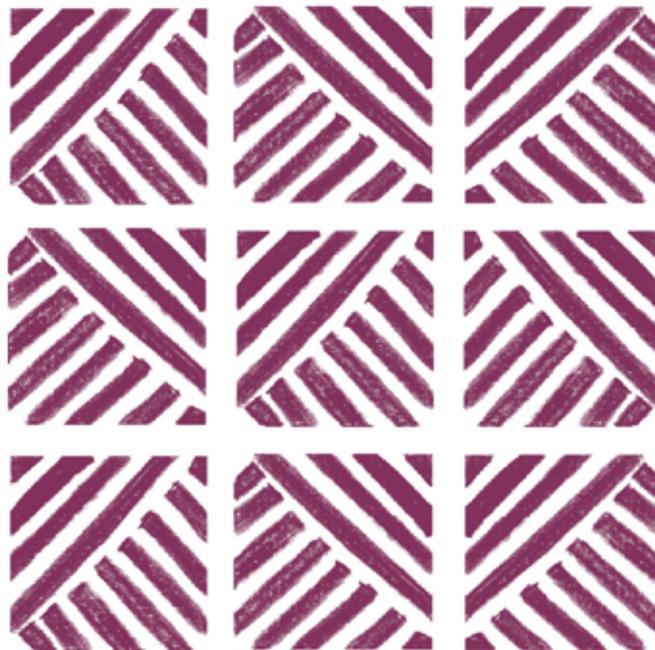




European
Commission

SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE



Country fiche

FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Klimentina Iljevski
Aleksandra Iloska

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 Former Yugoslav Republic of Macedonia 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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MACEDONIA**

Klimentina Ilijevski
Aleksandra Iloska

This fiche provides an overview of the social enterprise landscape in the Former Yugoslav Republic of Macedonia 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 eco-systems 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](#)). Klimentina Ilijevski and Aleksandra Iloska from the Association for research, communications and development PUBLIC were 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			
29	Serbia	Fiche			
30	Slovakia	Report			
31	Slovenia	Report			
32	Spain	Report			
33	Sweden	Report			
34	Switzerland	Report			
35	Turkey	Fiche			
36	United Kingdom	Report			

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List of acronyms

- > **CEED** Center for Entrepreneurship and Executive Development
- > **EBRD** European Bank for Reconstruction and Development
- > **EMES** EMES International Research Network
- > **EU** European Union
- > **Euricse** European Research Institute on Cooperatives and Social Enterprise
- > **IPA** Instrument for Pre-Accession Assistance
- > **NPO** Non-profit organisation
- > **SCP** Swiss Cultural Programme for Western Balkans
- > **VAT** Value Added Tax
- > **WISE** Work integration social enterprise
- > **USAID** United States Agency for International Development

List of illustrations and tables

- > **Illustration 1.** “Face to face” (*Лице в лице*)
- > **Illustration 2.** “Good Earth” (*Добра Земја*)
- > **Illustration 3.** “ZUR Macedonia” (*ЗУР Македонија*)
- > **Illustration 4.** “One Made” (*Една прави*)

- > **Table 1.** Number of identified social enterprises and their workforce

Executive summary

Background

The history of social enterprise practice in the former Yugoslav Republic of Macedonia is closely linked to the socialist self-management nurtured at the time of Yugoslav Federation and the appearance of different forms of economic cooperation promoting solidarity and mutual self-help. Initiatives identified during the socialist era (cooperatives, sheltered workspaces, and social organisations and associations) can be seen as a positive legacy that paved the way for the emergence of today's social enterprises. Today, beside the Yugoslav legacy, beyond the formally established legal forms as identified above, there are initiatives such as crafts organisations and the informal waste picking sector that can be located in a “grey area” of social enterprise borders, but hold the potential to evolve into social enterprises.

The ongoing EU integration process played a key role in boosting the development of social enterprises in the former Yugoslav Republic of Macedonia. This process resulted in two key reforms that encouraged the rise of social enterprises, namely in the sector of market-oriented associations and in the social welfare system with the adoption of a decentralised approach.

Concept and legal evolution

In the former Yugoslav Republic of Macedonia, social enterprise and social entrepreneurship emerged in the third sector discourse during 2009-2010. The concept of “social enterprise” was introduced by the third sector to refer to the work integration social enterprises that emerged from: associations providing work engagement for disadvantaged people and associations working on deinstitutionalisation of persons with disabilities.

The existing legal system in the former Yugoslav Republic of Macedonia does not recognize or regulate social enterprises. Nevertheless, the absence of regulatory framework does not have negative impact nor prevents the development of the social enterprise practice in the country. The Acts that regulate the operation of associations, cooperatives and sheltered workspaces nurture the development of legal forms that hold the potential to develop as social enterprises. Yet, the predominant legal form of social enterprise is association.

In order to improve the environment for social enterprises, the Ministry of Labour and Social Policy released an Act on Social Entrepreneurship released in 2015. The objective of this Act was to create a clear segment of regulation concerning the social enterprises. According to the opinions of social entrepreneurs, the Act was very restrictive, especially

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in terms of the requirements and obligations envisaged for use of the special fund for employment of marginalised groups. After five versions of the draft Act, the idea for regulation of social enterprises was withdrawn under the pressure of existing social enterprises. In the next period there will be a focus on the development of a strategy for social enterprises based on research evidence.

Mapping

The variety of legal forms covered by social enterprises in the former Yugoslav Republic of Macedonia, along with the absence of precise data on which of the entities fully correspond to the EU operational definition on social enterprise, make the precise estimation of the size of the sector a rather difficult task. There is a lack of a systematic overview of social enterprises in terms of number of organisations and employees, profile and business performance, potential obstacles, access to finance, business support, and types of customers.

Policy framework

The former Yugoslav Republic of Macedonia has a constitutional and legal basis for developing the concept of social enterprise. On the level of governmental strategies, the concept is usually introduced through broader strategies for cooperation with the civil society sector, recognising social enterprises as facilitators of the transition of disadvantaged people from social exclusion to the open labour market.

