



European  
Commission

SOCIAL ENTERPRISES  
AND THEIR ECOSYSTEMS  
IN EUROPE

Country report  
**SLOVENIA**  
Tatjana Rakar  
Zinka Kolarič

This report is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Slovenia based on available information as of March 2019. It describes the roots and drivers of social enterprises in the country as well as their conceptual, fiscal and legal framework. It includes an estimate of the number of organisations and outlines the ecosystem as well as some perspectives for the future of social enterprises in the country.

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# SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

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**SLOVENIA**

Tatjana Rakar  
Zinka Kolarič

This report provides an overview of the social enterprise landscape in Slovenia based on available information as of March 2019. The report updates the previous version submitted by ICF Consulting Services to the European Commission in 2014. The current report has been prepared as part of 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](#)). Tatjana Rakar and Zinka Kolarič from the University of Ljubljana were responsible for the revision of the report.

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

No	Country	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

- > **AJPES** Agency of the Republic of Slovenia for Public Legal Records and Related Services (*Agencija Republike Slovenije za javnopravne evidence in storitve*)
- > **APZ** Active Labour Market Policies (*Aktivne politike zaposlovanja*)
- > **CNVOS** Centre of Non-Governmental Organisations of Slovenia (*Center nevladnih organizacij Slovenije*)
- > **EC** European Commission
- > **ESF** European Social Fund
- > **EU** European Union
- > **ERDF** European Regional Development Fund
- > **FIHO** Foundation for financing organisations for people with disabilities and humanitarian organisations in the Republic of Slovenia (*Fundacija za financiranje invalidskih in humanitarnih organizacij v Republiki Sloveniji*)
- > **GDP** Gross Domestic Product
- > **IRDO** Institute for the Development of Social Responsibility
- > **IRSA** Institute for Developmental and Strategic Analysis
- > **MDDSZ** Ministry of Labour, Family, Social Affairs and Equal Opportunities (*Ministrstvo za delo, družino, socialne zadeve in enake možnosti*)
- > **MGRT** Ministry of Economic Development and Technology (*Ministrstvo za gospodarstvo, razvoj in tehnologijo*)
- > **MJU** Ministry of Public Administration (*Ministrstvo za javno upravo*)
- > **NGO** Non-Governmental Organisation
- > **NPO** Non-Profit Organisation
- > **SBI** Social Business Initiative
- > **SEF** Slovene Enterprise Fund (*Slovenski podjetniški sklad*)
- > **ŠENT** Slovenian Association for Mental Health (*Slovensko združenje za duševno zdravje*)
- > **SURS** Statistical Office Republic of Slovenia (*Statistični urad Republike Slovenije*)
- > **VAT** Value Added Tax
- > **WISE** Work Integration Social Enterprise
- > **ZIPS** Alliance of Companies Employing People with Disabilities of Slovenia (*Zavod invalidskih podjetij Slovenije*)

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## Executive summary

### Background

Social enterprise is a new concept in Slovenia based on the country's long tradition of civil society self-organisation and self-reliance. Recognised associations and cooperatives held a primary role in public goods and services provision until the end of World War II. Four distinct periods can then be distinguished post-war: state socialism (until 1970); self-governing socialism in the 1970s; new social movements in the 1980s; and the post-1990 transition period. Both the re-emergence of associations and cooperatives and the formation of private institutes in this transition period were deeply rooted in Slovenia's socialist past, especially in relation to its welfare system. As a result, the breadth of current social enterprises includes both organisations inherited from the past (e.g., associations, cooperatives and companies for people with disabilities) alongside more recently established organisations (e.g., institutes, foundations and employment centres). Slovenia adopted the Social Entrepreneurship Act, which introduced the status of social enterprise, in 2011.

### Concept, legal evolution and fiscal framework

Many different Slovenian organisational types can be regarded as social enterprises based on the EU operational definition. *Ex lege* social enterprises, which are officially recognised, do not accurately represent the actual number of *de facto* social enterprises in Slovenia. Firstly, work integration social enterprises (WISEs) such as companies for people with disabilities and employment centres fit the EU operational definition of social enterprises. The majority of private institutes that engage in general interest services provision also comply with the EU definition of social enterprises. Similarly, associations, especially those engaged in social services, culture and the environment, and cooperatives that pursue explicit social aims fit the EU operational definition of social enterprises. Accordingly, the range of Slovenian social enterprises includes a variety of legal forms with different statutes that are open to the term provided they meet given conditions; social enterprises do not exist as a formal legal form in Slovenia. The Social Entrepreneurship Act (2018) defines the sector's formal legal forms as primarily non-profit organisations (NPOs)—such as associations, private institutes and foundations—cooperatives or limited liability companies. Organisations can only obtain social enterprise status, which is established on their request, when they fulfil social enterprise criteria as defined by law.

## Mapping

The legal category of social enterprise captures only a small share of Slovenian social enterprises. The most common legal forms of *ex lege* social enterprises are private institutes, cooperatives and associations. Private institutes rank as the most numerous *de facto* social enterprises, followed by associations. Data on the development of *ex lege* social enterprises show that emerging social enterprises predominantly form from existing NPOs with only a small amount forming *ex novo*. Both *ex lege* and *de facto* social enterprises predominantly rely on market generating activities; however, important differences exist among different legal types. Companies for people with disabilities, private institutes and cooperatives mostly lean towards market activities. *Ex lege* social enterprises employ a small share of Slovenia's active population (0.045%) and their revenues represent 0.041% of GDP. Due to their long tradition, *de facto* social enterprises employ a higher share of the working population (0.268%) and their revenues represent 0.269% of Slovenia's Gross Domestic Product (GDP) (excluding companies for people with disabilities). Companies for people with disabilities have the highest share of employees with 1.37% of the active population. Currently, the size of *de facto* social enterprises are only estimated. In addition to companies for people with disabilities and employment centres, additional data only demonstrate the realities of associations, institutes, foundations and cooperatives active in social services and healthcare. Data does not currently represent the full range of NPOs that can be regarded as social enterprises.

## Ecosystem

The interplay of key actors that shape the ecosystem of Slovenian social enterprises operate on three different levels: the national/state, the local/municipal and the support organisation level engaged in advocacy, social inclusion and social enterprise promotion. The concept of social enterprises first emerged within the context of European Social Fund (ESF) pilot projects launched in 2009 to support social enterprise development. From 2009 to 2015 the responsible Ministry of Labour, Family and Social Affairs and Equal Opportunities (MDDSZ) channelled 8.3 million EUR as tenders for pilot projects and public works specifically targeting social enterprise development. From 2015 to 2017 the responsible Ministry of Economic Development and Technology (MGRT) distributed 2.13 million EUR in grants for the explicit development of social enterprises. On a local level, municipalities are encouraged to become stronger partners in the future development of social enterprises. A relatively large number of support organisations that have developed from existing NPOs aim to answer local needs and seem to have spontaneously started to work within the field of social enterprises.

## Perspectives

The future development of social enterprises depends on the interpretation of their definition and role in society. For instance, some stakeholders consider social enterprises as their primary target for assistance, whereas others aim to strengthen the role of non-profit associations and private institutes—currently, the strongest social enterprise drivers—in Slovenia. This implies a potentially divided future. Namely, the sector may develop a private market orientation or it may lean more heavily on state ‘obligation’ to support its development, compensating for the production of goods and services that the declining welfare state can no longer provide.





SLOVENIA

# 1

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## BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

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Although the concept of social enterprise is new in Slovenia, the country has a long tradition of civil society self-organisation and self-reliance. Until the end of World War II, associations and cooperatives—aside from the informal sector—held a primary role in the provision of public goods and services. Four distinct phases can be distinguished in the post-war period: the period of state socialism (till 1970); the period of self-governing socialism in the 1970s; the period of new social movements in the 1980s and the period of transition after 1990. The re-emergence of associations and cooperatives as well as the formation of private institutes in the transition period has deep roots in Slovenia's socialist past, especially in the characteristics of the Slovene welfare system. Accordingly, the universe of social enterprises includes both organisations inherited from the past, such as associations, cooperatives and companies for people with disabilities, along with more recently established organisations such as institutes, foundations and employments centres. The status of social enterprises was introduced in 2011, when the Social Entrepreneurship Act was adopted and it provides a definition of social enterprise.



## 16 | Background: social enterprise roots and drivers

**While the concept of social enterprise is relatively new in Slovenia, the country has a long tradition of civil society self-organisation and self-reliance;** its first law on cooperatives was introduced in 1873. Historical analyses show that Slovenia has a long and extensive tradition of people's interest associations and self-organisation (Kolarič *et al.* 2002, Črnak-Meglič and Rakar 2009).

**Up until the end of World War II, associations and cooperatives were the primary providers of public goods and services (aside from the informal sector),** accounting for around 8,000 Slovenian organisations (6,014 associations and 1,677 cooperatives in 1938) (Črnak-Meglič and Rakar 2009). Four distinct, post-war periods can be distinguished: state socialism (until 1970) in which the first companies for people with disabilities<sup>1</sup> emerged in the 1960s; self-governing socialism in the 1970s; new social movements in the 1980s; and the post-1990 transition period.

**The process of reducing state regulations started in the 1970s when the *Act on Associations (1974)* was adopted.** This act enabled associations to be established; it remained in force until the mid-1990s when new laws regulating private institutes and foundations were introduced. At the beginning of the 1990s, the state's monopoly over the production of social and other services was abolished. The *Act on Foundations* (1994) re-enabled the setting up of foundations. The *Act on Institutes* (1991) enabled private institutes to be established. Political changes supported the renewal of church organisations, which had until then operated illegally. The number of organisations over this period almost doubled (Črnak-Meglič and Rakar 2009).

**The re-emergence of associations and cooperatives alongside the formation of private institutes<sup>2</sup> during this transitional period is deeply rooted in the country's socialist past and characteristic welfare system.** The framework of the system influenced the role played by these organisations—they were not key service providers because the public sector/state assured these services; rather they strengthened the capability of informal social networks (mainly family-based) to provide care for their members.

**Both cooperatives and companies for people with disabilities and associations became prevalent.** Associations that were not highly professional included a large share of volunteers and conducted primarily sport/recreational and cultural activities (Kolarič *et al.* 2002, Črnak-Meglič and Rakar 2009). Despite growing in number, other types of organisations (e.g., private institutes and foundations) had a shorter reach and still do today. This is also evident from the sector's structure according to its fields of activity.

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(1) For the explanation of companies for people with disabilities see section 2.1.2.

(2) Private institutes are organisations that are set up to perform activities in education, science, culture, sports, healthcare, social services, childcare, disability care, social security or other activities when their goal is not profit maximisation. They are not membership organisations.

**Associations remain mostly active within their historic fields of sport, recreation and culture** (Rakar *et al.* 2011). The existing comprehensive network of public/state institutions does not leave much space for their development as service providers. However, their importance continues to grow. Social enterprises have also begun emerging as institutes, cooperatives and foundations. They are gradually developing their service provision; under the conditions of concession agreements,<sup>3</sup> they usually complement the public sector where services have become insufficient or provide an inadequate level of quality (Kolarič *et al.* 2002, Rakar *et al.* 2011).

The scope of Slovenian social enterprises includes both organisations inherited from the past (e.g., associations, cooperatives and companies for people with disabilities) and, more recently, established organisations such as institutes and foundations. Additionally, employment centres gained the status of sheltered workshops in 2006. **The Social Entrepreneurship Act introduced the status and definition of social enterprises in 2011.**<sup>4</sup>

The act received criticism for its rigid restrictions and lack of financial advantage for organisations that obtained this new status and was therefore amended in 2018. **Data on the development of *ex lege* social enterprises show that their growth and number of employed people results from the evolution of existing organisations.** This means that only a few social enterprises are established *ex novo* (Babič and Perica 2018). Social enterprise representatives saw this as an obstacle for development, as shown by a study outlining their needs for support and network facilitation in Slovenia (Šporar *et al.* 2018a). The majority of social enterprises in Slovenia lack the skills to shift from project-based funding to income-generating market activities.

Stakeholders consulted for the purpose of this study agree that **fertile ground for the development of social enterprises was developed in the long history of the cooperative movement, the Yugoslavian self-management model and the well-developed policies protecting citizens with disabilities.** Unfortunately, these discourses have certain political connotations and are considered taboo by many in these fields.

Due to the recent period of EU social enterprise promotion, Slovenia's sector has also gained political support. **The adoption of the Social Entrepreneurship Act (2011) has encouraged some organisations to obtain social enterprise status.** Simultaneously, this very act has prevented certain traditional organisations—such as

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(3) A concession agreement is a contract between the state (at a national or local level) and private profit or non-profit service providers, in which the extent and type of services to be provided by the private actor and the cost to the state/municipality are agreed. This is done through a public procurement process. The English term 'contracting out' is sometimes applied.

(4) For an explanation of different legal forms and statutes of social enterprises see section 2.1.2.

employment centres and companies for people with disabilities—to register as social enterprises. This exhibits a missed opportunity to strengthen *ex lege* social enterprises.

# 2

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## CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

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In Slovenia many different organisational types can be regarded as social enterprise. *Ex lege* social enterprises holding the official status of social enterprises in Slovenia do not accurately represent the actual number of *de facto* social enterprises. Firstly, companies for people with disabilities and employment centres fit the EU operational definition of social enterprises, representing the work integration social enterprises. Among the social enterprises engaged in the provision of general interest services, the majority of private institutes in particular comply with the EU definition of social enterprises. Similarly, associations especially engaged in social services, culture and environment fields along with cooperatives pursuing explicit social aims all fit the EU operational definition of social enterprises. Accordingly, the universe of social enterprises contains different legal forms and different statutes obtainable by such organisations, provided that they meet given conditions. This is due to the fact that in Slovenian legislation, social enterprises do not exist as a formal legal form. The Social Entrepreneurship Act (2018) illustrates that organisations first get established through one of the formal legal forms of NPOs (such as associations, private institutes and foundations), cooperatives or limited liability companies. Only after, upon their request and by fulfilling the criteria for social enterprises, can the organisation obtain the status of social enterprises.



## 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 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; it is their balanced combination that matters most when identifying the boundaries of social enterprise.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined them again 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 Slovenia

**In Slovenia many different organisational types meet social enterprise requirements based on the EU operational definition.**

**These include companies for people with disabilities and employment centres; private institutes engaged in the provision of general interest services; associations engaged in social services, culture and environmental fields; and cooperatives pursuing explicit social aims, which all have a longstanding tradition in Slovenia.** Each type is regulated by a distinct act with several later amendments. These include the *Act on Cooperatives* (1992), the *Act on Associations* (2006), the *Act on Institutes* (1991), the *Act on Foundations* (1995) and different acts regulating the status of companies for people with disabilities and employment centres

such as the *Act on Work Rehabilitation and Employment of People with Disabilities* (2004). Notable documents also include the *Rules on the Companies for People with Disabilities* (2005), *Rules on Employment Centres* (2005) and the *Act on Social Protection* (2007).

The below section presents and assesses the different legal typologies of Slovenian social enterprises regarding the extent to which they comply with the EU operational definition of social enterprises.

**The *Act on Associations* (2006 with later amendments, which replaced the first act from 1995) defines an association as an independent and voluntary-based non-profit association for the fulfilment of common interest.** Associations are membership-based organisations that can obtain public interest status if they operate in a relevant field. Such fields include: culture, education, healthcare, social services, family policy, human rights, environment and animal protection, sports, defence and protection from natural disasters, economy, agriculture, nutrition and veterinary services, international affairs and the development of democracy among others when based on activities that operate for the wider public benefit beyond member interests. Ministries for the mentioned fields of action can then grant the status of public interest to associations, which encourages favourable treatment when applying for public tenders.

**The *Institutes Act* (1991 with later amendments) defines institutes as organisations set up to perform activities in the fields of education, science, culture, sports, healthcare, social services, childcare, disability care, social security or other activities whose goals reach beyond profit maximisation.** Institutes are not membership organisations. They can obtain public interest status but, unlike associations, must first conform to legislation within the relevant field.

**According to the *Act on Foundations* (1995 with amendments), foundations are assets bound for special social purposes.** The purpose must focus on common or humanitarian benefit, often on a permanent basis. A foundation acts for the common good by operating in scientific, cultural, sport, education, healthcare, childcare, social services, disability protection, protection of natural values and cultural heritage fields etc. A humanitarian foundation operates specifically with the purpose of helping those in need. Foundations can obtain organisation of public interest status.

**The new *Act on Non-Governmental Organisations* (2018) has replaced organisation of public interest status with non-governmental organisation of public interest status to ensure fairer treatment.** The three previously described legal types can acquire this status provided they operate in society's general interest.

Meanwhile, **the *Act on Cooperatives* (1992 with later amendments) defines a cooperative as an 'organisation associating an initially undetermined number of members with the purpose of enhancing the economic interest of its members**

**and based on voluntary entry, free withdrawal and the equal rights of members to participate in the operation and management of the cooperative.'** These organisations represent the oldest type of social economy in Slovenia—the country's first law for cooperatives dates back to 1937.

Moreover, special legislation concerns companies for people with disabilities and employment centres. **Only limited liability companies can obtain the status of companies for people with disabilities, whereas (beyond limited liability companies) institutes and cooperatives can also acquire employment centre status.** The *Vocational Rehabilitation and Employment of Disabled Persons Act* (2004 with several later amendments) together with the *Rules on Companies for People with Disabilities* (2005) and *Rules on Employment Centres* (2012) regulate the statutes, state funding and state subsidies for these two special status types. Public schemes that support companies for people with disabilities have developed more than other types of social economy organisations in Slovenia. These companies are eligible for permanent state incentives or subsidies. They operate as WISEs and, according to the above mentioned legislation, must employ a prescribed 40% share of workers with disabilities alongside professional staff. According to the current law, companies for people with disabilities must reinvest 80% of their profits back into the company. Companies that employ at least 50% of workers with disabilities (in some cases also 40%) benefit from social security exemptions for all employed persons in the company (not only employees with disabilities). Additionally, they receive salary subsidies for employees with disabilities (from 5% to 30% of the minimum wage for each differently-abled employee, depending on their level of disability).

