

Social economy - laying the groundwork for innovative solutions to today's challenges (Paris, 10-11 December 2012)

Social Entrepreneurship in Slovenia¹

Romana Zidar
Faculty of Social Work

Tomislava Arh
Ministry of Labour, Family and Social Affairs

1. What are the current situation and the recent trends in your country in relation to social economy?

What types of social enterprises exist (e.g. cooperatives)?

Types of social enterprises: non-profit associations, non-profit institutes, foundations, companies, cooperatives, European cooperative associations are the legal forms of SE defined in the Act, hence eligible for financial support once the programme of measures will be adopted.

Current situation: Relatively stable number of NGOs that present a potential for social economy growth. The Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) reported that in 2011 non-profit organisations were employing 4,665 workers, which is 6% more than in 2010. AJPES records are including all forms of NGO's, such as associations, private institutes, unions, etc. Most of non-profits included in AJPES database for 2011 there were unions (2,950 out of 5,436) (see AJPES website).

We can observe different data when comparing AJPES data research with Črnak Meglič research (2009), where she reports constant descendent of employees and GDP non-profit sector is producing. According to her research, Slovenian non-profit associations were creating 1.99% of total national GDP in 2008, which is 3.1% lower compared to 5.1% GDP average of other 32 states included in the John Hopkins research (ibid. 2009: 23).

Many NGOs are highly depending on public funds that are being cut down due to the crisis, directly influencing resilience and capacity of the non-profit sector. In the state budget for 2013 funds for NGOs and social dialogue are decreasing for 10%. State budget proposal for 2013 in the chapter "Entrepreneurship and competitiveness" does not mention social entrepreneurship or SE, similarly SE is not mentioned in other development documents for future years such as the Programme of economy stimulation measures.

In Slovenia there is no culture of co-financing of NGOs (except ones dealing with sports), from the side of for-profit entities.

1 Prepared for the Peer Review in Social Protection and Social Inclusion programme coordinated by ÖSB Consulting, the Institute for Employment Studies (IES) and Applica, and funded by the European Commission.

© ÖSB Consulting, 2012



The new Act on Social Entrepreneurship poses for the moment extra administrative burden on SE and does not yet bring any advantages for example tax relieve or access to finance (until adoption of measures in early 2013). On the opposite side, the government reduced the tax on corporate profits from 20 to 15% over the next five years, which will directly influence the state budget revenues in 2013 for 273 million EUR.

There is scarce and dispersed information on funding possibilities. One of the problems facing SE organisations is fragmented public support, resulting in unequal access to public funds. There is low general knowledge on alternative types of funding among population, including potential SE, resulting in low interest in the few suitable instruments available as well as low willingness of potential donors and private funders to invest in social entrepreneurship, including for profit banks which are not providing any special financial instruments for start-ups or programmes of SE (with the exception of *Unicredit* and *Deželna banka Slovenije*). Furthermore, legislation does not allow NGOs to offer financial (banking) services and does not allow non-banking financing to start.

Existing managerial and entrepreneurial skills in the NGO sector are to some extent limited and can in some cases present serious obstacle to strategic development of SE. On the other hand, there is significant division of the non-profit and for-profit orientation between sectors; while non-profit organisations often lack agility and entrepreneurship, for-profit organisation are lacking community development orientation and sensitivity towards social issues of the communities in which they are operating. This gap seems to present an important obstacle for cooperation on common projects and development of cooperative programmes among both sectors.

There is also general consideration of social entrepreneurship as part of social policy among policy makers and NGOs which present a challenge for further development of SE. SE should successfully balance the question of social impact, community development and entrepreneurship orientation of SE, preventing overdependence on (often insecure) public funding and hence low sustainability of social entrepreneurship projects.

Another obstacle is the nonexistence of systematic (national) statistics and analytics for the nongovernmental sector and the SE sector, which would provide important data for development of effective policy models for the development of SE.

2. What framework measures and models to encourage social enterprises are applied in your country?

In particular with regard to legal framework, access to finance, educational strategies, awareness, social innovation and operational sustainability.

Act on Social Entrepreneurship (Act) was adopted in 2011 and according to the Act, a Council on Social Entrepreneurship (Council) was formed in 2012.

