European Commission

SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

Country fiche

SERBIA

Slobodan Cvejic

Social Europe

This fiche is part of the study "Social enterprises and their ecosystems in Europe" and it provides an overview of the social enterprise landscape in Serbia based on available information as of May 2018. It describes the roots and drivers of social enterprises in the country as well as their conceptual and legal evolution. It includes an estimate of the number of organisations and outlines the policy framework as well as some perspectives for the future of social enterprises in the country.

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Slobodan Cvejic

This fiche provides an overview of the social enterprise landscape in Serbia based on available information as of May 2018. It is one of the seven fiches covering non-EU countries in the study "Social enterprises and their ecosystems in Europe" included in a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises (Euricse) and the EMES International Research Network (EMES). Slobodan Cvejic from the University of Belgrade was in charge of producing the fiche.

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Countries included in the three social enterprise mappings by the European Commission

		TYPE	2014	2016	2018-19
1	Albania	Fiche			
2	Austria	Report			
3	Belgium	Report			
4	Bulgaria	Report			
5	Croatia	Report			
6	Cyprus	Report			
7	Czech Republic	Report			
8	Denmark	Report			
9	Estonia	Report			
10	Finland	Report			
11	France	Report			
12	Former Yugoslav Republic of Macedonia	Fiche			
13	Germany	Report			
14	Greece	Report			
15	Hungary	Report			
16	Iceland	Fiche			
17	Ireland	Report			
18	Italy	Report			
19	Latvia	Report			
20	Lithuania	Report			
21	Luxembourg	Report			
22	Malta	Report			
23	Montenegro	Fiche			
24	The Netherlands	Report			
25	Norway	Fiche			
26	Poland	Report			
27	Portugal	Report			
28	Romania	Report			
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List of acronyms

- **CDSE** Coalition for Development of Social Entrepreneurship
- **CSO** Civil society organisation
- **CSR** Corporate social responsibility
- **EBRD** European Bank for Reconstruction and Development
- **EC** European Commission
- **EMinS** European Movement in Serbia
- **IDC** Initiative for Cooperation and Development
- **IT** Information technology
- **LTD** Limited liability company
- **NALED** National Alliance for Local Economic Development
- **NGO** Non-governmental organisation
- **NPO** Non-profit organisation
- **PWD** Person with disability
- **SIDA** Swedish International Development Cooperation Agency
- **SIPRU** Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia
- **SENS** Social Economy Network Serbia
- **SORS** Statistical Office of the Republic of Serbia
- **UNDP** United Nations Development Programme
- **VAT** Value added tax
- **WISE** Work integration social enterprise

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Executive summary

Background

There are two major roots of social enterprise in Serbia: 1) legal forms traditionally recognised by the Serbian legal system (cooperatives and WISEs); 2) new organisational forms: non-profit organisations (associations and foundations) and business companies operating as spin-offs.

The roots of social enterprises related to the first stream are rather weak. Due to the prevalence of agriculture in the Serbian economy until the end of World War II, the cooperative spirit spread to other spheres of the economy to a negligible extent. During socialism (1945-1990) and blocked post-socialist transformation (1990-2000), cooperatives were under the strong political influence of the state, decreasing in number and losing their democratic character. As for WISEs, during socialism they suffered from significant economic inefficiency and low productivity.

The development of social enterprises in Serbia after 2000 is based on two major factors: the authentic social needs of citizens and the influence of foreign donors who raise awareness of different actors and provide financial and other support to social enterprises. Associations of citizens respond most successfully to these two factors

Concept, legal evolution and fiscal framework

Social enterprises in Serbia most frequently take the following legal forms defined by the Business Registry: cooperatives, WISEs, associations of citizens and foundations (non-profit organisations, NPOs), and limited liability companies and joint-stock companies.

NPOs appear as an important and competitive actor in the delivery of social protection services. They are allowed to generate income from an economic activity (delivering services or manufacturing). Moreover, they are exempted from paying the value added tax (VAT) for revenues up to eight million RSD a year (around 68,000 EUR), excluding donations and membership fees. Donations still constitute the most important source of income for associations and foundations.

Cooperatives are registered at the Business Registry and do business in accordance with the Act on Business Companies. The law on cooperatives mentions specifically social cooperatives and it states that at least 50% of their profit should be reinvested to achieve social goals. However, this type of cooperative is a novelty in Serbia and still very rare. It is easier to establish a social enterprise according to the Act on Associations of Citizens, which explains why social enterprises tend to take the legal form of an association rather than a cooperative.

WISEs are the most straightforward type of social enterprises in Serbia. Their economic activity is regulated by the Act on Business Companies, but they receive significant subsidies from the state and have priority when competing for public tenders.

Limited liability and joint-stock companies are the least frequent legal form for social entrprises in Serbia. It is usually associations that create these social enterprises in order to financially support their social goals. They are registered at the Business Registry and do not differ formally from other business companies in any aspect except for the rules and restrictions set by their statutes and internal regulations.

There is no legal act regulating social enterprises in Serbia in a comprehensive manner.

Mapping

Since a separate registry of entities with social enterprise characteristics does not exist in Serbia, knowledge on social enterprises stems from two research initiatives completed in 2007 and 2013. In Serbia these enterprises earn income from performing different activities: education and training, tourism, accommodation, food-related services and catering, printing and copying, manufacturing, etc.

Although the number of social enterprises in Serbia is rather small, there has been visible increase and change in the structure from 2007 to 2012. Social enterprises grew from 264 to 411 primarily thanks to the increase in number of new NPOs. The number of full-time employees in this type of social enterprise increased by more than three times between 2007 and 2012, which compensated for the loss of short term and occasional employees.

The 2013 survey revealed that in 2012 social enterprises employed 4,273 people, which was 0.25% of the total number of employees in the Republic of Serbia (almost no increase from 2007). Participation of the employees/members in decision-making occurred through the general assembly in less than half of social enterprises. The role of executive boards in associations of citizens and board of directors in WISEs in decision-making was underlined in the research.

Ecosystem

The process of cultural and political approximation to the European Union has a major impact on the appearance of modern social enterprises in Serbia. However, there is still no single institution responsible for social enterprises nor is there a specific policy that regulates them.

The Ministry of Labour, Employment, War Veterans and Social Affairs expressed the intention to establish a permanent team for monitoring the sector and coordinating

the relevant policies for social enterprises. Significant support comes from civil society organised around the Coalition for Development of Social Entrepreneurship (CDSE).

Perspectives

The main debate about social enterprises at national level in Serbia unfolds between the public administration and the CDSE as the representative of the third sector and social enterprises. The major issue is the new draft of the Act on social enterprises, including discussion about the important aspects of the ecosystem for social enterprises: legal provisions, financial support, institutional support.

The major problems facing social enterprises are the lack of financing sources, the low prices of products and services, uncollected debts, as well as the lack of care for the sector on the part of the state. However, a variety of stakeholders and platforms do provide policy incentives, training or financing for social enterprises. Also, several local administrations in Serbia have launched initiatives in the sphere of social enterprises.

In short, social enterprises in Serbia have evolved from an initial stage to a stage of institutionalisation. Associations of citizens are the key players for future developments insofar as they represent the core of the small, but dynamic sector towards which policies and institutional solutions should be addressed.