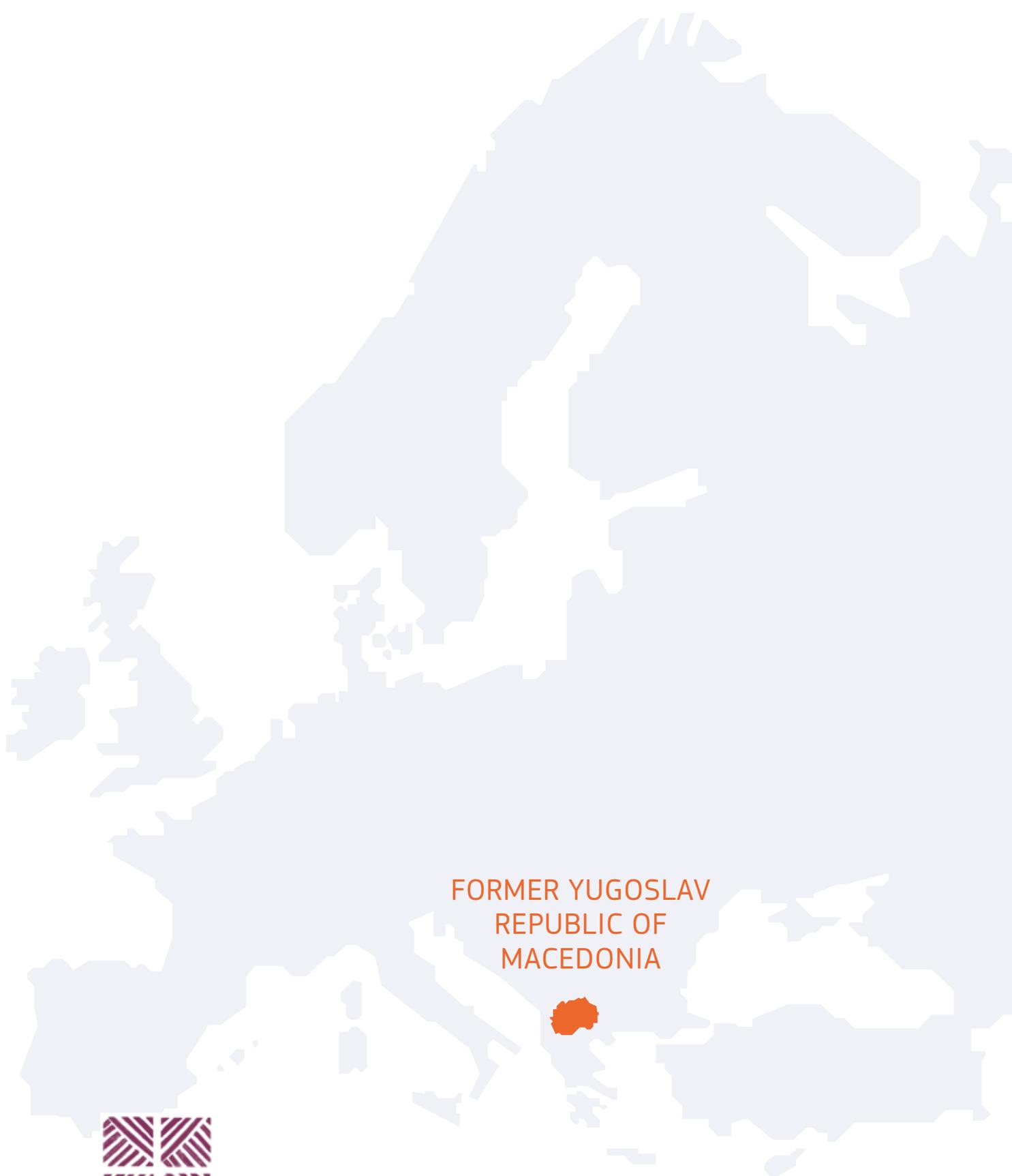
The operational plan for active measures for employment is a key policy document providing specific measures for the development of social enterprises for the first time in late 2017. The operational plan introduced two measures that explicitly targeted social enterprises providing financial and advisory support to steer their development. However, the planned support proved inadequate to existing social enterprises so, as a result, the new operational plan anticipates financial support only for the creation of jobs for disadvantaged people in social enterprises.

Perspectives

Social enterprises constitute an emerging sector, without significant repercussions on the Macedonian economy yet. Their potential in terms of increasing social inclusion, boosting local socio-economic development and opening decent workplaces for marginalised groups has not been fully harnessed yet. These entities operate in a challenging ecosystem with a lack of capacity and knowledge at the institutional level and an absence of a favourable fiscal framework. On the other hand, the key factor supporting social enterprise development in the former Yugoslav Republic of Macedonia is the presence of strong social enterprise leaders, who promote and raise

awareness of the concept and motivate the development of other social enterprises through individual mentoring, conferences, roundtables, media appearances, meetings, etc. Moreover, continuous cooperation among all stakeholders who are part of the ecosystem occurs.

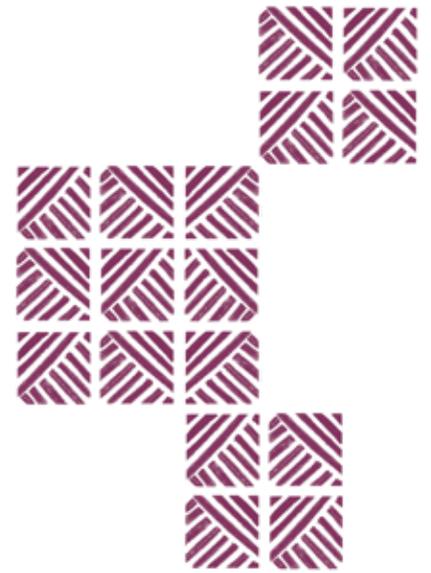
There are a few positive trends in the sector, such as the Act on Social Protection, currently under development, which will introduce the possibility for social agreements reserved for existing social enterprises as well as the entry of the former Yugoslav Republic of Macedonia into the EU. In parallel to this, the Ministry of Labour and Social Policy in cooperation with civil society will be working on a strategy for social enterprises. The effects of these trends are yet to be seen.



FORMER YUGOSLAV
REPUBLIC OF
MACEDONIA



1



BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

14 | Background: social enterprise roots and drivers

The initial predecessors of social enterprises in the former Yugoslav Republic of Macedonia were in existence since 1900, when a number of voluntary associations, including cooperatives, comradeships and other forms of autonomous associations were operational (Sivchev and Randelovic 1966). There are two initiatives where the origins of the cooperative movement in the former Yugoslav Republic of Macedonia are identified: a consumer cooperative in a rural area around 1900 and a fishing cooperative from 1914 (Sivcev and Randelovic 1966). In 1938, youth cooperatives appeared the main objective of which was to provide short-term job placement for young, unemployed people and familiarize them with the open labour market. In the absence of a national state before 1944, the most important forms of citizen engagement were the national independence movements and organisations and the cultural societies (Zabrchanec and Maricic 2010, Cekic and Hristova 2015).

Right after World War II, in the period from 1945-1991, different forms of economic cooperation promoting solidarity and mutual self-help were identified such as: cooperatives; sheltered workspaces; and social organisations and associations.

The cooperative movement in the former Yugoslav Republic of Macedonia achieved its major potential in the period from 1980-1990 (Pashoja 1999). Cooperatives were mainly established through a top-down process, initiated and mediated by the state. Although youth cooperatives initially appeared in 1938, they played a major role after World War II and represented an integral part of the reconstruction process of the entire Yugoslavia. Their existence was justified with a need for voluntary work in rebuilding and modernising the country (Vejsagic 2013). The most common form of cooperatives in Yugoslavia included agricultural cooperatives, as well as youth cooperatives where members were high school and university students (Zabrchanec and Maricic 2010).

During the socialist era (1945-1991), the social welfare system placed particular emphasis on people with disabilities, through the establishment of sheltered workspaces. Sheltered workspaces have existed in the former Yugoslav Republic of Macedonia since 1970 and they provided training and employment for people with disabilities (Ilijevski *et al.* 2015). They were directly dependent on other commercial companies and operated in a well-organised supply chain.

In the same period of the socialist era, organisations defined as social organisations and associations existed and were connected to and controlled by the state. They provided the impetus for the emergence of many cultural, sports and professional organisations (Trajkovski *et al.*, 1999). Social organisations received valuable support in assets and financial resources from the state, while the existing regulatory framework ensured

their self-governance, the implementation of their social aim. It also opened up the possibility for the implementation of economic activities.¹

All these initiatives can be seen as a positive legacy that paved the way for the emergence of today's social enterprises. In September 1991, after 45 years as one of the six socialist republics that constituted the Yugoslav Federation, the former Yugoslav Republic of Macedonia gained independence. **The transition from planned to market economy was accompanied with intensified economic, political and social problems.** Some of the practises, albeit reshaped by the transition processes, continued in existence, embodying the historical legacy and the continuity of their predecessor organisations, while others—such as youth cooperatives—completely disappeared.

In the newly established market economy and regulatory framework, cooperatives were perceived with a negative sentiment. Most of them were often regarded as relics from the former socialist system and thus their potential was neglected (Bashevskaja 2017). As a result, the majority of agricultural cooperatives disappeared during the period of transition while youth cooperatives have undergone a process of transformation. With the adoption of the Act on Agencies for Temporary Employment (*Закон за агенциите за повремени вработувања*), all youth cooperatives were obliged to convert to agencies for temporary employment.²

The major reconstruction of the sheltered workspaces occurred in 2005, when the Act on Privatization of Land in Public Ownership (*Закон за приватизација и закуп на градежно земјиште во државна сопственост*) was adopted.³ As a result, existing sheltered workspaces lost state support and the majority of them were liquidated, bankrupted or privatized.

