



# **Social Economy in Eastern Neighbourhood and in the Western Balkans**

**Country report – Macedonia**

*November 2017*



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## **Social Economy in Eastern Neighbourhood and in the Western Balkans**

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### **Country report – Macedonia**

**November 2017**

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## LIST OF ABBREVIATIONS

|                           |   |
|---------------------------|---|
| CEED                      | Centre for Entrepreneurship and Executive Development   |
| COSME                     | EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs) |
| CSO                       | Civil Society Organisation  |
| CSR                       | Corporate Social Responsibility   |
| EaSI                      | EU Programme for Employment and Social Innovation   |
| EBRD                      | European Bank for Reconstruction and Development  |
| EFSE                      | European Fund for Southeast Europe  |
| EMES                      | Research Network for Social Enterprise  |
| IPA                       | Instrument for Pre-Accession Assistance   |
| LLC                       | Limited Liability Company   |
| MAFW                      | Ministry of Agriculture, Forestry and Water Economy   |
| MLSP                      | Ministry of Labour and Social Policy  |
| MoE                       | Ministry of Economy   |
| MoF                       | Ministry of Finance   |
| OECD                      | Organisation for Economic Co-operation and Development  |
| SBI                       | Social Business Initiative  |
| SE                        | Social Enterprise   |
| SME                       | Small and Medium-sized Enterprise   |
| PwD                       | Persons with disabilities   |
| WB EDIF                   | Western Balkans Enterprise Development and Innovation Facility                                    |
| WISE                      | Work Integration Social Enterprise  |
| YSB                       | Yunus Social Business Balkans   |
| <b>East Neighbourhood</b> |   |
| AR                        | Armenia   |
| AZ                        | Azerbaijan  |
| Blr                       | Belarus   |
| GE                        | Georgia   |
| MD                        | Moldova   |
| UK                        | Ukraine   |
| <b>Western Balkans</b>    |   |
| AL                        | Albania   |
| BA                        | Bosnia and Herzegovina  |
| FBiH                      | Federation of Bosnia and Herzegovina  |
| XK                        | Kosovo*   |
| MK**                      | The former Yugoslav Republic of Macedonia   |
| ME                        | Montenegro  |
| RS                        | Serbia  |
| WB                        | Western Balkans   |

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

\*\* Provisional code which does not prejudice in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place under the auspices of the United Nations

## 1. EXECUTIVE SUMMARY

Social entrepreneurship has taken a significant uptake in Macedonia in the last couple of years. A growing number of organisations are identifying themselves as social enterprises or has embarked on establishing social enterprises<sup>1</sup>. Public institutions increasingly understand the concept and importance of social entrepreneurship and have acknowledged the role of the public policies in the promotion and development of social economy. Support programs and organisations are emerging and provide valuable support to the young social enterprises. Recent developments in this area coupled with the socio-economic context clearly indicate potential for the development of social entrepreneurship; in particular through an increased cooperation between the stakeholders. Nevertheless, the sector is just emerging and is facing numerous challenges; both internal and external, leaving the sector vulnerable. Further support is of high importance to help the sector develop, become more resilient and achieve tangible social changes.

The role of social entrepreneurship in Macedonia is undergoing substantive review with a number of key factors expected to materially impact the social enterprise sector over the coming years. A new law on Social Entrepreneurship is being drafted with a technical assistance from the EU, to be introduced in the end of 2018. This new draft law includes a broader definition of the concept; in line with the EU definition and trends. The Ministry of Labour and Social Policy is piloting active support measures for social enterprises that offer grants to social enterprises meeting the prerequisite criteria.

The public policies and especially the legislation need to take into consideration the various stages of development of SE and the sector as a whole. It is recommended that the policies take into consideration the existing needs but at the same time be visionary, allowing innovation and embarking on the long-term potential of the sector. This requires an horizontal approach and coordination between the public policies on social entrepreneurship as the sector is equally relevant for the social sphere, the economy and the environment.

Start-up social enterprises primarily need grant and non-recoverable capital sources until they reach commercial viability/breaking-even. The validation and/or preparation to scale social enterprises up requires more substantial amounts of capital and resources. Further scaling of SEs is achievable but resources should be targeted at the projects able to repay it, with more beneficial commercial terms perhaps augmented by philanthropic sources for the seed or development capital. When describing and analysing the demand for and the supply of finance, this country study points out possible mismatches and opportunities. As for common companies, the use of equity is not appropriate in the most early stage SE companies. Not least because of the difficulty of devising credible exit mechanisms for investors, and restrictions in the legal structure of SEs that would prevent them from distributing profits. It is recommended that stakeholders develop financial instruments that are appropriate and affordable for the existing social enterprises, and take into account how they are likely to grow in the future.

Existing SE in the market will need resources for financial and operational management capacity-building to support their growth and prepare them to be investment-ready. Social enterprises go through four life cycle stages that have differing business development requirements and therefore need a different combination of level of capacity building support. There are a number of financing models that allow funders and investors to offer a combination of financial and non-financial support. Capacity building may take place independently and be provided by specialised programmes or support organisations, whose purpose is to provide knowledge, skills and expertise to these enterprises. Most of the capacity-building support is subsidised through grant funding and is rarely paid for by the end-user.

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<sup>1</sup> For the purposes of this research definition adopted by the European Union has been used: "Social enterprises combine societal goals with entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives".

## 2. INTRODUCTION

Macedonia with its 2.07 million<sup>2</sup> population nestles landlocked in the heart of the Balkan region. The country has undergone significant structural changes since its independence in 1991, including the gradual clustering of its population towards its urban centre. With political, structural economic and social changes being thrust out as a result of its independence from the former Yugoslavia. Its GDP per capita has grown gradually to reach USD 5,222 (EUR 4,499)<sup>3</sup> with an average net salary of EUR 356 per month in 2017<sup>4</sup>. Granted with the EU candidate status in 2005, the country is committed to the path towards EU and NATO membership as a route towards a more productive integration into the global economy.

Public policy reforms have led to material improvements in the country business environment with steady economic growth since 2013. However, political uncertainty has affected investment leading to a contraction of 0,9 % in the first half of 2017<sup>5</sup>, although the economy is expected to recover to still achieve 1,5% growth by the end of 2017<sup>6</sup>. Small and medium size enterprises (SMEs) are the backbone of the economy representing 99% of the registered companies and employing 80% of the workforce. Aside from the political crisis that has marked the last two years, the key challenges to economic development are corruption and a weak rule of law.

A significant amount of the countries manufacturing industry died off as a result of losing their captive former Yugoslav market. Overtime, the service industry has become the driver of GDP<sup>7</sup> at 62.7%, with industry 26.1% and agriculture 11.2%<sup>8</sup>. As part of a central government strategy, the traditional industrial sectors of mining and metallurgy have been augmented with large scale manufacturing for the automotive industry, in addition to contributions from food processing, beverages, textiles, construction, and information technology (IT).

Macedonia has an ethnically diverse population of ethnic Macedonians, Albanians, Turks and others. An extended transition process, caused in part by the impact of the global economic crises, a number of regional crisis, the name issue which has blocked Macedonia's progress in EU and NATO integration, avoidable political crisis to name but a few, have resulted in structural socio-economic challenges. The economy is marked by low labour market activity, at a rate of 57% in 2016<sup>9</sup>, unemployment which as a result of fiscal interventions continues to fall, job creation at 2,7% (2017)<sup>10</sup> and unemployment dropping to 22,8%<sup>11</sup>. The unemployment picture is somewhat distorted given that, as of 2015, informal employment accounts for 18.5%<sup>12</sup> of total employment in the country. 2016 figures show that 22.8%<sup>13</sup> of the population lived below the national poverty line.

These trends have in particular impacted certain social groups putting them at risk of social exclusion. The labour market is characterized by the high unemployment rates of youth (46.1%<sup>14</sup>) and Roma (53%<sup>15</sup>) and low activity among women in particular from rural areas and ethnic minorities. People with disabilities still remain on the margins of the society even though they benefit the most from positive public policy in terms of subsidies for employment and tax breaks. Barriers do however

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<sup>2</sup> Republic of Macedonia State Statistical Office 2005

<sup>3</sup> World Bank 2017

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Trading Economies 2017

<sup>8</sup> Trading Economies 2017

<sup>9</sup> World Bank 2017

<sup>10</sup> World Bank 2017

<sup>11</sup> World Bank 2017

<sup>12</sup> Republic of Macedonia State Statistical Office 2017

<sup>13</sup> World Bank 2017

<sup>14</sup> Republic of Macedonia State Statistical Office 2017

<sup>15</sup> Ibid

remain, the lack of basic infrastructure, limited access to public services, and failure of integration into the education system to name a few.

This study is dedicated to social enterprises and the social economy in the FYR Macedonia. It is conducted in the framework of the “Social economy in Eastern Neighbourhood and in the Western Balkans: Preparing a methodology/toolbox for EU Delegations” project, funded by the European Commission – DG NEAR. The main objective of this assignment is to identify the conditions and the modality of support to efficiently develop social economy and social entrepreneurship in the Enlargement and Neighbourhood East countries.

More specifically, this report provides an analysis of the social economy and social entrepreneurship ecosystem in Macedonia. It assesses the state of play of social economy, including nature, size and key sectors of social economy, as well as gives an overview of the regulatory framework, institutional support, financing options and available support structures.

The methodology comprised a mix of desk research, qualitative interviews and documentary analysis. An assessment mission to Macedonia took place in the period of 28 September – 26 October 2017. Formal and informal interviews were conducted with all of the main stakeholders during the mission. The list of individuals interviewed is appended as Annex B. The mission has been conducted by Ms. Nikica Kusinikova.

### 3. STATE OF PLAY OF THE SOCIAL ECONOMY IN MACEDONIA

#### 3.1. Nature and size of the social economy sector

From the perspective of the wider social economy, the actors with a potential to grow into social enterprises are quite diverse and take several formal and informal forms:

- Civil Society Organisations (CSOs) – mostly the legal forms of associations and foundations
- Cooperatives including agricultural cooperatives
- Sheltered companies
- Sole proprietor and other forms of trade companies
- Informal solidarity initiatives and young entrepreneurs

In the last decade, the main drivers of the social entrepreneurship in the country were the CSOs. The transition towards a market economy involving the closure of many state owned enterprises has resulted in high unemployment, decline in the government provision of services, increased social disparities and marginalization of certain social groups. With direction and support from donor organisations, many CSOs were created in response to these challenges.<sup>16</sup> CSOs continue to play a key role in the provision of social and health services to vulnerable groups and it is these CSOs that are at the forefront of the creation of the new social economy sector in order to maintain their missions.