SERBIA

1

BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

16 | Background: social enterprise roots and drivers

Social enterprise is a rather new phenomenon in the Serbian economy and policy in both conceptual and practical terms. **Concerning its roots, there are two major streams of development**. One stream consists of **legal forms traditionally recognised by the Serbian legal system** that can be used to develop social enterprise initiatives. These include **cooperatives and work integration social enterprises (WISEs)** for people with disabilities. The other stream consists of **new organisational forms** that could be used to run a social enterprise. These forms have been established in the context of the recent, post-socialist transformation of economic and social protection systems that started late in Serbia, when compared to other post-socialist countries. These new types include non-profit organisations **(associations of citizens and foundations) and business companies operating as spin-offs**, development agencies and business incubators.[1]

The roots of social enterprises traced back to the first stream are rather weak. Although the Kingdom of Serbia was one of the 11 founders of the International Cooperative Alliance in London in 1895, there were two peculiarities in the development of cooperatives in Serbia that reduced the value of this historical legacy. First, cooperatives were mostly developed in villages as producers and/or credit cooperatives (agricultural-credit cooperatives), serving as a tool for protection of small farmers jeopardized by modernisation of agriculture in the early 20th century. Due to the prevalence of agriculture in the Serbian economy until the end of World War II, the cooperative spirit spread to other spheres of the economy to a negligible extent (first Law on Economic Cooperatives, regulating cooperatives other than agricultural cooperatives, was only introduced in 1937). The second factor that weakened the historical legacy of the cooperative movement in Serbia was that, during socialism (1945-1990) and blocked post-socialist transformation (1990-2000), cooperatives were under the strong political influence of the state, decreasing in number and losing their democratic character. Consequently, with rapid urbanisation after World War II, there were quite modest political and institutional, as well as historical and cultural, preconditions for the development of cooperative movements in cities, while the economic and social role of cooperatives in rural areas decreased significantly.

As regards WISEs, they emerged in significant numbers during socialism, based on strong egalitarian values and an inclusive social policy, but suffered from significant economic inefficiency and low productivity. In most cases, WISEs performed even worse than the poorly performing majority of enterprises in the declining socialist economy. For these reasons, they could not withstand increased competitiveness within the newly established market economy.

(1) More details about each form are provided in the following section.

Both cooperatives and WISEs went through significant legal and organisational changes after 2000 and paved the way for the emergence of social enterprises together with non-profit organisations (NPO).

The reasons for affirmation of the role of social enterprises in the Serbian economy after the year 2000 are similar to the ones in West-European capitalism.[2] They are linked with the negative effects of the liberalisation of the labour market and the socially unsustainable model of economic growth. The situation was however worse in Serbia for two major reasons. First, market economy grew in post-socialist and post-war Serbia under the conditions of huge economic decline and high unemployment rates. This meant that the whole economy was developing for years with structural pitfalls that left many citizens excluded.[3] Second, after decades of development of the paternalistic role of the state and the submissive culture among citizens during socialism, the new patterns of solidarity and activism were developing slowly. **The outcome was that, on one hand, economic conditions raised the need for alternative forms of employment and social inclusion, while on the other hand the prevailing cultural pattern did not offer many incentives for social activism and entrepreneurship**.

The development of social enterprises in Serbia reflects social policy transformation (Zarkovic *et al.* 2017). Their growth is based on two major factors. One is the authentic social needs of citizens coupled with high social consciousness and entrepreneurial skills of civic activists who serve those needs. This way social enterprises address needs that public providers are unable to meet in different domains of interest to local communities, including social protection and employment of vulnerable groups. The other factor is the influence of foreign donors who raise awareness of different actors and provide financial and other support to social enterprises. As stated in the Smart Kolektiv[4] report, "international donors have played a significant role in supporting the development of the social enterprise ecosystem so far and are expected to continue to provide support, even if to a lesser degree. Although banks have a dominant position in Serbian financial services, they have been largely irrelevant for social enterprises so far. The public sector is providing financing opportunities to social enterprises through several schemes and institutions. These funds are perceived as non-transparent and inefficient, but with potential use for social enterprises in the future" (Smart Kolektiv 2017: 2). This means that most social enterprises rely on foreign financial aid at least to some extent.

(2) This is the year in which Milosevic's regime lost power and economic and political transformation accelerated.

(3) Currently, Serbia has the highest at-risk-of-poverty rate in Europe (25.5%) and the fourth highest at-risk-of-poverty-and-social-exclusion rate (38.7%). Available at http://ec.europa.eu/eurostat/data/database

(4) Smart Kolektiv is a Belgrade-based NPO that plays a major role in the development of social entrepreneurship in Serbia. The report was commissioned by the European Bank for Reconstruction and Development (EBRD).

Since banks are not offering favourable loans, and public sector support is insufficient and hard to get, it is foreign donors that still play a major role in this regard. To sum up, social enterprises have been developing autonomously and slowly in Serbia, mostly outside the public welfare system, relying very much on the establishment of networks, which have proved to be important for their social and financial sustainability.

2

CONCEPT AND LEGAL EVOLUTION

2.1. Defining social enterprise borders

2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- whose primary objective is to achieve a social impact rather than generating profit for owners and shareholders;
- which uses its surpluses mainly to achieve these social goals;
- which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- an entrepreneurial dimension,
- a social dimension,
- a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can combine in different ways, and their balanced combination matters most when identifying the boundaries of the social enterprise.

Building upon this definition, the European Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined it for the purpose of the current phase of the study (see Appendix 1 for further details).

2.1.2. Application of the EU operational definition of social enterprise in Serbia

Social enterprises appear in Serbia in the form of individual initiatives or relatively organised sub-sectors (e.g. WISEs). Based on earlier mapping exercises in Serbia (Cvejic *et al*. 2008, SORS 2014), stakeholders recognise six types of social enterprises and these typologies have been widely accepted. The classification is based on the combination of legal form and type of business. **Social enterprises in Serbia most frequently take the following legal forms defined by the Business Registry: cooperatives, WISEs, associations of citizens and foundations (NPOs), and limited liability[5] and**

(5) In Serbia, a limited liability company (d.o.o.) is a company where the shareholders are fully liable for the debts and earnings and it is based on a minimum share capital of 500 EUR. It cannot have more

joint-stock companies.[6] If a social enterprise registers as a limited liability company or joint-stock company, it usually operates as a spin-off (a subsidiary company) of a NPO, a business incubator, or a development agency. Consequently, social enterprises in Serbia most usually take one of **the following six types:**

- **associations of citizens** and **foundations**,
- **cooperatives**,
- **work integration social enterprises (WISE)** for people with disabilities,
- **spin-off enterprises** (limited liability or joint-stock company),
- **business incubators**, and
- **development agencies**.

Associations of citizens and foundations

Associations of citizens and foundations are regulated by separate legal acts. However, provisions regulating their economic activity and income generation are very similar. **Most importantly, they are both allowed to generate income from the economic activity they perform (delivering services or manufacturing). Moreover, they are exempted from paying the value added tax (VAT) for revenues up to eight million RSD a year (around 68,000 EUR), excluding donations and membership fees**. The law is not precise in defining the limit for income generation through economic activity, but it states that economic activity should be of "a smaller size", so as to support the primary activity of the association/foundation. **In reality, donations are still the most important source of income for associations and foundations and only 25% of them earn more than 20% of revenue from an economic activity** (Gradjanske inicijative 2017).