The social organisations undertook different transformation and development paths. Namely, the new Act on Associations (*Закон за асоцијации*) from 1988 significantly influenced existing social organisations: 1) the property and assets allocated to social organisations during the former socialist system were considered as state owned⁴; and 2) the possibility for citizen associations and foundations to conduct economic activities was limited unless a separate legal entity was established.⁵

(1) The Act on Associations from 1972, and the subsequent Act on the social organisations and associations from 1983 and from 1990.

(2) Law on agencies for temporarily employment (Official Gazette of the Republic of Macedonia. Nr. 49, from 14.04.2006. Available at http://mtsp.gov.mk/WBStorage/Files/agencii_privremeni.pdf (Accessed 03.03.2018).

(3) Official Gazette No. 4/2005.

(4) Article 82, Article 83, Official Gazette, 31/98.

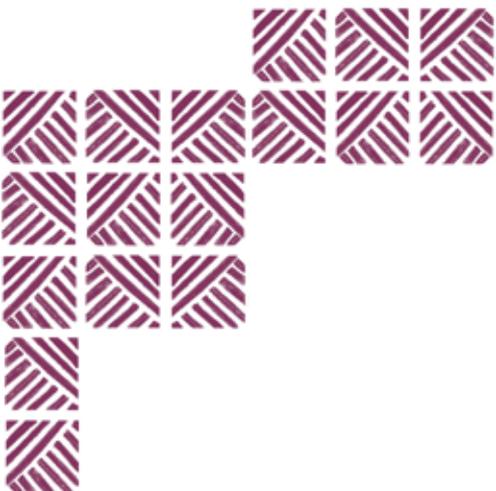
(5) Article 7, Official Gazette, 31/98.



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 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 the Former Yugoslav Republic of Macedonia

In the former Yugoslav Republic of Macedonia, social enterprise and social entrepreneurship emerged in the third sector discourse during 2009-2010. In general, there is an existing conceptual confusion when they are discussed publicly. Furthermore, there is no agreed definition of social enterprise among stakeholders or within the Government.

The concept of “social enterprise” was introduced by the third sector to refer to the work integration social enterprises which emerged from: i) associations providing work engagement for disadvantaged people (mostly for Roma and persons living with addictions) and ii) associations working on deinstitutionalisation of persons with

disabilities or providing day care services for the same target group. **As a result, the general understanding of the concept of social enterprise among policy makers, the donor community, civil society and social enterprises remains limited to work integration social enterprises.** The rise of the concept is mainly attributable to some recent developments. These include limited public support for the services provided to associations and the decentralisation of social welfare. At the same time, attention from a foreign donor community, especially the European Commission, continues to increase.

Currently, the entities that comprise the social enterprise spectrum in the former Yugoslav Republic of Macedonia are diverse. There are no specific institutional forms designed for social enterprises. They utilize diverse legal forms, which are regulated by specific legal acts within the Macedonian regulatory framework, such as:

- > associations,
- > sheltered workspaces, and
- > cooperatives.

Previous research and mapping efforts confirm the relevance of these legal forms. One of the most relevant research studies on the capacities of social enterprises in the former Yugoslav Republic of Macedonia was conducted in 2015 (Ilijevski *et al.*, 2016). In the absence of an official registry of social enterprises or legal framework, the current study focused on identifying entities that are the most representative examples of social enterprises in the country using the EU operation definition (see Appendix 1). **The research findings indicate that the predominant legal form of the existing social enterprises in the former Yugoslav Republic of Macedonia is the association.** In the analysis of the legal environment and the historical legacy, Ilijevski *et al.* (2016) identified the following social enterprise typology in the former Yugoslav Republic of Macedonia: i) non-profit organisations (NPOs) registered as associations and foundations providing goods and services; ii) sheltered workspaces as work integration type of social enterprises; and iii) cooperatives. A 2017 study financed by the EBRD (Kusinikova 2017) applying the SBI definition, confirms the findings on the typology identified in the previous study. Moreover, it concludes that “social enterprises seek to serve the community’s interest (social, societal, environmental objectives) rather than profit maximization. They often have an innovative nature, through the goods or services they offer, and through the organisation or production methods they resort to. They often employ society’s most fragile members (socially-excluded people). They thus contribute to social cohesion, employment and the reduction of inequalities” (Kusinikova 2017:142-163).

Associations

The 2010 Act on Associations and Foundations (*Закон за здруженија и фондации*) is the existing framework regulating the activity carried out by third sector organisations allowing them to perform economic activities (as outlined more in detail in Section 2.2). However, there are no data available on the amount of income generated by public contracting and/or private demand.

Associations have an explicitly defined social mission. The primary purpose for their establishment is to address a certain social issue, ranging from serving the community or a specific group of people that requires the provision of various cultural, health, educational and environmental services.

There is a legal obligation for associations to ensure that the interests of relevant stakeholders are duly represented in the decision-making processes. They are governed by the Assembly, which consists of representatives of various stakeholders. Depending on the profile and mission of the organisation, there are also examples of associations that involve their beneficiaries in the existing governing structures. Associations are legally bound to maintaining a long-term asset lock. The non-profit distribution constraint is applied and the generated surplus income must be invested in the association and cannot be distributed to the founders, board members, members of other bodies, etc.

Although in the policy discourse associations are recognised as the most common type of organisation covering the social enterprise spectrum in the former Yugoslav Republic of Macedonia, not all associations can be considered as a social enterprise. This is due to the fact that not all associations develop economic activities and even in cases when they do, it is still not clear if they are on a continuous or occasional basis. The initiative “Face to face” (*Лице в лице*) constitutes a pioneer step in the promotion and development of the practice of social enterprise in the former Yugoslav Republic of Macedonia (see illustration 1).

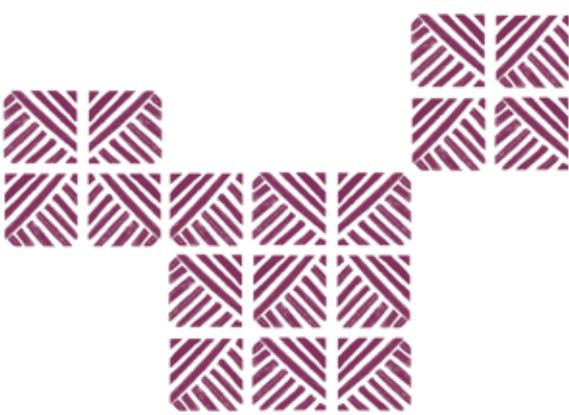


Illustration 1. “Face to face” (Лице в лице)

“Face to face” (Лице в лице) is an initiative that operates as a work integration social enterprise (WISE) in the field of non-profit media through a bi-monthly street paper. Through the production and distribution of the street paper, the association provides work engagement for marginalised groups such as youth from the street, homeless and persons with disabilities from six different cities in the former Yugoslav Republic of Macedonia: Skopje, Struga, Bitola, Negotino and Kumanovo. It was established by the NPO “Public – Association for research, communications and development” (*ПАБЛИК-Асоцијација за истражување, комуникации и развој*) and continues to run as a programme of this organisation. The main partners are 10 existing social enterprises and members of the business sector in the area of distribution while the main stakeholder is the Ministry of Labour and Social Policy.