Many of them have been encouraged to develop economic activities as international donors are gradually withdrawing their support in order to reduce their dependency on foreign funding and strengthen their financial sustainability. As a positive development, a growing number of them are undertaking activities to diversify their funding mix, launching mission-related business activities and essentially creating social enterprises. The new legislation on associations and foundations from 2010 facilitated those efforts as it enabled CSOs to engage in mission-related economic activities.

<sup>16</sup> Ilijevski, Iloska, Kusinikova, Mirchevski, Challenges and opportunities for employment of marginalized groups by social enterprises, Public and Association Konekt, 2016



According to the official data, 12% of the CSOs' total income in 2014 was generated from economic activities.<sup>17</sup>

The cooperative movement in Macedonia has not taken a significant uptake as in many of the EU countries and most of the existing cooperatives do not identify themselves as social enterprises. Research on the functioning and impact of these cooperatives is scarce. According to the State Statistics Office, of the 91 registered traditional cooperatives in 2008, around half were agricultural cooperatives<sup>18</sup>. The other ones being involved in manufacturing, construction, trade and crafts. Under the new legislation on agricultural cooperatives, there are 39 registered agricultural cooperatives that cover only around 500 agricultural entities (out of 120.000 registered agricultural entities)<sup>19</sup>. The newer forms of cooperatives identify themselves as SE and are focusing on new economic sectors such as organic foods, etc.

The 291 registered sheltered companies employ 2,455 people with disabilities as of 2014<sup>20</sup> and they can mainly be considered as a form of social enterprise. In practice, most of these companies are profit driven and use their status as main driver to leverage the benefits offered by the state. Subsequently they lack any form of participatory governance and should probably not be considered as real social enterprises. For the purposes of this report, they were not considered among the estimated numbers of social enterprises in the country. Nevertheless, those entities have a potential to grow into the new work integration social enterprises in the future.

Social enterprises in the country rarely take their legal form under the Company law. A quick situational survey among 21 SEs conducted identified 2 SEs registered as Companies Limited by Guarantee<sup>21</sup>. Several small socially responsible businesses have demonstrated potential to develop into social enterprises. This opens possibilities for growth in size of the sector.

Two development trends have been identified in the informal sphere and could lead to innovation, growth and to a more diverse social enterprise sector:

- Using the potential of the social media, citizen groups self-organize to support most vulnerable groups in the society. While being initially considered as charity initiatives, they are based on the principle of solidarity and could initiate new forms of solidarity-based business to provide longer-terms solutions.
- Young people show increased interest in using new technologies to address societal needs (ex. development of applications that monitor the pollution at any given point of place and time etc.). If supported and channelled properly, these initiatives could easily drive a new generation of innovative social entrepreneurs and social enterprises.

Based on the EU definition of social enterprises, there are currently between 40 to 100 active social enterprises in the country (based on expert's estimates). Social enterprises in Macedonia are therefore still in their early stages of development, with most of them in either a blueprint stage of developing their business idea or a validation stage of testing their business model<sup>22</sup>. The sector mostly consists of small entities that employ less than ten people and have an annual income below EUR 100,000.

<sup>17</sup> Report on the economic value of the non-profit sector in the countries of the Western Balkans and Turkey, Balkan Civil Society Development Network, 2015

<sup>18</sup> Satelitski smetki za zadrugi i edinici od zaemen interes, 2008 – eksperimentalni podatoci, Drzaven zavod za statistika, EU Proekt: Satelitski smetki za zadrugi i edinici od zaemen interes

<sup>19</sup> Kusinikova N., Mapping and Analysis of the Existing Monitoring Procedures and Capacities of the Main Beneficiary Institution, Eptisa, 2017

<sup>20</sup> Republic of Macedonia State Statistical Office 2017

<sup>21</sup> Report on the Development of New Financial Instruments, Project: Fostering Social Entrepreneurship, Eptisa, August 2017

<sup>22</sup> Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESsT, 2017



### 3.2. Key sectors for social economy and phases of development of social economy players

The majority of the social enterprises provide a variety of products and services in the fields of education, health, culture and social protection. Most commonly, they serve agricultural producers (for the cooperatives), people with disabilities, women and youth<sup>23</sup> as well as other disadvantaged groups such as elderly persons, Roma, persons with addictions etc.<sup>24</sup>. Related to the social services, there are 75 associations registered as organisations that perform activities in the sector of “social protection to people in social risk” in the Registry of the Ministry of Labour and Social Policy.

Macedonian social enterprises are issue driven for: (a) promotion of human rights and social integration of vulnerable groups; (b) education and different forms of social innovation; (c) economic empowerment of the members and/or target groups; and d) provision of services to specific, often vulnerable, target groups<sup>25</sup>. The lack of formal recognition and statistics on SEs is limiting in assessing the full scope of the sectors covered by social enterprises. Existing research was conducted on a small sample size (20-30 SE) thus it cannot be considered as representative of the whole sector. Nevertheless, it provides an illustration of the social enterprise spectrum.

### 3.3. Funding and financial tools social enterprises use

Since the majority of the identified social enterprises are associations, most of them initiated their social enterprise activities with grant support from foreign donors and philanthropists. As identified in a recent study<sup>26</sup>, such grant funding enabled SE to develop their business plan and test their business idea with low financial risk for the mother organization. However, it seems that the grant funding remains the dominant source of income for the SE. The latest survey on “Fostering Social Entrepreneurship” indicates that the most represented sources of income for the particular group of SE are: Instrument for Pre-Accession (IPA) sources and donations from other international institutions. Incomes generated from their economic activity represented a small percentage in their overall budget. Being project- and grant seeking- oriented, most of the social enterprises established by CSOs prefer additional philanthropic or grant support for the expansion of their activities and services. The grant support is usually coupled with capacity building interventions to assist SE in the development of their business plan and to improve their skills in marketing, sales, branding etc. The existing social enterprises seek funding in the range of 3.000 – 50.000 Euro<sup>27</sup> depending on the size and level of development of the organisation. The Work Integration Social Enterprises (WISE) and SE that provide social and professional integration also seek public funding as subsidies on the salaries and/or social benefits.

While the non-repayable financial support is suitable at the start-up stage of the SE, they limit the potential of SE for further growth and development of a sustainable business model. The recent study commissioned by the EBRD has identified the lack of realistic demand for repayable finance and has identified several reasons explaining the lack of appetite for debt or equity of any sorts:

- *They do not have a validated and sustainable business model which could generate enough surplus revenue to repay finance*
- *They do not have collateral to offer as loan security*
- *They lack the financial and business management skills to apply for and manage debt finance*

<sup>23</sup> Ilijevski, Iloska, Kusnikova, Mirchevski, Challenges and opportunities for employment of marginalized groups by social enterprises, Public and Association Konekt, 2016

<sup>24</sup> Report on the Development of New Financial Instruments, Project: Fostering Social Entrepreneurship, Eptisa, August 2017

<sup>25</sup> Ilijevski, Iloska, Kusnikova, Mirchevski, Challenges and opportunities for employment of marginalized groups by social enterprises, Public and Association Konekt, 2016

<sup>26</sup> Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESST, 2017

<sup>27</sup> Report on the Development of New Financial Instruments, Project: Fostering Social Entrepreneurship, Eptisa, August 2017

- They lack awareness of available financial products in the market and the networks to be able to access them.<sup>28</sup>

The management board of the SE is usually composed by the leaders/managers of the mother CSO with shared duties between the CSO and the SE. Most of them embarked on social entrepreneurship driven by the idea to bring social change. Consequently, they often lack business planning and management skills. At the same time, being in the initial stage of development they do not have steady income to hire professional, experienced manager.

### 3.4. Monitoring and evaluation of the financial and social return

There is no specific information available about the impact of social enterprises in the particular areas and target groups they serve. Aside from the fact that they are still in the early stages of development and the effects are yet to be seen, they rarely use systematic monitoring/evaluation solutions to track and verify their social impact. This does not negate their potential to make a measurable impact in the medium and long-term.

Social enterprises mostly use internally developed monitoring tools to measure their outputs. They measure their impact mostly through cumulative effects on their beneficiaries and documenting cases of changes at individual beneficiary level. However, because no standardisation has been implemented for data collection, aggregating social impact data is challenging.

## 4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT

### 4.1. Relevant policies, regulatory and institutional framework

#### 4.1.1. The legislative and regulatory framework related to social economy

As the social entrepreneurship was emerging so grew the need for recognition of the concept and its actors in public policies. For now, the existing legislation doesn't recognize social enterprises and targeted public policies are yet to be adopted. Nevertheless, progress has been made and the designated institutions are committed to establish policies that will stimulate the development of the sector.

The first impulse indicating a political will to address the issue through public policies was the *Strategy for Cooperation of the Government with the Civil Society Sector (2012-2017)* identifying the development of social economy as one of the Strategy's objectives. The measures included the adoption of a law on social entrepreneurship by 2016. Subsequently, the law on social entrepreneurship was integrated in other policy documents such as the *Government programme (2014-2018)* and the *National Employment Action Plan (2014-2015)* as a measure to improve social inclusion and fight poverty.

The process of drafting the law on social entrepreneurship started in 2012 and based on the latest statements from the designated Ministry of Labour and Social Policy (MLSP) it is expected to be brought to the parliament at the end of 2018. The draft law went through several versions facing the challenge to meet with the expectations of the stakeholders and the political priorities of the institutions. It is expected that the new draft law defines SE in line with the operational definition of the EU. Under the proposed law, organisations, regardless of their legal form, can apply for and obtain a legal status of Social Enterprise. Previous drafts of the law have focused on the integration of vulnerable groups into the workforce. However, a series of consultations with stakeholders and expert

<sup>28</sup> Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESsT, 2017

groups supported by the EU Project “Fostering Social Entrepreneurship” has led to a broadening of the scope of the proposed law in line with the EU definition and an acknowledgment of the wider role of social entrepreneurship. The status of Social Enterprise is expected to provide tax incentives and other benefits.