Associations of citizens and foundations define their businesses in accordance with their statutes and proclaimed social goals and they are not allowed to distribute profit. Also, if an association or foundation acquires any property they cannot transfer it to a private person. If the organisation ceases to exist, its property becomes the property of the local administration. Usually, when running economic activities, associations and foundations employ paid workers; a smaller number of workers on long-term contracts

than 50 shareholders. In the event there are more shareholders (but less than a 100), for more than a year, the company must change its status to a joint-stock company.

(6) There are two forms of joint-stock companies (a.d.) in Serbia: open or closed. A closed joint-stock company is based on a share capital of 10,000 EUR and maximum 100 shareholders, unlike the open joint-stock company which may have more than 100 shareholders, but the minimum share capital must be 25,000 EUR. If not posted otherwise in the Articles of Association, the shares may be freely transferable.

and a larger number on short-term contracts. They also engage volunteers, depending on the type of activity they perform.

Associations and foundations appear as an important and competitive actor in the delivery of social protection services. After the fall of socialism, during the process of transformation of the welfare system, dozens of NPOs, which were active in the promotion and protection of social rights of different vulnerable groups, used the opportunity granted by the law and started organising and delivering services to their target groups. Some NPOs started up new businesses in the form of a subsidiary company with a view to earning revenue and redirecting it towards their target groups' needs.

Associations and foundations are mostly set up to explicitly pursue social objectives.[7] Although the pursuit of an explicit social aim is not obligatory for their registration, most associations and foundations include this aim in their statutes.

Another characteristic that highlights the strong social dimension of social enterprises registered as an association or a foundation is their orientation towards vulnerable categories of the population as defined by the Act on Social Protection.[8] These types of social enterprises either employ such persons or provide services and/or financial support to them. The association of citizens "Our Home" (*Naša kuća*) exemplifies this type of social enterprise in Serbia (see illustration 1).

(7) Social objectives are: economic empowerment and social inclusion of marginalised groups and individuals, support to sustainable development, environmental protection, improvement of access to social services (education, social protection, employment, etc.).

(8) Vulnerable categories include: persons with disability, refugees and internally displaced persons, women victims of violence, single parents, Roma, former prisoners, former addicts, persons aged over 50 that have been laid off as "technological surplus labour", persons with mild disability (but with preserved working abilities), persons who did not complete primary school education, persons who need financial social assistance, etc.

Illustration 1. "Our Home" (Naša kuća), Belgrade

"Our Home" (*Naša kuća*) is one of the oldest and by far the most distinguished association of citizens type of social enterprise in Serbia. It was founded in 2011 in the Serbian capital Belgrade by a group of parents of children with disabilities with the objective to provide better conditions for social inclusion of children and young people with some kind of disability. Thanks to the deeply developed entrepreneurial spirit of the president of the association, the social enterprise grows constantly and extends its operations and number of employed persons with light intellectual disability.

The social enterprise Our Home manufactures paper bags and cardboard packaging, provides screen-printing services, and also prepares and distributes meals. The association plans to continue employing persons with intellectual difficulties and enabling employment outdoors for different tasks, such as food delivery.

Already in the second year, the production of paper bags has generated a profit. Now, Our Home has regular monthly income surpluses of hundreds of Euros. Thanks to the new donations, in 2012 this social enterprise started cardboard packaging and screen-printing. A new catering service for the elderly persons who have difficulties moving ("Meals on Wheels") was started. Currently, Our Home prepares 20-30 meals a day and is planning to expand its services through supply contracts with larger companies. The new contracts would allow for creation of new employment, increased incomes, expansion of the beneficiary group, and investing in the development of new services, including the provision of housing services with support.

The local administration has been providing different kinds of support from the very beginning (financial, premises for the kitchen, promotional activities), while the assistance of the municipal association of entrepreneurs has been invaluable for establishing business contacts. Cooperation with certain NPOs has made available important training courses and programmes for getting grants.

Today the social enterprise employs a permanent group of 10 young persons with mild intellectual disability (by law, these persons cannot be formally employed due to lack of work ability). In addition, it currently employs a stable team of persons and has a permanent volunteer team. Four persons are permanently employed for various administrative, programme and coordination tasks. There are labour coaches who work with persons with mild intellectual disability and a psychologist. Most of the volunteers are the parents of the young people included in the programme activities.

http://www.sens.rs/en/members-of-network/nasa-kuca

https://www.facebook.com/kuhinjanatockovima/?ref=py_c

Democratic and inclusive governance is the hardest criterion to detect when determining whether an association or a foundation is a social enterprise or not. The relevant laws propose an organisational structure for these entities that includes an assembly, a managerial board and a supervisory board, which should provide democratic governance. However, according to the law, an association can be registered by three private persons at a private address, while a foundation can be registered by a single person.[9]

Quite often representatives of stakeholders (founders, local administration, NPOs, traditional businesses) are allowed to participate in supervisory and managerial boards. However, participation of recipients (users of services, consumers, vulnerable groups) is rare. Exceptions include NPOs that have membership fees; in these cases, members tend to influence planning and decision making more significantly. Around 20% of NPOs in Serbia gain their income from membership fees and for a half of them this source accounts for more than 30% of their total budget (Gradjanske inicijative 2017).

The fact that only a small number of members of target groups participate in the work of social enterprises registered as associations or foundations restricts visibility of these social enterprises among the local population and thus limits their role in further development of social enterprise activities.

Cooperatives

The Act on Cooperatives regulates the legal status of cooperatives in Serbia. This law was revised in 2015 in order to encourage the development of the cooperative sector. The law recognises several types of cooperatives: farmers or agricultural, housing, consumers, artisan, workers, student/youth, social, and health; as well as other cooperatives for manufacturing, trade, services and other activities in accordance with this law. **Cooperatives are registered at the Business Registry and do business in accordance with the Act on Business Companies**.

Cooperatives are established on constitutive assembly where not less than five individuals sign the founding treaty. The founders are obliged to contribute either stakes or membership fees. Stakes might be financial or in kind, but if they are in kind, they must be expressed in monetary value. The minimum initial capital for establishment of a cooperative is defined at 100 RSD (less than one EUR). A cooperative can establish a cooperative or reserve fund. Distribution of profits and cover of losses are strictly regulated by the law, so as to protect property and the cooperative business. The forced liquidation of a cooperative is regulated by law, while the case of bankruptcy is regulated by the Act on Bankruptcy.

(9) With obligation to form a managerial board of at least three persons, one of which could be the founder of the foundation.

Legal provisions regulating cooperatives are more demanding than those of associations of citizens. This is why social enterprises are more prone to take the legal form of an association than a cooperative. Still, all types of cooperatives, at least formally, do in principle provide a favourable framework for running a social enterprise. If a cooperative can be regarded as a social enterprise depends on the social status (vulnerability) of its members and hence on the social goals pursued. **The law on cooperatives mentions specifically social cooperatives and it states that at least 50% of their profit should be reinvested to achieve social goals. However, this cooperative form is a novelty in Serbia and it is still very rare: there are only four cooperatives registered at the Business Registry that have "social" in their title**.[10]

Cooperatives in Serbia are more oriented towards promoting the interest of their members than those of the local community. However, some cooperatives are specifically aimed at supporting the interests of specific vulnerable groups (small farmers, poor artisans, unskilled workers) or delivering basic welfare services (health, housing, eradication of poverty) and can hence be regarded as social enterprises. Two studies on social enterprises in Serbia, done in 2007 and 2013, analysed the suitability of the cooperative form to the social enterprise concept (Cvejic ***et al***. 2008, SORS 2014). Both studies concluded that most non-agricultural cooperatives (i.e., health, youth, and housing cooperatives) do not fit the definition, because they were established in order to serve the interests of management and employees or because their business operations are directed solely at making profits.[11] The case of agricultural cooperatives is different, as the grassroots social enterprise "New Perspective" shows (illustration 2). In Serbia, agricultural cooperatives are most usually organisations of small farmers with the social aim of protecting this social group from falling into poverty. In urban areas, a similar argument is valid for impoverished craftsmen. **The introduction of the "social cooperative" form in the Act on Cooperatives emphasises the social-entrepreneurial character of this special type of cooperative. Therefore, there is no reason to treat other types of cooperatives as social enterprises**.