It was founded in 2012, with the support of a regional project funded by the Swiss Cultural Programme for Western Balkans (SCP). At the early stages of its development, “Face to face” primarily relied on grants from foreign donors such as USAID and the Swiss Agency for development as well as on the local financial support of the city of Skopje. Today, the main sources of income are more diversified and include sales of the magazine (5,000 copies; about 20% of the income), sales of advertising space in the magazine, business sector and grants. With an annual turnover of 120,000 EUR, “Face to face” provides work engagement for 40 marginalised persons and employment for seven full-time employees who run the organisational programmes (research and policy development in social inclusion and social enterprises).

The main policy areas of interest are employment and social integration of marginalised groups.

<http://www.licevlice.mk>

<https://www.facebook.com/LiceVLice/>

Sheltered workspaces

The fact that **sheltered workspaces act as commercial companies makes it clear that these entities are market oriented and the incidence of trading is 100%**. They are regulated under the Act on Employment of Persons with Disabilities (*Закон за вработување инвалидни лица*).

Existing sheltered workspaces have a clear social mission: to provide training, work integration and employment for people with disabilities. Such workspaces can be established only if 40% of employees have a disability. Despite the legally defined social dimension of sheltered workspaces, the absence of strong monitoring mechanisms of

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their activity leads to an increasing number of examples of abuse to benefit from high fiscal benefits.

There is no legal obligation for sheltered workspaces to ensure that the interests of relevant stakeholders are duly represented in the decision-making processes. The main weakness of the Act on Employment of Persons with Disabilities is that it does not ensure democratic governance and it does not set any limits to profit distribution, meaning there is no obligation for sheltered workspaces to invest their profit in their social mission.

Sheltered workspaces receive multiple fiscal benefits in terms of financial support to: i) adapt the workspace; ii) cover all contributions related to the employment of people with disabilities such as pension, disability and health insurance and iii) pension and disability insurance for all employees in the sheltered workspace; and iv) procurement of equipment.

In the ongoing policy debate, researchers recognise sheltered workspaces as a work integration social enterprise model. Moreover, the existing regulatory framework enables these entities to operate and develop as a social enterprise, although improvement in the governance structures is required. However, it is undisputable that sheltered workspaces are the major employer of persons with disabilities in the country. Yet, it remains debatable if all these entities can be considered as a social enterprise practice, as it is unclear how many of them are truly governed by their social mission to provide decent workplaces for people with disabilities.

Cooperatives

In general, the cooperative movement in the former Yugoslav Republic of Macedonia remains underdeveloped, although there is great potential for its expansion. Existing cooperatives can be registered as agricultural cooperatives or as general cooperatives, yet the agricultural ones are more widespread and more advanced in their development.

Cooperatives are autonomous entities, carrying out stable and continuous economic activities through trade in products and related services, hence illustrating the typical characteristics shared by all enterprises. In the case of agricultural cooperatives, market income dominates their actual revenues, while the revenue of general cooperatives is more diverse, including sales, membership, donations and grants.

It is debatable whether all cooperatives pursue an explicit social aim. Although their social mission is not always explicitly defined in their governing documents, it can be found in the economic empowerment of their members. When it comes to agricultural cooperatives, these organisations fulfil a very important social mission by ensuring income for their members. Even if traditional cooperatives (such as

agricultural cooperatives) are not considered as social enterprises according to the EU definition, they should be regarded as social enterprises if one considers the particular context where they operate in the former Yugoslav Republic of Macedonia. On the one hand, although they pursue the interest of the members and not the general interest agricultural cooperatives contribute to unemployment and poverty reduction in rural areas. The rural labour markets are characterised by high levels of unemployment, low rates of job creation, and a scarcity of human capital. On the other hand, agriculture is the main source of income for the small-scale farmers, which constitute around 90% of the rural population in the country (Kotevska and Martinovska Stojcheska 2015). When it comes to the social mission of the cooperatives registered under the Act on cooperatives (*Закон за задругите*) available research evidence confirms that these cooperatives have an explicitly defined social mission. “Good Earth” in illustration 2 below constitutes an example of this kind of cooperative.

Cooperatives are democratically owned and controlled by their members. The distribution of income among members is proportional to the level of the benefits that each member of the cooperative has used or depending on the dimension of the legal work that each of them has performed with the cooperative, except if not otherwise defined in the statute. Cooperatives may make profits, which can be shared among members after investing a minimum of 5% of the profit in a reserve fund for 20 years.

According to the analysis conducted within the frames of this mapping study, based on the application of the EU operational definition of social enterprise **all cooperatives that contribute towards poverty reduction and employment generation in rural areas can be considered as a social enterprise.**

Illustration 2. “Good Earth” (Добра Земја)

“Good Earth” (*Добра Земја*) is a cooperative that operates as a social enterprise in the field of distribution of organic fruit and vegetables. It represents the first consumer cooperative in the former Yugoslav Republic of Macedonia. The organisation is concerned with social processes in the former Yugoslav Republic of Macedonia, their impact on human health, the dispersal of local communities and the suppression of local initiatives. The main “umbrella” element that they see is pollution, the unconscious use of natural resources and the endless pollution of the latter. Its main field of activity is to sell Macedonian organic products in two ways: 1) through an organic weekly basket shipped to members; 2) at the store of the cooperative in Skopje for consumers who are not members.

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It was established by a group of individuals and counts with local producers of organic food at national level, while their main target group are producers of organic food and the general public.

It was founded in 2015 with support of private funding and small grants as their award for winning first place for social entrepreneurship in the former Yugoslav Republic of Macedonia 2015 and first Prize for Philanthropy through Green Ideas 2015. Today the cooperative relies on grants, membership fees and income generated from sales. This social enterprise provides full-time employment to three employees and engages three volunteers.

The main policy areas of interest is promoting and developing the untapped potential of the cooperative movement in the former Yugoslav Republic of Macedonia.

<http://www.dobrazemja.org>

<https://www.facebook.com/dobrazemja/>

Other initiatives with social enterprise potential

Beyond formally established legal forms, there are two kinds of initiatives that could be located in a “grey area” of social enterprise borders, namely crafts organisations and informal waste-picking initiatives. They hold the potential to evolve into social enterprises and further enrich the existing social enterprise spectrum. They are briefly described below:

Crafts organisations: These organisations deliver goods/services with a social connotation and represent an important stakeholder that promotes the Macedonian tradition and cultural diversity, which is considered an activity of public interest. In illustration 3, the example of “ZUR Macedonia” (ЗУР Македонија) illustrates the case of a crafts organisation that integrates vulnerable persons from rural areas and persons with disabilities into the production of craft works. The crafts are then sold online. Similar initiatives such as Handicrafts4u, Poraka Nasha-Struga, and Poraka Nasha-Negotino, Poraka Volkovo, Solem, also exist. Although these initiatives are registered as associations, they still provide a strategic direction as regards how crafts can evolve as a social enterprise practice. There are no examples of craftspeople associated as a cooperative that can also be considered as a promising direction for this sector.

Illustration 3. “ZUR Macedonia” (ЗУР Македонија)

ZUR Macedonia (*ЗУР Македонија*) is an association that operates as a social enterprise in the field of handicrafts. The model provides direction on how to develop the existing crafts through social enterprise practice and how to involve marginalised groups in the sector. It was established by a single mother and counts with individual handcrafters from the Pelagonija region as main partners.

ZUR Macedonia targets people with disabilities from rural areas of the Pelagonija region and engages them in the process of making jewelry.

It was founded in 2004 with support of private funding in the form of grants for purchase of materials. The social enterprise does not have any formal employees; it relies on a project-based workforce paid on an honorarium basis or on volunteers. Currently there are five persons working on an honorarium basis, while the number of volunteers is variable.