More recently established employment centres (2006) create a form of sheltered workshop, they intend to serve people with more restrictive disabilities (30% to 70% productivity) and accordingly have the right to higher state subventions. Other forms of social enterprises do not receive any such regular financial support from the state. They can only participate in open calls for subsidies and loans. Hence, **state support greatly differs according to the legal conditions of social enterprises—in comparison, those with employment centre status or companies employing people with disabilities receive wider support.**

**According to the regulations of the previous Social Entrepreneurship Act (2011), companies for people with disabilities and employment centres were not eligible for social enterprise status due to double public financing** (with public support amounting to 40%–60% of revenues). Amendments to the law in 2018 then abolished this limitation. The eradication of prescribed fields of activity for *ex lege* social enterprises impacted another change.<sup>5</sup> Indeed, as confirmed by a Slovenian

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(5) Activities defined in Article 5 and the *Regulation on Determination of Activities of Social Entrepreneurship* (2012) were: social assistance; family assistance; protection of persons with disabilities;

social economy organisation study (see Adam 2015), many potential social enterprises did not see the benefits of registering due to restrictive criteria levelled at obtaining and maintaining their status without special financial or fiscal benefits.

In summary, **Slovenia's breadth of social enterprises engenders different legal forms entitled to different statutes.** These include employment centre status and—especially for associations or institutes and foundations with stricter conditions—the status of organisations operating in the public interest. The latter was replaced by the status of Non-Governmental Organisations (NGOs) operating in the public interest on 1 January 2019. Furthermore, companies that employ people with disabilities can apply for their own specific status. The obligation to employ a certain share of workers with recognised disabilities distinguishes employment centres and companies for people with disabilities from other social enterprises. Therefore, **the availability of different statuses depends on the adopted legal form.**

The compliance of various *ex lege* and *de facto* Slovenian social enterprise forms following the EU operational definition of social enterprises undergoes further review in table 1.

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science, research, education; provision and organisation of youth work; protection and promotion of health; ensuring social inclusion, promotion of employment and vocational training of unemployed people and persons at risk of unemployment; job brokerage for people referred to in Article 6 herein, including the activity of hiring out such workers to another user; organic food production; nature conservation, landscaping, environmental protection and animal protection; promotion of the use of renewable energy sources and the development of the green economy; tourist services for people otherwise excluded from or limited by their living conditions in accessing them, provided in a manner that respects the values of sustainability, accessibility and solidarity (social tourism); shops for socially disadvantaged people (social shops), shops selling the products of small producers from the most undeveloped environments, based on ethical, transparent and equal business relationships between producers and traders aimed at ensuring fair pay for the producers and their survival (fair trade), and shops with services and products from social entrepreneurship activities; culture, technical culture and preservation of cultural, technical and natural heritage; amateur sport and physical activities for recreational purposes and socialisation; protection and rescue activities; promotion of local communities' development; and support services for social enterprises and other areas of social entrepreneurship activities as defined by specific acts.

Table 1. Mapping social enterprises in Slovenia against the EU operational definition

*Ex lege* social enterprises

Legal form	Compliance with the EU operational definition	Principle from the EU definition satisfied?
Associations, institutes (private), limited liability companies, cooperatives, foundations with the status of social enterprises	<b>Entrepreneurial / economic dimension:</b> Market orientation is one of the core criteria for the SE status, although "market orientation" is not explicitly defined in the legislation. Organisations with the SE status comply with the economic dimension since their income comes mainly from trading.	Yes
Associations, institutes (private), limited liability companies, cooperatives, foundations with the status of social enterprises	<b>Social dimension:</b> Fulfil the core criteria, profit-generation does not comprise an exclusive or main objective. They pursue explicit social goals, develop new employment possibilities, provide additional jobs and enable social integration and vocational reintegration of the most disadvantaged groups in the labour market.	Yes
Associations, institutes (private), limited liability companies, cooperatives, foundations with the status of social enterprises	<b>Inclusive governance-ownership dimension:</b> Fulfil the core criteria. They completely restrict (100%) sharing profit or excess revenue amongst its members, management and workers. As per the Act, social enterprises are managed independently. Principles of social entrepreneurship include: democratic decision-making (one member-one vote) and stakeholder involvement in decision making and management.	Yes

*De facto* social enterprises

Legal form	Compliance with the EU operational definition	Principle from the EU definition satisfied?
Limited liability companies with the status of companies for people with disabilities	<b>Entrepreneurial / economic dimension:</b> Fulfil the core criteria. Companies are market oriented; they sell their goods and services on the market.	Yes
Limited liability companies with the status of companies for people with disabilities	<b>Social dimension:</b> Fulfil the core criteria. Need to employ at least 40% of employees with disabilities.	Yes
Limited liability companies with the status of companies for people with disabilities	<b>Inclusive governance-ownership dimension:</b> Fulfil most of the core criteria. They abide by non-profit constraint criteria, and reinvest 80% of the profits gained back to the company with only 20% allowed for distribution. They are managed independently; however, many act as subsidies of larger companies. They do not entirely fulfil criteria of participatory governance. Decisions often lie in the company owners' hands.	Partly

Legal form	Compliance with the EU operational definition	Principle from the EU definition satisfied?
Institutes (private), limited liability companies and cooperatives with the status of employment centres	<b>Entrepreneurial / economic dimension:</b> Fulfil the core criteria. Employment centres are market oriented; they sell their goods and services on the market.	Yes
Institutes (private), limited liability companies and cooperatives with the status of employment centres	<b>Social dimension:</b> Fulfil the core criteria. They provide a protective workplace to people with disabilities with low productivity and can only be employed on the protective workplace.	Yes
Institutes (private), limited liability companies and cooperatives with the status of employment centres	<b>Inclusive governance-ownership dimension:</b> Fulfilling criteria depends on the primary legal form under which they register.	Yes and partly. Depends on the primary legal form
Associations	<b>Entrepreneurial / economic dimension:</b> Some fulfil the core criteria: those with significant market activities.	Not necessarily
Associations	<b>Social dimension:</b> Associations are membership organisations, and non-for profit organisations. Most of them fulfil the core criteria by pursuing an explicit social aim, especially those with public interest status. They play an important role in providing services in the field of culture, sport and recreation, welfare services and environment protection.	Not necessarily
Associations	<b>Inclusive governance-ownership dimension:</b> Fulfil the core criteria. Associations are defined as NPOs; non-profit distribution constraint is set by law. They are defined as autonomous organisations. They also fulfil the criteria of participatory governance, with the member board as the highest decision making body—one member one vote. However, the legislation does not address the involvement of different stakeholders in decision-making or management.	Yes
Institutes (private)	<b>Entrepreneurial / economic dimension:</b> The majority fulfil the core criteria. Economic activities are allowed to the extent necessary for the organisation to accomplish its major statutory goal, but the law does not provide further guidance in this respect. Institutes remain generally market oriented since they largely depend on contract-based government sources and concession agreements.	Not necessarily
Institutes (private)	<b>Social dimension:</b> Fulfil the core criteria. Institutes are defined as organisations that are set up to perform activities in the fields of education, science, culture, sports, healthcare, social services, childcare, disability care, social security or other activities if they operate for beneficial societal impact without aiming to maximise profit.	Yes

## 26 | Concept, legal evolution and fiscal framework

Legal form	Compliance with the EU operational definition	Principle from the EU definition satisfied?
Institutes (private)	<b>Inclusive governance-ownership dimension:</b> Fulfil the core criteria. Institutes are defined as non-profit organisations; the law elaborates non-profit distribution constraint. Private institutes (in contrast to public institutes) fulfil the core criteria regarding independence. They also fulfil the criteria of participatory governance through a council consisting of founders, employees and consumers (interested public).	Yes
Foundations	<b>Entrepreneurial / economic dimension:</b> Some with significant market activities fulfil the core criteria.	Not necessarily
Foundations	<b>Social dimension:</b> Fulfil the core criteria. Foundations are defined as assets bounded for special social purposes. The purpose must aim for the common benefit or a humanitarian purpose. The common benefit includes field of science, culture, sport, education, healthcare, child-care, social services, disability protection, protection of natural values and cultural heritage etc. A humanitarian cause aims to help persons in need.	Yes
Foundations	<b>Inclusive governance-ownership dimension:</b> Partly fulfil the criteria. Foundations are defined as non-profit organisations; the law requires compliance with non-profit distribution. They do not fulfil the criteria of participatory governance or the involvement of stakeholders. A board typically composed of at least 3 members manages foundations. Other bodies can emerge on a voluntary basis as defined in the foundation act. Some foundations in practice involve relevant stakeholders as their board members.	Partly
Cooperatives	<b>Entrepreneurial / economic dimension:</b> Fulfil the core criteria. Cooperatives are market-oriented, they sell their goods and services on the market.	Yes
Cooperatives	<b>Social dimension:</b> Not all fulfil the criteria, since they primarily function in their members' interest. Some cooperatives pursuing general interest do fulfil the criteria.	Not necessarily
Cooperatives	<b>Inclusive governance-ownership dimension:</b> Partly fulfil the criteria, since according to the law the non-profit constraint only applies to 5% of the profit, accordingly 95% of the profit can be distributed to shareholders. Though in practice, the majority of cooperatives comply with the non-profit constraint—they use their profits to invest in their cooperatives and only distribute it in certain cases to their members and at a very limited extent (Babič 2018). They also fulfil the criteria of participatory governance; the highest decision making body is the board of members—one member one vote. But the legislation does not address the involvement of different stakeholders in the decision-making or management process.	Partly

## 2.2. Legal evolution

The following illustration summarises milestones in the development of *ex lege* social enterprises.

### Illustration 1. Milestones in the development of *ex lege* social enterprises

- > 2005/2006 – First international projects and studies that use the term social entrepreneurship and examples of good practices abroad
- > 2009 – First public tender at the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ) for the development of pilot projects in the field of social entrepreneurship. Nine pilot projects (second public tender in 2012, with 17 pilot projects)
- > March 2011 – Act on Social Entrepreneurship adopted
- > January 2012 – Act on Social Entrepreneurship came into force
- > 2014/2015 – First (and only) co-financing of the programmes of public works designated for social enterprises, resulting in the registration of around 50 new social enterprises
- > January 2015 – The regulatory powers for social entrepreneurship are transferred from the MDDSZ to the MGRT
- > January 2015 – Initial implementation of the government strategic project enhancing the development of social entrepreneurship, cooperatives movement and economic democracy
- > July 2016 – Public tender MGRT for the launch of social enterprises and youth cooperatives, resulting in the registration of more than 100 new social enterprises
- > February 2018 – Proposal of the Act on changes and amendments to the Social Entrepreneurship Act adopted
- > March 2018 – Proposal of the Act on changes and amendments to the Social Entrepreneurship Act came into force

Source: Babič and Dabič Perica (2018: 29).

**The Social Entrepreneurship Act (2011), implemented on 1 January 2012, was the first act to define social enterprise status, the criteria for obtaining said status, its preservation and ways of reporting and promoting social entrepreneurship.** The law defines social enterprise as a qualification, meaning that social enterprise is not defined as a mandatory legal organisational form.

**As such, social enterprise legislation forms a secondary level of regulation for organisations registered under different legal forms of NPOs (e.g., associations, private institutes and foundations) or other forms of social economy organisations like cooperatives.** Private firms, such as limited liability companies, can also register. Once listed as a specific legal type that fulfils the criteria for social enterprise set by the Social Entrepreneurship Act, the organisation can obtain social enterprise status under its own initiative.

In due course certain changes to the law appeared necessary, especially as in practice certain provisions actually discouraged organisations from obtaining the status of social enterprises or even prevented some of them, as was the case of companies for people with disabilities and employment centres. Accordingly, **the Act was amended in 2018. The most important changes include the erasure of previous distinctions between two social enterprise types:**

- > **Type A** for social entrepreneurship activities defined in both the act and *Regulation on Determination of Activities of Social Entrepreneurship* (2012) and
- > **Type B** for WISEs employing disadvantaged groups.

**The disadvantaged groups were defined as:**

- > people with disabilities (unemployed persons difficult to employ due to mental or physical challenges),
- > the long-term unemployed (more than two years),
- > first time job seekers and persons aged over 55,
- > Roma people,
- > young dropouts from primary and secondary school,
- > ex-prisoners (for one year after serving their sentence),
- > refugees included in integration programmes,
- > drugs and alcohol abusers in rehabilitation programmes or post-rehabilitation for up to two years,
- > homeless people.

**According to the amended 2018 law, only one type of *ex lege* social enterprise now exists that can avoid employing disadvantaged workers or operating in**

**predefined fields of activity within the public interest.** These enterprises alone can perform any kind of commercial or non-commercial activities.

With this approach the MGRT (2018) aims to encourage the integration of disadvantaged target groups, deliver social services of general interest and give broader possibilities for generating social innovation. Additionally, **these changes have resulted in certain administrative barriers being abolished such as yearly reports to the MGRT and conditions to maintain their status;** social enterprises no longer need report the number or structure of their staff nor their income from previously determined social enterprise activities.

**Another important change to the law was the removal of restrictions for those legal entities working for people with disabilities, companies for people with disabilities and employment centres, and employment centres when registering their social enterprise status.** The restrictions were originally aimed at avoiding double financing from public funds, as these organisations already receive special status and substantial financial support according to provisions within the *Act on Work Rehabilitation and Employment of People with Disabilities* (2004).

**The amended law also restricts non-profit social enterprises to withholding 100% of their profits or excess revenue from members, management and workers.** The previous version of the act stated possible exceptions: certain legal structures of non-profit legal entities were allowed to share 20% of total profits or excess revenue from a relevant year provided that this 'excess' did not come from unspent public funds and such a distribution had already been outlined in their memorandum or articles. Those social enterprises distributing part of their profit or excess revenue had to involve their workers in profit-sharing. Once the complete restriction of profit distribution was enforced, the principle of non-profit operation was further upheld. According to the MGRT (2018), the restriction encourages social enterprises to focus on activities that pursue social impact and not-for-profit sharing. However, this does not mean they no longer lean toward the market—on the contrary, social enterprises in their essence function as companies, which operate according to market principles and need create revenues (MGRT 2018).

**The 2018 amendment of Slovenia's *Social Entrepreneurship Act* follows European discourse and places social enterprises within a broader social economy context.** The term 'social economy' was defined for the first time in this Slovenian legislation: Article 2 defines social economy as an 'economy, which is composed by social enterprises, cooperatives, companies for people with disabilities, employment centres, non-governmental organisations (associations, institutes, foundations), that are not established solely with the purpose to gain profit, operate in the benefit of their members, users or broader society and produce commercial or non-commercial products and services.' The previous Council of Social Entrepreneurship—

which comprised representatives from all ministries (apart from the Ministry of Foreign Affairs), two social enterprise representatives, one social partner representative and one expert—became the Council of Social Economy. Additionally, the Strategy for Social Entrepreneurship Development for the period 2013–2016 will be replaced by the forthcoming Strategy for the Development of Social Economy from 2019–2029.

**The first version of the law only defined social entrepreneurship and offered no separate definition for social enterprises.** Their definition was only available in relation to the criteria that determined this status. Now, Article 2 of the amended Social Entrepreneurship Act defines both forms separately. The social enterprise is considered a ‘non-profit legal entity, which acquires the status of social enterprise and can be an association, institute, foundation, company, cooperative, European cooperative or other legal entity of the private law, that is not established for the sole purpose of generating profit and does not distribute assets or the generated profit or excess revenue over expenditure.’ And the social entrepreneurship is defined as a ‘permanent performance of entrepreneurship activities with the production and sales of products or the provision of services on the market for which the generation of profit is not a main objective of entrepreneurship activity, but the primary goal is the achievement of social impacts.’

**Only a legal entity, which includes various forms, can obtain social enterprise status.** Natural persons cannot obtain this status (such as self-employed people or farmers). The amended law now states that any non-profit legal entity that is bound to act according to the principles of social entrepreneurship can obtain social enterprise status (see illustration below). These principles, which took shape in accordance with the main dimensions of the EU operational definition of social enterprise, are now defined by law.

## Illustration 2. Article 3 of the Social Entrepreneurship Act (2018): Aims and principles of social entrepreneurship

A non-profit legal entity may engage in social entrepreneurship provided that it is established and operates pursuant to the following principles and requirements (hereinafter: the principles), which indicate its public benefit nature and social character:

- > it is established by the voluntary decision of its founders (autonomous initiative);
- > its sole purpose is not to generate profit, assets and surplus of income must be reinvested in the activities of the social enterprise, sharing of the profit or excesses revenue distribution is not allowed (non-profit operation);

- > it is established with the main purpose of continuously engaging in social entrepreneurship or other activities with a view to employing the most disadvantaged groups in the labour market and thus serving the public interest (performance of activities in the public interest);
- > its members work voluntarily (voluntariness);
- > it is managed independently (independence);
- > the manufacture and sale of its products or the provision of its services in the market are largely organised according to market principles (market orientation);
- > it typically involves voluntary work (voluntary work participation);
- > individual founders or owners do not exercise dominant influence over decision-making; decisions are adopted by all members according to the principle one member-one vote, and irrespective of the capital share (equality of members);
- > the stakeholders are involved in decision making (stakeholder participation in management);
- > it provides for the transparency of its financial operation and for internal control over its inventory management and financial operations (operations transparency);
- > it permanently performs its activities for the benefit of its members, users and the wider community (operating for the public benefit).

Finally, **the amended law aims to measure the social impacts of social enterprises by mandating publicly available reports to the responsible ministry.** The government must adopt the Directive on the measurement of social impacts within six months of enforcing the new law.

**As the law provides for the legal status of social enterprises but not for their specific legal form, the authority responsible for the legal entity's initial registration and application then approves their status.** Several approving bodies have thus formed: administrative units for associations; courts for private institutes, cooperatives and limited liability companies; and ministries responsible for foundations, companies for people with disabilities and employment centres.

Table 2 compares a summary of the first Social Entrepreneurship Act (2011) and its amended version in 2018.