An ongoing debate remains whether legal regulation of social enterprises is necessary in the existing context. Still, having in mind the findings from comparative analysis and the policy practice in the country, a targeted law on social enterprises is expected to contribute towards: a) clarity of the concept and legal definition of social enterprises; b) build an identity of the social enterprise sector with diverse forms and approaches which would otherwise be scattered in several legislative pieces and will not recognise the full spectrum of the sector; c) facilitate public promotion of social enterprises; d) formal definition will make the design of support measures easier for the public institutions from various sectors; e) can provide unified incentives for the SEs regardless of their legal form and f) collecting official data on SE.

Social enterprises in the country can operate under several legal forms:

- Associations and foundations under the Law on Associations and Foundations,
- Cooperatives under the Law on cooperatives and the Law on agricultural cooperatives,
- Companies under the Company Law,
- Sheltered companies are further regulated by the Law on Employment of People with Disabilities.

The Law on Associations and Foundations allows the organisations to demonstrate all features of social enterprise in line with the EU definition. In principle, the provisions of the law safeguard the social and governance criteria of the social enterprises. At the same time, the Law adopted in 2010 allows CSOs to engage in economic activities in line with their mission. There is no limitation on the income generated from the economic activity which provides opportunity for the SE to grow their business. If a CSO wants to pursue non-mission related economic activities they have to establish a Trade Company. The Law allows formal partnerships between several legal entities (CSOs, municipalities etc.) in establishing joint social enterprise. Furthermore, the goods and services provided by CSOs have been recognised in several sectoral laws such as the Law on Social Protection, the Law on Free Legal Aid and the Law on Public Procurement and provide opportunities for sub-contracting and other financial support.

Cooperatives, as part of the social economy spectrum, are regulated under two separate laws: 1) Law on Cooperatives<sup>29</sup> under the Ministry of Economy and 2) Law on Agricultural Cooperatives<sup>30</sup> under the Ministry of Agriculture, Forestry and Water Economy (MAFW). Under the Law on cooperatives, the cooperatives can be established by 3 physical and legal entities in a wide array of economic activities (except in banking and insurance). The distribution of profits is allowed with limitation that at least 5% are set aside as reserves for 20 years. The Law on agricultural cooperatives sets a requirement of at least 10 agricultural entities as founders. It includes articles for specific financial support for the agricultural cooperatives. Based on the information from MAFW, there are 39 registered agricultural cooperatives. The members of the cooperative can have shares and in the case of liquidation they follow the provisions of the Company Law. The law doesn't formally recognise social cooperatives as a distinctive cooperative form. In order to fully comply with the EU operational criteria on SE, the cooperatives will need to incorporate specific provisions in their statutory documents to explicitly commit to pursuing social goals and to set limitations on the distribution of profits and assets to benefit the social mission.

The social enterprises under the Company Law can take various forms such as general partnership, limited partnership, Limited Liability Company, joint-stock company, limited partnership by shares, and sole proprietors. The registration of a company is a straightforward process and the legislation

<sup>29</sup> Law on Cooperatives, Official Gazette of R. of Macedonia No. 54/02, 84/05

<sup>30</sup> Law on Agricultural cooperatives, Official Gazette of R. of Macedonia No. 23/13, 51/15

seems to bring more clarity in terms of financial management and taxation compared to the other legal forms. This legal form also allows SEs to access a wider variety of financial instruments to grow their business. Social enterprises which decide to operate under this legal form will have to adopt internal provisions in the founding articles to declare their primary social mission, limit the distribution of profits and assets and develop participatory governance structure to safeguard the social mission.

In relation to the Company Law, the specific piece of legislation regulates companies which employ persons with disabilities. The Law on Employment of People with Disabilities defines the sheltered companies and regulates their establishment and operations. To qualify as a sheltered company, the company's workforce has to comprise of at least 40% of persons with disabilities. Sheltered companies enjoy substantial benefits from the state in a form of subsidies, purchasing of equipment etc. CSOs cannot register as sheltered companies. Existing analysis indicate that in practice, the sheltered companies are driven by the profit seeking motives and often abuse people with disabilities. Yet, in principle this law is conducive to establishment of WISE for employment of people with disabilities.

Due to the lack of umbrella legislation on social entrepreneurship, the social enterprises registered under the different legal forms enjoy different tax incentives and state benefits. Furthermore, they are not necessarily tailored to the needs of the social enterprises as they are designed for the wider groups of actors. Legal recognition of social enterprises should mitigate this challenge, provide unified tax benefits and horizontal flow to support measures.

#### 4.1.2. Institutional framework

Currently, the designated institution responsible for social entrepreneurship in the country is the Ministry of Labour and Social Policy. They are formally responsible for drafting the legislation and other policies on social entrepreneurship. This however, doesn't formally restrict other public institutions to take a proactive approach in promoting and supporting social entrepreneurship. Moreover, having in mind the cross-cutting nature of social entrepreneurship which incorporates aspects of economy, social and labour market inclusion, sustainable development, environment, agriculture, innovation etc., horizontal coordination and responsibility would be beneficial to utilise the full potential of the sector.

Cross-sector coordination in promoting social entrepreneurship could be improved as there is no formal mechanism in place at the moment. Representatives from other ministries such as the Ministry of Economy (MoE) and Ministry of Finance (MoF) have been part of the working group for drafting the law on social enterprises. The Steering Committee established within the EU Project "Fostering Social Entrepreneurship" included representatives from various public institutions as well as social enterprises and support infrastructure. This might be a good starting point for creating horizontal and vertical coordination structures to maximise the commitment of all relevant actors and maximise the existing capacities in the country. The law is also exploring the option of establishing a Council for development of Social Entrepreneurship but its function and structure are yet to be developed.

In addition to the sectorial Ministries, the institutional framework includes other public bodies which can play important role in creating supportive eco-system for SE and are listed in the table 1.

Municipalities play an important role in the development of social entrepreneurship at the local level. The vast majority of the municipalities lack awareness and understanding about the concept. The EU Project "Fostering Social Entrepreneurship" and other local actors increasingly involve municipal actors with capacity building interventions to bring them "on board" and increase their role in providing an enabling institutional framework.

#### 4.1.3. Links with existing Social Protection and Social Inclusion systems

Similar to the other countries in the Balkan region, social entrepreneurship is mostly seen through the lens of social protection and social inclusion. This is largely due to: a) the context characterised by significant social disparities and marginalisation of wide range of social groups and b) the existing and most visible SE in the recent years have been those committed to social and labour market inclusion of vulnerable groups.

The Law on social protection<sup>31</sup> has recognized the CSOs as important actors in the delivery of social protection services outlined in the Chapter V of the Law “Performing activities in the area of social protection by other legal and natural entities”. It outlines the criteria under which the CSO can be recognized as service provider in the social protection. MLSP maintains a registry of these organisations and they are eligible to receive financial contribution in conducting social protection services and activities. This segment of the law opens the possibilities for further outsourcing of social services to the CSOs which is of particular interest of SEs. The financial support is rather modest and ranges between 1.5-2 million denars (24.000 – 32.500 EUR)<sup>32</sup> annually. It is distributed via public calls of MLSP.

The existing structure of social protection creates challenges for the work integration social enterprises. Namely, when individual recipient of social welfare receives any kind of remuneration regardless of the amount, they are disqualified from social welfare support. This perpetuates the dependence on social welfare and pushes vulnerable groups to long-term passiveness. At the same time, while SE provide valuable opportunities for transition into the labour market, at this stage they can rarely provide stable income and employment which would compensate the loss of social welfare. Existing employment and social security policies do not provide sufficient flexibility and mechanisms to stimulate other forms of work engagement beyond formal employment. This will leave the WISE “in the “grey” zone and will be subject to case-by-case agreements with the relevant public institutions instead of creating systematic solutions”<sup>33</sup>.

Social inclusion policies are yet to recognize the full potential of social enterprises. Initial efforts are made through active employment measures by introducing targeted measures for entities with social entrepreneurship activities.

## 4.2. Key stakeholders and existing coordination mechanisms

Table 1 below shows already identified Social Enterprise Ecosystem stakeholders within the Western Balkans Mapping Study 2017 ©NESsT, updated for the purposes of this study. The coordination among stakeholders is mostly informal and spontaneous, in the form of joint meetings, events and public discussions. There are no formal mechanisms of cooperation in place.

**Table 1: Key Stakeholders in the Social Enterprise Ecosystem in Macedonia**

| Organization                         | Role  |
|--------------------------------------|---|
| <b>Policy Makers</b>                 |   |
| Ministry of Labour and Social Policy | <ul style="list-style-type: none"> <li>• Responsible for drafting and implementation of the Social Entrepreneurship legislation</li> <li>• Responsible for drafting and implementation of the strategies and programmes related to employment and social welfare</li> </ul> |
| Ministry of Finance                  | <ul style="list-style-type: none"> <li>• Responsible for drafting the taxation and fiscal regulation for SEs</li> <li>• Contracting Authority for the EU IPA funding</li> </ul>   |

<sup>31</sup> Law on social protection, Official Gazette of R. of Macedonia No. 79/2009, 36/11, 51/11, 166/12, 15/13, 79/13, 164/13, 187/13, 38/14, 44/14, 116/14, 180/14, 33/15, 72/15, 104/15, 150/15, 173/15, 192/15, 30/2016

<sup>32</sup> Ibid.

