related to EU funds,
- supporting the creation of joint ventures between social economy entities in order to increase their potential and common delivery of social services,
- disseminating knowledge about the social economy at regional level.

In the opinion of the environment of social economy entities and entities supporting the development of social economy, the adoption of the Act on Social Economy should be assessed positively due to the introduction of a legal basis for the functioning of social economy entities and social enterprises in Poland. However, the scope of the introduced regulations is highly insufficient. The Act imposes many obligations on social enterprises, but does not really give anything in return. During the work on the Act, the environment made a number of proposals to facilitate the functioning of social economy

entities and social enterprises. The Act basically introduced what could be used in terms of other legislation without adding anything new. The only motivation to apply for social enterprise status is to make this status conditional on being able to benefit from the grant support offered by the Social Economy Support Centres from EU funds. It can be assumed that without this condition the list of social enterprises in Poland would be short.

An important branch of the Polish social economy are reintegration entities, which include: social integration centres and clubs, occupational therapy workshops and vocational rehabilitation facilities. The functioning of the first two is regulated by the Act on Social Employment, and that of occupational therapy workshops and vocational rehabilitation facilities/ZAZ/ by the Act on Vocational and Social Rehabilitation and Employment of the Disabled.

Social Employment Act²

The Social Employment Act was enacted in 2003. The intention of the Act was inspired by the activities of the Barka Foundation for Mutual Help, which ran educational and vocational workshops in Poznań for people at risk of social exclusion. The Act has been amended several times since 2003, with the latest amendment coming into force on 15 February 2022.

The Social Employment Act was one of the elements of the Government's broader efforts to build a national strategy for tackling social exclusion. In particular, the regulations apply to 8 groups of people who are at risk of exclusion: people in crisis of homelessness, people addicted to alcohol, people addicted to drugs or other psychoactive substances, people with mental disorders, the long-term unemployed, people released from prisons, refugees and people with disabilities.

Social employment is understood here as providing the above-mentioned persons with the opportunity to participate in activities run by **social integration centres**, **social integration clubs** and supported employment.

Social Integration Centre

The centre implements professional and social reintegration through the following services:

- 1) training of skills to perform social roles and achieve social positions available to persons not at risk of social exclusion; these services may be provided to employees of social enterprises as referred to in the Social Economy Act;
- 2) acquisition of vocational skills and apprenticeships, retraining or upgrading of vocational qualifications;
- 3) learning to plan life strategy and fulfilling the needs by own efforts, especially through the possibility of earning own income through employment or entrepreneurship;
- 4) teaching the ability to manage money rationally.

A Social Integration Centre can be established by budgetary units, non-governmental organisations, social cooperatives and religious legal persons. Applications for social integration centre /CIS/ status are submitted to the provincial governor who is authorised to exercise control over these units. Social integration centre status is granted for a period of five years; in case of continuing the activities before the end of this period, another application must be submitted.

The establishment and functioning of the social integration centre and social integration club may be financed from the funds for creating entities or from an equipment grant from the voivodship's own

² Act of 13 June 2003 on social employment (Dz. U. of 2020, item 176 and of 2022, item 218)

revenues allocated for the implementation of the voivodship programme of alcohol prevention and problem solving. The Marshal of the voivodship may grant the Social Integration Centre or Club a grant for equipment and in case of a Centre a grant for its operation for the first 3 months.

Sources of funding for the functioning of the Centre may also include:

- manufacturing, trade or service activities carried out by the social integration centre. It should be emphasised that this is not an economic activity, but may be carried out as a statutory paid public benefit activity,
- grants from local authorities,
- European Union funds,
- subsidies from the state budget coming from departmental programmes dedicated to the social integration centre and social integration club.

The period of participation in the social integration centre can last up to 12 months (of which the first month is a probationary month), but it is possible to extend this period by a further 12 months. A participant spends no less than 30 and no more than 40 hours per week at the Centre.

Each month, social integration centre participants receive an integration benefit equal to 120% of the unemployment benefit (from 01.06.2022 this is PLN 1564.91 gross (PLN 1260.90 net)), which is financed from the Labour Fund. A participant can also be granted an incentive integration bonus, which cannot exceed 100% of the amount of the integration benefit. The bonus is not financed from the Labour Fund, but most possible the social integration centre's income obtained from its activities.

During the period of participation in the social integration centre, the participant is entitled to 6 days off (in the case of extended participation, an additional 6 days).

Social Integration Club

In particular, the club may organise:

- 1) activities to help find temporary, full-time or part-time jobs with employers, perform services under civil law contracts and prepare for employment or start up activities in the form of a social cooperative;
- 2) socially useful work;
- 3) public works;
- 4) legal advice;
- 5) self-help activities in the fields of employment, housing and social affairs;
- 6) internships.

Vocational and social reintegration activities can be carried out by social integration club for employees of social enterprises as referred to in the Social Economy Act,

Clubs can be run by the same entities that can run social economy centres. In order to establish a social integration club, an application must be made to the provincial governor. The sources of funding are also similar.

The condition for participation in social integration club is the implementation of a social contract referred to in the social welfare regulations. The period of participation in social integration club is determined individually. Participants of social integration club do not receive an integration benefit.

Act on vocational and social rehabilitation and the employment of disabled persons³³

Among other things, the Act regulates the creation and operation of reintegration entities dedicated to persons with disabilities: Vocational rehabilitation facilities /ZAZ/ and Occupational Therapy Workshops .

Vocational rehabilitation facilities

The facility operates for the purposes of vocational and social rehabilitation of people with disabilities.

A vocational rehabilitation facility has no legal personality and operates as a separate unit within the institution or organisation that established the vocational rehabilitation facility. A vocational rehabilitation facility can be created by: a municipality, a county, a foundation, an association or another social organisation, aimed at social and vocational rehabilitation of disabled people. The decision on giving the status of a vocational rehabilitation facility is issued by the provincial governor.

At least 70 per cent of the employees must be disabled people (in particular those referred by the Job Office):

- classified as having a significant degree of disability,
- classified as having a moderate degree of disability and diagnosed with autism, mental/intellectual disability or mental illness, with a maximum of 35% of the total workforce.

The legislation requires the organiser of a vocational rehabilitation facilities to sign employment contracts with employees. The vocational rehabilitation facilities were intended to be an intermediate stage between entities such as occupational therapy workshops or community self-help homes and the open labour market, but the legislator did not specify a maximum period of employment in a vocational rehabilitation facilities, so for at least some people with disabilities, employment in a vocational rehabilitation facilities may be their final workplace.

The vocational rehabilitation facilities carry out two activities:

- 1) service and rehabilitation: social and vocational rehabilitation of people with disabilities,
- 2) business activities.

The role of vocational rehabilitation facilities is to implement 3 types of rehabilitation:

- professional, understood as preparation for the activities of the job, equipping the employee with the necessary skills and, if possible, professional qualifications (e.g. licences, certificates),
- therapeutic treatment, by providing on-site access to rehabilitation services (facilities and professional staff),
- social, by helping them to find their new role, to fulfil various social roles, to function on a daily basis, to improve their quality of life.

A vocational rehabilitation facility can benefit from a system of co-financing from the State Fund for the Rehabilitation of the Disabled /PFRON/ and local government funds. The State Fund for the Rehabilitation of the Disabled can finance not only the costs of setting up the vocational rehabilitation facility, but also its running (excluding the costs of economic activity), in particular:

- rehabilitation activities,

³³ Act of 27 August 1997 on professional and social rehabilitation and employment of disabled persons (Journal of Laws 2021, item 573 and 1981 and 2022, item 558).

- remuneration/salary for employees (up to 130% of the minimum wage).

The vocational rehabilitation facility must provide emergency assistance and specialised medical care, counselling and rehabilitation services, and allocate the income to the company's activity fund, which can be used to finance, among other:

- improvements and additional workstation equipment to support the independent functioning of people with disabilities in the workplace,
- improving working conditions for people with disabilities,
- purchase of equipment and accessories to assist a disabled person,
- further education, retraining and training for people with disabilities,
- recreation and cultural participation of people with disabilities,
- assistance with other social and rehabilitation needs of employed disabled people.

The organisation operating the vocational rehabilitation facility is exempt from taxes in respect of the activities of the vocational rehabilitation facility.

Occupational Therapy Workshops

A workshop is an organisationally and financially separated facility creating opportunities for social and vocational rehabilitation for disabled people unable to undertake work in terms of acquiring or restoring skills necessary to undertake employment. Workshops can be organised by foundations, associations or other entities.

The occupational therapy workshops' participants must have a disability certificate:

- with a mild degree of disability, the participation in an occupational therapy workshops cannot be granted,
- with a moderate degree of disability, an indication of an occupational therapy workshop can be included with the cause of disability symbols 01-U and 02-P and inability to work,
- with a significant degree and a record of inability to work, the occupational therapy workshops can be awarded to a person regardless of the disability cause symbol.

The occupational therapy provided by the occupational therapy workshop aims to develop:

- 1) the ability to carry out activities of daily living and personal resourcefulness;
- 2) psycho-physical aptitude, basic and specialised vocational skills to enable participation in vocational training or employment.

Forms of therapy in an occupational therapy workshops:

- occupational therapy,
- movement activities,
- general fitness activities,
- social communication,
- psychological therapy.

Participants of an occupational therapy workshops may take part in unpaid work placements with an employer, including a social cooperative or a social enterprise referred to in the Social Economy Act, to the extent of 15 hours per week for up to 3 months, extendable to 6 months.

The costs of setting up and operating the Workshops are co-financed from the State Fund for the Rehabilitation of the Disabled funds /PFRON/ and the county government's funds (to the extent of at least 10% of these costs) or other sources.

The activity of the Workshop is a non-profit activity. Any income from the sale of products and services made by the workshop participants as part of their rehabilitation and therapy programme is used, in agreement with the participants, to cover expenses related to the social integration of the participants.

The law regulating the activities of NGOs, which form the largest group among social economy entities, is the Act on Public Benefit Activity and Volunteerism, passed in 2003.

Law on Public Benefit Activity and Volunteerism

The Act on Public Benefit Activity and Volunteerism is an act of systemic importance for the functioning of civil society in Poland. It addresses the most important issues related to the principle of subsidiarity based on the interaction and complementarity of citizens and public institutions - its aim is to improve and enhance the public good. According to the principle of subsidiarity, "citizens' organisations and individuals have the right to carry out activities directed at the general interest without seeking authorisation or permission from public authorities, and these independent activities of citizens must be supported by public authorities through various forms of support, including financial support"⁴.

The Act regulates, among others, the principles of conducting public benefit activity by non-governmental organisations in the sphere of public activities and cooperation of public administration bodies with non-governmental organisations. Public benefit activity is socially useful activity conducted by non-governmental organisations in the sphere of public tasks specified in the Act.

Foundations and associations have been included to non-governmental organisations. Public benefit activities may also be carried out by: religious legal persons and organisational units, associations of local self-government units, social cooperatives and joint-stock companies, limited liability companies, sports clubs which are companies not operating for profit, allocating all income to the realisation of statutory objectives and not allocating profit for distribution among their shareholders, stakeholders and employees.

The sphere of public tasks defined in the Act includes tasks in 34 fields. The 34th place describes the activity for social economy entities and social enterprises referred to in the Social Economy Act.

The cooperation of public administration bodies with entities specified in the Act in the sphere of public tasks is carried out in particular by means of commissioning tasks, which may have two forms:

- entrusting the performance of public tasks, together with the awarding of grants to finance their execution, or
- to support the performance of public tasks, together with a grant to subsidise their implementation.

For non-governmental organisations, the form of entrusting the implementation of a task is more favourable, due to the 100% financing of its implementation by the commissioning body. Supporting and entrusting the execution of public tasks take place after an open tender competition.

Priority public tasks and forms of cooperation of the local government unit's body with non-governmental organisations and other entities listed in the Act are determined by an annual or multi-

⁴ Izdebski H. , Ustawa o działalności pożytku publicznego i o wolontariacie. Commentary, Warsaw 2003, p. 10. The quote originally comes from Ch. Roffiaen, Rethinking the principle of subsidiarity, Brussels report, March 2003, p. 7 and p. 2.

annual cooperation programme. The programme should be consulted with non-governmental organisations and must also include the amount of funds planned for the implementation of the programme.

The entities listed in the Act may conduct:

- 1) unpaid public benefit activities,
- 2) paid public benefit activities,
- 3) business activities.

Public benefit activities are not economic activities (with certain reservations, which are discussed below) and may be carried out either as unpaid or paid activities. The unpaid activity takes place when entities performing public tasks do not receive remuneration/salary for their activities. Entities performing unpaid activity are classified as social economy entities, but not as social enterprises. In order to obtain a social enterprise status, it is necessary to carry out paid and/or economic activity.

Paid public benefit activities are:

- 1) activities carried out by entities defined by law in the sphere of public tasks for which they receive remuneration/salary;
- 2) sale of manufactured goods or the provision of services for:
 - a. the social and vocational rehabilitation of disabled persons in accordance with the principles set out in the Act on Vocational and Social Rehabilitation and Employment of Disabled Persons, or
 - b. integration, professional and social reintegration of persons at risk of social exclusion, as referred to in the Act on Social Employment and the Act on Social Cooperatives,
 - c. sale of donated items.

Income from paid public benefit activities is exclusively for the conduct of public benefit activities.

Paid public benefit activities of the entities listed in the Act constitute economic activities if:

- the remuneration/salary referred to above is, in respect of the activity in question, higher than that resulting from the costs of that activity, or
- the average monthly remuneration/salary of a natural person due to employment in the performance of statutory paid public benefit activity, for the period of the last financial year, and in the case of employment lasting for less than a financial year - for the period of this employment, exceeds 3 times the average monthly remuneration in the enterprise sector announced by the President of the Central Statistical Office for the previous year.

It is not possible to carry out paid public benefit activities and economic activities in relation to the same object of activity.

An entity carrying out a business activity should be entered in the register of entrepreneurs. An organisation carrying out economic activities is an entrepreneur. It is also affected by the tax rules as all others entrepreneurs. If the income from business activity is used for statutory purposes falling within the tax exemption (Art. 17 para. 1 of the Corporate Income Tax Act; these are income intended for scientific, technical, educational activities, including those involving the education of students, cultural activities, physical culture and sport, environmental protection, support for social initiatives for the construction of roads and telecommunications networks in villages and water supply to villages, charity, health protection and social welfare, professional and social rehabilitation of the disabled and religious worship), then the organisation is exempt from corporate income tax. This applies both to one that is engaged in business and one that is not engaged in business.

A special type of social enterprise is the social cooperative, the formation and functioning of which is regulated by the Social Cooperatives Act 2006.

Law on social cooperatives⁵

The Act passed in 2006 sets out the rules for the establishment, operation, merger and liquidation of social cooperatives. It should be emphasised that a social cooperative is a type of cooperative and in matters not regulated in the Act on Social Cooperatives the Cooperative Law applies.

According to the Act, the object of a social cooperative is to run a joint enterprise based on the personal work of the members and employees of the cooperative.

The purpose of a social cooperative is the activity for the social and professional reintegration of its members and employees. Social reintegration is understood here as the reconstruction or acquisition and maintenance of the ability to participate in the life of the local community and perform social roles in the place of work, residence or stay, including the rehabilitation of persons with disabilities. Vocational reintegration, on the other hand, is the acquisition of new qualifications, competences, knowledge and skills in order to rebuild or acquire and sustain the ability to perform independently in the labour market and professional progress in the labour market, including the vocational rehabilitation of people with disabilities.

These activities are not undertaken as part of the cooperative's business activities.

The cooperative may also undertake social and educational and cultural activities for the benefit of its members and employees, as well as the local environment.

A social cooperative can be established:

- at least 3 persons or
- at least 2 legal persons: non-governmental organisations, local government units, ecclesiastical/religious legal persons.

In the first case, a social cooperative can be established by persons at risk of social exclusion as listed in the Social Economy Act, with a minimum of 50% of the total number of founders, or 30% where:

- the social cooperative is established by persons with severe or moderate disabilities, or
- where the cooperative carries out activities in the field of social assistance, vocational and social rehabilitation of disabled persons, care for children up to 3 years of age, operation of non-public kindergartens or other forms of pre-school education, family support and foster care.

A social cooperative established by 3 persons within 12 months from the date of entry into the National Court Register is obliged to accept as members and to employ in the cooperative at least two persons from among those referred to in the Social Economy Act.

Membership and employment in a social cooperative may also be acquired by persons other than those indicated in the Social Economy Act, but their number may not be greater than 50% of the total number of members and employees, and in the case of a social cooperative obtaining the status of a social enterprise as referred to in the Social Economy Act, it may not be greater than 70% of the total number of members of the social cooperative.

⁵ Act of 27 April 2006 on social cooperatives (Journal of Laws of 2020, item 2085).

If the founders of a social cooperative are legal persons, they are obliged to employ in the cooperative, within 6 months from the date of entry into the National Court Register, at least 5 persons from among those listed in the Social Economy Act. After 12 months, these persons have the right to acquire membership in the cooperative.

A social cooperative may carry out statutory unpaid, paid and economic activities. Statutory activities include, among others, social and professional reintegration activities.

The activity of a social cooperative may be supported from the funds of the state budget or a local government unit, in particular by: grants, loans, guarantees, financial, accounting, economic, legal and marketing services or consultancy, reimbursement of vetting costs.

A public finance sector entity, when awarding a contract which, due to its value, is not subject to the Public Procurement Law (currently PLN 130,000), may stipulate that only social cooperatives may apply for the award of the contract.

The use of social clauses in public procurement is also possible in contracts that are subject to the Public Procurement Law due to their value. Below is a brief overview of the legal solutions in this respect.

Public Procurement Law

Provisions have been introduced in the Act to enable the implementation of so-called Socially Responsible Procurement. Socially Responsible Procurement refers to stages of public procurement that take into account one or more of the following aspects:

- promotion of decent work,
- respect for human rights and labour law,
- **support for social inclusion (including people with disabilities),**
- **social economy** and small and medium-sized enterprises /MSPs/,
- promotion of equal opportunities and the principle of "accessible and addressed to all",
- inclusion of sustainable criteria together with consideration of fair and ethical trading, respecting treaty-based rules and public procurement directives.

A tool for achieving social objectives are the so-called social clauses in public procurement. Social clauses help to shape public procurement in such a way that, in addition to achieving the primary purpose of the contract, other socially beneficial objectives are also achieved.

The social clause in Article 94 (the so-called reservation clause) does not explicitly limit the group of entities competing for the contract to social enterprises (such a possibility exists below the threshold of PLN 130,000), but introduces the possibility of stipulating that only contractors may compete for the contract:

- having the status of a supported employment enterprise,
- social cooperatives,
- other economic operators whose main objective or the main purpose of the activities of their organisationally separate units which will perform the contract is the social and professional integration of socially marginalised persons, in particular: persons with disability, unemployed persons, job-seekers, persons who have becoming independent, persons deprived of liberty or released from penitentiary institutions who have difficulties in integrating with the community, persons with mental disorders, homeless persons, persons who have been granted refugee status or subsidiary protection in the Republic of Poland, persons under 30 years of age and over 50 years of age with the status of job-seekers without employment,

persons who are members of disadvantaged minorities, in particular members of national and ethnic minorities.

Provided that the percentage of employment of persons belonging to one or more of the categories referred to in points 1 to 10 is **not less than 30% of** the persons employed by the contractor or its entity which will perform the contract.

According to the social clause in Article 96 (so-called 'employment clause'), the contracting authority may specify in the contract notice or the contract documents the requirements connected with the performance of the contract regarding, among others **employment of:** unemployed persons, jobseekers who are not in employment, persons who have becoming independent, juveniles referred to in the provisions of the labour law for the purpose of professional preparation, disabled persons, other persons referred to in the Act of 13 June 2003 on social employment, persons under the age of 30 and over the age of 50 with the status of jobseekers without employment.