ZUR Macedonian handcrafters offers training on making jewellery for people in rural areas and people with special needs who are still jobless. Jewellery made of silver thread, zippers and beads, souvenirs of wood or glass, hand-painted porcelain, embroideries, assemblages, models, icons, mosaics and gourds are just some of the products that will be offered for online sale. Around 20-30% of the annual income is from sales, while the rest of the income is from grants.

<http://www.makedonskirakotvorbi.org>

Informal waste picking sector: Although in the grey economy, informal waste pickers in the former Yugoslav Republic of Macedonia are engaged in continuous economic activity. The social aim of the informal waste picking sector is threefold. First, waste management is considered as an activity of public interest. Second, waste collection by the informal sector in the country is recognised as an important factor in waste management as 70-90% of the recycled plastic, cardboard paper, and iron is collected by informal pickers (Mojanchevska 2017). Third, it provides work engagement and daily income for 3,000-5,000 persons, coming from the most socially deprived communities, mostly Roma. There is an ongoing debate in the Ministry of Labour and Social Policy on how to formalize the sector through the establishment of a social enterprise.

2.2. Legal evolution

The existing legal system in the former Yugoslav Republic of Macedonia does not recognise or regulate social enterprises, and there is yet no uniform understanding of this concept. As discussed in section 2.1.2, there is no specific legal form for social enterprises in the country. Some of the forms discussed hold the potential to develop as social enterprises, while others could easily diverge from the social enterprise practice in a different legal environment.

Associations

The recent evolution of the third sector to create an enabling environment for the development of associations as social enterprises reveals a threefold tendency. The first is the reopened possibility for associations and foundations to perform economic activities with amendments introduced in the Act on Associations and Foundations in 2010. In the previous version of the Act, associations and foundations were not allowed to directly perform economic activities, unless they established a separate legal entity such as a trading or joint-stock company. The second is the introduction of social contracting between civil society organisations and the Ministry of Labour and Social Policy, as stipulated in the Act on Social Protection (Закон за социјална заштита) from 2004. As a result, there is a separate registry within this Ministry for associations that may perform services in the field of social protection. The third is the lack of capacity of the State to recognise the needs of the most deprived social groups accompanied with numerous social problems such as high rates of poverty, social exclusion, unemployment and a strong presence in the grey economy.

The first two trends can be considered as a way to support the sustainability of existing associations through the strengthening of their economic dimension. However, the exact incidence of income generated by private demand or public contracting is unknown. With the exception of some social services, state institutions do not contract with existing associations. **Although associations are widely recognised as a relevant stakeholder in the provision of social services for public benefit, the financing still remains underdeveloped and small-scale.** Moreover, they rarely contract with businesses to provide services, such as training or the coordination of corporate social responsibility (Balkancsdnet 2017).

Illustration 4. “One Made” (Една прави)

“One made” (*Една прави*) represents a unique model of association for mutual help between single parents who started developing economic activities with the aim of improving its services to its primary group (single parents), thus increasing its financial sustainability. It is a limited liability company that operates as a social enterprise in the field of production and distribution of organic cosmetics. It was established by the NPO “One Can” (*Една може*) and counts mainly on the business sector (pharmacies) as a main partner for distribution.

It was founded in 2017, with the voluntary work of the members of the organisation One Can. Today, the main source of income represents the available active measures for employment and sales. The association has three full-time employees and three persons paid on an honorarium basis. All of them are representatives from the primary target group of the social enterprise. Additionally, the organisation has a wide membership base of 4,000 single parents, mostly mothers who are victims of domestic violence. They are located in Skopje, but products are distributed nationally.

The main policy areas of interest for the association are the social welfare of single mothers. With the support of the “National democracy institute” in the former Yugoslav Republic of Macedonia, they advocate for re-defining the definition of single parents in the existing regulatory framework in the country.

<http://www.onecan.org.mk>

<https://www.facebook.com/onecansocbizz/>

Sheltered workspaces

Sheltered workspaces in the former Yugoslav Republic of Macedonia are regulated under the Act on Employment of Persons with Disabilities (*Закон за вработување инвалидни лица*), which became law in 2000. To some extent, the Act was prepared with consideration of some social entrepreneurship principles. It created a series of incentives in order to increase the employment of persons with disabilities, which are applicable to both the private and the third sector. However, these reforms did not have the result expected. **A number of employers were attracted by the non-repayable funds allocated from the special fund managed by the national agency for employment.** In many cases, finances were abused, persons with disabilities were employed only fictively and the companies were liquidated after the funds were spent (Grujevski 2018).

Cooperatives

Today, cooperatives in the former Yugoslav Republic of Macedonia are established under the Act on Cooperatives (*Закон за задругите*) (Official Gazette of the Republic of Macedonia, Nr.54/02) and the Act on Agricultural Cooperatives (*Закон за земјоделски задруги*) (Official Gazette of the Republic of Macedonia, No.23/2013). The existing regulatory framework proved as unfavourable for the development of the sector. Today, the most common types of cooperatives are still represented by agricultural cooperatives. **One of the major weaknesses of the Act on agricultural cooperatives is the high value added tax that farmers need to cover when associated in a cooperative.** That means that if the product is distributed through the cooperative the individual member will be taxed at 10% value added tax, and if the cooperative has made a profit and distributes it as a dividend to its members, the income will be taxed at 10% value added tax. For this reason, farmers choose to distribute their products independently.

Draft Act on Social Entrepreneurship

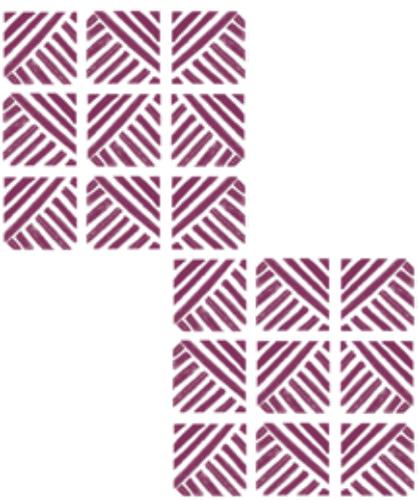
In order to improve the environment for social enterprises, the Ministry of Labour and Social Policies has drafted an Act on Social Entrepreneurship, which was released in July 2015. The Act is expected to regulate the principles, forms and activities of social entrepreneurship, the criteria for setting up and running a social enterprise, and the recording, reporting and supervising of social enterprises. The objective of this Act is to create a clear segment of legal regulation concerning the organisations of social entrepreneurship. Furthermore, its aim is to increase the potential for growth and development, to help lower unemployment and to strengthen social cohesion.

Despite its formal name (*Act on Social Entrepreneurship*) this law is however aimed at the regulation of entities that can be regarded as work integration social enterprises. To date, six draft versions of the Act have been provided and discussed with relevant stakeholders, including a few of the established social enterprises, such as the street paper “Face to face”, the therapeutic community for persons living with addictions “Pokrov” and the association for new ideas “ARNO”, which provides work engagement for young people. The general opinion of stakeholders is that the Act is primarily focused on the employment and/or work integration of marginalised groups, at the same time constraining the opportunities for growth of other social enterprise models. **According to the opinions of social entrepreneurs, the Act is very restrictive, especially in terms of the requirements and obligations that apply to the special fund for employment.** The planned benefits for social enterprises are significantly lower than the benefits envisaged under the Act on employment of persons with disabilities that regulates the work of sheltered workspaces.

