DEVELOPMENT AND IMPLEMENTATION OF THE SOCIAL ENTERPRISE CONCEPT IN MACEDONIA

A Study about the potential for further promotion of the Social Enterprise as innovative business model with social aims in the Macedonian economy
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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY...........................................................................................................6
II. RESEARCH GOALS ................................................................................................................7
III. RESEARCH METHODOLOGY................................................................................................9
IV. BASICS OF THE CONCEPT OF SOCIAL ENTREPRENEURSHIP: A LITERATURE REVIEW...............................................................................................................................12
   IV.1 History of social entrepreneurship.................................................................................12
   IV.2 Definition on social entrepreneurship and social enterprises.......................................15
   IV.3 Legal Forms of social enterprises................................................................................19
   IV.4 Supportive framework for social enterprises...............................................................26
   IV.5 Cases on social enterprises from around Europe.........................................................31
      The Case of Germany: Between associations and cooperatives........................................31
      Good practice example from Germany: CAP-Märkte.......................................................34
      The Case of Finland............................................................................................................35
      Good practice example from Finland: The Pirkanmaan Syke project............................39
      The Case of Czech Republic.............................................................................................40
      Good practice example from Czech Republic: TESSEA................................................42
      The Case of Poland ...........................................................................................................43
      Good practice example: Ecological Ants from EKON......................................................46
      The Case of United Kingdom: The Social Entrepreneurship Cooperatives....................47
      Good practice example: the Schools for Social Entrepreneurs.......................................50
V. THE IMPORTANCE OF SOCIAL ENTERPRISES FOR COUNTRY DEVELOPMENT ...51
VI. OVERVIEW ON THE CONDITIONS FOR DEVELOPMENT OF SOCIAL ENTERPRISE IN MACEDONIA......................................................................................................................51
   VI.1 Macroeconomic factors ............................................................................................51
   VI.2 Unemployment and structure of labor force.............................................................54
   VI.3 Entrepreneurship in Macedonia ...............................................................................56
      VI.3.1 Supporting measures for enterprises....................................................................58
      Policy support ................................................................................................................58
      Institutional support .......................................................................................................59
      Financial support ............................................................................................................60
      Entrepreneurial education and training........................................................................64
VI.4 The state of the third-civil sector in Macedonia..........................................................66
VI.5. Existing legal framework for operating initial forms of social enterprise ...............72
    Law on Cooperatives........................................................................................................72
    Law on Employment of People with Disabilities.........................................................73

VII. NEEDS, EXPERIENCES AND ATTITUDES FOR DEVELOPMENT OF SOCIAL ENTERPRISES IN MACEDONIA..................................................................................77
VII. 1. Notes and Conclusions from the Round table “Social Enterprising in Macedonia- opportunities and challenges”........................................................................................................77
VII. 2. Positive examples on social entrepreneurship initiatives in Macedonia ...........85
    Experiences from the “Social Entrepreneurship Competition 2010” American Chamber of Commerce (AmCham) Macedonia.................................................................86
    Positive examples of CSO that runs commercial activities, “Izbor” Strumica ...........87
    Successful Story of CSO with economic activities, “MladiInfo” Macedonia ..........88
    Successful Story of a CSO that runs a company, “Planetum” Macedonia...............89
VII.3. Notes and conclusion from the Field Research ......................................................91

VIII. CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER PROMOTION OF THE SOCIAL ENTERPRISES IN MACEDONIA .................................................................130
IX. REFERENCES....................................................................................................................139
I. EXECUTIVE SUMMARY

The DG Progress Report 2009, CIVILUS Civil Society Index 2009 for Macedonia and the USAID NGO Sustainability Index 2009 noted that Macedonian NGOs are heavily dependent on foreign donors support. Currently, most NGOs rely on short term project funding and have no strategy for diversifying and stabilizing their income streams. The Progress Report further on comments the slow progress in implementation of the Law on Donations and Sponsorships because of the complex administrative requirements. A new Law on Associations and Foundations has been adopted in 2010 providing new legal framework for operation of the civil sector in Macedonia. This Law bears the key change that will affect further development of the civil sector that is giving the opportunity to associations and foundations to run commercial activities. However, the Articles providing this opportunity are too general without further explanation how the profit will be treated by the relevant institutions and which institution will take the monitoring role (these are just some of the problems that might arise).

A positive aspect for the potential of social enterprise in Macedonia is the high local social capital available, presented by the vibrant civil sector and relations with the local communities. Associations and foundations are playing a key role for compensating the local level capacity constraints for economic development. But this concept is underutilized and there is a lack of conceptual understanding for its further development. Moreover, implementation of social enterprise concept will require additional adjustments in the environment such as alignment with other Laws as Law on Personal Taxes, the Law on Donations and Sponsorships and other bylaws.

Further research, promotion and development of the social enterprise concept will motivate NGOs to think about alternative forms of achieving financial sustainability, will challenge the private sector to put the ethical values at the heart of the business and to be responsible member of the community and will stimulate the public sector to deliver public services in a different way, using the skills and expertise of the civil society organizations.
II. RESEARCH GOALS

The starting hypothesis of this study was that in Macedonia there isn’t a favourable framework for implementation of the concept of social enterprise (United Nations Development Program and EMES European Research Network Project, 2008). Therefore, the Center for Institutional Development from Macedonia in partnership with the Euclid Network from UK by the financial support from the British Embassy in Macedonia took the challenge to examine the best practices of social entrepreneurship in US and Europe and to investigate the potential for further promotion of the social enterprise as innovative business model with social aim in the Macedonian economy.

The specific goals of the research process were to:

- Review relevant literature related to the issue of social enterprise
- Analyze the key characteristics of the social enterprises by taking general experiences from US and EU and UK and Belgium more specifically;
- Collect and describe practices, policies and measures adopted to promote social enterprise concept in US and EU and more specifically in UK and Belgium as best examples;
- Analyze the current macro-economic conditions in Macedonia and present an overview of the existing environment for promotion of the social enterprise concept
- Assess the level of understanding among the NGOs and businesses in Macedonia about the concept of social entrepreneurship as well as their attitudes, perception and opinions about the relevant laws and problems they are facing during the implementation of the legislation related to the social enterprise or commercial activities of civil society organizations.
- Discuss conclusions and provide policy recommendations for further development of the social enterprise model in Macedonia
- Disseminate the results to raise the importance of the issue.
This Study should provide general framework for understanding the concept of social enterprises and contribute towards development of an enabling environment for further promotion of this model in Macedonia.

It should mainly serve as background document to Center for Institutional Development to tailor the activities within its Philanthropy and Corporate Social Responsibility Program, to the Euclid Network to plan the further transfer of knowledge and to the British Embassy in Macedonia to plan its further investments in the development sector in Macedonia.

Additionally, the Study could be used by the policy makers for the purpose of better exploitation of the economic and social potential of the social enterprise sector, as foundation to the academics to further investigate the issue and contribute to the improvement of the findings with their valuable recommendations, as handbook to the representatives of the civil society sector while making their strategic decisions related to the sustainability of their organizations, as information source to businesses that would like to focus on social problems and explore the potential of a new business model and to all potential entrepreneurs that would like to serve the community. Additionally, the results of the study might be used by other Embassies and donor agencies in making their strategic decision about their future development activities in Macedonia.
III. RESEARCH METHODOLOGY

This study contains qualitative and quantitative information collected through several phases of desk analysis and inclusive and participatory field research conducted in a period of 5 months, from November 2010 to March 2011. It has been carried out through a set of coordinated activities between the Center for Institutional Development-CIRa, and Euclid Network from UK. CIRa was responsible for overall coordination of the research process based on its extensive knowledge and experience in the civil sector and business support activities, run the desk research, structured the findings and draw conclusions, Euclid Network provided thematic guidance and assistance with resources for analysis of social enterprises in UK and Europe and was involved in the elaboration of the main findings and conclusions and the contracted Institute 4R took the responsibility of the field research. The British Embassy in Macedonia assured the overall quality control of the methodological tools and research outcomes.

The first phase involved collection of secondary data through a desk analysis of available records related to social entrepreneurship as: documents that further clarify the concept of social enterprises in US and Europe, legal framework for establishing and running social enterprise (cases from US and Europe, and more in depth from UK and Belgium), existing models of social enterprise as best practices from US and Europe and other documents, reports, statistics, case studies and applied researches gathered from relevant and available on-line resources. The European and US comparison is made for the purpose of identification of the historical differences in development of social entrepreneurship in both regions and recognition of the opportunities in each concept that can be used as recommendations for building the Macedonian model of social enterprise. The UK has been taken as an example since the history shows that this country holds the roots of the social entrepreneurial concept in Europe, has the longest tradition in social enterprises in Europe (Doeringer, 2010) and is one of the rare European countries that has developed special institutional framework for social enterprises (Heckl and Pecher, 2007). Belgium was chosen as one of the first European
countries\textsuperscript{1} that have adopted favourable policies supporting the operation of a social enterprise (Doeringer, 2010).

Since in Macedonia there is no specific legal framework regulating the work of a social enterprise (United Nations Development Program (UNDP) and EMES European Research Network Project, 2008), the second phase of the research process was focused on collection of primary data about the existing environment in Macedonia that creates opportunities for running commercial activities by civil society organizations as an early effort of social enterprise model, identification of initial social enterprise initiatives lead by both civil society organizations and businesses as practical examples that can give additional insight into the problems and challenges and support the general findings with a set of recommendations for further improvement. The process was run by CIRa and Institute 4R and part of the applied methodology included:

- organization of structured and informal meetings with relevant experts
- 2 focus groups: first comprised of 7 relevant representatives of civil society organizations and foundations that are involved in commercial activities and the second one, involving 7 representatives of from the governmental institutions and the business sector as interested parties influencing or having interest about the issue
- National survey on a sample of 30 civil society organizations classified as 10 small organizations (up to 5 employees), 10 medium (up to 10 employees) and 10 big (above 10 employees); questionnaire distributed by e-mail to the relevant representing personnel
- Round Table and discussions with key stakeholders from local and national government, professional agencies, international and non-governmental organizations, the media, the business community, and academic and legal

\textsuperscript{1} A detailed review on various practices in different EU countries can be further on found in the \textit{Study on Practices and Policies in the Social Enterprise Sector in Europe} (Heckl and Pecher, 2007) and the UNDP Study (2008) named as \textit{Social Enterprise: A New Model for Poverty Reduction and Employment Generation}. 
experts about the general findings and formulation of proposals for further promotion of the social enterprise in Macedonia.

In the final third phase all gathered data were synthesized into a single study about the social enterprise concept with recommendations that should improve the environment for operating social enterprise in Macedonia and raise the interest of the general public about the potential of this concept.
IV. BASICS OF THE CONCEPT OF SOCIAL ENTREPRENEURSHIP: A LITERATURE REVIEW

IV.1 History of social entrepreneurship

Social entrepreneurship is a particular form of entrepreneurship that is part of a wider idea of social economy. Social economy is a broad concept set around four types of organizations that we recognize nowadays: cooperatives; mutual societies; associations and foundations and social enterprises (Arpinte et al, 2010; European Commission, Enterprise and Industry: Social Economy, 2011).

The term “social economy” was firstly used by liberal economists in the early 19 century in the times of deep changes in the economy sector and literature roots leads to the name of Charles Dunoyer, a French liberal economist that through his “Treatise on Social Economy” published in 1830, was promoting the moral standards in the economy. Later on the concept was expanded by the thoughts of John Stuart Mill and Leon Walras (Arpinte et al, 2010) and till the end of 19th century the main elements of the social economy have been defined as democratic consolidation, reciprocity and cooperation.

In this period the first forms of social enterprise have been established. According to Banks (1972), the first examples of the social enterprise concept can be found at early stages of 19 century in United Kingdom and are related to the name of Robert Owen, noted as one of the first protagonist of the socialism and the cooperative movement in UK and Europe. From the position of a capitalist (owner of cotton mills), he promoted the philanthropic philosophy i.e. creation of social values above the commercial principles. He is mostly known as a businessman putting a strong accent on principles for raising the standard of goods produced and in the same time as founder of the principles for the cooperative shops in Britain that continue to trade today, as creator of the schemes for the education and prosperity of his workers, promoter of the reforms for social care and education of young people in the spirit of social values, and as an inventor of the concept of “township”, a model of social communities aimed to alleviate poverty through the principles of socialism.
The establishment of cooperatives is seen as the foundation of the social enterprise concept and as such since its early beginnings in 19th century has been practiced by most European Countries as UK, Austria, Italy, Denmark, France, Greece, Portugal as well Central and Eastern European Countries up to date (Heckl and Pecher, 2007).

The concept of social enterprise achieves its biggest prosperity during the late 1970 and 1980 in the period of big unemployment problems in US and Europe that have rose due to the World economic downturn and limited governmental spending to respond to those problems (Doeringer, 2010).

Because of the lack of grants and donations, this circumstances have “forced” US charities to start with some commercial activities related to the concept of social enterprise in order to provide additional funding to sustain their programs.

The motives in Europe have been different than US. Many European charities or start-ups have seen unemployment as an opportunity to start job-training and work-integration programs on a commercial basis at below market prices which has further on guided the development of the European concept in this direction. Although there are various examples, social enterprises in a form of sheltered workshops that (re)integrate disadvantaged or disabled persons into the labour market and those that act as civil society organizations that provide social services to vulnerable groups (as children, single mothers, elderly people) as well assistance to poor rural communities or ethnic groups and promote local development, are the most typical forms of social enterprises in Europe and those that are drawing the biggest attention in the public (Heckl and Pecher, 2007).

However, since the 1990s, it can be noted a real flourishing period of special legal forms defined as social enterprises. They have been promoted as new way of running a business that uses entrepreneurial skills and advantages to response to social problems and overcome the failures of the market state. Its priority is making a social wealth instead of making and distributing profit to the owners.
In the last 10 years, social enterprises as specific legal form and other organizational forms that are fitting the model which can been found as examples across the world (as cooperatives, protected workshops, foundations, CSO with commercial activities and etc) have become the major employers and the key entities for employment and reintegration of vulnerable groups of people and long-term unemployed. The European Commission approximates that there are near 2 million social enterprises in Europe employing around 11 million people (European Commission, Enterprise and Industry: Social Economy, 2011). Recognizing the potential, the Commission tends to encourage prosperity of this sector and has adopted various community policies and specific measures that are supporting establishment and development of social enterprises as: “The Europe 2020 Strategy” (2010), “European Agenda for Entrepreneurship” (2004) that promotes entrepreneurship in the social sector and “The Communications on Social Services and on Health Services” as important policy documents for work of social enterprises offering those services, directives and communications related to the public procurement, concessions and public private partnerships which are favouring social enterprises, tax rules and etc. Those and other relevant documents can be found on the official web of the European Commission, Enterprise and Industry: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/social-enterprises/index_en.htm.
IV.2. Definition on social entrepreneurship and social enterprises

As the concept of social entrepreneurship is spreading around the world, it attracts increasing attention from both academics and practitioners which are creating various definitions to further explain its meaning. The lack of a clear, concise and universally accepted definition (Doeringer, 2010; Heckl and Pecher, 2007; European Commission Enterprise and Industry, 2010), creates confusion and opens a debate whether this concept should be associated with the traditional model of not-for-profit organizations, civil society organizations running economic activities (for-profit or earned-income ventures) or the companies integrating social value creation in their business operations (Dees, 1998). Additionally, the lack of common understanding obstructs the statistical comparison across the regions and creates difficulties while trying to identify the best practices of enabling environment and existing best examples (Doeringer, 2010; Heckl and Pecher, 2007).

At the basis, the concept relies on two main words: “social” and “entrepreneurship” and therefore Dees (1998) suggest to be explained through the meaning of those terms. The term social usually refers to attitudes, orientations, or behaviours which take the interests, intentions, or needs of other people into account. Applied in the context of social institution, Merriam-Webster dictionary defines it as “of or relating to human society, the interaction of the individual and the group, or the welfare of human beings as members of society” which can be linked with the core motive or end goal of a civil society organization to create lasting improvements in the society.

The concept of entrepreneurship as it is defined in the literature do not applies only to the business sector but also to public and civil society sector. Entrepreneurship is a term that defines the management form (mindset and behaviour) in these sectors and it is not necessarily related to making profit or the business forms (Dees, 1998). It is more about “the role of entrepreneurs as the catalysts and innovators behind economic progress” (Davis, 2002, p.5)
In this regard and seen through the theories of recognized economists, an entrepreneur can be defined as:

- A one that “shifts economic resources out of an area of lower into an area of higher productivity and greater yield” i.e. finds a new way of creating a value (Say, J.B seen at Dees, 1998)
- Innovators (change agents) in the economy that create new markets or new ways of doing things by revolutionizing the process of production (Schumpeter, J.A seen at Dees, 1998)
- A one that can recognize and use the opportunities that change creates in technology, consumer behaviour, social models, etc to create a value (Drucker, P. seen at Dees, 1998)
- A one that do not allows to be limited in its operations by the initial resources, but mobilizes resources of others to achieve its entrepreneurial objective (Stevenson, H. seen at Dees, 1998)

None of those explanations do not limit entrepreneurship to the exact legal form or the final motive of the entrepreneur (in business it can be profit; in civil sector- creation of greater social values; in public sector-more satisfied citizens).

Taking into consideration the meaning of the two terms, Dees (1998) defines social entrepreneurs as the ones that are getting closer to the following conditions: “…play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value)
- Recognizing and relentlessly pursuing new opportunities to serve that mission
- Engaging in a process of continuous innovation, adaptation and learning,
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created

However, Doeringer (2010) finds regional differences in understanding the purpose of social enterprise in US and Europe that can be related to the different social and economic context in which they have been established.
While in the US, social enterprises have been developed and promoted by the civil society organizations as a response of limited donations and used as a form that can provide additional income for implementation of the social programs during the economic crises in 1970s and 1980s, in Europe the social enterprise concept arose as reaction to limited welfare provision by the state and high unemployment rate especially related to the disadvantaged and vulnerable groups as people with disabilities, ex-prisoners, poor, disadvantaged persons and etc also during the economic downturns.

This has further on influenced the definition and mission of the social enterprises in both regions. For example, in US there are various definitions in use but defined in a broader sense, social enterprises are “entities or organizations which operate in the commercial sector, but have at their core, interests which are traditionally associated with the non-profit sector” (Doeringer, 2010, p.293)

From European countries, UK is one of a number of countries that has a national definition on social enterprise and in a broader meaning it is defined as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (Businesslink.gov.uk, 2010)

This understanding is close to the official explanation of social enterprise by the European Commission:
“Social enterprises devote their activities and reinvest their surpluses to achieving a wider social or community objective either in their members’ or a wider interest” (European Commission Enterprise and Industry, 2010)

Besides the country differences in definition of social enterprise, Heckl and Pecher (2007) have identified some general characteristics that are describing the social enterprises in Europe:
- Social mission/goal
- Targeting people/groups in need
- Various legal forms
- Voluntary social work
- Non-profit driven
- In some cases, use the public funds

For the purpose of this study, a definition on social enterprise of the EMES European Network also explored by Heckl and Pecher (2007, p.7), will be used as reference and guidance to run the analyses. The definition is combining entrepreneurial, economic and social dimension of the social enterprise and summarize the following:

- A continuous activity producing goods and/or selling services
- A high degree of autonomy (independently managed)
- A significant level of economic risk (undertaken by the founders)
- A minimum amount of paid work (combine monetary and non-monetary resources as well as paid workers and volunteers)
- An explicit aim to benefit the community (social aim core to the business)
- An initiative launched by a group of citizens (that have common aim or needs)
- A decision-making power not based on capital ownership (one member-one vote principle)
- A participatory nature, which involves the persons affected by the activity (stakeholder orientation)
- Limited profit distribution (limits set on profit distribution)

The legal form under which social enterprise are operating will not be taken as part of the working definition since the practice shows that they are operating under various legal structures (Doeringer, 2010; Heckl and Pecher, 2007) but this will present a special part of the analysis.
IV.3 Legal Forms of social enterprises

Academics agree that social enterprises have characteristics of both the business and the traditional forms of non-profit organizations (Doeringer, 2010; Heckl and Pecher, 2007) and they can operate under any legal form (cooperatives, associations, foundations, private limited companies or joint stock companies) each one with its own benefits and limitations. In the countries where there are no limits regarding the legal form, it can be noted that they are mainly organized as companies. On the state level it is important to clearly define the legal form which they will take from two main standpoints that largely affect social enterprise operations: taxes and access to capital.

For example in US, if a charity wants to operate as a non-profit and enjoy the benefits of this model (exemption from the federal income taxes and tax-deductible donation) it will face difficulties (tests and regulation set up by the Congress and the U.S. Department of Treasury) when it wants to run commercial activities. As noted by Doeringer (2010) “
tax code disallows tax-exempt status to non-profits that engage in any trade or business activities that is not wholly directed towards fulfilling an exempt purpose”. This means that if a charity engages in business that is not related to the exempt purpose, its income might be categorized as UBI (Unrelated Business Income) and will be taxed. Additional problem is the gap in the legislation which does not define the boundaries of the recommendable profit earned from the commercial activities above which the profit will be evidenced as commercial activity.

Additionally, in the case of a social enterprise organized as public for-profit corporation in US, obstacles are related to the difficulties of raising capital (high interest rates on the dept market) and restrictions and conflicts when accessing the equity market (responsibilities of increased economic value that should be reinvested in the company or distributed among shareholders go beyond the social interests). Moreover, this form of a social enterprise has restriction on donation to charities whether affiliated or not (maximum 10% of profit can be given to a charity and above this level donated profit will be taxed at corporate income tax rate). However, a social enterprise established as a
for-profit corporation can be a successful story when raises capital through private seed money (Doeringer, 2010).

In order to bridge the gap between the non-profit and for-profit entities and foster the social enterprise sector in US, some States such as Vermont (2008), Michigan (2009), Illinois and New York (both in 2010), North Carolina (2010), Maine (2010) and Louisiana (2010) have established regulations for registration of a hybrid entity in a form of Low-Profit Limited Liability Company named L3C. It is a business entity that aims to achieve some social goal by making a profit. The legal structure of L3C is combination of a limited liability company (LLC) which means that its members (individuals, non-profits, for-profits, and even government agencies) enjoy limited liability for the actions and debts of the company and can issue equity to raise capital as well as the social advantages of a non-profit entity, which means that can receive Program-Related Investments (PRIs)\(^2\) as from foundations. By using PRIs as low-return investment equity

\(^2\) Program-related investments are those in which:

1. The primary purpose is to accomplish one or more of the foundation's exempt purposes,
2. Production of income or appreciation of property is not a significant purpose, and
3. Influencing legislation or taking part in political campaigns on behalf of candidates is not a purpose.

In determining whether a significant purpose of an investment is the production of income or the appreciation of property, it is relevant whether investors who engage in investments only for profit would be likely to make the investment on the same terms as the private foundation.

If an investment incidentally produces significant income or capital appreciation, this is not, in the absence of other factors, conclusive evidence that a significant purpose is the production of income or the appreciation of property.

To be program-related, the investments must significantly further the foundation's exempt activities. They must be investments that would not have been made except for their relationship to the exempt purposes. The investments include those made in functionally related activities that are carried on within a larger combination of similar activities related to the exempt purposes. The following are some typical examples of program-related investments:

4. Low-interest or interest-free loans to needy students,
5. High-risk investments in nonprofit low-income housing projects,
6. Low-interest loans to small businesses owned by members of economically disadvantaged groups, where commercial funds at reasonable interest rates are not readily available,
7. Investments in businesses in deteriorated urban areas under a plan to improve the economy of the area by providing employment or training for unemployed residents, and
8. Investments in nonprofit organizations combating community deterioration.

Once an investment is determined to be program-related, it will continue to qualify as a program-related investment if changes in the form or terms of the investment are made primarily for exempt purposes and not for any significant purpose involving the production of income or the appreciation of property. A change made in the form or terms of a program-related investment for the prudent protection of the foundation's investment will not ordinarily cause the investment to cease to qualify as program-related. Under certain conditions a program-related investment may cease to be program-related because of a critical change in circumstances, such as serving an illegal purpose or serving the private purpose of the foundation or its managers.

If a foundation changes the form or terms of an investment, and if the investment no longer qualifies as program-related, it then must be determined whether or not the investment jeopardizes carrying out its exempt purposes.