(10) The old social cooperative *Vivere* from Kragujevac, the craft-social cooperative "A rug" (*Ćilim*) from Novi Pazar, and two agricultural-social cooperatives, "New Perspective" from Pirot (presented in illustration 2) and *Kamenica* from Nis, established in March 2018.

(11) In these studies, an "adjusted" EMES definition (Defourny and Nyssens 2012) in line with the SBI definition was applied to select social enterprises. The following criteria were applied: income from the sale of products, goods or services; high degree of autonomy; taking economic risk in business operations; tendency towards paid work; benefit to the community or a certain group of people as a clearly defined goal; decision-making not based on the ownership of the capital. Profit organisations focused on maximizing profit were excluded.

Illustration 2. "New Perspective" (*Nova perspektiva*), Pirot

The agricultural-social cooperative "New Perspective" (***Nova perspektiva***) is an excellent example of a grassroots social enterprise with clear social goals that combines a smart use of local available resources with enhanced activism. It was established in 2010 through an EC-funded project.

This cooperative is located in one of poorest regions in Serbia, in the south-eastern city of Pirot. It was established by 10 families of small farmers and unemployed people owning a small piece of land. Among its founders, the cooperative also includes Roma, refugee and families of internally displaced persons. Its main objective is to reduce unemployment and poverty in the Pirot area. This is visibly confirmed in the activities of the cooperative that are broader than its core agricultural activity. Namely, the cooperative participates regularly (and successfully) in public work programmes, thus engaging unemployed persons from the National Employment Service records, mostly in jobs related to the cleaning and developing of public areas.

For a long time, the chairman of the cooperative assembly was a trade union activist. This experience and the support of the farmers' trade union played a significant role when ***Nova perspektiva*** was founded. Another important partner is the municipal administration, which supports the cooperative's participation in fairs and seminars. Cooperation with several NPOs is important, too. Nova perspektiva also receives free advisory assistance from the Agricultural Expert Services. Relevant stakeholders are the National Employment Service and the Chamber of Commerce.

The cooperative employs two persons through long-term contracts. Other members work as farmers on their own land or leased land. Seasonally, Nova perspektiva employs additional persons through public works. The business development and plans of the cooperative are firmly tied to the agricultural production and processing of agricultural products. During 2013, ***Nova perspektiva*** started with homemade fruit and vegetable processing in a completely traditional way. Today the business activity of the cooperative ensures the financial sustainability of the organisation. However, the cooperative also competes for donations through project applications with a view to expand its operations.

The cooperative advocates for wider social rights: it participates in a local coalition for the fight against poverty and in activities organised for the International Day for the Eradication of Poverty in the municipality of Pirot. ***Nova perspektiva*** is also very active in lobbying activities with municipal authorities. Its hard work earned ***Nova perspektiva*** the nickname of "the bulldozers".

http://www.sens.rs/en/members-of-network/nova-perspektiva

Work integration social enterprises (WISE) for people with disabilities

WISEs are the most straightforward type of social enterprise in Serbia. The Act on Professional Rehabilitation and Employment of Persons with Disability defines WISE as a form of employment and professional training for persons that are difficult to employ. WISEs can be public or private and are registered at the Business Registry. **Their economic activity is regulated by the Act on Business Companies, but they receive significant subsidies from the state and have priority when competing for public tenders**.

The law regulating these enterprises was revised in 2009 and the state pushed towards increased accountability and sustainability. As a result, some state-owned WISEs were closed down and some were restructured and privatised. Also, a few new private WISEs were established. Currently, **the whole sector is less dependent on state subsidies and performs much better financially, which also improved autonomy from the state**. The WISE Siloin (illustration 3) offers an interesting example of this transformation.

Besides paying salaries to employees, WISEs have to provide adequate training and psychological support to people with disabilities (PWDs). Moreover, they receive subsidies for salaries of employees with disability and benefit from having contracts with other business or public entities that fulfil their duty of employing a certain quota of PWDs by having a contract with a WISE instead.

Many WISEs have modernized their technology and diversified their spectrum of products in the last years, thus showing a capacity for sustainable growth and increased employment of PWDs.

Illustration 3. *Siloin*, Kovin

Siloin is a typical success story of a WISE in Serbia. It shows how the former 'protective workshops', completely dependent on state budget subsidies, can transform into successful businesses, while still having more than a half of their employees with a disability. *Siloin* was founded as a subordinated enterprise of the company *Utva Silosi* in order to take care of the employed workers of the parent company who had diminished working ability due to health issues. In 2001 Siloin was registered as independent WISE.

Utva Silosi deals with the manufacturing and assembly of silos and other equipment, and it is organised as a joint-stock company. Thanks to its technological capacity and diversified economic activities, *Utva Silosi* now manufactures boats, containers and

other products made of sheet metal. They have their own shops and wholesale outlets, they trade not only with the goods they produce themselves, but also with goods they buy from their parent company or from other suppliers, and they also manage the complete waste of *Utva Silosi.*

During the past three years, the enterprise has operated with significant profit due to the expansion of cooperation with businesses that fulfil their legal obligation to employ persons with disability by signing a contract of business and technical cooperation with a WISE. Also, just as in the case of other enterprises of this type, the state subsidises a part of the salaries of the employed persons with disability, but the tax and other obligations to the state are the same as the ones other limited liability companies have. However, in addition to the aforementioned subsidies, *Siloin* regularly succeeds in winning bids that the ministry in charge provides on the basis of public calls for the purpose of enhancing the working conditions of persons with disability and/or for the procurement of equipment and current assets.

Today *Siloin* has 25 employees, 14 with disabilities. The enterprise draws on experts' support (consisting of a social worker and an instructor) as prescribed by law.

http://www.utva.rs/english/index.html; http://www.uips.rs/proizvodnja-betona/143-siloin-doo

The law does not require formal participation of stakeholders in the managerial board of WISEs. However, since WISEs in Serbia are obliged to have at least 50 per cent of PWDs among their employees of which at least 10% require special conditions in the work place, it is usual for WISEs to cooperate with associations of PWDs and support their mission. Also, the state has a direct impact on the performance of WISEs through the provision of regular financial subsidies and through monitoring of the implementation of standards for employment of PWDs.

WISEs in Serbia are small in number but quite visible thanks to advocacy and promotional activities of associations of PWDs. Also, WISEs have their own association through which they promote their social aims, exchange experiences, empower new WISEs, make business contacts and raise awareness among the wider public about the employability of PWDs.

There is no formal constraint on profit distribution in WISEs, but they are obliged to provide constant support to PWDs in the workplace and to improve their working conditions through training and advanced technologies. For the latter they can compete in tenders for support provided by the state.