<sup>33</sup> Ilijevski, Iloska, Kusinikova, Mirchevski, Challenges and opportunities for employment of marginalized groups by social enterprises, Public and Association Konekt, 2016

|   |  |
|---|--|
| Ministry of Economy   | <ul style="list-style-type: none"> <li>• Responsible for drafting and implementation of legislation and strategies related to SMEs</li> <li>• Implements the Program for support of SMEs</li> <li>• Responsible for legislation related to cooperatives</li> </ul>   |
| Ministry of Agriculture   | <ul style="list-style-type: none"> <li>• Responsible for legislation related to agricultural cooperatives</li> </ul>   |
| General Secretariat of the Government of RM, Unit for Cooperation with NGOs | <ul style="list-style-type: none"> <li>• Responsible for drafting and coordination of implementation of the National Strategy for Cooperation with CSOs</li> <li>• Administers the Program of the Government for financial support to CSOs</li> </ul>  |
| <b>Networks and platforms</b>   |  |
| Street magazine Lice v lice   | <ul style="list-style-type: none"> <li>• Promotes social enterprises</li> <li>• Raises awareness and educates public about the role of the SEs</li> <li>• Advocates for encouraging legal framework</li> </ul>   |
| <b>Funders</b>  |  |
| Yunus Social Business   | <ul style="list-style-type: none"> <li>• Provides social impact financing to social businesses</li> <li>• Manages accelerator program for start-up SEs which includes mentoring, technical assistance and networking</li> </ul>  |
| Agency for promotion of entrepreneurship of RM                              | <ul style="list-style-type: none"> <li>• Responsible for implementation of Government's policies on SME development</li> <li>• Implements support measures for SMEs such as the Voucher counselling</li> </ul>   |
| Fund for Innovation and Technology Development                              | <ul style="list-style-type: none"> <li>• Aims to support innovation and transfer of technology within the SMEs</li> <li>• Promotes cross-sector partnerships in transfer of technology, research and development</li> <li>• Provides financial support and technical assistance to SMEs for innovation projects through several support schemes</li> </ul>   |
| HUB Skopje/CEED   | <ul style="list-style-type: none"> <li>• Implements pre-acceleration and acceleration programme for young companies. SEs are eligible to participate and use the services of the HUB</li> <li>• Provides co-working space for entrepreneurs</li> <li>• Provides equity loans to SMEs. SEs registered under the company law are eligible for funding</li> <li>• Opportunity for matching the loan with angel funding</li> </ul> |
| Microfinancing institutions members of the Alliance of MFI                  | <ul style="list-style-type: none"> <li>• Provides micro credits to SMEs and informal businesses</li> </ul>   |
| State Employment Agency   | <ul style="list-style-type: none"> <li>• Provides subsidized employment and training</li> <li>• Provides self-employment measure</li> </ul>  |
| Agency for financial support of agriculture and rural development           | <ul style="list-style-type: none"> <li>• Responsible for providing the subsidies in the area of agricultural and rural development</li> </ul>  |
| EU Funding (Civil Society Facility, IPA, EIDHR)                             | <ul style="list-style-type: none"> <li>• Provides grant funding to CSOs for projects in various areas including social inclusion, employment of vulnerable groups, entrepreneurship development etc.</li> <li>• Provides grant funding to CSOs for capacity building programs for SEs</li> <li>• Provides technical assistance support to public institutions in developing SE policies</li> </ul>                             |
| Macedonian Bank for Development Promotion                                   | <ul style="list-style-type: none"> <li>• Supports export through various mechanisms for support of SMEs</li> <li>• Provides various credit lines for SMEs through the commercial banks</li> </ul>  |
| <b>Support Organizations And Institutions</b>                               |  |
| Alliance of Microfinance organizations                                      | <ul style="list-style-type: none"> <li>• Aims to achieve financial inclusion, poverty reduction and support to entrepreneurship</li> <li>• Provides capacity building to the clients of microfinance organizations</li> </ul>  |



|  |   |
|--|---|
| Association Konekt   | <ul style="list-style-type: none"> <li>• Builds partnerships between companies and the social enterprises</li> <li>• Offers brokerage between individual SEs and companies for counselling, mentoring</li> <li>• Promotes integration of SEs into companies' supply chains</li> <li>• Advocates for encouraging legal framework and effective ecosystem for development of SEs</li> <li>• Organizes workshops, conferences and other public events to promote social entrepreneurship</li> <li>• plans to set up a Fund of private donors to the support SEs and impact investment</li> </ul> |
| Mladiinfo/Social Impact Lab  | <ul style="list-style-type: none"> <li>• Committed to building capacities of social enterprises</li> <li>• Implements the Social Impact Award in Macedonia which provides financial award, mentorship, advice and incubation</li> <li>• Implements Investment Ready Program in cooperation with Impact Hub Vienna which provides capacity building to established SEs</li> <li>• Promotes social entrepreneurship especially among the youth</li> <li>• Organizes Social Innovators Conference in cooperation with Public</li> </ul>  |
| EU Technical Assistance for Civil Society Organisations (TACSO) Project – ended in November 2017 | <ul style="list-style-type: none"> <li>• Supports SE development by commissioning relevant research, supports and organizes regional networking opportunities</li> <li>• Responsible for planning and implementation of the EU People 2 People Programme</li> </ul>   |
| UNDP in Macedonia  | <ul style="list-style-type: none"> <li>• Supported the establishment of the Social Innovation Hub</li> <li>• Implements the state program for self-employment including the measure for support to NGOs and companies with social entrepreneurship activities</li> <li>• Within its projects it used to provide support to young social entrepreneurs</li> </ul>  |

### 4.3. Existing funding strategies for social economy

#### 4.3.1. National public funding schemes

Despite several policies in development, there is currently only one targeted public sector scheme for social enterprises as a pilot measure within the active labour market measures. Several other institutions increasingly look into complementing the economic and social impact of their support schemes. Yet, the public support available to SE remains scattered within the sectoral measures and is based on the legal form rather than the contribution to the goals of the designated support measures.

#### Active Labour Market Measures

State Operational programmes for the active employment measures offer an array of subsidies and other type of support to enterprises, individuals and other employers to support the employment of people facing barriers to enter the labour market. Implemented through the State Employment Agency they include measures such as: a) self-employment programs; b) support to start-up youth businesses; c) subsidised jobs for employment of young people, people at social risk, people with disabilities etc.; d) training programs and internships; e) public works; and f) several pilot programmes<sup>34</sup>. The measures for self-employment and start-up youth businesses can be utilised by the new, aspiring social entrepreneurs while the measures for subsidised employment might be of importance to SE employing people from vulnerable groups.

<sup>34</sup> Revised Operational Plan for active employment programs and measures and employment services for 2017, State Employment Agency of RM, August 2017



The State Employment Agency has recently introduced a new active employment measure targeted at commercial organisations and non-governmental organisations with their primary activity in the field of social entrepreneurship, providing grants up to 10,000 Euro for purchasing equipment and working materials, requiring up to 40% of co-financing and new employment as well as range from 10-20% of funding needs to be directed for advising in business development and capacity building. In addition, one of the pilot projects targets CSOs and provides funding for purchasing equipment when the CSO creates new employment. The scale of support is linked to the age group of the employee and ranges from 1.500 Euro to 2.500 Euro.

The Law on Employment of persons with disabilities (PwD) also provides financial support and subsidies for employment of PwD including grants to cover salaries, adaptation of the workplace and purchase of equipment, and subsidy for social security payments and income tax.

#### *Programme of the Government for Financing the Activities of Associations and Foundations*

Unlike in other countries in Europe, in Macedonia the state is allocating very low funding for CSOs. According to official data and research<sup>35</sup>, the cumulative contribution of the state funding in the annual revenues of the sector is only 5%. Besides the limited sectoral support, funds available to CSOs are allocated through the annual “Programme for support of the programmatic activities of CSOs”. Administered via open calls by the Unit for Cooperation with Non-Governmental Organisations within the General Secretariat of the Government it provides small project grant funding of up to 5.000 EUR; totalling of 195.000 EUR yearly.

#### *Programme for Competitiveness, Innovation and Entrepreneurship*

In its mandate to encourage entrepreneurship in the country, every year the Ministry of Economy (MoE) adopts and implements the *Programme for competitiveness, innovation and entrepreneurship*. The annual programme provides array of measures for direct support to SMEs available upon open public calls. The measures for support and development of SMEs, are intended for, among others<sup>36</sup>, support to crafts, micro, small and medium size enterprises, women entrepreneurs as well as for various quality standards such as ISO, HACCP, HALAL. Co-financing is available up to 70% to cover material costs and the highest granted amounts are up to 5.000 EUR. In 2016, through the Programme, the Ministry of Economy supported 66 projects for a total amount of around 108.600 EUR. The funds are available for SE registered under the Company law.

In addition to the direct SME support, one MoE measure provides co-financing to projects of associations, foundations, chambers and employers’ associations to promote entrepreneurship including social entrepreneurship. The maximum co-financing is 200.000 MKD (3.252 EUR).

#### *Programme for Voucher Counselling*

The Agency for promotion of entrepreneurship under the *Programme for competitiveness, innovation and entrepreneurship* implements the Government’s programme for voucher counselling. The program provides co-financing on consulting services ranging from 50% (max. 730 EUR) for established SMEs to 100% (max. 500 EUR) for start-up entrepreneurs. The annual budget of the voucher counselling Programme is 15.000 EUR and is assessed as insufficient to meet the needs of the SMEs.

#### *The Innovation Fund*

<sup>35</sup> Ogenovska S., Analiza na budzetskoto finansiranje na grazjanskite organizacii na centralno nivo, Makedonski centar za megunarodna sorabotka, 2017

<sup>36</sup> Programme for competitiveness, innovations and entrepreneurship for 2017, Government of RM, Official Gazette 192/2016 and Programme for revisions and additions to the Programme for competitiveness, innovations and entrepreneurship for 2017, Official Gazette 116/2017

To encourage innovation and transfer of technology in particular in the fast-growth industries, in 2015 the Government established the Fund for innovation and technology development. The innovation fund provides several financing schemes for SMEs in the form of co-financing for newly established start-up and spin-off enterprises, grants and conditional loans for commercialization of innovation as well as for setting up business accelerators<sup>37</sup>. The funding is coupled with technical assistances such as training, coaching and other consultancy support.

Recent change in the management of the Innovation Fund led to the inclusion of the social impact within the criteria of the future pilot project to design a new instrument consisting of challenges and competitions for business ideas to solve societal challenges. In the initial phases, the focus should be on environment and education. The first “O2 challenge“ launched at the beginning of November 2017 focuses on solutions to reduce air pollution through improvements in heating, transport, mobility, construction and urban planning. The total budget for the challenge is 100.000 EUR and it should provide co-financing of 90% of the project cost. Eligible applicants have to be entities registered under the Company Law thus it is not available to SE with different legal form.