An investment that ceases to be program-related because of a critical change in circumstances does not subject the foundation making the investment to the tax on jeopardizing investments before the 30th day after the date on which the foundation (or any of its managers) has actual knowledge of the critical change in circumstances.

tranche, L3C can strengthen its balance sheet and use it to attract significant additional capital from traditional market oriented investors. Beside the fact that L3C has a social mission/purpose, it is treated as an enterprise and all federal or state company taxes are applied (L3C profit is subject to taxation at the rates of tax that apply to their members according to their legal basis).

With such structure, L3C is not just a breakthrough towards a more vibrant social enterprise sector, but can also be used by some industries serving the community but trying to survive at the market such as the newspaper industry, healthcare and education. Tax incentives, increased access to capital (subsidies and certification to receive PRIs), public awareness about the benefits of social enterprise and development of valuation metrics for measuring the social impact are the challenges that the US policy-makers have to face in order to support the full potential of L3C and stimulate development of the social enterprise sector (Doeringer, 2010).

In Belgium as one of the first European countries that have applied policies to support social enterprises, one of the initial forms of social enterprise has been the ASBL (Associations Sans But Lucratifs) focused on job reintegration. ASBL have been organized as non-profit entities able to receive government subsidies and allowed to carry out limited commercial activities which at the end has negatively influenced their effectiveness. In order to allow more commercial activities, in 1995 the Belgium government has adopted a new Law that regulates a corporate (business) form of social enterprise called Societe a Finalite Sociale (SFS). This is a for-profit entity with limited profit distribution which means that members of the company should seek limited or no profit and the profit distribution “cannot exceed an annual return of 6% on the investor’s principal” (Doeringer, 2010, p. 309). Moreover, the SFS shouldn’t bring an indirect profit to its members. In order to get the SFS statute, an enterprise must satisfy certain conditions as: must have precise social goal which must be taken into consideration when allocating profits or creating reserves, must publish special annual report showing how the social goals have been met compared with the investment and operating cost
as well as staff rewarding policy, must allow an employee to become a partner after certain period of time whose status can be lost after work termination and in a case of liquidation, any assets remaining after all liabilities are paid back and members-investors capital is reimbursed, must be given to another SFS which will carry on its mission (Noya, 1999, p. 18).

On regional level, the local governments in Belgium have defined their own models of social enterprise such as “entreprises de formation par le travail” (training through work enterprises) and “enterprises inserantes” (work integration social enterprises) promoted by the Walloon Region or “sociale werkplaatsen” (social workshops) and “invoegbedrijven” (work integration enterprises) existing in the Flanders, each one with their own specifics which creates difficulties if any statistics would be taken into consideration for further analysis.

It seems that UK has the most vibrant social enterprise sector and the most supportive institutional structure for their development (Doeringer, 2010; Heckl and Pecher, 2007). The UK Government defines the social enterprise as:

“a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (Businesslink.gov.uk, 2010)

Although, the UK Government gives freedom regarding the legal form of the social enterprises that can be set as unincorporated associations, trusts, limited companies, some industrial and provident societies such as community benefit societies, charitable incorporated organizations, in 2004 as part of the Companies Act, has established a new form of a limited company called Community Interest Companies (CICs) (The Regulator of Community Interest Companies, 2003). The primary goal of CICs was to overcome the limitations on hybrid activities in the aforementioned for-profit and charity forms of social enterprises and to set a ground for further community development (Doeringer, 2010).
CICs are considered as effective legal form for social enterprises for those that have the primary motive to bring benefit for the community rather than taking into consideration the personal gains or advantages of a sole person or group of people. A CIC can be registered at CIC Regulator as a: Company Limited by Shares (CLS) where shareholders liability is limited to the amount unpaid on shares they hold or Company Limited by Guarantee (CLG) – where each of the members gives a guarantee for a certain sum that will be put towards the company's finances if the company is wound up. If established as CLS, a social enterprise can raise additional equity by issuing shares that pay limited dividends to shareholders (5% above the Bank of England base lending rate as well as maximum 35% of total company profit) but in the case of CLG, it cannot raise finance by issuing shares, nor pay dividends to its members (all profit should be reinvested in the enterprise). However, each CIC can apply for additional governmental funds from the Social Enterprise Investment Fund and from the National Lottery Fund or to be funded by a foundation (with a special permission given by the UK Charity Commission).

In order to ensure that CIC Regulations and Company Law will be respected, during the registration process each CIC must possess a community interest statement that describes its social purpose and later on must pass the community interest test which shows whether the CIC will create benefits for the community or a section of it, or its purpose is in the community's or wider public's interest. This means that a CIC can pass the test if it brings benefits to the wider community, but neither to a small number of people nor to a political party (Doeringer, 2010). A charity can seek CIC status if it gives up its charity status and benefits this status brings (as significant tax reliefs) or may set a subsidiary company. Moreover, the law gives a possibility for worldwide activities of CIC by not limiting the geographic area of work and beneficiary communities only to UK.

In order to ensure that the CIC will work with its assets and profit towards its mission and will serve the targeted communities, and furthermore to secure the social aspect of such a legal form, the Regulator has set the “Asset Lock” directive.
“This means that the company cannot generally transfer its profits or assets for less than their full market value except as permitted by regulation”. (Businesslink.gov.uk, 2010)

Likewise, if the CIC is about to be dissolved, all remaining assets (after liabilities have been repaid and investors receive their principal) must be transferred to another asset-locked organization (CIC, a charity or another corresponding entity), primarily with the same or similar mission (Doeringer, 2010).

Transparency and accountability is another important issue related to CIC. During the year the work of CIC is monitored by a Regulator which has a role to protect the CIC property and insure its accountability and therefore has the authority to limit the Board and Management power of control (set rules), assign or dismiss Directors or CIC Managers if discovers some irregularities. At the end of the fiscal year, each CIC must submit an annual community interest company report for public record together with its annual financial statements that should show how the social enterprise has work towards the community interest and contribute benefits to the target group of their interest.

As it can been seen, the work of CIC is regulated by the Company Act which allows to such enterprises to get involved in unlimited and unrestricted commercial activities as long as they work towards their mission and bring benefit to the community and the targeted interest groups. Such as potential have been widely recognized in the United Kingdom and influenced vibrant development of the social enterprise sector (as of January 2010, 5 years after the inception of CIC, there are 3322 registered CICs). But the Company Act that regulates the work of CICs, set limits as well, especially in relation to the benefits that those enterprises can have when operating (example taxes) or raising additional capital (as dividend restrictions). In this regard, further development of CIC will be related to the politic climate in UK willing or not to support the lobbying efforts for tax advantages and creation of active social equity market (development of secondary markets for CICs shares) (Doeringer, 2010).
Beside all the advantages, many practitioners are warning to safe some reserve while promoting CICs as good example. Many in the field are uneasy about their introduction (top down) and are remaining sceptical about their claims and others are concerned about the added requirement by other bodies. Over enthusiasm by some advisers especially from Business Link has encouraged many social enterprises to adopt CICs when other alternatives might be more appropriate (for example CIC has been a block to replication and franchising and asset lock has proven to be ineffective in some cases as in Ealing Community Transport and the Mission in North Shields).

However, following the examples from US, Belgium and UK, other EU countries have regulated the work of social enterprises under various laws: in Finland there is an Act on Social Enterprises, in Latvia where social enterprises can be organized as associations, foundations and religious groups, there is a Social Enterprise Law, Lithuania has adopted the Law on Social Enterprises and in Poland there is the Act on social Cooperatives which predetermines the legal form of a social enterprise as cooperative (Heckl and Pecher, 2007)

In this regard, if a country is about to regulate the work of a social enterprise, all options should be taken into consideration to ensure that the legal structure will respond to the social and economic context and support the full exploration of the potential and benefits that legal structure brings.
IV.4 Supportive framework for social enterprises

In overview of the supportive measures that foster development of the social enterprises in Europe given in the Study on practices and policies in the Social enterprise sector in Europe (Heckl and Pecher, 2007) the following examples have been identified:

**Legal measures:**

The policy actions across Europe are showing that the supportive legal structure is one of the core drivers for development of the social enterprise sector. In most of the European countries there are regulations affecting specific legal forms of social enterprises as “sheltered workshops” or “work-integration initiatives”, but there are also cases where the laws are targeting social enterprises as a concept as:

- **specific legal framework on social enterprises** has been established in the cases of UK (Law on Trade regulating the Community Interest Company), Belgium (Law on Societe a Finalite Sociale that gives an opportunity for establishment of a for-profit entity with limited profit distribution), Finland (the Act on Social Enterprises that defines the social enterprise and provides an overview of the support for establishing a social enterprise), Italy (Regulation of Social Enterprise that defines the legal forms of social enterprise, social utility and non-profit making and regulates the proprietary structure, booking system, mergers, acquisitions, jobs, monitoring, research activities and financial dispositions); Slovenia has drafted the Law on Social Enterprises (Predlog Zakon o socijalnem podjetništву) and submitted to the National Assembly in July 2010. After the long process of assessment and discussion, the Law has been adopted by the Parliament in March 2011 (National Assembly of Republic of Slovenia, 2010).

- **legal measures that are supporting social entrepreneurial work or specific forms of social enterprise** as in Hungary (Law IV/2006 on Economic Activity on not-for-profit entities), Poland (Act on Social Cooperatives that is defining the functioning of social employment initiatives), Iceland (Law on Private and Self-
Sufficient Institutes providing Lobs), France (Law on Work-integration Enterprises), Austria (Law on Sheltered Workshops that offer work integration of disadvantaged persons) and Turkey (Civil Law-Foundations Regulation and Association Act that offer opportunities for social entrepreneurial work).

In the legal context it is worth mentioning the legal acts that smooth the progress of socially entrepreneurial activities as:

  - **tax exemptions** (exemptions from income tax or payroll taxes) as in Malta (CSOs with a social mission are exempted from income tax), similarly in Austria (CSOs with a “public utility” operating in specified fields as healthcare, care for old and etc are tax exempt), and further on in Germany (tax exempted are all entities which activities are “public utility”), Slovenia (companies that employ disabled persons are exempted from payment of tax on paid salaries) or

  - **privileges** as in the cases of Sweden (social enterprises that employ disabled persons get wage and arrangement subsidies) and France (work-integration enterprises that are employing disabled persons get additional advantage on public procurements)

**Financial measures**

  - **direct financial support** in a form of institutional grant as in the cases of Portugal (Government gives subsidies to private institutions of social solidarity which in most cases cover 60% of the operating costs) or program/project grant as in the cases of Cyprus (there are various programs for different target groups as children, elderly run by CSO and financed by the Government), Belgium (project grant are awarded to social enterprises operating in the fields of environment and work, recycling and reuse, entrepreneurship co-operation and social cohesion), Denmark (project grants for voluntary social work), Finland (project grants and subsidies to start-up or consolidate a social enterprise), Italy (project grants for start-up social enterprise regarding its development, innovation and quality of economic activities), Belgium (Government refunds the
costs for consultant services from state approved consultancy agencies), Slovakia (income tax Assignation) Bulgaria and Czech Republic (subsidies for CSOs working in the field of social integration or disabled)

- **indirect financial support** linked to the wage subsidies as in the cases of Slovenia, Slovakia and Sweden (covered part of the wage costs of disabled persons depending on the level of assessed invalidity), France (support granted by the State to the employer that must be a non-for-profit organization in a form of wage subsidy and social security contribution according to the Contract for the future and Contract for the Work)

**Business support measures**

In order to help the social enterprises to cope with the business and societal challenges, some European countries have established a support structures that target directly social enterprises or offer overall business support.

- **Direct business support** is provided in the cases of Finland (National Support Structure for Social Enterprises-NSSSE consults and support establishment and development of social enterprise in a form of guidance and network to the potential and existing social enterprises and runs various activities that increase the public awareness about social enterprise as brochures, web site, campaigns etc. Moreover, it acts as monitoring body for implementation of the Law on Social Enterprises and reports all weaknesses and obstacles during the implementation to the Ministry of Labour. It has its own budget supported by the Ministry of labour with finances of 395,000 EUR in the budget year of 2004/05), Belgium (Start Centres and Regional Incubation Centres authorized by the Flemish Ministry for Work and Social Economy assist the future and existing social entrepreneurs to develop and implement their business ideas, motivate them to employ unprivileged groups of people and guide them towards their sustainability. Start Centres and Regional Incubation Centres are financially supported with 124,000 EUR for employment and operational costs but this sum might vary since it is linked with a index)
- **Overall business support** to the social enterprises is identified in the cases of UK (Co-Enterprise Birmingham offers business support to social entrepreneurs and managers in research of new business ideas with social goals, business planning, marketing, finances, advise in all areas of daily business and various general and tailored made trainings), Germany (Master studies in Community Development, Neighbourhood Management and Local Economy in University of Applied Sciences in Munich), Austria (Master studies in Social Management at fh-campus Vienna), Netherlands (training named as Master class Social Entrepreneurship is awarded to winners on the project competition for migrant organizations), Spain (free of charge web site services for social entrepreneurship aimed for civil society organizations), Latvia (organization of special events for raising public awareness about social enterprises)

*Actions that promote co-operation*

- At National level good examples can be found in the case of UK (Development Trusts Association-DTA supports with information nine regional networks and special forums and offers them various information services as researches, information bulletin, publications etc), Hungary (Civil Employment Workshop-CFM financed by the Ministry of Social Affair with an annual budget of around 200,000 EUR that facilitates the dialog between civil society organizations and offers them an expert structure for establishing start up social enterprise and organization of its work), France (e.g. the “National Council for Work Integration by the Mean of Economic Activity” unites representatives from relevant stakeholders as work integration enterprises, Ministries, trade unions and employers organizations and acts as their umbrella organization), Spain (State Council of Non-Governmental Organizations for Social Action that facilitate the dialog between the Ministry of labour and civil society organizations in the area of social policy)
- At local level relevant practices can be seen in the Denmark (Social Security Law predicts that local governments must set a grant for cooperation with the
voluntary social organizations), Estonia (Program named as “Entrepreneurship Development” fosters the co-operation between the governmental institutions, local companies and civil society organizations and encourages establishment of CSOs round table)

Other support measures that enable the development of social enterprise sector can be found in UK (Social Enterprise Unit that operates under Department of Trade & Industry is a focal point and coordinator of all policy development initiatives related to the issue of social enterprises), Bulgaria (Community Fund and Social Enterprise Program fosters sustainability of the social enterprises by providing trainings, access to finances, study tours, information etc and is the main promoter of the social contracting services between the local governments and institutions and CSOs; Social Services for New Employment-SANE that prepares CSO to become sustainable suppliers of social services and fosters the cooperation between CSOs, Government and business sector) various support programs as in the cases of Poland (Program “Supporting Development of Social Cooperatives” promotes the concept of social cooperatives, develops catalogue with a profiles of social cooperatives, monitors the work of the newly established social cooperatives and offers Grants for Regional Centre that support the social cooperatives), Portugal (program of the Social Employment Market provides free trainings, subsidies for trainees and capital expenses to integration enterprises)
IV.5 Cases on social enterprises from around Europe

Cases provided below have been obtained through the Euclid Network with a generous contribution of its members and are not written by the authors of this Study. The aim is to present various experiences from around the Europe that might serve for development of the social enterprises in Macedonia.

The Case of Germany: Between associations and cooperatives

As in other countries, social enterprises in Germany have grown up in the space between the cooperative and voluntary sectors. These sectors have strongly differentiated identities, and there is a relatively strict division of labour between mutual self-help (by the former) and work for the public good (by the latter).

The well established welfare federations (Wohlfahrtsverbände) are the largest employers in the country, with 1.3 million employees between them. They are represented by the Bundesarbeitsgemeinschaft der freien Wohlfahrtspflege (BAGFW) which brings together 90,000 charitable care organizations in the seven national associations. The biggest two of these, the Catholic Caritas and the Evangelical Diakonie, employ 400,000 and 330,000 people respectively. The other four federations are the Paritätischer, Arbeiter- and Jewish Wohlfahrtsverbände and the Red Cross. Ninety percent of their income comes from federal or Land subsidy for the provision of social services.

The cooperative family is also strong in Germany, but has only a weak attachment to the idea of social enterprise. The vast bulk of cooperatives are under the wing of the Deutscher Genossenschafts- und Raiffeisenverband (DGRV), including:

- 2,500 cooperative banks with some 200,000 employees and 14 million members, which are major lenders to SMEs
- 3,800 agricultural cooperatives which employ around 140,000 people and have 1.1 million members
- 1,500 trade and industrial co-ops (craft marketing, joint purchasing etc.) with 105,000 employees and 300,000 members

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3 For more information on presented cases please refer to the Euclid Network 1 New Oxford Street, London, WC1A 1NU Tel: +44(0) 845 345 8481, Fax: +44(0) 845 345 8482; info@euclidnetwork.eu
- 60 retail co-ops with some 600,000 members (the sector has suffered severe contraction in recent decades)
- 2,000 housing co-ops with 25,000 employees and 3.2 million members

There are some 1,500 self-managed firms employing some 9,000 people in socially and environmentally responsible activities (ecological products, energy, training, consultancy etc). They are grouped together in the Netz für Selbstverwaltung und Selbstorganisation (‘network for self-management and self-organization’).

Several thousand social firms (work integration social enterprises) have been founded at the initiative of municipalities and welfare organizations, or as local initiatives. They may be incorporated as companies, cooperatives or associations, and are organized into two main federations:

- **BAG Integration**: Bundesarbeitsgemeinschaft Integrationsfirmen is a federation of 600+ integration firms catering principally for handicapped people. This benefit from a legally defined status and subsidy regime that has four components: a 30% wage subsidy, an integration supplement, and help with consultancy and overheads. This support is paid for not from taxes, but from a fund that employers pay into if they employ less than their quota of 6% handicapped people. The member enterprises provide around 17,000 jobs, of which 50% are for severely handicapped (Schwerbehinderte) people. Sectors of activity include light production tasks such as assembly and dispatch, gardening, printing, administrative tasks such as data processing and bookkeeping. Growing sectors include hotels, canteens and services for residential homes.

- **BAG Arbeit**: Bundesarbeitsgemeinschaft Arbeit has 400 member firms, which represent an estimated 50,000 people, including both permanent staff and temporary workers. They are active in businesses such as second-hand goods, recycling, landscape gardening, environmental and social services and catering. They cater for long-term unemployed people with a wide range of disadvantages, including migrants, older people, physically and mentally handicapped and drug abusers. Young people can be employed on apprenticeship contracts, for instance in ‘training restaurants’. Around half of workers are women.
Other initiatives

Social franchising: Some initiatives on social entrepreneurship have also been taken by the foundations family. The Bund Deutscher Stiftungen (Federation of German Foundations) has attempted to promote social franchising, and held a Social Franchising Summit in 2007.  

The Ashoka Foundation has a German arm which promotes competitive and efficient businesses that address social problems. Each year it awards fellowships to around eight candidates on the strength of their idea, its potential for scaling up, its businesslike implantation, and creative problem-solving and ethical integrity.

The government has given firm support to the birth of microfinance in Germany. During the EQUAL initiative it supported the creation of the Deutscher Mikrofinanzinstitut (DMI) which now has 59 members. It is currently supporting a national program for the exchange of experience among microfinance institutions and has also sponsored the creation of a €100m fund (Mikrokreditfonds Deutschland) which covers management as well as capital costs. Over 1,500 loans have been made in 2010.

EnterAbility: The Kreuzberg district of Berlin is home to one rather unique social enterprise, EnterAbility, which helps disabled people to set up their own businesses. It has been remarkably successful, and in its 7-year life has tackled 520 cases, which have led to 163 start-ups, of which 124 are still trading. They range from an advice service for Russian immigrants to a dog parlour – and even a gymnastics teacher. The services are free to the users and with a staff of only 3½ overhead costs are very reasonable. The Integrationsamt makes a grant of €300 per month per client for up to six months, and the balance of the project’s costs are met by the charity Aktion Mensch.

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4 www.stiftungen.org/de/projekte/projekttransfer/social-franchise-projekt.html
5 www.germany.ashoka.org
6 www.mikrofinanz.net
7 www.mikrokreditfonds.gls.de
8 www.enterability.de
**Good practice example from Germany: CAP-Märkte**

**CAP-Märkte (CAP Markets) are supermarkets that promote social integration by providing meaningful work for disabled people.**

‘CAP-Märkte’ (CAP markets, from ‘handicap’) is an initiative to establish a national brand by taking over small neighbourhood supermarkets in suburbs and villages that have been made redundant by the growth of hypermarkets. They typically have a sales area of 500 m², stock 7,000 lines and employ 8-12 people, of whom two-thirds are handicapped. They:

- provide jobs for handicapped people, aiding their integration through direct contact with customers
- bring about local regeneration (accessible facilities for people without cars)
- counter exclusion by offering services such as home delivery of meals or post office services

The first CAP-Markt opened in Sindelfingen in 1999. There are now over 80 shops across Germany, all trading under the slogan “CAP – der Lebensmittelpunkt” (grocery point/centre of life). They are managed by a number of integration firms who all benefit from joint purchasing discounts and an integrated point-of-sale bar code system. The group is run by GDW (Genossenschaft der Werkstatten eG), which is a cooperative of sheltered workshops, founded in the 1950s to sell the goods produced by the workshops. The group has grown steadily and launched a chain of coffee shops; branded ‘CAP puccino’. It plans to expand into neighbouring countries.

Embrace Hotels is a linked social franchise in the hotel sector, with 22 member enterprises.  

More info on: [www.cap-markt.de](http://www.cap-markt.de)

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**Useful websites about the social enterprises and social economy in Germany**

1. Deutscher Genossenschafts- und Raiffeisenverband (DGRV): [www.dgrv.de](http://www.dgrv.de)
2. BAGFW – Bundesarbeitsgemeinschaft der freien Wohlfahrtspflege: [www.bagfw.de](http://www.bagfw.de)
3. Netz für Selbstverwaltung und Selbstorganisation: [www.netz-bund.de](http://www.netz-bund.de)
5. Bundesarbeitsgemeinschaft Integrationsfirmen (BAG-IF): [www.bag-integrationsfirmen.de](http://www.bag-integrationsfirmen.de)

9 [http://www.embrace-hotels.de](http://www.embrace-hotels.de)
The Case of Finland

Finland has long-established cooperative and voluntary sectors. The country claims the highest proportion of cooperative members among its population in the world. The principal cooperative federation is the Pellervo Confederation of Finnish Cooperatives which has 340 member enterprises, both producer and consumer cooperatives. In addition to these, some 1,000 small cooperatives have been found in the last decade.

Voluntary organizations grew up in the 19th century but since the 1960s its importance has been eclipsed by state provision. Only since the economic crisis that followed the collapse of the Soviet Union and the concomitant rise of neoliberal values has the voluntary sector witnessed resurgence. The cooperative and voluntary sectors each account for 3-4% of employment, and around 17% of welfare services are provided by voluntary organizations.

The state plays a predominant role in labour market services. Work integration social enterprises (WISEs) are of two types. The first, work centres (työkeskus) and other enterprises up by associations of disabled people have been in existence for several decades. Most have been taken over by public bodies but about 20 remain in independent existence. The second is of much more recent creation: labour cooperatives (sosiaalinen osuuskunta) and social cooperatives for the disabled (vajaakuntoisten osuuskunta). There are some 200 such cooperatives. The work centres have well-established support organizations and are active in industrial production, while by contrast the cooperatives are mainly in the service sector. The average turnover of these WISEs is about €500,000 a year.

There are some 3,300 village cooperatives which operate facilities such as shops, post offices, banks, schools and social services.

The policy environment for social enterprise

In 2003 Finland introduced a labour market innovation by adopting legislation10 defining the sosiaalinen yritys which has usually been rendered as ‘social enterprise’. However the only category of social enterprise that the act covers is the work integration social enterprises (WISE) – that is, businesses that employ people with labour market disadvantages as a means of reintegrating them into the labour force. The law established that firms that employ a minimum of

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30% of unemployed or disabled people may receive start-up assistance and augmented wage subsidies. The act gained some traction in Pirkanmaa, the industrial area around Tampere which faced labour shortages, but overall the rather disappointing total of around 200 social enterprises registered.