Within the framework of the draft Act, social enterprise is defined as any legal entity operating in the social economy whose primary objective is to exert social influence. Such enterprises provide goods and services on the market in an innovative and entrepreneurial manner and use their profits primarily to achieve social objectives. As stipulated in Article 3, the status of social enterprise may be acquired by any company, individual entrepreneur, cooperative, association, foundation, and public benefit organisations. **The Act provides detailed requirements for obtaining the social enterprise status.** It stipulates that each company, individual entrepreneur, cooperative, association, foundation or a public benefit organisation that intends to acquire the status of social enterprise must submit a request to the Ministry of Labour and Social Policy for a decision on fulfilment of the following conditions:

- > i) at least five persons must be employed, and at least 50% of the workforce must be from marginalised groups;
- > ii) in the case of an individual entrepreneur, the founder must be a beneficiary under the provisions of this Act and employ another marginalised person;
- > iii) Employed marginalised persons' salaries must not exceed the amount of the average salary per employee in the former Yugoslav Republic of Macedonia, according to the latest published data of the National Statistical Office at departmental level;
- > iv) 70% of funds from profit after tax must be invested in creating new jobs, improvement of working conditions, work training and development, meeting the needs of beneficiaries under this Act and implementing community service projects; another 30% must be paid into the Special fund for the development of social enterprises; and
- > v) In accordance with the statute, the managing board must be established within the management structure of social enterprise.

The draft Act includes the establishment of a Chamber of social enterprises whose main tasks are expected to be: to represent and advocate the interests of its members; to develop and promote ethics and ethical behaviour in social enterprises; to issue an opinion on the justification of granting the status of a social enterprise; to collect information about the work of social entrepreneurs and express an opinion on the level of their development in the work of the Chamber; and to supervise the activities of social enterprises, under the conditions specified in the draft Act.





3

MAPPING



Social enterprises cover a variety of legal forms and providing a precise estimation of the number has proven to be a rather difficult task. As discussed in section 2, de facto social enterprises in the former Yugoslav Republic of Macedonia include associations, sheltered workspaces, and cooperatives. This section is an attempt to map the scale and the characteristics of these de facto social enterprises in the country.

3.1. Measuring social enterprises

Associations

The official number of associations registered in the Central Register of Macedonia as of December 2015 was 14,245, but only 4,148 were considered active (Balkancsd.net 2017). If one excludes sports associations from this number (almost 30%), there are about 1,000 active organisations in different sectors and regions in the former Yugoslav Republic of Macedonia (Hafner Ademi and Velat 2015).

In general, associations provide a wide range of basic social services, such as social protection and health services for children, persons with disabilities, and other marginalised groups. However, such services receive little support from local or central governments, making it difficult to sustain the provision of quality services. Around 95% of funding for services provided by association from foreign donors. Moreover, 89 associations and foundations are registered with the Ministry of Labour and Social Policies as civil society associations active in social protection, under contract through "Social Agreements", to provide social services. However, the total income from public contracting is unknown. Taking into consideration the available register of Public - Association for research, communications and development, there are 40 social enterprises registered as associations. Based on this, one can conclude that **the operative social enterprises registered as associations are almost 130.**

In general, **associations do manage to generate income from goods and services.** According to the latest available data, in 2014 they reported 5.2 million EUR (out of a total of 81 million EUR in income) as income from selling products, and another 4.7 million EUR from income from services. (Balkancsd.net 2017). A more recent study states that about 22% of all NPOs develops some kind of economic activity (Macedonian Centre for International Cooperation 2018). Existing research findings on social enterprises registered as associations provide some evidence of the economic value of these entities: it concludes that the economic value of these entities is low, as the majority of the associations had annual revenues below 100,000 EUR (Ilijevski *et al.* 2016).

In terms of human resources, social enterprises operate on a small scale and the number of employees ranges from one to five persons. On the other hand, they provide work engagement for different marginalised groups: the homeless, persons with disabilities, youth from the street, persons living with addictions, victims of domestic violence, long-term unemployed women etc. According to the estimates of the Public Association, the identified social enterprises serve a significant number of final beneficiaries. With well-targeted and simulative measures these entities have the potential for job creation that can meet the real needs of the target groups they work with.

Sheltered workspaces

In the former Yugoslav Republic of Macedonia, there are 411 registered sheltered workspaces. No data is available on the total number employed in the sector, nor on the annual turnover of these entities.

Cooperatives

According to the register of the association of agricultural cooperatives, there are in total 39 registered agricultural cooperatives. The exact number of cooperatives registered under the Act on Cooperatives (*Закон за задругите*) is unknown, but stakeholders assume that their number is not higher than 10 entities. No data is available on the total number employed in the sector, nor on the annual turnover of these entities.

Table 1. Number of identified social enterprises and their workforce

Type of social enterprise	Estimated number of social enterprises	Number of employees
Associations	130	~ 390 - 650
Sheltered workspaces	411	N/A
Cooperatives	~ 40	N/A

Source: Authors' calculation.

3.2. Social enterprise characteristics

Associations

Associations operating as social enterprises have been most successful in strengthening the integration of women and marginalised people (Klekovski *et al.* 2011). They cover different domains of intervention such as promoting social integration through work, independent housing for persons with intellectual disabilities, day care centres, care for elderly persons, SOS lines for victims of domestic violence, and a variety of education services explicitly targeting the needs of marginalised groups.

The official number of employees in the third sector was 1,839 in 2013; 1,897 in 2014; and 1,990 in 2015, representing around 0.38% of the total number of employed persons in the former Yugoslav Republic of Macedonia in the specified years. Most grassroots associations depend solely on volunteers, while professional associations use very few volunteers. Official statistics on volunteering are not available. It is worth mentioning that there are more people engaged in associations through different types of contracts that are not full employment, like an author's contract or service contract. **The relatively small number of employees in associations points to the lack of a sustainable human resource base that the sector can develop and rely on** (Hafner Ademi and Velat 2015).

Sheltered workspaces

The total number of employees, the complete overview of the domains of work and the quality of jobs provided in sheltered workspaces is unknown and debatable. It requires additional research efforts. Usually, sheltered workspaces are production facilities, packaging factories, printing houses or facilities for recycling. The number of employed persons with disabilities in sheltered workspaces is 2,158 persons (including 741 women). In most cases they are employed as ordinary workers, meaning that sheltered workspaces remain closed to persons with disabilities who have higher education and appropriate professional skills, especially when it comes to persons with a physical disability. Moreover, the available research evidence suggests that wages are so low that they do not motivate people with physical disabilities to seek employment and go to work (Kochoska *et al.* 2018). These arguments open up the question as to whether all existing sheltered workspaces are genuinely guided by the social mission to provide employment and work integration for people with disabilities.

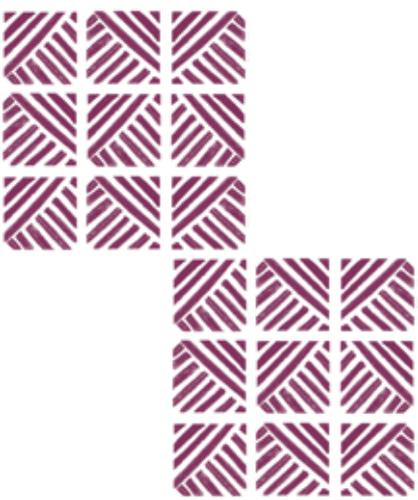
Cooperatives

Although some cooperatives can be considered as social enterprises, it is currently not possible to obtain a separate statistical overview in order to fully access the characteristics of social enterprises registered as cooperatives. **According to the**

register of the Macedonian association of agricultural cooperatives, the majority of the registered agricultural cooperatives are small-scale entities. Thirty-two of them have 10-19 members, while only seven have 20-25 members. The majority of farmers are male, over 46 years of age, with primary school and lower education.

The State Statistical Office holds general official data on the agriculture, forestry and fisheries industries, which provide employment for 120,303 persons. These statistical data confirm the potential of agricultural cooperatives to create new jobs in the rural areas of the country. **The other form of cooperatives operates on a significantly lower scale.** The exact number of such entities is unknown, but according to the register of Public - Association for research, communications and development, there are only two cooperatives that can be considered as social enterprise. One of them provides employment for three persons and engages three volunteers, while the second one relies on 10-15 volunteers as the main workforce. One of them is active in the field of environmental protection and the second one is active in the field of the promotion of culture.