Spin-off enterprises (limited liability and joint-stock companies)

Social enterprises in Serbia appear least frequently as joint-stock companies. **These social enterprises are most usually subsidiary companies founded by associations in order to financially support their social goals and operate as spin-offs and business incubators**. In other cases, they are founded by local or national administrations to operate as development agencies. **They are registered at the Business Registry and do not differ formally from other business companies. However, rules and restrictions are set in their statutes and internal regulations, which are usually strongly influenced by their founders**. This circumstance on the one hand restricts their autonomy, but on the other ensures the pursuit of their social mission and the control over profit distribution. The restriction of profit distribution is regulated by the contract between the founder (an association of citizens or a foundation) and the subsidiary entity (social enterprise), **usually directing more than 50% of profit to the founder for pursuing its social aims**. In the case of bankruptcy, social enterprises set up as limited liability and joint-stock companies follow the standard procedure regulated by the Act on bankruptcy.

Business incubators and development agencies are mainly service providers delivering training and management support to other social enterprises. Spin-offs are conducting different types of businesses: organisations providing food processing, catering, manufacturing, home help to elderly and day care centres. Very often their business relies on innovative ideas, e.g., implementing advanced IT in work engagement of persons with slight intellectual difficulties, introducing new types of food in the local market, and recycling natural materials in manufacturing. Their social dimension can also be incorporated in their products or services delivered. Examples include services targeting vulnerable groups that would otherwise be completely excluded (e.g., help at home for the elderly from rural settlements, providing meals to refugees, or empowering vulnerable women through various trainings).

These types of social enterprises often support their mother organisations/institutions, not only financially but also in social activism and promotion of inclusive and sustainable societies.

Social enterprises registered as business companies often obtain income from other sources; they receive donations and in-kind support from local administrations. When we discuss social enterprises as spin-offs of other legal entities (in practice most usually limited liability companies established by NPOs), Bagel Bejgl from Belgrade is a recent success story (see illustration 4).

Illustration 4. *Bagel Bejgl,* Belgrade

Bagel Bejgl was established in 2015 by "Atina", the leading NPO dealing with victims of human trafficking and vulnerability of migrants.

Bagel Bejgl conducts several activities. The first is food production and catering. The shop serves individual customers in its premises and also provides catering (bagel sandwiches, canapes, soups and hot meals) to 24 business companies, two banks, 36 NPOs, four embassies, two universities and two public institutions. An additional activity carried out is education; e.g., several dozen women victims of human trafficking completed training in cooking. A third activity is the conduction of promotional campaigns to raise awareness of local population and stakeholders about the trafficking of human beings. ***Bagel Bejgl*** also conducts humanitarian activities, primarily through supporting "Atina" in empowering victims of trafficking of human beings (several hundred women and children).

Bagel Bejgl makes the most of its income from sales: 30% in the shop and 70% from catering. It also receives donations and in-kind support from local administrations. It is worth noting that the shop run by Bagel Beigl had a positive balance already in the first year. Today they provide long-term employment for six women (most of them are victims of trafficking) and more on short-term contracts. They also engage four volunteers.

In 2018 Marijana Savic, the founder of Atina, won the UN WE EMPOWER global award for women entrepreneurs contributing to UN Sustainable Development Goals.

http://www.bagel.rs/english.html

https://www.facebook.com/BagelBejgl

Inclusive governance is implemented in these types of social enterprises only indirectly through the participation of the founders, who represent the interests of specific vulnerable groups or some broader interests of the community. There are no legal obligations to implement decision-making processes that allow for a well-balanced representation of the various interests at play.

Usually, beneficiaries do not have the possibility to directly influence business plans of limited liability and joint-stock companies, except for those beneficiaries that are also employees. However, most of these social enterprises are aware of their social mission and responsibility for awareness-raising in the community. These organisations normally question their clients and/or beneficiaries about their needs and pay attention to their suggestions either through daily service delivery or through surveys.

2.2. Legal evolution

Based on recent research, the concept of social enterprise is not recognised by the legal system in Serbia. This notwithstanding, the importance of the social enterprise concept and the key role played by these types of enterprises is largely acknowledged by third sector organisations, academic and policy experts. However, there is **not one legal act that regulates this domain in a comprehensive manner** (Cvejic *et al.* 2011). There are, though, **several acts and strategies providing regulations that contribute to creating a favourable environment for the development of social enterprises**. These include the following: the Social Protection Act, the Act on Professional Rehabilitation and Employment of Persons with Disability, the Act on Associations of Citizens, the Act on Endowments and Foundations, the Company Act, the Cooperative Act, the Act on Volunteering, the Profit Tax Act and the Value Added Tax Act (Cvejic ***et al***. 2011). Recently, revisions of some acts directly introduced the concept of social enterprises, which opened up more space for their further development. **Now the notion of social enterprise is mentioned in the Act on Social Protection and Provision of Social Security of the Citizens and in the Act on Professional Rehabilitation and Employment of Persons with Disability, while the new Bill on Cooperatives acknowledges a new "social cooperative" form**. In addition, the new act on associations of citizens gives these legal subjects the possibility to earn income from performing activities, which in fact enables them to operate as social enterprises (SORS 2014).

Noteworthy is the attempt by the government to draft the Act on Social Enterprises. In 2012, the Ministry of Labour, Employment and Social Policy established a working group with the task to prepare the Draft Act on Social Enterprises. The proposal of the draft act was criticised by associations of citizens advocating for social enterprises and by financial and legal experts for reducing the social enterprise concept only to the employment of vulnerable groups, burdening existing organisations with an obligation to transfer 50% of their profit into a state fund and limiting the level of profit that social enterprises can make. Many associations of citizens and social enterprises appealed against the draft at a parliamentary hearing and stopped its drafting (Smart Kolektiv 2017).

In 2015, a new working group was formed by the Ministry of Labour, Employment, War Veterans and Social Affairs to continue working on the proposal of the act.[12] The new proposal made significant improvements, but the understanding of social enterprise was still limited to the employment of difficult-to-employ groups, incentives to social enterprises were quite modest and the foreseen role played by local administrations in the establishment and registration of social enterprises was too big. After the initial

(12) The new name for the ministry in charge of social affairs.

draft was presented, the Coalition for the Development of Social Entrepreneurship (CDSE) submitted their suggestions for improvements.[13] The process was halted at that point because of parliamentary elections in April 2016, but the working group resumed its activities in December 2017. **The proposal of the act was further improved. This time, the Ministry representatives announced that they expect civil society representatives to make proposals with a view to better regulate associations of citizens, as they are the most frequent social enterprise type**.

(13) The Coalition for Development of Social Entrepreneurship (CDSE) is the network of organisations dedicated to the advancement and development of social economy in Serbia. The Coalition was founded in 2010 and consists of European Movement in Serbia, Group 484, Initiative for Development and Cooperation (IDC), SeConS, Smart Kolektiv and Trag Foundation.

3

MAPPING

Since there is neither a specific legal act, nor a separate registry on social enterprises in Serbia, the only way to learn about social enterprises is from the research completed so far. While there are several reports that provide data on the types of social enterprises and their ecosystem (Parun ***et al***. 2008, Shrestha 2013, Smart Kolektiv 2017), the only two studies that attempted to quantify social enterprises in Serbia were published by Cvejic ***et al***. in 2008 and by SORS in 2014. These two studies included cooperatives (mostly agricultural) as a type of social enterprise but they are excluded in the data will be presented here.