Hyvä Project

Meanwhile, and with the help of the EQUAL initiative, a broader conception of social enterprise, which aims to achieve a social purpose rather than to distribute profit, was increasingly discussed. In 2009 the Ministry of Employment and the Economy (TEM) launched the two-year Hyvä (‘Good‘) project to improve the productivity of health and care service, including by introducing a purchaser-provider split. Wishing to learn from the British experience, the project commissioned a report from Jonathan Bland, former CEO of the Social Enterprise Coalition in the UK. The report, Social Enterprise Solutions for 21st Century Challenges – the UK Model of Social Enterprise and Experience clarifies the role of social enterprise in the delivery of services other than work integration. It points out that: “There is already some social enterprise activity in Finland; the associations that have set up new companies to deliver care services, a wave of new cooperatives established over the past 20 years and according to a survey there are businesses that have social aims…. The Finnish government is committed to finding new models to renew the production of public services, particularly in the field of health and care. There is an agreement at national level, from then municipalities, private business and the NGO sector that the system must be renewed. Social enterprises offer a model that can achieve consensus support across the political spectrum and from wider society to reform service delivery.”

As a result, Finland is preparing to launch what could a sizeable sector of LEIs structured as social enterprises in the health and care sector. To avoid ambiguity, the term yhteiskunnallisten yritysten has now been invented to refer to this broader conception of social enterprise.

The government-funded Finnish Institute in London runs a program on social entrepreneurship which aims to transfer the idea of social enterprise from the UK.


12 [www.tem.fi/?l=en&s=3124](www.tem.fi/?l=en&s=3124)


Measuring social added value

Finland is also developing ways to measure the added value that social enterprises can bring. The Social Value Added Working Group of the EQUAL National Thematic Network for Social Entrepreneurship developed the ‘SYTA method’ (SYTA-malli®) of assessing the economic and the content-related outcomes of a social enterprise’s activities. A tool was produced, formatted as a spreadsheet application which is parameterized – in other words factors such as tax rates can easily be adapted to suit differing national contexts. Its economic side involves calculating the returns to the state, the municipality and the employees, then comparing these with what would otherwise have been the case. The method is also described in a brochure from SOSVOIMA which describes and compares a range of impact measurement tools developed by the EQUAL social economy projects. A further publication describes other quality management tools, including one based on the EFQM excellence model.

Networks

Finland used EQUAL to establish work integration social enterprises (WISEs). A national thematic network in social economy was set up, and its spirit lives on in Syfo and the national development programs. TEM also has an advisory working group which is preparing recommendations on social enterprise ahead of the elections in spring 2011.

In the last year, two online platforms have been launched, for social enterprises and for cooperatives respectively.

- The social enterprise platform, Yhteinen yritys (Joint venture) was launched in January 2010 and gives access to articles on topics of interest, a newsletter, case studies etc. A business support advice service for social enterprises is managed by TEM and receives ESF support. It is implemented under contract by Syfo, Diakonia University of Applied Sciences and the Enterprise Agencies network. Its precise work program is currently under discussion.

- The cooperative platform, Yhdessä yrittämään! (Enterprising together!) introduces itself as follows:

15 www.syta.fi/indexE.html
17 www.redcross.fi/punainenristi/response/ajankohtaista/ki_FI/projektijulkaisut
18 www.yhteinenyritys.fi
19 www.yhteistoiminta.fi/taustaa/inenglish
“A kind of breakthrough in the promotion of cooperative entrepreneurship in Finland occurred early year 2009, when the Ministry of Employment and the Economy decided that Finland will embark on a nationwide project of enhancing cooperative entrepreneurship. In a public acquisition process in early 2009, the Tampere Region Cooperative Centre was chosen to implement this project in partnership with the Ministry.

The project – Enterprising Together! – is a part of the ESF Operational Program for Continental Finland titled “Entrepreneurship as a way to use workforce and as labour market motor”. The Tampere Region Cooperative Centre is implementing the project together with the Ministry of Employment and the Economy.”

The platform will:

- **promote** cooperative entrepreneurship and integrate it into the range of services provided by **all business and career development organizations** – including the telephone consultants of Enterprise Finland;
- **assess the training** needs of all consultation organizations and implement regional training programs. The training will start at the basic level and advance into Coop Expert training, which is a course developed by the Tampere Region Cooperative Centre;
- produce supporting **material** on the consultation process and on the marketing of cooperative entrepreneurship in general;
- serve as a nationwide **information** provider in matters of cooperative entrepreneurship.
- **promote innovative** applications of cooperative entrepreneurship, such as worker leasing cooperatives and the deployment of cooperatives in areas suffering from structural change;
- **enhance the use of cooperative entrepreneurship as a tool of entrepreneurship education**;
- **research** the links between cooperatives, social enterprises and the social economy;
- carry out a nationwide **study** and a political analysis on small cooperatives as businesses and as a form of social economy, and possibly some further studies on social economy.

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20 Contact: Niina Immonen, niina.immonen@osuustoimintakeskus.net, tel. +358 50 3950 111
**Good practice example from Finland: The Pirkanmaan Syke project**

The Pirkanmaan Syke project built local capacity by creating a new business process to fill a regional labour shortage. It adopted a novel approach to filling vacancies in Finland’s industrial heartland around Tampere. It conducted a telephone survey of employers, and asked if they had vacancies and if so would they be willing to accept a disabled or long-term unemployed candidate – along with a wage subsidy. The project then smoothed the new employee’s path into work by taking care of the paperwork procedures. By March 2008 it had registered 83 social enterprises (WISEs) – half the total in the whole country – thus creating work for 139 disabled or long-term unemployed people.


**Useful websites about the social enterprises and social economy in Finland**

1. Pellervo Confederation of Finnish Cooperatives: [www.pellervo.fi](http://www.pellervo.fi)
2. THL (the National Institute for Health & Welfare): [www.thl.fi](http://www.thl.fi)
3. SYFo (Forum for Social Entrepreneurship): [www.syfo.fi](http://www.syfo.fi)
The Case of Czech Republic

Social economy in the Czech Republic has, mainly in rural and semirural areas, a long tradition. Czech cultural and economic identity in territory of Habsburg's empire was defended by voluntary activities of civil society, by systems of agile small and medium enterprises, productive or consumption cooperatives, mutual or municipal saving banks or cooperatives. In 20's and 30's during period of the first Czechoslovak Republic, the performance of some forms of cooperatives or mutual institutions was reinforced during a deep depression. After the Second World War, communist changeover started expansion of state into civil, social and economic space and this activity resulted in direct control or liquidation of traditional cooperatives, and creation of new forms of cooperatives consisted of earlier independent farmers or small traders. These new entities lost many features typical of social economy, such as independence or autonomy of action. New situation occurred in the middle of current decade, particularly after launching share information about this phenomenon through working groups, networking and pilot projects supported by OECD, EU or some private foundations as NROS or Open society fund.

The debate is stigmatized by negative experience in previous public interference not only at national but also regional and local level, including bureaucratic behaviour and centralism. Later it was bad performance practice of mutual savings and credit cooperatives in 90's. Collapse of most these financial cooperatives, potential alternative for big banks and other financial institutions, resulted in dissolve of social capital and decrease support of social economy as whole. The current debate prefers a description of social enterprises as entities running economic activities - making and selling products or services with an overall goal to integrate disabled or socially excluded or potentially excluded people. On other side, there may be used broader definition of social entrepreneurship as businesses with primary social, community objectives. This essentially means that they are businesses driven by social and environmental objectives. Social enterprises should place their social or environmental purpose in centre to what they do. Their main aim is to generate profit to their further social and environmental goals rather than to maximize shareholder value. Non-profit organizations understand social entrepreneurship in terms of employing disabled and socially excluded persons, and this is also how they focus their activities.
There is no specific legislation for social enterprises in the Czech Republic. The existing social enterprises are mostly work integration social enterprises (WISE) and they use the available tools of active labour market policy on creation of a new job and functioning of a sheltered workshop, both available only for disabled. Two types of social enterprises are more common - social firms employing heavily disabled or socially excluded people, developed according to the UK model of social firms, and social cooperatives that provide goods or services by employing physically or socially excluded people. In reality, there is an overlap between both types.

According to the expert estimate, there are approximately 100 social enterprises. Their number has been growing because of a joint ESF and ERDF support of WISE start-ups but drawing of funds is slower than expected. Ministry of Labour and Social Affairs (MoLSA) is in charge of both grant schemes but social economy is not prioritized in their policies. Other ministries consider MoLSA to be responsible for social economy. MoLSA up to now has implemented social economy into its ESF activities but it has not been accepted on policy level. Social economy has been incorporated mostly in policies for minorities - National Action Plan for Social Inclusion, Strategy of Fight against Social Exclusion (dealing mostly with Roma communities) and National Plan of Support and Integration of Disabled Citizens. Social economy is also mentioned in the Strategy for Sustainable Development.

The awareness of social economy and social entrepreneurship has been growing mostly among NGOs who need work integration for their clients and improvement of their financial situation. Recently municipalities are becoming more and more aware of positive impacts that social economy might bring.

During the last 5 years the activities of ESF in the CR fertilized the discussion and development of the social economy. For instance, in previous programming period there was a series of EQUAL Initiative activities focused on dissemination of information and research needs and positions of crucial stakeholders. The EQUAL Community Initiative (Priority 2: Entrepreneurship) was the only program that – within its areas of support – spoke explicitly about social economy and that supported activities in the field of social entrepreneurship.
Good practice example from Czech Republic: TESSEA

In June 2007, the National Expert Group for Social and Economic Activities (NESEA) was established under the EQUAL program. Its members were the representatives of some social economy development partnerships and some invited experts dealing with social economy. As part of NESEA's activities, there was first a debate on the ideal form of social economy in the context of the EU and then the discussion focused on the applicability of the European model under the conditions existing in the Czech Republic. The main output of the group’s work was the definition of the principles and standards of a social enterprise, which must be met by every social enterprise regardless of legal form. The group also prepared proposals of the definitions of other terms. In 2009, the Thematic Network for the Development of Social Economy (TESSEA) has been newly established in order to support social economy and social entrepreneurship. This opinion platform, whose purpose is to promote the concept of social economy and social entrepreneurship in the Czech Republic, brings together and jointly represent the interests of its members and supporters. These include 167 organizations and individuals that want to support the development of social entrepreneurship in the Czech Republic.

TESSEA collaborates with its members, politicians, ministries and government institutions, regions and local elected representatives, as well as with experts from a wide variety of areas pertaining to the topic in question.

TESSEA focuses on the systematic and coordinated efforts of five working groups:

- Definition Working Group
- Communications Working Group
- Finance Working Group
- Education Working Group

TESSEA works on recommendations what should be done to support the development of social economy and social entrepreneurship in the Czech Republic, The study of the Czech social economy infrastructure will be issued in September 2011.

TESSEA’s activities are coordinated by Nová ekonomika, o.p.s., a social entrepreneurship consultancy organization. (www.nova-ekonomika.cz; www.socialni-ekonomika.cz).
The Case of Poland

The idea of social economy in Poland has rich traditions. During the 20-year period between the wars the cooperative movement and philanthropic activities had a dynamic development. After, in the Polish Popular Republic, spontaneous cooperation was limited and took on a compulsory character. Cooperatives became an instrument for transforming private property into socialist property, becoming an integral part of the political system and the planned economy.

The fall of communism and the subsequent political and economic transition have opened up unprecedented space for citizen action and new opportunities for third sector organizations. The beginning of the nineties was characterized by dynamic development of non-governmental organizations. Many of them were engaged in direct activities on behalf of people facing problems of the transformation.

Nowadays, the term social economy is widely used to distinguish organizations that are not exclusively associated with either the private or public sector. However, reference is often made to the “old” and “new” social economy. The “new” social economy includes both: cooperatives and non-profit organizations (NGOs, foundations) as well as social agencies/organizations funded by government. The old social economy included foundations, associations, and cooperatives that existed in pre-World War II Poland, which complemented government provided social, education, health, and housing services.

It is difficult to assess the real size of the sector result from a number of obstacles and factors, namely the unavailability of reliable statistical data or incomplete statistics and the difficulties in terminating an organization (they remain in the registers even if they are not operational anymore). According to the most recent figures, the Polish social economy includes:

<table>
<thead>
<tr>
<th>Typology of organizations</th>
<th>N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associations and Foundations</td>
<td>78,000</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>13,000</td>
</tr>
<tr>
<td>Social Integration Centres (CIS) and Clubs (KIS)</td>
<td>455</td>
</tr>
<tr>
<td>Social Cooperatives</td>
<td>289</td>
</tr>
<tr>
<td>Coops for the handicapped</td>
<td>350</td>
</tr>
<tr>
<td>Vocational Centres for the Handicapped</td>
<td>51</td>
</tr>
<tr>
<td>Mutual societies</td>
<td>9</td>
</tr>
</tbody>
</table>

Source OECD 2009 and FISE 2010
The first important legal recognition of the sector came in 2003 from the Law on Activities of Public Benefit and Volunteerism which introduced innovative elements clearly emphasizing the necessity of building partnership between the public administration and non-profit organizations. It also made reference to the as yet unrecognized principle of subsidiary and gave privilege to activities undertaken by citizens’ organizations over those of the governmental or local administration.

In 2003 and 2004 institutional and legal recognition of social entrepreneurship of low-income groups was attained following the enacting of two specific Acts: the act on Social Employment and the act on Employment Promotion and Institutions of the Labour Market. The Act on Social Employment created two new types of institutions:

1. The Social Integration Club (KIS) is organized by welfare centres, NGOs or local government and engages community members in activities aiming to foster a sense of initiative, responsibility and civil engagement. KIS can take the form of support circles or interest groups and can engage community members in local development projects.

2. The Social Integration Centre (CIS) is established by welfare centres, NGOs or local government as an independent institution that offers work-integration programs consisting of psychological support and vocational training for people from the most vulnerable social groups. Earning a small income from the work that CIS beneficiaries complete is a key element in the integration process. CIS can offer goods and services on the open market but has extensive financial support of public administration.

Although KIS are not a social economy institution and few CIS manage to generate significant profit from their activities, both institutions foster entrepreneurial attitudes and social cohesion which is the basis for the development of the social economy sector.

A step further is represented by the Law on Social Cooperatives approved in April 2006. The Law takes inspiration from the type B Italian social cooperatives. The social cooperatives are non-profit social enterprises, whose objective is not to generate profit but the professional and social re-integration of persons with minimal qualifications. Social cooperatives are registered in the National Registry Court, alongside associations and foundations. At the end of the year, after regulating all the obligations, if the cooperative has budgetary surplus it should be invested in social objectives on behalf of its members or on local communities’ interest. Social cooperatives manage both commercial and social activities and are allowed to participate to public tenders reserved to the non-profit sector.
Experiences from the first social cooperatives have prompted a call to reform the act by easing membership requirements (the percentage of disadvantaged workers was brought from 80 to 50%) and by expanding the available financial and institutional support in order to facilitate their sustainability on the open market. An additional amendment of the Law has been introduced in 2009 allowing the creation of a social cooperative by at least two legal persons (NGOs or public authorities). In this case the cooperative has to hire within six months after registration at least 5 disadvantaged workers.

The newest legislation proposed in Poland is an act on social entrepreneurship (currently being discussed by social partners and stakeholders) which introduces the possibility to acquire the “label” of social enterprise for different kinds of institutions, which run economic activity, among which are NGOs, companies, cooperatives.

The Polish Government has been supporting the development of social economy also through national and European funding and the creation of specific coordination and supporting bodies. The European program EQUAL (2005-2008) gave a major boost to the development of a Polish model of social economy. Besides funding a good number of social enterprises, EQUAL promoted a national thematic network and two major European Conferences (Warsaw 2006 and Gdansk 2008) that raised the interest of policy-makers in the role of social enterprises.

Moreover, the pioneering work carried out under EQUAL has now been followed up with a sizeable effort under the Human Capital operational program of the ESF and 16 regional operational programs. A major result of the strategic approach of Polish social economy organizations is the Inter-Ministerial Team for Systematic Solutions for the Social Economy. Nominated by the Prime Minister, its members include three Ministers (Labour and Social Policy, Economy, Finance), representatives of other public bodies (Ministry of Regional Development, Department of the Public Utility Sector and Group of Strategic Advisers of the Prime Minister), along with representatives of social economy organizations (SKES, FISE, Barka Foundation, NAUWC, etc.) and academics. It is a multi-stakeholder group whose mandate is both to follow the development of the social economy and design enabling policy. The work of the Team together with the continuous efforts of the national and local social economy organizations has great potential for meeting the main challenges of the Polish social economy, namely policy coherence, promotion of the social economy concept and of supportive measures for the sector (access to capital, finance, partnerships between social economy organizations and regional and local governments, business support and training, networking capacity).
Good practice example: Ecological Ants from EKON

Marginalization of the disabled looms out as the problem still unsolved in Poland, it concerns in particular the mentally ill for whom it is most difficult to find a job as they are unable to look for it on their own, while there is a common belief among employers that they cannot be efficient workers. In 2003, Elżbieta Gołębiewska and Marek Łukomski established the "Disabled for the Environment EKON" Association in Otrębusy, on the suburbs of Warsaw, hiring the disabled to collect and segregate packaging waste. The Association made an agreement on economic partnership with the supported employment enterprise such as ABA-service sp. z o.o. and TJ sp. z o.o. to find the disabled willing to work and to prepare them to collect and sort the waste. At the same time, the Institute of Psychiatry and Neurology requested EKON to hire patients ending their hospital treatment. This work was thought to be a form of therapy. Thanks to the subsidy from Voivodeship Fund of Environmental Protection granted in January 2004 EKON could carry out the first scheme of EKO praca "Zielone miejsca pracy" (ECO-work "Green working places") and make room for 56 posts for the disabled. Today the association has 900 employees who collect waste on the Warsaw housing estates and in 16 branches of EKON in Mazowieckie, Kujawsko-Pomorskie, and Łódzkie and Świętokrzyskie voivodships. Only in Warsaw, "the ants" collect waste from 60 thousand flats! The residents are given special yellow ecological bags to throw segregated recyclable waste in them, which in turn are picked up by "the ants" as is the name of the collectors. In the sorting plant, the waste is re-segregated, bailed, and delivered to recycling plants. "The Ants" are well liked. Their doctors noticed a significant improvement of their condition after a few weeks: they are full of life, they began to make contacts with their environment, and they regained their dignity.

More info on: www.ekon.org.pl
The Case of United Kingdom: The Social Entrepreneurship Cooperatives

The British third sector (non-profit sector) has a long history. It always defined itself as meeting the shortcomings and failures as the market state. The country also has a long tradition of cooperative movement (invented by the pioneers of Rochdale), mutualism, voluntary organizations or "charities" often associated with churches. This tradition, which had gradually weakened, has experienced a revival since the late 60s, through the emergence of a new generation of social enterprises, taking many legal forms in the following areas:

- The integration and integration into the labour market by creating activities and enterprises, in various forms: local cooperatives of workers (Workers Coops), social cooperatives (social co-ops), social firms (Social Firms) offering employment to people with disabilities, organizations of volunteer business consulting services, training, health care (trading voluntary organizations), etc.

- Social housing, housing associations or cooperatives for the most disadvantaged (young people, migrant, homeless) that are often excluded from social housing, managed by municipalities (and often sold to residents).

- The personal services and home care (home care co-ops) employing part-time members, often women with a family burden.

- The local development organizations such as Development Trusts that provide services in rural areas.

- Funding agencies, social or ethical investment or microfinance institutions (mutual funds, credit unions, mutual societies guarantee for micro-enterprises) and trade fair.

A Strategy for social enterprises

From the late 90s, governments have sought to promote and support the development of social entrepreneurship. A group of reflection and action was initiated in 1998 by the Ministry of Industry and Commerce. It was based on the observation that the contribution of social enterprises in economic and social development should be recognized and encouraged. These companies were then seen mainly as an instrument to fight against exclusion in urban areas (thus, 40% of them operate in sensitive urban zones). For the government, they should also help to regenerate the equipment and services for neighbourhoods and communities in need, encourage innovation and entrepreneurship and increase the provision of social services. Social enterprises have been defined as "firms primarily pursuing social goals and whose surpluses are principally reinvested in the company's business or in the local community, rather
than a need for maximizing profits for shareholders and owners "(Social Enterprise, A Strategy for Success, 2002).

The main strategic direction adopted by the government in 2002 was to eliminate the obstacles to the creation and development of social enterprises (poor understanding and low visibility, awareness of their impacts, dispersal of support services and poor access to finance). This was done to create a better environment, as had been done for mid-to strengthen the support services, training and financing and to prove their added value in measuring economic and social their impact. Support actions brought under this plan were numerous: legal (new status of Community Interest Companies), financial (new loans and investment tax credits) or technical (facilitating access to public procurement cooperation with the private sector). Industry players have come together and organized within an organization, the SEC (Social Enterprise Coalition), which acts to promote and develop social entrepreneurship and has become the interlocutor of the government.

In 2006, following a retrospective on the progress made in implementing the strategy, the government published an action plan for corporate social revisited, Scaling New Heights, which had four priorities:

- Encouraging the culture of social enterprise
- Ensuring that the right information and advice is available
- To enable social enterprises to access to adequate funding
- To enable social enterprises to work with the government.

If social enterprises are not eligible for specific tax exemptions (except for those with a major social role), however they have support and tools to better access the public markets (those responsible are made aware of their specificities) and cooperate more with the private sector.

Governments have funded research, awards and prizes as well as communication campaigns to promote the best social entrepreneurs, and encourage vocations and raising awareness of social entrepreneurship among the general public. A specific focus on development work in the United Kingdom (UK) describes the technique of the use of social return on investment (SROI - Social Return on Investment) to measure the social value of social enterprises. A major project called Project SROI is funded by Scotland and a national network (the network of SROI) has been established. The results of this strategy are not all quantifiable and visible. The number of social enterprises has increased and many policymakers that the public are increasingly interested in this form of entrepreneurship.
The level of diffusion of the status of Community Interest Companies (CIC 4475 recorded at end 2010), indicates that the idea of social enterprise enjoys broad support. Nevertheless, the unclear definition adopted means that the number of social enterprises can only be estimated. The British government on the basis of a survey on a sample of companies said that 5% of all companies say they have social objectives. From these results we can estimate that there are 62,000 social enterprises with a turnover of around £ 24 billion (29 billion Euros), which employ 800,000 people.

**The Big Society**

In 2006, the policy for social enterprises has been transferred from the Department of Trade and Industry (DTI) in the office for the third sector, which is part of the Prime Minister. The interface between the government and the industry has changed again following the formation of a coalition Conservative-Liberal Democrat in 2010 and the adoption of the "Big Society, which aims to encourage volunteerism and philanthropy and subcontract the provision of services - among others - to cooperatives created by public sector workers. The office for the third sector has been replaced by the Office for Civil Society (OCS). Its strategy paper, "Building a Stronger Civil Society focuses on the following priorities:

- Making it easier to manage a social enterprise, organization or charity volunteers
- Obtain more resources for the sector: strengthen its independence and resistance
- Make it easier for organizations in the sector the opportunity to work with the state.

Government funds have been reduced due to the banking crisis, which means that the profile of social enterprise may be reduced significantly. In 2011 the SCO was supposed to reduce its strategic partners to fund £12.2 million to £7.5 million and the number of partners from 42 to 15. The health department has also created its own unit for social enterprise. It is estimated that more than 6,000 social enterprises providing social services and health care in the NHS (National Health Service). Under the initiative of the "Right to Request" NHS workers can apply to convert their service in social enterprise led by employees, with the aim of increasing productivity, innovation, quality care and satisfaction work. A number of public sector organizations have transformed themselves into cooperatives or other forms of social enterprise. One significant barrier is the potential loss of pension entitlement of the National Health Service by employees, a question that is decided case by case basis and has resulted in the fact that employees refuse to make a plan transformation.
Good practice example: the Schools for Social Entrepreneurs

The first school was established at the initiative of Lord Michael Young (founder of the Open University and a dozen other organizations) that remains in the United Kingdom, the figure of reference of the social innovator. Five other franchise schools have emerged in other cities and are pooling together a network of common support services.