#### 4.3.2. European Union funding

Existing social enterprises in the country point out the EU funding as an important source of financial support in developing the business ideas and initiating social enterprises. Taking into consideration that most of them are established by CSOs, they usually utilise the EU grant schemes available to the civil society in the country such as IPA, European Instrument for Democracy and Human Rights (EIDHR), Civil Society Facility (CSF), Cross-Border Cooperation (CBC) etc. This is confirmed in the sample of 21 SE beneficiaries of the EU Project “Fostering Social Entrepreneurship” where IPA funding was identified as one of the three most represented sources of income for the social economy actors. The EU funding for SE is available to them in two ways: a) as direct recipients of grant and b) through re-granting projects and schemes of another organisation-intermediary. EU funding available at the moment is project-based, with restricted cost-structure and timeline. Thus it provides valuable low-risk, predictable funding for initial stages of development of SE. However, that type of funding does not allow social enterprises to scale-up and build their sustainability and financial independence.

In the course of 2017, there were a couple of EU funded projects that provided targeted support to social enterprises. The *Technical Assistance Project “Fostering Social Entrepreneurship”* provides technical support to the government in completing the policy framework for social enterprise. It also works on building financial tools for social enterprises. The expected results include policy measures to foster the development of social entrepreneurship, improving the capacities of the Ministry of Labour and Social Policy and developing financial instruments to support social entrepreneurship. The project which ended in mid-November 2017 offered direct support to twelve social enterprises to develop their business plans, research the market, develop partnerships and connected them with potential donors for start-up capital.

Another ongoing project is “*Smart Start*” co-funded by the EU through the *Civil Society Facility* and *Media Programme 2014-2015*, supports to regional thematic networks of Civil Society Organizations. The project’s primary goal is to support CSOs with new or existing economic activities to improve their products/services and become more sustainable. It provides support to twenty CSOs/social enterprises through training, developing the business plans, mentoring and offering financial award ranging from 5,000 – 6,000 EUR for the best ideas. The “Smart Start Fund”, being implemented by the Centre for research and policy making (CRPM)<sup>38</sup>, has also raised corporate and municipal support.

Although not specifically addressing social enterprises, other EU funded projects might be relevant for further development of the sector. The project *‘Promoting Social Inclusion Service’* launched in

<sup>37</sup> Web resources of the Innovation Fund [www.fitr.mk](http://www.fitr.mk)

<sup>38</sup> <http://www.crpm.org.mk/>

October 2015 focused on introducing vocational rehabilitation and personal assistance services to improve the scale and quality of integration of persons with disabilities into the labour market. It could potentially lead to introducing sub-contracting of the social services provided by SE.

#### 4.3.3. Social Investors, Social Impact Funds and other socially drive financing institutions

Currently, there are no national social investors, social impact funds or other socially driven financing institutions in the country providing support. The recently launched Finance in Motion, the EFSE Development Facility partner institution is not yet operational. SE have access to regional social finance opportunities. Initial interest and ongoing plans exist among local actors to jointly establish social impact funds in the country.

Yunus Social Business Balkans (YSB), a non-profit venture fund (part of Yunus Social Business) is based in Tirana. Initially open to social businesses in Albania, it has expended its activities throughout the Western Balkans region. YSB provides financing as well as business support to SE. The financing instrument consists of flexible loans with no collateral. Equity stake of up to 25% serves as security until the loan is repaid. The loans range between 80.000 – 500.000 EUR for a period of 6-7 years on average, with interest rate between 6 and 8 per cent and grace period of up to 5 years. The patient finance is coupled with advisory support through training, mentoring, expertise and networking.

The Western Balkans Enterprise Development and Innovation Facility (“WB EDIF”) established by the European Union and implemented by the EBRD and EIB, provides advisory support and direct and indirect financing to SMEs. While the WB EDIF does not explicitly target SE, its support can be accessed by the SE operating under the Company law.

The European Fund for South East Europe (EFSE)<sup>39</sup> aims to foster economic development and prosperity in the Southeast Europe region and in the European Eastern Neighbourhood region through the sustainable provision of additional development finance, notably to micro and small enterprises and to private households, via qualified financial institutions. EFSE Development Facility programme partnered with Partner Lending Institutions (PLIs) including Finance in Motion, impact investing advisor, to support enterprises from start-up to maturity. Finance in Motion works through a local Macedonian partner, CSO Mladiinfo, providing support for business ideas with social impact through the Social Impact Lab program.

The Social Impact Lab exclusively targets social enterprises and focus on building their capacities depending on their respective stage of development. The training support programs available in the phases of pre-acceleration and acceleration is combined with mentorship and pitching opportunities in front of investors from Europe. The Investment Ready Program includes capacity building for SE which have started implementing their entrepreneurial idea. While the selection is conducted locally, the capacity building program is implemented by the Impact Hub Vienna. Mladiinfo is the local partner of the Social Impact Awards available to young people with social business idea to further develop viable business plan. SIA provides monetary awards totalling 6.000 EUR in any given call.

#### 4.3.4. Private sector

There are a number of initiatives to involve the private sector in the financing of social enterprises. CSO Konekt established the Club of Responsible Business which aims at channelling private philanthropic funding as social impact investment in social enterprises. CEED Business Angels Club consisting of 20 Macedonian companies is created aiming to encourage Club members to invest in start-up enterprises. Even though open to social enterprises, the Business Angels Club hasn't invested in any SE yet.

<sup>39</sup> <https://www.efse.lu/>

Beyond these initiatives, traditional financial institutions have not yet recognised social enterprises as a viable market. The SE sector is just emerging and has a low absorption capacity, thus the financial products of the banking sector are focused on SMEs. The loans they provide are offered under standard commercial terms and the qualifying criteria are prohibitive for the vast majority of social enterprises. Recent analysis<sup>40</sup> identified that the gap in alternative funding on the Macedonian market upholds the funding capital expensive, with high interest rates (available to small enterprises with over 8% in addition to processing costs) and doesn't motivate commercial banks to innovate and provide customized products to SE.

#### 4.3.5. Microfinancing

Microfinancing products are not yet available to SE under favourable conditions. In principle, the offer of the existing microfinance institutions in the country is suitable as it build on partnership with the clients, provides flexibility in the repayment conditions and the collateral and provides on-going advisory and financial literacy support<sup>41</sup>. In principle, microfinance loans are not based solely on interest rates, with much needed technical assistance being an integral part of the finance facility (analysis of their business plans, assessing their credit ability to protect them from over indebtedness, their liquidity and the seasonal nature of their business)<sup>42</sup>. However, as they are tightly monitored by the regulator, their loan products (of up to 20.000 EUR for micro and small enterprises) come with high interest rates, well beyond the repayment capacity of the existing SE. The Alliance of Microfinance Organisations<sup>43</sup> which gathers the four largest microfinance institutions in the country has expressed interest in providing support to SE and exploring the potential of the members to develop SE-targeted financial products.

#### 4.3.6. Development Aid Agencies

There are several development aid agencies active in Macedonia. The United States Agency for International Development (USAID) is providing financial support to SMEs through the Centre for Entrepreneurship and Executive Development (CEED). As part of CEED HUB acceleration programme beneficiary SMEs can receive funding as equity, loan or grants. Equity funding is available with no more than 6% of ownership and is for consultative role rather than decision-making power. Convertible loans range between five to ten thousand US dollars with grace period of 1 year, interest rate of 1% for the following 6 months and 2% in the next 6 months. The conditions are flexible and extensions are possible. The grants range between 700 USD and 1.200 USD covering the costs of participation in the acceleration and pre-acceleration program. CEED HUB has opened its programs and financial services to SE as well and has supported 3 social enterprises so far.

The financial products available to SMEs through the European Bank for Reconstruction and Development (EBRD) could also be considered by SE which are registered under the Company law. The financing is available through the commercial partner banks or through direct financing instruments. Nevertheless, for now, these financial products are not suitable to the needs and absorption capacities of the existing SE. However, based on the recent mapping research on the social economy sector, contracted by EBRD there might be programmes targeted for social enterprises in the future.

### 4.4. Type of additional non-financial support to social economy

#### 4.4.1. Business Development Services

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<sup>40</sup> Report on the Development of New Financial Instruments, Project: Fostering Social Entrepreneurship, Eptisa, August 2017

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> <http://mfo.mk/eng/index.php/en/>

The advisory support infrastructure has steadily increased in the last couple of years. Mostly supported by international donors, they offer valuable support to SE especially in their early stages of development.

The *Centre for Entrepreneurship and Executive Development (CEED)* Macedonia has established the CEED HUB Skopje at the beginning of 2016. HUB Skopje provides services to start-up companies in pre-acceleration and acceleration program as well as co-working spaces combined with financing opportunities. The pre-acceleration program is available to entrepreneurs in the phase of developing and testing the business idea while the acceleration program is targeting start-ups with minimum viable product, preparing them for investment ready stage and pitching in front of potential investors. In addition, the clients of the HUB have access to networking with business peers, learning and social events. The services of CEED HUB are available to social enterprises regardless of their legal form.

*The Association Konekt* serves as an SE support organisation that advocates for building an enabling environment for SE and builds partnerships between socially-responsible companies and social enterprises in the country. Through the Club of Responsible Business, Konekt channels corporate mentoring, counselling and financial support to CSOs and social enterprises. The organisation also educates policymakers and other stakeholders to create supportive eco-system for social enterprises.

*The EBRD* provides business development services to locally-owned SMEs through the Advice for Small Businesses (ASB) programme as well as through targeted Women in Business Programme for women-led small businesses. The EBRD co-finances the costs for individual experts to work with the enterprise in improving and transforming their businesses. The program supports a wide range of business –related consulting depending on the existing needs and future plans of the SME. Women in Business Program provides access to several types of capacity building services such as individual business advises, training courses, mentoring etc.

Other SME incubators and acceleration programs exist in the country; such as Yes incubator and Seavus acceleration program. They mostly target SMEs even though there is initial interest and potential to support SEs as well. The already mentioned Social Impact Lab co-organises with CSO Public the annual Social Innovators Conference, inviting international speakers to inspire and motivate social entrepreneurs.

#### 4.4.2. Local/national and/or Regional Networks

Being a new, emerging sector which is still developing its identity, the existing social enterprises in the country have only recently identified the need for connecting and networking. At present, there are no local or national network. Macedonian support organisations have been connecting with regional and international networks such as the European Venture Philanthropy Association (EVPA)<sup>44</sup> and the Global Social Entrepreneurship Network (GSEN)<sup>45</sup>.