The contracting authority shall specify in the contract documents the number and duration of the required employment of the persons concerned.

For the social economy entity /PES/ and social enterprise /PSs/, the employment clause is less favourable than the reserved clause of Article 94 due to the fact that it requires additional people to be employed to perform the contract.

Article 361 also has the nature of a reserved clause, according to which the contracting authority may stipulate in the contract notice that only economic operators who meet the following cumulative conditions may apply for the award of contracts for the following services: **health, social and cultural services** (covered by the codes indicated in the Act):

- the purpose of their activities is to carry out tasks of general interest related to the provision of these services and the social and professional integration of persons referred to in Article 94 (i.e. people experiencing difficulties on the labour market, such as the unemployed or people with disabilities),
- not operating for the purpose of making a profit, allocating their entire income to the achievement of their statutory objectives and not distributing their profits to their shareholders and employees,
- their governance or ownership structure is based on co-management in the case of cooperatives, employee shareholding or employee participation principles, which the contractor shall define in its statutes,
- not being awarded a contract under this provision by the same contracting authority within the last 3 years preceding the date on which the procedure for awarding a social services contract was launched.

Attention should also be drawn to in-house procurement, which plays a major role in the case of the social enterprise established by local government units. Contracts in this mode can be used by local government units to contract without tenders the tasks of a social cooperative established by them. Assuming that two municipalities have established a co-operative, there are no other members apart from them and the co-operative works overwhelmingly for the benefit of the municipalities forming it (more than 90%), the municipalities may commission work to such a co-operative on a sole-source basis, without the use of a tender procedure (the contract is awarded after negotiations with only one contractor).

The above conditions will no longer be met when employees of a cooperative of legal persons join the cooperative (in accordance with the right they have under the Social Cooperatives Act).

Division of the contract

One of the main objectives of the public procurement directives is to increase the participation of small and medium-sized enterprises (MSPs) in the public procurement market. Such action should also result in increasing of the competition between economic operators.

The contracting authority may award the contract in parts, each of which is the subject of a separate procurement procedure, or allow tenders in parts to be submitted in a single procurement procedure, specifying the scope and subject matter of the lots and indicating whether a tender may be submitted for one, several or all parts.

The contracting authority shall indicate in the contract documents the reasons for not dividing the contract into parts.

Dividing a contract into parts can be an instrument to increase the chances of social economy entity /PES/ and social enterprise to fulfil the contract. These entities often have too little potential to carry out the entire contract, whereas they may become contractors for a part of it.

The broader legal environment for the social economy in Poland still includes documents of a systemic nature, including:

- National Programme for the Development of the Social Economy until 2030. Social Solidarity Economy, which is a document for the implementation of the objectives regarding the development of the social economy set out in the Strategy for Responsible Development and in the Integrated Strategies;
- Regional Social Economy Development Programmes in force in the individual voivodeships. In the Wielkopolskie Voivodeship, the next Regional Social Economy Development Programme /RPRES/ will be drafted and enter into force in 2023.
- Operational Programmes - documents for the absorption of EU funds. In the future financial perspective 2021 - 2027, at central level it will be the European Funds for Social Development Programme (FERS), and in the Wielkopolskie Voivodeship - European Funds for Wielkopolska (FEW). Both Programmes include measures for the development of social economy.

Social entrepreneurship strategy**History of the social economy in Poland**

The phrase social economy appeared in the literature in Poland relatively recently, while the activities that this concept encompasses date back to the 19th century in our country and are associated with the cooperative movement. The evolution of the concept of social economy in Poland allows three main phases of its development to be distinguished:

- traditional social economy (before the Second World War),
- old social economy (communist period),
- new social economy (post-1989)⁶.

Traditional social economy (before World War II)

The precursors of the cooperative movement in Poland were among others: Stanisław Staszic, Father Piotr Wawrzyniak, Edward Abramowski, Father Wacław Bliziński, Maria Orsetti, Stefan Żeromski, Stanisław Wojciechowski, Teodor Toeplitz, Franciszek Stefczyk, Romuald Mielczarski, Jan Wolski, Stanisław Thugutt.

The cooperative movement was shaped by the ideas of self-help, co-operation and solidarity. During the partition period⁷ cooperatives played a role unparalleled in any other European country as a defender of national identity. The political conditions and social needs were different in each of the three partitions, hence the cooperative movement followed different paths in them.

Before the First World War, the Polish territories under partition (Russian, Prussian and Austrian) were home to, among others, over 300 food cooperatives, 1,397 rural savings and credit cooperatives called Kasy Stefczyka (with over 320,000 members), savings and credit cooperatives called People's or Folk's Banks, whose aim was to provide Polish merchants, craftsmen and farmers with access to cheap credit to enable them to compete effectively with German entrepreneurs.

A good example of pre-war activities is the development of the municipality of Lisków (now Wielkopolskie Voivodeship, Kalisz County), where Rev. Wacław Bliziński (1870 - 1944) led to the establishment of a Co-operative Food Society, to which a bakery and a dairy were attached, as well as a Building Society and a Grain Society. Intensive educational and cultural activities were also carried out, which together led to the economic flourishing of the municipality⁸.

The Polish social economy survived the First World War and flourished during the interwar period. The fact that the Parliament of the Republic of Poland passed the first Polish law on cooperatives in 1920 contributed to its successful development. It is estimated that at that time one in five adult Polish citizens was a member of some kind of cooperative, and 1/5 of savings deposits were made in cooperative banks and Kasa Stefczyka. In 1937 there were a total of 12,860 cooperatives with 3016 thousand members, of which there were 3383 agricultural and commercial and food cooperatives,

⁶ See Kazmierczak T. (2007). 'Understanding social economy', (in:) T. Kazmierczak, M. Rymsza (eds.), *Social Capital. Social economy* (pp. 93-126). Warsaw: Institute of Public Affairs, p. 2.

⁷ Partition is the occupation of the Polish state by Austria, Russia and Prussia, from 1772 to 1918.

⁸ See Broniszewski M., Development of social economy entities in Poland with particular focus on the Opole region - institutional and organisational conditions, in: *Ekonomia Społeczna* Nr 2/2016, pp. 38-47, p. 39.

1804 food cooperatives and 1408 dairy cooperatives. These cooperatives were affiliated to a number of economic and re-visionary associations⁹.

Old social economy (communist period)

During the communist period (1945 - 1989), the cooperative sector was absorbed by the state. Co-operative assets were confiscated, control by state administrative bodies was introduced, and state policy tasks were transferred to the co-operative areas, with the negative effect of dependence on state funding. There was a shift away from democratic internal social structures in cooperative entities to central control. This is seen as one of the causes of today's cooperative crisis in Poland¹⁰.

In 1948, Polish cooperatives were unified by grouping them into divisions. From then on, the following types of cooperatives functioned in the rural environment: dairy cooperatives, communal 'Samopomoc Chłopska'/'Farmers Self-help' cooperatives, horticultural and beekeeping cooperatives, agricultural production cooperatives, agricultural clubs, organised in the 1970s into cooperatives of agricultural clubs or cooperatives of agricultural services, and cooperative savings and loan associations, transformed years later into cooperative banks. The urban cooperatives also suffered a similar fate. The socio-educational activities of cooperatives were curtailed at this time by reducing the role of self-government.

After 1956, under conditions of a certain liberalisation of the system, there was an attempt to rebuild Polish cooperatives. During this period, the previously liquidated structures were reconstructed and the greater role of cooperative self-government was restored. Many tasks were set to the cooperatives, which resulted in an increased economic role for them. In both rural and urban areas, the state, through cooperatives, implemented its policy towards society. By the end of the 1980s, there were about 8,000 rural cooperatives with about 8 million members. Cooperatives produced about 10% of the national income, its share in the purchase of agricultural produce was 60%, in the supply of means of production almost 100%, in trade and catering 75%, in the amount of savings in bank accounts 20%, in food processing 30%, in employment (outside agriculture) 18%¹¹.

The new social economy (post-1989)

The new social economy that began to develop in Poland after 1989, differed from its previous development phases. The reactivation of social economy was prompted by social problems associated with the system transformation, such as structural unemployment and the phenomenon of social exclusion being one of the effects of the introduction of market mechanisms into the Polish economy.

"At the time of the 1989 breakthrough in Poland, the conditions for the reconstruction of the institutions of the social economy were re-established. This reconstruction was painful because of the departure from the ideals of solidarity and the dominance of a policy based mainly on developing a free market economy and focusing on the search for personal profit. On the one hand, we had to deal with dramatically increasing divisions, inequalities, unemployment and widespread poverty, and on the other hand, with the inefficiency of the various social welfare entities, the tendency towards

⁹ See Rural cooperatives, National Cooperative Council, Warsaw 2014, p. 41.

¹⁰ See Broniszewski M., Development of social economy entities in Poland with particular focus on the Opole region - institutional and organisational conditions, in: *Ekonomia Społeczna* Nr 2/2016, pp. 38-47, p. 40.

¹¹ See Rural cooperatives, Krajowa Rada Spółdzielcza, Warsaw 2014, pp. 44-45

centralist and bureaucratic actions instead of contact and cooperation, the predominance of competitive attitudes over cooperation"¹².

Since the early 1990s, there has been a dynamic development of civic organisations¹³, which have focused on direct action for people marginalised by political change. These activities were mainly based on the traditional social welfare model of distributing benefits and services, mainly social. However, some organisations were already introducing an economic and integration component to their activities¹⁴. This was associated with a high risk, as there was a lack of legal regulations giving any preference to organisations undertaking paid and economic activities, as well as procedures in awarding and accounting for subsidies for the implementation of public tasks.

That is why the adoption of the Law on Public Benefit Activity and Volunteerism in 2003 was so important. It created the basis for cooperation and partnership between civic organisations and authorities at all levels.

At the same time, the Act on Social Employment was enacted enabling the establishment and operation of such reintegration entities as social integration centre and social integration club. And since the end of the 1990s it has been possible to create occupational therapy workshop and vocational rehabilitation facility (on the basis of the Act of 27 August 1997 on Vocational and Social Rehabilitation and Employment of Persons with Disabilities)¹⁵.

The next step in building the legal environment for the social economy was the adoption of the Law on Social Cooperatives in 2006. And the closure of the legal system was the enactment of the Social Economy Act in 2022.

Parallel to the legal solutions, solutions of a systemic nature were introduced, supporting the construction of the social economy environment, such as national and regional social economy development programmes, national and regional social economy development committees, a network of Social Economy Support Centres¹⁶, a system of social economy financing.

Thanks to the legal acts mentioned above, as well as systemic and financial solutions, there has been a dynamic development of the social economy in Poland. The number of foundations and associations is systematically growing:

Table 1 - Number of foundations of associations registered in Poland between 1992 and 2018

Year	Foundations	Associations (including volunteer fire brigades)
1992	2282	6054

¹² Sadowski T., *Ekonomia społeczna w Polsce - nowe perspektywy w przeciwdziałaniu wykluczeniu społecznemu* (Social Economy in Poland - new perspectives in counteracting social exclusion), in: *Rynek Pracy*, 2005, no. 3, pp. 11-26, pp. 14 - 15.

¹³ It was not until the 1980s that new legislation was adopted in Poland regulating the establishment and activities of foundations and associations. By the Act on Foundations of 6 April 1984 - after a 32-year break - the institution of foundations was reactivated. It should be noted, however, that only 300 entities of this type were established between 1984 and 1989. On the other hand, as a result of the Round Table, a new Law on Associations was adopted on 7 April 1989.

¹⁴ One such organization was the Barka Foundation of Mutual Help, which, while running community homes for people in crisis of homelessness, simultaneously launched the production and delivery of services for the local communities in which the homes operated.

¹⁵ The year 1997 is indicated here because originally (according to the Act of 9 May 1991 on the Employment and Vocational Rehabilitation of Disabled Persons) the workshops were to be used exclusively for social rehabilitation.

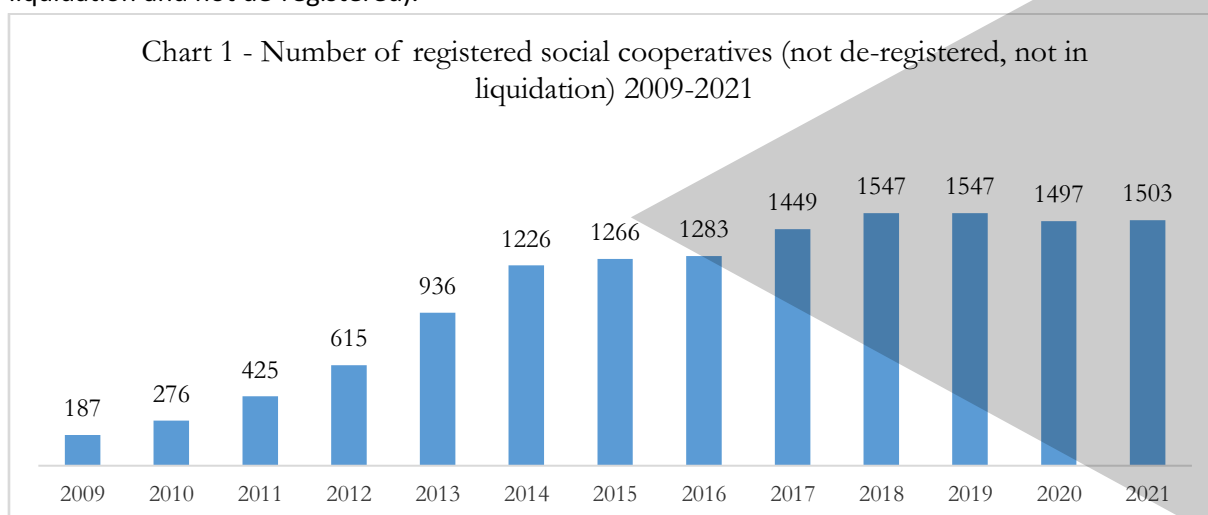
¹⁶ There are more than 60 Social Economy Support Centers /OWES/ in Poland, several in each province.

1995	3817	13 376
1998	4677	28 825
2002	6169	56 737
2006	9119	76 279
2010	12 444	92 044
2014	19 304	107 876
2018	26 000	117 000

Source: Newly established NGOs by legal form (based on National Court Register /KRS/ and Register of the National Economy /REGON/), publicystyka.ngo.pl and Central Statistical Office.

The number of social cooperatives increased steadily until 2019, there was a decrease in 2020 and in 2021 the number of cooperatives started to increase again.

Chart 1 - Number of social cooperatives registered in Poland between 2009 and 2021 (not in liquidation and not de-registered).



Source: own compilation of Department of Social and Solidarity Economy (DES) in Ministry of Family and Social Policy on the basis of data found in the National Court Register /KRS/¹⁷.

Undoubtedly, the small fluctuations in the number of social cooperatives in 2020 were influenced by the COVID-19 pandemic, which caused economic problems in existing social cooperatives operating mainly in the sphere of catering, food services, industrial processing or trade.

Only in the cooperative sector (apart from social cooperatives) has there been a regression. About 40% of communist-era cooperatives are now in operation, and 3% enter the liquidation process every year.

¹⁷ Source: Information on the functioning of social cooperatives operating on the basis of the Act of 27 April 2006 on social cooperatives for the period 2020-2021, Ministry of Family and Social Policy, Warsaw 2022, p. 17.

Number of social economy entities in Poland by type

Non-profit organisations

In 2020, 94.5 thousand non-governmental organisations falling into the category of social economy entities were registered in Poland. 0.3 thousand of them were social enterprises.

Among NGOs, associations and similar social organisations predominate in number, accounting for 70.7% of the sector, or 66.8 thousand, followed by foundations, which numbered 16 thousand in 2020 (16.9% of the sector). It is foundations that have seen the most dynamic growth in recent years - from 2014 to 2020, their number increased by 5.3 thousand, or almost 49%.

As far as the regional distribution of NGOs is concerned, the highest number is registered in 4 voivodeships: Mazowieckie (15.2%), Wielkopolskie, Małopolskie and Śląskie (8 - 10% of entities operate in each of these 3 voivodeships). The lowest numbers are in the Lubuskie (2.4%), Opolskie, Świętokrzyskie and Podlaskie Voivodeships (2.5 - 3.2%).

The accessibility rate of non-profit organisations /NPOs/ for the country as a whole, measured by the number of it /NPOs/ per 10,000 inhabitants, was 25.

Social cooperatives

In 2020, 2025 social cooperatives were registered with the National Court Register. Their number is growing steadily - over the last 10 years it has increased more than fivefold. Not all registered cooperatives are active. The number of active cooperatives (not in liquidation and not crossed out) remains relatively stable - about 80% of all registered entities of this type¹⁸.

The distribution of social cooperatives in the country is uneven. The largest number of them is in the following provinces: wielkopolskie, śląskie and mazowieckie. The smallest number is in the following provinces: świętokrzyskie and opolskie.

Table 2 - Number of social cooperatives in Poland in 2020-2021 - by voivodeship.

VOIVODESHIP	2020	2021
DOLNOŚLĄSKIE	84	80
KUJAWSKO-POMORSKIE	74	72
LUBELSKIE	128	134
LUBUSKIE	97	100
ŁÓDZKIE	65	59
MAŁOPOLSKIE	96	98
MAZOWIECKIE	153	157
OPOLSKIE	40	40
PODKARPACKIE	96	100
PODLASKIE	57	56

¹⁸ Active social cooperatives 1497, in liquidation 160, deleted¹⁸ 368, in 2021. 2080 entities (active social cooperatives 1503, in liquidation 158, deleted 419). The largest number of social cooperatives with the status 'in liquidation' in the National Court Register was located in the Wielkopolskie Voivodeship (a total of 59 cooperatives in 2020 and 2021) and the Mazowieckie Voivodeship (a total of 26 cooperatives in 2020 and 2021). Source: Information on the functioning of social cooperatives operating under the Act of 27 April 2006 on social cooperatives for the period 2020-2021, Ministry of Family and Social Policy, Warsaw 2022, p. 19.

POMORSKIE	75	75
ŚLĄSKIE	150	144
ŚWIĘTOKRZYSKIE	42	40
WARMINSKO-MAZURSKIE	95	99
WIELKOPOLSKIE	177	176
ZACHODNIOPOMORSKIE	68	73

Source: own compilation of Department of Social and Solidarity Economy (DES) in Ministry of Family and Social Policy on the basis of data found in the National Court Register /KRS/¹⁹.

In 2019, the largest number of social cooperatives were founded by individuals - 57.7%. Another group of entities that were founders of social cooperatives were entities of the non-profit sector accounting for 31.9%. While local government administration was the founder of 20.4% of the surveyed social cooperatives.

10 000 people found employment in social cooperatives in 2020, including 20% of people with disabilities. Among those employed, the vast majority were women.

Workers' cooperatives and cooperatives for disabled persons and the blind

In 2020, there were 1,367 registered worker cooperatives, but only 572 of them were not in liquidation or bankruptcy. Their number has been steadily declining, with a 66.5% decrease between 2001 and 2015.

The situation is similar for cooperatives for the disabled and blind. In 2020, there were 101 of them, which means that in 10 years their number has decreased by 61%. In 2020, these cooperatives employed 11,917 people (including 9,386 people with disabilities) - a decrease of 71.4% over 10 years.

Non-profit companies

The Law on Public Benefit Activity and Volunteerism lists joint stock companies and limited liability companies that:

- not operating for profit and
- devoting their entire income to the achievement of their statutory objectives and
- not distributing profits to their shareholders and employees.

These companies can carry out public benefit activities and are counted as social economy entities. They may also be social enterprises - provided that all conditions imposed on a social enterprise are met.

The statistics on companies operating as social enterprises are not kept. The list of social enterprises on the website of the Department of Social and Solidarity Economy of the Ministry of Family, Labour and Social Policy shows that there are 562 entities of this type, including 558 limited liability companies, 2 joint stock companies and 2 European companies. However, as there is no obligation to register on this list, it can be assumed that there are more.