3.1. Measuring social enterprises

The lack of a registry of social enterprises in Serbia and the fact that they cover various legal forms, makes it very difficult to get data about them. The only registry that provides undoubted information about one type of social enterprises is the registry of enterprises for employment and professional rehabilitation of persons with disabilities at the Ministry of social affairs (46 of them). For all other types, additional criteria should be applied in order to distinguish social enterprises from organisations covering the same legal forms (e.g. associations of citizens). This would be an enormous workload if done regularly since the criteria for defining social enterprise are not a part of regular annual reporting and this information would have to be collected through direct contact with over 20,000 associations of citizens and over 2,000 cooperatives in Serbia. It is even more difficult to detect organisations that fit the social enterprise definition among businesses registered at the Business Registry.

Data presented in this mapping exercise are based on two large scale quantitative studies of social enterprises carried out in 2007 and 2013, both using identical methodology and operational definition of social enterprise.[14]

Although the social enterprise sector is rather small in Serbia, a significant increase was registered from 2007 to 2012. The new Act on Professional Rehabilitation and employment of PWDs imposed higher management responsibility

(14) The data and elaboration in this chapter are based on two projects, some qualitative findings from other reports and the author's direct experience. The first research was commissioned by UNDP and conducted in 2007 by SeConS. The book comprising major findings was published in 2008 (Cvejić ***et al***. 2008). The second research was commissioned by DG Enterprise in 2013 and conducted by the Statistical Office of the Republic of Serbia in cooperation with SeConS and Group 484, based on 2012 data. Major analytical results were published in SORS, 2014. The author of these studies participates in the CDSE and the working group of the ministry in charge of social affairs for drafting the Act on social enterprises and he is member of several juries for selection of grantees of financial or in-kind donations since 2011.

and more strict financial discipline to this group of enterprises. As a result, some WISEs were shut down. At the same time, the number of spin-offs has decreased, while the number of social enterprises in the form of associations and foundations has increased significantly. The new Act on Associations of Citizens had an important role in this regard by opening the possibility to associations and foundations to earn income by performing economic activity. Another important factor explaining this increase is the experience accumulated by these entities and the promotional and educational programmes that have been implemented in Serbia. This is confirmed by the increase in the number of organisations that provide this sort of support (e.g. development agencies and business incubators). These trends are presented in table 1.

Table 1. Size and structure of the social enterprise sector, 2007 and 2012

Type of social enterprise	2007	2012
Associations of citizens and foundations	162	306
WISEs	55	45
Development agencies	13	32
Business incubators	8	18
Spin-offs	24	8
Other	2	2
TOTAL	264	411

Source: Cvejic ***et al***. 2008 and SORS 2014.

Regional disparity in the number of social enterprises has increased. The northern province of Vojvodina where around 30% of the Serbian population lives has 45% of all social enterprises. All other regions (Sumadija and Western Serbia, Southern and Eastern Serbia and Belgrade) have proportionally less social enterprises. It is only the capital of Belgrade that witnessed a decrease in the number of social enterprises between 2007 and 2012 (see table 2).

Table 2. Regional distribution of social enterprises, 2007 and 2012

Region	2007	2012
Belgrade	63	43
Vojvodina	82	188
Sumadija and Western Serbia	71	100
Southern and Eastern Serbia	48	80

Source: Cvejic ***et al***. 2008 and SORS 2014.

Concerning the employment capacity of social enterprises, the comparison between 2007 and 2012 data shows that the huge increase in the number of social enterprises in the form of associations and foundations did not lead to an increase in employment. **The 2013 survey revealed that social enterprises employ 4,273 workers, which was 0.25% of the total number of employees in the Republic of Serbia**, almost no increase when compared to the 2007 survey when there were 4,184 employees in social enterprises (Cvejic ***et al***. 2008). Although WISEs remained the major employer in the sector in 2012 as compared to 2007, **there was an increase in the number of employees in NPOs and a decrease in WISEs** (table 3).

Table 3. Number of employees according to type of social enterprise, 2007 and 2012.

Type of social enterprise	2007	2012
Associations of citizens and foundations	1,490	1,738
WISEs	2,422	2,081
Development agencies	64	335
Business incubators	20	57
Spin-offs	188	62
TOTAL	4,184	4,273

Source: Cvejic ***et al***. 2008 and SORS 2014.

Additional information better explains the **tendency to decrease the average number of employees in social enterprises registered as associations and foundations: this decrease happened primarily at the cost of short term and occasional employees**. The number of employees dropped significantly due to a decline in funding

for the third sector. **On the contrary, the number of full-time employees in this type of social enterprise actually increased by more than three times between 2007 and 2012** (Cvejic 2016). At the same time an increase in the number of engaged volunteers was registered. In five years, between 2007 and 2012, volunteers grew by a factor of seven, reaching over 23,000 in the latter year. Almost all of them were engaged in associations of citizens and foundations.

At this point we could add that the latest qualitative insights into the development of social enterprises in Serbia mostly confirm findings from quantitative research; there has been a significant shift in the structure of social enterprises and new ones continually appear. At the latest competition for financial support by the UniCredit foundation in 2017, 13 candidates were selected for the final round. Among them there were four old enterprises, an additional two that were well established, and seven new initiatives. Most of the new initiatives are associations of citizens, but there is also one agricultural social cooperative and a few business companies. Work integration, social care services and production of food are the three dominant economic activities performed by the new social enterprises. While some of them show great capacity in networking and connecting different actors to provide the needed support, others have implemented innovative ideas in business and work integration.

3.2. Social enterprise characteristics

In Serbia social enterprises earn income from performing activities in different fields, the most frequent being education and training, tourism, accommodation, food-related services and catering, printing and copying and manufacturing (SORS 2014).

The 2013 survey showed that social enterprises were an insignificant employer in the Serbian economy, the same as in the 2007 survey. However, a significant shift occurred among the types of social enterprises as employers, bringing associations and foundations much closer to WISEs as the major employer.

Generally, there were slightly more men than women employed in the sector in 2012. Although employees with a university education are overrepresented in the sector, employees with secondary-school education accounted for the biggest share. When it comes to the age structure of employees, half of the total number of employees in social enterprises consisted of the “more difficult to employ” category–51 and over and 30 and under. When it comes to the quality of employment observed as the type of employment, **a large majority of employees in social enterprises had permanent**

employment, while the share of occasionally employed (temporary contract, occasional assignments, service contract, etc.) was modest.

Finally, a democratic approach in management and participation of employees and members in decision-making is also an important characteristic of social enterprises. The 2014 study has shown that **direct participation in decision-making occurred through the assembly of employees/members in less than half of social enterprises and that there was an emphasized role of executive boards in decision-making in associations of citizens and of directors in WISEs**.

When these characteristics are observed disaggregated by type of social enterprise, a few notable differences appear. Concerning economic activities, WISEs traditionally deal with the manufacture of goods. Social enterprises registered as associations and foundations are primarily focused on service activities for two reasons: 1) they choose activities that require less investment and are easier to start up and adjust to the available resources; and 2) they are predominantly focused on their membership and the target groups whose interests they advocate. Concerning employment, WISEs are the biggest employers, while social enterprises registered as NPOs and business companies are more focused on delivering services and providing financial support to vulnerable groups rather than on employing them.