**Table 2. Comparison of the Social Entrepreneurship Act (2011) and Amendment of the Social Entrepreneurship Act (2018)**

Main elements of the Act	Social Entrepreneurship Act (2011)	Amendment of the Social Entrepreneurship Act (2018)
<b>Definition of social enterprise</b>	<ul style="list-style-type: none"> <li>&gt; Defined only social entrepreneurship, and not SE</li> <li>&gt; Defined the criteria for obtaining the status</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Includes definitions of social economy, social entrepreneurship and SE</li> <li>&gt; SE are defined as a “non-profit legal entity, which acquires the status of social enterprise and can be an association, institute, foundation, company, cooperative, European cooperative or other legal entity of the private law, that is not established for the sole purpose of generating profit and does not distribute assets or the generated profit or excess revenue over expenditure.”</li> </ul>
<b>Types of social enterprise</b>	<ul style="list-style-type: none"> <li>&gt; Type A (implementing social entrepreneurship activities defined in the Act)</li> <li>&gt; Type B (WISE, employing disadvantaged groups as defined in the Act)</li> <li>&gt; Companies for people with disabilities and employment centres could not obtain the status of SE</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Abolishment of the distinction of Type A and Type B.</li> <li>&gt; Only one type of SE</li> <li>&gt; SE are no longer obliged to employ disadvantaged workers or operate in the defined fields of activities in the public interest, they can perform any kind of commercial or non-commercial activities</li> <li>&gt; Companies for people with disabilities and employment centres can obtain the status of SE</li> </ul>
<b>Administrative reporting</b>	<ul style="list-style-type: none"> <li>&gt; Yearly reporting to the MGRT on the number and the structure of the employed or on the income from the previously determined social enterprise activities, as a condition to maintain the status</li> </ul>	<ul style="list-style-type: none"> <li>&gt; SE are no longer obliged to report on the employment of vulnerable groups or their activities in public interest</li> <li>&gt; The Directive on the measurement of social impact needs to be adopted by the government and SEs will have to report on their social impact</li> </ul>
<b>Non-profit distribution constraint</b>	<ul style="list-style-type: none"> <li>&gt; Asset lock depended on the legal type of SE</li> <li>&gt; Exceptions of complete 100% asset lock were possible for particular types of non-profit legal entities; the sharing of the profit was allowed up to the maximum of 20% of the total profit or excess revenue over expenditure generated in a relevant year</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Complete 100% asset lock.</li> </ul>

Main elements of the Act	Social Entrepreneurship Act (2011)	Amendment of the Social Entrepreneurship Act (2018)
Consulting body	> Council of Social Entrepreneurship	> Council of Social Economy
Policy document	> Strategy for Social Entrepreneurship development for the period 2013-2016	> Strategy for the development of Social Economy for the period from 2019-2029 (not yet adopted)

## 2.3. Fiscal framework

**The fiscal framework for Slovenian social enterprises and social economy organisations in general is fragmented.** Tax exemptions depend on an organisation's legal form and remain relatively low. Legislation provides the option for all NPOs to acquire income by performing activities on the market as with share companies. However, contrary to mainstream companies, NPOs must comply with a non-distribution constraint—their profit should be reinvested in organisational activities. *De facto* cooperatives are exempt as this legal non-distribution constraint applies only to 5% of their profits. Hence, cooperatives cannot envision special fiscal benefits attached to their legal form. The same holds true for limited liability companies.

**Social enterprise status does not bring any additional fiscal benefits.** According to legislation, NPOs—associations, institutes and foundations—are exempt from paying taxes for their non-profit activities but pay the same taxes as other companies for their for-profit activities.<sup>6</sup>

Furthermore, **income generated by non-profit activities is not included in tax payments.** Hence, associations, institutes and foundations pay both tax on profits and Value Added Tax (VAT). However, some exemptions exist: NPOs are exempt from paying VAT for activities in the public interest (e.g., social services, education, culture and sport)

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(6) According to the Rules concerning definitions of profitable and non-profitable activity (2009), the income of all NPOs is divided into income from profit and income from non-profit activities. Income from non-profit activities includes: donations; membership fees; heritage; income from social security contributions paid directly to the Institute for Health Insurance of Slovenia and to the Pension and Disability Insurance Institute of Slovenia; and income from public funds for the provision of public services and allocated public funds. Income from profit activities includes: co-payments of users of public services; bank interests; dividends and income from investments; income from sales of goods and services; income from rents; payments from users and members for workshops, events, conferences, meetings dinners and social gatherings; and income from lottery and other events organised by the taxpayer.

when their taxable income does not exceed 50,000 EUR per year. Stakeholders that were consulted for this study consider that VAT tax exemption on all product sales and services would significantly contribute to Slovenian social enterprise development.

Some tax relief applies to donations made to NPOs. However, tax breaks for donors—individuals and companies—score relatively low: only 0.3% of taxable income per taxation period gets relieved; however, if that measures lower than the tax base for that period, an additional 0.2% tax relief may apply for public purpose activities. Nevertheless, **these relatively low tax reliefs do not represent a sufficient financial stimulus for donations.** Additionally, individuals as taxpayers can assign 0.5% of their income tax to a social enterprise or any other NPO, with permission to choose from one to five NPOs for this purpose.

**Companies for people with disabilities and employment centres enjoy the most favourable fiscal regime as well as different benefits and subventions.** These companies and centres are exempt from paying taxes as well as social security contributions for all company employees (and not just those with disabilities). Additionally, they receive salary subventions for employees with disabilities based on their level of disability.

Conversely, **both *ex lege* and *de facto* social enterprises—apart from the aforementioned groups—are granted the same financial and fiscal benefits envisaged for those enterprises that employ workers with disabilities according to regulated quotas.** This means that social enterprises receive the same treatment as all other employers. They do benefit from social security contribution exemptions and can receive a reward for employing workers with disabilities—25% of the current minimum wage for the employment of a person with disabilities for less than six months. Nevertheless, these financial and fiscal benefits do not apply to other vulnerable groups. According to the Social Entrepreneurship Act (2018), social enterprises can receive subsidies for each employed person from vulnerable groups as well as subventions for the continued education of social enterprise managers and those working with vulnerable groups in their first two operational years.

Table 3. Fiscal framework for social enterprises

Type	Description
<b>Tax benefits</b>	<p>Depend on the legal form adopted:</p> <ul style="list-style-type: none"> <li>&gt; Cooperatives and limited liability companies (with the status of SE) have no tax benefits</li> <li>&gt; Associations, institutes and foundation are exempt from paying taxes for the non-profit activities. Income from these activities not included in the basis for tax payment, no tax benefits apply to for-profit activities. Exemption from paying VAT for the activities in public interest and if taxable income does not exceed 50,000 EUR per year</li> <li>&gt; Companies for people with disabilities and employment centres are exempt for paying taxes as well as social security contributions for all employed persons in the company (not only for people with disabilities)</li> <li>&gt; All organisations regardless of the legal form adopted if employing people with disabilities workers are exempt from paying social security contributions for people with disabilities workers (this does not apply for other vulnerable groups of workers)</li> </ul>
<b>Donations</b>	<ul style="list-style-type: none"> <li>&gt; Little tax relief for donors—individuals and companies—0.3% from the taxed income in the tax period, though if that measures lower than the tax base for that period, an additional 0.2% tax relief may apply for public purpose activities</li> <li>&gt; Individuals can assign 0.5% of their income tax to any NPO</li> </ul>



# 3

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## MAPPING

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The legal category of social enterprise captures only a small share of social enterprises in Slovenia. Among the *ex lege* social enterprises, private institutes, cooperatives and associations comprise the most common legal forms. Among *de facto* social enterprises, private institutes rank as the most numerous, followed by associations. The data on the development of *ex lege* social enterprises show that emerging social enterprises predominantly take form out of existing NPOs with only a small part forming *ex novo*. Both *ex lege* and *de facto* social enterprises rely predominantly on market generating activities; however, important differences exist among different legal types. Companies for people with disabilities, private institutes and cooperatives lean most toward market activities. *Ex lege* social enterprises employ a small share of the active population in Slovenia (0.045%) and their revenues represent 0.041% of GDP. Due to their long tradition, *de facto* social enterprises employ a higher share of the working population (0.268 %) and their revenues represent 0.269% of the Slovenian GDP (excluding companies for people with disabilities). Companies for people with disabilities have the highest share of employees, with 1.37% of the active population.



## 3.1. Measuring social enterprises

**The term ‘social enterprise’ does not exist in Slovenia in relation to statistical data for analytical purposes.** Consequently, national institutions in charge of statistical data, such as the Statistical Office of the Republic of Slovenia (SURSTAT) and the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJRPES), offer no official data on social enterprises. Subsequently, various sources are required when gathering data aimed at capturing the breadth of Slovenian social enterprises. Nevertheless, no data are available on annual turnover, growth rates, work force according to gender, employment according to the active population and the contribution of *ex lege* or different types of *de facto* social enterprises to GDP. Available data on the number of institutions, region of registration, main activities, number of employees and volunteers (men and women), and the revenues of institutions were gathered from different sources and calculated by Rakar (2018).<sup>7</sup> The data range across a period from 2012 (when the Social Entrepreneurship Act was implemented) up to the most recent available data for 2017. The main sources of data include administrative sources, official statistics and other data sources listed below.

Administrative sources:

- > **The Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJRPES).** All active social enterprises in Slovenia (except for companies for people with disabilities and employment centres registered in the form of companies) are obliged to provide annual financial reports to AJRPES. For the purpose of this mapping study AJRPES provided data based on these annual financial reports and a special request for information about different legal forms, namely: social enterprises *ex lege* (distinguishing between private institutes, associations, foundations, cooperatives and limited liability companies) and *de facto* social enterprises (associations, private institutes, foundations and cooperatives). Available data includes the number of institutions, number of employees, main activity, region of registration, revenues and different types of revenues (this information was not available for cooperatives). This report assesses the size of each legal form, calculating relevant indicators based on available data (Rakar 2018).
- > **Ministry of Economic Development and Technology (MGRT).** Their online register of *ex lege* social enterprises provides a list of all registered social enterprises and their responsible persons (including those in the dissolution process). No other data are available.

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(7) The authors acknowledge the help of Maja Mrzel (Faculty of Social Sciences, University of Ljubljana) for the calculations of main indicators for social enterprises characteristics.

- > **Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ)** (Directorate for people with disabilities) provided data on the number of institutions and number of employees (separately for employees with disabilities) in companies for people with disabilities and employment centres. Other data were not available.
- > **Ministry of Public Administration (MJU)** provided data for volunteers (also in regard to gender) based on a special request for the purpose of this study but only for associations, private institutes and foundations, since cooperatives and companies, as well as companies for people with disabilities are not included in the register of voluntary organisations.

Official statistics:

- > **The Statistical Office of the Republic of Slovenia (SURS)** which made additional data available regarding companies for people with disabilities based on their main activities and employee gender.

Other data sources:

- > **Centre of Non-Governmental Organisations of Slovenia (CNVOS)** is a national umbrella network for NGOs. The report consulted calculations on the NGO sector's scope and size based on AJPES data, which is available on their web site (CNVOS 2018).
- > **Included studies:** annual reports on Slovenian NGO development based on AJPES data provided by Andreja Črnak-Meglič (state secretary responsible for NGO development) (Črnak-Meglič 2016) and the Sentinel study based on exploratory survey results and focus groups performed by organisations that support social enterprise development Found05 and Foundation Prizma (Šporar *et al.* 2018a, 2018b).

**Despite the various sources consulted, the data provided in the report provide a good estimate of the size of *ex lege* and *de facto* Slovenian social enterprises** (see appendix 2, data availability report). However, when regarding the third dimension of the EU operational definition of inclusive governance, no representative data can accurately measure its practice or inclusion of stakeholders. Exploratory data is only available for *ex lege* social enterprises from a Sentinel project based on a smaller sample (24 organisations) (Šporar *et al.* 2018a, 2018b). A future national survey based on a representative sample of *de facto* and *ex lege* social enterprises could make public information and subsequent action far more accurate.

The following tables present the main data on *ex lege* and *de facto* social enterprises according to the main indicators of sector development number of employees

calculated as a percentage of Slovenia's active population and their revenues shown as a percentage of national GDP.

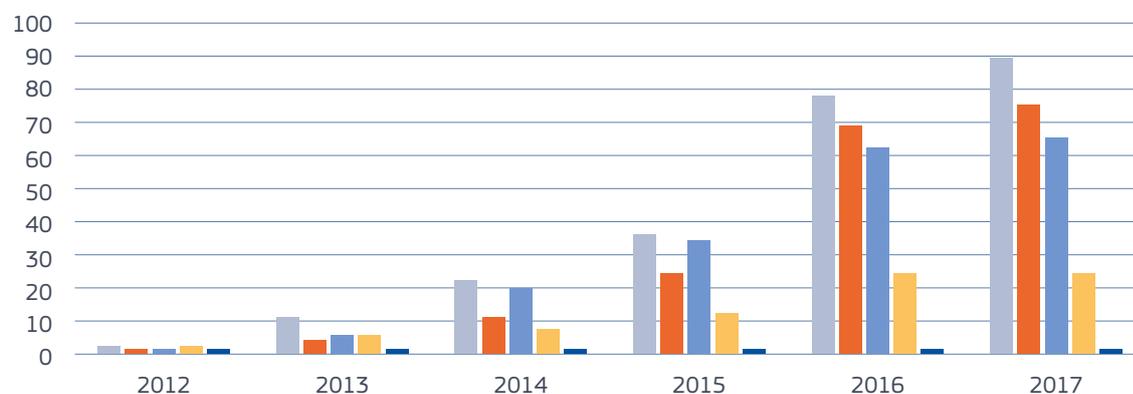
**Table 4. *Ex lege* social enterprises (2017)**

Legal form	Number of social enterprise	Number of employed
Private institutes	89	90
Associations	65	177
Foundations	1	7
Cooperatives	75	44
Limited liability companies	24	60
<b>Total <i>ex lege</i> social enterprises</b>	<b>254</b>	<b>378</b>

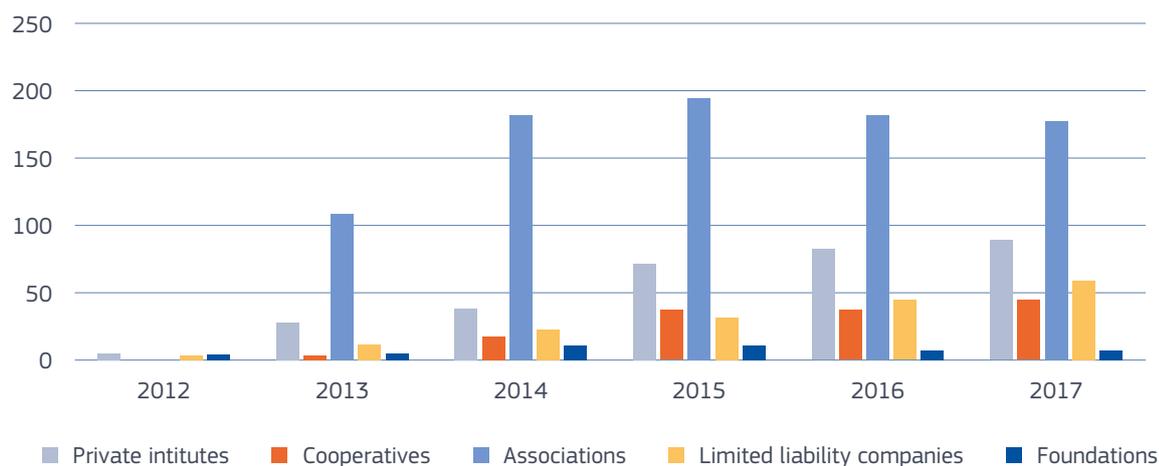
Source: Rakar 2018 (based on AJPES data for social enterprises) and SURS data (active population and GDP).

Figure 1. *Ex lege* social enterprises by legal form (2012-2017)

## Number of social enterprises



## Number of employees



Source: Rakar 2018 (based on AJPES data).

As represented in data that track *ex lege* social enterprise development since the Social Enterprises Act came into force in 2012, the most prevalent legal forms were private institutes and cooperatives followed by associations, whose development flourished most in terms of employment. Growth accelerated more for all enterprises in 2013 with the exception of cooperatives, which experienced their highest increase in 2014. This push can be understood as a result of supportive government policies in this period (see section 4.2.). Furthermore, when comparing the increase in the amount of institutions with employee numbers, the increase in growth rates based on *ex lege* social enterprise employment indicates that more development occurred in existing Type B social enterprises (WISEs) rather than in Type A social enterprises

operating in predefined social enterprise activities. Government policies stimulated this pattern as a method of tackling structural unemployment.

**Associations have the highest share of employees according to the active population and contribute the most to GDP among all *ex lege* social enterprises.**

However, significant differences exist when they are compared with *de facto* social enterprises: *ex lege* social enterprises represent a small share according to all indicators of the overall scope of Slovenian social enterprise development.

**Despite the recent growth in interest regarding social enterprises, no current research considers the structure of *de facto* social enterprises, which would enable the number of those entities falling within the EU definition of social enterprises to be estimated.** Therefore, the actual number of organisations that could be regarded as *de facto* social enterprises could not be estimated.