¹⁹ Ibid p. 20.

Rural housewives' clubs²⁰

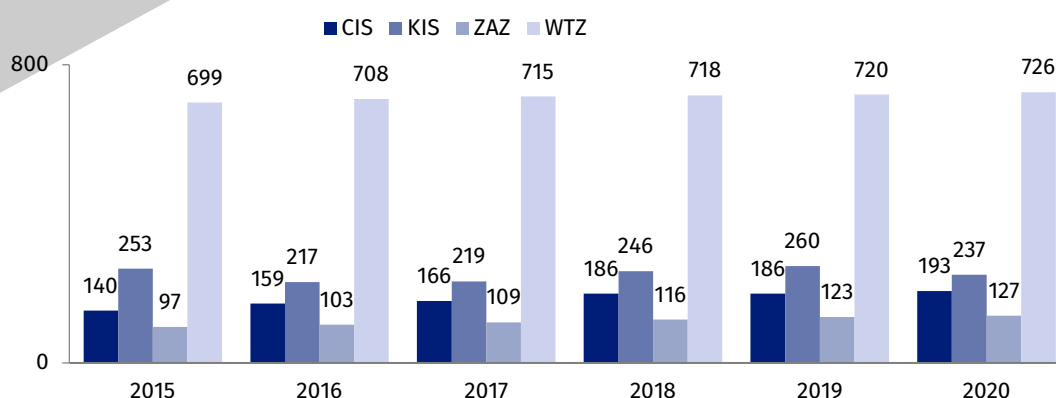
The Agency for Restructuring and Modernisation of Agriculture maintains a National Register of Rural Housewives' Clubs, according to which there are 11,890 registered clubs. The largest number of clubs is in Wielkopolskie Voivodship (1686), and the smallest in Opolskie Voivodship (172).²¹

However, information presented at a meeting of the Parliamentary Committee on Agriculture and Rural Development on 5.05.2020 shows that the majority of the clubs are still outside the register - it is estimated that their total number exceeds 20,000. Nevertheless, the number of registered clubs is growing dynamically, which is related to the possibility of acquiring entitlements to financial benefits under the Act from 2018.

Reintegration entities: social integration centre, social integrations club, occupational therapy workshop, vocational rehabilitation facility

In 2020, 1283 socio-professional reintegration units were active, i.e. 6 less than in 2019. Compared to 2015, the number of these units increased by 94. During 2020, nearly 44.1 thousand persons at risk of social exclusion benefited from socio-professional reintegration services provided by social integration centre, vocational rehabilitation facility and occupational therapy workshop, i.e. 0.5% less than in the previous year. In 2015, on the other hand, 40.3 thousand such persons benefited from these services, which means that in 2015-2020 there was an increase of 8.5% in this respect²².

Figure 2: Number of active socio-occupational reintegration units 2015-2020



Source: Central Statistical Office

Between 2015 and 2020, the total number of social integration centres /CIS/, vocational rehabilitation facilities /ZAZ/ and occupational therapy workshops /WTZ/ and social integration clubs increased by 94 units, i.e. by 7.9%. During this period, the number of individual active reintegration units changed

²⁰ Until 2018, farmers' housewives' clubs functioned as organizational units of farmers' associations, on the basis of the Act of 8 October 1982 on socio-professional organizations of farmers. However, according to the Act of 9 November 2018 on Rural Housewives' Associations, these entities can function independently and, after registration, obtain legal personality, which allows them to carry out economic activities, the profits from which are used for statutory activities, as well as to apply for subsidies.

²¹ <https://krkgw.arimr.gov.pl/> [accessed 07.12.2022].

²² Source CSO: <https://stat.gov.pl/obszary-tematyczne/gospodarka-spooleczna-wolontariat/gospodarka-spooleczna-trzeci-sektor/centra-integracji-spoecznej-kluby-integracji-spoecznej-zaklady-aktywnosci-zawodowej-warsztaty-terapii-zajeciowej-w-2020-r-6,9.html> [accessed 07.12.2022].

as follows: centres increased by 37.9%, vocational activity establishments increased by 30.9%, occupational therapy workshops increased by 3.9% and social integration clubs decreased by 6.3%. The number of social integration centres /CIS/, vocational rehabilitation facilities and occupational therapy workshops increased year-on-year throughout the analysed period, while the number of social integration clubs fluctuated, reaching its highest value in 2019. (260 units) and the lowest in 2016. (217 units).

The organisers of socio-occupational reintegration units, as in previous years, were most often entities of the non-profit sector, i.e. associations, foundations and social religious entities - they formed two thirds (66.6%) of the total number of social integration centres /CIS/, vocational rehabilitation facilities, social integration clubs and occupational therapy workshops .

The largest number of social integration centres, vocational rehabilitation facilities, social integration clubs and occupational therapy workshops was located in the following provinces: wielkopolskie (11.3% of the total number of units), śląskie (10.5%), małopolskie (9.5%), mazowieckie (8.8%) and lubelskie (7.4%). Between 2019 and 2020, due to the increase in the number of reintegration units in the wielkopolskie voivodeship by 8.2%, the voivodeship in which the largest number of units operated changed from śląskie to wielkopolskie.

Relating the number of socio-occupational reintegration units to the population, there were 3.4 units of this type per 100,000 population nationally in 2020 and this value did not change compared to 2019. The highest value of this indicator was in the Warmińsko-Mazurskie Voivodeship - 5.9 units per 100,000 population. The Mazowieckie Voivodeship, similarly to last year. Mazowieckie Voivodeship, similarly to the previous year, reached the lowest value of the indicator - 2.1 units per 100 000 population.

To sum up, there are currently around 112,000 social economy entities operating in Poland, of which around 2,900 are social enterprises.

Main areas of activity of social economy entities

The areas of activity of social economy entities are very diverse, which has to do with their legal forms. **Non-profit organisations** are characterised by carrying out diverse and multidisciplinary activities. In 2020, the largest number of organisations were involved in sport, tourism, recreation, hobbies as part of their statutory activities (26.9%), followed by rescue (15.3%). A numerous group were organisations indicating culture and arts (12.4%), education and upbringing, scientific research (10.5%) and social and humanitarian aid (8.3%) as their main field. Entities with the status of a public benefit organisation (OPP) were more than 3 times more likely to declare that they operated mainly in the field of social and humanitarian aid (24.7% vs. 8.3%) and health care (12.9% vs. 3.9%) than the total of surveyed non-profit entities.

The vast majority of non-profit organisations carried out only unpaid statutory activity - 81.4%. The remaining 18.6 per cent of entities declared that they carried out paid statutory activity or business activity, of which 2.9 per cent were organisations raising funds from both sources²³. Foundations are almost twice as likely to carry out economic or paid public benefit activity as associations.

Economic activities of NGO's

The predominant economic activities carried out by non-profit organisations /NPOs/ in 2016 were obtaining funds from property management, including rental (18%), professional, scientific and technical activities (16%), including advertising and management consultancy, and educational activities (16%)²⁴.

Social cooperatives, according to the Social Cooperatives Act, carry out activities for the social and professional reintegration of their members. This is an obligatory task. It does not constitute economic activity and is part of the statutory paid or unpaid activity. The expenses on this activity is subject to tax exemptions. At the same time, professional and social reintegration is not identical to the fact of employment, it means additional activities for employed persons, the essence of which is to rebuild and sustain the ability to participate in the life of the local community and perform social roles in the place of work, residence or stay and the ability to provide independent work on the labour market. Examples of directions of such activities are civic, assistance and pro-social and cooperative activities. As far as professional reintegration is concerned, this includes activities that increase the motivation of cooperative members to improve their professional qualifications or professional counselling.

However, when it comes to the economic activity of social cooperatives in 2021, 44% of cooperatives were active in the following sectors: wholesale and retail trade, manufacturing and administration and support services.

²³ See Activities of associations and similar social organizations, foundations, social religious entities, rural housewives' associations and economic and professional self-government in 2020. - Preliminary results, Central Statistical Office 2021, p. 3.

²⁴ See Activities of associations and similar social organizations, foundations, social religious entities, rural housewives' associations and economic and professional self-government in 2020. - Preliminary results, Central Statistical Office 2016, p. 5.

Table 3 - Object of activity of social cooperatives by Polish Classification of Activities /PKD/ section - as at 31 December 2021.

NUMBER OF SOCIAL COOPERATIVES REGISTERED AT THE NATIONAL COURT REGISTER /KRS/ ²⁵		1 503	
Section Polish Classification of Activities /PKD/	Object of activity	Number of indications	% indications
Section A	Agriculture, forestry, hunting and fishing	4 938	6,2%
Section B	Mining and quarrying	132	0,2%
Section C	Industrial processing	12 246	15,3%
Section D	Electricity, gas, hot water supply	296	0,4%
Section E	Wastewater and waste management, remediation	1 345	1,7%
Section F	Construction	6 437	8,1%
Section G	Wholesale and retail trade, repair of motor vehicles, including motorcycles and retail trade; repair of motor vehicles, including motorbikes	13 864	17,4%
Section H	Transport and storage	3 939	4,9%
Section I	Accommodation and catering services	4 419	5,5%
Section J	Information and communication	3 455	4,3%
Section K	Financial and insurance activities	614	0,8%
Section L	Real estate services	2 637	3,3%
Section M	Professional, scientific and technical activities	5 162	6,5%
Section N	Administrative and support services	9 071	11,4%
Section O	Public administration and defence; compulsory social security	94	0,1%
Section P	Education	2 834	3,5%
Section Q	Health care and social assistance	2 808	3,5%
Section R	Culture, entertainment and recreation	3 078	3,9%
Section S	Other service activities	2 443	3,1%
Final total		79 862	100%

²⁵ The number of indications of individual sections of Polish Classification of Activities /PKD/, refers to 1503 social cooperatives registered in the National Court Register KRS (not deleted and not in liquidation) as at 31.12.2021. A social cooperative may conduct more than one type of economic activity.

Source: Department of Social and Solidarity Economy (DES) in Ministry of Family and Social Policy on the basis of data found in the National Court Register²⁶.

In 2020 and 2021, the pandemic and prolonged lockdowns took a heavy toll on the running of catering and hospitality businesses.

The Central Statistical Office indicates that 19% of social cooperatives carried out public benefit activities. The most common main field of paid statutory activity was social assistance, humanitarian aid and rescue at the level of (19.3%), followed by education and upbringing (16.9%) and then, at a very similar level, sport, tourism, recreation and hobbies, labour market, professional activation and local development (12.8%, 12.6% and 12.4% respectively)²⁷.

Reintegration entities (CIS, KIS, WTZ, ZAZ) are primarily engaged in activities related to the reintegration and rehabilitation of people at risk of social exclusion, including people with disabilities. Nevertheless, some of them also carry out paid public benefit activities and economic activity.

Occupational therapy workshops (WTZ)	Vocational integration and health rehabilitation of people with disabilities	They carry out minimal economic activity, mainly the sale of handicraft products made by the participants
Vocational rehabilitation facility	Vocational integration and rehabilitation of people with disabilities	They are engaged in economic activities, mostly of a manufacturing and service nature, e.g. in the area of catering, breeding, gardening, cleaning and renovation services, hospitality sector
Social integration clubs	Socio-professional reintegration of people at risk of social exclusion	They do not engage in paid public benefit activity or economic activity
Social integration centres	Socio-professional reintegration of people at risk of social exclusion	They are engaged in activities for which the public interest is not paid, e.g. catering, cleaning, renovation, gardening, handicrafts

²⁶ Source: Information on the functioning of social cooperatives operating on the basis of the Act of 27 April 2006 on social cooperatives for the period 2020-2021, Ministry of Family and Social Policy, Warsaw 2022, p. 35.

²⁷ Co-operatives as social economy entities in 2019. Central Statistical Office, Warsaw 2021 p.10.

Areas of cooperation between social economy entities, public institutions and private enterprises

Public institutions

The areas of cooperation between the social economy entities and the public sector depend on whether it is at national, regional or local level.

At the national and regional level, cooperation mainly concerns programming of public policies and systemic solutions in the field of social economy. The social economy environment takes an active part in consulting legal acts concerning the social economy - draft laws and regulations, as well as drafts of their amendments. Most often, it is the social economy entity that initiate changes in the legal environment.

The institutionalisation of civil dialogue in the field of social economy is constituted by national and regional committees for the development of the social economy, which include, among others, representatives of social economy actors and national or regional administrations.

At the national and regional level, key documents for social economy are created - social economy development programmes, which define the directions of social economy development in the country and in individual regions. These programmes are created in a participatory manner, with the participation of a wide range of representatives of the social economy environment.

Equally crucial is the participation of social economy representatives in the creation and consultation of programming documents for social economy funding from European Union funds, such as operational programmes, guidelines for the implementation of social economy projects and regulations of competitions. In the context of EU funds, the participation of representatives of civic organisations in the Monitoring Committees of individual operational programmes is also important. In successive EU financial perspectives, there are numerous projects aimed at social economy entities - on one hand, they finance activities of these entities aimed at target groups, and on the other hand, they serve to support the social economy entities and social enterprises environment itself. Regional projects fund the operation of social economy support centres, which provide grant, training, counselling, reintegration and animation support for the social economy entities and social enterprises. National projects launch loan funds, which social economy entities can use on preferential terms.

At the local level, the cooperation between the social economy entities and public institutions is of a slightly different nature, the accents are distributed differently. One area of cooperation is also the joint shaping of social economy policies and solutions at the local level, but this is done on a much smaller scale. In 2019, only 2.9% of territorial self-government units had a programme for the development of the social economy²⁸, nevertheless about 40% have included provisions on social economy in local development strategies or strategies for solving social problems. Some territorial self-government units introduce provisions on social economy in their annual programmes of cooperation with NGOs. This is done in consultation with local social economy entities.

Other areas of cooperation between local authorities and social economy entities include:

- building local partnerships for social economy development,

²⁸ National Program for the Development of Social Economy till 2030. Economy of social solidarity (in subsequent footnotes: KPRES), MRiPS, Warszawa 2021, p. 86.

- creation or co-creation of social economy entities and social enterprises by territorial self-government units,
- Commissioning/trusting of public tasks to social economy entities and social enterprises,
- buying services and products from social economy entities and social enterprises,
- in-kind support for social economy entities and social enterprises, including preferential rental of premises,
- cooperation in responding to emergencies such as the COVID-19 pandemic and the war conflict in Ukraine.

Examples of the implementation of measures in these areas will be described in chapter III on the social economy in Poznań.

Private companies

Relations of social economy entities with commercial entities may take various forms: competition, coexistence and complementarity. Cooperation of social economy entities with business entities takes place in the third case - when complementarity takes place, i.e. a situation in which social economy entities is an element of the value chain of a given commercial entity. Here, the social economy entities can be a manufacturer, supplier, subcontractor, distributor, vendor, etc.

Examples of areas of cooperation include:

- 1) Purchase of goods and services from social economy entities and social enterprises:
 - a. one-off commemorative purchases (cards, ceramics),
 - b. standing orders as part of purchasing processes (e.g. printing, catering).

An example: Kompania Piwowarska (Breeding Campaign) from Poznań commissioned the vocational rehabilitation facility /ZAZ/ in Piła to convert Kompania's advertising banners into eco-bags, which are then used as corporate gadgets distributed to journalists, business partners and employees. Each bag bears a tag stating that they were made by people with disabilities and that they were made from the banners.

Example: The Responsible Business Forum purchased statuettes from the SYNAPSIS Foundation's Miscellaneous Things Workshop for companies cooperating with FOB and also as trophies for the winners of the Social Reports competition.

Example: Volkswagen Polska buys the service of cleaning paint containers from the Diakonia Employment Company in Kwidz. This is a standing order that allows the social enterprise to maintain its employees and set aside funds for social activities. The company has built 8 flats for people affected by housing exclusion with these funds.

- 2) Business mentoring:
 - a. mentoring or substantive training dedicated to the social partners,
 - b. competence volunteering (male and female employees share their knowledge and/or skills in business activities, e.g. promotion, marketing, organisational management).

Example: PwC (PricewaterhouseCoopers), in cooperation with the Foundation for Social and Economic Initiatives (FISE), has included leaders from a dozen social enterprises in a mentoring programme. As part of the meetings, PwC employees advise the organisations in their areas of professional

competence and skills. The most common areas are: taxes, accounting, marketing, PR, legal issues, IT and website development.

Example: *United Nations Development Programme /UNDP/ implements the Social Economy Angels programme, under which employees of commercial companies support selected social enterprises with their knowledge and experience, helping, among other things, to effectively market and promote products and services offered by social economy entities.*²⁹

3) Employee volunteering:

- a. matching-time programmes - offering a day off during the year for social activities by the employer, for example,
- b. financial support provided as grants for the implementation of original projects.

An example: *employees of Jeronimo Martins Polska (owner of Biedronka shops) helped renovate the catering premises of the Social Enterprise Common Table (Spółdzielnia Socjalna Wspólny Stół) in Poznań. And the company itself provided the building materials.*

An example: *partners from PwC got involved with the 'Pottery Village' - a social enterprise in Kamionka. Volunteering consisted of advising on the development of the social enterprise, but also of planting an avenue of trees, preparing a flower bed around the educational project of the sewage treatment plant and building a 'Raspberry Bush' as a place for youth workshops.*

In the study *Building links between business and the social economy. Handbook for Regional Centre for Social Policy /ROPS*³⁰, the authors, on the basis of their research, point to quite a large regional variation in the scope and intensity of cooperation between social economy entity and business, which results from many factors, including the condition of entities operating in a given area, the interest of local entrepreneurs in cooperation or the potential of the Social Economy Support Centre.

According to a survey conducted with the social economy entity, cooperation with business is concentrated in industries such as catering, event organisation, tourism, cleaning services, clothing and textiles³¹. The social economy entity cite as potential industries: handicrafts, running a call centre, cleaning, laundry, printing services, graphic design or social media marketing.

The majority of respondents, although quite critical of the extent and quality of a social economy entity cooperation with business, are able to give positive examples of such cooperation.

The area of cooperation between social economy entities and commercial companies is far too small at the moment, but has great potential. However, it requires the development of activities aimed at building cooperation, especially in institutions such as the Social Economy Support Centres and Regional Centres for Social Policy, responsible for developing this type of relationship.

²⁹ Most examples are taken from the publication *Meeting Two Worlds. Cooperation between social economy entities and business*, Responsible Business Forum, Warsaw 2013.

³⁰ *Building links between business and social economy. Handbook for ROPS*, MRPiPS, Warsaw 2019.

³¹ *Ibid*, p. 12

Topics of concern**Financing of social economy entities**

The main sources of funding for social economy actors and social enterprises are:

- in-kind and financial donations,
- surpluses,
- revenue from 1% personal income tax,
- income from paid and economic activities,
- grants for public tasks,
- non-reimbursable grants for the creation and maintenance of jobs in the social enterprise,
- refund of social security contributions,
- financing of reintegration entities,
- repayable instruments dedicated to social economy entity and social enterprise,
- application of social aspects in public procurement.

Social economy entities, like NGOs, may have revenues from in-kind and financial donations, donations, 1% income tax³², as well as grants for the implementation of public tasks. However, in the case of social economy entity, the main source of funding is income from paid and economic activities. Nevertheless, they can benefit from funds dedicated to this type of entities from several sources.

Support structures for social entrepreneurship development*Social Economy Support Centres*

The Social Economy Support Centres, are of key importance for the social economy entity financing system, whose activities are financed from EU funds. There are more than 60 of them in Poland, several in each voivodeship. The centres offer multifaceted support to the social economy entity. One form is financial support for creating and maintaining jobs in social enterprises for people at risk of social exclusion.