The *street magazine Lice v lice* issued by the CSO Public has played an important role in promoting the concept of social entrepreneurship. Being social enterprise itself, the magazine also serves as a platform for the social enterprises to share their stories and address in public important societal issues.

#### 4.4.3. Academia

Social entrepreneurship has not been fully recognised in the education system yet. While the National Strategy for Entrepreneurship Learning 2014-2020 has acknowledged the importance of building the new generations of inspired and capable entrepreneurs, they have not included social entrepreneurship as part of the milieu. Thus, most of the education on social entrepreneurship

<sup>44</sup> <https://evpa.eu.com/>

<sup>45</sup> <http://www.gsen.global/>

happens in the non-formal education mostly through training courses provided by different CSOs with grant funding.

In the management and entrepreneurship programs of the universities, social entrepreneurship is mostly integrated with few classes within the mainstream curricula. At the state University of St. Cyril and Methodius in Skopje, social entrepreneurship has been included in the undergraduate Studies on social work and social policy as well as the Graduate studies on Human Resource Management. The Social Innovation Hub (SIH) established at the Faculty of Computer Science and Engineering provides students with an opportunity to utilise technology in societal issues and can potentially inspire a new generation of social entrepreneurs outside the mainstream civil society sector.

#### 4.5. On-going and planned initiatives addressing social economy issues

EU's Instrument for Pre-Accession Assistance (IPA II) 2014-2020, Sector of Education, Employment and Social Policy has already included additional support to social entrepreneurship in the country. The Annual Action Programme for the former Yugoslav Republic of Macedonia for the year 2017 under the *Result 4: Improved quality and availability of social services* will provide support to social enterprise eco-system through:

- Supporting the establishment of centre for support of social enterprises to provide array of services to social enterprises such as training, internships, coaching, co-working space, mentoring, study visits etc. The implementing body will be selected via open call for proposals.
- Direct grant-support via open call for proposals to existing social enterprises to extend the scope, improve their market offer, improve self-sustainability etc. Focus will be put on funding activities (including market research, marketing & communication and visibility), equipment and technologies, which would allow social enterprises improve their performance on the market, ensure better protection of their employees, and better services to their clients.

In addition to this targeted support, the activities related to Optimisation and Improvement of the social community services also provide new market opportunities for social service providers SE. It promotes the delivery of quality social services by non-state providers and will support *“the development, implementation and expansion of the range of social services including community based housing, prevention and family support services”*.

In addition to the EU, local actors have also developed mid-term plans to support social enterprises. CSO Konekt is planning to set up the fund of private donors to support social enterprises and is exploring the possibilities to pilot impact investment. CEED Macedonia as a member of EVPA is planning to establish social impact fund to support SE. CEED and Konekt have already discussed joint partnership and are at the moment exploring the options for utilising the support from the EU Programme for Employment and Social Innovation (EaSI).

Additionally, Konekt plans to establish a permanent social responsibility training centre that would provide training and certification to management professionals from public and private sector as well as the non-profit sector. Its aim would be to train and certify management professionals on social responsibility principles, techniques and approaches, policy development and best practises experience sharing.

#### 4.6. Best practices in the country and replicable models



One of the most prominent examples of a social enterprise in the country is Pokrov, managed by the CSO Izbor<sup>46</sup> from Strumica. As an organisation that provides rehabilitation, resocialization and reintegration for people fighting addiction, Pokrov was established in 2010 to provide employment opportunities for their beneficiaries and thus enable social integration through active work. At the same time, the CSO wanted to decrease their donor dependence. The beneficiaries are involved in production of certified organic fruits and vegetables in greenhouses and open-air. The SE has been very successful in building cooperation with the corporate sector and other local actors. Initially Pokrov was supported through grants from donors, municipality and the Macedonian Orthodox Church (which donated the land). Because they are social enterprise, their Greek supplier is providing the 20% discount on the purchased equipment for the greenhouses. Several local restaurants purchase their products. They are supplier to the healthy food stores of one of the largest pharmacies in the country. Inspired by the work they are doing, recently one of the largest supermarket chains in the country named Tinex signed a purchasing contract with Pokrov. If successful, this partnership will lead to significant expansion of their production and will thus increase the opportunities for employment of their target group. At the moment, Pokrov employs 15 people from their beneficiary groups and is fully self-sustainable. In addition, the SE provides financial support to the other programs of the mother organisation.

## 5. GAP ANALYSIS AND NEEDS ASSESSMENT

### 5.1. Macro-social factors determining the sector

Macedonia has experienced an overall positive economic performance and is assessed as “*one of the most advanced economies in the region in promoting its SME sector*”<sup>47</sup>. It is marked with an increased entrepreneurial activity and progress in the entrepreneurship and skills agenda. Social challenges remain, with high unemployment rates, mismatch between labour demand and supply, social and economic disparities and increasing poverty. While a wide spectrum of active labour market measures has been introduced, the social welfare system remains weak.

Social entrepreneurship is in general seen as a new concept in Macedonia even though organised forms with characteristics of what we today call social enterprises have been exhibited prior and during the socialist system<sup>48</sup>. Available analyses indicate<sup>49</sup> that the development of what we would consider part of social economy has been largely influenced by the legal framework and institutional support<sup>50</sup>. We can identify positive practice of self-governance and solidarity principles in the management as well as state support to economic activities of the so called “social organisations” during SFRJ<sup>51</sup>. On the other hand, cooperatives which have historical roots in the country at the beginning of the 20<sup>th</sup> century, during former Yugoslavia were established by state initiative and not the members themselves. With the transformation of the system, the positive practices were abolished. The cooperative movement collapsed or was transformed; it hasn’t picked up yet and new cooperative forms are yet to emerge.

The concept of social entrepreneurship is largely seen as a tool for labour market inclusion of vulnerable groups. While SE have significant potential in this regard, such a narrow view omits to recognise the potential of social entrepreneurship to drive the broader sustainable development agenda.

<sup>46</sup> <http://izborstrumica.com/?lang=en>

<sup>47</sup> SME Policy Index: Western Balkans and Turkey 2018: Assessing the implementation of the Small Business Act for Europe, SME Policy Index, OECD Publishing, 2016

<sup>48</sup> Ilijevski, Iloska, Kusinikova, Mirchevski, Challenges and opportunities for employment of marginalized groups by social enterprises, Public and Association Konekt, 2016

<sup>49</sup> Ibid.

<sup>50</sup> Ilijevski, Iloska, Kusinikova, Mirchevski, Challenges and opportunities for employment of marginalized groups by social enterprises, Public and Association Konekt, 2016

<sup>51</sup> Socialist Federative Republic of Yugoslavia



The legal framework is one of the crucial segments for a supportive eco-system for SE. The existing legislation in the country allows the functioning of various forms of social enterprises. However, it does not specifically recognise SE as there is no specific legislation on social entrepreneurship. As indicated in the EU mapping study, the lack of legal recognition limits governments in introducing targeted support and incentives for SE thus inhibiting their development<sup>52</sup>. It also limits the potential for systematically monitoring the trends, the visibility and establishment of specific SE identity i.e. creating a SE sector. Legislation on social contracting is underdeveloped and the public procurement laws do not include social/environmental considerations nor allow reserved contracts for SE and CSOs in line with the EU Directive 2014/24. The lack of flexibility of the labour market and social welfare policies as well as certain taxation and fiscal issues create uncertainty in the operations of the SE.

Policy development in this area is under way and the current Government is committed to supporting social enterprise development. Through the EU funded project, an initial database of SE was established and further support is needed to fully utilise its potential for an analysis of the sector. Adopting a targeted strategy has also been discussed and it would provide a more coherent policy approach to SE support. It is important that the policies recognise three key aspects as a starting point: 1) broader potential and scope of social entrepreneurship beyond labour market and social welfare; 2) cross-cutting character of SE across the sectors of economy, labour, environment, agriculture etc.; and 3) the purpose of the legislation is primarily to recognise, promote and boost the development of SE rather than to control and over-regulate SE. As in other Balkan countries, horizontal institutional and policy coordination is deficient and impedes the integration of SE throughout development policies in line with its features.

## 5.2. Access to finance

Social enterprises in FYR Macedonia are in their early stage of development. Being young businesses, the majority prefer grants as start-up capital. Accessing debt financing is particularly challenging for SEs as they rarely possess the assets to back up a loan and often lack repayment capacity. During the screening process, a consortium led by Eptisa found that *“the financial/economic literacy of the SEs’ leaders/managers is very low – they need education/technical assistance and mentoring”*<sup>53</sup>. They further found that beyond the initial grant financing the suitable second stage financing consisting of loans with a percentage of forgivable debt and as medium term financing, loans with preferential interest rates. Any financial instrument would need to be accompanied with technical assistance. Of the 21 SEs reviewed by Eptisa, except for the largest SEs, the majority of them had financing needs below 50,000 EUR with the majority requiring less than 25,000 EUR.

Overall, there is a lack of tailored start-up and growth funding for SE. Grants available are project-bound and dependent on foreign donor priorities. Public grant-schemes do not exist yet and current support measures to SMEs are not open to SE registered as CSOs and cooperatives. There are no local social market investors, although the financial services market is well developed, with a strong focus on SMEs from the banking sector and microenterprises in the non-banking sector<sup>54</sup>. Available commercial products are not suitable for SEs as they are relatively expensive, with high interest rates and repayment deadlines which cannot be serviced by SEs. Microfinance organizations offer products which better match the needs and operational specificities of SE, with greater collateral flexibility, more manageable repayment schedules and assistance provided in financial literacy and consulting. However, their high interest rates are out of reach for the existing SE. Debt financing is not a preferred option for SE, and this for two main reasons: a) associations do not have the legal structure to issue

<sup>52</sup> Social Enterprise in Europe: Developing legal systems which support social enterprise growth, Prepared by Bates Wells & Braithwaite London LLP on behalf of ESELA © European Social Enterprise Law Association, October 2015

<sup>53</sup> Report on the Development of New Financial Instruments, Project: Fostering Social Entrepreneurship, Eptisa, August 2017

<sup>54</sup> Report on the Development of New Financial Instruments, Project: Fostering Social Entrepreneurship, Eptisa, August 2017

shares offer ownership stakes and b) SE like their SME counterparts are reluctant to share the ownership and want to retain operational control<sup>55</sup>.