Each of these six schools welcome during the sessions of twelve months full time, groups of twenty project leaders of social enterprises - during the installation or development - in which partners are involved in the community Local. These people have personal stories and professional levels and diverse educational variables. Many profiles are atypical and from local communities or neighbourhoods. But they are all characterized by a strong motivation for their project and a strong commitment to the development of their local community: what are the main criteria for their recruitment by the school.

The training is essentially practical ("hands-on") and adapted to problems. It is provided mostly by peers and practitioners, or during company visits and case studies. Students have the support of tutors and expert witnesses. The training focuses not only on the acquisition of technical knowledge (management, market research, and fundraising) but also knowledge of human-confidence, ability to understand social contexts and individuals).

These schools have a conception of social entrepreneurs is to transform the beneficiaries of social arrangements in "citizen change agents" to promote people who can provide sustainable solutions to local problems, to seek to combine resources, opportunities and innovations in concrete actions and develop skills and activity by mutual learning.

Alistair Wilson, Director of the school network of social entrepreneurs (Schools for Social Entrepreneurs), UK. More info on: http://www.sse.org.uk

Useful websites about the social enterprises and social economy in UK

2. Cooperatives UK: www.cooperatives-uk.coop
5. DTA www.dta.org.uk
6. Social Firms UK: www.socialfirmsuk.co.uk
7. UnLtd: www.unltd.org.uk
8. Office of Civil Society: www.cabinetoffice.gov.uk/big-society
V. THE IMPORTANCE OF SOCIAL ENTERPRISES FOR COUNTRY DEVELOPMENT

As can be seen from the various examples stated above, Social Economy Organizations/Enterprises are getting more attention of the governmental officials since they help to reduce the inequalities and increase social cohesion in a community. Some of the benefits for the country and society can be summarized as:

- Target social needs and use the “market” opportunities to create new social value
- Use and generate social innovations to create social capital
- Provision and delivery of low cost social products/services (especially important for the people with low income)
- Targeting social problems and social groups, especially those that are not prioritized by government (because of the restraints of the public social budget) or are “not attractive” for the traditional business sector.
- Use the multi-stakeholder dialog and involve stakeholders in their work
- Support the reintegration of people with difficulties into the labour market as well generate jobs for marginalized and excluded people

VI. OVERVIEW ON THE CONDITIONS FOR DEVELOPMENT OF SOCIAL ENTERPRISE IN MACEDONIA

Since in Macedonia there is no particular legal structure or explicit supportive measures related to the issues of social enterprise in a strict sense, for the purpose of this Study, the overview on the current conditions is focused on those that are influencing the work of the organizations in the third sector, are regulating the work of the enterprises or address some area of interest for the social enterprises.

VI.1 Macroeconomic factors

Macedonia is positioned in the centre of the Balkan where most of the trading routes of the neighbouring countries are passing through its territory which creates economic and development potential for further growth. It is a relatively small country with a
surface area of 25,713 km² and an estimated population in 2009 of 2,052,722 inhabitants (Macedonia in Figures, 2010, p.7) from which 57.8% lives in 34 cities, with the highest concentration of 20.5% in the country capital Skopje (Macedonia in Figures, 2010, p.12). The GDP per capita in Purchasing Power Standards (PPS) in 2008 was 8,430 EUR with a 5% real growth rate (Macedonia in Figures, 2010, p.20) which is due to the increase in final consumption of 8% (Macedonia in Figures, 2010, p.21). The growing rate of GDP puts Macedonia in the row of developing economies being 169 in the World (Central Intelligence Agency, 2011).

The composition structure of GDP is showing that services\textsuperscript{21} with a 44.3% in 2006 and 44.0% in 2008 are having the major contribution in GDP followed by industry including energy and construction with 24.7% in 2006 and 25.8% in 2008 and the share of agriculture, forestry and fishing with 10.5% in 2006 and 10.0% in 2008 (Macedonia in Figures, 2010, p.20).

The value of foreign direct investments in 2008 was 356.4 million US $, and compared with 2007 it increased by 25.6 million US $. The largest volume of foreign direct investment in 2004-2008 was recorded in the following sectors: Electricity, gas and water supply; Manufacturing; Financial intermediation; Transport, storage and communication; Mining and quarrying and Wholesale and retail trade (Macedonia in Figures, 2010, p.23)

The average household in Macedonia spent about 64.6% of its consumption expenditures to satisfy basic needs such as food, clothing, housing and household equipment. The structure of incomes in 2009 was dominated by revenues from regular and non regular work with 65.8%, pensions 17.5%, revenues from agriculture with 4.6%, revenues from abroad 2.7%, and social benefits with 1.6%.

\textsuperscript{21} Services include trade, hotels and restaurants, transport, storage and communication, financial intermediation, real estate, renting and business activities, public administration, health, education and other community, social and personal service activities
The data show that the average household with its available income is able to cover about 81.5% of consumption, while the rest is covered by credits or negative balance of payment accounts or by unreported and informal income (Macedonia in Figures, 2010, p.26)

In the period from 1999 to 2009, the activity, employment and unemployment rates have registered minimal changes from year to year, in terms of increase and/or decrease. The highest activity rate was recorded in 2009, standing at 56.7. The highest employment rate of 38.6 and the lowest unemployment rate of 30.5 were registered in 2001. The total number of employed persons in 1999, 2004 and in 2009 was dominated by the age group between 40 and 44 years of age. The employment rate for that age group was 65.2 in 1999, 56.0 in 2004 and 58.2 in 2009. Women’s participation in the total number of employed was lower than men’s participation, which is also reflected in the employment rate of the female population. In 1999, the number of employed women in the total number of employed persons was 38.0%, 38.7% in 2004 whereas in 2009 it was 38.2% (Macedonia in Figures, 2010, p.29). The total number of unemployed persons is dominated by the younger population between 15 and 24 years of age. The unemployment rate for that age group was 62.9 in 1999, 64.8 in 2004, and 55.1 in 2009. In the period from 1999 to 2009, most unemployed persons were seeking job for more than 1 year. In 2009, their participation in the total number of unemployed persons was 81.9%. (p.32)

The number of persons aged 15-74 that used the Internet in the first quarter of 2009, compared to the same period of 2008, increased by 26.3%. The number of persons that used the Internet at home in the first quarter of 2009, compared to the same period of 2008, is increased by 55.0%. In 2009, 41.8% of households had access to the Internet at home, which represents a growth of 12.4 percentage points in comparison with 2008. The most common connection to the Internet in 2009 was through ADSL technologies, used by 47.2% of the households with Internet access. (Macedonia in Figures, 2010, p.43)
71.8% of the enterprises (with 10 or more employees) with Internet access had broadband xDSL (ADSL) connection in 2009, which is 6.6 percentage points more than in 2008.

According to the data of the State Statistical Office, the number of active business entities in the Republic of Macedonia in 2009, compared to 2008, increased by 11.9%. The sectors with the highest share in the structure of business entities were: Wholesale and retail sale; repair of vehicles, motorcycles and personal and household goods (41.8% and 41.4%) and Manufacturing (14.3% and 11.6%), whereas the sectors with the lowest share were: Fishing (0.1% and 0.1%) and Electricity, gas and water supply (0.1% and 0.2%) (Macedonia in Figures, 2010, p.57).

The industrial production growth rate in 2009 was 1.3% which puts Macedonia on 143 place in the World. The main export commodities are food, beverages, tobacco; textiles, miscellaneous manufactures, iron and steel and the main import commodities are machinery and equipment, automobiles, chemicals, fuels, food products (Central Intelligence Agency, 2011)

VI.2 Unemployment and structure of labour force

Macedonia for years is dealing with high unemployment rates. Based on the ILO definition, the unemployment rate in the 2nd quarter of 2010 was 32.1%. According to the public data presented on the web site of the Agency for Employment of the Republic of Macedonia, on 31 December 2010, there were 321,341 registered unemployed which is 20,000 less than 341,295 unemployed registered on 31 December 2009 (it is not clear whether the decreased number is a result of higher employment or it is a result of deleting the unemployed that have failed to register on time or because some of the elderly people got pension).

The highest unemployment rate of 40.929 can be noted at citizens between 25-29 years of age, followed by 37.421 unemployed from people between 30-34 years of age.
Almost half of the unemployed or 157,081 are those with low qualifications (only primary school) and those with a secondary school, 77,748 in total. With a 20,428, the number of unemployed with faculty diploma is also high and there are 292 unemployed with a Master degree and 18 with a PhD. Based on the gender, it can be concluded that the male unemployment is higher compared to woman with a rate of 57,6% from the total unemployed. Following the published data, there are 2,326 unemployed people with disabilities from which 1,416 on age between 20 to 44 years with dominant number of mail population being unemployed. Almost half of the total number of unemployed people with disabilities or 1,162 are not qualified, 407 are half qualified, 460 are qualified, 262 have finished secondary school, 10 have finished higher education (2 years after the secondary school), and only 25 have faculty degree. Most of them or 858 are persons with developmental disability, followed by persons with invalidity of 448, 301 are people with labour disability and 255 people with multiplied invalidity (Agency for Employment of Republic of Macedonia, 2010).

According to the 2009 data of the Central Intelligence Agency World Fact book for Macedonia (2011), most of the employees with a rate of 51.9% are concentrated in the service business, 29.5% are employed in the industry sector and 18.6% are dealing with agriculture.

As the conclusion we can summarize that in Macedonia more than half of the unemployed have low qualifications (finished only primary school or secondary school) and this category is hardly competitive labour force on the labour market where the businesses focused towards bigger profit are looking for the most progressive and the most productive employees.

The alternative to the usual businesses motivated by profit as the typical and most dominant employers could be a promotion of the business models as the social enterprises that have social goals and are using the profit as a “tool” (not ultimate goal) to create social welfare. This innovative “enterprises” could primarily serve some disadvantaged societal groups with social needs (not the owners of the capital as in the
usual businesses) and can involve the target group in the business operations (will have participatory approach). The gained profit will be used to finance a program that achieves the social goal (needs of the target group).

In the last decade, social enterprise has been recognized as one of the key actors for employment and reintegration of long-term unemployed and the persons that are less competitive on the labour market and could be a stimulating factor for employment in Macedonia too.

VI.3 Entrepreneurship in Macedonia

The 2008 Report “Entrepreneurship in Macedonia” (Lazarevski et al, 2008) prepared by the Global Entrepreneurship Monitor (GEF) about the perceptions and attitudes on entrepreneurship run on 2000 respondents between age 18-64, shows that in Macedonia there is a positive perception about entrepreneurship and moreover Macedonia shows highest entrepreneurial activity from the countries in Europe where the GEM study was undertaken.

Based on the 2009 data from the Central Registry office there are around 61 453 registered micro, small and medium enterprises in Macedonia. In 2008, the number of newly established SMEs was around 10,646, while in 2009, there is a decrease with established 8725 new SMEs, which in total can be counted as 8% of the 101 323 registered enterprises in Macedonia.

Entrepreneurship is considered as a good career choice by 80% of the respondents on GEM survey, 40 % are ready to start business activity in the next 3 years and only 35% have a fear of failure that can prevent them from starting a business. Additionally, almost every second respondent perceived that there will be favourable opportunities for starting a business in the next six months, knows someone that has started a business and thinks that has the necessary knowledge and skills to start a business. Moreover, according to the TEA index (Total Early-stage Entrepreneurial Activity) Macedonia is on
a very high level of entrepreneurial activity with 14.5% of the respondents at age of 18-64 being engaged in entrepreneurial activities. Half of them are considered as nascent entrepreneurs (involved in business activities up to 3 months) and the other half are involved in business activities up to 3.5 years and seen as new entrepreneurs. The collected data are showing that half of the entrepreneurs have started their activity because of necessity and the other half have been motivated by opportunity expecting this ratio to be increased in a favour of entrepreneurs motivated by opportunity as the Macedonia is approaching to the European Union, as the country GDP is increasing and the living standards are increasing as well. The overall entrepreneurial activity in Macedonia is showing growing rate of 24.8% by adding already established businesses (with business operations exceeding 3.5 years) to TEA Index.

Compared to the countries in the Region, the ratio between male and female entrepreneurs is showing a great gap with mail entrepreneur between 25-34 with high income and high educational level being typical profile of an entrepreneur in Macedonia. In terms of the education structure, based on the survey results can be concluded that entrepreneurial activity is increasing as the level of education is increasing with people having secondary education being at least entrepreneurial. In addition, entrepreneurs with higher education are willing to grow and develop their business compared with those having lower level of education being less interested on these aspects.

As the main reasons for business discontinuation have been considered the unprofitable business, lack of financing and lack of entrepreneurial education.

In terms of conditions that stimulate entrepreneurship, in developing countries as Macedonia, the presence of large companies is considered as one of the key factors that can stimulate entrepreneurial activity through the supply channels and encourage establishment of more innovative entrepreneurs as alternative for high unemployment. This is especially the case when more foreign direct investments are flowing into the
country and are looking for local suppliers which in long term have the positive effects on Country’s GDP (Van Stel, Carree, Thurik, 2005).

Following those facts for the development of the entrepreneurship in Macedonia we can conclude that the entrepreneurship culture in Macedonia already exists and that entrepreneurial activity is on a higher level than the countries in the Region. The main motivation for entrepreneurship in Macedonia is the unemployment especially between the young people which means that willingness to grow the business (and get more profit) is less present. This means that in such a situation and level of country development where the social motives are higher than the motives for bigger profit, social enterprises could be a new business models of enterprise that will respond to the social needs: to increase the level of entrepreneurial learning and additional qualifications of the most vulnerable unemployed categories of people that will lead to higher entrepreneurial activity and employment rates. In this way, financial support from the financial institutions, microcredit lines, governmental funds or other donors’ funds that offers favourable conditions for obtaining seed money and funds for operating the business will be one of the key measures to help grow the social enterprises. Additionally, good partnerships with the large companies should be established in order to identify the potential for cooperation or to start a joint venture in the area of social entrepreneurship.

VI.3.1 Supporting measures for enterprises

Policy support

In 2008, the World Bank Report “Doing Business 2008” has recognized Macedonia as the 4th business reformer among 178 countries in the World. In the last 4-5 years a lot of measures that enable business environment have been introduced. According to the Agency for Foreign Investments and Export Promotion of the Republic of Macedonia at the moment, a company in Macedonia can be registered within 4 hours at the Central Register via 32 electronically integrated offices located throughout
Macedonia connected with the European Business Register. This is a result of the introduction of the one-stop system for registering business. In line with this measure, starting from 2007/8, the Government is implementing the project named as “Regulatory Guillotine” aimed to simplify business laws and bylaws, decrease the cost for registration and the number of documents that should be submitted and influence negatively on the red tape and corruption in the governmental institutions related to the businesses. In addition, a flat-rate tax and personal income tax of 10% have been introduced alleviating the reinvested profit from taxing. Moreover, the reforms in Cadastre have increased the efficiency and transparency related to the properties and ownership rights. In several Ministries and Governmental institutions the “electronic system” of evaluation on public procurements and licensing was promoted aimed to eliminate the human factor and decrease the corruption.

**Institutional support**

The main institution responsible for creation and monitoring of the implementation of the polices related to the entrepreneurship, is the Ministry of Economy or more concretely the Department for Entrepreneurship and Competitiveness of SMEs supported by the various state institutions responsible for implementation of the policy measures as: Agency for Promotion of Entrepreneurship of the Republic of Macedonia, National Council for Entrepreneurship and Competition and SME Forum and other ministries (Finance, Agriculture, Information society, Transport, Local self-government, Environment and physical planning) or governmental institutions responsible for various areas that influence the SMEs policies.

The work of governmental institutions related to the entrepreneurship is assisted by various organizations most of them founded as associations or foundations as the Regional Enterprise Support Centers in Skopje, Bitola, Strumica, Kumanovo, Veles and Enterprise Support Agencies in Tetovo, Gostivar and Ohrid, Roma Business Informative Center in Skopje that are sharing information and mainly take the role of one stop shop
for information related to the businesses, but are rarely giving funds for business support.

Currently in Macedonia there are 5 Incubators that offer space, initial seed money and consultant services to the start-ups as the PCM business incubator (www.yesincubator.org.mk), Business Incubator Bitola (www.bscbitola.org), Business Incubator in Strumica and SEEU BDC YES Incubator in Tetovo (www.bdc.uejl.info). At the beginning of 2010, one of the most successful ICT companies in Macedonia, SEAVUS has opened the first ICT incubator as a unique case where a business, a privately held company, is initiating an incubator.

Also, the added value to the supporting network for entrepreneurship, are the Start up Centers as the Business Start up Center at the Faculty of Mechanical Engineering (www.bsc.ukim.edu.mk) and the Business Star Up Center in Bitola as well as the Business Info Centers as Enterprise Europe Network (EEN) in Skopje which offers information and assistance on EU business matters, such as: access the EU market, EU funding and tenders.

On a local level there are around 50 centres for local economic development established within the Municipalities in Macedonia as part of the projects supported by USAID and UNDP; centre for transfers of technology; various consultants; associations of entrepreneurs (Economic Chamber of Commerce, Macedonian Chamber of Commerce, Economic Chamber of Northwest Macedonia and Chamber of Artisans); and other research and development centres as part of different faculties in Macedonia.

Financial support

The most dominant form of formal financing of entrepreneurs in Macedonia is a bank loan from commercial banks. There are 3 largest banks and few other medium-sized banks which are focused on financing of micro, small and medium-sized enterprises. In the last couple of years, there is a flow of credit lines as the ones from
Macedonian Bank for Support to Development, Macedonian Enterprise Development Foundation, the European Bank for Reconstruction and Development, World Bank, International Finance Corporation, EFSE and others that are distributed through their own facilities or through commercial banks. In spite of the increased presence of foreign banks, as the result of the World Economic Crises lending to businesses has become more restricted. Total bank loans at the end of May 2009 were 176,261 MKD - up by 18.5% on annual basis with an average nominal weighted lending rate in May 2009 of 10.1% (Embassy of the United States, Skopje, Macedonia, 2009).

According to the Annual Report “Entrepreneurship in Macedonia” for 2008 prepared by the Global Entrepreneurship Monitor team, in order to obtain a loan, a business should be operative for 6 months and the appropriate guarantees (collateral) should be submitted. This limits the access to seed capital for start up businesses and also for the entrepreneurs that are living in rural areas or smaller cities in Macedonia where the property market is underdeveloped or the guarantees are not attractive and later on hardly accepted by the banks. Beside the loans from commercial banks, there are three guarantee funds: state through the Macedonian Bank for Support to Development, MEDF and Guarantee Fund supported by the Swedish International Development Agency (SIDA) but all of them have small share in the total of disbursed credits for business. Leasing as financial tool is mainly used for procurement of vehicles and the work of the investment funds is still not significant since most of the existing investment funds are focused on in investments in the stock market and direct investments in the already operating business with attractive portfolios.

As contribution to the formal financial market for establishing small business, and as part of the active measures for employment, the Agency for Employment gives support of 3000 EUR in a form of a grant to a person that has been unemployed and has a sustainable business idea (Ministry of Labour and Social Policy of the Republic of Macedonia, 2011). Those funds are not directly transferred to the person and can only be used for raw materials and equipment, consultant services (basic training for running
a business and voucher system of counselling for preparation of business plan) and to cover the cost for registration of the business. In order to use this measure, the one should fall under some of the following categories: young unemployed up to 27 years, unemployed Roma, unemployed that have worked in the energy sector and have lost their job for business reasons, professional soldiers which Contracts with the Macedonian Army have expired, woman that have been unemployed of more than 3 months (priority given to woman from ethnic minorities), registered unemployed of over 6 months.

Such a situation at the official financial market, forces entrepreneurs to look for alternative sources of finances at the non formal market as its own resources, finances from the close friends and family, joint ventures etc.

According to the Survey results in the GEM study “Entrepreneurship in Macedonia” (2008), 95% of the surveyed entrepreneurs would finance their own ventures and predominantly expect high return on their initial investments (expected percentages given on the chart below).

![Chart: Expected returns of entrepreneurs](chart.png)

In addition, 60% of the respondents (which are not entrepreneurs) have stated that have invested their funds in entrepreneurial ventures of close family members, 24% in venture of their friends or neighbours, 9% to the business of other relatives, 4 % in a venture of a colleague and 3 % in the business of unknown individual with a good business idea. But the Study further on states that this invested amounts are relatively small and are presenting only 0.05% from the Macedonian GDP. Most of those informal investors expect high returns on their investments (see chart below) and only 16 % expect zero return on their investment.

![Chart: Expected returns on investment on informal investors](https://example.com/chart.png)


So far, social enterprises in Macedonia have been unknown to the financial institutions. Therefore this form of enterprises will be treated as the same as other businesses, which means can get a bank loan at commercial interest rate by submitting a business plan for a great business idea that minimizes the investment risk (to promise high return on investment) and a guarantee (collateral) that covers the requested loan. If the social enterprise is established as non-governmental organization that doesn’t have a property it would hardly be considered by the banks as eligible client for a loan to start a
business. Alternatively, social enterprise with a legal form of an association can be financed by using some of the following opportunities:

1. If unemployed is establishing it, to use the initial grant from the Agency for Employment

2. To use its own savings or the investment from the informal investors (relatives, friends etc)

3. To establish a joint venture with already existing businesses

4. To use donors grants for civil society organizations

5. To use the possibilities of other governmental support as the Social Contracting (Ministry of Labour and Social Policy), Voucher System of counselling (subventions for cost of counselling -project of the Ministry of Economy implemented by the Agency for Promotion of Entrepreneurship) etc.

At the beginning phase of the development of this form of a business with social purpose it would be very useful if the government recognizes the potential and the benefits of social enterprises to the society and establish some fund with favourable conditions that will provide seed money to start up the business. This would be much feasible if done at the local level, which means if the local-self government from the municipality budget establishes a fund for support of social enterprises.

**Entrepreneurial education and training**

In the latest years there has been a progress in the formal education regarding entrepreneurial and business education in Macedonia. Entrepreneurial education and training have been considered as important factor from the entrepreneurship environment that influences entrepreneurial activity.

As part of the educational reforms, most of secondary schools have included *Introduction of the business and entrepreneurship* as compulsory subject but most of the faculties are lagging behind the world trend of entrepreneurial universities especially the state universities. Only few faculties are having *Entrepreneurship/ Managements of Small business* as part of the study program and even less of them are promoting
entrepreneurial extra-curricular activities. At some of the private universities, there are career centres but again, most of them are promoting employment opportunities over the self-employment. However, some student organizations especially those operating internationally as AIESEC, BEST and etc, as part of their annual program activities are organizing best business plan competitions, student’s job fairs, simulations of virtual and real companies etc. that are encouraging entrepreneurship as best career choice.

Out of the formal education, trainings and other voluntary education have been mostly initiated and funded through Donor Programs as USAID, GTZ, ADA, SPARK and other donors. Beside the trainings for various topics related to the entrepreneurship (as business plan writing, management, finances, marketing etc), some of those programs included a grant for purchasing basic equipment for starting a business (as USAID Program for sustainability of CSOs in Macedonia). At the time of writing this study, we couldn’t find evaluation report on those programs and see at which level the equipment was used for business purposes. But from the conversation with some of the organizations that have received such a grant and bought machines, computers and other equipment, we can conclude that most of the business ideas didn’t succeed because of not feasible business plans and lack of support within the first three years of a business (which are considered as the most important for survival of a start up).

In addition, there are training and educational activities for entrepreneurship organized by the Chambers (Economic Chamber of Macedonia, Association of chambers of Macedonia, Economic Chamber of North-East Macedonia, Chamber of small businesses), private consultant companies (as CEED, CISCO Business Academy), CSOs (as Junior Achievement Macedonia, FOSIM-Soros Foundation, Macedonian Enterprise Development Foundation, YES Foundation) and etc.

Beside all this opportunities, we couldn’t find any evidence of an ongoing training or a curriculum that treats social entrepreneurship or teaches CSOs how to run commercial activities. In fact, the training on Social entrepreneurship organized from 25 to 27 of
February 2011, by the Center for Institutional Development with the support of the Euclid Network and as part of the project financially supported by the British Embassy, was the first initiative of this kind in Macedonia. Referring to the evaluations from the training, it can be concluded that such initiatives are more than necessary in Macedonia since the CSOs for years have been donor depended and are lacking skills for self-financing activities or business operations.

Moreover, this new business model accompanied with a specific development program, capacity building initiatives or vocational trainings should be promoted between the unemployed especially those having low qualifications, people with disabilities and other long-term unemployed persons as a way of gaining additional skills and opportunity for self-employment.