The amount of financial support for the creation of one job in the social enterprise has so far varied and depended on the financial capacity of the Social Economy Support Centre in question, only the upper limit has been defined. In the new financial perspective 2021 - 2027, unit rates will be applicable nationwide, the amount of which has been set at PLN 25 429³³. The amount of the unit rate will be subject to indexation. The social enterprise will be able to apply for financial support for the creation of up to 10 jobs at a time. The subsidy will be able to cover, inter alia, the costs of fixed assets, installation and start-up and insurance and protection during 12 months of financing the workplace, if necessary, equipment of the workplace together with the costs of delivery, installation and start-up, adjustment or adaptation (renovation and finishing works of buildings and rooms), current assets and means of production, purchase of intangible assets, charges related to the start-up of leasing and investment credit.

³² Social cooperatives are excluded from benefiting from the 1% personal income tax revenue.

³³ See Draft Guidelines for the Implementation of Projects with the European Social Fund Plus in Regional Programmes for 2021 - 2027, MFiPR, Warsaw 2022, p. 57.

Jobs created with financial support will have to be maintained for at least 12 months.

In addition, the social enterprise will receive financial support for maintaining the created jobs. The unit rate in this case will be PLN 25 200 (full-time), PLN 18 900 (3/4-time), PLN 12 600 (1/2-time). The rate includes the costs of functioning of the workplace in the first period after its creation, i.e. the costs of employing a person in the newly created workplace, costs of obligatory charges, such as e.g. social and health insurance premiums, current necessary expenses concerning the workplace, without which the functioning of the of social enterprise cannot take place.

Projects implemented by the Social Economy Support Centre continue until the third quarter of 2023, so it is currently not possible to determine how many total jobs have been created in the social enterprises through grant support over the entire programming period. Between 2016 and 2018, the Social Economy Support Centre supported the creation of 4132 jobs in total. The wielkopolskie voivodeship is the leader in terms of the number of social enterprise and jobs creation, where the Social Economy Support Centre declared the creation of a total of 829 jobs in the social enterprises ³⁴.

Labour Fund and State Fund for Rehabilitation of Disabled Persons /PFRON/.

Subsidies of a similar nature can be obtained by social cooperatives, and from November 2022 also by social enterprises, from the Labour Fund and the State Fund for Rehabilitation of Disabled Persons /PFRON/. In the first case, the subsidy is intended for the creation of jobs in the social enterprises for unemployed people, in the second case - for people with disabilities. However, the scale of this support is negligible in our country, due to the fact that social enterprises can use the assistance of the Social Economy Support Centre, which is more accessible to them. Grants from national funds are subject to many conditions, including, among others, the need for guarantors. The difficulties associated with obtaining grants are such that the social enterprises are reluctant to use them.

According to the Department of Social Economy, nationwide in 2021:

- funds were granted to 9 persons for starting up activities in the form of a social cooperative (total amount of PLN 263 000),
- 6 jobs were created in social cooperatives based on the above grant (the amount paid out was PLN 391,000 and the average subsidy was PLN 65,000),
- 5 jobs were supported by covering wage costs (the amount paid was PLN 31 000).

Refund of social security contributions /ZUS/.

The Job Office /PUP/, from the funds of the Labour Fund /FP/, can reimburse a social cooperative, and from November 2022 also a social enterprise, a part of the salary of a member or employee from disadvantaged groups. This refers to the contribution payable by the employee for pension, disability and sickness insurance, as well as the employer's part of the personnel costs corresponding to the contribution for pension, disability and accident insurance. Support can be granted to any person at risk of social exclusion.

The Job Office can refund social security contributions on the minimum wage. Such reimbursement can take place for a period of 24 months and then at half the amount for another year. In the first period, this means a maximum amount of approximately PLN 950 per month per person.

³⁴ See Survey of activities of Social Economy Support Centres (OWES) - analysis of results, MRPiPS, Warsaw 2019, p. 6.

Unfortunately, this is not a widely used tool. The Social Cooperatives Act 2020 report shows that in 2019, funds were disbursed from the FP to reimburse social security contributions in social cooperatives in the total amount of PLN 1 041.2 thousand.

The largest amounts of funds were used in the following voivodeships: mazowieckie (PLN 174.6 thousand to reimburse 59 people), pomorskie voivodeship came second (PLN 158.6 thousand to support 32 people); almost ex aequo, wielkopolskie (PLN 108.9 thousand) and lubuskie (PLN 108.3 thousand) were in third place. On the other hand, the lowest amounts of funds were spent in the łódzkie (PLN 4.3 thousand), warmińsko-mazurskie (PLN 5.6 thousand) and świętokrzyskie (PLN 30.2 thousand) voivodeships.

Financing of reintegration entities

The establishment and operation of reintegration entities can be co-financed by local governments. The territorial self-government units at all levels - voivodeship, county and municipal - are involved in financing reintegration entities.

Pursuant to Article 35, Paragraph 1, Point 6 of the Act on Vocational and Social Rehabilitation and Employment of Persons with Disabilities, the tasks of the provincial self-government include granting subsidies for the costs of creating and operating occupational workshops from the funds of the State Fund for Rehabilitation of Persons with Disabilities. And in accordance with Article 10b, paragraph 2, point 2a of the aforementioned Act, the costs of operation of the Vocational Activity Works are financed from the funds of the provincial self-government in the amount of at least 10% of those costs. In addition, the provincial self-government may finance the purchase of the first equipment for the social integration centre, as well as equipment in the event of, for example, an expansion of the social integration centre or the establishment of a workshop in another municipality (Act on Social Employment). Municipal self-governments can provide subsidies for the operation of the social integration centre and social integration clubs, and the Labour Fund finances integration benefits for the social integration centre participants.

In 2019, one in four local government units provided funding for the running of reintegration facilities (26.3%), with a total of PLN 503.5 million. The most common way in which local government units provided funding was for one type of facility (22.5% of all local government units).

The majority of these funds were transferred to establishments run by external entities (78.4%, i.e. PLN 394.6 million). PLN 109.0 million went to institutions run by territorial self-government units or their subordinate units. The largest share of funds was transferred by JST to the running of occupational therapy workshops - 64.7% of the total funds, i.e. PLN 326.0 million; this is due to the fact that this type of establishment is the largest among reintegration units (in 2019, 720 WZTs were active out of 1,289 active reintegration units). A relatively large proportion of funds was transferred to vocational activity establishments (24.5% of the total funds, i.e. PLN 123.2 million)³⁵.

Repayable instruments dedicated to the social economy entities and the social enterprises

Repayable instruments for the social economy entities and the social enterprises were launched as part of projects co-financed by EU funds. In the 2014 - 2020 perspective these were:

³⁵ See Activities of local government units related to the development of the social economy and implementation of civic budgets in 2019, Central Statistical Office, Warsaw 2020, pp. 11-12.

- Start-up loan - facilitating access to capital for newly established PES (period of operation shorter than 12 months). Amount - up to PLN 100,000 per loan, but no more than PLN 200,000 per PES; maximum repayment period up to 5 years; no commissions and fees.
- Loan for development - for PES operating over 12 months. Amount - up to PLN 500,000 per loan, but no more than PLN 1 million per PES; maximum repayment period up to 7 years; no commission or fees.
- Guarantees - up to PLN 500,000 and up to 80% of the loan amount; guarantee commission - 0.5% of the guarantee amount, payable once; maximum guarantee period - up to 99 months, in the case of investment loans - up to 120 months.
- Re-guarantees - up to PLN 140,000 and up to 70% of the guarantee; no commission or fees for taking out a re-guarantee (at the market scouting stage)³⁶.

Repayable instruments, in particular loans, are very popular within the social economy entities /PES/ and the social enterprises. By the end of 2019, 920 jobs had been created in the social economy entities /PES/ and 743 loans had been granted for a total amount of over PLN 83 million.

Application of social considerations in public procurement

When procuring goods and services, public institutions may use reserved clauses or social aspects provided for in the Public Procurement Law or the Act on Social Cooperatives that correspond to the objectives of social policy and social economy development. Social clauses are described in more detail in the chapter on legal solutions.

The social clauses most beneficial to the social economy entities /PES/ and the social enterprises are used to a very limited extent. According to available data, 1,527 contracts were awarded in 2019 in which the so-called inclusive social clauses were included³⁷. The value of these contracts amounted to PLN 3 269 million.³⁸ Both the number and value of the above contracts represent less than 2% of the number and value of total contracts awarded (1.8% and 1.6% respectively).

In case of public procurements excluded from the obligation to conduct them on the basis of regulations of the Public Procurement Act (procurements with an estimated value not exceeding EUR 30,000 or PLN 130,000 according to the new Act), public institutions rarely used social aspects. In 2019, the clause reserved for social cooperatives (Article 15a of the Act on Social Cooperatives) was used by 1.1 per cent of local governments - 0.3 percentage points less than in 2017.

³⁶ Information from: https://efs.mriips.gov.pl/_data/assets/pdf_file/0030/9876/08-BGK-A.Waszkiewicz.pdf (accessed 10.12.2022).

³⁷ Social inclusion clauses refer to those instruments specified in the provisions of the Act - Public Procurement Law (PPL), which aim to support socio-professional integration of persons threatened by social exclusion and to increase the chances of entities conducting activity in the area of socio-professional integration to compete for public contracts. These instruments are defined in Article 22(2) and (2a); Article 29(4) and Article 138p of the PPL Act, and their application may have an impact on improving the situation of social economy entities in competing for public contracts. NAPE, p. 13.

³⁸ The value of PLN 3,269 million (excluding VAT) consists of the value of public contracts awarded in 2019 in which the contracting authorities applied the provision of Article 22(2) and (2a); Article 29(4) and Article 138p of the PPL Act. Source: Report of the President of the Public Procurement Office on the functioning of the public procurement system in 2019.

Recommendations

Based on the situation and the SE development as and the connection with the current Visegrad project Building Bridges – Social Entrepreneurship as a Tool for Economic Empowerment, a following set of recommendations can be provided:

- Seek partnerships / create synergies with the INTERREG and SPF cross-border projects;
- Involve other local partnerships in the new Visegrad follow-up project to come in 2023/2024 in order to exchange good practices and to motivate them to become a part of the ISEN network
- Invest into capacity building/human capital in terms of SE development
- Introduce social entrepreneurship more substantially into the education system, as it is now in its infancy phases
- Create more visibility and awareness raising on the SE concept with wider public and institutions, on the local and national levels, with citizens, companies
- Improve cooperation with business and private companies
- Introduce educational programmes in application practice, as well as programmes and disciplines at the level of secondary school / higher education levels, incubators and training centres are also suitable for acquiring business skills
- Improve the image of SE by promoting positive examples and good practices

ANNEX 1 – COUNTRY SPECIFICS

POLAND

COUNTRY SPECIFICS 	• Poland • Inhabitants: Polish Population reached 38 million people in Dec 2022. • Unemployment rate: Key information about Polish Unemployment Rate • Poland's unemployment rate stood at a nine-month high of 5.5% in February of 2023, unchanged from the previous month and matching market forecasts. The number of registered unemployed rose further by 7.2 thousand to 864.8 thousand, its highest level since April last year. Compared to February last year, the jobless rate dropped by 0.4 percentage points from 5.9%. source: Central Statistical Office of Poland (GUS) • Estimated number of social enterprises: 294 registered by Ministry RJPS (mriips.gov.pl) • Existing SE forms: cooperative entities (social cooperatives, work cooperatives, cooperatives of the disabled and cooperatives of the blind, cooperatives of agricultural production), socio-professional reintegration units (CIS and KIS, WTZ and ZAZ), non-governmental organizations and similar entities (associations, foundations, non-profit companies, church entities, associations of local government units, rural housewives' circles).
VISIT PERIOD	• October 2022
LOCATION	• Barka Foundation for Mutual Help • Visited: the group of participants from Macedonia, Hungary, Slovakia, Czech Republic visited Barka, Krobia municipality in Poland (and several other locations), and ERGON and Diakonia in the Czech Republic
SE LAW	• Law on SE: Law on social economy, 2022
LEGISLATION	• Other supporting regulations: The Social Employment Act, Act on vocational and social rehabilitation and the employment of disabled persons, Law on Public Benefit Activity and Volunteerism, Law on social cooperatives
LOCAL ENGAGEMENT	• Participation of local communities: • The municipality of Krobia; their focus is on the integration of unemployed, marginalised, elderly people
BENEFITS	• Benefits to local economies: socio-economic inclusion of marginalized communities and groups
GOOD PRACTICES	• Successful good practices: Local Partnership in Krobia, Local Partnership in Komorniki, Social Cooperatives Art Zagroda
CHALLENGES	• Challenges: integration of Ukrainians refugees
FUTURE STEPS	• Future steps: further SE development, contact of the current Visegrad partners with the Institute of Social Economy to explore the possibility of joining the current Visegrad partners



NATIONAL REPORTS ON SOCIAL ENTREPRENEURSHIP MACEDONIA

MACEDONIA

Social entrepreneurship definition

Many different definitions of social enterprises are used in the economic theory and by the relevant stakeholders in North Macedonia. There is no single definition of social enterprises and this is the subject of a wide debate between various institutions, experts and entrepreneurs.

According to the Social enterprises network of North Macedonia (SEN), the definition of social enterprises includes the following characteristics:¹

1. Utilizing entrepreneurial principles, they strive to serve the community, not to maximize the owners' profits
2. The gained profit is mostly reinvested to achieve social goals, i.e. for concrete social change
3. They offer innovative approaches for sustainable and balanced development
4. Providing goods and services for marginalized and underdeveloped communities or employing people from vulnerable groups of citizens
5. They are market-oriented enterprises, i.e. they provide financial sustainability through successful operation according to market mechanisms, not through grants
6. The management of social enterprises is democratic and participatory

The center of Muhammad Yunuz, which is one of the leading social entrepreneurs at the global level, and which opened in Skopje in 2021, uses seven principles as a basis upon which social enterprises can be defined and should work:

1. The business objective of the enterprise is to overcome poverty or ensure the reduction of one or more global societal challenges such as education, health, access to technology and environmental protection, which reduce the quality of life of the people and society.
2. The purpose of the business is not maximization of the profit
3. The business has financial and economic viability
4. Investors only get their investment back. However, they do not receive a dividend after returning the investment
5. After returning the invested amount, the profit remains in the enterprise for its promotion and expansion
6. The company works on the principles of gender sensitivity and high environmental awareness
7. The employed persons receive salaries in amounts according to the trend dictated by the market but with better working conditions
8. The entrepreneur works with enthusiasm

According to the Network for the sustainability of civil organizations, which is managed by the Association Konekt, Social entrepreneurship is defined as the continuous implementation of economic

¹ <https://sen.mk/shto-e-socijalno-pretprijatie/>

activities under certain conditions of operation and employment, mainly of marginalized groups of citizens. The primary goal of social entrepreneurship is the strengthening of social cohesion and solidarity, as well as strengthening the capacity for innovation in various economic sectors and socially useful areas. The goal is to generate social value whereby the community will benefit from entrepreneurial activities. A social enterprise is a new model of business with a social purpose that has not yet been sufficiently applied in the Macedonian economy, but is applied all over the world. Social entrepreneurship is a special form of entrepreneurship in which economic and social goals are integrated, it represents an innovative model for solving social and environmental challenges and for strengthening inclusive growth.²

According to the new draft Law on social enterprises from 2023, a social enterprise is a registered legal entity that has established specific obligations in its statute or act of incorporation in relation to its goals and activities, management and responsibility, primarily:

1. A significant part of the income of the social enterprise is achieved through stable and continuous economic activities, which are a means of achieving its mission
2. The primary objective is to achieve social or environmental impact by addressing socioeconomic and environmental challenges and promoting societal well-being
3. The social enterprise uses its profits primarily to achieve its social or environmental goals and not to distribute them to members, owners, or shareholders
4. After termination, the social enterprise transfers its assets to an organization with the same or similar social, or environmental mission
5. A social enterprise limits the difference in wages between executive work and field or factory work
6. The social enterprise is autonomous, i.e. it is not controlled by public authorities or other profit-making organizations in its decision-making, instead, the decision-making is based on a balanced representation of the interests of various stakeholders
7. The social enterprise is committed to managing social impact, covering the full process of impact planning, delivery, monitoring, reporting and communication.

In short, according to the draft Law, a "social enterprise" is a legal entity with a goal to achieve a positive social and/or environmental impact through entrepreneurial activity, instead of profit maximization for its owners or stakeholders, through its work to provide products and services to the market in an entrepreneurial or innovative way and uses its profits and assets primarily to achieve social and/or environmental goals, and is managed in a transparent and accountable manner that includes the employees, consumers and other stakeholders.

According to the previous draft Law on social entrepreneurship, which was prepared in the period from 2015 to 2017 and was never put to a vote in the Assembly of the RSM, a Social enterprise is a legal entity whose primary objective is to achieve social impact in satisfying needs, solving problems and fulfilling interests of the community, as well as for the employment of the founders and the beneficiaries of the effects of its establishment. It operates by providing goods and services to the market in an innovative and entrepreneurial manner and uses its profits primarily to achieve social objectives. It is managed openly and responsibly, in particular involving employees, consumers and shareholders who are affected by its commercial activities.

² <https://konekt.org.mk/sto-e-socijalno-pretpriemnistvo/>

The National strategy for the development of social enterprises in the Republic of North Macedonia (2021 – 2027) of the Ministry of Labour and Social Policy uses the EU criteria from the Social Business Initiative and defines a social enterprise as follows: An operator in the social economy whose main purpose is to have a social impact by providing a wide range of social, economic, health, educational, cultural, environmental and other products and services with a social value that serves to solve socio-economic and environmental challenges; and to promote social well-being by providing goods and services to the market in an innovative and entrepreneurial way, using its profits primarily to achieve social or environmental objectives; and which is managed in a transparent and accountable manner, involving workers, consumers and other parties affected by its activities in decision-making." The term social mission is understood in a broader sense and includes the provision of cultural, healthcare and educational services, including services for environmental protection and sustainable development. We are talking about services of general interest that cover a wide range of activities that have a strong impact on the well-being and quality of life of society as a whole. They can be related to infrastructure (for example water and energy supply, transport, postal services and waste management), but also to basic sectors such as health, education and social protection.³

In the Analysis of the conditions and challenges for the development of social entrepreneurship in the Republic of Macedonia, which was prepared by the office of the Friedrich Ebert Foundation in Skopje, the following definition is proposed: Social entrepreneurship is an organized activity with the aim of creating opportunities, forms, organizations and measures that result in sustainable social values and utilities, employment of persons in the production and sale of products or services where profit is not the only or main objective of the activity, that is, the profit is used for the employment of certain socially excluded or vulnerable social groups and for solving needs and problems in the community.