4

SOCIAL ENTERPRISE POLICY FRAMEWORK

The process of cultural and political approximation to the European Union has a major impact on the appearance of modern social enterprises in Serbia. Apart from cooperatives and WISEs that were already undergoing a transformation on their own, the concept of social enterprise came into wider use through two research projects in the mid-2000s[15]. At first used only by researchers and a few practitioners, the concept of social enterprise slowly became widespread and even appeared in one strategic document (National Employment Strategy 2011-2020) and one act (Act on Professional Rehabilitation and Employment of Persons with Disability 2009).

There are more than 500 social enterprises in Serbia despite there being no one institution responsible for social enterprises, nor a specific act that regulates this area.[16] **Indeed, social enterprises in Serbia are emerging in an evolving institutional framework without targeted support**. Prevailing opinion among the stakeholders is that the existing legal and policy framework is an obstacle rather than a stimulus for the development of social enterprises. More precisely, the existing legal framework is providing an opportunity for the establishment of social enterprises, but it does not apply the term "social enterprise" (with a few minor exceptions) and does not provide for any support measures. **There is also neither a sectoral nor another type of strategy dealing with the development of social enterprises**.

The only central level public entity dealing directly with social enterprises is the working group of the Ministry of Labour, Employment, War Veterans and Social Affairs, but it is only drafting the Act on social enterprises and not providing direct support to social enterprises. **However, the Ministry expressed the intention to establish a permanent team for monitoring the sector and coordinating key policies relevant for social enterprises. Until that happens, the most relevant central level actor with regard to social enterprises is the Social Inclusion and Poverty Reduction Unit (SIPRU) of the Government of Serbia**. "SIPRU was formed by the government of Serbia in 2009, with a mandate to strengthen government capacities to develop and implement social inclusion policies based on good practises in Europe… SIPRU has recognised social entrepreneurship as a good mechanism for social inclusion and economic empowerment of marginalized groups, for provision of social services and for the development of rural and underdeveloped municipalities" (Smart Kolektiv 2017: 9).

(15) The first research, funded by the Swedish International Development Agency, was conducted by the Belgrade-based citizen organisation "European Movement in Serbia" (EMinS) and resulted in the Parun Kolin and Petrušić (2007) publication. The think tank "SeConS - development initiative group" based in Belgrade carried out the second one, financed by the United Nations Development Program, and which published its findings in Cvejić ***et al***. (2008).

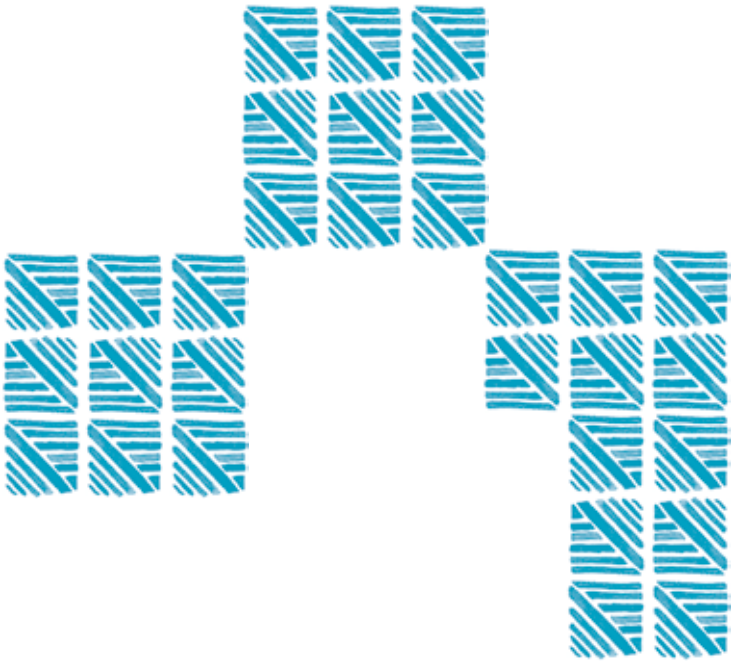
(16) To 411 from year 2012, presented in table 1, it was added an estimated rate of increase among NPOs and a few cooperatives of different kinds that would fit the definition of social enterprise.

Another relevant public body is the Belgrade Centre for Social Entrepreneurship. The centre was founded in 2013 by the City of Belgrade with the aim of providing educational and training programmes to develop social enterprises at local level, but so far it has mostly implemented employment rather than entrepreneurship programmes.

"In recent years, there has been more support from large companies through CSR activities, and through networks such as the Responsible Business Forum. Companies provide pro bono assistance, promotion, finance, access to market, in-kind donations and other types of support" (Smart Kolektiv 2017: 1).

Another important policy initiative was the signing of the ***Belgrade Declaration on the Development of the Social Entrepreneurship***. In 2014, 489 civil society organisations from the Western Balkans and Turkey signed this Declaration with a goal to point out to decision-makers both in their countries and in the EU the importance of the development of social economy as a relevant model for the socially sustainable development of the entire region. The signatories referred to the Strasbourg Declaration as a starting point for national policies.[17]

(17) http://europa.eu/rapid/press-release_MEMO-14-62_en.htm



5

PERSPECTIVES

5.1. Overview of the social enterprise debate at national level

In Serbia, the major debate about social enterprises unfolds between the public administration and the CDSE as the representative of the third sector including social enterprises. The central issue is the new draft of the Act on social enterprises, but the discussion actually includes important aspects of the ecosystem for social enterprises: legal provisions, financial support, and institutional support. However, this is not simply a debate between two actors as there exists within the working group for drafting the Act an alliance between representatives of the civil sector, the National Alliance for Local Economic Development (NALED), the Ministry of Economy, and the Office for Cooperation with Civil Society built around a similar vision of strategic development of social enterprises in Serbia. These actors agree that drafting the Act would be useless if the Ministry of Finance does not approve articles that provide financial support and if associations of citizens are not entitled to be social enterprises under the specified criteria. There is an opinion that, instead of producing a restrictive law, it would be better if Serbia had a strategy for the development of social enterprises with a realistic action plan and the funds for social innovation to support further development of social enterprises.

Another topic of debate at national level is the unfolding within the sector of social enterprises and organisations supporting them. **It concerns the issue of strengthening the networks that provide support to social enterprises and further empower them. Such empowerment would be based on the development of entrepreneurial skills of social enterprise founders and managers' as well as an increased advocacy capacity**.

5.2. Constraining factors and opportunities

As revealed in the 2013 survey, social enterprises in Serbia meet significantly more obstacles than incentives in their business operations (SORS 2014). **The biggest problems faced by social enterprises include the lack of financing sources, low prices of products and services, and uncollected debts, as well as the lack of care for the sector by the state**. Additional problems are inadequate legal regulations and unfair competition. Besides the lack of financing, different types of social enterprises point to other problems. Associations of citizens and foundations complain about the important problem of the lack of care on the part of the state; for

limited liability companies the worst problem is inadequacy of legal regulations; while WISEs point to low prices of their products and services.