4

SOCIAL ENTERPRISE POLICY FRAMEWORK



The former Yugoslav Republic of Macedonia has a constitutional and legal basis for developing the concept of social enterprise. As far as official governmental strategies are concerned, the concept was introduced for the first time through broader strategies for cooperation with civil society (2012-2017), designed to support the development of the social economy. The measures envisaged explicitly targeted associations with economic activities, leaving behind the other models that form the social enterprise spectrum. Another document that provides strategic direction in developing the sector is the “South East Europe (SEE) Strategy 2020”, which emphasizes the social economy as a separate area. There has not been significant success in implementing it, however. Furthermore, the latest Government programme (2017-2020) has identified social enterprises as facilitators of the transition of disadvantaged people from social exclusion to the open labour market.

In late 2017, the revised “Operational plan for active measures for employment” defined a new measure that explicitly targeted social enterprises providing financial and advisory support to steer their development.⁶ The measure prioritises social enterprises that provide work integration and social inclusion services for disadvantaged people. It provides financial support in the amount of 3,300 to 10,000 EUR, of which at least 80% is to be used for investment in equipment, the reconstruction of premises, or procurement of raw materials. The rest of the grant should be used for advisory services aimed at business development and increasing the capacities for new employments. Beneficiaries of the measure are obliged to open a number of full-time job positions for disadvantaged persons, depending on the size of the grant and retain the new employees for a period of 12 months at least.⁷ According to the data from the Ministry of Labour and Social Policies, during 2017 only four social enterprises had used this measure, creating seven new jobs for marginalised persons. Early in 2018, the new Operational plan for active measures for employment introduced a new measure that targets social enterprises and anticipates only financial support for new jobs for disadvantaged people in social enterprises.⁸ The outcomes of these measures are yet to be seen.

To date, public policy action has been mainly oriented towards overcoming weaknesses and barriers internal to social enterprises, and not to developing a nurturing ecosystem. In the upcoming period, under the leadership of Public - Association for research, communications and development, a strategy for the development of a social enterprise ecosystem will be developed, the main goal of

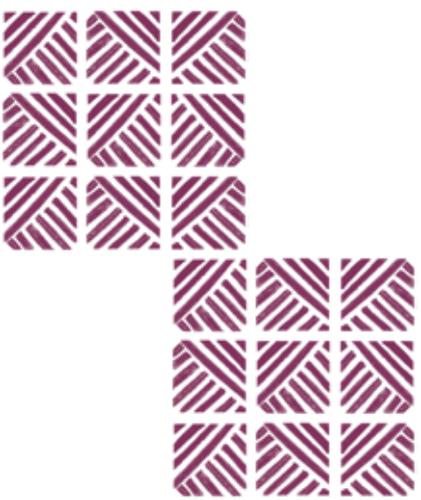
(6) <http://www.avrm.gov.mk/content/%D0%9E%D0%9F/Revidiran%20operativen%20plan%20za%20izmena%20i%20dopolnuvane%20na%20OP%202017.pdf>

(7) At least one job positions for grant of 3,300 EUR; at least two job positions for grants in amount between 3,300 -6,600 EUR, and at least three job positions for grant in amount between 6,600-10,000 EUR

(8) The call has not been published yet at the time of closing this fiche.

which will be to provide some strategic directions for social enterprises. **The draft Act on social entrepreneurship will be delayed until the moment when there is a sufficient number of social enterprises to provide valid input for developing an appropriate regulatory framework.** The strategy will build upon the existing 12 strategic actions: 1) Put social enterprise development on the political agenda; 2) Establish an Office for Social Enterprise Strategy Development and Policy Coordination; 3) Develop a long-term strategy for the development of social enterprises; 4) Ensure nation-wide visibility and recognition of social enterprises; 5) Institutionalise the dialogue with social enterprises and stakeholders; 6) Develop a common understanding of social enterprise through a legal definition; 7) Establish a National Social Enterprise Competence Centre; 8) Contribute to the establishment of a Social Enterprise Observatory; 9) Facilitate access to external finance for Social Enterprises; 10) Revise public procurement legislation to facilitate access for social enterprises to public markets; 11) Ensure the provision of dedicated start-up and business development services, and of social impact management support; and 12) Ensure the provision of dedicated networking and learning opportunities and platforms for social enterprises (Eptisa Southeast Europe 2017).

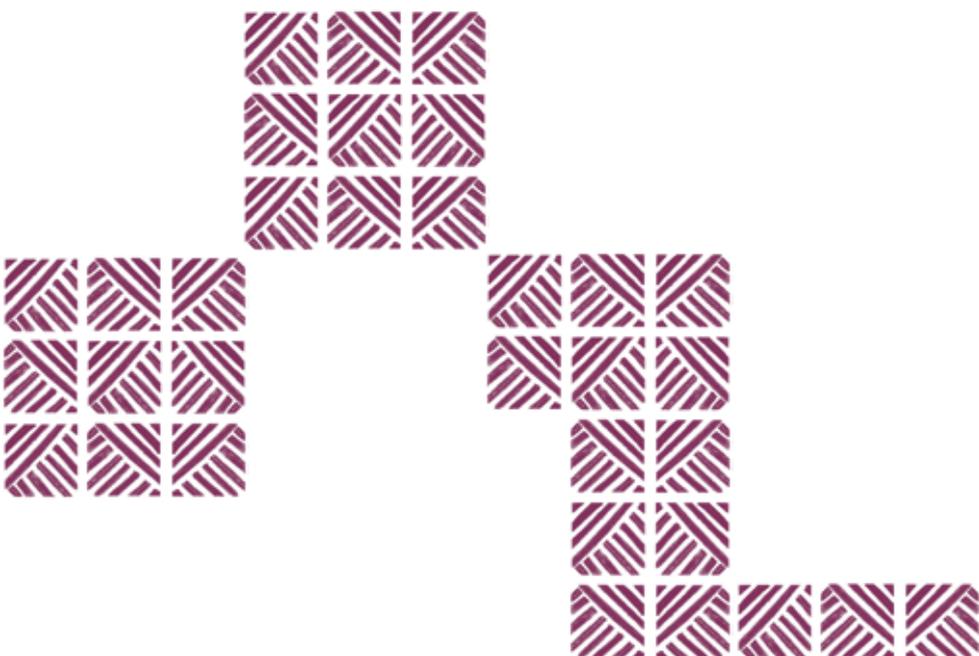






5

PERSPECTIVES



5.1. Overview of the social enterprise debate at national level

Social enterprises have only recently entered policy and academic debates in the former Yugoslav Republic of Macedonia. **As a result of the increased donor attention and availability of financial support for the development of social enterprises, the number of initiatives is increasing.** The prevailing financial support is provided under IPA programmes, USAID and the Swiss development agency.

There is some social enterprise debate at the national level, but with a very limited impact due to low awareness among stakeholders, the lack of political will, especially at governmental level, and the lack of capacity of social enterprises to self-organise. Another challenge that imposes significant risk and limits public debate is the lack of financial sustainability of the implemented actions that are very project focused.⁹ An additional challenge is the absence of social enterprise marks, labelling schemes, certification for social enterprises, and social reporting requirements.

5.2. Constraining factors and opportunities

Public knowledge of the social enterprise concept, social entrepreneurship, and social economy is limited. Stakeholders interviewed share the opinion that the existing Act on Public Procurement (*Закон за јавни набавки*) should be amended and it should introduce a favourable tax treatment and direct support for social enterprises. In addition, a great challenge is presented by the lack of institutional capacity and knowledge to recognise the value of the sector and support its development. Regarding the institutional setup, there is no specialized government body in charge of the development of the social economy sector, which clearly demonstrates government bodies' lack of knowledge of this area.