VI.4 The state of the third-civil sector in Macedonia

Organizations from the third or so called civil sector are different than those operating in the public or private sector. They do not belong to market economy since they have social, ecological and other goals that are contributing towards creation of societal (public) welfare and they do not aim to create profit or share the extra income but to provide funds to implement activities that fulfil their social mission (activities that make positive changes in the society). Therefore, those organizations are mostly characterized as non-governmental organizations, non-profit organizations, public benefit organizations and civil society organizations which in most cases confuse the public about their differences and limitations. However, further on in this study we will use the term NGO (non-governmental organizations) as the commonly accepted definition and the one mostly understandable to the public.

Civil society in Macedonia is represented by associations and foundations, chambers of commerce, political parties, organizations of employers and religious organizations. For the goals of this Study we will omit chambers of commerce, political parties, organizations of employers and religious organizations and as part of discussion at this
point we will focus on NGOs i.e. only will take into consideration associations and foundations.
The similarity between Association and Foundation is that both legal structures have non-profit character and have social goal but the Association to some extent are the “real voice” of the citizens. According to the new Law on Associations and Foundations in Macedonia adopted in April 2010, the main differences are:

- an Association can be founded by at least 5 founders (individuals or legal entities) and might have members, whereas a Foundation can be incorporated by at least 1 founder (individual or legal person) and do not has members
- the founders of the Association do not necessarily bring their own money or assets and may decide to include members based on membership fee, while the founders of the foundation must provide 10,000 EUR as initial assets (funds).

The Law predicts that more associations can form a Union and that some associations can decide to get the status of organizations of public interest.

Looking at the historical facts three very important historical events have boosted development of the civil sector in Macedonia (United Nations Development Program and EMES European Research Network Project, 2008):

- Independence of Macedonia in 1991 and the increased interest of foreign donors to work on democracy issues in a former-communist country
- The crises in Kosovo in 1999 and the flow of refugees from Kosovo to Macedonia
- The internal conflict in Macedonia in 2001 and the crises with internally displaced persons

Since the independency of Macedonia in 1991 up to date NGOs have undergo major changes: from being humanitarian to the current focus on development issues. While in the period of establishing our democracy the big flow of donors money have influenced many NGOs to be established, in the last years they are dealing with great challenges that threaten their sustainability.

The last published, USAID *NGO Sustainability Index (2009)* drawing the data from the Central Register in Macedonia, states that there are 9,830 citizens' associations and
foundations without being further on known how much of them are really active. Most of them are functioning as a grassroots organization, a service provider, or a watchdog organization. However, due to the legal changes (the new Law on Associations and Foundations), all associations and foundations in Macedonia must be reregistered at the Central Register in Macedonia up to April 2011 which might bring fresh data about the number and the profiles of associations and foundations in Macedonia. The Central Register will be responsible to run 3 types of registers: Register of Associations and Unions; Register of Foundations; Register of Organizational Forms of Foreign Organizations in Macedonia. But these data will be available only after payment of the service fee to the Central Register. Therefore it is of high importance for Macedonia to have a publicly accessible data base of NGOs with defined thematic areas of work, the key activities and main target groups.

In order NGOs to be sustainable a certain elements should be forceful as the supportive legal environment, organizational capacity, financial viability, advocacy, service provision, NGO infrastructure, and public image.

Once registered NGOs in Macedonia are becoming liable entities for profit tax at entity level, personal income tax and social contributions for their staff (except for volunteers), property tax, gift and inheritance tax, VAT on purchases of goods and services, customs and other import duties, as prescribed by tax and customs laws and secondary regulations.

The new Law on Associations and Foundations allows NGOs to conduct commercial activities without the need to set up companies and consequently to make profit that must be used for the goals stated in the Statute. However, the Law does not precise the monitoring role of the Governmental Institutions and the taxation policy which later on might causes problems for NGOs. Further on this raises additional complex questions as for example whether the products of the NGOs sold on the market will be VAT exempted, whether the exports/imports of products from/by NGOs will be treated same as the other exports or will have privileges, whether NGO will lose its non-profit
character that may lead to dissolution of the entity if the profit is not reinvested for the goals stated in the Statute and who will monitor or penalize this. Therefore, NGOs willing to run commercial activities should be cautious and press the relevant institution to further on clarify this legal opportunity. It is necessary to have additional clarification especially about the treatment of the profit from the commercial activities as well as earnings from passive investment income as dividends, interest, capital gains and royalties under the Law on Profit Tax, Law on Customs, Law on Real Estate Taxes and etc.

Following the acts in the Law on Donations and Sponsorships that has been in force since 2007, NGOs can receive donations and use the taxation benefits if their projects get confirmation of public interest by the Ministry of Justice. This means that for the purposes of that project NGOs can pay the invoices without VAT or can obtain VAT reimbursement and their donors will get deductions on the taxation basis (companies will get up to 5% deduction on the donations and up to 3% deduction on the given sponsorship on their gross income and individuals on their donations can obtain exemption of payment of personal income tax up to 20% of the annual tax debt of the individual, and not more than 24.000 MKD which is around 400 EUR). However, some organizations and companies are complaining on the long and complicated procedure to use the tax benefits and for similar reasons very small percentage of individuals use the tax incentives for their donations. In 2010, the Macedonian Parliament started the initiative for changes in this Law but so far there was only public consultation process (CIRA was included in this process as relevant representative of the civil society sector).

Additionally, change in the Law on Social Protection gives opportunity to associations to act as contractors for the social services after fulfilling the requirements and signing the Social contract with the Ministry of Labour and Social Policy.

Government cooperation with NGOs is very weak and there is impression that NGOs are predominantly used when there is a need to present a participatory process in front
of the public. Organizations that are falling under the civil sector are hardly recognized by the State institutions and the public as one of the stimulating forces for development of the society and therefore are barely treated for example by financial institutions as special clients or by the state in the process of drafting legislation neither promotion of stimulating measures or statistical and analytical monitoring mechanisms. In most cases NGOs do not influence the content of legislation since they are excluded from the process or are not considered as relevant partner (as with the Law on Anti-discrimination when the content approved by the Parliament was different then one discussed and recommended by the NGOs involved in the process). However the situation in the last years is moving forward and more organizations from the third sector are getting attention as Governmental partners for social dialog (United States Agency for International Development, 2010).

Regarding organizational capacities, the lack of funds has strongly influenced the resources of NGOs. Many organizations cannot afford to have permanent employees or paid staff and rely on volunteering engagement and short-term contracts. The employees in NGOs do not have special status and are treated as the same as other employees in the country (for example the personal tax is the same as in other sectors-private and public). On the other side, the ones that have invested in their employees are facing with increased number of leavings either because are not being able to offer competitive salaries compared to the business or other organizations from the sector or not being able to offer promotions, professional growth and development. The other issue that often appears and has to be further on examined is the lack of modern management skills to organize resources and motivate the employees.

It is especially the case that predominant number of NGOs does not have their own offices but are paying high rents at market prices, are dealing with old dated equipment, lack of skills for new IT technologies etc.

In the lack of donors grants most of the NGOs are showing increased interest in economic activities, philanthropy, membership fees, tax benefits, and funding from local
and national governments but they are still insufficient to contribute to NGOs’ sustainability. Being long period focused on grants from Donor Agencies, most of the NGOs lack business skills to run economic activities. As the result of the global financial crises companies have reduced donations and support to NGOs. Funds from the Government to NGOs are increasing from a year to year (around 6 million Euros in 2009) but there is a general opinion that those funds are not given in a transparent way and beside NGOs they are used to fund political parties, GONGOs, religious organizations, labour and trade unions and other organizations. Some NGOs (around 50 in 2009 according to the Ministry of Labour and Social Policy) that are working on social issues have signed so called “Social Agreements” with the Ministry of Labour and Social Policy and are getting paid by the State budget for delivering social services. It is expected that the Ministry of Health will follow this initiative and will start signing “Health Agreements” with organizations that work in the area of health protection and will fulfil the conditions for service providers. The critic to NGOs is that they lack standards for quality of the services they offer and lack coordination among themselves as service providers. Additional challenge to NGOs is the product or service development because of the lack of research and development initiatives, underdeveloped distribution channels, deficient skills for branding and promotion, and etc. which reflects on the sustainability of their services.

With a support by a strong partner for building additional capacities and guidance by experienced institution, social enterprises and commercial activities could be one of the key alternatives for building long-term sustainability of the NGOs in Macedonia.

In spite of the large number of initiatives to create various networks and Platforms, in Macedonia there is no strong coalition or partnership that involves critical mass of NGOs to represent the sector. It is especially the case for the Networks that are dealing with fundraising, capacity building, sustainability etc or networks that involve various stakeholders as companies, media, governmental institutions where there is great gap. For increasing the effectiveness of NGOs it is very important to develop such networks among NGOs, between NGOs and governmental institutions, NGOs and businesses as
well to participate in various International Networks that will open the channels for transfer of best practices to Macedonia and vice versa.

VI.5. Existing legal framework for operating initial forms of social enterprise

Macedonian legal system does not recognize or regulate the term social economy or social enterprise. However, the existing legal framework regulates certain organizational forms that can be observed as opportunities for establishment of social enterprise. The new Law on Associations and Foundations has already been treated in the previous parts when discussing about the State of the civil society in Macedonia and herewith will be omitted in order not to replicate the findings. Therefore the following discussion will be focused on the Law on Cooperatives and the Law on Employment of People with Disabilities that further on is regulating the establishment of protective companies.

Law on Cooperatives

Cooperative movement in Macedonia is regulated by the Law on Cooperatives from 2002 and the additional changes on the law on cooperatives from 2005. According to the Law on Cooperatives, a cooperative is a form of an association established by at least 3 individuals and legal persons with an aim to improve or to protect a determined number of exactly defined economic interests in all business areas except in the banking and insurance sector and other the business activities forbidden by the Law.

According to the Law amendments from 2005, cooperatives are registered at the Central Registry of the Republic of Macedonia. They can be established as:

- cooperatives with unlimited liability where the cooperative responds for its liabilities with all assets and in the case of liquidation or bankruptcy members of the cooperative will respond to the liabilities with solidarity and unlimitedly
- cooperatives with limited liability where the cooperative responds for its liabilities with all assets and in the case of liquidation or bankruptcy members of the cooperative will respond to the liabilities with solidarity and unlimitedly by paying
some additional amount, usually higher than their shares (contributions) in the cooperative.

Liquidation or the bankruptcies of the cooperatives are treated under the Commercial Laws or more specifically by the Law on Trade Companies. Members of the cooperative can withdraw their membership in the cooperative or can be excluded according to the rules stated in the Statute. Members can have stakes in the cooperative if that is part regulated by the Statute. Decisions in the cooperatives are made with the agreement of the dominant number of members. Cooperatives can make profit and the annual profit after taxes can be shared between the members but after minimum 5% of the profit is invested in the Reserved Fund of the cooperative. Investment in the reserved Fund is obligatory for 20 years and the cooperative can establish additional funds. All these finances can be used for the purposes of the cooperative or in the times of financial crises. All cooperatives are obliged to have annual auditing and to publish the financial results.

*Law on Employment of People with Disabilities*

Employment of people with disabilities is probably one of the unique examples regulated according to the principles of social enterprises. The main regulation is prescribed by the Law on Employment of Disabled Persons from June 2000 and its additional changes in 2004, 2008 and 2009. According to this Law disabled person is defined as “a person with visual impairment, hearing impairment, with a voice, speech and language disability, body impairment, with light disability in the intellectual development and people with multiple disabilities and person with psychoses which because of the degree of disability have special needs in their working”.

Additionally, as a disabled person is also considered “a person that is a labour invalid with a residual and decreased work ability and if he is enrolled in the evidence of the Agency for Employment of Republic of Macedonia as a unemployed person…”
The Law gives an opportunity to establish a protective company for the employment of disabled persons which will act as commercial company. According to Article 3, from the changes of this Law from 2009, “a protective company can be founded if it employs at least 10 people on a indeterminate time period, from which at least 40 % are disabled people from the total number of employees, from which at least half are people with a diagnosed disability according to Article 2, premise 1 of this Law”.

Further on, these changes include that the newly established protective company should employ all workers in the period of 90 day counted from the day of the first employment on an indeterminate time period. In a contrary it will lose the status of protected company and the founder or the members of his family cannot register protective company in the next 5 years.

Before starting with its work, the employer should obtain Decision from the relevant institutions (as the Labour Inspection and other relevant institutions for his business activity) that his working and additional space as well as the equipment fulfills the minimal technical conditions and prescribed measures, normative and standards for accomplishing specific business activities. This means that for improvement of the conditions for employment of the disabled persons, the adaptation of the work place and purchase of equipment, the protective company can get financial support from the Special Fund for improvement of the condition for employment and work of the disabled person:

- for adaptation of the working places, up to 30 average salaries paid in the Republic of Macedonia in the month before the request has been submitted
- for purchase of equipment, according to the number of employees and criteria stated in the changes of the Law from 2008 as:
  - up to 20 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is up to 2
- up to 40 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is between 3 and 5
- up to 60 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is between 6 and 8
- up to 80 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is between 9 and 12
- up to 100 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is between 13 and 20
- up to 130 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is between 21 and 35
- up to 160 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is between 36 and 50
- up to 200 average salaries paid in the Republic of Macedonia in the month before the request has been submitted if the number of employed disabled persons is above 51

The evaluation of the working abilities for working on a specific working place of the people with disability must be confirmed with the expert evidence and opinion by the Commission within the Ministry of Labour and Social Policy.

The work training and employment of the persons with disability are regulated with the policy for work training of disabled persons and with the Law on Employment of Disabled Persons as well as the Laws Amending the Law on Employment of Disabled Persons.
All employers that run protective company must pay salaries with all fringe benefits to the employed people with disabilities.

This positive Law that can be found only in few countries in Europe attracted many businessmen to establish protective companies and many disabled persons to be employed but unfortunately many of them abused the irretrievable funds given by the Special Fund at the Bureau for Employment of the Republic of Macedonia and fictively kept disabled people at work, giving them minimal and irregular salaries.
VII. NEEDS, EXPERIENCES AND ATTITUDES FOR DEVELOPMENT OF SOCIAL ENTERPRISES IN MACEDONIA

In order to obtain primary data for the current conditions for development of social enterprises in Macedonia, CIRa has organized Round Table with experts, representatives of the Government, Municipalities and civil society sector and run a Field Research through focus groups and interviews with the representatives from the civil society sector, business sector and Government. In the next two sections, we are presenting the notes and conclusions from both activities.

VII. 1. Notes and Conclusions from the Round table “Social Enterprising in Macedonia—opportunities and challenges”

On the Round Table organized on February 4, 2011 at the premises of EU Info Centre in Skopje, Macedonia, experts from CIRa, Ministry of Labour and Social Policy, Ministry of Justice, Ministry of Finance as well as 65 representatives from various civil society organizations and Municipalities have been discussing about the concept of social entrepreneurship and the current opportunities and challenges for civil society organizations in this regard. The goal was to explore the opportunities for running commercial activities by civil society organizations and encourage broader debate among various stakeholders about the current conditions for practicing Social Entrepreneurship in Macedonia.

Following the short introduction of the concept, the event was opened by inspirational speech by HM Ambassador of the United Kingdom of Great Britain and Northern Ireland to Republic of Macedonia, Christopher Yvon. He stressed that good side of promoting social enterprise concept in Macedonia is that it can provide sustainability of the associations and foundations by applying the entrepreneurship elements in their work. He mentioned a good example of a British civil society organization that works in the field of environmental protection: they are collecting old furniture from companies and other entities, repairing it and recycling and then donate or sell to other NGOs. Gained
profit is invested in their social programs, not used for private benefits. By doing this they are making various positive effects: ecological and philanthropic for which they have receive the Queen Award for 2008. At the end of the speech, he concluded that for development of this concept, there is a need for establishment of supportive legal environment, to raise the level of understanding in the public and get support from the donor community.

While presenting the conclusions from the Study about the potential for further promotion of the social enterprise concept as innovative business model in Macedonian economy (given as separate section within this Study), Mr. Zoran Stojkovski, Executive Director of CIRa concluded:

- Development of the social enterprising concept will be beneficial for CSOs (Civil Society Organizations) and the wider community from several aspects: achieving the mission, realization of activities with social dimension, increasing the capacities of the CSO and achieving sustainability of their financial resources, increasing the CSO influence in solving societal problems, meeting the needs of the citizens especially of various vulnerable groups and solving their problems, increasing the employment, offering cheaper services.

- Most of the CSO included in the research are expressing their experiences in activities related to the social enterprises or commercial activities (have established a company, are offering consultations, trainings, courses, collect and recycle plastics, offer internet services for special groups of citizens, are managing special protected areas as Matka for example or are involved in social contracting), but in general they have stated that they are not familiar with the opportunities and the advantages of the social enterprise concept.

- The business sector and the public administration have low level of understanding about social enterprising compared to the CSOs. Representatives of the public sector are informed about the law on associations and foundations and the opportunity CSOs to run commercial activities to finance their programs,
while most of the businesses are seeing the idea as close to the corporate social responsibility concept.

- Several groups of problems influence low social enterprising activity:
  - general problems: lack of information in the public about the benefit from the social enterprising activities, lack of trust or believe that social enterprising can improve the social situation, lack of education, support and understanding from the citizens about the positive effects of the social enterprising for the local community, resistance to change towards improved valuation of the social values in the society, lack of qualitative communication between the subjects in the process, low media coverage of such activities
  - problems related to the CSOs: lack of organized approach for promotion of mutual initiatives, lack of knowledge and capacities to run activities related to social enterprising, lack of education of the employees and volunteers about the possible ways for realization of such activities, lack of courage and integrity to operate in this area.
  - problems of the public sector: do not recognize importance and the possibilities of the CSOs in this area, manifests lack of trust towards the CSOs in solving the societal problems especially those that are part of the work of the public administration, practice support of the CSO in unprofessional way and without determined criteria, makes pressure on CSOs and do not understands their needs, is facing with a lack of funds for promotion of social entrepreneurship

- Regarding the conclusions and recommendations for improvement of the current situation, the involved participants in the research are concluding that CSOs have high level of dedication and great aspiration to start practicing the concept but they need additional knowledge and skills in this area. Additionally, there is a need for systematic education of all three sectors: governmental, business and non-profit and identification of authentic models of social enterprise that can be applied in Macedonia. Moreover, there must be an in-depth analysis of the legal framework related to the possibilities CSO to run commercial activities, to adjust
the legislation and the practice to the needs for development of social enterprising, to define the procedures and stimulate the governmental institutions to sign social contracts with CSOs, to develop program for financial and institutional support of CSOs for starting and expanding the activities related to the social enterprising in Macedonia, negotiation of CSOs with the donors for using part of the project budgets for starting commercial activities and to start public promotion of the concept by involving all three sectors

- Some of the potential models for development of the social enterprising at CSOs could be development of commercial activities from the services that are already practices by CSOs towards their target groups (as training, courses, education, health services, legal aid, psychological support, rent of equipment etc), development of commercial activities towards other target groups, development of commercial activities that are directly related to their mission or constituencies (trading with shares, delivery of services or products for the business sector etc), establishing protected enterprises, social contracting with governmental institutions for realization of some activities of their area of work (power of attorney), donation of services/products from companies and individuals to CSOs that can be sold and use the money for social purposes/programs

Further on, Mrs. Julijana Georgievska, Head of Unit, Ministry of Justice of the Republic of Macedonia gave an overview on the current legal framework for running economic activities by Associations and Foundations:

- The new Law on Associations and Foundations adopted in April 2010 allows CSOs to raise money from donations, memberships, rents and leasing but also to run commercial activities with obligation to prepare annual reports and make them publically accessible. Also if they receive a grant from the Government should send Report to the responsible institution that has given the grant
- The Law recognizes the status of organization of public interest. In order to get this status organization should run activities of public interest
defined in the Law and to apply for the status at the Commission but the final decision is set by the Government. This status brings various tax and custom benefits. The problem is that this commission is still not established, while from the other side the CSOs are obliged to be re-registered in the Central Register until April 2011.

It can be concluded that the Law broadly defines the “commercial activities” of CSOs and as it is defined offers possibilities for establishing a social enterprise as non-for profit association (since the Law do not set limits for the percentage of economic activities that can be run by CSOs). As it was presented during 2011, the Ministry of Justice will start the procedure for changing the Law on Donations and Sponsorships because of the complex procedure for it implementation and predicts that there might be additional changes of the Law on Associations and Foundations since there are a lot of undefined elements that are creating problems in the practice (as the taxation of the income from the commercial activities as well as the registration in the Central Register)

Discussing about taxes and benefits for the non-profit organizations, Mr. Borce Smilevski, Head of the Department for tax system, Ministry of Finance of the Republic of Macedonia stressed:

- From the point of view of the Ministry of Finance the new Law on Associations and Foundations has many contradictories as for example it says that this Law regulates the non-for-profit activity of the civil society organizations but allows commercial activities which are bringing profit. Additionally, the controlling function is not clearly explained as how the Ministry of Justice responsible for this Law will control how the profit has been used-for the program activities or misused. According to this, there is possibility that some companies will be re-registered as CSOs and will continue their commercial activities based on the changes status and making profit by using the benefits from this Law. Moreover, the control function cannot be in the Ministry of Justice since they are not authorized for the tax system and controlling of the commercial activities.
Based on the changes in taxation system that have been adopted 2 years ago, the reinvested income, will not be taxed which again opens a debate about the possible misuse of this element.

There must be additional discussion regarding the new Law on Associations and Foundations and its influence on the Law on Income Tax and the new amendments that will regulate the control function of the commercial activities must be adopted.

As one of the best examples for cooperation between the NGOs and the Governmental institutions, Mr. Dusan Tomsic from the Ministry of Labour and Social Policy of the Republic of Macedonia explained the model of Social Contracting:

- The Ministry of Labour and Social Policy probably is the most interested party for development of the social enterprising in Macedonia since it will motivate the employment of hardly employable persons from the various vulnerable categories and decrease the number of people under social risk.

- Since 2005 the Ministry is practicing the cooperation with the CSO in several fields regulated by the Law. According to the Article 152 of the Law on Social Protection, civil society organizations can implement activities from the field of social protection and the Article 157 closely defines those areas: research of social appearances and social prevention; education, counselling and professional preparation of persons exposed on risk, social services, counselling and training of volunteers, home aid to people, daily or temporary accommodation of users of social aid. The CSOs cannot only participate in the activities that are sensitive as transfers of social aid or the work of the Social Centres. Currently there are 53 CSOs that are part of the Register of the Ministry on Labour and Social Policy and act as partners in the implementation of the policy for social protection. There are specifically defined criteria that CSOs must fulfil to become partners: they must be registered in the field
of social protection and be active in the last 3 years, have implemented at least 3 projects from the field of social protection and to submit document for financial liquidity from the Central Register. Some examples of such activities are financed activities for protection of children living on the street, SOS telephone lines, daily centres of people with physical disabilities, Roma Information Center as part of the Roma Decade etc.

- The reasons of such cooperation is that Ministry is saving money, CSOs are closer to the target groups and according to the monitoring findings, CSOs are delivering high quality services.

- In 2007, based on the model of the Ministry of Labour and Social Policy the Government has adopted a Code of best practices that closely define the way of distribution of governmental funding to CSOs. One of the obstacles in this process is that the decision for the funding and the final beneficiaries (CSOs) is made by the Council of Ministries instead to be transferred to the institutions/departments that are receiving the applications. Therefore we have witnessed that the Ministries often lack time to make such decision and the funding is postponed.

- The example of British Embassy is very good. The Ministry has received similar project called “Social store” where socially vulnerable people will be employed and trained to repair different machines donated by the citizens that will later on sold again to the socially vulnerable categories of people.

- It is expected that the Ministry of Health will follow the model of the Ministry of Labour and Social Policy and will sign health contracts with the CSOs that will fulfil the predicted criteria.

At the end of the Round table, following conclusions and recommendations have been adopted:
Municipalities and other Ministries should count how much money they will save by partnering with CSOs. In this regard they might follow the model of the Ministry of labour and social policy as the best example.

It is necessary to receive the formal explanation on the Law on Associations and Foundations from the Ministry of Justice and the Ministry of Finance especially regarding the Articles about economic activities of CSOs, public interest and public authorization.