According to the Macedonian development foundation for Enterprises, in its publication Social economy and social entrepreneurship – Guide to social Europe Volume 4, social enterprises are defined as operators in the social economy whose primary goal is to achieve social impact, not to make a profit for its owners or shareholders. It operates by providing goods and services to the market in an innovative and entrepreneurial way and uses its profits primarily to achieve social goals. It is managed openly and responsibly, in particular involving employees, consumers and shareholders who are affected by its commercial activities." The concept of social enterprise coincides with traditional social economy organizations and is found in multiple legal forms as an entity operating as a social enterprise may choose to register as an association, cooperative, charity, etc., as a private enterprise, or some specific form created in recent years within the framework of state legislation. What distinguishes social enterprises from traditional associations or charities is the fact that social enterprises make a large part of their profits through trade, and do not depend on grants and donations. A commonly used benchmark for social enterprises is that a minimum of 50% of their turnover is earned income, although there are differing opinions as to what the best threshold would be. In any case, the thing that distinguishes social enterprises from conventional enterprises is that they are primarily social in focus. One indicator of this social focus is that most of the profit is reinvested or otherwise used to achieve the social mission of the enterprise.⁴

³ https://www.mtsp.gov.mk/content/pdf/2021/trud/Strategija_socijalni_pretprijatija_2021_2027.pdf , page 5

⁴ <https://www.mrfp.mk/images/docs/publikacii/socijalna-ekonomija-i-socijalno-pretpriemnishtvo.pdf> , page 31

Social entrepreneurship strategy

- The strategy document was adopted officially in 2021. The original document of the strategy was created by the NGO Public and was subsequently used as a base for the Ministry of Labour and Social Policy, the EU-funded EPTISA project called Support to Social Enterprises, NGO sector and relevant ministry representatives to re-write and adapt the document to the current needs of social entrepreneurship development in the country. In the creation process, various other national and international strategy documents were consulted. Led by the Ministry of Labour and Social Policy and the EPTISA project team, a National Working Group was established that met on a regular basis, initially for information sharing and education purposes on the topic of social entrepreneurship, with a deeper dive into the subject and its finalization in later phases, which included a National Action Plan within the strategy document.
- A series of bilateral meetings were organized with several institutions such as the Ministry of Economy, Ministry of Education, and the Agency for Support the Entrepreneurship that took place in making adjustments to the Action Plan.
- According to the strategy text, the long-term vision for supporting social entrepreneurship and the development of social enterprises to support the socio-economic development of the country is:
- *Social enterprises play a role as change agents in the country's transition to a fairer, more inclusive, participative, and sustainable economy and society, notably through their engagement in developing a circular, sharing, smart and green economy*
- *Social enterprises have a place in a pluralist social market economy and are recognised as pioneering initiatives of citizens and communities to do business for the benefit of the people and for the planet, rather than for the benefits of owners and shareholders“*
- *Social enterprises benefit from receiving suitable and affordable financial, material, intellectual or human resources from a range of actors operating in a fully developed and connected resilient and sustainable ecosystem for social enterprises, and are embedded in civil society*
- *Social enterprises are engaged in social innovation and the development of new forms of decent work and social integration for disadvantaged people, are delivering products and services (including finance) driven by local communities and the citizens for pursuing social, societal, cultural and environmental purposes, contribute to reducing informal work, and provide alternatives to the migration of skilled and socially committed citizens*
- *The ecosystem for development of social enterprises is resilient and sustainable, enables social enterprises to play an important role in the society and is in line with the transition of the country to integrate in EU policy frameworks and strategies while the overarching goal is to provide an evidence-based roadmap guide and policy toolbox for promoting SE development to become an actor in a pluralist social market economy*

The Government's commitment will be to prioritize social entrepreneurship and to provide visibility and recognition to social enterprises, so they can make a contribution towards a more sustainable economy and participative society. The Strategy is in line with the UN SDGs and the strategic orientations of the European Union and its Social Business Initiative.

Measures of the strategy should provide social economy preconditions and combat poverty, while promoting a better socio-economic integration.

The Strategy will pursue the following objectives:

- *To give SE development a place in the national agenda and strategy for its long-term development, and, specifically also in the national strategies and bodies for employment, poverty reduction and social inclusion, entrepreneurial learning, SMEs and inclusive growth, innovation, rural and local development, cooperation with and development of civil society, volunteering, energy development, sustainable development agendas of the country*
- *To align public policies and actions related to social entrepreneurship and enterprises at all levels and sectors*
- *To create a level playing field by ensuring that all financial, capacity-building, regulatory or legal support established under this Strategy provides equal treatment and developing opportunities for all social enterprises*
- *To catch-up with the EU Member States in the development of SEs and their ecosystem*
- *To connect SEs and actors in the ecosystem with their European counterparts to exploit cooperation and learning opportunities*
- *To create opportunities to involve, engage, and mobilise citizens in developing their communities and to actively shape their living & working conditions, on the basis of trust, cooperation and solidarity*
- *To promote the principles of SEs (social and environmental mission, inclusive governance, accountability to stakeholders) as signpost for the development of the business sector*
- *To establish new forms and types of learning/sharing/collaborating partnerships, platforms, networks, communities*
To develop and nurture a culture for social entrepreneurship and to promote mechanisms for recognising social entrepreneurs and social enterprises;
- *To organise mutual support, learning, and capacity building for social enterprises and key actors in the eco-system*
- *To improve the business development and impact management capacities of social entrepreneurs*
- *To facilitate and create access to external finance, by developing the supply and demand side for social finance*
- *To facilitate and provide access to, and developing markets for, social enterprises*
- The measures of the Strategy will be implemented in the spirit of good governance, and in a step-by-step process following the policy cycle:

The strategy is supposed to be implemented in 2 phases. Phase 1 will focus on the measures and activities envisaged in the Action Plan 2021-2023, while the Phase 2 will cover a design of a new plan covering the 2024-2027 period.

Monitoring process will be implemented via (bi)annual reports on the state and development of social enterprises, their ecosystem, and public policies. whereby the Ministry of Labour and Social Policy will be responsible for monitoring information generated by line Ministries and partner agencies for presentations to the Government while the report recommendations will serve for the necessary adjustments and feedback of the National Social Enterprise Council.

Social entrepreneurship law

As described in the law, the concept, goals, principles, characteristics, conditions, and criteria for acquiring and terminating social enterprise status will be provided, including the instruments for support and development, and special working conditions for social and professional reintegration centers and social enterprises.

Competencies of the National Resource Centre for the support of social enterprises (Centre for social enterprises), are also described by the law, as well as the implementation and monitoring of policies and the work of social enterprises and other issues of importance regarding social enterprises. 59 articles and 26 pages make up the law document to be drafted in 2023. This is in contrast to the several versions of the law that existed between 2017 and before but were not adopted.

The purpose of this law is to enable the development of social enterprises and ensure legal recognition and public visibility. It is to hope that the law will also provide a base for more concrete financial instruments and will encourage social innovation initiatives.

It is expected that the law on social entrepreneurship will be adopted in 2023, after public consultations, under the governance of the Ministry of Labour and Social Policies. The law will be tested in practice and then adapted to the field work and good practice experiences.

Equally relevant for the development of social entrepreneurship in the country is the existence of the Public Procurement Law. The new Law on Public Procurement (Official Gazette of the Republic of Northern Macedonia, no. 24/2019) promotes the introduction of reserved contracts which could be supportive for the economic operators focusing on the social and professional integration of persons with disabilities or persons from the socially vulnerable groups. The law will also be beneficial for social and cultural services and special health.

In this phase, the Centre for social enterprises implemented through the EPTISA project called Support to Social Enterprises organizes workshops on public procurement, including the municipalities, NGOs, and social enterprises that were also included in the education and awareness-raising activities implemented during the Visegrad study visit to Macedonia, In Skopje, Ohrid, and Bitola.

After the workshops and awareness-raising activities on the possibilities provided by the law, it is expected that social enterprises or NGOs will make better use of the provisions. mainly unused. Prior to this, the law remained predominantly unused due to the lack of capacities on the side of the public institutions and social enterprises to implement the tenders with reserved contracts.

Types of social enterprises

In recent years, the country has experienced growth in NGOs that are ready to explore the possibilities within social entrepreneurship initiatives, whether project-based or self-financed, which has resulted in various topics of treatment related to marginalized groups.

Some social enterprises focus on organic food production and ecological tourism development, while the majority deal with social services provision and home care. Several NGOs/social enterprises are involved in upcycling and sustainable fashion and ecological issues, while only a few are connected to social innovation and technological applications.

In addition, several civil society organizations, SME and startup advisory centers, accelerators, and hubs are now offering assistance for social entrepreneurs and social enterprises. Most of their consulting, training, or coaching activities relate to social entrepreneurship and starting or running a social enterprise, including development and proofing of ideas, business planning, impact management, financial management, social enterprise governance, fundraising, pitching, building partnerships, and networks, creating sales channels, as well as other aspects of social enterprise management and operation.

It should be noted that most of these capacity-building support services are project-based, and may be terminated once funding ends; however, a few support service providers are providing capacity-building services for social enterprises as part of their regular work programs.

Topics of concern

The usual topics of concern when it comes to social entrepreneurship development in Macedonia are related to the following:

- social service provision for elderly citizens and persons with disabilities
- home care services
- cleaning services?
- creation of employability/employment opportunities for youth
- creation of employability/employment opportunities for Roma communities and women through active employment measures via the National Employment Agency
- provision of food, self-care, and employment opportunities for former alcohol/drug users
- provision of improved healthcare / mental care opportunities by the creation of small homes for persons with mental healthcare issues (deinstitutionalization)

Support structures for social entrepreneurship development

Social enterprises in North Macedonia face various obstacles and limitations in their operations. Because of that, in the ecosystem of social enterprises, there are various mechanisms and structures to support the development of social enterprises, which offer them various types of services for easier

establishment of new social enterprises, and to help the existing ones to survive, develop more easily and become self-sustaining. Most of these structures are established within the framework of foreign donor projects for support of social entrepreneurship in our country.

1. The Center for Social Enterprises was established in 2021 within the framework of the project "Support to social enterprises". It is designed to function as an incubator to support existing and new social enterprises, as well as civic society organizations that have economic activity. This center provides the following services to support social enterprises:
 - encouraging the ideas and principles of social entrepreneurship, stimulating social activity in the municipalities, and initiating and developing inter-sector local partnerships
 - development of professional skills for operating a business and managing social and environmental impact
 - raising awareness and supporting ideas and concepts for start-up social enterprises
 - support for strengthening the human, innovative and business potential of social enterprises
 - creating opportunities for mutual learning, networking and cooperation among social enterprises as well as between social partners and other stakeholders (business sector, municipalities, educational institutions, financial institutions, etc.)
 - support of the business activities and support for the creation of new jobs;
 - support of work reintegration activities;
 - strengthening of capacities for participation in public procurements;
 - promoting social enterprises and building partnerships between actors at the local and regional level
 - support for easier access to EU funds, loans, and other financial instruments for social enterprises
 - encouraging and creating cooperation with international and domestic financial institutions and other legal and natural persons, for the financing of social enterprises, in accordance with strategic plans and programs and
 - promoting other structures and instruments for the support of social enterprises.
2. The Social enterprises network of Macedonia (SEN) was established in 2019 and is a platform for communication and cooperation between different social enterprises, it advocates for an improved public image of the sector, it provides cooperation and multi-sectoral partnerships with other key factors at the national, regional and EU level. The main objectives for the establishment of this network are the development of businesses based on the criteria that define social enterprises and cooperation based on common values and principles that will protect social enterprises and their communities from corruption, failures and misuse of the term "social enterprise". SEN has about 40 members and 20 observer organizations, to which it provides support in the development of human resources, the establishment of common values and application of the operating principles on which social enterprises are based, and support for access to financial resources.
3. The International network for social entrepreneurship is an informal group of approximately 20 organizations from North Macedonia, Serbia, Poland, the Czech Republic and Hungary that work or want to work in the area of social entrepreneurship. ISEN was established in 2021 and its members are social enterprises, civic organizations, foundations and units of local government that wish to contribute to the development of social entrepreneurship in their countries and cooperate with each other to achieve this goal and provide sustainable development of the communities of which they are part of.

4. "Support to social enterprises" project. This project was implemented in the period between 2020 and 2023, it was financed by the IPA2 program of the European Union, and implemented by the international company Eptisa. The overall objective of the project was to support long-term and sustainable employment and business opportunities for vulnerable and marginalized groups. Within the project, they created a draft law on social enterprises, opened one national and seven regional centers for support of social enterprises, and provided ten grants to companies and civic associations for the establishment of new social enterprises. Furthermore, the project contributed to the improvement of the ecosystem of social entrepreneurship by raising awareness and informing the relevant legal authorities, companies and other stakeholders about the concept of social economy and the need for its development in North Macedonia.
5. Occasionally, some civil society organizations, as part of their program and project activities, carry out training, mentoring, and organize workshops to improve the capacities of existing and future social enterprises with knowledge in the field of business functions and the specifics of social entrepreneurship. These organizations sometimes also award grants to cover part of the costs of establishing and operating social enterprises, with funds received from specific donor projects financed by the European Union, its member states and other European states, as well as from the United States. This is the case with the civic associations CRPM, ARNO, NMSM, Hera and Konekt. Most of these services for support and capacity building are implemented within projects and there is a risk that they will cease after the end of funding, but some of the support service providers have included capacity building of social enterprises in their regular work program.
6. In addition to civil society organizations, there are small and medium-sized consulting companies and advisory centers, accelerators and hubs that have begun to offer support for building the capacities of social entrepreneurs and social enterprises. These legal entities have previously provided the same services to small and medium enterprises for the development of skills, practices and capacities from business and financial planning to accounting and marketing. In the past few years, because they were informed about the meaning and the potential of social entrepreneurship, they began to offer and adapt these services to social enterprises, as well as to individuals and organizations who want to establish new social enterprises. Their consulting activities, training and mentoring mostly cover topics important for the development of social entrepreneurship as well as starting or running a social enterprise, such as developing and testing business ideas, planning and managing business activities and impact, financial management, social enterprise management, raising funds, preparing offers of product and services, building partnerships and networks, creating sales channels and other issues related to the operation and management of social enterprises.

In addition to the above-mentioned structures for support of social enterprises, the draft law and the strategy for the development of social enterprises plan to establish new, additional mechanisms and structures for support, such as The national resource center for social enterprises, Fund for the development of social enterprises, Annual program for financial support and development of social enterprises, various types of other programs to support specific types of social enterprises, National council for social entrepreneurship and many others.

However, at the time of writing this report, all of them exist only on paper and are not functional. It remains to hope that one day these support structures will be established and they will contribute to

overcoming the gap in the development of the social economy that exists between the member states of the European Union on the one hand and North Macedonia on the other.

Local partnerships

Local partnerships are usually created on a short-term basis and in connection to the implementation of projects that are temporary in nature. What is thus missing in the country is a long-term vision and a more serious approach to local partnerships that would serve for the benefits of local communities. On the other hand, there is a lack of awareness and a higher level of responsibility on the side of political structures within municipalities to treat partnerships as long-term, time and energy investment that will eventually serve for creating social impact in own communities. Equally so, the lack of continuity within the municipalities in terms of human resources and their contacts with companies and NGOs make it more difficult to achieve long-term results and social impact.

In local cooperation, NGOs are expected to take the initiative and approach municipalities for project cooperation while municipalities have annual calls for small grants for NGOs which is the only opportunity to work together on a project basis.

What needs to be invested in is the following:

- increasing the role and responsibility of local municipalities in involving NGOs and social enterprises to cooperate
- increasing the role and responsibility of the Ministry of local self-governments to stimulate and encourage municipalities to cooperate with the NGO sector, social enterprises
- increasing the number of annual calls for cooperation between municipalities and NGO sector / social enterprises
- involving actively companies and the NGO sector in the local cooperation
- creating local action plans for the implementation of social entrepreneurship strategy and the SE law in preparation

Good practices related to tourism, elderly integration and deinstitutionalization

Tourism. As an example of a successful story of a social enterprise that has been working in Ohrid for the past 15 years, and whose main activity is providing tourist services, but with inclusive tourism, because their guests are people with disabilities, is the Protected company Hotel "Daljan" in Ohrid. The example is so much more interesting from a social aspect that half of the hotel's employees are hearing-impaired, and the entire staff speaks sign language. It is a catering and accommodation facility on the shore of Lake Ohrid that belongs to the National Union of the deaf and hearing impaired. Hotel Daljan is a resort for people with all kinds of disabilities, which also employs people with disabilities. This example of social innovation is interesting not only for the original concept but also for the innovative ways of communication within the hotel, where in addition to sign language, light signals also play a role in efficient functioning.

Their business model is, on the one hand, to employ people with disabilities, and on the other hand, to offer a pleasant vacation atmosphere where people with disabilities will not feel excluded, but will feel like any other person who is on vacation. The employees are very proud of what they have achieved, it takes a lot of work, dedication, energy, and a lot of love to truly understand the world of silence.

Because if you don't understand that world, you can neither work with people who face this disability nor create a real environment for rest. It takes much more than installing a wheelchair ramp to create an accessible environment for people with disabilities.⁵

Elderly integration. The health status of elderly persons and their attitude towards health not only burdens the healthcare system but also causes serious social and economic effects on the individual, family and community. Policymakers, therefore, have the need, on a local, national and international level, for science-based, active and healthy aging in the Republic of North Macedonia. The Strategy for demographic policy in the Republic of Macedonia, 2015- 2024, defines key priorities to improve active aging: improved health and social services, bringing public services closer to the elderly, ensuring the prerequisites for lifelong learning, active aging and intergenerational solidarity.

The National strategy for sustainable development, as harmonized with the UN's 2030 Sustainable development goals, the Health strategy 2020, as harmonized with the Europe 2020 Strategy, the Action plan for public health, and the National strategy for elderly persons 2010-2020, are merely a portion of the strategic documents in our country that have been prepared so far, setting the foundation of future policies in this area.⁶

The vision of the Strategy for elderly persons 2020 is to ensure improvements to the quality of life of the elderly in the Republic of Macedonia, that is, improvement of their socio-economic status, availability of environmental resources, and integration into the social environment, regardless of their gender, age, place of living and ethnic background, with respect to the right to freedom of choice, while the mission of the Strategy is to create an integrated and coordinated policy to protect the senior citizens, aimed at improving their social and economic status, enhancing social cohesion, stimulating and sustaining their independence, preventing their marginalization and social exclusion, and also developing and strengthening the public protection system

The Macedonian anti-poverty platform in the past years had joint activities with the United Nations Agency for population (UNFPA) about the prospects of active aging which included monitoring of the collective housing for the elderly and research about the situation and proposed suggested public policies for the improvement of the situation and better possibilities for citizens in their third age. Unfortunately, these activities have stopped because of the COVID-19 pandemic which brought increased health risks for elderly citizens.

The topic of elderly integration in North Macedonia has the following features that have a potential for the establishment and involvement of social enterprises:

- increase in the aging population
- need for improved healthcare and socio-economic integration
- increased need for state and private institutions for elderly people
- based on practical examples – low satisfaction with the living conditions and the treatment of the elderly persons
- overall reduced respect / growing discrimination of elderly citizens
- 3rd AGE University – has had activities of regular workshops for elderly citizens at ss. Cyril and Methodius University, before the recent pandemic affected their activities
- pensioners' clubs functioning in various parts of cities / national level – they organize excursions, hiking, and travel programs while the state provides limited free spa use programs for the healthcare of citizens

⁵ <https://centarsp.mk/hotel-daljan-odmoralishte-za-lica-so-poprechenost/>

⁶ http://studiorum.org.mk/evrodijalog/22/pdf/ENG/08_ANG_Kosevska.pdf

-still, a lot remains to be done to satisfy the needs of the elderly citizens and here we see the potential for the development of social enterprises to address those needs

Deinstitutionalization. The Association Humanost utilizes its daughter company - the social enterprise HumanaS which provides accommodation and social services to citizens with intellectual disabilities. Until 2018, these people with special needs were placed in a specialized institution in the town of Demir Kapija in the south of North Macedonia. Since that year, the process of deinstitutionalization began, in which HumanaS was involved.

This social enterprise takes over the residents of the home part by part and places them in small group homes located in rented houses in Demir Kapija for which the rent and utility costs are covered by HumanaS with financial support from the Ministry of Labor and Social Policy and foreign institutions. They also provide personal assistants, caretakers, food and hygiene products, and other kinds of social services to people with disabilities.

The social component is further strengthened by the fact that long-term unemployed persons and persons at social risk (women victims of domestic violence, single parents, young people and people from different marginalized ethnic communities) are employed in HumanaS. The company is run by experienced people - social workers and managers who have knowledge of non-institutional care, who started the idea in 2009 in the municipality of Aerodrom, transferring the experience from Hungary.