Despite increased donor attention to the field, there is an evident information deficit as well as a lack of research on the different forms that constitute the social enterprise spectrum in the former Yugoslav Republic of Macedonia. **Additional research and analysis on existing social enterprises is needed as an input for the design of future activities in the field.** Another challenge that should be addressed is the lack of capacities and understanding of the field at an institutional level, including the relevant ministries, such as the Ministry of Labour and Social Policy and the Ministry of Economy.

(9) As soon as the project ends, the initiatives stop.

Stakeholders interviewed identified a significant number of barriers faced by existing social enterprises. The central barrier is the absence of continuous cooperation among all stakeholders who are part of the ecosystem. There are no clear lines of authority, or defined responsibilities and links among the Government, investors, business sector and educational institutions. There are a number of initiatives in the domain, but none of them are coordinated and they lack a shared vision for the sector. Currently, most of the ongoing activities overlap and are focused on building the capacities of associations with economic activities, mostly in social welfare; this leaves a huge gap of untapped models that could also develop as social enterprises and participate as sustainable actors.

While the majority of funding is focused on short-term capacity-building programmes, there is no continuity in providing, for example, ongoing mentoring support and funding for social enterprises in the early stages of development. Stakeholders recognise the role of Government and local authorities in the development of an enabling ecosystem for social enterprises, but are also aware that this support is a missing link, mostly due to the low awareness of the concept on the part of those public actors. As a result, there is a lack of adequate measures aimed at social enterprises at different stages of development.

In general, there are many existing gaps in the social enterprise ecosystem in the former Yugoslav Republic of Macedonia. There is an absence of research available, there are no curricula in higher education, there is no network of social enterprises or formal structures for mutual support, and there are no mechanisms that enable access to markets for social enterprises, such as the inclusion of social clauses in the Act on Public Procurement.

The key factor supporting social enterprise development in the former Yugoslav Republic of Macedonia is the presence of social enterprise leaders, who promote and raise awareness of the concept and motivate the development of other social enterprises through conferences, roundtables, media appearances, meetings, etc. Existing social enterprises, such as the street paper “Face to face”, the therapeutic community *Pokrov*, and the second-hand shop *Kopche* are leading the development of the social enterprise practice within the non-profit sector. These advocacy efforts are supported by a regional event, the “Social innovators conference”. This annual event increases awareness among the young audience of social innovations, provides space for public debate on the needs of the social enterprise sector, and provides an opportunity for social enterprises to promote their products and services.

Other enabling factors are the opportunities for financing start-up social enterprises, such as the “Social Impact Award”, the investment programmes implemented by the Center for Entrepreneurship and Executive Development (CEED,

member of the European Venture Philanthropy Association)¹⁰, and a few granting opportunities implemented within larger projects financed by the European Commission.¹¹ The impact of these programmes is yet to be seen. Since September 2015, the former Yugoslav Republic of Macedonia participates in the *Progress and Microfinance and Social Entrepreneurship Axes of the Employment and Social Innovation Programme (EaSi)*.¹² This participation opens up opportunities to support the development of social enterprises, in particular by facilitating access to finance, as well as to increase the availability of microfinance for vulnerable individuals interested in setting up or developing their business and a micro-enterprise. The project will play a crucial role in building capacity and encouraging financial institutions in the former Yugoslav Republic of Macedonia to become microcredit providers under the EaSi programme and increase lending. It can also provide the financial tools such as start-up capital and investment funds for future social enterprise development.

5.3. Trends and challenges

In the former Yugoslav Republic of Macedonia, the social enterprise spectrum is wide and diverse. However, the potential has not been fully harnessed, mostly due to the existing barriers discussed in section 4.2.

A favourable trend is the new Act on Social Protection, currently under development, which will introduce the possibility for social agreements that will be reserved for existing social enterprises. The entry of the former Yugoslav Republic of Macedonia in the EU is also perceived as a positive development: it will enable access to a variety of EU funds, and cooperation has been established with stakeholders from other countries in previous EU projects.

The capacities in existing associations, in terms of the development of business plans, strategic planning, sales and marketing are already built, and now they need to scale. Some research projects were conducted in the field and they provide some basis for the capacity of the sector; however, additional research efforts are needed

(10) Until now CEED has invested in two social enterprises.

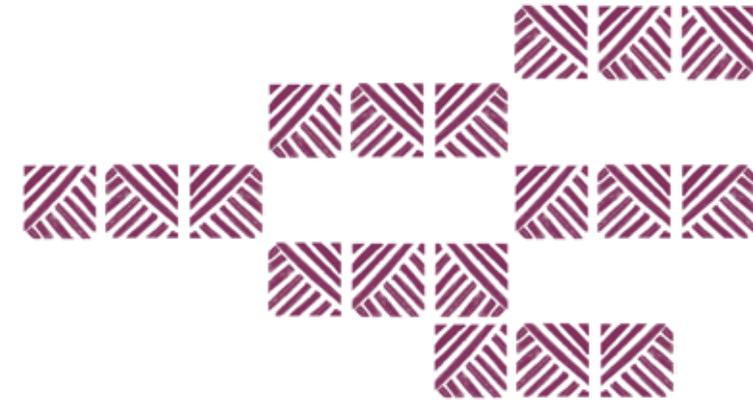
(11) 1) Smart Start is project co-financed by the European Union, through the Civil Society Facility and Media Programme 2014-2015, Support to regional thematic networks of Civil Society Organisations. The project provided sub-granting to 10 social enterprises; In the upcoming two years the following projects will provide sub-granting: Nega+ a project financed under the IPA civil society facility and media 2016-2017 and "SE-bridge" project funded by the IPA Cross border MK-ALB.

(12) Law on ratification of the Agreement between the European Union and the Republic of Macedonia on the participation of the Republic of Macedonia in the European Union Programme for Employment and Social Innovation ("EaSI"), Official Gazette No.125/2015 as of 24.7.2015.

in order to realise the potential of the entire social enterprise sector. An initial positive political will, especially in the Ministry of Labour and Social Policy and the Ministry of Economy, is also promising for the development of Macedonian social enterprises.



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 (<i>not exhaustive list</i>) (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 ¹³ .	<ul style="list-style-type: none"> > Whether the organization is or is not incorporated (it is included in specific registers). > Whether the organization 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%).	<ul style="list-style-type: none"> > 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).

(13) 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 (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Social dimension (social aim)	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>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.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> > 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. 	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> > 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 (<i>not exhaustive list</i>) (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)	<p>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.</p>	<ul style="list-style-type: none"> > 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). 	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> > 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 is 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 organizations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations	SEs Connecting the Dots: Economic Growth, Community Development, and Social Inclusion Research report	"PUBLIC" Association for research, communication and development Research institute	2016 and 2017/2018 Updated on regular basis	✓	✓	✓	3 - Reliable data collected through face to face interviews
Associations	Register of associations providing social services Administrative register	Ministry of Labour and Social Policies Government institution	2018 The register is updated on regular basis	✓	N.A.	N.A.	4 - Official data
Associations	Civil society index-Macedonia Research report	Balkan Civil Society Development Network Research Institute	2017 Yearly	✓	N.A.	N.A.	3 - Reliable data
Cooperatives	SEs Connecting the Dots: Economic Growth, Community Development, and Social Inclusion Research report	"PUBLIC" Association for research, communication and development Research institute	2018 The register is updated on regular basis	✓	✓	✓	3 - Reliable data collected through face to face interviews
Agricultural Cooperatives	Register of agricultural cooperatives Administrative register	Macedonian association of agricultural cooperatives Representative body	2018 The register is updated on regular basis	✓	N.A.	N.A.	3 - Reliable data

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