The Council brings together the government representatives of the respective ministries that relate to areas of business activities defined in the Act as areas where social entrepreneurship (SE) could be performed. The government part of the Council is complemented by representatives of trade unions, NGO/social economy sector, tertiary education institutions (public one) and civil society organisations. The Council can be regarded as a forum for discussion between the public and non-governmental sector as regards boosting SE development.



The Council's task is to coordinate policies regarding social entrepreneurship with the ministries, government offices, municipalities, social partners, tertiary educational institutions and civil society organisations. In practical terms the Council's priority is to:

- draw-up a social entrepreneurship development strategy;
- monitor the implementation of the strategy and its programme of measures;
- direct and monitor the work of the implementing authorities and promote the lawful, effective and efficient use of the budget and EU funds.

Work in the Council was delayed due to merging of the ministries in spring 2012. Currently, the priority goals of the strategy for the period 2012-2015 are being finalised in consideration with possible measures supported by public and EU funds. The measures will focus on raising awareness and knowledge on social entrepreneurship, building-up of a positive business environment and funding of actions including employment incentives for vulnerable through learning workshops, training and education of social enterprises' staff in management skills and working with vulnerable groups and individuals.

Funding, including by the EU, is managed by the responsible ministries, causing fragmented information and limited access to scarce available funds. In this respect, two ministries are of key importance. The Ministry of Economic Development and Technology (MEDT) is responsible for Act on Support Environment to Enterprises and the Ministry of Labour, Family and Social Affairs (MLFSA) is responsible for coordination of the Act on Social Entrepreneurship as well as implementation of ALMPm. Both ministries are currently supporting SE projects and ideas within existing framework and without distinguishing between business enterprises and social enterprises. Therefore, social enterprises are not in any advantage; moreover, they can be even excluded from funding, as is the case of cooperatives in relation to entrepreneurship support environment.

So far, the Ministry of Labour, Family and Social Affairs has published two public calls nation-wide for ESF funding of SE pilot projects in total of 6.5 mio EUR (2009, 2012). In addition in 2010 and 2011 two SE projects of approx. 50,000 EUR in total were supported in the Pomurje region, one of the most deprived regions in Slovenia. MLFSA is also a contact point for Progress and Progress Microfinance Facility that will in 2013-2020 financial period join in the Programme for social change and innovation. Only lately, Slovenia obtained the first microfinance provider for the Progress Microfinance Facility. Within the framework of the Act on social entrepreneurship, MLFSA will provide regular training for SE to gain management skills as well as skills to work and deal with persons of vulnerable target groups. Furthermore, funds will be provided for employment of the latter in learning workshops.

Civil society organisations were very active from 2010 to 2012 at campaigning and raising awareness of the social entrepreneurship, of its values, principles and advantages for the future. There is a rising interest for SE in general public not only as a result of campaigning, but due to rising unemployment, especially among young job seekers.

The interest for self-employment, as part of active labour market policy measures(ALMPm), has been rising in recent years on the government side, mainly as an alternative answer to issues of economy stagnation and lack of job opportunities. Such measures could have a double effect on the development of SE in Slovenia; creating new employment opportunities for long-term unemployed or other unemployed vulnerable groups as positive one and stigmatisation of SE solely as tool of ALMPm as negative one, since SE should be seen as important form of



economy and not as social welfare or kind of a workfare policy. Self-employment has possible negative effects on social security of individuals, since self-employed are not protected by labour legislation and are considered as business service. Self-employed are therefore more exposed to in-work poverty than the bulk of employees in the for profit sector.

MLFSA has organised an awareness raising training for ministries on the issues of SE and the new Act on SE in 2011. An indicator of better awareness in the Government are also frequent discussions of SE being part of policies of the ministries in the next operational programme of the Structural and Cohesion Funds. The Council for SE where 9 out of total 11 ministries are participating is also a potential for raising awareness in the Government.