The employees are professionally trained and certified by the specially verified program for Humanost caregivers, all with the goal of providing quality and professional services in the user's home: home maintenance, assistance with daily activities, basic healthcare, ergonomic rules and procedures, psycho-social support and legal assistance. All these services are aimed at improving the health and psycho-social condition of the users to enable them to stay longer in their homes on their own. The caregivers, in addition to providing a professional service, are being guided by a special protocol and standards for providing a quality service oriented to the users and their families.⁷

Financial instruments

In the financing of social enterprises, according to the above-mentioned definitions of social enterprises, their own income, that is, the income from economic activities should have a main role. That is the essence of the social economy and social entrepreneurship. The income from economic activities includes income from the sale of own products, the sale of commercial goods and the provision of services. However, from the experience of countries with a more developed social economy, from the positive experiences of existing social enterprises in our country, and the negative experiences of former social enterprises that have gone out of business, it can be concluded that in the majority of cases, the income from economic activities is not sufficient for long-term self-sustainability of social enterprises. Therefore, there is a need for additional sources of funds and financial instruments that would provide part of the funds for the sustainability of social enterprises. Additional sources of income for the operational work of social enterprises can be the following:

⁷ <https://humanost.org.mk/humanas/социјално-претпријатие-хуманас/>

1. Loans and credits from commercial banks. These sources are quite difficult for social enterprises and civil society organizations to access, but are also high-risk for the social enterprises themselves due to the obligation to return the debt with interest, and are therefore used less often. There are practically no offers on the money and capital market designed to meet the specific financing needs of social enterprises for operating or expanding their business.
2. Grants for donor projects. In the working practice, there are several programs for support of various types of social enterprises from foreign programs and institutional donors, and the Fund for innovation and technological development occasionally awards grants to social enterprises.
3. Support in donations from citizens, other civic organizations, enterprises and institutions of the central and local government. This includes various smaller and sporadic donations, constant monthly financing of certain business activities of social enterprises, crowdfunding and provision of co-financing as a condition for obtaining grants from the previous item.
4. Other own income. In addition to the income from economic activity, social enterprises can also provide their own income from the lease of real estate and other property, intellectual rights, interest from money invested in banks, dividends from stocks and shares, and other similar kinds of income. These revenues can be used to cover part of the operating costs of the social enterprise.

As a special problem in the financing of social enterprises, there is a need to cover start-up costs, which is a one-time investment and it is necessary to provide it in advance so that the social enterprise can come to life and start working. These start-up costs appear as a threshold, that is, an obstacle to the establishment of social enterprises, and are of different amounts of funds that must be provided before the establishment of the social enterprise. The size of this initial investment depends on the type of economic activity and the volume of work of the social enterprise, and these funds are usually larger than in real (profit-oriented) enterprises because social enterprises, as a rule, have additional costs for providing better and suitable working conditions for its employees, their training, certification and increasing their working ability. Also, the revenue volume of social enterprises is decreased due to a variety of reasons related to their business concept, which increases the break-even point and makes the time required to achieve it longer, which is again reflected in higher start-up funds of the social enterprise to cover losses until it starts operating self-sufficiently. However, in North Macedonia, social enterprises are not, as a rule, founded by large companies that have enough capital to cover the start-up costs of the social enterprise, but rather by civil society organizations, informal groups, other non-governmental organizations, and vulnerable groups of citizens who most often appear in the role of founders of social enterprises. They do not have enough funds to cover the investment costs of establishing social enterprises by themselves. That is why financial instruments are needed to help potential founders at this stage.

The lack of appropriate financial instruments is one of the biggest obstacles to establishing and developing a social enterprise, as well as ensuring its sustainability and growth. In the process of developing social financial instruments, it is necessary to work on the demand side, i.e. to develop programs for the preparation of social enterprises for investments, as well as on the supply side, i.e. to work on the development of financial instruments that are suitable for the needs of social enterprises. Most social enterprises are micro or small enterprises with limited financial skills, resources and knowledge.

Some of the financial instruments to be developed are:

1. Developing a set of grant and loan instruments to assist social enterprises.

2. Developing instruments for sharing the initial losses
3. Encouraging investors to cooperate in the investment process and to co-invest in social enterprises.
4. Opening of microfinance networks and services to support small businesses and social enterprises.
5. Encouraging and rewarding community participation and investment in social enterprises.

In general, an increasing number of organizations in our country are starting to provide financial support for opening new businesses. However, these entities do not yet recognize social enterprises in their portfolio. On the other hand, financial institutions have taken only minor steps to improve access to financing for social enterprises. In general, the market in the country lacks innovative financial instruments. For example, there are no co-financing schemes with state funds, nor intermediaries that can help develop the relationship between providers of finances and social enterprises.⁸

These support mechanisms are included in the draft Law and the National strategy for the development of social enterprises. According to the legislators' assessment, for financial support of social enterprises, it will be necessary to provide financial resources from the Budget of the Republic of North Macedonia in the amount of 88,704,516 denars, or 1,442,341 euros annually.

The annual program for financial support and development of social enterprises should include:

1. Funds for start-ups
2. Funds for equipment and operational work for special forms of social enterprises
3. Grants for the development of social enterprises
4. Grants for social innovation
5. Co-financing of education and training
6. Technical support
7. Financial support for employment of persons at social risk

For a long time, there has been talking about the establishment of a fund for the development of social enterprises that would manage the above-mentioned financial instruments for support. It remains to be seen who will invest and who will manage such a fund to support social enterprises.

Other financial instruments that already exist in our legislation are:

1. Preferential tax treatment. The majority of social enterprises today operate as NGOs or as subsidiaries within NGOs. As such, they are exempt from paying corporate tax on profit, tax on total income, and tax on invalid expenses if they generate less than one million denars income from the economic activity per year.
2. Employment benefits. If social enterprises employ persons with disabilities, they have the right to be exempt from paying salary contributions for pension, health and social insurance. If they employ people with disabilities, members of vulnerable groups and other people who are non-competitive in the labor market, which is often the case with social enterprises, they are entitled to various types of subsidies in the amount of whole wages or part of the employee's wages for

⁸ https://www.mtsp.gov.mk/content/pdf/2021/trud/Strategija_socijalni_pretprijetija_2021_2027.pdf, page 19

a period of several months up to several years, through the active employment measures of the employment office.

3. Reserved contracts in public procurement. According to Article 29 of the Law on public procurement, state institutions have the right to reserve certain procurements only from suppliers where more than 30% of employees are persons with disabilities or members of vulnerable groups. In Article 123 of the same law, when procuring social, health and cultural services, state institutions may reserve contracts only for companies that meet criteria identical to those of social enterprises.

From an economic point of view, all these instruments represent real or opportunistic costs for the state or costs that are externalized at an international level. On the other hand, the operation of social enterprises will have a positive impact on existing social problems and their activities will cover a diverse spectrum of economic, social and environmental issues. Through the development of businesses that primarily act to provide social value and benefit, social enterprises can significantly contribute to achieving social cohesion, fighting poverty and increasing employment, improving the competitiveness of the economy, preserving resources, valuing cultural heritage and biodiversity, as well as improving the quality of life in general, which will contribute to the improvement of the situation of the state budget and other public financial assets. In that way, the social (along with the economic) benefits for the state are expected to more than compensate for the funds spent on the support and development of social entrepreneurship in our country.

Progress made since the last Visegrad project 2019 – 2022

As the Visegrad project partners from Poland, Macedonia, Hungary, Czech Republic since 2018 and Slovakia since 2022, it can be observed that the following positive changes have happened in the country, directly or indirectly related to or in synergies with the implementation of 2 Visegrad Fund supported projects:

- **SE law** – is in progress, close to adoption, expected in 2023
- **SE strategy** - adopted in 2022
- **SE regional centres** - established via the EPTISA programme
- **SE National centre** - established and opened in November 2020?
- **Macedonian NGOs for social entrepreneurship development** – SIEC, MISLA, ARNO, AHP, LJUBEZNOST cooperate and support each other in their work and together try to advance social entrepreneurship in the country, while also considering the formalization of the informal network while SOLEM will turn into a private company with its NGO activities put to rest for a period of time



Recommendations

In relation to the continuation of the Visegrad project activities, it is important to stress that the international partners from Poland, Slovakia, the Czech Republic, Hungary, and Macedonia have all agreed to promote social entrepreneurship in the future, with the following proposed steps in this direction:

- Visegrad project continuation, via the 3rd follow-up project, with joining Serbia into the project and later working on the promotion of social entrepreneurship in the WB region
- strengthening of the ISEN network/website updating via the follow-up Visegrad activities in 2023, potential formalization
- strengthening of the Macedonian network, potential formalization
- monitoring of the SE Law and SE strategy implementation
- promotion of the SE law and strategy on the local level
- continuation of the SE support centre in Skopje and a follow-up of the EPTISA project activities in 2023/2024.

ANNEX 1 – COUNTRY SPECIFICS

N. MACEDONIA

COUNTRY SPECIFICS 	• North Macedonia • Inhabitants: 1.836 million (according to the census in 2021) • Unemployment: 108 675 or a rate of 15% • Estimated number of social enterprises: app.130-400 (including cooperatives and protected companies) • Existing SE forms: associations, foundations, cooperatives, protected companies, self-employed individual entrepreneurs, companies as subsidiaries of NGOs; fields: work integration, personal social services, local development of disadvantaged areas, waste gathering and recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, agriculture, restaurant services consumer protection and amateur sports
VISIT PERIOD	• 2022
LOCATION	• Skopje region • Visited:
SE LAW	• Law on SE: there is no specific Law on social entrepreneurship, several versions of the draft Law are existing, but it is uncertain when and whether at all will a law on social enterprises be passed
LEGISLATION	• Other supporting regulations: The national strategic documents (government strategies 2012-2017 and 2021-2027 and action plans, in preparation), draft Law on social entrepreneurship (several existing versions), Law on Associations and Foundations, Law on Cooperatives, Law on Employment of Persons with Disabilities, Law on Public Procurement (no. 24/2019), Strategy for Cooperation of the Government with the Civil Society Sector (2012-2017), Law on Social Protection (reform on deinstitutionalization of social services providing)
LOCAL ENGAGEMENT	• Participation of local communities: the Ministry of Labor and Social Policy cooperates with the Association of the units of local self-government (ZELS) under the “Project for Improvement of Social Services”. Last year launching events were organized to inform the local authorities in detail about the opportunities for the development of social services, in accordance with the needs of the beneficiaries. Already few municipalities initiated the call and opened the floor for local actors to offer services and receive financial support
BENEFITS	• Benefits to local economies: for elderly persons, Roma citizens, long-term unemployed, former addicts, ex-prisoners, youth, differently-abled persons, persons with disabilities
GOOD PRACTICES	• Successful good practices: Solem - Handicrafts4U, Elderly care SEs Hera Nega Plus, Humanost-HumanaS, / Red Cross-Nega Centar, Association of Roma Cerenja, Stip, Romni - Nadez, Romski Mladinski Centar Metamorfoza, Pokrov Strumica, Kopce Red Cross, Lice v Lice, Public, National Network of SEs, Social Impact Award (Mladi Info / HUB Initiative), NGO ARNO- Green Ideas Award, In VIVO, AHP Prilep, Creative Macedonia-Esnaf, Hotel Daljan, Cooperative Dobra Zemja, Reto Nadez, Poraka Nasha

CHALLENGES	• Challenges: specific law on social entrepreneurship, implementation of the SE Strategy and Action plans; no certified register for social enterprises, creating definitions for social entrepreneurship and SEs criteria; lack of funding and specific SE loans; lack of collaboration between various stakeholders
FUTURE STEPS	• Future steps: adopting the SE Law, establishing a Support Centre for Social Enterprises, establishing in total 8 regional SE support centers, supporting social enterprises in terms of capacity building, marketing, creating pre-conditions for optimally using article 29, Law on Public Procurement social clauses, creating a certified SEs database; overall SE promotion and provision of benefits for financing and taxing of SEs

NATIONAL REPORTS ON SOCIAL ENTREPRENEURSHIP
HUNGARY

Social entrepreneurship in Hungary

Research on social enterprises has developed in the USA and Western Europe. As a “western term” it is important to see how it is understood in Central and Eastern Europe. Regarding historical developments, scholars point out the negative impact of the socialist legacy on the development of social enterprises in CEE. In Hungary, G. Fekete (2011) refers to distrust, the survival of paternalism and the devaluation of the concept of social solidarity, as part of the legacy of the state socialist past.

Social entrepreneurship definition

Concerning the present, recently an increasing number of social economy organizations refer to themselves as social enterprises. They often face difficulties in their daily existence due to various economic, legal, policy-related and other reasons.

The definition of social economy that is most widely used by public authorities is one that has been put forward by the European Commission. In the new Hungarian Partnership Agreement for the 2014–2020 Programming Period, support to social enterprises is explicitly mentioned, and an official definition is also given for the first time in a policy document; according to this definition, social enterprises are “those non-profit and civil-society organisations that have viable economic goals in addition to their social objectives; *the profit of their business activities is reinvested for social objectives; and they implement the principle of participatory decision-making in their budgets and organisational functioning*” (Ministry for National Economy 2015).

Social entrepreneurship strategy

One of the most critical social issues in Hungary is the exclusion of many disadvantaged groups from the labour market. Disabled, young and elderly people, Roma communities, people with low education, as well as women confront many barriers to access employment and sustainable income. Therefore, an important proportion of social enterprises have a labor inclusion or sustainable income related mission. The business model in many cases is the employment of disadvantaged groups and offering products and services designed to be produced by beneficiaries.

Another typical model is the increase of the employability of these groups through education, vocational training and job placement services. Also, there is a relatively high incidence of social enterprises with an environmental focus.

The expression “social enterprise” is more and more known in the country although awareness-raising around the term and sector is still a crucial issue. The concept is becoming more popular among accelerators, NGOs, start-up communities, academics and students.

- Yearly event for the sector (Social Enterprise Day – organized by NESsT) with growing interest.
- Within the last 5 years, for-profit social enterprises have also appeared and they have become stronger too.

Social entrepreneurship law

Currently there is no legal definition of social enterprises in Hungary.

- The following elements are found to characterize social enterprises: limits on distribution of profits and assets; independence from the government; principle of volunteering and self-activity; self-government and institutionalization.
- NESsT uses the term *social enterprise* to refer to a business that is created to address or solve a critical social problem in a financially sustainable (and potentially profitable) way.
- Although non-profit organizations started to show a growing interest in the self-financing and social entrepreneurship model, the concept still sounds unfamiliar to many people. One reason is that Hungary is still characterized by the rigid segregation of the non-profit and business sectors, ignoring social enterprises operating in both fields. Due to the lack of legal framework of social enterprises in Hungary, there are no comprehensive statistics. NESsT estimates that, according to its definition, there are 300-400 social enterprises in Hungary.
- Yet, in practice there is an existence of social enterprises in Hungary; however, they are relatively new. According to the SELUSI Network report, their average age is 15.9 years and a half of those organizations are 13 years old or younger. However, organization NESsT, according to its own stricter definition, considers that the first social enterprises appeared only some 16 years ago, so the average age is much younger.
- Half of the social enterprises in Hungary are small (1-10 employees) and only 12% has above 1M € revenues.
- Strong governmental intentions to strengthen certain types of social enterprises, but unfortunately these programs are linked mainly to one single legal form: social cooperative. The majority of EU Funds directed to the development of social economy were used to support social enterprises, but some social enterprises were able to use grants under priority areas other than social economy of the EU Funds to launch or expand their activities.

Types of social enterprises

Social enterprises in Hungary can function either in non-profit legal forms (e.g. foundation, association, non-profit business association etc.) or in for profit legal form (e.g. social cooperative).

- Social enterprises functioning in non-profit legal form can only carry out business activities in a complementary manner. Those social enterprises which have a special public benefit status may enjoy some discounts or exemptions from taxes, duties and customs.
- The business activities are regulated in different legal norms which are sometime inconsistent and the related concepts are unclear.

Key context dimensions for social entrepreneurs

- In Hungary, there is still no specific infrastructure or public support system to promote the creation and development of social enterprises, and no special legal form or official certification existing for social enterprises.
- The unpredictability of the regulatory environment makes it more difficult the creation, functioning and development of social enterprises.
- The business activities of social enterprises functioning in a non-profit form can only have a secondary character; therefore, its total annual revenue from the economic and entrepreneurial activity cannot reach or exceed 60% of its total annual income.
- Generally, people trust the non-profit sector in Hungary although the lack of transparency and the weak financial management which characterizes the sector can, at times, negatively affect this social perception.
- The social perception of economic activities carried out by non-profit organizations is characterized by rejection: the majority believes that non-profit organizations should not carry out this kind of activity at all. However, lately, as the concept of social enterprises has become better known, the rejection is gradually decreasing.

Topics of concern

Based on various reports, including the report called *Social Enterprises and Their Eco-systems in Europe – Country Report Hungary, Kiss, Juliana, Mihaly, Melinda*, the Hungarian social enterprises whether in a form of an association, foundation, cooperative or a non-profit organization, focus on culture, sports, hobbies, social services provision, community and socio-economic development, education, integration of marginalized groups, social work, food and accommodation services, real estate activities, transportation, healthcare etc., just as is the case with other partner countries.

Support structures for social entrepreneurship development

Corporate Social Responsibility is increasing in Hungary but private companies have provided no significant sources for non-profit social enterprises.

- The majority of the sources of the non-profit sector still comes from the state (European Union funding included, i.e. Norwegian and Swiss Funds): central budget, local government budget, 1% of taxpayers' income tax and operational and project support of the National Civil Fund.
- Hungarian social enterprises are financing their activities from the following sources: 1) Fees for services or sales of products; 2) Investors' capital (equity); 3) Loans; 4) Grants; 5) Private donations; 6) Microfinance; or 7) Other. Sales and/or fees (38%) and grant finance (36%) are the most important sources of capital.
- As social enterprises are mainly unknown to the Hungarian political actors, there is no state support system to stimulate the concept of social entrepreneurship. Those social enterprises which function as non-profit organizations, due to their legal status, are excluded from the economic development tenders designed for small and medium-sized enterprises.

- Social enterprises have realized the importance of diversifying revenue streams.

What could be perceived as some of the major support structures in terms of legal documents are the following measures, according to the report *Social Enterprises and Their Eco-systems in Europe – Country Report Hungary*, Kiss, Juliana, Mihaly, Melinda):

Act on Public Procurement (143/2015), work integration subsidies from the central budget (also including people with disabilities), the National Cooperation Fund, created by the National Civic Fund Act (50/2003), 1% Act from Personal Income Tax, Szechenyi grants and tenders (EU grants and additional domestic financing), Promotion of Social Enterprises Programme (EDIOP calls) etc.

Financial instruments

Support schemes and programmes connected to social enterprises in Hungary have mostly been co-financed through the EU Funds, such as various EU pre-accession funds before the accession and certain operational programmes and community initiatives after the accession, focusing mainly on the labour-market integration of vulnerable social groups and local economic development in the disadvantaged areas. Certain initiatives fostering the development of social economy were financed by the state budget as well.

As of now, the main public funding schemes available are specified in the new Hungarian Partnership Agreement, where the term “social enterprise” appears beside those of “social economy”, “transitional employment” and “sheltered employment”.

Operational models

Operational models describe how social enterprises align social and economic value creation.

1. Employment model
The organization provides employment opportunities and job training to its target population or people with high barriers to employment.
2. Cooperative model
The organization provides direct benefits to its target population or clients through member services: market information, technical assistance, collective bargaining power, economies of bulk purchase, access to products and services, etc.
3. Market intermediary model
The organization provides services to its target population or clients, usually small producers to help them access markets.
4. Entrepreneur support model
Similar to the market intermediary model, the organisation sells business support and/or financial services to its target population or clients, which are self-employed individuals or firms. Its mission centres on facilitating the financial security of its clients by supporting their entrepreneurial activities.
5. Fee for service and/or product model

The organisation commercialises its social services and/or products, and sells them directly to the target population or clients, individuals, firms, communities, or to a third party player.

6. Low-income client model

The low-income client model is a variation of the fee for service and/or product model. The organisation designs and sells services specifically to low-income clients.

7. Service subsidisation model

The organisation sells products or services to an external market and uses the income it generates to fund its social programmes. Social and business activities may only align weakly.

8. Organisational support model

The organisational support model is similar to service subsidisation model, but the business activities are separate from the social programmes through different legal entities.