At the same time, there is variety of stakeholders and platforms that provide policy incentives, training or financing for social enterprises (Smart Kolektiv 2017). Civil society is recognised as a major promoter and booster of the development of the social enterprise ecosystem in Serbia. Being oriented primarily towards advocacy, lobbying and training activities, the CDSE has been very active in promoting the concept among different stakeholders, analysing the environment and the legal framework, advocating for an enabling environment and offering direct support to social enterprises. Another network in the field, Social Economy Network Serbia (SENS) is the only national network that brings together social enterprises.[18] The network provides promotion, networking and access to market for its members, but also raises general awareness of social enterprise models and success stories. SENS currently has 40 members from all over Serbia, including NPOs, WISEs, business companies and cooperatives. SENS was founded in 2011 by *Group 484 with the support of the Italian UniCredit Foundation*. The SENS network is managed by Smart Kolektiv and the Initiative for Development and Cooperation (IDC). Unlike the Coalition, whose main purpose is advocacy and policy advice, SENS is a network of practitioners, mostly social enterprises seeking assistance in the promotion and sales of products and services, in networking and training.

Partnerships between social enterprises and local institutions exist not only in the sphere of providing services, but also many other areas. **Several local administrations provide business premises or arable land for use by social enterprises**.

Partnerships between social enterprises and the business sector are also on the rise. There are more frequent cases in which enterprises from the business sector buy products or services from social enterprises or assist them through monetary donations and promotion (Shrestha 2013).

A major role in the promotion of social enterprises, as well as in the creation of a favourable environment for business operations, is played by the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia (SIPRU). The team deserves the credit for bringing the idea of social enterprises closer to the Government's bodies, for setting up initiatives for amendments and supplements to the laws that relate to social enterprises, and for linking together different sectors in the Government when it comes to the issues related to the development of social entrepreneurship. At the same time, the SIPRU cooperates very closely with the CDSE and with social enterprise players in Serbia, the region and the EU.

(18) http://www.sens.rs/

5.3. Trends and future challenges

There is no formal institutional framework designed to support social enterprises, but there are initiatives of public bodies (Ministry of Labour, Employment, War Veterans and Social Affairs, SIPRU, Office for Cooperation with Civil Society) to bring some order into the approach to this sector. These are all signs that **social enterprises in Serbia have evolved from an initial stage to a stage of institutionalisation**. This statement is based on the characteristics of social enterprises and their ecosystem in Serbia. **The sector is small, but active and it includes inspiring experiences of social enterprises and concrete support from the surroundings (through different programmes and projects). Moreover, there are authentic new experiences recognised in several legal forms**. Organisations stemming from civil society show awareness of the role and capacities of different actors in reaching social cohesion; they are mature and creative enough to profile their activities toward that common direction. In the period of severe crisis, the number of social enterprises grew and the number of employees was sustained. While the function of social employment they fulfil may not have strengthened, their social activism has, as well as their presence in the community and their ability to solve social problems. Besides that, the examples of good cooperation between the administration, the private sector, and social enterprises at the local level are more prominent, which shows that social enterprises as a form of social economy can play a significant role in inclusive local development.

Associations of citizens are the key players for future developments insofar as they represent the core of the small, but dynamic sector towards which policies and institutional solutions should be addressed. Those policies and institutional arrangements will enable autochthonous development of social enterprises and a gradual decrease in dependency from donations. More interaction between the public and civic sector could solve many social and developmental problems, especially at the local level. It would be even better if the business sector would intensify cooperation with social enterprises in its corporate social responsibility policy. This is why the interaction should be tripartite, both in defining the social goals and in making support policies, including the financial one.

It seems that many eyes are turned towards the debate on favourable legal forms for the development of social enterprises initiated by drafting of the Act on social enterprises. But aside from WISEs that are regulated by a separate law, the recognition of social cooperatives in the revised Act on cooperatives seems promising for further development of social enterprises. However, there have only been four such cooperatives registered in three years, and many social enterprises that call themselves cooperatives (such as some cooperatives of waste collectors) are actually registered as associations because it is a much simpler administrative procedure, with less costs, and yet with

enough possibility to conduct economic activity. Therefore, it is not surprising that only social enterprises registered as NPOs are growing in number.

On the other hand, the number of programmes that provide financial support and capacity building to social enterprises is increasing and this partial improvement in the ecosystem is already boosting the sector (Smart Kolektiv 2017). A carefully prepared study of this trend might provide valuable information for further improvements in policy framework. For example, if the Act on associations were changed for any reason so as to restrict the economic activity of these entities, the whole sector of social enterprises might be exposed to existential risk and shift to another legal option. It would be good to know what this option should look like and prepare it in advance. **At the moment it seems more reasonable to design a mid-term strategy for development of social enterprises in Serbia and establish a fund for financing promising initiatives, than to fix everything in a single law, without providing encouraging financial incentives and management support**.

6

APPENDICES

Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of "social enterprises" based on the Social Business Initiative (SBI) promoted by the European Commission.

Main dimension	**General definition**	**Relevant Indicators** *(not exhaustive list)* (yes/no or range from low up to very high)	**Initial minimum requirements** (yes or no)	**Examples/boundary cases comments**
Entrepreneurial/ economic dimension	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the **typical characteristics that are shared by all enterprises**[19].	> Whether the organisation is or is not incorporated (it is included in specific registers). > Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). > Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. > Whether there is an established procedure in case of SE bankruptcy. > Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income). > Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. > Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services.	SEs must be market-oriented (incidence of trading should be ideally above 25%).	> We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).

(19) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, **"an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities."**

Main dimension	**General definition**	**Relevant Indicators** *(not exhaustive list)* (yes/no or range from low up to very high)	**Initial minimum requirements** (yes or no)	**Examples/boundary cases comments**
Social dimension (social aim)	The social dimension is defined by the aim and/or products delivered. Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives. Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.	> Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members. > Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions. > Whether SEs' action has induced changes in legislation. > Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing.	Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.	> The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level. > In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. educational services up to water supply). > What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what "public benefit" means in her/his country.

Main dimension	General definition	**Relevant Indicators** *(not exhaustive list)* (yes/no or range from low up to very high)	**Initial minimum requirements** (yes or no)	**Examples/boundary cases comments**
Inclusive governance-ownership dimension (social means)	To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.	> Whether SEs are open to the participation and/or involvement of new stakeholders. > Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels -give voice to users and workers in special committees?). > Whether a multi-stakeholder ownership structure is imposed by law (e.g. France). > Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to. > Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). > Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long term. > Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. > Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).	SEs must ensure that the interests of relevant stake-holders are duly represented in the decision-making processes implemented.	> Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time – hence giving ground to a multi-stakeholder ownership asset. > SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders if enhanced through inclusive governance) or public agency. > Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).

Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations of citizens, Foundations, Cooperatives, WISEs, Development agencies, Incubators	Economic Impact of Social Enterprises in the Republic of Serbia Research project	Statistical Office of the Republic of Serbia (NSO)	2012 Una tantum	√	√	N.A.	4 - Official data from the research project commissioned by the EU Commission-DG Enterprise and conducted by the Serbian NSO in 2013/2014, based on Business Registry data and annual statistical reporting Data are available by legal type
Spin-off enterprises (Limited Liability Companies)	Economic Impact of Social Enterprises in the Republic of Serbia Research project	NSO	2012 Una tantum	N.A.	N.A.	N.A.	2 - Partial data, based on experts' assessment, since it is not possible to distinguish SEs amongst Limited Liability Companies
Associations of citizens, Foundations, Cooperatives, WISEs, Development agencies, Incubators, Spin-off enterprises (Limited Liability Companies)	Mapping of Social Enterprises in Serbia Research project	SeConS - Development initiative group Think tank, NGO	2012 Una tantum	√	√	N.A.	4 - Data from a research project commissioned by UNDP Serbia and conducted by SeConS

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