There is no extra educational strategy for SE in place, with the exception of educational seminars and workshops conducted from the side of NGOs and particular faculties. Nevertheless entrepreneurial skills and sustainable development issues are systematically included in pre-university curricula, based on project and interdisciplinary type of work and are a part of many bachelor degree programmes of different universities and faculties. The fine-tuning of these activities in respect to SE, is depending on each school. Simulation of enterprises-functioning as a result of business idea development and environmental projects are present widely in this respect, but lately also SE issues are becoming evident as the red line in applications of cross-border projects in the education field. Slovenia is lacking a systematic approach when considering SE as a way of exit to the labour market for young people. Creating job opportunities through SE would present an important challenge for existing policies, especially when considering pros and cons of existing ALMP measures. These measures should consider the importance of decently paid internships in programmes of SE.

The concept of social innovation is even more "alien" than social entrepreneurship in Slovenia when it comes to social innovation (SI) practices in for profit economy. SI is more present in social services, but with no or little impact, because of limitedness of SI on narrow niches, without consideration of possible impacts of SI through interdisciplinary and inter-organisational cooperation and collaboration. SI is taught as part of several bachelor degree courses, but without overall impact. There is no systematic approach to support SI, although it is becoming frequently stated in tenders of EU structural funds and will become more exposed with the new EU Programme for social change and innovation. The concept has been promoted mainly through different awards, mostly in relation to corporate social responsibility (Horus award since 2009). Quite recently, the 1st Slovene social innovation award was also given. Incidentally, the awarded project 'Healthy soup' is also a part of education in kindergartens on environmentally friendly agriculture and healthy nutrition. This situation presents a future challenge for SE and Slovenia at large.

Operational sustainability: Pilot projects supported in 2009 by MLFSA have clearly a sustainability issue. The second tender in 2012 was tensely anticipated and only less than a fifth of the first batch projects were granted the second time. This itself is a fact to be regarded also as a sign of dependence since the aim of the government is to affirm sound social enterprises that could survive and sustain on the long run in market conditions. As already mentioned, the reasons include low entrepreneurship skills, low general knowledge of financial instruments, dispersed information as well as low willingness to invest in social entrepreneurship-social impact is not sufficiently defined in business terms.



3. What are the main challenges for the future development of the social economy and social enterprises?

- Shift of public funds dependence to sustainable forms of financing: selling products and services on the open market;
- Development of flexible support mechanisms, which would consider "social impact" of specific SE, offering employment to vulnerable groups in the sector (e.g. programmes employing homeless people have positive social impact, but are not as competitive as others, so they would need additional and prolonged public funding) against those SE who are focusing on development of more marketable products and/or services;
- Coherent public policy to support SE including lessening the administrative burdens, defragmentation of information on public funding, changes in related legislation, exploring ways to support SE through public procurement, tax policy, financial policy (dormant accounts);
- Further campaigning and awareness raising among publics and policy makers: accenting that SE contributes to economy growth even in crisis and that SE is part of the economy and business environment that has to be able to sustain itself on the open market while respecting the SE principles. Each socially valuable contribution of SE needs to be evaluated in brutal economic terms as well as good deeds do not survive on their own.

4. A brief assessment of the learning value of the French good practice to your country.

What are the similarities/differences of the host country approach compared to the experience in your country?

Differences:

- High recognition of SE importance within the Government demonstrated through the establishment of separate ministry with tight connection to the Ministry of Economy: this gives the SE an equal place in the Govt. as well as a clear signal that SE is part of economy, not social policy;
{Slovenia: SE is not a separate ministry, not even on the level of department, attached to the labour market directorate of MLFSA}
- Provision of future social entrepreneurs secured through specialised SE curriculum;
{Slovenia: not systematic, not accented;}
- Observatories as a platform for measurements, analysis, research studies in the SE sector;
{Slovenia: no methodology, no systematic research analysis of the NGO sector, most likely future option is Statistical Office-national accounts;}
- New legal forms of SE, based on cooperative foundations;
{Slovenia: new forms not likely to be permitted by Act, even if they derive from cooperatives as the only legal form of SE which have an uninterrupted 140 yrs tradition of existence in Slovenia;}
- Joining private business and public (local) authorities in SE (SCIC) to pursue local interests and resolve local problems;
{Slovenia: not permitted by current Act, both are excluded from the Act;}
- CAE form of SE as a cooperative of self-employed social entrepreneurs;



{Slovenia: an interesting option, worth exploring as a hub for self-employed social entrepreneurs, but not as a new legal form.}