There is a lack of internal and external incentives for financial institutions to do more on the topic of social entrepreneurship. Alternative funding such as venture capital, business angel funding etc. remains scarce.

### 5.3. Lack of relevant skills to access market

The social enterprise sector exhibits critical structural flaws. The first one is the relative shortage of project managers with the skill set to efficiently plan, budget and successfully manage business development process. They generally lack the business management skills to plan for and manage a more diverse financing structure. Support is needed in many areas from developing sustainable business plan to business financial management and planning, legal advice, marketing strategy, branding etc.

SE face challenges in accessing the market. Being micro enterprises, they have still not reached production of scale to penetrate and compete on the market. As indicated above, public procurement is not conducive to support SE access to market and social contracts are rare practice in the country. Organisations such as Konekt encourage companies to include SE in their supply chains but large companies still see their support to SE as charity rather than socially responsible business opportunity and practice. With few exceptions, SEs are not visible and recognized by the market for the unique value they bring to the society. Consumers remain largely price-driven and socially responsible consumerism has not taken ground yet.

### 5.4. Opportunities and key drivers boosting the development and scaling up social economy

The other structural flaw is the lack of a comprehensive sustainable ecosystem that will provide ongoing support to social enterprises as they also mostly depend on foreign donor project support. There is a positive movement with existing and new accelerators programs expanding their offer to SE. They offer wide range of support from training and workshops to more tailor-made and individual coaching, mentoring and knowledge sharing opportunities. These initiatives also need support to reach scale to be able to meet the ongoing appetite of the SE. Socially-responsible companies show initial interest in supporting individual SE but it is still in an early stage of development and often lacks strategic focus. Overall, SE have identified a need for long-term, continuous available support and advice not only in initial development of the business plan and validation but throughout their journey.

Critically, there are no social enterprises networks in Macedonia to provide an exchange of ideas and best practise learnings. Subsequently, potential stakeholders do not know enough about social enterprises and their needs. Development of the social enterprise network is in part hampered by the finite amount of available capital to finance projects and as such SE owners sometimes feel that enabling other social enterprise owners by sharing knowledge and experiences may strengthen their ability to access the same financial resources they are chasing. In the last couple of months, social enterprises supported by the Project “Fostering Social Entrepreneurship” have expressed interest to initiate SE network and will need further support in their endeavour. This will improve the visibility and advocacy efforts of the sector.

Despite the numerous challenges, the potential for Macedonian SE sector is significant. The number of CSOs seriously embarking on SE to sustain their missions and serve target groups is increasing. Young individuals and entrepreneurs are increasingly engaging in developing innovative solutions to societal problems. Local expertise is emerging and there is a growing interest among policy makers

<sup>55</sup> Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESsT, 2017

and other stakeholders to draw upon the potential. Further political, financial and technical support is needed to use this momentum and boost the development of the sector.

## 6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS

Social enterprises in Macedonia are in their early stages of development. Although progress has been made in many aspects of the development of the sector, the political crisis and the subsequent economic slowdown have negatively impacted the drafting and implementation of a robust EU compliant legal framework. Beyond the slow rate of development of the legislative framework, the sector's development is hampered by two critical factors: access to finance and under-developed human capacities. Unlike other countries in the Western Balkans, the EU in Macedonia has already provided valuable support to the development of policies and direct support to social enterprises. It can still further increase its strategic role in developing a comprehensive and multi-fold ecosystem for social entrepreneurship.

- **Legislation and policy framework**

SE should be higher promoted on the agenda of sustainable and equitable development. It should be embedded not only in the employment and social policies but also as part of the economic development, environmental and sustainable agriculture agendas, new paradigms in entrepreneurship and management education. Addressing the issue through the Country progress reports, Programming and Annual Plans would strengthen the political commitment to the issue.

The designated institutions would benefit from a follow-up technical assistance. Knowledge and basic infrastructure have been supported through IPA I and these efforts should be sustained in following planning cycles. A technical assistance combining foreign expertise to bring wider cross-sector EU perspective with domestic-based expertise would be beneficial for further developing the enabling policy framework.

- **Access to finance**

Beyond the financing through the Annual Programme of the Education, Employment and Social Policy Sector, SE support should be encouraged and included in the Programmes related to economic reforms (in particular SME and entrepreneurship development), environment and sustainable agriculture. EU funded Project "Fostering Social Entrepreneurship" has already recommended a Pilot Project for a new financial instrument specific to social enterprises which would potentially provide a low cost debt facility (with a portion of forgivable debt), simple and accelerated application process, flexible repayment terms, and flexible collateral requirements (perhaps linked to the EaSI programme).

On the long-term strategic outlook, the SE funding community should increase coordination and develop funding approach through specialised financial institutions that would pull away the emerging SE sector from overdependence on donor funding. To ensure this, and given the capacity issues that exist in the sector, stakeholders might consider the introduction of *an independent emergency administration vehicle* that will step in the SE and/or funders recognise the potential for failure of the supported SE.

Donor flexibility plays a significant role in the success of social enterprises. Supported projects can at times be designed with a rigidity that does not allow them to respond to operational realities. Savings made on some planned activities can sometimes be better used refocused on additional activities which enrich the quality of deliverables and sustainability of the SE.

- **Other support infrastructure**

Extensive technical assistance and mentoring should be a pre-requisite in the early stage of development of SE. IPA II Annual Programme of the Education, Employment and Social Policy

Sector has included support in establishing Social Enterprise Support Centre which will provide business advisory services to social enterprises. As further recommendation, intermediaries should be supported in a way to create infrastructure which will: a) provide a diversified offer to SE in the different stages of development (blueprint, validation as well as scaling-up stage); b) take into consideration the specificities of the different types of SE (WISE, service providers, fast-growing innovation etc.); c) be de-centralised; support needs to be available closer to the local community where SE operate. Coordination among the support centres is of outmost importance for an efficient use of the resources and avoidance of overlaps. Any support to intermediaries needs to build-in sound, long-term financial sustainability strategy beyond donor support.

The team further recommends the support of initiatives such as the one being drafted by the team of Konekt for a social responsibility training centre. This would build capacity across all sectors of the economy, create a network of like-minded professionals, and build a critical mass of decision makers to drive social responsibility onto the operational agendas of all key economic players. Overtime this new structure could provide a nexus point for impact investors, donors and policy makers that support social entrepreneurship in the country and the region.

### 6.1. Priority sectors for country level intervention

The priorities in each area of support below are listed in a way so as to show the urgency and the sequencing of the needed interventions. It emerges that the most urgent support needed is within the **policy, legal and institutional framework** and the **coordination mechanism** which needs to be established. Further support is needed in **capacity building** through different approaches and modalities.

In parallel the need for increased and more streamlined **funding** will be necessary. With regards to this the coordination among various stakeholders and funding institutions should be established to maximise the impact and better prioritisation.

The table below shows the areas of intervention, priority areas and possible modality of support.

| Areas of intervention in order of importance   | What needs to be covered - priority areas   | Modalities of support  |
|--|---|--|
| <u>First area of intervention:</u><br><br><b>Policy, legal and institutional framework</b> | <i>Priority area 1:</i> Technical assistance <ul style="list-style-type: none"> <li>Regulate legal framework and develop policies taking into account horizontal institutional and policy coordination.</li> <li>Support to further usage of existing SE database.</li> <li>Design and implementation of media campaign.</li> </ul> | Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.)<br><br>Regional programmes (technical assistance, grants, etc.) |
| <u>Second area of intervention:</u><br><br><b>Coordination</b>                             | <i>Priority area 1:</i> Support bottom-up SE network to raise visibility and to advocate for the sector.  | Regional programmes (technical assistance, grants, etc.)   |
| <u>Third area of intervention:</u><br><br><b>Skills and access to</b>                      | <i>Priority area 1:</i> Capacity building <ul style="list-style-type: none"> <li>Enable further technical assistance, training and mentoring for SEs using existing infrastructure.</li> <li>Include capacity building for SEs (business knowledge) in EU funding.</li> </ul>   | Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.)   |

|   |  |  |
|---|--|--|
| <b>market</b>   | <ul style="list-style-type: none"> <li>• Enable SEs to have a full access to accelerator training and mentoring programs.</li> <li>• Create support system for SEs with diverse offer and decentralized (intermediary organizations that would combine funding with capacity building support).</li> </ul> <p><i>Priority area 2: Support for creation of Social responsibility training centre.</i></p> | Regional programmes (technical assistance, grants, etc.) |
| <u>Fourth area of intervention:</u><br><b>Funding</b> | <p><i>Priority area 1: Technical assistance for financial institutions to develop funding approach through specialized financial instruments.</i></p> <p><i>Priority area 2: Create incentives for financial institutions to support SE development.</i></p>   | Other support schemes (indirect management)              |

Should you need information on the suggested horizontal or regional approach see the final report for this contract (contract details on pg. 2 of this report), a very general overview is provided here:

- The analysis of SE in the Eastern Neighbourhood and in the Western Balkan countries shows that even though there are some differences, the **approach in prioritising the support in both regions could be the same.**
- Due to a **big number of stakeholders, fragmented support and lack of coordination**, it is of a paramount importance that the European Commission takes the lead in setting the **approach**, the **priorities** and in **defining the roles and responsibilities** for **EU horizontal approach.**
- When examining the needs in various countries the **current support** in terms of the format and amounts **dedicated to SE might not be adequate** or sufficient anymore.
- The analysis showed that **some areas should be covered on a country-by-country basis**, but **many priorities could be addressed through regional programmes**

## 7. ANNEXES

### 7.1. Annex 1 - Questionnaire survey

#### I. Questionnaire for the Delegations of the EU

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

#### A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. EUDEL Country:
5. Position:
  1. What is the key responsibility of your Section? What programmes/project you carry out?
  2. Is your Section aware of the concept of social economy? If yes, can you provide your definition and/or understanding of the social economy and social enterprise concept?
  3. Is there a law on social economy in the country? Or Strategy or Action plan? If not, under what regulatory framework social enterprises operate? Under whose jurisdiction social enterprises fill in?
  4. Based on your opinion, is there an enabling environment for social enterprise development in the country? Were there any changes in the perception in the past years?
  5. Does your Section have a social enterprise strategy/action plan? What are the key elements, if exist.
  6. What type of programmes or facility EUDEL provide to the Civil Society Organizations in the country? Does your Section contribute to these programmes financially or otherwise?
  7. Are there any support schemes that might be suitable for the needs of the social economy actors? For example, support to women, youth, civil society? Could they be suitable for social enterprises as well?
  8. What type of capacity support exist in the country? Networks, HUBs, network of impact/patient investors, incubators, start-up competitions, mentoring, etc. Are there any synergies with existing support programs within the country?
  9. Does your Section work with foreign partners implementing any social enterprise programme(s)? If not, do you think such partnership might be established?
  10. Are you aware of any special development programme that contribute to the competitiveness or sustainability of social enterprises? Please explain if positive.
  11. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover? Are you aware of any assessment of the size of the sector? If not, what do you think is the reason?
  12. What are in your opinion limitations or challenges preventing social enterprises from obtaining financing?