There should be programs for support of CSOs while transferring the land.

CSOs services should be paid by the market prices and not below the cost of production and we should not promote CSOs as providers of cheap services but as provider of high quality services.

There is a need for broader discussion and explanation of the terms social enterprising and self-financing activity.

It would be good to have a list of funding opportunities for starting social enterprise.

In order to promote the concept of social entrepreneurship, information must be disseminated to the governmental bodies and the awareness of public servants must be raised.

The CSO should achieve consensus from which angle they are going to analyze the social enterprise: whether as a way for financing their program activities or as a way for achieving the mission and social goal by using the commercial activities as tool. Additionally, we should define in which sectors we are going to work and what is going to be our model.

CSOs are lacking information for commercial activities and the social enterprise concept. Therefore, we have to create official Network where we can share experiences and information but also to use the collective understanding to educate the public. The primary roles of the Platform or Network should be advocacy and lobbying and contact point for social entrepreneurship in Macedonia as well as medium for communication between the members. Later,
the Network can be used as distribution channel for the products/services of its members.

- CSOs are dealing only with a lack of financial resources but also human resources because of the brain drain and flow of the CSOs employees in other sectors: governmental and business
- Social enterprises might be seen as threat by the governmental institutions and businesses.
- In the Region of Resen the biggest opportunities for establishing social enterprise are in the field of tourism, preparation of software applications for education, establishing Committees for cross border cooperation
- It would be good to use our common capacities. For example to deliver info sessions at Mladilinfo for young graduates related to their future employment in civil society organizations: how to find a job in a CSO or how to establish CSO.
- CSOs are instigators of changes in the society but in this process we should cooperate with the academia and the offices for local economic development (LER)
- If we open broader discussion about social enterprising concept it would be good to involve other interested parties as well.
- To develop modules for informal education of the governmental representatives and other relevant stakeholders

VII. 2. Positive examples on social entrepreneurship initiatives in Macedonia

As part of the Round Table positive examples of start-up initiatives have been presented as the one of the American Chamber of Commerce Macedonia, NGO “Izbor” from Strumica, NGO “MladilInfo” from Skopje and Ecological NGO “Planetum” from Strumica.
Experiences from the “Social Entrepreneurship Competition 2010” American Chamber of Commerce (AmCham) Macedonia

Presenter: Ivana Naumovska, Manager of finances and membership

Following the interest to develop the human capital, in 2010, AmCham has initiated National Social Entrepreneurship Competition as first initiative of this kind in Macedonia. The goal of the Call for Nomination for submission of business plans with social mission was to motivate the young people to find new business models that will help them to become self-employed, to improve their entrepreneurship skills by practicing business planning and help them establish the business by providing small amount of seed money as a main prize. Within two phases of evaluation, the Selection Committee comprised of the AmCham members, has awarded one project which is about a Centre where the students can get practical trainings to improve their skills. The Centre will have a webpage where the students can put their CVs as well make suggestions for changes in the educational system.

Members of AmCham were very satisfied with the process since they had a chance to see how the young people are thinking. The awarded project/potential company was seen as future partner that will support the development of the labour force needed for the future business since the most of the AmCham members are complaining that education in Macedonia do not follows the need of the business community. Companies have interest to cooperate with the CSOs on topics that are going to stimulate further development of their business.
Positive examples of CSO that runs commercial activities, “Izbor” Strumica

Presenter: Sokrat Mancev, President

“Izbor” Strumica

“Pokrov” as a joint project of the CSO “Izbor” and the Macedonian Orthodox Church is the first Therapy Community in Macedonia that offers re-socialization and reintegration of people that have suffered from drug abuse, alcoholism, hazard and computers.

It is located 5 km from Strumica on a land of 7ha. The land was donated by the Ministry of Defence to the Macedonian Orthodox Church and later on given to Izbor on long-term free of charge use of 30 years. The military buildings that belong to the land have been adopted into pavilions with great support from the Donor Community in Macedonia, Municipality of Strumica and the business community. Izbor has also invested own money in the realization of the project. Currently they have Flower Garden Pokrov, small farm, small factory for production of bricks and screen printing as commercial activities that helping them to realize their strategic Plan for 2015. It is expected that Pokrov will become fully sustainable Community after 2015 when the organization will finish all projects related to its commercial activities: to increase the farm and start agricultural production of organic food. These businesses will be used as part of the working therapy for creating working habits and increasing skills of the people involved in the program, for production of food as self sustainability of Pokrov residents, and the overproduction will be sold on the market. The gained profit will be used for increasing the capacities of the Therapy Community and starting new programs as shelter centre centre for mothers with children etc. By its growing Pokrov is becoming local employer as well, since they engage local people as doctors, agricultural engineers etc in their activities.

Asked about the secret of their success, representative of Izbor said: high motivation to realize the ideas, persistence and cooperation. In this process it is also important to have a good partner or mentor that will guide you and support you in the difficult times.
Successful Story of CSO with economic activities, “MladiInfo” Macedonia

Presenter: Antoaneta Ivanova, President

Starting as a local initiative of a group of young people from Fejs MK that wanted to explore the World opportunities for youth development, MladiInfo has become worldwide known medium that helps young people to identify opportunities for their personal growth as scholarships for various levels of education, training, conferences and job opportunities etc. Currently, MladiInfo web portal has 80.000 visits per month providing information on English to the young people around the World. They have established branch office in Bratislava, Slovakia, Austria and Bulgaria and are transferring Macedonian know-how in the European countries. In their work they use volunteers from various countries that are eager to promote their mission and have received space from the University library in Skopje as Info Corner. For their work they have been awarded by UN as one of the 5 portals in the World that are helping to achieve the Millennium goal in the area of education and additionally have received another Award from the Nant Region in France as one of the World’s initiatives that are using creative industries to deliver social services.

The innovation in their model is that MladiInfo uses a web page as the main medium for implementation of the activities and it is a potential advertising space for academia institutions and other businesses that can bring additional finances for their work.

The secret of their success as information channel lays in the high usage of the social networks for collection of information, advertising and promotion. But the organization is still facing financial problems and their media space is hardly recognized by the Macedonian companies as a place for promotion.
Successful Story of a CSO that runs a company, “Planetum” Macedonia

Presenter: Mitko Shopov, President

The main motives behind the initiative were simple and naive at the beginning since the organization was trying to find ways to survive and achieve long-term sustainability: to pay the basic administrative costs, to have unrestricted funds for development of the organization and its employees, to become independent from Grants, donations and political pressures, to have free money for participation while applying for project grants.

The first challenge in the process was to find seed money to start the business: Planetum has applied for credit from the Revolving Fund created by the Municipality of Strumica with financial support from the ARG Italian organizations, intended for NGOs that are willing to start business activities. The both projects that they have submitted were selected and got loan under very good conditions (grace period of 6th months and payback period of 2 years) and Planetum bought one machine for PET pressing and truck for transport.

The second challenge in the process was the space since they needed large space for storing of the PET waste. With the support from the Municipality, Planetum got a warehouse at the Military base in Strumica.

The third challenge was the identification of potential employees and their training. They have selected their employees from the list of persons that are receiving social aid given by the Agency for employment and with the support from the GTZ have organized trainings. GTZ has additionally provided working equipment for the employees, the Australian Embassy in Belgrade awarded a grant for equipping the working space, from the GEF grant have bought new machine for recycling of PET folia and USAID have supported the buying of containers for selection of PET waste in the region of Strumica.

The next challenges were provision of the working licenses and finding suppliers of PET waste. Beside the grants, Planetum has been contracted by the Municipality of Strumica for greening the space around the buildings and for creation of green islands. Since the company has to grow, the biggest part of the profit is reinvested and a certain proportion goes for administrative costs of Planetum.
Honesty, time, open communication, dedication to the idea and preciseness have been stressed as crucial elements for achieving success, while business planning skills, recognizing the needs of the local community and business opportunities nationwide are seen as the most important for running a business by a CSO.
VII.3. Notes and conclusion from the Field Research

The field research conducted in December 2010 in Skopje, aimed to test the needs, experiences as well as possibilities for social entrepreneurship development by civil associations, public administration and business.

The research was conducted by the Institute 4R- specialized for conducting public opinion poll and market research under leadership of Slave Mladenovski MA and it was part of the project entitled Possibilities for Social Entrepreneurship Development in the Republic of Macedonia realized by the Centre for Institutional Development including financial support by the British Embassy in Skopje.

On the basis of the conducted research on secondary information resources and review on existing world literature, the initial assumption for conducting the field research was the fact that no concrete Law exists in the Republic of Macedonia regulating the social entrepreneurship but there are certain legal basis for conducting economic activities with social aim by associations and foundations, as well as in the business sector. The civil associations show initiative, wish and aim including certain organizational capacities and the business shows temper and recognizes the potential interests, while it is insufficiently explained in the public what are the real possibilities and values of practicing social entrepreneurship.

For the purpose of testing the hypothesis, field research and collecting information from primary resources were conducted through focus groups and interviews. Each focus group consisted of 7 participants and the conversation lasted 120 minutes. Two focus groups were made where the first one consisted of representatives of civil associations and the second one of business and public administration. The persons who participated in the interviews and filled in the survey have executive authorizations as follows president or vice president, executive manager, head and those are persons responsible for adopting strategic decisions and decisions on conducting economic activities with social aim or social entrepreneurship related one.
The aim was to originally notify their attitudes, opinions, ideas and suggestions regarding the possibilities for social entrepreneurship development that to the full extent should confirm the attitudes of the organization they represent, that is it complies with their personal opinion. The survey in form of open questionnaire was sent electronically to 30 associations. They had the possibility to give respond to 15 open questions from 5 to 15 lines per question. The survey was filled in by 19 representatives of civil associations.

The selection of the associations that participated in one of the focus groups and the participants that filled in the survey was made by several main city centres in the Republic of Macedonia. The assumption was that they had certain experience regarding the social entrepreneurship activities or economic activities with social aim. The selection of the persons from business community and public administration was made according to two criteria: the first, firms and institutions that manifest activities with social responsibility and the second one those that had experience in social investments and programs within the framework of their activities as legal subjects.

We realized the research with two focus groups divided under previously defined characteristics as follows: gender, age, education and profession. General data on the attitudes of the civil associations, business and public administration regarding the possibilities for social entrepreneurship development was obtained by analysis on the content of the conversation in two focus groups as well as by the survey. Within the research we present general data on the opinion of the participants in focus groups and of those interviewed regarding their opinion on the current sociable condition and the possible future development in the context of the issue. The opinion of the research participants as well provides clear image on their perception of the real capacity of the associations and business motivation for support and recognition of new business conditions. The public administration is expected to appropriately access the decision making of legal procedures regarding the meeting of the requirements of the citizens by creation of favourable environment and support for
these types of activities. The research on examinee opinion and conversation content analysis provided concrete conclusions on the subject of research.

**Subject of the research**

Taking the social entrepreneurship activities increases the financial stability of the civil associations and their impact to the society. It is in compliance with the vision and mission of the civil society and the whole realized profit is used for activities, programs and working of the association. The social entrepreneurship development in this context means creating possibilities for development of the capacity of civil associations for realization of activities necessary for making profit that is to be “reinvested” in new activities for meeting the citizens’ needs. We consider that the high level of information of the subject directly called to develop social entrepreneurship is one of the necessary preconditions for starting practicing the social entrepreneurship.

Moreover, within the next period one of more important activities of civil associations are generating knowledge about the issue, creating preconditions including adaptation of legal regulations in context of social entrepreneurship development and finding models of social entrepreneurship that may be applied in Macedonia.

**Aims of the research:**

- assess of the perception, level of knowledge and information of the representatives of three sectors that is civil, private and public sector regarding the possibilities for social entrepreneurship development
- assess of the potential capacity and the wish of the civil associations, companies and public administration for undertaking social entrepreneurship activities
- assess of the mood and perception of the three subjects for amending the legal regulation regarding the social entrepreneurship (not only the laws but as well the principles in the companies)
• assess of the meaning and the opinion of the representatives of the civil associations for social entrepreneurship as a concept, the relation between the civil associations and the practice in the Macedonian society
• assess the types of problems and difficulties in the realization of the social entrepreneurship activities
• creating potential model for social entrepreneurship
• presenting suggestions by the representatives of the civil associations

Conversation topics:
• Term for social entrepreneurship at/in the civil associations
• Legal regulation and procedures for social entrepreneurship of civil associations
• Real and current conditions in social entrepreneurship of the civil associations
• Staff potential and capacity (training, seminars and so on)
• Experience and perspectives of social entrepreneurship of civil associations
• Potential difficulties and problems in the realization of social entrepreneurship activities in civil associations
• Cooperation among civil associations, business and the state (examples, possibilities and difficulties)
• Forming model/s of social entrepreneurship

Methodology
Selection criteria
• members of civil associations that decide on social entrepreneurship activities
• representation in each group under gender, age and education

Expected results
The research is expected to obtain information on the current situation for social entrepreneurship development, as well as for the possibilities of civil associations for offering quality services that will meet the user needs. Moreover, it is expected for the results to contribute in the direction of objective measurement of the mood and interest
of the civil sector, business sector and public sector for their participation in the activities of this field and for problems they would face with during these activities.

**ANALYSIS OF THE RESEARCH RESULTS**

**Focus group of civil sector representatives**

*Personal experience from social entrepreneurship*

The research consisted of two parts: in the first part, the examinees showed concrete opinion regarding the concept of social entrepreneurship, and in the second part they worked in groups of two where they created a model of social entrepreneurship activity. Then the task done was presented to other group members. Regarding the possible characteristics of the model and its content the examinees had full freedom to autonomously find certain final solution.

The **first group** consisted of representatives of the civil sector while the **second** consisted of representatives of the business community and public administration. The beginning of the conversation was presentation of participants and first of all showing the opinion regarding the personal experience in the social entrepreneurship.

The representatives of the civil sector have bigger experience as individuals and as associations they come from compared to the representatives of the second group. Namely, the representatives of the business stressed the social responsibility as an activity and procedure they practice in the relations with the civil associations, while the representatives of the public administration showed opinion that they are not familiar with the theoretical setting and they do not have personal experience in practical activities of social entrepreneurship.

The evaluation of the focus group participants is that inconsiderable number of civil associations has taken concrete activities in this field, and mostly such condition is a result of not knowing the possibilities and values by social entrepreneurship activities. Small number of associations have formed enterprise where handicapped persons and
within the same they offer services. The expectances of these NGOs are the firms recognizing their capabilities and motivation for participation in the activities.

Other associations take economic activities and in 2007 in accordance with at that period legal regulation formed consulting company. This company makes projects for different categories ad is aimed at business community and less at other subjects such as state organs and political parties. Third association has developed project website www.pravo.org.mk that exists 7 years by support from donations. For the purpose of continuation to exist they have an idea for each user to pay membership for one year by sending a message from mobile phone. In this way they would provide financial sustainability of the activities.

The main determination of NGO is to animate certain categories of the population such as victims of family violence, marginal groups, unemployed or other population groups. In this direction the activities were taken meaning forming first social enterprise by assistance of the Assembly of the City of Skopje as well as first social program for social entrepreneurship. The success has been notified only in the Program for employment by obtaining grant as a pilot project in duration of three years by inclusion of women victims of violence and women being treated as social cases.

In the last period some of them got ideas related to social entrepreneurship and temporary activities. Some NGOs started activities of social entrepreneurship such as collecting plastic waste and recycling plastic masses where ten people from the marginal groups were involved and certain payments have been provided for the same. Then they rent studio equipment to young hopeful music groups per very small price.

**Opinion regarding the social entrepreneurship**

At the civil sector the opinion dominates that the social entrepreneurship is an idea or complex of ideas that may be realized. From the aspect of social entrepreneurship the ideas owned by each organization are the basic value. Each concrete idea must be
built in the concept of social entrepreneurship and must be part of concrete field. In certain sense the social entrepreneurship may be defined as procedure or try for resolving certain anomalies in the society and to make profit that would be again used for other similar activities. In the realization of the ideas each organization faces with real problems such as capacity deficit in the society.

The social entrepreneurship provides opportunities for civil associations to include certain marginal groups and to become part of the system and such activities may be in bigger number. If a debate regarding this issue is initiated and the institutions start working we will very soon have social condition where the development of social entrepreneurship will start through the civil organizations by activities in different social sphere through providing services. The associations will be partner among the business, state and the citizens. The current period is characterized by confusion, not knowing and modest tries to make something on this plan. This means not knowing the possibilities from the social entrepreneurship development by companies and not having skills and capabilities for the part of the employees to recognize the values of the ideas.

It may be stated that in the civil associations the opinion dominates that the Macedonian public in general is not familiar and informed about the existing models that may improve the social situation of natural and legal subjects as well as for solving certain social problems. The public does not make difference between activities taken from the aspect of the social responsibility and activities from the aspect of social entrepreneurship where the companies dominate in the first activities and social enterprises in the second. The activities in the aspect of social responsibility are in general taken by the companies for the purpose of solving certain social problems. Apart from these motives the companies are run by other motives such as enhanced image and possibility of increasing the number of service and product users. The eventual making of profit from these activities, the companies retain for themselves. The activities from the aspect of social entrepreneurship in general are aimed at direct users and the profit made is used for realization of certain social activity. The findings regarding this issue are not
appropriate as a result of complete inexperience and isolation from modern flows in the social entrepreneurship. The similar is the situation of three basic subjects: greater number of activists in the civil sector, employees in big companies and public administration.

Within the civil sector, some associations from time to time take steps in the direction of animation of the local self-government for the purpose of mutual contribution to the enhancement of the condition of certain marginal groups or of employees. However, these projects did not end as a result of not having financial support by concrete donor or because of the fact that the local government determined other priorities in that period.

One of the notes is that the existing legal solutions are appropriate but is stressed that certain flexibility is necessary regarding their application and finding new forms of condition setting is suggested. The public administration employees are not always prepared to appropriately meet the needs of the civil associations.

Personal engagement in the social entrepreneurship, types of problems and suggestions

In general, the level of interest and will of the civil associations that had certain experience with the social entrepreneurship is big. They personally think that if the possibilities of the biggest number of civil associations are being presented expertly and practically they will open themselves for taking such activities. The first condition that is to be done is field activity and familiarization of the employees in state and local institutions thus achieving their animation and participation. Ill-information of the citizens in the society remains the general problem in particular in the public administration at central and local level. High level of bureaucratic behaviour exists in state institutions without feeling of new idea recognition. The local units have real problems with staff capacity and do not always show interest when the matter is about initiatives and ideas from the civil sector. Then, working on motivation of business by stressing the
strengthening of their social responsibility and social entrepreneurship development is considered. The condition in this sector is not as well on the necessary expected level compared to the developed west societies. For the purpose of making serious step forward systematic education of the three sector representatives has been made. Simultaneous and parallel practice of more activities such as training, project preparation, lobbying in business, change in legal regulations, informing the public through media etc may in few years lead to bigger progress. The Centre for Institutional Development was pointed out as an organization having capacity and experts as well as foreign associate that may be promoter and leader in running of this process. Moreover, the bigger impact and pressure should be made by the international institutions in the part of implementation of the laws related to social entrepreneurship and the suggestion should be made for opening three more incubators in the municipalities.

**Model of social entrepreneurship**

The participants in the focus group were asked to make their view regarding the model of social entrepreneurship. Three groups working about 25 minutes were formed. Their task consisted of short determination of certain activity, defining basic groups in realization of the activities and assess of the gains for the organization and the community.

The **first group** determined alternate tourism for engagement of the female population from rural areas. According to them, these are relatively neglected areas in the state, including high level of unemployed women. The aim was to from trading company based on social entrepreneurship where persons renting houses for private touristic accommodation will be employed. The firm may conduct the entire management of the process such as appointing standards, organization, advertising, logistics and quality control. The persons declaring houses for this aim would be self employed and realize certain contribution. Moreover, the tourists would be offered home made products, souvenirs and other products produced by the employees. The firm would be obliged to draft a program and tourist schedule and to animate the local community to participate
with its resources. The first group believes that 150 houses would be covered by this program. Regional centres, civil associations, tourist agencies might be founders. Period of realization of the project is one year as pilot with an aim to continue.

The second group chose promoting of the environment thus meaning inclusion of the community in quality waste management. The trade company would direct its activities towards education of student population for the importance of the waste collection and its usage if recycled. Then point would be organized for old paper collection as well as for other type of waste that would be transformed on appropriately marked places. The total amount of waste must be completely safe for human health. Part of the amounts from the waste sale would be used for the needs of the participants as well as for the preparation of other activities of the civil association or the firm that started the activity. Primary and secondary schools, smaller enterprises and other interested parties may be places from where the waste would be collected. The firm is obliged to draft program for waste collection, to plan the transport, to inform all subjects and the public on time. Period of realization of the project is one year as pilot with an aim to continue.

The third group chose consulting services by persons thinking that may provide the same to the market of interested clients. These persons are principally unemployed with certain qualification and may draft project studies and analysis for the needs of their clients. Likewise, education and preparation may be done of unemployed persons for achieving certain skills as well as for improvement of their capabilities.

Focus group of representatives of the private sector and public administration

Personal experience from social entrepreneurship

The private sector and the public administration compared to the civil sector manifest lower level of participation in activities of social entrepreneurship. The level of their knowledge regarding the social entrepreneurship as possibility, activity or idea for society development is smaller and they had no experience yet. The idea for entrepreneurship is not unfamiliar for them and they believe that each society should
stimulate at their citizens. However they were uninformed about the idea for entrepreneurship in the context of certain activity as social entrepreneurship. Within the business sector there is an opinion that this idea is very close to the activities taken by companies in the part of social responsibility.

Marketing units are directly responsible for this type of activities in the companies. In the direction of company promotion, these units cooperate with civil associations for the purpose of realization of certain programs and projects. Some of them presented each type of cooperation with civil sector as try and example for social entrepreneurship.

The representatives of public administration stressed that they are not familiar with the theoretic set up of the social entrepreneurship that is they personally did not participate in activities concerned. It is acknowledged that amendments were made to the Law on Associations and Foundations regarding the civil association for the purpose of providing the associations with the possibility to take activities for making profit that they are to send back to the organization. Likewise, they think that the public is uninformed enough for the possibility in particular the civil associations and companies. They did not face with examples of the social entrepreneurship.

**Opinion regarding the social entrepreneurship**

Part of the participants in this groups stressed that they have never heard about the social entrepreneurship, but they assume that it may be connected to the civil association work by providing services in social sphere or helping certain marginal population groups.

The moderator acquainted the representatives of business sector and public administration with three theoretical attitudes\(^\text{22}\) from the Code of the Faculty of Economy in Zagreb for social entrepreneurship.\(^\text{23}\)

\(^{22}\) Those are the following attitudes: **First** – the social entrepreneurship is non-profit initiative in the process of looking for alternative establishing strategies and management schemes for the purpose of creation social values. **Second** –
They are required to present their opinion for each of them and to present the attitude they determine for in the context of personal understanding for social entrepreneurship. The example was accented for certain states that took activities in a way of employment of citizens in the period of big economic crisis in 2008. In this period a great number of employees were dismissed from jobs from sectors covered by the crisis. As a result of the social situation considered, the people were forced to shift for and to look for alternative solutions. The representatives of this group criticized that the solving of social problems is the real root of the matter thus explaining the importance of the social entrepreneurship. The need for development and support of this type of activities is especially important for the societies in crisis. For the Macedonian society, the social entrepreneurship may be a response and a solution for great number of citizens and institutions facing with real economic problems. This type of activities, first of all are an "obligation" of the competent state institutions. As of the numerous factors for inappropriate and unduly reaction, tin the civil sector they may recognize partner helping them in detection and participating in problem solving. Incontestable is the necessary individual's idea that would join the citizens and that would contribute to the general public welfare by realization.

Corporation was formed in Germany for collecting technically defective equipment from the firms for which the mending is not profitable. This equipment is mending by people engaged for that purpose that is they are given work and then the equipment by lower price to socially jeopardized persons. The participants indicated to other examples of social entrepreneurship in this way, one of which is the German experience. Namely, the selection is done from the Agency for Employment for persons trained to become personal assistance to persons that need them. Generally, the personal assistants are

the social entrepreneurship is experienced as social responsibility of commercial enterprises involved in intersectoral partnerships. Third – the social entrepreneurship is a mean for solving the social problems and release of the society in its entirety.

required by handicapped persons, but they are as well engaged by other population categories. By conducting of these tasks because of their invested labour, the personal assistants gain contribution thus representing an example more for successfully realized activities from the social entrepreneurship.