In order to work with this situation, **this report supplies data for companies for people with disabilities and employment centres, as these two types could be regarded as *de facto* WISEs according to the EU operational definition.**

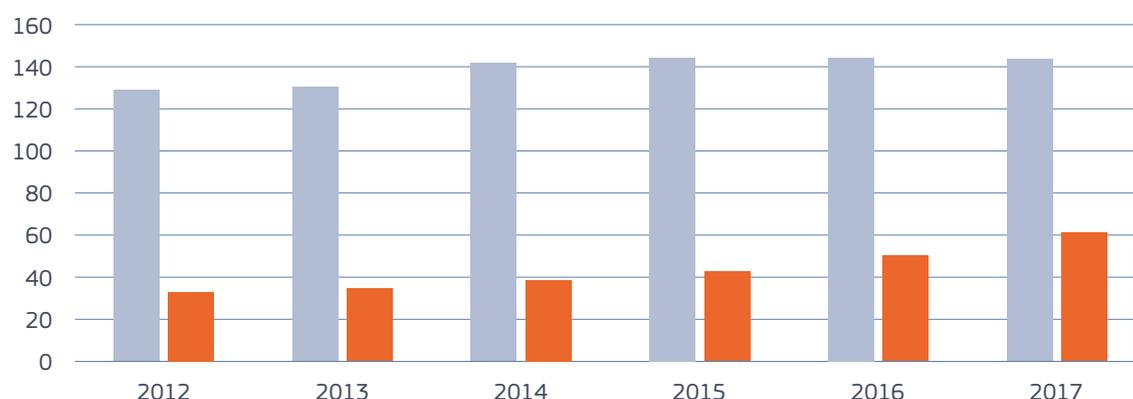
**Table 5. Companies for people with disabilities and employment centres (2017)**

Legal status	Number of institutions	Number of employed	Employed (% of active population)	Share of employees with disabilities
Companies for people with disabilities	144	11,567	1.368%	50.8%
Employment centres	61	849	0.100%	75%

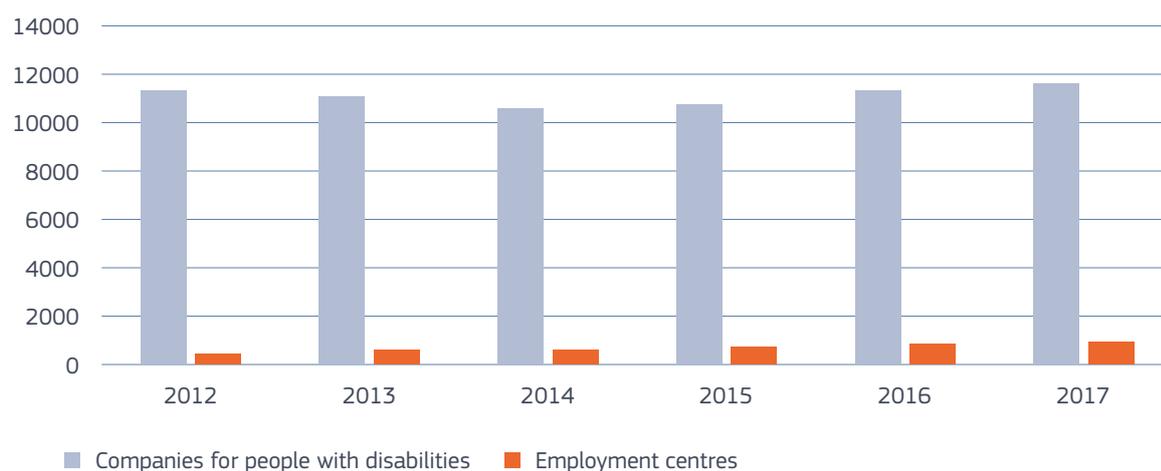
Source: Rakar 2018 based on MDDSZ data for companies for people with disabilities and employment centres and SURS data (active population).

Figure 2. Companies for people with disabilities and employment centres (2012-2017)

## Number of WISEs



## Number of employees



Source: Rakar 2018 (based on MDDSZ data).

**In comparison to other legal forms of *ex lege* and *de facto* social enterprises, employment in companies for people with disabilities is far higher.** In 2017, 1.368% of the active population found employment in companies for people with disabilities. This is due to their very long tradition in Slovenia, more extensive market orientation and extensive support from government policies. Development in more recently established employment centres (beginning in 2006) is accordingly much lower. In 2017 they employed 0.1% of the active population, among which 75% experienced disabilities, while the share of workers with disabilities in companies for people with disabilities is much lower, around 50%, which aligns with the different regulations in the legislation for these two types of WISEs.

**Besides companies for people with disabilities and employment centres, other types of social enterprises exist among institutes, associations, foundations and cooperatives.** However, no attainable data can point to social enterprises within these legal types. Hence, the report considers only data for organisations operating in the fields of social services and healthcare, assuming that they predominantly lean towards the market and operate in the public interest. Hence, the report considers this as a lower limit of NPOs included in the scope of social enterprises.

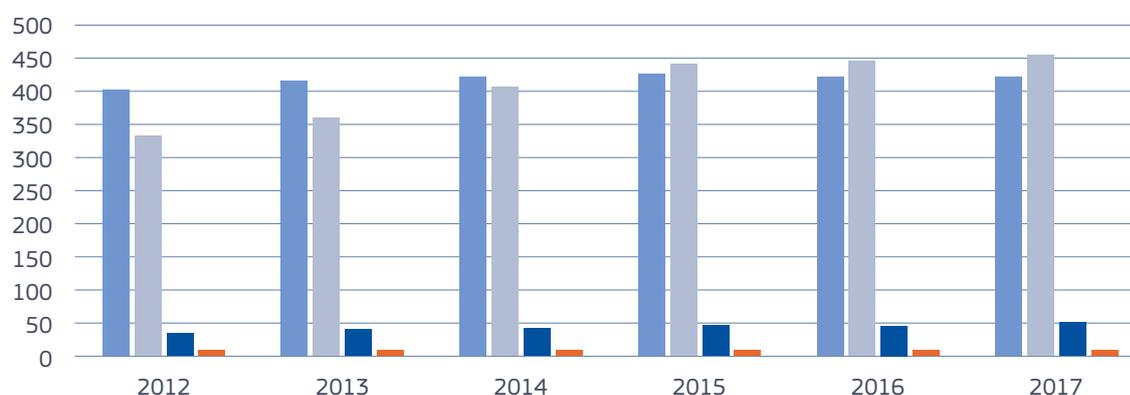
**Table 6. *De facto* social enterprises (2017)**

Legal form	Number of social enterprises	Number of employed	Employed (% active population)	Revenues (% GDP)
Private institutes	455	1,367	0.16171%	0.14684%
Associations	424	883	0.10447%	0.11449%
Foundations	51	15	0.00173%	0.00687%
Cooperatives	4	4	0.00043%	0.00059%
<b>Total <i>de facto</i> social enterprises</b>	<b>934</b>	<b>2,269</b>	<b>0.26834%</b>	<b>0.26878%</b>

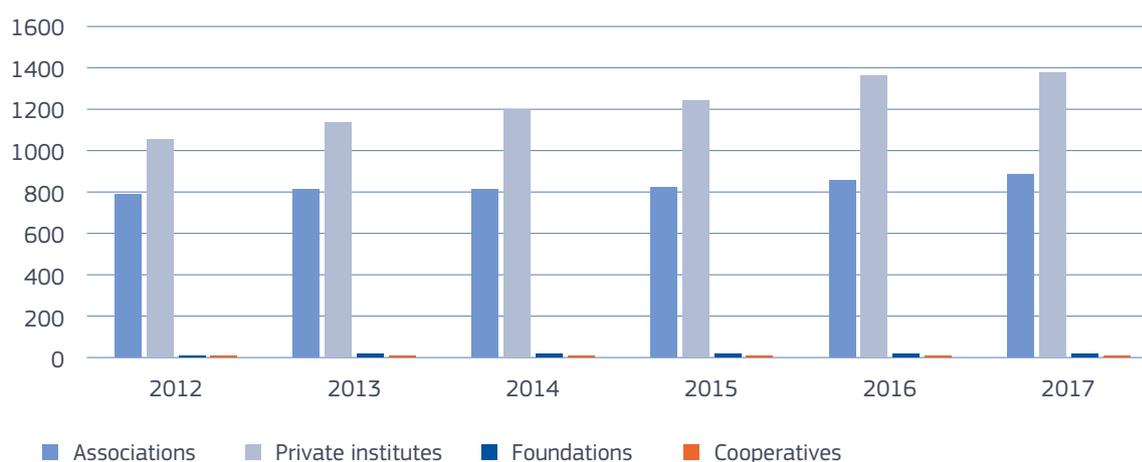
Source: Rakar 2018 based on AJPES data (for social enterprises) and SURS data (active population and GDP).

Figure 3. *De facto* social enterprises by legal form (2012-2017)

## Number of social enterprises



## Number of employees



Source: Rakar 2018 (based on AJPES data).

***De facto* social enterprises have a long tradition in Slovenia.** Accordingly, employment and revenues in these organisations are much higher than *ex lege* social enterprises. This can be explained by the fact that only a minority of organisations decide to obtain social enterprise status and by the participation limits placed on companies for people with disabilities and employment centres before the 2018 amendments.

**The largest share of organisations are institutes, which also employ the biggest workforce.** In 2017 0.16% of Slovenia's active population found employment in private institutes, 0.10% in associations and only 0.0004% in cooperatives. Accordingly, institutes as a whole contribute the most to GDP: in 2017 their revenues represented 0.15% GDP, while cooperatives in the same year represented only 0.0006% GDP.

In total (excluding companies for people with disabilities and employment centres, which will be outlined separately), *de facto* social enterprises employed 0.27% of the active population and their revenues represented 0.27% of Slovenia's GDP in 2017.

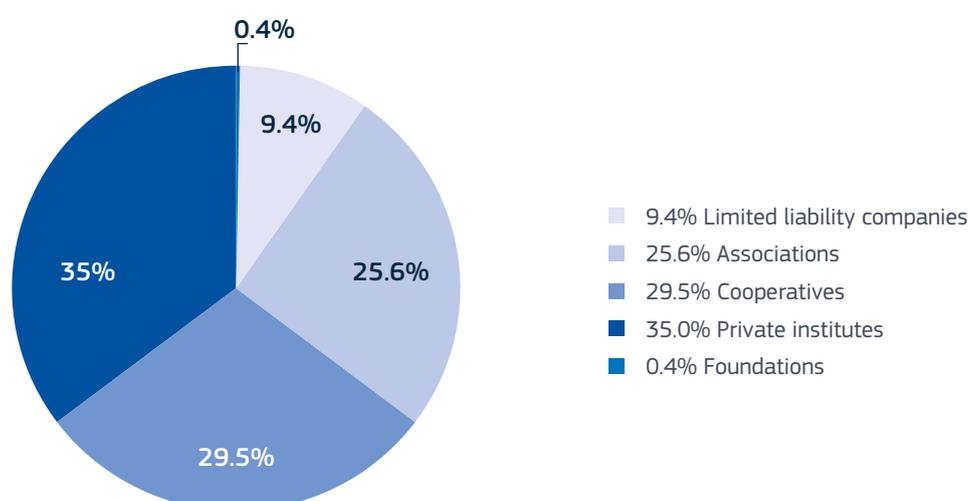
**As shown in presented data, *ex lege* social enterprises represent a small aspect of Slovenia's social enterprise sector.** Its relatively low-level development has been caused by very restrictive legislation for *ex lege* social enterprise registration and a lack of special benefits attached to the status until changes were made in 2018. Changes in legislation may provide interesting results in the future development of *ex lege* social enterprises. However, the new regulation of a 100% non-profit distribution constraint could potentially discourage cooperatives from registering as social enterprises, which enjoyed extensive development in recent years as *ex lege* social enterprises. This criterion also represents a barrier for companies for people with disabilities that can now register as social enterprises; as with cooperatives, they do not comply with the 100% non-profit distribution constraint.

## 3.2. Social enterprise characteristics

### *Ex lege* social enterprises

The number of organisations that hold social enterprise status in Slovenia has continued to grow since the beginning of 2012 with the implementation of The Social Entrepreneurship Act (2011). Consequently, employee numbers in *ex lege* social enterprises have significantly increased (see figure 1). According to the latest register of social enterprises by the MGRT in May 2018, 254 social enterprises officially registered in Slovenia, while 21 had entered the cancellation process due to liquidation, insolvency or an operational ban.<sup>8</sup> Most registered social enterprises operate as private institutes (35%), followed by cooperatives (29.5%), associations (25.6%), limited liability companies (9.4 %) and only 0.4 % as foundations.

Figure 4. Legal forms of *ex lege* social enterprises (2017)<sup>9</sup>



Geographically speaking, *ex lege* social enterprises have developed most extensively in Podravska, one of Slovenia's regions with the highest unemployment rates that especially suffered during the economic crisis post-2008. In 2017, 28% of all social enterprises had registered in this region, followed by the Central Slovenian region, comprising 18% of all registered social enterprises.

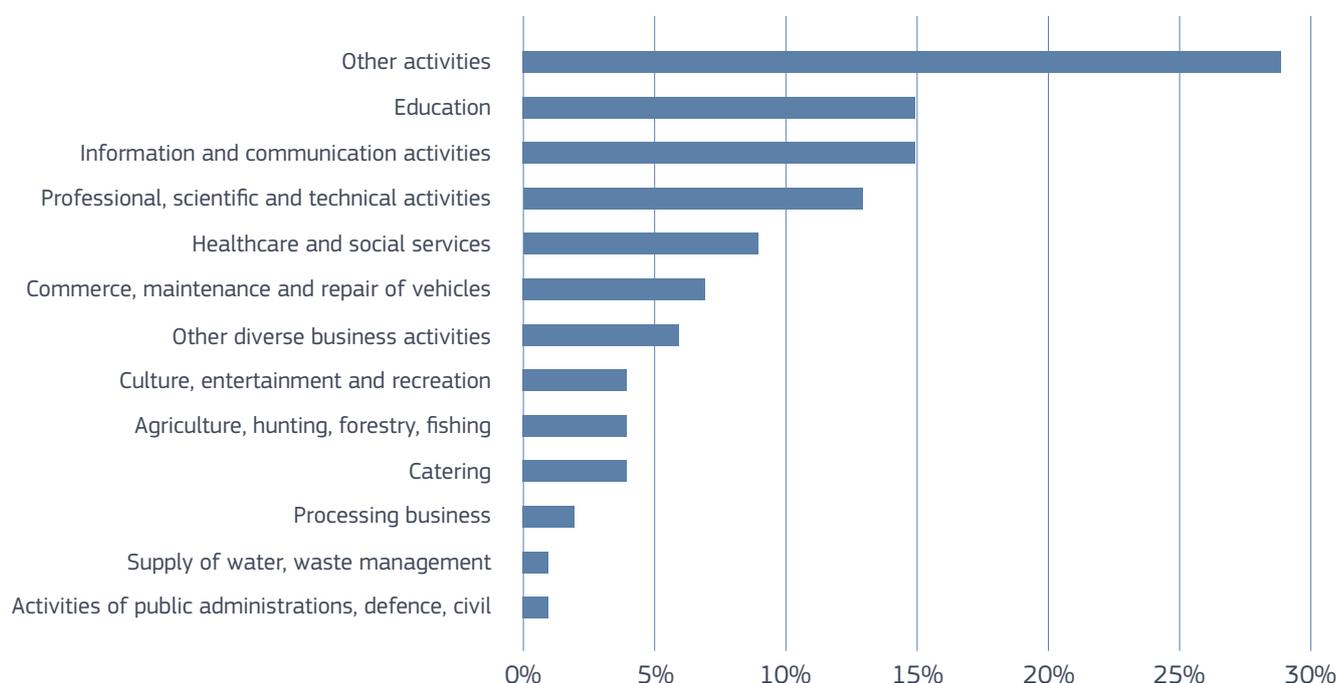
(8) Source: Register of social enterprises. Available at [http://www.mgrt.gov.si/si/delovna\\_podrocja/socialno\\_podjetnistvo/](http://www.mgrt.gov.si/si/delovna_podrocja/socialno_podjetnistvo/) (Last accessed on 20 July 2018).

(9) For absolute data see table 4.

The third largest share of registered social enterprises falls in Pomurska (14.2%), which is also an underdeveloped region (Rakar 2018). The vast majority of *ex lege* social enterprises have registered in Podravska's largest city, Maribor, where 20.5% of social enterprises are based. The city's highly supportive municipality helped stimulate employment in social enterprises through subsidised public work programmes, in addition to the strong, supportive local environment within the social economy sector (Adam 2015). Ljubljana, capital of Slovenia, holds 16.5% of all registered social enterprises (Babič and Dabič Perica 2018).

**According to the official classification of activities, the majority of registered social enterprises in 2017 were active in 'other activities'<sup>10</sup> (29%), followed by education (15%), information and communication (15%), professional, scientific and technical activities (13%) and healthcare and social services (9%); welfare service provision is a less common activity due to the state's continued dominance in this field.** However, the sector has started opening up through the provision of 'concession agreements' with private providers.

**Figure 5. Main fields of activities of *ex lege* social enterprises (2017)<sup>11</sup>**



Source: Rakar 2018 (based on 2017 AJPES data).

(10) There is no further specification of these 'other activities' in the AJPES classification.

(11) For absolute data see table 4.

**Most *ex lege* social enterprises fulfil the entrepreneurial/economic dimension of the EU operational social enterprise definition as market-oriented organisations.**<sup>12</sup> This is especially the case for those registered as cooperatives or limited liability companies, which by definition operate in the marketplace.

Available data only illustrate main revenue sources for associations, private institutes and foundations. Among those, **private institutes lean most heavily toward market activities (with 57% of all revenues coming from their activities), whereas associations and foundations registered as social enterprises mainly depend on public sources.**<sup>13</sup> However, no data distinguishing grants and contracts is available. The heavy dependence of these two *ex lege* social enterprise types on public sources provides an interesting finding when compared with data on the main sources of *de facto* social enterprise revenues: associations and foundations seem to rely less on government sources.<sup>14</sup>

Employment in social enterprises should be considered in relation to the first Social Entrepreneurship Act (2011), up until its changes in March 2018, which distinguished between two types of social enterprise status: Type A according to social entrepreneurship activities defined in the act and Type B as the WISE. The latter perhaps received stronger support from government initiatives as a tool for tackling a high level of structural unemployment. Accordingly, social enterprises in Slovenia usually employ subsidised workers from disadvantaged groups—unfortunately, no data describe the employment of different disadvantaged groups. Data on total employment in registered social enterprises details that the sector represented only 0.04% of Slovenia's active population in 2017 with revenues that same year representing 0.04% of Slovenian GDP.<sup>15</sup> **Despite fast growth in *ex lege* social enterprise numbers and employees from the period when the law was enacted in 2011, they still represent a very small share when compared with *de facto* social enterprises.** Reasons may stem from formerly restrictive legislation that restrained social enterprise registration and did not provide enough advantages for obtaining the status. However, amendments to the law may bring interesting changes.

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(12) The minimal requirement for being classified as 'market-oriented' is an incidence of trading above 25%.

(13) Rakar 2018 (based on AJ PES data 2017).

(14) Rakar 2018 (based on AJ PES data 2017).