#### II. Questionnaire for the Government institutions

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

#### **A. PERSONAL DETAILS OF RESPONDENT**

1. Name:
2. Email address:
3. Telephone number:
4. Government Authority:
5. Position:

#### **B. REGULATORY FRAMEWORK**

1. What is the key responsibility of your Government Authority?
2. Is there a law on social economy in the country? Or Strategy or Action plan? If not, under what regulatory framework social enterprises operate?
3. What kind of support social enterprises may receive from the Government bodies (such as that grants, subsidies, incentives, TA). Are there any incentives for companies to employ marginalized individuals?
4. Based on your opinion, is there an enabling environment for social enterprise development in your country? Were there any changes in the perception in the past years?
5. Please assess the importance of the topic to the political and economic agenda of the country.

#### **C. SPECIFIC SUPPORT TO SOCIAL ENTERPRISES**

6. Is your Government Authority aware of the concept of social economy? If yes, can you provide your definition of the social economy and social enterprise concept?
7. Does your Government Authority have a social enterprise strategy/action plan? What are the key elements, if exist.
8. Do you support social enterprises directly or indirectly? If yes, what type of support your Government Authority provide: technical assistance, capacity building, financial, access to market, access to capital. Please provide details of such support; range of support, conditions, years of support, type of support (grant, investment, etc...)
9. Are there any support schemes that might be suitable for the needs of the social economy actors? For example, support to micro, small and medium entrepreneurs? Could they be suitable for social enterprises as well?

#### **D. OTHER MAIN STAKEHOLDERS**

10. Who are the main stakeholders in the social enterprise eco-system in the country? Are there any support organizations, what type of support they provide, do you cooperate with them in any way?
11. Who are the main donor to the social enterprises (this may include national or foreign foundations, government grant schemes, EU funding, impact investors, individual family support, diaspora, angel investors network, etc.).
12. What are your Government Authority plans for the further social economy development?

#### **E. EU SUPPORT TO SOCIAL ENTERPRISES**



13. Are there any EU programmes or facilities that benefits social enterprises in your country? Please provide details, if positive. Does your Government Authority contribute to that programmes financially or otherwise?
14. Does your Government Authority work with foreign partners implementing any social enterprise programme(s)? If not, do you think such partnership might be established?

## **F. STATE OF PLAY OF SOCIAL ECONOMY**

15. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover?
16. How would you assess the level of development of social enterprise sector in general in the country; start-up stage, validation stage, scaling stage?
17. What are the key challenges social enterprises face in the country?
18. What type of support social enterprises need? How do they fill it at the moment?
19. Please provide few examples of good practice of social enterprises in the country?

## **III. Questionnaire for the funders and supporters**

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

### **A. PERSONAL DETAILS OF RESPONDENT**

1. Name:
2. Email address:
3. Telephone number:
4. Company name:
5. Position:

### **B. SUPPORT TO SOCIAL ENTERPRISES – SUPPLY SIDE**

1. What type of support you provide to social enterprises? Please explain what products or services you offer?
2. What requirements you have in order to provide support to social enterprises?
3. What type of financing instruments you provide do social enterprises? Please explain the range of support, type of support (grant, loan, equity), typical amount, length of the support, additional capacity building attached to the financing, etc.
4. What products or services you offer to SMEs? Could they be suitable for social enterprises, if exist?
5. Do you have any future plans to create a more enabling environment for social economy development in the country or region? Who do you think should be responsible for social economy development within existing Government structure?
6. Would you consider partnering with similar organizations in order to provide additional support? Are you aware of any other support to social enterprises in the country/region?
7. How do you monitor and evaluate the progress of your support/investment?

### **C. SOCIAL ENTERPRISE NEEDS - DEMAND SIDE**

8. What type of financing needs social enterprises usually have? What is the purpose of the support, typical amount they need, type of support they require?
9. What type of business advices, technical assistance and/or capacity building social enterprises typically have. Please explain.
10. What do you see as the key challenges social enterprises face when it comes to financing?
11. What do you see as the key challenges social enterprises face when it comes to capacity support?
12. What do you see as the key challenges social enterprises face when it comes to management and governing?
13. What are the key challenging in accessing the market for social enterprises?

#### **IV. Questionnaire for the social enterprises**

**Note: Revised version of the questions was used for consultation meetings with the SEs**

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

##### **A. PERSONAL DETAILS OF RESPONDENT**

Name:

Email address:

Telephone number:

Social Enterprise:

Position:

##### **B. SOCIAL ENTERPRISE INFORMATION**

1. Please explain the mission of your organization/social enterprise?
2. What is your legal status of your social enterprise? How are you registered and under what law? Why did you choose that legal entity? Does it provide any benefits/subsidies?
3. What are the main social issues your organization is working on? Who are your main beneficiaries and/or clients?
4. What was the reason of establishing social enterprise?
5. What products/services your social enterprise is offering to the clients? Who are your main competitors? Who are target customers of your social enterprise?
6. How many people work in your social enterprise? Please specify how many comes from the beneficiary group, how many are full time, part time, volunteers?

##### **C. FINANCIAL INFORMATION**

7. What is your annual turnover? Did you have any profit in 2016, or years before? How do you distribute profit, if any?
8. Please evaluate the current financial status of your social enterprise:
  - a. We are losing money
  - b. We are breaking even
  - c. We are generating a profit (surplus of income beyond costs)

9. What tax you need to pay for the commercial activities within existing legal framework?
10. How did you get seed funding for your social enterprise? Please specify the source of funding:
  - a. grant (domestic or international donors)
  - b. own funds
  - c. loan from a bank
  - d. loan guarantee
  - e. support from government funding
  - f. impact investment
  - g. angel investment
  - h. equity
  - i. diaspora
  - j. other (please specify)
11. Please specify the purpose of funding and specify the amount provided including terms of funding:
  - a. operating cost
  - b. cost for the project activities
  - c. employment
  - d. start-up cost
  - e. other
12. Did you get sufficient amount of money to start your business? If not, how did you cover the rest?
13. What type and amount of funding your organization need at this stage of social enterprise development?

#### **D. HUMAN RESOURCES**

14. Did you have the necessary skills and experience to start your operations? If not, how did you obtain it? What type of support was provided?
15. What type of expertise and skills your social enterprise currently have? Do you know where you can obtain those?
16. Did you use any consulting support, capacity support, technical assistance, and networking?
17. Would you need additional consulting/mentoring/advisory support in the future? For what purposes? What specific skills your employees need?

#### **E. OPPORTUNITIES WITHIN THE SECTOR**

18. Is there an enabling environment for social enterprise development in your country?
19. Did you benefit from a membership in any social enterprise network? If yes, please specify the name of the network and type of support. What would you expect from such a network, what kind of peer support is most needed?
20. Are there any special development programs in your country supporting social enterprises?
21. Is there available EU support infrastructure for social enterprise development in your country?
22. Based on your experience what are the main challenges of social economy sector in your country?
23. Based on your experience what are the key opportunities for social economy in your country?
24. Please estimate the size of the social economy sector. Can you list some of the social enterprises in the country, giving us examples?

## 7.2. Annex 2 - List of Interviews

Stakeholders are divided into three main groups:

- Group 1: Representative of the public institutions
- Group 2: Representatives of support organisations and funders
- Group 3: Social entrepreneurs

Note: With some of the stakeholders were consulted over meetings and were not subject of full interview (as a follow-up of previous studies)

| N              | Organization  | Representative Name Surname | Position  |
|----------------|---|-----------------------------|---|
| <b>Group 1</b> |   |                             |   |
| 1              | Ministry of Labour and Social Policy                      | Mr. Dusan Tomsic            | Special Advisor in the Cabinet of the Minister                |
| 2              | Ministry of Economy                                       | Ms. Elizabeta Todorova      | Head of Unit for Entrepreneurship and Competitiveness of SMEs |
| <b>Group 2</b> |   |                             |   |
| 1              | Delegation of the European Union, Skopje                  | Ms. Daniela Huhmann         | Task Manager, Employment and HR development                   |
| 2              | Alliance of Microfinance Institutions (follow-up meeting) | Mr. Goran Lazarevski        | Executive Director  |
| 3              | CEED Macedonia  | Ms. Elena Hadzi-Pecova      | CEED Hub Skopje Manager                                       |

|   |   |                                |                     |
|---|---|--------------------------------|---------------------|
| 4   | Social Impact Lab/ Mladiinfo  | Mr. Kristijan Mileski          | Project Coordinator |
| 5   | Center for Research and Policy Making/Smart Start Project   | Ms. Marija Risteska            | Executive Director  |
| 6   | EU Project for Technical assistance Project “Fostering Social Entrepreneurship” (follow-up meeting) | Ms. Barbara Sadowska           | Team Leader         |
| <b>Group 3 – Consultations with social enterprises supported by of EU funded Project Fostering Social Entrepreneurship“</b> |   |                                |                     |
| 1   | Association for handicapped and poor (AHP)  | Mr. Zarko Ginovski             | President           |
| 2   | Women Centar Astarta  | Ms. Danica Ivanovska Lepojevic | President           |
| 3   | Ljubeznost  | Mr. Toni Stankovski            | President           |
| 4   | Association Mislá   | Mr. Kristijan Sopov            | Co-Founder          |
| 5   | Crven Krst na Grad Skopje   | Ms. Aleksandra Boeva           | Social worker       |

### 7.3. Annex 3 – Bibliography

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