The social entrepreneurship is considered as well as social responsibility of commercial enterprises involved in intersectoral partnerships. The representatives of business sector chose this attitude and they pointed out that the bank would set apart finances for education and consulting services if offered from the civil sector and if they need. This type of cooperation may be useful for company promotion for the purpose of closing to its consumers, improving the company image in the public and contribution to higher level and participation in the social entrepreneurship.

The presented examples for successful social entrepreneurship from west society states were positively evaluated by the representatives of public administration. They consider that the Macedonian laws such as those on sponsorship and donations, on civil associations and foundations and other have contiguous contents with these issues and provide basis for social entrepreneurship development. The basic factor for not having significant progress, according to them, is insufficient information of public for the gains adopted for the community. The representatives of all three sectors, as directly affected may need to initiate a campaign that would explain the values of social entrepreneurship. Intersectoral cooperation among non-governmental, governmental sector and the business may be suggested as start of the activities related to social entrepreneurship. This cooperation may be in the part of assistance or transfer new competences from the state institutions to the civil sector realized by business sector assistance. Many ministries were indicated as examples for direct involvement such as the Ministry of Finance. In reality the ministries would give support to these activities because of the decreasing of the pressure by users to the budget if they meet their need on other and effective way.
Personal engagement in the social entrepreneurship, types of problems and suggestions

If the matter is about the participants from business and public administration the basic note was that personally no specific reasons exits for engagement in activities from social entrepreneurship. It is basic to explain the social entrepreneurship for the major part of citizens for the purpose of their real involvement. All participants pointed out their personal ill-information as a problem and stressed the taken initiative by CIR as positive example for starting conceptual establishment of the social entrepreneurship.

Money is necessary for solving the social problems, and the state does not have money and cannot meet all partied in the necessary volume. That is why the development of activities from social entrepreneurship may create preconditions for improving the social situation at certain population categories. For the entire process to obtain the necessary assistance by the competent institutions the same must be run within the law. Many examples exist in the Macedonian society slipping the established rules and legal norms thus creating a revolt and dissatisfaction of citizens and negative public atmosphere. The eventual illegal behaviour of participants may bring negative effect to the entire process. That is why the civil sector should be the first but not the only that will insist on respect of the laws and procedures. Any type of illegal activities, such as tax dissembling, incorrect presentation of incomes and not having contracts will return as boomerang and the community will suffer the biggest damage. In this way it is especially important to set clear rules to avoid undesirable effects was one of the notes of the participants in this focus group.

The civil sector as promoter of the social entrepreneurship development faces with complex problems. Having regard to this, the time necessary for explaining the basics of the social entrepreneurship and the manner of defining the concept of each activity presented was indicated. Moreover, the real need exists for training the staff that will additionally be engaged in the realization of the activities from social entrepreneurship
and at the same time will inform the public for the values the community gains from the programs and projects drafted.

**Model of social entrepreneurship**

The representatives of business sector and public administration as well worked on preparation of the model of social entrepreneurship where a certain appraisement was made compared to the first focus group. 24° The starting idea was to make public promotion of the concept of social entrepreneurship and involvement of all three sectors. For the purpose of acceptance of this idea and successful realization it is necessary to get support from civil association as CIR and to animate allied associations, business companies for the purpose of cooperation as well as concrete state institutions. Then the group is mainly concentrated that the public promotion of social entrepreneurship may be finalized by adopting appropriate law (special law) thus achieving the full legal regulation of this issue. The time for promotion and adoption of the law in spite of the fact that they are complementary procedure, have no identical time dynamics. From these reasons the establishment of time schedule for both activities is necessary. According to their opinion for entire rounding of the idea around five years would be necessary. The finances would be provided by national and international donors and the state institution would provide logistic support related to law drafting.

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24 This group requested working together as one group that is not to be formed three groups as imagined in the scenario. The primary reason for this was their attitude of not being informed about the envisaged time to do what they were asked for.
ANALYSIS OF THE CONTENT OF THE SURVEY ON SOCIAL ENTERPRENEURSHIP AT CIVIL ASSOCIATIONS

Introduction

The participants of the survey were asked to fill in standardized questionnaire consisting of open questions previously sent by electronic mail. The envisaged time was 10 days thus showing enough time to obtain the necessary number of filled in surveys. It may be noted that this access has certain advantages and disadvantages. The advantage was the fact that the participants had enough time to focus on quality filling in of the survey while the disadvantage of this access may be treated as insufficient contact with the examinees for the purpose of clarification of certain attitudes. We assume that in this way the examinees retain the personal staff and consulting with other persons, literature etc. is being avoided in answering which is not eligible. Likewise, this way rationalizes the project costs and shortens the time framework compared to the field researches with pollsters.

Personal and organizational experience in the part of social entrepreneurship

Regarding the matter of their personal and organizational experience in the part of social entrepreneurship more than half of the representatives of the civil associations state their experience in the part of social entrepreneurship. They were required to state concrete examples for the purpose of evaluation whether the activities taken may be treated as social entrepreneurship. It may be noted that the significant number of civil associations took activities in this direction. Namely, in these activities the associations are concentrated to special population groups at local level, solve certain problem and create assumptions and possibilities for improving the situation.

In the direction of illustration of these activities that may be treated as initiatives and projects close to the model of social entrepreneurship we present part of them.

The Farmer Federation of the Republic of Macedonia (FFRM) states that they established two measures for women and for young people working on gender equality
in rural areas and for motivation for social connection. Within the women population the Women’s Association Derja was pointed out that is to realize training of women from different municipalities regarding the meaning of project cycle and gains from the project realization in the area of education and health sector.

The National Council for Gender Equality organizes humanitarian events for collecting money for helping certain categories of persons as well as lobbing at business sector for the purpose of employment of family violence victims etc.

In economic sphere, such as employment and gaining skills for fat employment of certain population categories several associations exist that have taken appropriate activities or realized concrete projects. Two associations from Strumica (Environment Association Planetum, Petra Association of plastic recyclers and collectors and Association Izbor) as well as one association from Tetovo (Institute for Community Development) took activities covering the socially jeopardized groups in the process of recycling and within the process of gaining skill for decreasing the young people unemployment. The gained knowledge should be expected to provide easier employment in the local area for these persons.

The Foundation for Development of Local Community Shtip collects money from the local community and returns the money back to the community for the purpose of solving the priority problems of the citizens at local level.

Interactive Network for Education and Resources from Bitola realizes a project for opening perspective or training disadvantaged young people from Macedonia, Bulgaria, Serbia and Montenegro for the purpose of increase of the cooperation and alleviation of the cross border cooperation.

In 2001 NGO Biosfera – Centre for Education, Environment and Nature Protection Bitola formed Bairska Svetlina- Roma Association from Bitola. By communicating the young
people from Roma nationality, street sellers of sundry they helped them to register as civil association. The aim was to enable realization of certain incomes and to gain skills for the purpose of improving the life conditions. The first year they used the premises of Biosfera and realized training for organization, communication skills, computer use and draft project drafting. The associations realized as well other projects in the area of rural tourism, environment protection.

It may be stated that the major part of the polled representatives of the concrete civil associations indicate that in the recent period they have taken and still take activities from social entrepreneurship and less than half stressed that they did not take activities. Some associations have realized projects in certain area and they consider that the projects may be treated as activities in the social entrepreneurship and they indicate as such.

This data shows that within the civil sector high level of devotion and will for realization of this type of activities exist. The content of their projects defines concrete population groups for which certain type of financial assistance or expert assistance is assessed as necessary. The citizens gained knowledge by the undertaken activities, improved their skills and participated in concrete activities. The projects mainly help, even not as a rule, certain socially jeopardized groups of the society such as unemployed, women from rural areas, Roma etc. Regarding the areas social and environment programs as well as employment activities dominate, that is improving the life standard of the citizens. Territorially, the projects are realized in the territory of the local community and in smaller volume are aimed at national level.
Opinion of the representatives of civil sector regarding the relation of civil associations towards the social entrepreneurship and dominate attitudes in the public for this issue

One of the aims of this project was setting up the meaning and the opinion of the representatives of the civil associations for social entrepreneurship as a concept, the relation between the civil associations and the practice in the Macedonian society. In this view affirmative attitudes for social entrepreneurship dominate in the civil sector, without reserve all of them support this type of activities and evaluate that the community and the individual have new, better and quality values by the realization of these activities. Regarding the conceptual understanding of all examinees the opinion prevails that the social entrepreneurship may present only one or line of several elements. Namely, the social entrepreneurship is considered as an idea, conjuncture of activities, element of corporate responsibility, and innovation of non-profit organizations and similar. Having regard to the fact that one special element or group of elements may not be selected as indicated and accepted by the majority of examinees; furthermore we present in brief form their attitudes, evaluations and opinions regarding the understanding of social entrepreneurship.

The majority of the representatives of the civil sector consider the social entrepreneurship as:

- creating social values and inclusion of different entities through implementation of social changes in the society; activities for improving the citizens life quality, arousing the regional economic development and achieving positive results at each level;
- realization of mission for creating “value profit” in the community through self sustainable activities generating income for appropriate aim and market participants with different motives not being limited only for profit realization but the main accent of their activities is at social functions of social issues;
- important condition for motivation and approximation of the citizens, as well as for strengthening the implementation of developing ideas;
new possibilities for making profit (gain) aimed at meeting the needs of socially excluded and marginalized groups of citizens as well as at realization of activities for providing services to target groups;

harmonization of the laws with the needs of socially jeopardized and vulnerable groups, as well as change of existing law by adding mechanisms for improvement of the social condition in its entirety;

important factor for self-funding development of civil association, increasing their independence, higher level of professionalism and possibility for increasing the critical level towards social problems;

organizing different cooperatives as part of the social economy based on the principle of solidarity and active citizenship.

Regarding the role of NGOs in the activities of social entrepreneurship, among the representatives of civil associations the following attitudes dominate:

it is a possibility for each civil organization for direct influence on the social problems in the society and conducting their ideas in reality;

they should have key role in the social entrepreneurship different from the business sector as it is aimed more at business and profit;

they may by collecting money to influence and to participate in the problem solving in the community and the profit obtained by realization of certain activities may serve for realization of other useful aims;

training should be organized as well as additional consultations in the public as the area is less developed.

they have possibilities to take activities at local and national level and to aim their activities at those categories assessed as categories with the most necessary support and help in concrete period;

the jeopardized categories should be trained, prepared to be involved in the labour market and great number of representatives should be involved in the activities thus influencing the improvement of their social situation
by alternate and original ideas they should increase the efficiency of the organization and have the possibility to develop profitable parts thus arousing the development and autonomy

Opinion of the representatives of civil associations regarding dominate attitudes at the colleagues they work with, in the civil associations, business, public administration as well as in the public regarding the social entrepreneurship

- a few number are informed about the meaning of this term and real need exists for the public to be better familiarized with the values in other states and eventual achievements in our state
- in general unfamiliarity with the meaning of this term dominates. NGOs as a result of their mission and existence own certain foreknowledge about the concept, while the public administration and business sector does not have certain attitude
- within the sectors there is a wrong appraisal of social values, low level of social responsibility, no ethics in business, no mutual respect and similar and within the business sector the opinion prevails that this entrepreneurship means donation of irrecoverable funds to civil organizations and non-realization of profit for their need;
- the support for social entrepreneurship by public administration, business sector and the public is increased first of all for certain areas, and the civil sector still makes insufficient use of all possibilities for cooperation creating social capital;
- the attitude dominates that the matter is about a new concept that should be elaborated, developed and promoted and in general the social entrepreneurship obtains declarative support by those to which the unfamiliarity with the meaning prevails; different attitudes exist regarding the understanding by these subjects: at first it is an entrepreneurship of the civil sector; second it is entrepreneurship for providing social inclusion and independence of individuals; third, it is just a good idea; forth, it is form of unfair competition as the association start "business" by others' money; fifth it is not serious activity and it may not lead to significant changes in the society; sixth, that concept is unsustainable for a long term.
our society is not enough familiar with this issue, while the Member States of the European Union are looking for new ways for stimulation of the social entrepreneurship, first of all as a possibility for local development

- high level of consent exist at civil organizations and business sector for starting the process of realization of activities of social entrepreneurship but the state organs and institutions still have no attitude for this issue;

Assessment of the current situation in the civil sector, business sector and public sector regarding the social entrepreneurship

The examined representatives regarding the assessment of the current situation in the social entrepreneurship in the Macedonian society consider that they do not have accurate findings and information for the purpose of assess and most of them prevail the impression that the civil sector, business sector and public sector have potential, but do not engage on the plan of social entrepreneurship development.

According to small number of representatives examined that made an assessment of the conditions in the three sectors it may be stated that the civil sector is considered as leader in these activities, the business would recognize its interest and the public administration should additionally be motivated by the values treated by the social entrepreneurship in function of solving concrete social issues and problems.

The brief results regarding this issue are presented as follows:

- it is difficult to give general assessment of the current situation, but the fact is that the big business companies are more and more reoriented towards social responsible activities, the public administration gives full support and the civil organizations become factor in the society including realization of its own ideas.
- no possibilities exist for the purpose of inspection and obtaining accurate information regarding the activity of the tree subjects in this areas; having regard to
the fact that no information exists public media campaign should be organized for
the three subjects mentioned, for the needs of informing, training through
presentations and workshops, achieving information and skills for the purpose of
starting initiatives and practicing activities in this area;

- the situation at all three subjects is bad and there is weak development of the plan
  for social entrepreneurship and it is necessary for the subjects to increase the
  sensibility for social entrepreneurship;

- the current situation at three subject for social entrepreneurship characterizes
  unfamiliarity with the topic, weak connection, existing of personal interest, mistrust,
  not having interest, closeness for assistance, status quo, fear from changes, bad
  relations in the society and other;

- the connection is insufficient among three subject for the purpose of active
  participation in social entrepreneurship and it is not applied as a result of
  insufficiently elaborated vision for the gains that would be realized by the three
  subjects in improving the citizens' life, business sector is not ready to have as well
  component of social entrepreneurship in programs and plans and the public
  administration does not have at disposal appropriate staff capacity, knowledge and
  experience for working with these activities;

- at first, the major part of the associations are not brave enough or have no capacity
  to act in this sphere and the associations very rare conduct activities for social
  entrepreneurship as of the fact that most of them are not oriented for providing
  services; second, no initiative by these sectors, especially in the civil as the most
  called t influence the improvement of the social life; third, business community
  shows no interest for participation in these activities; forth, the public administration
  and other concrete institutions are passive and do not understand the possibility of
  NGOs in this area for justification that their regularly face with deficit of finances;

- regarding the civil sector there are examples where certain NGOs have formed
  economic subjects through which persons of their target groups are employed.
Assessment and the level of harmonization with four attitudes for social entrepreneurship

The examinees were presented four attitudes for social entrepreneurship for the purpose of expressing their opinion and the level of harmonization.

For the first attitude\textsuperscript{25} the significant number of representatives agreed that the attitude given expresses the basics of their understanding of social entrepreneurship, and less expressed disagreement.

The examinees comment the consent and disagreement with this attitude as follows:

- The consent with this attitude is expressed by stating that the social entrepreneurship would be non-profit initiative if conducted by non-profit organizations or public institutions. Likewise, it should create new social values in one civil society that would change the way of life, first of all of vulnerable groups, and then of other groups. It should be part of business community and its functioning, and not only of non-profit initiatives that should be leading in this area. The social enterprises should stimulate the positive social changes and the social inclusion of the representatives of marginalized groups, strengthen the social values for the purpose of helping the economy by opening new job posts for socially vulnerable groups, help solving the social problems and participate in increase of ethical standards. Within the local communities, the social enterprises provide unique goods and services covering the wide spectrum of issues regarding children care and old people care to single procedure for obtaining credits for apartments and loans for small businesses aimed at marginalized groups. They promote employment and training of people having difficulties while finding job, stimulate the enterprise spirit and stimulate the maintenance development.

\textsuperscript{25} First – the social entrepreneurship is non-profit initiative in the process of looking for alternative establishing strategies and management schemes for the purpose of creation social values.
Disagreement with this attitudes is a result of the understanding that it is an activity that should make profit, even though it is used for autonomy of non-profit and independent functioning of the civil organization.

The attitude given covers only one aspect and it does not explain and describe in its entirety the concept of social entrepreneurship. It is too general and it does not show the meaning and changes that may be caused by this concept. It may not be seen what kind of role and place may each social subject have while introducing his concept and the way of cooperation of three subjects in this field. This attitude, even appropriate in general presents close understanding of the social entrepreneurship;

Disagreement with this attitude is a result of the fact that the social entrepreneurship in basis is profit initiative for realization of noble mission and is not non-profit initiative. It may not be always non-profit activity and the profit generation must not mean money. The term profit may as well have other meaning such as changes, conditions, initiatives etc.

For the second attitude more than half of the representatives examined agreed that with certain addition it really reflects the consideration for social entrepreneurship, and small number of then did not agree.

Furthermore, the brief consideration of this attitude

The consent with the second attitude is full including a note that the list should be extended with other subjects taking this type of activities such as business organization, budgetary organizations, public administration and other organizations. This attitude describes the meaning and the aim of the concept and it may be applied more as a description for conceptual introduction by the civil associations, and less by other social subjects. The new Law on Associations and

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26 Second – the social entrepreneurship is line of activities or non-profit initiative, by taking economic activities in providing services to target groups for the purpose of creation social values.
Foundations enables this option. On one side, there are still no concrete bylaws regarding performance of economic activities and time would be necessary for capacity building and strategic setting, and on the other side NGOs that should take the leading role in this area promote the social entrepreneurship in state structures for the purpose of realization of economic benefit for concrete social groups. The benefit may be considered in solving the social problems, values that would be promoted and created, building new partnerships and coalitions between NGOs and the local self-government and between NGOs and governmental institutions.

- Within all three attitudes the thesis for social entrepreneurship is generally established. It is necessary to have clear directions defining the procedure of realization that is whether the matter is about economic activities or about non-profit initiatives. Formulation is the most appropriate if the income management is made and if it is aimed at support of the mission realization. It may not always be economic activities or providing services. Sometimes the support is enough as well as stimulation for conducting the given initiatives. The best access is combination and mutual coordination between the suggested accesses and understanding.

- There is consent with the attitude including a note that it may be difficult to implement in the reality as a result of non-understanding of the idea, not having interest in the state and not having motivation and enthusiasm.

Regarding the **third attitude**\(^{27}\) there is approximately equal level of consent that is disagreement. Namely, the major part of the representatives examined did not agree that the given attitude expresses appropriately the conception and the basics of social entrepreneurship. Likewise, those that showed consent with the attitude considered made that under condition to extend and to complement the same thus meaning its change.

\(^{27}\) Third – the social entrepreneurship is experienced as social responsibility of commercial enterprises involved in intersectoral partnerships.
Furthermore, the brief consideration of this attitude

- It is correct that the social enterprises may raise the level of ethical standards of work and of the social responsibility of the companies. The social entrepreneurs are proof that the financial success does not exclude the responsible behaviour towards the social community and environment. The consent with this attitude is complemented by the consideration that certain examples for this type of social entrepreneurship exist. It is real to built capacities in a way of creating intersectoral partnerships. The civil sector may be activated and require inclusion of business sector in social capital creation. If the enterprises do not understand the need of social responsibility in the community, then the social entrepreneurship is only concept on paper. In the local communities, the social enterprises provide goods and services for marginalized groups and the commercial enterprises are not enough active in adopting decisions for these type of activities. The social enterprise for public opinion is experienced as social responsibility of the business sector. However, according to the understanding of the civil organizations, it is social responsibility of state institutions that should create conditions for integration in all segments from the society, business, public policies, executive government and other. Misuses exist in the employment of persons with special needs where the companies realize benefits and the marginalized groups remain marginalized.

- The disagreement with this attitude is a result of the fact that the role is stressed only for commercial enterprises without perception that the entire society should have responsibility and engagement in promotion of social values. This attitude partially describes the concept and for the purpose of correct understanding and correctly applied it must be defined in the wider meaning of the word. The social responsibility of business sector may partially contribute to solving certain problems because it may not recognize in its entirety the social problems and because the way of solution is not always in accordance with the social entrepreneurship context. Disagreement with this attitude derives from its context where the equality sign is put among the terms social responsibility and social entrepreneurship. In practice, this attitude does not function because the
companies are more aimed at profit making and providing bigger security in working and entering smaller risk activities. The companies treat the investment in the social entrepreneurship as risk placing. In public this attitude does not dominate and the social entrepreneurship is not considered in such a way because it is not “owned” by certain group of organizations/institutions or individuals.

For the **fourth attitude** according to which the social entrepreneurship is mean for solving the social problems and liberation of the society in its entirety a great number of examinees agree with certain notes. These additions do not change the basics of the attitude but precise the same regarding the activities and subject that should conduct. The number of those who disagree with this attitude is smaller than half of the examinees. The main reason for disagreement is because of the expressed doubts in the effects gained by its application in practice. The application of so understood social entrepreneurship in the Macedonian society will not obtain the expected results as a result of the influence of other factors from which the solving of the social problems depends on or as a result of misuses and law infringement.

Furthermore, the brief consideration of the forth attitude

- The consent with this attitude is completely by indicating that it provides enough “freedom” to as well cover those that should be involved and those who are users. It is necessary to establish a network that is partnership between NGOs, governmental institutions and the local self-governments. This may lead to increase of the level of solving the social, economic and environmental problems through development and exchange of new accesses towards the social entrepreneurship. The better use of available human and material resources may lead to decrease of the poverty, improving the life and working conditions as well as systematic and institutional acting. For the purpose of faster development,

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28 Forth - the social entrepreneurship is a mean for solving the social problems and release of the society in its entirety.
higher standard and quality life it is crucial for the state institutions and organs to invest at all level responsibly and seriously.

- The consent with this attitude is partial and it should not be accepted as single thesis because in many cases the social life quality depends on the established frameworks in the state thus meaning need for changing the law regulation. Then it is necessary to precise the concrete activities and initiatives and to state in details the holders of the activities. This attitude is right but under condition that it is not the single tool for solving social problems. The application of this concept brings changes and use for its users and for the society in its entirety and longer period is in reality necessary for achieving this type of aims. The social entrepreneurship solved great number of problems the states that changed the social life system from socialism into pluralism are facing with.

- The disagreement with this attitude is more as a result of possible misuses in practice while realization of the activities from social entrepreneurship that were to solve the social problems and to free the society at all. Generally, the initiative for solving the social problems originates from the civil organizations trying to raise the public awareness and at the same time the power for solving problems is biggest in the government that does not take activities on that plan. Solving the social problem in the Macedonian society may not be only through the social entrepreneurship as of the fact that no developed and applicable system of values exist compatible with the concept of in that way understood social entrepreneurship.

**Opinion of the representatives of civil associations for participation in the activities of social entrepreneurship**

Regarding the undertaking of the activities in the area of social entrepreneurship there is a full consent and positive attitude at the representatives of the civil associations. The positive opinion expressed does not refer only to activities that would be raised by the civil associations but as well by other subjects (institutions, organs, companies and individuals). The greatest part of the examinees point out the economic
dimension of the social entrepreneurship and the gains coming from the community and the individual. This leads to improvement of the life quality of citizens, of social life, decrease of unemployment rate and providing finances for existence of the organization.

**Arguments for conducting such activities are briefly presented furthermore.**

- Taking serious and crucial activities related to the social entrepreneurship is absolutely necessary. These activities realize ideas and projects of social interest and the cooperation is being built for the purpose of strengthening the capacity of different target groups (youth, unemployed, marginal groups, persons with special needs etc.) and help them in direction of solving their problems. The reasons for realization of these activities are bad social and economic situation of many citizens in our state, in particular of certain population categories. The application of the concept of social entrepreneurship is one of the possible means for reaching the social changes.