Local partnerships - Experiences of the Commune Refvulop

Tapolca region has 2 cities and 31 municipalities with a total number of 34.700 inhabitants. The total area of the region is 540 km². Social enterprises are becoming more and more recognized across Hungary, and there is a growing interest towards such initiatives in this region as well however the Municipality of Révfülöp has no means and staff to develop contacts with other social enterprises in Hungary. Municipality of Révfülöp does not have or perform social program of its own. Furthermore, the legislative background determining the activities of local municipalities does not allow direct allocation of resources for this type of activities.

This is why the municipalities in this region created an association to which the experts of the members are invited to establish joint programmes. The short introduction to the association is the following: Association of Municipalities of the Tapolca Region, Hungary

The Association was established in 2014 by 31 municipalities of the region – including Révfülöp. Its legal background based on the Local Municipality Act from 2011. The main aim of the Association is to support its member municipalities in executing social tasks, such as social catering, domestic support of elderly and those in need, family and children care. The Association supervises, organizes and operates the activities of the Balaton Upland Regional Health Care System.

The program and the activities of the Association is annually decided by consensus of its members. There are three sources of financing the Association: appropriations from the central government according to the Act mentioned above, contributions of the member municipalities as allocated in their annual budget, furthermore donations and successful domestic project applications.

Progress made since the last Visegrad project 2019 – 2022

In 2022, the municipality of Révfülöp established cooperation with the Veszprém Megyei Éfoész organization, which successfully develops activities for people with disabilities, including a housing and social employment program. Thanks to this cooperation, which was established under the influence of the partnership and the ISEN network, the inhabitants of the commune will be able to successfully use the organization's activities, which will improve their social status, and people with

disabilities will be able to take advantage of various activation, rehabilitation and professional programs.

Recommendations

Based on the situation and the SE development in Hungary as and the connection with the current Visegrad project ***Building Bridges – Social Entrepreneurship as a Tool for Economic Empowerment***, a following set of recommendations can be provided:

- Seek international and local partnerships for social economy
- Involve other local partnerships in the new Visegrad follow-up project to come in 2023/2024 in order to exchange good practices and to motivate them to become a part of the ISEN network
- Invest into capacity building/human capital in terms of SE development
- Introduce social entrepreneurship more substantially into the local system of social protection
- Involve local society into activities of those social economy entities which already exist
- Introduce educational programmes in application practice, as well as programmes and disciplines at the level of secondary school / higher education levels, incubators and training centres are also suitable for acquiring business skills
- Improve the image of SE by promoting positive examples and good practices

ANNEX 1 – COUNTRY SPECIFICS

HUNGARY

COUNTRY SPECIFICS Hungary 	Inhabitants: 9.604.000 Unemployment rate: 3.8 % (Nov. 2022) Inflation: 25,7 % (Jan. 2023) Estimated number of social enterprises: n/a Existing SE forms: associations, cooperatives, social foundations in support of employment of disadvantaged and their families as well as providing social services
VISIT PERIOD	17/18 – 19/21 August 2022
LOCATION	Révfülp, Tapolca, Ábrahámhegy – Balaton region
SE LAW	Act III (1993) on Social with amendments
LEGISLATION	various level legislative measures in support of implementation of the Act III on Social Welfare
LOCAL ENGAGEMENT	Participation of local communities: mostly depending on the budgetary situation of the given municipality and the activity of the volunteers in the community. Regional coordination among municipalities is required to reach the level of application of assistance from the central budget.
BENEFITS	Benefits to local economies: for elderly persons, the long-term unemployed, former addicts
GOOD PRACTICES	Successful good practices: support of minorities, the elderly, tourism, municipality level
CHALLENGES	Challenges: rejuvenation of social welfare system, including the definition of a social entrepreneurship system
FUTURE STEPS	Future steps: act locally and regionally, make coordinated regional efforts to reach support from the central budget



NATIONAL REPORTS ON SOCIAL ENTREPRENEURSHIP CZECH REPUBLIC

CZECH REPUBLIC

Social entrepreneurship definition

The definition is created by TESSEA Czech Republic based on a definition of EMES. TESSEA is a national network of social enterprises and it prepared the definition of social entrepreneurship which is generally used in the Czech Republic.

SE definition: Social entrepreneurship are entrepreneurial activities that benefit society and environment. Social entrepreneurship plays an important role in local development and often it creates work possibilities for people with disabilities, social or cultural disadvantages. The profit is in its most part used for further development of social enterprise (SE). For SE is of the same importance to reach a profit as to increase the public good.

Definition of social enterprise (SE): SE is according to TESSEA „a subject of social entrepreneurship” which means it is a legal entity created according to private law or individual that fulfills the principles of SE. SE fulfills public benefit goal which is formulated in founding documents. It arises and develops on the concept of so called 3 benefits – economic, social and environmental.

Definition of work integration social enterprise (WISE): It is a „subject of social entrepreneurship”, it means a legal entity established according the private law or individual that fulfill principles of WISE. WISE fulfills public benefit goal which is employment and social inclusion of people who are disadvantaged on the labour market. This goal is formulated in founding documents. It arises and develops on the concept of 3 benefits – economic, social and environmental.

There are 18 indicators of SE and 20 indicators for WISE.

Social entrepreneurship strategy

In the Czech Republic there is no separate strategy for the development of SE, but the strategy is included in the strategic documents on regional basis or SE is included into broader strategies such as the Strategy on Employment Policy, Strategy on Roma Inclusion, Strategy on Homelessness Reduction, Strategic Framework of Sustainable Development 2010-2030. Since 2014, there is a continual strategy of development of SE through the use of European Structural Funds both in investment and operational level.

Social entrepreneurship law

There is no specific law on SE. Existing SE are run according to the standard Czech legislation on entrepreneurship, employment, labour code and so on.

There is a Law on employment Nr. 435/2004 Coll. which defines conditions for employment of people with disabilities. Through the active employment policies, it defines incentives and compensations for employers who employ people with disabilities in so-called sheltered working places. The Law on employment also defines conditions for work rehabilitation activities which are organised by Job Offices, but often in collaboration with SE. Since the last Visegrad project, there are no changes regarding the legislation.

Types of social enterprises

As mentioned above, there are the following basic types of SE – general SE and WISE (Work integration SE).

The main areas of social entrepreneurship are in providing various types of services, in production of goods and food, in assembly work, cultural activities, environmental activities and agriculture.

The SEs can be run in several legal types that are available in the Czech Republic according to law:

Business types:

Osoba samostatně výdělečně činná (OSVČ) – Individual entrepreneur

Společnost s ručením omezeným (s.r.o.) – Limited liability company

Akciová společnost (a.s.) – Joint-stock company

Veřejná obchodní společnost (v.o.s.) – Public trading company

NGO types:

Spolek - Association

Zapsaný ústav – Registered institution

Evidovaná právnická osoba- Registered Legal Entity established according to Law on Churches

Sociální družstvo - Social cooperative

Topics of concern

Incentives for employers of people with disabilities within an active employment policy and its adjustments (increase) based on the increase of minimum wage – since 2019 there has been a significant increase in minimum wage in the Czech Republic, but the compensation incentives for employers of people with disabilities were not increase adequately. This creates a disproportion between the legal obligation to increase a wage and an amount of public support for employers who employes people with disabilities in SE or sheltered working environment.

Socially responsible public procurement – possibility for SE to participate in tenders on local or regional level and special conditions for SE in procurement processes. This attitude is based on European legislation Regulation of European parliament and the Council 2014/24/EU, on public procurement. SE can have special conditions within the public procurement as they are employers of people who are disadvantaged on the labour market. These principles are not fully implemented in the Czech Republic.

Sustainability of SE after finishing the support from European Structural Funds or other public financing schemes (national donations, regional donations).

Missing SE strategy and legislation together with a SE legal form

Support structures for social entrepreneurship development

On the national level:

Ministry of Social Affairs supports a development of SE through projects on SE development (financed by the ESF) and it runs a webpage www.ceske-socialni-podnikani.cz which puts together good practices, information and database of SE. Since December 2021, the Ministry run European funded project on SE development.

Within the project, a platform has been created of SE counselors who are available regionally and are ready to help new SE or support existing SE with information and consultation. The Ministry of Social Affairs is also an administration body for European Structural Funds and the operational programme on social entrepreneurship. In the Czech Republic, there is availability of European funds for 2021 – 2027 to support investments in the infrastructure of SE and to support new SE development in the Czech Republic via subsidies on running costs. The project period is for max. 3 years.

TESSEA- a nation-wide association of SE provides space for exchange of good practices on national level.

On the regional level:

There is a process of creating regional platforms and associations to support SE in the regional scope, with an example from the Moravian-Silesian Region:

SINEC – Cluster of social enterprises from the Moravian-Silesian Region was established in 2013 as an initiative of several already existing SEs. It provides space for innovation and exchange of good practices, support for new SEs, development of the topic of SE on the regional level. It is in close collaboration with the Regional Office of the Moravian-Silesian Region and a Memorandum of collaboration between the Regional Office and cluster has been established. Based on this memorandum, a subsidy programme has been created with a financial support of Regional Office of the Moravian-Silesian Region. Every year, social enterprises (members of the cluster) can apply for financial support of up to 600 000CZK (24 000 Euro) for the development projects in SE.

Local partnerships

There are some initiatives on the local level to support SE – it is visible mainly in the environmental or agricultural activities where partnerships among SE, another NGO's, local enterprises and local municipalities are created to support local life. There are also experiences in creation partnerships between the SEs and common businesses (example of ERGON-social enterprise and STEELTEC company).

There is also a development of local partnerships through so-called MAS – Local Action Groups – these initiatives put together local private and public entities, NGOs, social service providers and local municipalities to work together on the topics for the development of rural regions (villages and small towns in the local community). Some of them are supporting social entrepreneurship development in their strategies for 2021 – 2027.

- Good practices related to tourism, elderly integration and deinstitutionalization (1 good practice per topic)

The mentioned good practices are related to the Moravian-Silesian Region of the Czech Republic.

Tourism and elderly integration:

<https://www.regionalni-znacky.cz/gorolsko-swoboda/cs/o-znacce/>

Gorolsko Swoboda – association of regional trademarks for products that are made by the traditional processes and have a relation with the Western part of the Beskydy mountain region. The coordinator of the project is a local group within a Polish association in the microregion of the Beskydy mountain. The idea of the project is also to preserve traditional productions and regional traditions itself. The association consists of several businesses where also elderly people and their skills are included. Regionally, the project is spread to the Polish border region of the Beskydy mountain, so it has an international scope too.

Deinstitutionalization and inclusion of people with disabilities:

www.chrpakrnov.cz

CHRP – a social firm of the Slezská diakonie from the Moravian-Silesian Region (Krnov) – WISE – provides working places for people with disabilities in the field of production of decorative items. It was established in 2008 as a reaction on the deinstitutionalization processes in the Moravian-Silesian Region to provide working places for people who started their lives out of the institutional care.

www.ergonsp.cz

ERGON is a WISE in the Moravian-Silesian Region (Třinec) which provides working possibilities for more than 250 people with disabilities. It is focused on assembly work of garden tools in 4 assembly halls, on packaging of vitamins, laundry and cleaning services. It enables people with various types of disabilities to live independently thanks to working inclusion. It also provides counselling service for indebtedness.

There are a lot of WISEs which provide support to people with disabilities within a process of DI in the Czech Republic. There is a process of DI in psychiatric care running since 2016 which has brought new challenges for development of SE and working places for people with mental health issues.

Financial instruments

There are financial instruments within the active employment policies (Law on employment) for employers of people with disabilities §§67 – 84, for example:

- Payment contribution on establishing workplaces for persons with disabilities
- Payment contribution on running costs for the employment of persons with disabilities
- Payment contribution for employment of people with disabilities within sheltered workplaces (employers who employ more than 50% of people with disabilities)
- Payment contribution on work rehabilitation

Tax policy is led by the standard legislation.

Progress made since the last Visegrad project 2019–2022

There are no significant changes within the SE development in the Czech Republic.

Recommendations

- to develop a strategy on SE in the Czech Republic
- to support SE within a public procurement on the local and regional level
- to create more partnerships on the local and regional levels for support of social inclusion of people who are disadvantaged within the labour market or in a society in general
- to increase payment contributions for employers of people with disabilities in line with an increase of minimum wages
- to support SEs in times of crisis (costs of energy increase, inflation and reduced markets)
- to continue with the exchange of good practices from various fields of work of SEs

ANNEX 1 – COUNTRY SPECIFICS

CZECH REPUBLIC

COUNTRY SPECIFICS 	• Czech Republic • Inhabitants: 10.69 million • Unemployment rate: 2.6% • Estimated number of social enterprises: 300; 156 social enterprises with 276 establishments • Existing SE forms: the most common legal forms are: limited liability company 53%, public benefit company 16%, association 10%, cooperative 8%; 95% work integration SEs; 53% micro enterprises, 34% small and 13% medium-sized enterprises. The most common area of business is trade 31%, food production 22%, other production 22%, promotional and gift items 21%, food and beverage services 20%, greenery maintenance and technical services 20%, cleaning services and products 20%.
VISIT PERIOD	• November / December 2022
LOCATION	• Visited: ERGON / STEELCO COMPANY; Moravian-Silesian Region (Třinec)
SE LAW	• Law on SE: no specific Law on social entrepreneurship; SE bill exists in several revised versions, not yet agreed.
LEGISLATION	• Other supporting regulations: Public Procurement Law with reserved contracts is currently used; SE included in National Reform Programme 2014, Strategy of Regional Development 2014-20, Strategic Framework of Sustainable Development 2010-30, Strategy of Employment 2014-20, Strategy of the Support of Small and Medium Entrepreneurs 2014-20, Social Inclusion Strategy 2014-20; Strategic Framework of Sustainable Development 2010-30, Strategy of Employment 2014-20, Strategy of the Support of Small and Medium Entrepreneurs 2014-20, Social Inclusion Strategy 2014-20, Policy Statement of the Government of the Czech Republic 2014-17, Partnership Agreement 2014-20, National Plan for Development of Equal Opportunities for Persons with Disabilities 2010-14, Strategy for Combating Social Exclusion 2011-15, Roma Integration Strategy until 2020
LOCAL ENGAGEMENT	• Participation of local communities: only to some extent
BENEFITS	• Benefits to local economies: for elderly persons, long-term unemployed, former addicts, people with disabilities, others (e.g. asylum seekers, migrants, people over fifty years of age), youth / young adults in difficult situations

GOOD PRACTICES	• Successful good practices: National SE network TESSEA, Ministry of Labour and Soc. Affairs network of consultants, Social Impact Award, Best Entrepreneur Award; there is some support by the local action groups and grants but it is mostly closed now; social farming (social workers and farmers cooperations); Association of social farming in CZ, project Social Farms in V4 countries; further, positive trends are: bottom-up approach, community initiatives, people from the NGO sector improve their business skills, growing cooperation in regions, more interest in socially responsible public procurement, growing awareness of responsible way of life incl. responsible purchasing
CHALLENGES	• Challenges: no specific law on social entrepreneurship; no certified register for social enterprises; lack of funding; additionally, the negative trends are: the lack of broader political support, missing SE strategy / an action plan, little public recognition of SE, lack of public money for SE ecosystem, support structures are not financed from public funds, high bureaucracy
FUTURE STEPS	• Future steps: lobbying and advocacy to achieve more support for SE, develop SE strategy and use the Polish model of OWES centres in Czech Republic



NATIONAL REPORTS ON SOCIAL ENTREPRENEURSHIP SLOVAKIA

This report is based on the findings of the project

BRESE - Border Regions in Europe for Social Entrepreneurship

Analysis of the state of social entrepreneurship in Slovakia

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SLOVAKIA

Social entrepreneurship definition

Slovakia has various legal forms, predominantly NGOs that can be called or perceived as social enterprises. They can be related to various social causes such as environmental protection, energy efficiency, creative industry etc. Their registration is not compulsory within the current legislative framework, unless it is based on the WISE model. This means that some social enterprises have registered as such and others are not officially registered but do perform social economy activities.

Based on the BRESE project report, Slovakia used the WISE model for social entrepreneurship when the *Employment Services Act no. 5/2004 Coll* was established in 2014. At the time, it referred only to social enterprises focusing on work integration practices.

In practice, they also use the term “social economy subject” based on which civic associations, foundations, non-investment funds, public benefit organizations, religious organizations, trade companies, cooperatives and proprietors can be perceived as social enterprises and are considered as such if they:

- a) *are not mostly or fully financed and managed by the state;*
- b) *perform activities pertaining to an area of the social economy (i.e., their main objective is to achieve positive social impact);*
- c) *are not-for-profit or the profit is used for purposes of achieving a positive social impact.*

An entity performing social economy activities is a social enterprise under the condition that:

- a) *it performs economic activity systematically, independently, in its own name and on its own liability,*
- b) *its main objective is to achieve a measurable positive social impact,*
- c) *its achievement of positive social impact is done through goods or services, which it produces, supplies, provides or distributes, or contributes to the method of manufacture or provision,*
- d) *it creates a profit from its activities, uses more than 50% of the profits after tax for achievement of the main objective as referred to in point b), or it distributes part of the profits under the Commercial Code, divides it according to the procedures and rules that do not disrupt the main objective as defined in point b),*
- e) *it involves stakeholders in the management of its economic activities.*

The BRESE report further states that:

The SEaSE Act further distinguishes between a social enterprise (mentioned above) and a registered social enterprise, which is established on the basis of an application. The status of a registered social enterprise can be granted to social economy entities in the areas of: WISE (integrated social enterprise), housing social enterprise and other registered social enterprise, if it achieves a greater positive social impact than an entrepreneur who performs a similar activity for profit.

Social entrepreneurship strategy

Even though there is no official national strategy document on social entrepreneurship and that the concept of SE is still in its early development stages, it can be said that some significant progress has been made in terms of legislation acts and in terms of education system that integrates courses on social entrepreneurship into higher education.

Despite the fact that social entrepreneurship efforts can be challenging and sometimes short-term, the pioneers of SE in the country perceive the legislation ACT from 2018 as something positive commenting that *the adoption of the SEaSE Act in 2018...is a kind of "milestone in the development of social entrepreneurship" while business entities still perceive it as a "burden" (to develop business with social impact) rather than an "honour of doing socially beneficial work"*.

Another positive step in SE development is the project called Institute of Social Economy which has established regional centres for social economy, which is a similar model to the one existing in Macedonia, which was established within an EU-funded project called **Support to Social Enterprises**, and EPTISA implemented from 2020-2023, with the main support of the Barka Foundation from Poland, that is also one of the main Visegrad project partners. Both the Centre in Macedonia and in Slovakia provide trainings, capacity building and counselling to various entities willing to develop social entrepreneurship.

An additional positive aspect of SE development in Slovakia is the introduction of SE education at universities, including the statement on social economy in the programme of the new government.

Above all, the SE development can be a great contribution to reducing unemployment in less deprived regions of the country and for socio-economic integration of marginalized groups, especially the Roma communities.

Social entrepreneurship law

As mentioned above, Slovakia has seen the establishment of 2 important legal acts that have given a good foundation for the development of social economy, namely:

Act no. 112/2018 Coll. on social economy and social enterprises (The SEaSE Act), adopted in May 2018 and the Employment Services Act no. 5/2004 Coll. Which narrowed the term 'social enterprise' only to enterprises associated with the work integration structures.

As the BRESE report notes: *this narrow definition of social enterprise to only one type of social enterprise (WISE) altogether with not very successful program of "pilot social enterprises" from 2008 led to the changes in the Act on Employment services in 2015. This amendment extended the definition of social enterprises, but this was not sufficient to boost the number of registered social enterprises. In 2018, the SEaSE Act accommodated social enterprises to the context of the social economy, introducing a new term "social economy subject" recognizing any civic associations, foundations etc. as social enterprises.*

Types of social enterprises

As social enterprises are in their early development stages, they do face various challenges, as is the case with Macedonia and other Visegrad countries.