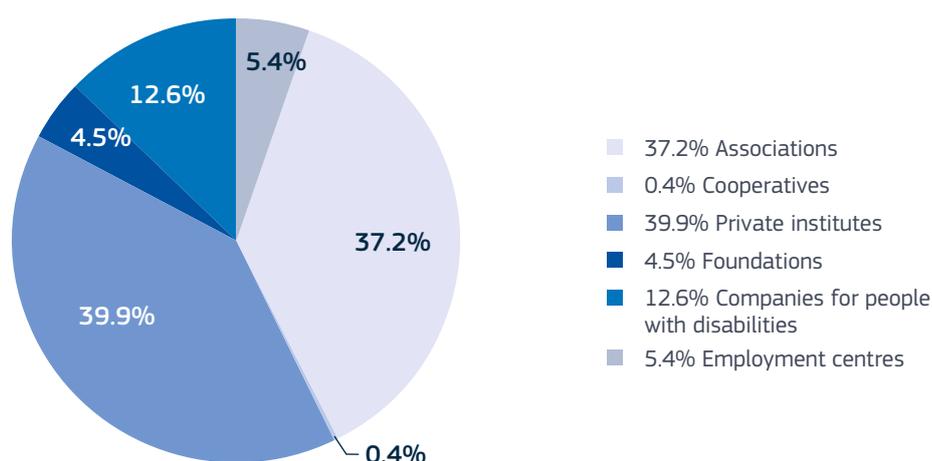
(15) Rakar 2018 (based on AJ PES data 2017).

## De facto social enterprises

Most companies for people with disabilities (around 80%) are established as limited liability companies. Despite substantial support from public sources, most revenues result from their efforts in the market. Employment centres, in comparison, receive higher subventions from the government as they employ people with severely limiting disabilities. The share of public sources in their revenues are much higher: between 45% to 60% (Adam 2015, Babič and Dabič Perica 2018). In 2017, 144 companies for people with disabilities operated in Slovenia and employed 11,567 workers, out of which 51% experienced disabilities. Altogether, these employees represented 1.73% of the active population. In the same year, 61 employment centres operated and employed 849 people, of which 75% experienced disabilities. The overall employment in these centres represented 0.1% of the active population. **From 2012 to 2017 the number of companies and employees increased for both models. In fact, the numbers doubled in both respects for employment centres** (see figure 2).<sup>16</sup> The most potent field of activity in 2016 for companies for people with disabilities was the processing industry (47.2%), though this share continues to decrease every year. Meanwhile, more companies have begun engaging in ‘other different business activities,’ measuring 26.4% in 2016 and ranking 7.1 percentage points higher than in 2015 (SURS 2016).

When considering *de facto* social enterprises among other NPOs, the majority of organisations are institutes and then associations.

Figure 6. Legal forms of *de facto* social enterprises (2017)<sup>17</sup>



Source: Rakar 2018 based on 2017 AJ PES data and 2017 MLFSE data (for companies for people with disabilities and employment centres).

(16) Rakar 2018 (based on the data by the Directorate for people with disabilities from the MDDSZ).

(17) For absolute data see table 5 and table 6.

**Institutes are the most market-oriented NPOs; they acquire several sources of revenue and most closely fulfil the entrepreneurial dimension of the EU social enterprise definition.**<sup>18</sup> Although data that distinguishes between government grants and contracts are not available, one can estimate that these organisations lean toward the market, since most public financing for Slovenian institutes comes from contracts delivering public services based on public tenders or concession agreements.

In addition, **social services and healthcare associations comply with market-oriented criteria and predominantly depend on public funding sources** (see Črnak-Meglič 2016). Since data that distinguishes between government grants and contracts is unavailable, this report cannot calculate the share of market sources based on government contracts. However, it can be estimated that the majority of public funding stems from contracts resulting from public tenders or concession agreements. After all, only one third of government sources for aid-based associations (i.e. for people with disabilities or humanitarian organisations) are public grants from the Foundation for financing organisations for people with disabilities and humanitarian organisations in the Republic of Slovenia (FIHO) (see Črnak-Meglič 2016).

**Foundations represent a small share of overall NPOs operating in social services and healthcare.** The vast majority of revenues (94.7% in 2017) came from sales of goods and services and only 1.3% from public sources.<sup>19</sup>

**Cooperatives delivering social and healthcare services represent a very small share among *de facto* social enterprises.** In 2017 the number of cooperative employees represented only 0.00043% of the active Slovenian population and their revenues only 0.0006% of Slovenian GDP (see table 6). No data illustrate different sources of cooperative revenues.

**Most *de facto* social enterprises engage in activities within the Central Slovenian region (34.3%), the most economically developed in Slovenia.** Interestingly, Podravska then follows (17.3%), despite being one of the most underdeveloped regions of Slovenia (SURS 2017).

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(18) The minimal requirement for being classified as 'market-oriented' is an incidence of trading above 25%.

(19) Source: Rakar 2018 (based on AJPES data).

## Involvement of volunteers in social enterprises

Data concerning social enterprise volunteers are only available for associations, private institutes and foundations included in the register of voluntary organisations.<sup>20</sup> **According to legislation, voluntary organisations include entities of public or private law that are granted concessions for performing public services and/or whose activities are defined as non-profit, voluntary work, that have a voluntary programme and submit to the Register of Voluntary Organisations.** Cooperatives, limited liability companies, companies for people with disabilities and those employment centres registered in the form of limited liability companies do not comply with these regulations and hence do not have a place in the Register of Voluntary Organisations. Therefore, no data describe the inclusion of volunteers for these types of organisations, as this information does not reach the MJU. Furthermore, no common organisation standards detail how to report the inclusion of volunteers. Even the available data on actual volunteer numbers is unreliable. Thus, the report presents no actual figures but a description of general trends.

**Data show that volunteer inclusion seems strongest in associations, followed by private institutes.** An increase occurred in 2016 and 2017, especially for associations. When considering gender among volunteers, *ex lege* social enterprises seem to have more equal distribution, whereas *de facto* social enterprises in all legal forms tend to hold a vast majority of female volunteers. This is due to the fact that gathered data refer only to organisations engaged in social and health services, a field with a notably significant share of female volunteers as well as employees.

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(20) Rakar, 2018 (based on data from MJU).

### 3.4. Summary of mapping results

- > **The legal categories of social enterprise capture only a small share of Slovenia's social enterprise sector.**
- > **Among *ex lege* social enterprises, private institutes, cooperatives and associations are the most common legal form.** When the registration of social enterprise status was introduced in 2012, a substantial increase occurred in all legal forms. The number of organisations increased the most in the cooperative sector, whereas employment increased mostly for associations.
- > **Among *de facto* social enterprises, private institutes prove more numerous, followed by associations.** Since 2012, *de facto* social enterprises have experienced a much smaller increase in organisation numbers and employment than *ex lege* social enterprises. But when looking at data describing the development of *ex lege* social enterprises, emerging enterprises predominantly form out of existing organisations; only a small number form *ex novo*.
- > **Both *ex lege* and *de facto* social enterprises rely predominantly on profit-generating activities; however, important differences exist between different legal types.** Companies for people with disabilities, private institutes and cooperatives are the most market-oriented.
- > ***Ex lege* social enterprises employ a small share of the active Slovenian population (0.045%) and their revenues represent 0.041% of GDP.** Due to the long tradition of Slovenian *de facto* social enterprises, they employ a higher share of the active population (0.268%) with revenues that represent 0.269% of Slovenian GDP (excluding companies for people with disabilities). Companies for people with disabilities experience the highest share of employees (1.37%) from the active population.
- > **Private institutes employ the highest number of workers in *de facto* social enterprises and hold the highest share of GDP revenues.** Among *ex lege* social enterprises, however, associations have the highest share of workers and the highest share of GDP revenues.
- > **This report estimates that *de facto* social enterprises comply with the EU operational criteria.** Besides companies for people with disabilities and employment centres, analysis only includes data on associations, institutes, foundations and cooperatives active in social services and healthcare, as more specific criteria for isolating *de facto* social enterprises from all NPOs is unavailable.



# 4

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## ECOSYSTEM

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Key actors interplaying at three different levels shape the ecosystem of social enterprises in Slovenia: at the national/state level, local/municipal level and on the level of support organisations engaged in advocacy, social inclusion and promotion of social enterprises. The concept of social enterprise first emerged in the context of ESF-funded pilot projects launched in 2009 to support the development of social enterprises. In the years from 2009 until 2015 the responsible Ministry of Labour, Family and Social Affairs and Equal Opportunities (MDDSZ) channelled 8,3 million EUR (tenders for pilot projects and public works for social enterprises) specifically for the development of social enterprises. In the years from 2015 until 2017 within the responsible Ministry of Economic development and Technology (MEDT) 2,13 million EUR in the form of grants applied explicitly for the development of social enterprises. On the local level, municipalities are encouraged to become stronger partners in the future development of social enterprises. A relatively large number of support organisations from existing NPOs aim to answer local needs, and seem to have spontaneously started to work within the field of social enterprises.



## 4.1. Key actors

The Slovenian social enterprise ecosystem is formed by the interplay of key actors on three different levels: that of the national/state, the local/municipal and support organisations (predominantly from the NGO sector) engaged in advocacy, social inclusion and the promotion of social entrepreneurship.

Supportive measures for social enterprises by the state predominately focus on assuring the employment of people from vulnerable groups. To date less emphasis has been placed on social enterprises delivering general interest services. Simultaneously, as highlighted by the Sentinel study, little support has been granted for the entrepreneurial development of beneficiary organisations (Šporar *et al.* 2018a). Tailored support schemes designed to fund start-ups are provided by a network of entrepreneurial (one-stop-shop VEM points)<sup>21</sup> and innovative environments and other support systems (incubators, technological parks and start-up initiatives). However, these schemes do not specifically adhere to social enterprises. Very few organisations target incubator or co-working spaces or offer services for social enterprises. Business coaching and advice is provided at a state level through the SPIRIT Business Portal and network of one-stop-shop points, which are nevertheless also not specialised for social enterprises.

At a local level, as envisaged by the Social Entrepreneurship Act (2018), municipalities play a role in supporting social enterprise development. They are expected to integrate social enterprise-related projects into local development programmes, establish concrete incentives and resources that support social enterprises, activate untapped local resources (land, real estate and equipment) to help social enterprises develop and provide financial support for local employment programmes run by social enterprises. However, as expressed by some of those stakeholders consulted for this report, with a few exceptions, municipalities do not play an active role in the practical application of these support measures.

Moreover, a relatively large number of supportive organisations, predominantly preexisting NPOs, have spontaneously begun working within social enterprise fields by responding to local needs. According to some stakeholders, more support organisations than actual social enterprises exist in Slovenia. However, in many cases they lack human capital and knowledge, especially in terms of entrepreneurship, finances and marketing—the areas in which social enterprises need the most support. Table 7 below lists Slovenia's main ecosystem actors.

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(21) The one-stop-shop VEM points ('vem' means 'know' in Slovene) are organised in different regions of Slovenia and are supported by national and EU public funds. Additionally, there is an e-VEM project. The purpose of VEM points is to provide suitable information support for the future entrepreneur and enable him/her to start business operations in the shortest time possible.

Table 7. Key actors in the Slovenian ecosystem

Type of institution/Organisation	Actor
Policy makers	<ul style="list-style-type: none"> <li>&gt; Ministry of Labour, Family and Social Affairs and Equal Opportunities (the lead ministry responsible for <i>ex lege</i> social enterprises until the end of 2014; responsible for the companies for people with disabilities and employment centres)</li> <li>&gt; Ministry of Economic Development and Technology (the lead ministry responsible for <i>ex lege</i> social enterprises from the beginning of 2015)</li> <li>&gt; Council of Social Entrepreneurship (in 2018 transformed in Council of Social economy (comprised of the representatives of all ministers, two representatives of social enterprises, one representative of social partners and one expert)</li> <li>&gt; Ministry of Public administration (responsible for NGO)</li> <li>&gt; Prime Minister Cabinet (state secretary responsible for civil dialogue, coordination of citizen's initiatives and social enterprises)</li> <li>&gt; Local authorities (municipalities)</li> </ul>
Research institutes and observatories	<ul style="list-style-type: none"> <li>&gt; Agency of the Republic of Slovenia for Public Legal Records and Related Services (collects administrative data on <i>ex lege</i> and <i>de facto</i> social enterprises)</li> <li>&gt; Statistical Office of the Republic of Slovenia (SURs)</li> <li>&gt; Centre for Social Entrepreneurship (University of Ljubljana)</li> <li>&gt; Faculty of Social Sciences (University of Ljubljana)</li> <li>&gt; Faculty of Social Work (University of Ljubljana)</li> <li>&gt; Yunus Centre for Social Business (University of Maribor)</li> <li>&gt; Institute for developmental and strategic analysis (IRSA)</li> <li>&gt; Institute for the Development of Social Responsibility (IRDO)</li> <li>&gt; Foundation Prizma</li> </ul>

Type of institution/Organisation	Actor
Networks and support organisations	<ul style="list-style-type: none"> <li>&gt; Association Social Economy Slovenia (former Slovenian Forum of Social Entrepreneurship)</li> <li>&gt; Social Incubator</li> <li>&gt; Association KNOF</li> <li>&gt; Poligon Creative Centre</li> <li>&gt; CAAP – Centre for Alternative and Autonomous production</li> <li>&gt; CNVOS – Centre of Non-Governmental Organisations of Slovenia</li> <li>&gt; SKUP – Community of Private Institutions</li> <li>&gt; ZIPS – Alliance of Companies Employing People with Disabilities of Slovenia</li> <li>&gt; Institute Ypsilon</li> <li>&gt; Institute Successful Entrepreneur</li> <li>&gt; Initiative Start: up Slovenia</li> <li>&gt; Tkalka – Cooperative for the Development of Social and Technological Innovations</li> <li>&gt; ŠENT – Slovenian Association for Mental Health</li> <li>&gt; Regional junctures for NGOs</li> <li>&gt; Cooperative Union of Slovenia</li> </ul>
Financial intermediaries	<ul style="list-style-type: none"> <li>&gt; FUND05</li> <li>&gt; Foundation Prizma</li> <li>&gt; SPIRIT Slovenia (public agency)</li> <li>&gt; Banks: Sparkasse, Deželna banka, Intesa SanPaolo</li> </ul>

## 4.2. Policy schemes and support measures for social enterprises

**Policymakers include government ministries and departments or other public institutions that design and implement policy, and provide instruments and measures for social enterprises alongside municipalities.** The concept of social enterprises first came into use within the context of ESF-funded pilot projects that were launched in 2009 to support Slovenian social enterprise development. From 2009 to 2015 the MDDSZ allocated 8.3 million EUR to social enterprise development, which included pilot project tenders and public works for social enterprises. From 2015 to 2017 the MGRT gave grants totalling 2.13 million EUR for social enterprise development in response to social enterprise start-up tenders and Slovene Enterprise Fund (SEF) tenders, plus 0.76 million EUR in subsidies (microcredits within SEF) (Babič and Dabič Perica 2018).

Below is a list and short description of public policy and support measures (based on Babič and Dabič Perica 2018), which are presented in order from national to local-levels. Many of the described measures depend on EU funds from the ESF, though no specific data are available. **According to analysis of the perceived impact of European policies on social economy, Slovenia ranks among those countries with a moderately positive impact, also in terms of EFS and financial instruments in terms of cohesion policy** (European Commission 2017).

#### 4.2.1. Support measures addressed to all enterprises that fulfil specific criteria (that may also benefit social enterprises)

At the national level:

- > **2014-2016 - Active Labour Market Policies (APZ) in general.** Social enterprises could apply for tenders within APZ policies according to their legal form criteria (e.g., limited liability companies, associations, institutes and cooperatives).
- > **2014-2015 - SPIRIT Slovenia – Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology.** Award for 'Best co-working space 2015' where social enterprises can also apply. The first two awards were given to co-working spaces Tkalka (20,000 EUR) and Poligon (15,000 EUR) that offer co-working and professional support to social enterprises and social economy organisations. Also, the mentorship support programme 'entrepreneurship with social impacts' in 2014 and 2015 became relevant for social enterprises when some were included.
- > **2015-2017 - The SEF tendered for social enterprises that could stimulate employment in highly deprived areas.** The tenders were intended for traditional companies, but social enterprises could also apply (out of the 29 social enterprises that applied, 11 received grants of 20,000 EUR). Other SEF instruments were suitable for social enterprises, such as warranties for bank credit, subsidies for interest rates and access to standard microcredits intended for all enterprises.
- > **2015-2016 - The MGRT: Instrument 3 encouraged competitive entrepreneurial activities and created new employment within the programme's framework in Maribor and its surroundings from 2013 to 2018.** Through this instrument a network of co-working spaces in deprived areas received finance, which in turn enacted support programmes for social enterprises and within the broader social economy sector. Funds of 301,486 EUR (2015: 137,873 EUR; 2016: 163,649 EUR) were intended to subsidise the entire period from 2015 to 2018, but the MGRT had terminated the measure's further implementation by the end of 2016.

#### 4.2.2. Support measures addressed to social economy/non-profit organisations (that may also benefit social enterprises)

At the national level:

- > **Most MDDSZ programmes, actions and tenders are traditionally open to social enterprise organisation types** in relation to APZ, social affairs, family and people with disabilities.
- > **2017 MGRT: Public tender for employment within the social economy sector.** Available funds 195,402 EUR (two applications, both approved).
- > **2018 Employment Service of Slovenia: Educational workshops** (for employment centres, companies for people with disabilities and social enterprises). Available funds 2.56 million EUR. The unemployed from vulnerable groups enlisted in the programme received a supplement for activities, the programme mentor received a supplement of up to 3,360 EUR for six months per workshop participant.
- > There are also **public tenders within the Ministry of Public Administration**, which is responsible for the development of associations, institutes and foundations, open to social enterprises, especially those engaged in support networks.

At the municipality level:

**Municipalities play an important role in financing NPO activities, especially in childcare, education, social services, culture and healthcare.** Additionally, financing can be accrued by contracting out services based on concession agreements. Many municipalities also rent their premises to NPOs; though only NPOs operating in the public interest or social enterprises can occupy such spaces without paying rental fees.

#### 4.2.3. Support measures specifically addressed to social enterprises

At the national level:

- > **Two pilot project calls were launched in 2009 and 2012 by the MDDSZ.** In all 24 projects received 6.5 million EUR of ESF funding through these tenders. Pilot projects included the training and employment of persons from vulnerable (hard-to-employ) groups (WISEs).
- > **Calls for projects promoting social entrepreneurship in Pomurje were issued by the MGRT in 2011** and awarded 300,000 EUR in total. A second call in 2013 placed restrictions on entities registered as social enterprises as per the 2011 Act. The call was later re-launched under the Programme of Measures which awarded 1.5 million EUR from 2014 to 2015. The calls co-financed labour costs (gross wages), material, equipment and rent for social enterprises.