- The activities of social enterprise should be increased for the purpose of involving all sectors of public life and increasing the confidence that the positive change is possible only if separated responsibility exists. Within the Macedonian society it is necessary to decrease the gap between the rich and medium class and to increase the medium class by new members to whom the life quality would be improved. Education of population is being achieved and working capacities and skills are improved for certain citizens’ categories by training and workshops as well the accompanied provide qualified employees. The citizens learn how to realize their own idea and how to improve the their own standard, the civil associations promote social values appropriate to their mission, the companies participate in activities for solving concrete problem of support an idea they are being identified by and the public administration, by using laws, regulated the relations between subject, promotions and stimulation of the social entrepreneurship and simples the procedures.
 Appropriately to the positive attitude expressed in the context of participation in the social entrepreneurship, the representatives of the civil associations examined without reserve confirmed that they are personally motivated to participate in this type of activities. Regarding this many examines especially stresses the participation of the organization.

Furthermore, we present part of the expressed attitudes of the participant in the survey regarding their personal attitude and the relation of the organization for becoming participants in the social entrepreneurship activities.

- The Farmer Federation of Republic of Macedonia (FFRM) takes great number of activities related to the social entrepreneurship and plans to continue as it has achieve many gains. The taken activities directly and indirectly influence the improvement of the financial situation of the agricultural families and lead to change of the awareness and behaviour of all participants in the agriculture at local and national level.

- The Red Cross of Republic of Macedonia (RCRM) practices the social entrepreneurship in its work and realizes activities for strengthening the capacities by training its professional and volunteer staff. The gains of the RCRM by practicing the social entrepreneurship is strengthened by own capacities, increase respect in the public, achieved transparency in the realized activities etc. The companies in partnership with RCRM have concrete gains, as follows: bigger respect and image in the public as socially responsible companies, increased confidence at service and product users, emotional engagement of the employees (volunteers of RCRM), increased awareness and understanding etc. The state institutions achieved alleviation of social problems, prevention in solving part of the social problems and approximation to the citizens by solving some of the social problems.

- HERA was involved in some pioneer steps and aim at developing systematic access in this sphere in the following period. The general gains consist of the fact that the association, business sector and the state share the responsibility
regarding the social capital. The biggest advantage is that the interventions in cases of equal involvement of all subjects are adjusted at local context and the local needs and the same are conducted by local funds.

- The Sport Federation is directly connected to the development of the “mountaineering tourism” and works on development and education of mountaineering leaders, organizing mountain events, arrangement of mountaineering houses etc. In the Macedonian society there is an interest in this problematic especially in the field of education. The connection with the state exists only in the part of implementation of the legal regulations defining the responsibilities.

- The Association Institute for Community Development (ICD) has ongoing activities and develop new thus meaning appropriate assessment and analysis of the condition and needs. The general gains according to the Institute are as follows: the civil organization accomplishes the aims, the companies participating in the realization of the activities have increase use of goods and services and the state has budgetary effect and it should not issues money for the problem the other are to solve (tax income is additionally realized).

- The opinion of the representative whose civil associations are not to mention particularly, as well expressed full consent for participation in the activities. They stated personal experiences in realization of the project of social entrepreneurship and stressed the following gains for the civil sector, business sector and the public sector.

The associations accomplish their missions such as stimulation of the cooperation between them and the public sector, business and the citizens in one continuous development of the civil society, preparation of education programs, realization of training for certain population categories, inclusion of new staff (employment) and providing services for local community.
The **business sector** has gains from employment new workers, uses quality consulting, has small expenditures and realizes public promotion of companies through the public use activities.

The **public sector** use the intellectual potential of civil associations free of charge, decrease the number of social cases, achieves increase of the rate of employment, increases the capacity of the fund for social cases and creates sustainable system for social entrepreneurship.

All three subjects participate in mutual solving of priority social problems and realize mutual and particular gains. NGOs fulfil its aims; the business obtains recognition from the community and the state institutions.

**Types of problems and difficulties in taking activities for social entrepreneurship**

One of the aims in this research was to set up the type of problems in realization of activities of social entrepreneurship according to the perception of the representatives of the civil associations. On the basis of their attitudes the types of problems existing for taking social entrepreneurship activities mainly may be divided in two groups.

In the first group we have categorized all difficulties and problems consisting of general character and the subject creating the problems is not stated. The second group covers the problems and difficulties where the subject is given and the problem is concretely stated. In this group the civil and public sector are almost equally indicated while the problems and difficulties as a result of the business sector are not indicated.

**As bigger difficulties for conducting this type of activities** are as follows:

**General problems**

- insufficient information for the public regarding the gains of those activities;
distrust at certain part of the population that the social entrepreneurship may lead to improvement of the social welfare.

insufficient education, support and understanding as part of the population for the impacts of the social entrepreneurship in the local community

resistance for the changes leading to bigger evaluation of the social values in the society;

non-existence of quality communication between subjects in the process;

low or insufficient level of media cover of the activities.

Civil sector problems

- deficit of organized access for taking mutual initiatives;
- not having complete image and capacities built for the purpose of enabling the taking of the social entrepreneurship activities;
- facing with insufficient education at the employees and the volunteers regarding the manner of realization of these activities;
- facing with insufficient brave and integrity for acting in this sphere;
- representing political opinions of some of the political parties

Public sector problems

- not understanding of the significance and the possibilities of the civil organizations in this sphere;
- presenting distrust towards the civil sector in successful over passing of the problems concerned, in particular in the public area;
- practicing support of the civil organizations in a non-professional manner and without criteria established;
- making pressure on the civil sector and not understanding of its needs;
- facing with deficit of assets for promotion of the social entrepreneurship.
Suggestions for improvement of the conditions in social entrepreneurship

For the purpose of obtaining complete image on the conditions in the civil sector and to set up the perception of the representatives of civil associations it was required to obtain concrete suggestions for amending of the laws regulating or competent in the area of social entrepreneurship. Then they should suggest activities of the civil associations regarding the possible interest of the company and the possibilities of the state organs for social entrepreneurship development.

Mainly, suggestions dominate indicating the need of constructive cooperation between the civil organizations, business sector and the local governments, then strengthening the capacities for the realization of the social entrepreneurship realization, bigger concept promotion and ideas and experience exchange. Special place at the examinee cover the suggestion indicating the need for the civil sector to approximate to the companies including explanation, assurance and presentations for the advantages that would be realized if included in this type of activities.

Furthermore, brief presentation of the suggestions by the representatives of the civil sector

- It is necessary to provide full analysis of the legal framework covering this area but the funding of the civil organizations for conducting this type of activities is crucial. Adopting of the amendments or new law on social entrepreneurship that additionally stimulates the support of activities of enterprises from this concept. All subjects should develop programs and plans for implementation of the social entrepreneurship and to be publicly available.
- The civil associations may at least influence the raising the [public awareness for taking care of the social values. The public announcement of their activities is inevitable. The existing capacities for lobbying should be used as much as possible for the purpose of achieving greater application of the social entrepreneurship in the social life, first of all by taking public activities from the municipalities.
The companies should set as subjects having sense for social needs and employee needs. The motives for participation in these activities should not be built in on the need for bigger profit making. It is necessary to stress out that the companies should be responsible towards the community they work in and towards the employees as well as towards the activity participation, except building positive image in the public, the community strikes back with other procedures. By these activities the companies achieve profit increase, improvement of the image in the society and product and service users and that is the reason why they should always be present in the social entrepreneurship. Their interest may be obtaining trained and capable for work staff as well as staff motivated for work.

The state may influence through improvement of the system functioning for the purpose of promotion of the existing and new social values. It must not be done without public debate, by imposition, strictness and allocation. These activities would for a long period to improve the process of socialization of certain society groups. Simplifying of the procedures in the application of many law (Law on Civil Associations and Foundations, Law on Sponsorships and Donations, Law on Social Work), because the results of the civil associations achieved are at the same time success and on behalf of the entire community.

**Final comment**

The major number of participants in the survey restrains from additional comment regarding the theme suggested and other added the satisfaction with the volume and type of questions. The number of participants requesting more time and space for presenting their attitudes was insignificant and for particular issues only.

In this part we note two suggestions:

- conducting of a training and organizing a competition on the best idea and realized activity of an individual and an association in the area of social entrepreneurship and
conducting new research by putting special accent on the type and structure of activities that should be taken by the civil associations by stating details from concrete experiences and presenting the financial indicators.

**GENERAL CONCLUSIONS**

- The representatives of the civil sector own more information, they have at disposal quality information and own personal and organizational experience compared to the representatives of the private and public sector. The representatives of the civil associations in the last period had ideas, initiatives and activates in the area of social entrepreneurship. Regarding this it may be stated that the significant number of civil associations took activities in this direction. Within these activities, the civil sector is mainly concentrated at local level, on special population groups and on solving a concrete problem for the purpose of enhancing the social conditions.

- In the civil sector the opinion dominates that the social entrepreneurship is an idea or complex of ideas, possibility or complex of activities that may be realized. The representatives of this sector have affirmative attitudes, without exclusion they support this type of activities and they would like to participate in. They assess that the community and the individual gain new and quality social values by realization of the social entrepreneurship activities. By conducting of these activities the civil organizations create possibilities for fulfilling of its mission, provide the existence of their own organization and participate in solving a concrete problem.

- At the representatives of the public administration an opinion prevails that they are not familiar with the theoretical setting, they did not face with details in this area and they almost have no experience in practical activities of the social entrepreneurship.

- The representatives of business sector stressed their marketing activities taken as part of the social responsibility of the company. Regarding the social entrepreneurship activities they did not participate in and they do not have significant experience.
The representatives of all three sectors have as dominant the evaluation that the public in the Macedonian society in the current period, on the plan of social entrepreneurship, is characterized by unfamiliarity and lack of knowledge about the concept, indifferent relation in the public sector, modest tries for realization of certain activities by companies and big wish and motive of the representatives of the civil sector to extend the personal knowledge and increase the personal experience through practical activities.

Small number of civil associations has formed social entrepreneurship as original and legal form through which they would realize social entrepreneurship activities. Within the civil sector, some associations from time to time take steps in the direction of animation of the local self-government for the purpose of mutual contribution to the enhancement of the condition of certain marginal groups or of employees. However, a great number of suggested projects did not end as a result of not having financial support by concrete donor or because of the fact that the local government determined other priorities in that period.

Within the public sector high level of bureaucratic behaviour of the employees exists without recognition of new ideas consisting of, first of all, social dimension. The local self-governments really face with big and serious problems that disrupt the citizens’ life and decreasing the life quality. The local government facing with decreased staff resources is not in the condition to autonomously solve these social problems. Generally, no visible interest exist when initiatives and ideas of the civil sector are concerned that would help in solving part of the local social problems.

The representatives of the private and public sector assess that for the Macedonian society, the social entrepreneurship may be real answer and solution for many social and economic problems the major part of citizens and institutions face with. As a result of numerous factors enabling appropriate and prompt reaction, the public sector sees partner in the civil sector in the process of solving the problems. The problems of the individuals and the social problems at local and national level that, first of all, are "obligation" of the competent state institutions, if
undertaken by social enterprise they obtain a character of social entrepreneurship activity.

- According to the representatives of the private and public sector the main reason for not making significant progress by the two sector is a result of not informing enough the public for the possibilities offered by the social entrepreneurship for solving certain social problems, on one side and as a result of not informing the employees of these two sectors for the gains of the community and the companies, on the other side. Dominates attitude that the matter is about a new concept that should be elaborated, developed and promoted. For the purpose of better development of this area in appropriate way the national campaign is necessary through which the basics and the gains of the social entrepreneurship would be explained.

- For the representatives of the civil sector two types of problems exist in the realization of the social entrepreneurship activities. In the first group we have categorized all difficulties and problems consisting of general character and the subject creating the problems is not stated. Generally, the given problems are not informing the public, certain level of distrust, insufficient quality communication etc. The second group covers the problems and difficulties where the subject is given and the problem is concretely stated. In this group the civil and public sector are almost equally indicated while the problems and difficulties generated by the business sector are not indicated. Insufficient organized access, not having complete image and capacities built, deficit of assets for promotion of social entrepreneurship etc are stressed as problems.

- The general suggestions by the civil sectors that should be realized for the purpose of improving the current conditions refer to concrete activities of the civil associations, companies and state institutions. It is necessary to provide full analysis of the legal framework covering this area, development of programs and plans for implementation of the social entrepreneurship, understanding of social problems by companies and efficient system functioning for the purpose of providing better life quality for the citizens.
VIII. CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER PROMOTION OF THE SOCIAL ENTERPRISES IN MACEDONIA

Main conclusions

Social enterprises are part of bigger ideology of social economy setting around four types of organizations that we recognize nowadays: cooperatives; mutual societies; associations and foundations and social enterprises. Most of these models that belong to social economy have been practiced since 19th century and through the years have taken various forms. In the last 20 years, these organizations have achieved the biggest prosperity and have become major employers as well as key entities for employment and reintegration of vulnerable groups of people and long-term unemployed. This progress has been mainly influenced by the negative outcomes from the market economy and inability of the governments to respond to the problems.

Social enterprises are a new innovative way of running a business with a social aim, where the profit not shared between the owners of the capital but reinvested either in their members’ or used for a wider interest. They belong to an intermediate space between the traditional sectors of state, market and civil society. The literature review has shown that there is no universal definition of social enterprises but there are some common characteristics that are combining the entrepreneurial, economic and social dimension of the social enterprise:

- A continuous activity producing goods and/or selling services
- A high degree of autonomy (independently managed)
- A significant level of economic risk (undertaken by the founders)
- A minimum amount of paid work (combine monetary and non-monetary resources as well as paid workers and volunteers)
- An explicit aim to benefit the community (social aim core to the business)
- An initiative launched by a group of citizens (that have common aim or needs)
- A decision-making power not based on capital ownership (one member-one vote principle)
- A participatory nature, which involves the persons affected by the activity (stakeholder orientation)
- Limited profit distribution (limits set on profit distribution)

Further on, the practices around US and Europe are showing that social enterprises can have various legal forms and they can operate under any legal form (cooperatives, associations, foundations, private limited companies or joint stock companies) each one with its own benefits and limitations. But in most of the cases where they are clearly defined as social enterprises (particular Law regulating their work) they enjoy recognition by the society and take benefits as special deduction or exemption on taxes and access to capital under favourable conditions. Further on, this sets clearly defined standards, rules and avoids any misunderstanding or misuse of the status. On the other side, special Law on Social Enterprise might limit the innovativeness as key characteristic of an entrepreneurship while trying to mix various business models and set up a hybrid social enterprise that will respond to the market factors. Therefore, if Macedonia would like to regulate the work of social enterprises all options should be taken into consideration to ensure that the legal structure will response to the social and economic context and support the full exploration of the potential and benefits that legal structure brings.

Drawing lessons about various supporting measures for social enterprise practiced in EU and US, it can be concluded that the institutional framework and support have a key role in the development of the social enterprise sector, especially in the early stages of concept introduction and particularly referring to the governmental support as tax exemptions (on income tax and/or personal tax related to salaries), privileges (wage and arrangement subsidies, advantages on public tenders), direct financial support (seed grant, institutional grant, program grant, national and local support structures (associations, agencies, incubators, start up support centres and etc that will guide newly established social enterprises to develop and implement their business ideas, to operate the business, offer trainings, run researches, increase the public awareness
about social enterprise through brochures, web site, campaigns, to foster the cooperation between the governmental institutions, local companies and civil society organizations etc)

But it should be noted that financial viability of the social enterprises mostly depends from its members’ capacities and efforts to obtain and manage adequate resources.

The socio-economic situation in Macedonia indicates that:

- There is a poor progress in the development characterized by poverty (growing rate of GDP puts Macedonia in the row of developing economies being 169 in the World, the average household with its available income is able to cover about 81.5% of consumption while the rest is covered by credits or negative balance of payment accounts or by unreported and informal income, 41.8% of households have access to the Internet at home), low industrial production (industrial production growth rate in 2009 was 1,3% which puts Macedonia on 143 place in the World and only 29,5% of the total number of employed person work in the industry sector) and high unemployment rate (unemployment rate in the 2nd quarter of 2010 was 32,1% from which almost half are people with low qualifications-only primary school). Taking the advantages of the social enterprise concept, introduction of such business models with social aim can reduce the social pressure in the society.

- There is a positive perception of individuals being on age between 18-64 about entrepreneurship (entrepreneurship is considered as a good career choice by 80% of the respondents on GEM survey, 40 % are ready to start business activity in the next 3 years and only 35% have a fear of failure that can prevent them from starting a business) and high level of entrepreneurial activity (14.5% of the respondents at age of 18-64 are engaged in entrepreneurial activities) but the entrepreneurship is more a result of the necessity (high unemployment) rather that motivated by opportunities. In this regard entrance of large international companies can stimulate entrepreneurial activity through the supply channels and
encourage establishment of more innovative entrepreneurs as alternative for high unemployment. In the latest years there have been reforms that will stimulate future development of the entrepreneurship (short period of registering a company, simplified business laws and bylaws, decreased cost for registration and number of documents that should be submitted, introduction of flat-rate tax, progress in formal and non-formal entrepreneurial education). However, there is a poor supporting structure (weak capacities of the governmental institutions related to the entrepreneurship, lack of innovativeness and funds by the regional supporting organizations, poor activity of the consulting agencies), lack of financial support under favourable conditions and limited access to capital for start up businesses and civil society organizations (not being able to provide appropriate guarantees-collateral). At level of country development where the social motives are higher than the motives for bigger profit, social enterprises could be a new business models of enterprise that will respond to the social needs

- **Civil society** is dealing with unstable financial and human resources, poor philanthropic activity, underdeveloped income generating activities, lack of modern management and business skills, lack of strong coalition or partnership that will involve critical mass of NGOs. Government cooperation with NGOs is very weak and in most cases NGOs do not influence the content of legislation. Additionally, NGOs are complaining on non transparent process of grant awarding by various governmental institutions

- The institutional **framework for social enterprises** is not defined and established. The new Law on Associations and Foundations provides a solid base for running commercial activities although further clarifications have to be provided especially about the treatment of the profit from the commercial activities as well as earnings from passive investment income as dividends, interest, capital gains and royalties under the Law on Profit Tax, Law on Customs, Law on Real Estate Taxes. Additionally there is Law on Cooperatives, which allows cooperative to make profit which could be shared between the
members after investing 5% of the profit in the Reserved Fund. The liquidation or the bankruptcies of cooperatives is treated under the Commercial Laws or more specifically by the Law on Trade Companies. Moreover, Law on Employment of People with Disabilities gives an opportunity to establish a protective company for the employment of disabled persons which will act as commercial company and will use various benefits by the Government stated in this Law (financial support to improve the conditions for employment of the disabled persons, to adapt the work place, purchase equipment, cover salaries). Social contracting promoted by the Ministry of Labour and Social Policy can be seen as one of the good examples that should be further on promoted.

**Recommendations**

In an environment as Macedonia, where the model of social enterprise has not been much treated and explored and there are some initial forms related to the social enterprise concept, a lot of challenges must be met by joint cooperation of all stakeholders and transfer of best practices from other countries. Creating a consistent framework for social enterprise development could support full exploitation of the social, economic and employment generation roles of this concept. Therefore, it is necessary to implement various measures that can be structured as following:

**A. Raising the stakeholders awareness on importance and potential of social enterprises**

- Mapping the key national stakeholders, understanding their position, role and responsibility in order to design the awareness raising process based on the best experiences from EU and Worldwide
- Creating a National Platform of key stakeholders that will run the initiative (to ensure participatory approach and ownership of the process)
- Organizing public awareness events as study visits, round table, conferences, info sessions, trainings and workshops
- Identifying best examples and sharing information in the public
- Develop a learning structure that will provide relevant expertise and support to the managers of the social enterprises:
  - working with schools to introduce the concept and support their efforts in establishing social enterprise
  - working with universities to develop courses and introduce social enterprise into the curriculum (faculties of social sciences and business schools)
  - develop learning materials, establishment of web pages, delivery of business and management trainings, dissemination of information, etc in cooperation with the consultancy agencies, business and non-for-profit consultancies for social enterprises etc
  - support the establishment of learning groups, forums, networks, platforms, partnerships etc.
- Educate the interested individuals and upgrade the skills of current social entrepreneurs (operating both in a business sector or civil sector) about running a business with a social mission
- To promote the image of social enterprises in the public
- According to the existing legal framework, some of the potential models for development of the social enterprising could be: implementation of commercial activities by CSOs towards their target groups (as trainings, courses, education, health services, legal aid, psychological support, rent of equipment etc), development of commercial activities towards other target groups, development of commercial activities that are directly related to their mission or constituencies (trading with shares, delivery of services or products for the business sector etc), establishing protected enterprises, social contracting with governmental institutions for realization of some activities of their area of work (power of attorney), donation of services/products from companies and individuals to CSOs that can be sold and use the money for social purposes/programs
B. Improvements of the legal framework

- To develop/adopt an official definition of social enterprise that will be used nationwide. This would be useful for further promotion and understanding of the concept. Following the experience of UK it would be best if it is broadly accepted definition.

- To open a broader discussion and provide recommendations about the legal context of social enterprise. So far, the new Law on Associations and Foundations provides a solid base for the implementation of the concept although it doesn’t recognize social enterprises and further clarifications (about the profit taxation, monitoring role from the government etc) from the relevant institutions should be provided to avoid any complications in the process of implementation. Defining a specific form as in the cases of UK and US which will allow statistical differentiation might be a driver for development of this sector since it will understand establishment of corresponding legal measures and supportive business structure, targeted promotion system and various opportunities for creation of intersectoral partnerships as well as transnational cooperation (Heckl and Pecher, 2007). This could be done with amendments on the Law on Associations and Foundations or by drafting a new Law on Social Enterprises that will not limit other organizational forms appropriate for social enterprises in order not to obstruct their development. If the new law is about to be developed the following elements should be taken into consideration: the statutory goal should be social and of public interest, should involve stakeholders in the governance, to have non-profit distribution character (although some percentage of the profit could be distributed to employees for example), there shouldn’t be limitation on economic activities and the profit must be used for achieving the statutory social goal. In both cases (amendments or new law) there must be harmonization of the Laws that are regulating various aspects of social enterprises;

- Giving advantage to social enterprises for participation on public tenders but protecting other entities from the unfair competition of social enterprises.
C. Developing more favourable fiscal framework

- To initiate fiscal support measures and social security deductions that will compensate for the disadvantaged labour force employed in social enterprises (long-term unemployed, people with special needs, volunteers, etc)
- Reduction of indirect taxes and introduction of tax privileges and subsidies for purchases where the gained market profit is insufficient to support the social activity (United Nations Development Program and EMES European Research Network Project, 2008)
- Favourable taxation policy regarding donations and investment received

D. Creating supportive structures

- To set governmental structure (Body) that will support and coordinate the work of the social enterprises, measure the social impact and assure the quality of products and services offered (here to be careful not to limit the entrepreneurial activity) (for example, in 2001, the UK Government has established a Social Enterprise Unit governed by a junior Minister with a mission to support the growth of the social enterprise sector. Additionally, the work of social enterprises in UK is monitored by the Regulatory Body through few stages described above)
- To encourage pilot projects on social enterprise and establishment of umbrella organizations
- To run a data base with information about social enterprises and other organizational forms (NGOs with commercial activities, cooperatives and protected workshops/companies) that will support the statistical comparison
- Strengthening the SMEs support structures and their advisory role at local level and support establishment of incubators and other forms of support
- Strengthening the public funding that will support the establishment and operation of the social enterprises (micro financing, loans, grants, investments, peer support packages etc) and additional risk funds that will support social entrepreneurs in the times of crises
- Especially to encourage establishment of financial bodies owned by the social economy movement and not dependant on traditional financial institutions
- To provide information on a regular basis about opportunities and seed capital for initiating a social enterprise
- To provide technical support during the application process on various grant competitions and get benefit from EU Funding opportunities
- Support the market positioning and trading of social enterprises (especially access to public procurement market)
- Establishing a system for measuring the social impact (indicators, monitoring process etc)
- To motivate the donor community (organize meetings, lobbying activities, recommendations, round tables, donor conferences etc) to provide additional support for strengthening the national capacities as capacity building programs, transfer of knowledge, quality standards, branding etc

These are just some of the strategic suggestions for further promotion of the social enterprise model in Macedonia. Since this is the very first study, its findings and recommendations should motivate other actors to continue the research and to complement it with additional ideas and advices.
IX. REFERENCES