The challenges of Slovakian SEs can be named as follows:

- *Lack of understanding and awareness on social entrepreneurship* - due to some former unsuccessful projects from 2008 whereby the public funds were misused. SEs are usually connected narrowly to the work integration issues and marginalized groups integration while their scope of operations is much wider than that.
- *Lack of self-recognition* - social enterprises do not always identify as such, even though they have all the characteristics of social mission and social impact but miss to always use business principles in their work.
- *Lack of visibility / promotion* – wider public needs to have a better picture of their objectives, with the support of universities, students, media, local municipalities and companies.
- *Lack of business skills* – which means that the current SEs have to work on the improvement of their customers' service, production and sales management etc.
- *Lack of education* – in schools and universities, including the lack of research that would be needed to improve the position of social enterprises in the country.

While there were many more organizations in the social entrepreneurship sector that may be categorized as social enterprises, only the WISEs based on Act 5/2004 on Employment Services were taken into consideration before to 2018 as registered social enterprises. Only 13 of the 106 registered WISEs were still operating in 2018.

Seven new social enterprises were established in June 2018 as a result of the passage of Act No. 112/2018 Coll. on social economy and social enterprises, which has expanded the WISE's purview. There were 149 social enterprises that were officially registered as of June 2020. Still, there are many other organizations that fall under the description of social entrepreneurship but operate beyond the bounds of the law. Their precise count is unclear.

Currently, cooperatives, municipal businesses, agricultural social enterprises, and some types of non-governmental organizations are seen as social enterprises if their primary goal is to help underprivileged people get ready for the job market. Social enterprises also include work integration entities such as sheltered workplaces.

Topics of concern

As with other Visegrad partner countries and Macedonia too, social enterprises tackle the following general topics of concern:

ageing population, high unemployment, poverty, socio-economic integration of marginalized groups, including Roma and the general need for social services provision.

These topics are translated into the following growing sectors or activities, as stated by the BRESE report:

construction (102 social enterprises), wholesale and retail trade (63), agriculture, forestry and fishing (33), accommodation and food services (23), gardening (18), education (15), health and social work activities (9), and laundry services (9). Some of these sectors belong to the top 5 sectors of the Slovak economy in terms of added value: wholesale and retail trade, construction, public administration, education and healthcare, transport and storage together with accommodation and food services, these industries create slightly less than a fifth of the added value in Slovakia.

Support structures for social entrepreneurship development

Support structures in the country are designed to function both on the local and national levels and the legal framework is one of the basic supporting pillars of SE development.

For example, the main objective of the Act no. 112/2018 Coll. on the Social Economy and Social Enterprises is to *legislatively regulate the social economy sector and create suitable conditions for a support system that is socially acceptable and fully complies with rules of the state aid.... Due to the recent adoption of legislation, there has been no need for any national strategy for the development of the social entrepreneurship as such.*

Other national documents introducing the social entrepreneurship concept with the focus on the reduction of unemployment are:

the National Framework Strategy for Promoting Social Inclusion and Combating Poverty which includes support for innovative programs aimed at increasing employment (especially in marginalized Roma communities) at the local level through social and municipal enterprises, the National employment strategy of the Slovak Republic until 2020, which has a chapter on the development of the social economy as an innovative tool for support of regional and local employment. The chapter focuses on the development of the social economy using public support in three areas: legislative, financial and infrastructure. The Action plan to strengthen the integration of the long-term unemployed into the labour market in the Slovak Republic among the main objectives states "to support the creation of social enterprises, including a functioning environment for their start-up and operation, which can be a key source of jobs for long-term unemployed."

Regional centres of social economy functioning under the *Institute of Social Economy* are another support structure for the development of social entrepreneurship, joined by various entities such as job agencies, social enterprises etc (within a brand "Dobrý kraj" (Good region - Development agency, Development services, Job agency, Agro-tree ecosystem while Dobrý kraj aims at creating synergies between various stakeholders in order to enable supply and demand chains and sustainability.

There are numerous incentives to foster social entrepreneurship in terms of the support measures. Only the integration social enterprise is eligible to receive the two types of allowances allowed under the Act on Employment Services. The purpose of the so-called placement allowance is to encourage the integration social enterprise to provide its employee, a person from a disadvantaged background, a job or help them find a job within a regular job market.

The second kind is a compensating allowance meant to encourage the employment of marginalized groups in integration businesses. This allowance can be used to cover wage costs and additional costs related to hiring individuals who are underprivileged due to their health issues, including the expenses connected to helping employed disadvantaged individuals.

The investment aid by the SEaSE Act includes financial and advisory support in the terms of financial instruments (returnable, non-returnable or combined), grants for officially recognized social companies, real estate sales or leases at a discount from the property's market value evaluated by an expert, and income tax exemptions.

Socially responsible public procurement was formed by the amendment to Act No. 343/2015 on Public Procurement Coll., which allows for the direct award of an under-limit contract to a registered social company. There is also a quota system in place as of 1 January 2020, which requires each contracting authority that conducts more than 10 public procurements yearly to incorporate social aspects in at least 6% of their procurements. In practice, the parameters and methodological rules are still not precisely defined.

Service vouchers, which are bonds issued by the Ministry of Labour, Social Affairs and Family (MLSAF) and can be used to pay for the services rendered by recognized social businesses, are another form of incentive. A service voucher costs 10 euros and covers gardening and housekeeping tasks, while the precise list of services is dependent on the social enterprise's pricing strategy.

Based on the SEaSE Act, contracts can be given to registered social enterprises in order to meet the required percentage of employees with disabilities. Employers with more than 20 employees are required by the Act on Employment Services to hire individuals with disabilities. If companies do not hire people with disabilities, they must make up the difference by paying a fine or giving a contract to a sheltered workshop or a social enterprise that is registered with the state. Only integrated social enterprises that employ individuals with impairments can consider this option.

Awareness raising is done by the Green Foundation and the Slovenská sporiteľňa bank that have established the Academy of Social Economy in order to bring closer the business and social sectors and to contribute to the development of social entrepreneurship while the Institute of Social Economy is managed by the Implementation Agency of the Ministry of Labour, Social Affairs, and Family (IA MoLSAF), and it includes the management of socialnaekonomika.sk, a website that offers news, education, and other information on social entrepreneurship and social economy.

Various awards are given for social enterprise initiatives, such as the SozialMarie Award for social innovations or Roma Spirit, which supports social enterprises with positive impact on the marginalized Roma communities, joined by the start-up awards, such as Impact Hub Bratislava or Rozbehni sa/Get started (Uni2010, civic association). Students are also encouraged to innovate social impact business ideas.

Local partnerships

Apart from the local and national partnerships involving municipalities, social enterprises, job agencies and companies, it is important to strengthen international cooperation.

In this respect, cross-border cooperation with neighboring countries such as Poland, Hungary, Ukraine, Czech Republic, and Austria is crucial and is related with exchanging good practices on socio-economic integration and improved EU integration processes.

The collaboration is based on INTERREG and the Small Project Fund (SPF) projects aimed at the improvement of the socio-economic situation in the cross-border regions with plans to give more priority to the topic of social entrepreneurship in the years to come.

On one hand, cross-border social enterprises share a set of similarities and challenges in terms of socio-economic empowerment, while on the other hand, they differ in terms of national legislation so learning from each other's experiences and good practices will serve to an increased overall development of all countries involved.

Good practices

Several good practices in the field of housing, IT services, free of charge counselling have been described in the BRESE project report, while several of the have been taken into consideration that could be used as positive examples for the Visegrad partners from Poland, Macedonia, Hungary and Czech Republic.

It is also important to note that there are several other opportunities in Slovakia and other countries that support social innovation and social impact, such as:

- Sozial Marie Prize for Social Innovation - <https://sozialmarie.org/en/call> for which Slovakia is also eligible
- Social Innovation & Disability Empowerment Awards - <https://startupxs.com/fund/social-innovation-disability-empowerment-awards-2023/> which is a world-wide call, open also for Slovakia (*the Social Innovation Awards recognise entrepreneurs and social innovators who have developed innovative products, services, and processes that solve social problems*).
- Social Impact Award - <https://socialimpactaward.net/> in which Slovakia participates for youth empowerment through social innovation and entrepreneurship development.
- GEN-E Awards for youth entrepreneurship - <https://gen-e.eu/welcome-to-gen-e-2023/> which will this year take part in Turkey (entrepreneurship in schools support via <https://gen-e.eu/the-entrepreneurial-school-tes-awards/>)

Below is the description of several good practices that might be useful for other Visegrad project partners - the 1st practice concerns the Roma housing, the 2nd one concerns the local self-government support for SEs and the 3rd one is connected to the WISE model social cooperative for Roma employment.

Good practice n. 1 – housing for Roma / rural / immigrant poverty stricken communities

Dom-ov

This project is designed to improve the living conditions for Roma families in Slovakia and the challenge is addressed by the social and financial enterprise DOM.ov, which aims to remove the barriers faced by the Roma community if they want to finance, build, and own a home. With the involvement of local municipalities, DOM.ov assists people through the process of saving, accessing financial resources through getting loans / mortgages. DOMov provides guidance in building and purchasing low-cost homes.

DOMov works in a simple way of empowering whole families and a wider community to support each other, together with the social work representatives, individual experts and banks for loans (Erste group, Slovenska sporitelna) aiming to empower families and communities.

The intense social work strongly supports individual families. It represents successful intersectoral cooperation. It was initiated by NGOs, with strong support from a commercial bank (Slovenska sporitelna, a member of the ERSTE group) that offers mortgages, and local municipalities, which play a crucial role in obtaining land for building houses and recognizing the built houses legally and this model was replicate both nationally and internationally, for which it received a Social Marie Award in 2020.

This model is originally designed for Roma communities but it could also be applicable for rural communities and marginalized citizens with low income or immigrants who moved to Europe for better socio-economic conditions.

Website - <https://www.interregeurope.eu/good-practices/access-to-decent-housing-for-people-from-marginalized-roma-communities>

Good practice nr.2 – SE establishment/local level

Office of self-governing region of Banská Bystrica

Banská Bystrica Self-Governing Region (BBSGR) has eight regional municipalities and, just as any community, faces various challenges such as: high level of unemployment, poor infrastructure, underdeveloped economy or high level of intergenerational poverty.

For tackling these challenges, a set of regional measures for the support of socio-economic development was created based on the Act on social economy and social enterprises adopted on the national level in May 2018, with the local government strategy creation, including the regional financial commitment. In this light, two social enterprises were established and received SE brand and gratis counselling. During the pandemic period, some of the SEs were producing face masks and their products were purchased and supported by the local municipality, employing around 35 persons.

For the purpose of SE development, two experts were engaged to cooperate with other 32 regional social enterprises that could make use of the social clauses in public procurement procedures, which means that social enterprises could be contracted for their services provision.

This good practice is a solid model using showing regional SE empowerment through local service provision and the use of public procurement social clauses.

Website - <https://www.interregeurope.eu/good-practices/banska-bystrica-region>

Good practice nr.3 - Wise Model – Wasco, Village Valaska

Roma Integration

WASCO is a work integration social enterprise which was established to tackle higher Roma unemployment in the village of Valaska. The social enterprise was established by a Young Roma Association and was originally a community centre, providing counselling in the local community for jobs, social services etc. but they soon realized that they could also develop income-generating activities for the local socio-economic empowerment.

The WASCO cooperative created laundry jobs with social impact cooperating with larger companies, hotels, care houses and for the Ministry of Defense, they do the laundry services for their military uniforms. Internationally, they cooperate with a hotel chain from Austria.

What is further interesting about WASCO is the fact that they have reconstructed their premises with the support of machines and equipment purchased through a loan, while they used active employment measures for paying for the salaries of marginalized employers. Additionally, all employees and the management board are Roma, while they have enabled employment of 31 people, predominantly women.

This good practice is a great model showing how social enterprises can tackle lower education resulting in lower socio-economic integration of marginalized groups such as the Roma, and at the same time fight against prejudices and stereotypes, creating a positive social impact for the whole community. WASCO uses all-round approach, providing various aspects of support such as employment, counselling and social services, including the family members too.

Website - <https://www.interregeurope.eu/good-practices/wasco-comprehensive-assistance-for-people-from-disadvantaged-background>

Financial instruments

The BRESE project report shows that Slovakia uses different financial instruments in order to support various initiatives, one of such policy instruments is the OP HR document *which is divided into priority axis: 1) Education; 2) Youth employment support initiative; 3) Employment; 4) Social inclusion; 5) Integration of Marginalized Roma Communities; 6) Technical facilities in municipalities with presence of marginalised Roma communities. The strategic aim of the OP HR is the positive social impact ensured by the provision of services or goods to vulnerable, marginalised, disadvantaged or excluded persons so that the result is an increase in their employment and social inclusion. Achieving a positive social impact is linked to the creation of a favourable environment to support social entrepreneurship in the social economy and social innovation, with the focus on Roma communities.*

On several occasions, various projects were supported financially, to upgrade the employment of marginalized groups of citizens, namely the large-scale project **“Support for WISE”** that was implemented in 2019 while in 2020, another project was financed on the **Investment Aid for Social Enterprises - Non-Returnable Component**, with the aim of exploring the investment support for registered and non-registered social enterprises (SE). The support was provided within the SEaSE Act, *with a mandatory combination of repayable assistance (financial tool or commercial loan) and non-repayable financial assistance. The local labour offices had the task of providing non-repayable part of the assistance to the registered SEs that received loans.*

Despite the efforts to create pilot projects that could test the use of various financial instruments, it seems that there is still great space for improvement in terms of financial tools as they have been created but need to be put in practice. For example, tools such as the SEaSE Act, service vouchers, investment aid and tax exemptions need to be more functionally implemented in the future.

Progress made since the last Visegrad project 2019 – 2022

Slovakia did not participate in the Visegrad projects of this sort as it is a new partner that joined this Visegrad group of partners from Poland, Macedonia, Czech Republic and Hungary in 2022 so no progress can be followed or reported in this phase, while it is expected to have this opportunity within a new follow-up Visegrad project that will be designed by these particular partners.

Recommendations

Based on the situation and the SE development as described in the BRESE report and the connection with the current Visegrad project ***Building Bridges – Social Entrepreneurship as a Tool for Economic Empowerment***, a following set of recommendations can be provided:

- Seek partnerships / create synergies with the INTERREG and SPF cross-border projects, especially that the region of Banská Bystrica is devoted to developing SE initiatives with Poland, Hungary, Czech Republic, that are also partner countries in this specific project
- Involve the regional centres and the Institute of social economy in the new Visegrad follow-up project to come in 2023/2024 in order to exchange good practices and to motivate them to become a part of the ISEN network
- Address social entrepreneurship in a wider context, rather than only on employment issues solving, expand the provision of services as an additional dimension
- Use social entrepreneurship to reduce the regional differences in Slovakia
- Implement the existing financial tools and develop additional ones
- Make the SEaSE Act fully operational, including the implementation of the investment aid
- Invest into capacity building/human capital in terms of SE development
- Introduce social entrepreneurship more substantially into the education system, as it is now in its infancy phases
- Create more visibility and awareness raising on the SE concept with wider public and institutions, on the local and national levels, with citizens, companies
- Increase low purchasing power of citizens
- Improve inter-departmental communication and coordination
- Give important role to the local stakeholders / self-governments
- Invest more into the work of regional centres and NGOs
- Invest more into agriculture, support for local production, food self-sufficiency, services or products at the local level, environmental protection and innovation.
- Establish umbrella organizations supporting the interests of social enterprises
- Create better links between active labour policies (e.g. activation measures) and support of non-registered social entrepreneurship
- Improve cooperation with labour offices in order to properly use the active employment measures
- Continue to fund technical assistance programs providing free assistance to those interested in social enterprises
- Introduce educational programmes in application practice, as well as programmes and disciplines at the level of secondary school / higher education levels, incubators and training centres are also suitable for acquiring business skills
- Encourage volunteering within social enterprises
- Use EU funds for youth trainings
- Improve the image of SE by promoting positive examples and good practices

ANNEX 1 – COUNTRY SPECIFICS

SLOVAKIA

COUNTRY SPECIFICS 	• Slovakia • Inhabitants: Slovakia Population reached 5.46 million people in Dec 2020. • Unemployment rate: Key information about Slovakia Unemployment Rate • <i>Slovakia Unemployment Rate dropped to 4.40% in Feb 2023, from the previously reported figure of 4.44% in Jan 2023; Slovakia Unemployment Rate is updated monthly, available from Jan 2006 to Feb 2023, with an average rate of 9.35%. The data reached an all-time high of 14.80% in Jan 2013 and a record low of 4.40% in Feb 2023. The data is reported by reported by CEIC Data.</i> • https://www.ceicdata.com/en/indicator/slovakia/unemployment-rate#:~:text=Slovakia%20Unemployment%20Rate%20dropped%20to,an%20average%20rate%20of%209.35%25. • Another website reports the following data on the Slovakian unemployment rates - The unemployment rate in Slovakia fell to 5.76 percent in February 2023 from 6.90 percent in the same month last year and below market estimates of 5.83 percent. It was the lowest jobless rate since March 2020, as the number of unemployed decreased by 24,430 over the previous year to 160,953 and declined by 1,669 compared to the previous month. source: Ministry of Labour, Social Affairs and Family of the Slovak Republic - https://tradingeconomics.com/slovakia/unemployment-rate • Estimated number of social enterprises: unknown • Existing SE forms: social cooperatives, WISE model SEs, protected companies, NGOs working on SE development etc. working on the topics of employment, socio-economic integration of marginalized groups, environmental protection, energy efficiency, creative industry.
VISIT PERIOD	• August 2022, visit to the Municipality of Velky Meder and the Aqua park centre, a company that cooperates with the municipality
LOCATION	• Velky Meder • Visited: the group of participants from Macedonia, Hungary, Poland, Czech Republic visited the municipality of Velky Meder and the local company/aqua park that employs, among others, vulnerable groups of citizens.
SE LAW	• Law on SE: no direct law on social entrepreneurship but other regulations present such as: <i>Employment Services Act no. 5/2004 Coll was established in 2014, the SEaSE Act in 2018</i>
LEGISLATION	• Other supporting regulations: see above; Act 5/2004 on Employment Services; <i>the National Framework Strategy for Promoting Social Inclusion and Combating Poverty</i>
LOCAL ENGAGEMENT	• Participation of local communities: • The municipality of Velky Meder; their focus is more on the integration of elderly people and the Hungarian minority in tackling their occasional administrative language barriers
BENEFITS	• Benefits to local economies: for rural development, socio-economic inclusion of marginalized communities such as Roma, women, youth, long-term unemployed and minorities

GOOD PRACTICES	• Successful good practices: WASCO WISE model for work integration, local self-government SE establishment in Banska Bystrica, Social Impact Award, Social Marie Award, Gen-E Award for youth empowerment, Institute of Social Economy and 8 regional centres, Impact Hub Bratislava, Academy of Social Economy etc.
CHALLENGES	• Challenges: long-term unemployment and social inclusion of marginalized groups, such as the Roma communities, regional differences. Lack of attention for rural communities, lack of finances and lack of awareness about SE; integration of elderly people in V.Meder
FUTURE STEPS	• Future steps: further SE development, financial instruments development, contact of the current Visegrad partners with the Institute of Social Economy to explore the possibility of joining the current Visegrad partners (for more detailed recommendations, please check the text above). The good practices of the Institute could be exchanged in the next Visegrad project as Poland and Macedonia both have such regional and national centres designed for the development of social entrepreneurship in the country, which could mean mutual advancement in the future for all Visegrad partner countries.



supported by

• Visegrad Fund

**Building International Bridges – Social Entrepreneurship
as a Tool for Local Economic Empowerment**

Project ID # 22130175

The project is co-financed by the Governments of Czechia, Hungary, Poland and Slovakia through Visegrad Grants from International Visegrad Fund. The mission of the fund is to advance ideas for sustainable regional cooperation in Central Europe