- > **In 2014-2015 a 'public works' programme prepared by the MDDSZ and Slovenian employment service was extended to registered Type B social enterprises.** The programme intended to activate the long-term unemployed from vulnerable groups. Projects operated for two years with the aim of establishing Type B social enterprises or upgrading existing Type B social enterprises. Two million EUR were available for this measure.
- > **Project SEA - Social Economy Development Agency financed from the Cross Border Co-operation Programme Italy-Slovenia 2007-2013 (ERDF).** 1.3 million EUR remained accessible between 2011 and 2014. The project aimed to develop and promote cross-border social entrepreneurship by implementing joint activities and establishing common policies, plus set up a Social Economy Development Agency taking the European Cooperative Society legal form.
- > **2016 MGRT: Start-up social enterprises.** Public tender to determine the operations of social enterprise and youth cooperative start-ups from 2016 to 2018. Available funds ranged from approximately 1.9 million EUR. Out of 143 applications, 93 received approval.
- > **2016 SEF: Tender Microcredits for organisations with social enterprise status.** Available funds amounted to 4 million EUR (760,000 for its realisation; 29 out of 59 applications received approval; the lowest amount of credit awarded was 1,000 EUR, the highest 25,000 EUR).
- > **2018 two public tenders were intended:** (1) supporting social enterprises in Pomurje in 2018 and 2019 (with a projected 200,000 EUR); and (2) targeting mentorship schemes for vulnerable groups employed in social enterprises from 2018 to 2020 (with a projected amount approximating 3.1 million EUR).

At the municipality level:

- > **Special tenders for social enterprises are rare.** However, some good examples deserve mention: the public tender co-financing social enterprise programmes and activities in the municipality of Murska Sobota in 2017 (with 10,000 EUR); the public tender to develop social entrepreneurship in the municipality of Beltinci in 2017 (with 15,000 EUR).
- > **2014-2015 Co-financing programmes of public works for Type B WISEs.** Approximately 129 employments related to public works were co-financed in social enterprises with 0.5 million EUR.
- > **Ex lege social enterprises can access municipal real estate free of charge for the purpose of their activities.** Renting municipal premises has been stimulated through public works programmes via agreed-on conditions for municipalities.

### 4.3. Public procurement framework

In the *Law on Public Procurement (2015)*, as a transposition of the EU Public Procurement Directive, a special section regulates ‘social and special services’ public procurements, including social, healthcare and cultural services. The law places dual importance on the affordable price and quality criteria of such services. Additionally, it values permanence, integrity of services, the special needs of users and innovation.

**Reserved public procurement for social enterprises and enterprises with a social component is possible.** However, this remains very rare in practice, as it is not obligatory and most do not know the option exists. Stakeholders that were consulted stressed the importance of further emphasising social clauses in public procurement procedures (e.g., giving priority to organisations that employ vulnerable groups and those of social impact that benefit society) and providing public warranty schemes within public financing for projects with greater social impact. A public procurement process ensures the delivery of social and healthcare services. However, public contracting remains an underdeveloped field in relation to Slovenian social enterprises; within the welfare system, the vast majority of social, healthcare and educational services are provided by the public sector, as explained in the section ‘Background.’

### 4.4. Networks and mutual support mechanisms

Slovenia’s support networks primarily focus on *de facto* social enterprises (e.g., CNVOS, ZIPS, ŠENT, regional junctures for NGOs and the Cooperative Union of Slovenia) and those which developed more extensively recently after the enforcement of the Social Entrepreneurship Act (2011) designed more specifically for newly established *ex lege* social enterprises and broader social economy organisations.

The Association Social Economy of Slovenia (formerly the Slovenian Forum of Social Entrepreneurship) comprises the main network of Slovenian social enterprise stakeholders. Support organisations have formed either *ex novo* or as an evolution from existing associations that shifted towards a stronger entrepreneurial stance. Table 7 provides a more detailed list of network and support organisations. While the number of support organisations in the last period has continued to increase, the field has still not developed to a sufficient extent. One predominant challenge comes from the lack of comprehensive support (mentorship, financial support, assistance with working spaces and infrastructure, and help with networking and marketing)

(Adam 2015, Babič and Dabič Perica 2018). According to recent analysis within the Sentinel study (Šporar *et al.* 2018) and applicative analysis of conditions related to the Slovenian social economy (Babič and Dabič Perica 2018), the major changes outlined in 2015 (Adam 2015) show that support organisations multiplied in the latest period and were more successful in obtaining European funds when supporting social enterprise-related programmes.

## 4.5. Research, education and skills development

**Since 2010 many higher educational institutions have engaged in social enterprise research or have incorporated the concept within their academic curriculum.** In addition, the number of students choosing social enterprises or related subjects for the focus of their final thesis keeps increasing. Furthermore, students have directly made several attempts to promote social entrepreneurship and social enterprises. For example, in 2010 the Student Organisation of the University of Ljubljana founded a social incubator intended to provide start-up support for student-led social enterprises, which offers various services including co-working office space, start-up capital, workshops and promotion activities.

Furthermore, **the Centre for Social Enterprises established at the University of Ljubljana engages in academic research, develops academic programmes in the field of social entrepreneurship and includes a broad pool of stakeholders.** Other universities also support the sector through networking, knowledge sharing and mutual learning initiatives. For example, the Yunus Centre for Social Business, based at the University of Maribor, offers workshops and advice sessions that support social entrepreneurs when developing their ideas and networks. Similarly, institutions such as the University of Primorska and University of Nova Gorica engage in research projects, generate academic publications and take part in national events and forums that promote better understanding about the sector (British Council 2016).

**Despite the high-level increase in interest regarding social enterprises, there is still no comprehensive research that provides a broad and representative picture of Slovenian social enterprises.** Recent research has explored the support environment for social enterprises via Slovenia's Sentinel study (Šporar *et al.* 2018a). However, the survey was only based on a small sample of organisations and cannot be considered representative. Recently, researchers completed a comprehensive analysis financed by the MGRT entitled *Applicative analysis of the conditions in the field of social economy in Slovenia* (Babič and Dabič Perica 2018), which illustrates guidelines for a long-term Strategy for the Development of Social Economy in Slovenia 2019–2029 and the Programme for Short-term Measures–Action Plan 2019–2020. While

the analysis comprehensively considers government policies and Slovenia's broader ecosystem for social enterprise development, it only partially provides data on main indicators or other sector characteristics. When consulted, stakeholders mentioned the need for more research and development funds as a key factor that would enable social enterprise development, placing special emphasis on a common methodology that could evaluate the impact of social enterprises in a way that the general public would understand and accept.

A comprehensive analysis carried out within the project Youth Creates, implemented by the Youth Council of Slovenia and Faculty of Social Sciences, University of Ljubljana, considers how institutions and initiatives promote social entrepreneurship and training.<sup>22</sup> They summarise their findings regarding educational programmes for social enterprises in Slovenia on a variety of levels. **Several faculties from different Slovenian universities now offer courses and programmes on social enterprises or related topics.** For example, subjects include Social Entrepreneurship (Faculty of Social Sciences, University of Ljubljana), Social Economy and Social Entrepreneurship (Faculty of Social Work, University of Ljubljana), Social Entrepreneurship (Gea College, independent higher education institution), the Social Entrepreneurship and Cooperative Movement (DOBA, Faculty for Applied Business and Social Studies, Maribor). Other providers of workshops/training in the field of social entrepreneurship mainly come from NPO support, which also operate as social enterprises or that work closely in a similar field. Additionally, some regional development agencies provide educational and training activities. Most of the educational and training programmes for social enterprises do not rely on permanent delivery but are run on an irregular and un-systematised basis instead. Within different (mostly EU) projects, training and skills development initiatives also exist, but they are mostly scattered, unrelated and do not usually result in permanent or systematic educational programmes (Šporar *et al.* 2018a). Stakeholders consulted for the purpose of this study expressed the need for educational programmes within higher education for those who would like to run social enterprises, as in their opinion they do not currently have enough knowledge of legislation, marketing and the employment of vulnerable groups. Comprehensive research regarding predefined indicators that could evaluate the development of social enterprises and their social impact is highly necessary.

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(22) The findings of their research are available at <http://youth-creates.eu/projektne-analize/>.

## 4.6. Financing

As shown in section 3.2, **both *ex lege* and *de facto* social enterprises (associations, institutes and foundations) largely depend on public sources of funding.** *Ex lege* associations score even higher than those established *de facto* for their dependence on public investment. This is perhaps due to the additional source of public financing available when acquiring social enterprise legal status. Further data regarding revenue sources for other *ex lege* and *de facto* social enterprise types are not available.

In terms of public financing, **EU funds are widely available and represent a high share of social enterprises financing** (Šporar *et al.* 2018a). Even though an element of market competition exists among organisations that apply for public tenders, funding acquired through national and European public tenders is understood as public source in Slovenia. A total of 818 million EUR are still available from the European structural and investment funds for the MGRT programme period from 2014-2020 to support future measures and programmes. Among others, goals include the support of at least 270 social enterprises and 12 social enterprise support networks (Babič and Dabič Perica 2018).

**In the discussion on public financing and public policies, interviewed stakeholders raised the principal issue of a lack of long-term strategy in social enterprise financing for their main contributions to society.** Firstly, their main activities aimed at the public good are predominantly based on short-term project financing with constant applications for public tenders. Secondly, the employment of people from vulnerable groups predominantly relies on short-term, public entity solutions. In relation to governmental support, stakeholders held polarised opinions: some believe that insufficient government financing presents a barrier to developing social enterprises, whereas others consider that the predominant dependence on government sources is a key barrier. These differing opinions likely surfaced in the period marked by austerity measures following economic crisis when social enterprises relied more heavily on other funding sources.

However, aside from public funds (the majority of which come from EU funds), social enterprises experience few other funding opportunities. **The social investment market in Slovenia remains underdeveloped, as does public contracting through public procurement, because the public sector still provides the majority of services.**

**In terms of private investors, the first private impact investment fund, Fund05, was established in 2012.** In general, social enterprises rely on two streams of external financing: (1) financial products offered through the Good Exchange programme initiated by SKUP (a community of private associations); and (2) smaller bottom-up initiatives (e.g. the start-up fund within the social incubator KNOF). The Good Exchange

platform coordinates national and international suppliers of finance and offers first tailored financial products to Slovenian social enterprises. Good Exchange also founded the aforementioned private financial fund, Fund05, aimed at financing social entrepreneurship and innovation in Slovenia.

Nevertheless, most social enterprises seek financing through regular commercial bank loans, using their own property as collateral. **Access to loans is a challenge due to the nature of social enterprise business models and their past financial results that often suffer from liquidity issues.** In the Slovenian financial network, several initiatives offer seed money but do not specialise in social enterprises.

**In 2012 and 2013 the Unicredit Foundation launched a programme of financial awards for the best social enterprises as a banking sector financial initiative.** In its second year, the bank granted three awards totalling 60,000 EUR. Two other banks *Deželna banka Slovenije* and *Delavska hranilnica* may have special offers for social enterprises but tailor their marketing approach to new customers without mentioning any special offers (e.g., for credits or leasing).

Nevertheless, one interviewed case study organisation explained that the Fund05's credit possibilities, which are in part raised from income tax funds, highlight that a commercial bank offers better conditions for credit than the fund. Furthermore, **crowdfunding has not yet developed among Slovenian social enterprises** (Babič and Dabič Perica 2018). While crowdfunding platforms are accessible to all, they lean primarily toward start-ups. Hence, one interviewed case study organisation stressed that it would make sense to 'bind private and public resources in a strong fund/foundation, whose mission would be to invest in the development of social economy' in Slovenia.

Hence, **most social enterprises currently finance their operations through public grants, the sale of goods and services, and regular commercial bank loans** (see appendix 3., exploratory case studies). Furthermore, donations do not present a well-developed source of finance for social enterprises, since the tax allowance system does not particularly stimulate donors. Sponsorship has become more common, however, predominantly from sport organisations. In addition, financing is available through the 0.5% income tax system for individuals.

According to some stakeholders, financial supply does not currently meet social enterprise demand. **Other investors have noted that social enterprises lack a viable business model, which explains why finance remains scarce** (Šporar *et al.* 2018a, 2018b). According to examined case study organisations, business models across the board are sustainable, meaning that they enable revenues beyond their expenditure. However, this does not enable any of the organisations to invest in their further development. Development funds are generally obtained through grants within project applications for national and European public tenders. Furthermore, as sources

from public tenders are never guaranteed, this prevents them from forming a clear and long-term development strategy. In the stakeholders' view, these conditions represent disadvantages for Slovenian social enterprise development. In their opinion, VAT exemption on the sale of products and services would provide the necessary resources for investing in development.

Additionally, **stakeholders mentioned the difficulties of accessing bridging loans and bank warranties that would enable them access to European funds for larger projects.** They would like to see the state act as a guarantor for banks; indeed, as of January 2019, this initiative has been established within the new Act on Non-governmental Organisations. Furthermore, managers lack knowledge about financing opportunities beyond national and EU project support. This lack of management and financial knowledge is associated with the fact that most social enterprises are associations and private institutes (which traditionally rely on public grants). Few social entrepreneurs have a business background.

**Many EU projects related to social economy were accepted by the EC in 2016 and 2017; they mainly involve analysis and education in the social economy sector** (e.g., Sentinel, NewGenerationsSkills and Inno-Wise). They received their chief support and implementation through support organisations within the social economy sector (Babič and Dabič Perica 2018).



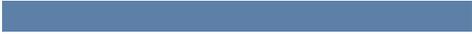
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## PERSPECTIVES

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The future development of social enterprises depends on the interpretation of their definition and role in society. For instance, some stakeholders consider social enterprises primarily as enterprises while others aim to strengthen the role of non-profit associations and private institutes—currently the strongest drivers of social enterprise—in Slovenia. This implies a potentially divided future. Namely, the sector may develop a private market orientation, or it may lean more heavily on state “obligation” to support its development, compensating for the production of goods and services that the declining welfare state can no longer provide.



## 5.1. Overview of the social enterprise debate at the national level

**According to stakeholders, the adoption of the Social Entrepreneurship Act's (2011) emphasis on sustainable entrepreneurial development and mutual aid confirms that the Slovenian political consciousness has been awoken.** Interest and activity in the social enterprise space has grown. The impetus for this focus derives, in part, from the economic crisis that resulted in movements advocating new ways of organising the economy. Simultaneously, the government has shown increasing interest in using WISEs as a tool for tackling high-level, structural unemployment. Some stakeholders perceive social enterprise development as a useful tool for dismantling the welfare state, solving issues by contracting out welfare services to other providers. This general trend of public service privatisation became particularly evident in the period of economic crisis which started in 2009 and still forms part of current political and media discourse spurred by retrenchment and austerity measures.

**In the opinion of Slovenian stakeholders, social enterprises do not receive sufficient public recognition—much less their various forms.** With promotion from the government, media and the sector itself, they have slowly gathered more yet insufficient recognition. However, the terms 'social enterprise,' 'social economy,' 'cooperatives,' and 'vulnerable groups' do not receive clear promotion, leading to many misinterpretations. Social entrepreneurship is often regarded as a social corrective for humanitarian organisations or the employment of people from vulnerable groups. Even those familiar with the term often misunderstand their mission by interpreting the English word 'social' as its Slovenian equivalent for 'social welfare,' inferring welfare issues and 'economy for the poor.' Therefore, the public often narrowly frames social enterprises within the field of social policy and equates the sector with employing people with disabilities. Stakeholders shared the view that making social enterprises more attractive, showing good examples and emphasising their social impacts could critically aid the sector's success and development. Furthermore, a better translation of the English word 'social' in the Slovene language would be '*družbeno*,' which relates to the benefit of society in general or 'community.'

Another issue for the sector's future arises from the past. Until recently, stakeholders agreed that 'entrepreneurship' almost equated to a 'bad word' within civil society. Furthermore, in the previous socialist system, the state played an all-encompassing role in service provision. As such, **social enterprises are perceived as competitors for public institutions.** According to some stakeholders, this presents one of the key barriers against greater social enterprise development. A higher share of public contracting can only be achieved by shrinking the public sector and transparently evidencing the positive social impact of social enterprises.

**In Slovenia most social enterprises that fit the EU operational definition do not actually fulfil the social enterprise definition, as amended by new legislation as of 2018.** This holds true especially since regulations have changed the non-profit operations of social enterprises—a complete (100%) restriction now exists on sharing profit or excess revenue amongst members, managers and workers. Companies for people with disabilities and cooperatives do not meet this new criterion. Furthermore, companies for people with disabilities as well as some other associations and foundations do not meet the criteria of participatory governance or stakeholder involvement in an organisation's decision-making and management. The Social Enterprises Act (2018) does not provide for either of these criteria.

**The Social Entrepreneurship Act's (2018) latest amendments define the terms social enterprise and social economy for the first time.** According to these legal definitions, Slovenia's social economy fits the EU operational definition of social enterprises. The change of government policy emphasis from the specific focus on social enterprises to a broader term of social economy has also become evident, since the previously established Council of Social Entrepreneurship has now been renamed the Council of Social Economy and the previous Strategy for Social Entrepreneurship Development 2013-2016 has become the Strategy for the Development of Social Economy 2019–2029.

**Interestingly, the majority of organisations deemed social enterprises, based on the operational definition, would not consider themselves as such.** Stakeholders who were consulted for this report suggest that companies for people with disabilities might shy away from the social enterprise label but consider themselves social economy organisations in a broader sense.

## 5.2. Constraining factors and opportunities

This section presents the key factors that enable or constrain the creation, growth and development of social enterprises as primarily identified by interviewed stakeholders and case study organisations (see appendix 3., exploratory case studies and appendix 4., list of stakeholders).

### 5.2.1. Barriers for the development of social enterprises

**Most stakeholders perceive barriers to the development of Slovenian social enterprises due to insufficient governmental long-term development and financial strategies.** Additionally, they also expressed concern for the lack of systemic support from the state as well as municipalities—for now, they operate predominantly

with the 'good will' of individual political decision-makers. Furthermore, they perceive the high dependence of social enterprises on short-term projects and programme-based grants from public tenders as an obstacle to development. According to stakeholders, it is essential to develop quality social enterprise standards for these initiatives and their support organisations. Good evaluation mechanisms prove crucial for existing programmes and, as a consequence, should present clear rules and instructions for public tender applications. When considering government measures, short-term active labour market policies for employing people from vulnerable groups in social enterprises present a barrier, especially as they create quite short-term solutions for public works programmes. No long-term solutions consider the employment of people from vulnerable groups and no support programmes offer solutions within social enterprises for these employees.

Stakeholders were divided on their perception of certain key barriers. Whereas some believe that social enterprises should be formed and based on the principles of social economy, distinct from the business sector and linked to the long tradition of Slovenia's non-profit sector, other respondents consider that they predominantly derive from the associative sector and therefore their successful development due to a lack of entrepreneurship is an inherent challenge. **This shortage of entrepreneurial skill and knowledge was also interpreted as one of the key barriers to social enterprise development due to insufficient governmental support, as few educational programmes dedicate themselves specifically to social enterprises.** Conversely, more participants perceive the narrow view of social enterprises as a 'remedy' for inequalities within the capitalist system only through a sense of entrepreneurship as an obstacle rather than as a potential vehicle to develop an alternative and more equitable economic system.

**Among social enterprises themselves, poor networking is also viewed as a key developmental obstacle.** No regional networks assist the development of social enterprises. Various governmental ministers' lack of cooperation has also fed into this issue. For example, the project to socially activate the long-term unemployed is being implemented independently of social enterprises, which could potentially serve as an important employment opportunity. Stakeholders were concerned that social enterprises mainly receive support for employing people from vulnerable groups (e.g., people with disabilities). Far fewer support schemes are available for social enterprises that deliver other types of general interest services, such as social services, community services, local development in rural and less developed areas, and environmental protection.

## 5.2.2. Enabling factors for the development of social enterprises

**Stakeholders emphasised several main factors for social enterprise development such as strong ties with the business sector, especially in relation to potential knowledge transfer.** Other stakeholders expressed the hope of increasing government financing for the entire range of social economy organisations and its supportive environment (i.e., counselling and training programmes). They emphasised the need for more substantial government social enterprise support when employing people from vulnerable groups alongside providing work for social enterprises through specialised public procurement. More transparent criteria for allocating public funds to social enterprises could also present future potential. According to stakeholders, government funds should be allocated to a smaller number of organisations that present serious potential and more substance.

**Overall, participants considered long-term systemic state support (e.g., start-up capital, tax allowances, subventions and accessible credit) as an important driving factor.** All of the stakeholders that were consulted agreed on the importance of building a supportive formal and fiscal system that could compensate for low profitability and help fulfil social goals of benefit to society, environment sustainability, the reintegration of vulnerable groups, etc. Besides, some stakeholders think that more innovative financing possibilities should exist for social enterprises such as: investment philanthropy, investment with social impact and broader web platform usage for collecting funds. They also stressed greater support for co-working spaces, creative hubs, incubators and educational programme development.

**When considering service provision, opening new markets for social enterprises (e.g., contracting out public sector services) presents crucial development potential.** Stakeholders mentioned the greater involvement of local communities (municipalities) in developing social enterprises as a response to the specific needs of the local environment (e.g., developing local measures for the support of social enterprises).

**Increased awareness of an urgently needed multidisciplinary approach and connections to creative industries is another noted enabling factor.** Overall, stakeholders agree that a clear definition of the entire social economy sector together with a common 10-year strategy (the adoption of an Act on Social Economy and a Strategy for the Development of Social Economy) would catalyse the sector. Furthermore, publicly promoting the definition of social enterprises and their positive social impacts could greatly assist their future development. In this regard participants advocated the free promotion of social enterprises in main media outlets such as campaigns that emphasise 'buy social' that would unite social enterprises under one umbrella.

### 5.3. Trends and future challenges

**Stakeholders considered two possible future scenarios for social enterprises.** In one, social enterprises further develop as associations and private institutes in search of new possibilities for financing their activities. In the other, social enterprises will merge with socially responsible corporations.

In addition, **many stakeholders expected nothing to change in the near future regarding Slovenian social enterprise development due to a lack of innovation, which might nevertheless raise social entrepreneurship to a different and more successful level.** Additionally, others recognised a positive scenario in potentially developing social enterprises as alternative economy practices, revaluing the concept of ownership and the autonomous development of communities.

Similarly, **respondents considered two possible scenarios the future scope or impact of social enterprises.** One view contemplates an increased number of social enterprises, mainly through *pro forma* developments (e.g., as socially responsible enterprises that have some social content) that may not comply with all three dimensions of the EU operational definition of social enterprises—especially not within democratic governance. On the contrary, respondents considered another possible scenario in the freezing of social enterprise development. Its initiation as a social corrective and political promotional programme from the EU and at a national level seems precarious. Due to current economic recovery, this programme may no longer animate political and social interest, at least not until a future economic crisis.

Stakeholders contemplated unsuitable support from the state and general ecosystem as drivers that might stop social enterprise development in the future, while their growth and recognition could conversely arise through adequate finances, cooperation of policy-makers and prudent communication strategies. **Stakeholders expressed a necessity to focus on the quality of social enterprises, achieved through a comprehensive system of measuring social impacts.** Respondents also proposed a strict selection of government finance to capture social enterprises that truly exhibit a *raison d'être* rather than pursuing a scenario where funds get diluted and distributed to a large mass of initiatives lured only by the possibility of public funding. Stakeholders suggested that social enterprises established with a real social aim would succeed, whereas others that arose out of 'fashion' would be renamed with other terminology such as 'green' or 'circular economy.'

**Among the enabling trends for developing social enterprises, respondents mentioned changing demographics and the incapacities of existing structures to address current issues.** The need of many specific and locally determined community services open new possibilities for social enterprises to innovatively

address these issues. In a positive development scenario, stakeholders stressed the importance of local community support for social enterprises, as their success depends on the ability to respond to needs at this level. Some stakeholders perceived potential social enterprise development in the transfer of state public services linked to social services, ecology and immigration, and changing their financing to public-private partnerships. According to respondents, networks of social enterprises could collaborate in both rural and urban areas and with public and private companies, poised to satisfy local needs as well as ensure employment in the local economy. This would contribute to more equitable development and population density in Slovenia.

**When discussing the contribution of EU policies to Slovenian social enterprise development, stakeholders expressed opposing views.** The EU's role in substantially promoting social entrepreneurship, raising awareness of its importance and recognition and developing *ex lege* social enterprises through supportive funding were all acknowledged. However, some of the stakeholders expressed a negative view on EU policies, expressing how the support system and promotion of social entrepreneurship was framed by Slovenia's political elites, as summarised in the following quote: 'Social entrepreneurship is a small, young and the most politically abused part of the broader social economy. Wherein, social economy has a long history worldwide, especially in the form of cooperative movements, in the last decade in Slovenia, we witnessed a strong promotion of social entrepreneurship as something new, since this is in line with the EU policies, however, we were missing out the broader field of social economy that exist in Slovenia.'

**This duality causes fragmentation and a lack of cooperation among social enterprise actors, despite the best efforts of umbrella organisations such as Association Social Economy Slovenia.** Furthermore, this raises the question of future Slovenian social enterprise development. Should a completely market orientated direction be developed or should the state be 'obliged' to support social enterprise development and social economy, since these organisations compensate for products and services that the 'declining welfare state is no longer able to provide'?

**This becomes even more important when placing the development of social enterprises within the context of broader social change, especially in relation to an ageing population and simultaneous technological revolution.** An ageing population stimulates the need for several new products and services for the elderly that the welfare state cannot provide. In this sense a large market is opening that social enterprises can enter while collaborating with the state. Additionally, new digital technologies have caused significant changes in labour markets. Within this context, social enterprises are becoming an 'asylum' for 'needy people,' labelled as disadvantaged workers. However, stakeholders remark that social enterprises could not afford this development without close state cooperation.

**Various described understandings of social enterprises have become evident on a state level, as seen in the development of administrative bodies responsible for social enterprises.** In Slovenia, the MDDSZ was initially held responsible. Later, powers in the field of social entrepreneurship transferred to the MGRT, clearly indicating a shift in the perception of social enterprises and consequently government policies, resulting in the latest amendments to the Social Entrepreneurship Act (2018). Namely, social enterprises are no longer tied to specific public benefit activities and can perform any kind of commercial or non-commercial activities. Changes to legislation and policy framework will undoubtedly bring future developments.



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APPENDICES

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## 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.<sup>23</sup>

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
<b>Entrepreneurial/ economic dimension</b>	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the <b>typical characteristics that are shared by all enterprises</b> .	<ul style="list-style-type: none"> <li>&gt; Whether the organisation is or is not incorporated (it is included in specific registers).</li> <li>&gt; 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).</li> <li>&gt; Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers.</li> <li>&gt; Whether there is an established procedure in case of SE bankruptcy.</li> <li>&gt; Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income).</li> <li>&gt; Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider.</li> <li>&gt; Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services.</li> </ul>	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> <li>&gt; 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).</li> </ul>

(23) 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
<b>Social dimension (social aim)</b>	<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"> <li>&gt; Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members.</li> <li>&gt; Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions.</li> <li>&gt; Whether SEs' action has induced changes in legislation.</li> <li>&gt; Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing.</li> </ul>	<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"> <li>&gt; 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.</li> <li>&gt; 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).</li> <li>&gt; 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.</li> </ul>

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
<b>Inclusive governance-ownership dimension (social means)</b>	<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 operationalised in different ways.</p>	<ul style="list-style-type: none"> <li>&gt; Whether SEs are open to the participation and/or involvement of new stakeholders.</li> <li>&gt; 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?).</li> <li>&gt; Whether a multi-stakeholder ownership structure is imposed by law (e.g. France).</li> <li>&gt; Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to.</li> <li>&gt; Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE).</li> <li>&gt; 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.</li> <li>&gt; Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws.</li> <li>&gt; Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).</li> </ul>	<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"> <li>&gt; 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.</li> <li>&gt; 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.</li> <li>&gt; 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).</li> </ul>

## 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
<b>Ex lege SEs</b> (associations, private institutes, foundations, cooperatives, limited liability companies)	AJPES register Administrative register	AJPES Government institution	From 2012 to 2017 Yearly	✓	✓	✓	4 - Official data, not publicly available, obtained upon special request.
<b>Ex lege SEs</b> (associations, private institutes, foundations, cooperatives, limited liability companies)	AJPES register Administrative register	Ministry of Public Administration (MJU) Government institution	From 2012 to 2017 Yearly	N.A.	N.A.	N.A.	4 - Official data, not publicly available, obtained upon special request. Data on volunteers are available only for associations, private institutes and foundations.
<b>Ex lege SEs</b> (associations, private institutes, foundations, cooperatives, limited liability companies)	<a href="#">MGRT evidence of social enterprises</a> Administrative register	Ministry of Economic Development and Technology (MGRT) Government institution	2018 Yearly	✓	N.A.	N.A.	4 - Official data.

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
<b>Ex lege SEs</b> (associations, private institutes, foundations, cooperatives, limited liability companies)	SENTINEL Research project	Foundation Prizma Other: private foundation	2017 Una tantum	√	N.A.	N.A.	2 - Partial data based on a small sample of organisations, not publicly available, obtained upon special request.
<b>De facto SEs</b> (associations, foundations, private institutes, cooperatives)	AJPES register -Self-estimation based on administrative register	AJPES Government institution	From 2012 to 2017 Yearly	√	√	√	1 - Self-made estimations performed by selecting from the AJPES database the organisations operating in the field of social services and healthcare. Data not publicly available, obtained upon special request. Data are available per legal form.
<b>De facto SEs</b> (associations, foundations, private institutes)	<a href="#">Centre of Non-Governmental Organisations of Slovenia (CNVOS)</a> Calculations based on administrative register (AJPES data)	CNVOS Representative body	From 2009 to 2016 Yearly	√	√	√	1 - The data source covers the majority of the organisations established as associations, foundations and private institutes, not only SEs. Data are available per legal form.

## Appendix 3. Exploratory case studies

### Introduction

Case study organisations have been chosen according to the criteria outlined in the guidelines for this report and according to the specific situation of Slovenian *ex lege* and *de facto* social enterprises. For this reason, the specific characteristics of Slovenian social enterprises should be once more emphasised. Legally, they do not exist as a formal form. The Social Entrepreneurship Act (2018) defines that each organisation needs to be established firstly in one of the formal, legal, non-profit forms (such as associations, private institutes and foundations) or other form of social economy organisations such as cooperatives. They can also be registered as private firms such as limited liability companies. Only afterwards, when the organisation has fulfilled the criteria for social enterprises can it obtain social enterprise status under its own initiative. Besides, organisations can acquire other statuses, such as the status of employment centres and especially for associations, but also under stricter conditions for institutes and foundations, the status of organisations operating in public interest. In addition, companies employing people with disabilities can obtain the status of companies for people with disabilities. Organisations with employment centre status and corporations with the status of companies for people with disabilities are distinct from other social enterprises as they are obliged to employ a certain share of workers with a recognised disability. Associations, institutes and foundations with the status of operating in the public interest must function in the interest of a broader community.

Accordingly, the sector of social economy in Slovenia consists of a mix of different forms of organisations, *ex lege* social enterprises and the organisations that *de facto* operate as social enterprises. Besides the criteria set in the guidelines for the report (by choosing the case study organisations in a way that all four represent different legal forms, operate in different fields, different regions and different environments (urban/rural) and one of them is a fast growing organisation), we took into consideration the explained duality when choosing the four organisations for the case studies. As a result, two organisations with social enterprise status have been chosen: **Centre for Reuse**, which is a limited liability company; and **Cooperative Dobrina**, a cooperative for the continual development of local products supply. In addition, two organisations without social enterprise status that nevertheless operate as *de facto* social enterprises have been chosen: **Eco-social farm Korenika**, a private institute with employment centre status; and **Institute Bunker**, a private institute with the status of an organisation operating in the public interest. The various statuses determine considerable differences between these organisations.

Semi-structured interviews were conducted with the general managers of these organisations (see appendix 4, list of stakeholders) at their premises in August 2018, each lasting approximately one hour.

## Main characteristics of the case study organisations

The two organisations with social enterprise status—**Centre for Reuse** and **Cooperative Dobrina**—were established immediately after the adoption of the Social Entrepreneurship Act in 2011, and have therefore both been in operation for seven years. **Eco-social farm Korenika**, the organisation with employment centre status, was established 14 years ago, and **Institute Bunker**, the organisation with the status of operating in the public interest, has been in business for 21 years; their longevity evidences the stable environment and circumstances in which both operate.

These case study organisations are located in different regions of Slovenia and operate in different environments: one is rural, another is located on the outskirts, a third is urban operating in Ljubljana and the **Centre for Reuse** has units all over Slovenia. They are also active in different fields: waste recycling, agriculture, horticulture and culture.

All four organisations have separate, clearly defined missions, which can be summarised as follows:

- > To convert waste products that are otherwise useless as raw materials into renewed and upgraded products and intensively market them in order to provide employment for disadvantaged workers (**Centre for Reuse**).
- > To bring into the rural environment new development visions, to form new products and services, to market them in order to provide employment for people with disabilities (**Eco-social farm Korenika**).
- > To bring together small local producers of vegetables and other garden crops, to enable them to launch their products on an extensive market of public institutes (such as pre-school institutions, schools, hospitals, homes for the elderly, etc.) and hence contribute to the provision of healthy food and the broader population's quality of life (**Cooperative Dobrina**).
- > To produce modern art theatre performance which enables young artists to work and develop new forms of actions that connect and empower the community in which they operate (**Institute Bunker**).

## Main findings from the interviews with the general managers of case study organisations

### → Mode of creation of social enterprises

All four case studies were formed *ex novo* as spin-offs from pre-existing organisations: the **Centre for Reuse** is related to a technological centre for applicative ecology, which formally exists as a limited liability company; **Eco-social farm Korenika** is linked to the association Mozaik; **Cooperative Dobrina** was formed within the project 'Maribor, European capital of culture'; and **Institute Bunker** is rooted in the Theatre Glej association.

Each organisation also owes its success to those people who were not only very familiar with the fields of the newly founded organisations but were also able to recognise favourable conditions for their establishment. On one hand, changing legislation, especially in the occupational rehabilitation and employment of people with disabilities, was evident, and, on the other, national and European public funds were available. The start-up capital for the **Centre for Reuse** came from the project Use-Reuse that was financed by the EU and national public funds. **Eco-social farm Korenika** was enabled by comprehensive European funds for the development of rural areas. **Cooperative Dobrina** was formed with European funds from the project 'Maribor, European capital of culture'. **Institute Bunker** was established in relation to the project 'Young Lions' within an international membership network also with European funding.

Hence, it can be concluded that all four case study organisations were established as *ex novo*, autonomous organisations yet owe their establishment and development to 'entrepreneurial individuals' and pre-existing organisations.

### → Types of recipients

Each organisation's activities and missions are clearly dedicated to both individual target groups and the broader community.

- > **Centre for Reuse's** main target group is all types of disadvantaged worker groups, which are employed in their units. Furthermore, the centre is developing more and more into becoming an open space that encourages socialising and knowledge exchange among employees and clients. In this way, the organisation strengthens solidarity and contributes to the development of individual local communities.
- > **Eco-social farm Korenika's** target group is those who experience disability. However, the institute's overall operation is dedicated to the revitalisation of a broader local, rural community through the provision of innovative services and activities that connect people and raise their quality of life.

- > **Cooperative Dobrina's** target group is smallholders producing vegetables and other crops who are members of the cooperative and interconnected with their community. However, their activities are also dedicated to the community at large, since they contribute to quality of life by promoting and selling ecologically produced vegetables and other crops.
- > **Institute Bunker's** target group is primarily young artists. The institute provides for their development, produces performances for them and connects them with audiences. In addition, its artistic productions connect its members with the local, urban community.

On the basis of the above information, it can be concluded that all of the case study organisations connect the provision for their specific beneficiaries with the local community in which they operate and, in more general terms, contribute to nature preservation.

#### → **Numbers of employees, volunteers, members and recipients**

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The number of employees, members, volunteers and recipients during the organisations' development mostly increased and are currently as follows:

- > Institute **Eco-social farm Korenika**, has the largest number of employees: around 50. Of this number, 70% are disabled workers and the remaining 30% are employed as their mentors. These are people with broad, professional knowledge who are able to gain the trust of people with disabilities that they lead and support in their work. A relatively high number of employees is sustained by the organisation's good business results, which is supplemented by state subventions to employment centres to pay for the salaries of workers with disabilities and their mentors. The organisation's subvention amounts to 5,000 EUR annually per person.<sup>24</sup> There are also around 10 volunteers who regularly help the organisation.
- > The **Centre for Reuse**, has 45 employees in 10 units. Around 70% are disadvantaged workers and the other 30% are mentors and managers. However, in this organisation the relatively high share of disadvantaged employees is entirely supported by the sale of products and services; namely, the state does not subsidise salaries for disadvantaged workers or their mentors, since subventions only apply to disabled workers. However, based on its collaboration with the Republic of Slovenia's regional employment institute, the centre has some workers that are occasionally employed by the public works programme. Volunteers only occasionally help the organisation. 'Since we are based on the market, we necessarily need a stable and permanent team of employees.'

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(24) The average gross salary in Slovenia in 2018 was 1.663,23 EUR.

- > The **Institute Bunker**, has 10 employees. Most have ‘self-employed in culture’ status, meaning that the Ministry of Culture covers their social security contributions from their salaries and in this way unburdens the organisation. They have a large number of volunteers—from 30 to 100—depending on individual events.
- > In the **Cooperative Dobrina**, has 4.5 employees. It currently has 90 members, as the cooperative is by definition a membership organisation, and 150 occasional or regular buyers of their vegetables and other crops. It does not have volunteers.

On the one hand, the dynamic growth of employees, members and volunteers depends on successful, market-based business performance and, on the other, stable state subventions. These two factors also determine the inclusion of volunteers. Both case study organisations with social enterprise status are extensively market-based and do not have the space to include volunteers, whereas the two case study organisations predominantly based on state subventions regularly include volunteers in their activities.

#### → **Stage of development of the organisations**

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So far all of the case study organisations have extended and deepened their primary activities, and are now entering a new phase of trying to become more integrated in the communities within which they operate.

- > **Centre for Reuse** is just completing its quantitative growth phase, having established units throughout Slovenia, and is about to enter its second developmental stage by creating conditions and spaces for people to socialise. The centres are becoming open spaces for socialising and knowledge exchange between employees and people from the local population, who also buy the organisation’s products.
- > **Eco-social farm Korenika** is currently in its third phase of development. Its first phase included the renovation of a ruined farm and development of an eco farm. Its second was based on the development of processing herbs, vegetables and cereals into quality, ecological, certified products, which are marketed via their online shop and special eco stores around Slovenia. The third phase is based on the current development of tourism, culture, education and social services primarily intended for local people.
- > **Institute Bunker** remains true to its concept of constantly developing activities that can overcome cultural deficits that benefit the local community in which they operate.
- > So far **Cooperative Dobrina’s** developmental direction remains unchanged, and yet it would like to develop its own production of vegetables and other crops in addition to buying and selling them.

Based on the above, it can be concluded that the first two organisations are currently in a developmental stage where they are recognising that only by engaging with their local environment can they create social inclusion opportunities for their employees. Social inclusion can only be successful if it is a two-way process: from the organisation to the community and from the community to the organisation. Also **Institute Bunker** is trying to enrich their local environment through its activities. **Cooperative Dobrina** meanwhile is the intermediary between its community of suppliers/members on the one hand and its buyers on the other.

### → **Membership and governance model**

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The case study organisations not only differ in the status they have obtained but also in the formal legal form in which they are registered. Each legal form determines the ways and models of governance.

- > The **Centre for Reuse** is a limited liability company with a classic organisational structure and classic governance model: its general manager is responsible for the personal and professional development of their employees, 'since the business success depends on this' for its efficient and legal operation.
- > **Eco-social farm Korenika** is an institute whose governance model is based on a well-developed mentorship structure. Its mentors are completely autonomous within the fields in which they operate and are actively involved in forming the organisation's vision and determining its developmental direction. The organisation is led by its general manager, who is appointed by the management board.
- > **Cooperative Dobrina** has a classic cooperative structure, which means that it is a membership organisation. Members, who are its suppliers, are divided into two groups: binding members are those who pay the entry share and have general assembly decision-making rights, whereas members that only pay a membership fee are joined members, who do not have the right to vote but can participate in discussions. At the general assembly, binding members elect the management board, which guides the organisation's operation and development. The general manager, who is appointed by the board of members, is responsible for the organisation's effective and legal operation.
- > Private **Institute Bunker** has a horizontal model of management, which enables a high degree of autonomy and responsibility for all employees. Individuals are responsible for the content, organisation and finances of different fields or projects. The general manager, who is appointed by the management board, is responsible for the institute's legal operation.

Although it had been anticipated that the two organisations that employ people with disabilities and disadvantaged workers would have had a similar governance model, their models differ considerably. The limited liability company uses a classic, vertical

governance model, typical of business companies, whereas the private institute uses a horizontal, participative governance model. The latter is also the model used for the other private institute, whereas the cooperative follows its cooperative model, whereby the board of members is its highest decision-making body. In conclusion, the different formal legal forms under which the case study organisations are registered determine their ways and models of governance.

### → **Business models**

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The case study organisations' business models impact their level of development, comprehensiveness and consistency.

- > The **Centre for Reuse** has developed the most comprehensive and consistent business model. It encompasses: local communal companies that provide material to the centre; municipalities that rent premises under favourable conditions, where the centre's activities are based; the long-term employment of deprived workers, who are engaged in recycling discarded objects; the intense marketing of renewed objects; and contact with public institutions and private companies for the renovation of their premises and furniture.
- > The **Eco-social farm Korenika's** business model is based on the well-reflected marketing of their products to buyers, who consider 'healthy food and care for deprived groups as a value and not only as a need.' The cooperation also engages with the state and municipality to gain salary subventions for the care of people with disabilities and mentor salaries. The third element of their business model concerns obtaining finances from public grants to aid development.
- > The **Cooperative Dobrina's** business model is based on close cooperation with suppliers, namely small, local organic farmers, with whom they mutually determine weekly purchasing and selling prices. These need to cover all intermediate expenses and ensure a certain surplus.
- > The **Institute Bunker** has not developed a business model, as it understands itself as a classic NGO/NPO that does not have profit as a goal and, therefore, does not require a business model. Hence, they obtain funds to implement projects exclusively from national and especially international public tenders.

Although developed in different ways, all of the case study organisations' business models are sustainable, which means that they enable revenues that are above expenditure. However, none of the outlined business models enable the organisations to invest in development. Funds for development are generally obtained from projects applications for national and European public tenders.

## → Main barriers

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None of the case study organisations receive any tax relief, which is considered an external, systemic barrier. Furthermore, they mentioned difficulties in accessing bridging loans (**Cooperative Dobrina**) and bank warranties that would enable them to access European funds for larger projects, which they undertake with several partners (**Institute Bunker**). The institute **Eco-social farm Korenika** mainly considered the conservative environment in which they operate as an external barrier during its start-up phase: 'In such an environment new ideas and new ways of operation encounter resistance and rejection.'

The perceived internal barriers for the case study organisations are as follows:

- > Reduced potential of employees, who need lots of time to firstly qualify and then have lower work performance, which reduces competitiveness (**Centre for Reuse**).
- > Problems of relations between those who have ideas and vision and those who need to implement them (**Eco-social farm Korenika**).
- > The lack of a specific employee who could maintain continuous communication with members on a professional level (**Cooperative Dobrina**).
- > The relation between content-based and administrative work, as the administrative role is constantly increasing (**Institute Bunker**).

The above mentioned external barriers—absence of tax relief and difficulties accessing finance—have a negative impact on the development of Slovenia's social economy and should be put forward for public discourse. Internal barriers are in line with the specific character of each individual case study organisation, are permanent and demand continuous attention from their general managers.

## → Key partners

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The hierarchies of partners as mentioned by the organisations are as follows:

- > The most important partners of the **Centre for Reuse** are their suppliers of materials (communal companies) followed by municipalities that provide premises for their operation and buyers of their products (public institutions and private companies). Another important partner is the Ministry of the Environment and Spatial Planning, which provides them with access to project financing.
- > The **Eco-social farm Korenika** institute's distinct hierarchy means its primary partners are public institutions: the MDDSZ; performers of occupational rehabilitation; centres for social work; and municipalities. It also collaborates with private business companies who buy products and services.
- > The **Institute Bunker's** most important partner is also public institutions that are their financiers: the Ministry of Culture; the City of Ljubljana; and the European

Commission. These are followed by members of international networks that the private institute is a member of and in some cases also established them. Additionally, it has partnership relations with schools where its programmes are delivered.

- > **Cooperative Dobrina's** most important partners are the Centre for Autonomous Production Maribor, a social enterprise that offers support mainly through knowledge transfer and the Regional Development Agency Slovenske Gorice, which helps them establish contacts with suppliers.

On the one hand, the presented partnership hierarchies reflect a level of financial dependence on the state or other public financing and, on the other, organisations orientation towards the market or market performance. Similarly, the relationship between these two different types of organisations, whereby half of them are heavily dependent on public funding sources and the other half are market oriented, is a tendency that would probably be found throughout Slovenia's entire social economy sector. Interestingly, only one case study organisation collaborates with another organisation from the social economy sector, indicating that a lack of collaboration and connectedness is characteristic of Slovenia's social economy sector.

### → **Types of contractual agreements with public institutions**

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The types of contracts with public institutions that the case study organisations pursue are as follows:

- > Renting contracts with municipalities for premises and selling contracts with public institutes as buyers of their products and services (**Centre for Reuse**).
- > Contracts for the subventions of employee salaries, which are concluded on an annual basis with the MDDSZ, and contracts for subventions to implement certain programmes of social activation, which are concluded for a period of the programme's duration (5 to 7 years). For grants obtained from public tenders, contracts are concluded also for the period of the project's duration (2 to 3 years) (**Eco-social farm Korenika**).
- > **Institute Bunker** performs its projects almost exclusively from public tender financing and has contracts with national and international institutions, which are providers of public grants for the period of the projects' duration. The institute has a tripartite contract with the City of Ljubljana, Electro Ljubljana and those ministries in charge of maintaining national technical heritage to manage the old electricity power station building and revitalise it with cultural activities.
- > **Cooperative Dobrina is in a different position**, as it conducts business with public institutes (schools, pre-school institutions and hospitals) by regularly supplying them with products based on public procurement orders.

## → Fiscal breaks

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The case study organisations do not enjoy any official fiscal breaks. In this regard, only **Institute Bunker** stands out, as it does not pay VAT on the sale of its performances and ticket sales.

Nevertheless, both **Eco-social farm Korenika** and **Institute Bunker** are exempt from paying social contributions on employee salaries (contributions for healthcare and social insurance), which they consider a tax relief.

All of the case study organisations agree that an exemption on paying VAT from the sales of their products and services would significantly contribute to their individual development and to Slovenia's general social enterprise development and social economy.

## → Structure of revenues

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The importance of a formal legal form and organisation status is clearly shown in the structure of revenues:

- > Both organisations with social enterprise status acquire more than 2/3 of their revenues from the sale of their products and services. The **Centre of Reuse's** share of market sources acquired from the sales of their product and services amounts to 70%-80%, whereas **Cooperative Dobrina** returns even more, at around 95%. The **Centre for Reuse's** remaining 20%-30% revenue is acquired through national and foreign public tenders, and **Cooperative Dobrina's** through membership fees and donations. This clearly reflects the formal legal form in which the two organisations are registered—the limited liability company and cooperative—are in principle more market oriented than, for example, social enterprises registered as associations, which to a large extent depend on public sources.
- > In contrast, **Eco-social farm Korenika's** employment centre status means it returns 40% of its revenues from direct state subventions for employee salaries and social protection programme subventions. The sale of their products acquires another 40% and the institute's remaining 20% comes from national and European public tenders for project implementation.
- > **Institute Bunker's** status as an organisation operating in the public interest enables it to take a priority position when applying for national public tenders. It also uses the old electricity factory premises for free. Hence, 90% of its revenues comes from national and international public tenders, out of which 50% arrives from national public tenders and 40% from international public tenders. The private institute considers these sources public to which it also adds revenues from the Sklad05 (funds from individuals who dedicate 0.5% of their tax revenues to non-governmental organisations). It considers itself a pure NGO/NPO and does

not place its operation in the social economy sector, since it acquires less than 10% of revenues from the sale of market services.

In addition to the above, the development of all four case study organisations is based on public tender sources. In particular, the employment centre **Eco-social farm Korenika** is in a slightly better position, as it dedicates 20% of its market sources from the sale of products to the organisation's development, which supplements its revenues acquired through public tenders. Furthermore, as public tender sources are never guaranteed, none of the organisations can form a clear and long-term vision for their development. These conditions represent disadvantages for Slovenian social enterprise and social economy development. At this point, it is worth repeating the opinion that all of the case study organisations would benefit from a VAT exemption on the sale of their products and services that could then be invested in development.

#### → **Financial intermediaries, loans and credits**

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All of the case study organisations mentioned unfavourable tax regulations as an external, systemic barrier for development. Furthermore, they stressed difficulty accessing bridging loans and bank warranties, which they need to be able to access financial sources from public tenders or EU funds for larger project. They try to obtain these credits from classic commercial banks or those that are considered more socially oriented. The organisations that have a stable financial basis from their business activities (**Centre for Reuse** and **Eco-social farm Korenika**) do not have problems accessing credit. **Cooperative Dobrina** experiences greater difficulty obtaining credit due to its fragile financial situation; however, the cooperative business model is advantaged by having agreements with suppliers that enable payments to be delayed, enabling the necessary financial means for everyday operations. **Institute Bunker** emphasised the problem of securing bank guarantees to obtain EU funds. Since the private institute is one of the biggest receivers of EU funds in southeast Europe, it struggles without the state taking a role as guarantor for banks. However, this arrangement should come into force in January 2019 with the new law on non-governmental organisations.

#### → **Innovative social financial instruments**

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None of the case study organisations use innovative social financial instruments, as they have not been developed in Slovenia. Crowdfunding platforms are accessible to all, and yet they are primarily intended for start-ups. An inquiry into credit possibilities from the Fund05 (partially involving funds from income tax) showed that a commercial bank offers better conditions for credit than the Fund05. **Eco-social farm Korenika** stressed that it would make sense to 'bind private and public resources in a strong fund/foundation, whose mission would be to invest in the development of social enterprises and social economy in general' in Slovenia.

## Conclusions

The analysis of four case studies alone cannot conclude the general status and development of social enterprises in Slovenia, but these examples do emphasise some common characteristics and particularities of the Slovenian situation.

All of the case study organisations lean toward business endeavours to different extents and have clearly defined missions that indicate beneficial societal impacts achieved through their activities. However, the organisations differ in many other characteristics. Hence, their legal forms to a great extent determine their models of governance—from a more vertical and hierarchical model to a more horizontal and participative model. The organisations' various statuses also determine their business models, hierarchies with their partners and, hence, also their revenue structure.

In this way, the case study organisations with social enterprise status—and, importantly, the limited liability company and cooperative—acquire most of their revenues from market activities (the sale of products and services). The organisation functioning as an employment centre, however, supports economic activity with employee salary subventions. All of the organisations rely on project financing from national or European public tenders. The organisation operating in the public interest relies primarily on financial resources from public tenders for most of its projects. Its marketable economic activity is very limited. However, it should be noted that while public funds in Slovenia are acquired through national and European public tenders, organisations compete with one another through the market when applying for public tenders.

Despite the efforts of umbrella organisations such as the Association Social Economy of Slovenia, the differences in the organisations' sources of revenue (i.e., independent market activities versus public sources from state subventions and public tenders) cause fragmentation and a lack of cooperation among actors in the sector. In addition, perceived unfairness in acquiring resources based on legal form or status raises questions on the future development of Slovenian social enterprises. Should social enterprises move entirely in the direction of the market or rely on the state to support further development, as the 'declining welfare state is no longer able to provide' such products and services?

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## Appendix 5. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policymaker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

Full name	Organisation	Role	Stakeholder category
<b>Babič Karolina</b>	CAAP – Centre for alternative and autonomous production	President of Association	PRAC/SUP
<b>Destovnik Tita</b>	Restaurant of work, company for people with disabilities	General Manager	PRAC
<b>Deželan Tomaž, assoc. Prof., PhD</b>	Faculty of Social Sciences, Social Entrepreneurship Centre, University of Ljubljana	Disciplinary area: Political Sciences, public policy analysis	ACA
<b>Divjak Tina</b>	CNVOS – Institute, NGO support organisation	Manager for advocacy	SUP
<b>Hren Marko</b>	Government office for development and European cohesion policy	Member of the former Council of Social Enterprises	POL
<b>Ivanetič David</b>	Premiki – Institute for counselling, promotion and development of accessible tourism	General Manager	PRAC
<b>Koprivšek Nevenka</b>	Institute Bunker	General Manager	PRAC
<b>Kores Dolores</b>	EPIC Assist, Social Entrepreneurship Centre, University of Ljubljana	European Business Development Coordinator	PRAC/SUP
<b>Krpan Darijan</b>	Foundation BIT Planota	General Manager	PRAC/SUP

Full name	Organisation	Role	Stakeholder category
Milošević Goran	Korenika – social farm; employment centre	General Manager	PRAC
Piškorič Luka	Poligon – creative centre, private institute	Co-founder and Managing Director	PRAC
Ploj Denis	Cooperative Dobrina	General Manager	PRAC
Ponikvar Jana	Šentprima – Institute for rehabilitation and education	General Manager	PRAC
Rihter Liljana, assis. Prof., PhD	Faculty of Social Work, University of Ljubljana	Disciplinary area: Sociology, Social Work, Methodology	ACA
Slavec Gomezel Alenka, assis. Prof., PhD	Faculty of Economics, University of Ljubljana	Disciplinary area: Entrepreneurship, Social enterprises	ACA
Sobočan Tjaša	Simbioza Genesis Social Enterprise	Project Manager and International Lead	PRAC
Stritar Tomaž	Institute Successful Manager	General Manager	PRAC/SUP
Svetina Peter	Grunt, Institute for social entrepreneurship in the countryside, employment centre	Professional Manager	PRAC
Šribar Luna J.	Cooperative Old stuff, new use	Co-founder	PRAC
Vovk Marinka, PhD	Centre for Reuse	General Manager	PRAC
Zver Franc	Centre for Reuse	Employee	PRAC
Žganec Metelko Mojca	Institute KNOF – entrepreneurship community	General Secretary	PRAC/SUP

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