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SOCIAL ENTREPRENEURSHIP IN SLOVENIA

State of the Art Report

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INTRODUCTION

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Report is offering the review/ analysis of current situation of social entrepreneurship in Slovenia that includes:

- Policy and legal framework
- Public support and initiatives
- Networks and mutual support mechanisms
- Social investment markets
- Spectrum of social enterprise
- Scale and characteristics
- Factors constraining the start-up and development of social enterprise

During the data collection, different sources have been used, like web pages, law documents, interviews and personal experience of experts, who participated in reporting.

POLICY AND LEGAL FRAMEWORK

The Social Entrepreneurship field in Slovenia is regulated by the *Law of Social Entrepreneurship* (<https://www.uradni-list.si/1/content?id=102703>) that defines:

- **General conditions:** Social entrepreneurship and its goals, Principles and demands of social entrepreneurship, Fields and activities of social entrepreneurship, Special conditions for employment, Jurisdictions in the field of social entrepreneurship
- **Social enterprise:** Definition of social enterprise, Limitations, Associations of social enterprises, Non-profitability rule, The statement of social enterprise, Responsibilities and obligations, Application form for social enterprise, Registration of social enterprise, The use of directives, Obligation of regulatory bodies, The access to status of social enterprise, Reporting, Prohibition of operation and termination of status, Monitoring of operation and sub-law documents)
- **Special conditions of operation:** Accounting, Membership rules, Participation of employees, volunteers and other users in management, Work in social enterprise, Distribution of profit and excess of income, Status changes, Liquidation of social enterprise
- **Supportive environment:** Development planning of social entrepreneurship, Implementation of politics in the field of social entrepreneurship, Jurisdiction of Municipalities, Fostering of social entrepreneurship, Assurance of resources, Financial support, Beneficiaries
- **Special incentives for social entrepreneurship:** Special incentives for employment (disabled and vulnerable target groups), Other special incentives
- **Evidences:** the evidence of social enterprises
- **Monitoring:** Monitoring, Bodies that decide about offences
- **Violence provisions**
- **Transitional and final provisions**

Supported documents to the Law are as follow:

1. *Rules of monitoring of operation for social enterprises*: this rules define the way of monitoring and government bodies that are authorized for monitoring of social enterprises.
2. *Regulation of activities for social enterprises*: it defines economic fields of operation for social enterprises:
 - Social care
 - Family care
 - Care of disabled
 - Science, research, education and training (education)
 - Assurance and organization of youth work
 - Protection and promotion of health
 - Assurance of social inclusion, fostering of employment and vocational training of persons, who are unemployed or at risk of unemployment
 - Transmission of employment to unemployed person from the 6th paragraph of the Slovenian Law of social entrepreneurship

- Ecologic production of food
- Protection of nature, regulation and protection of the environment and protection of animals
- Promotion of the use of renewable energy sources
- Social tourism
- Fair trade
- Culture, technical culture, protection of natural and technical heritage
- Sports, recreation and socialization
- Rescuing and protection
- Fostering development of local communities
- Support services for social enterprises

The new Law of social entrepreneurship was the basis for Strategy of Social Entrepreneurship in Slovenia, prepared by the Ministry of Economic Development and Technology. The Ministry is also the government regulatory and monitoring body of social entrepreneurship field in Slovenia that also prepared the list of actions necessary to support and implement the strategy.

The Slovene law strictly divides social enterprises from enterprises which employ disabled people - disability company is not treated as a social enterprise.

Social entrepreneurs are not satisfied with the Law. On the one hand the Law is very rigorous and unattractive for new social entrepreneurs. Conditions for enterprises which want to operate in the field of social entrepreneurship are very demanding and strict. Entrepreneurs share the opinion that the Law is not fostering the development of social entrepreneurship in Slovenia.

In some points the Law is insufficient and allows candidates to establish enterprises which are just waiting for tenders and the support of society. This kind of social enterprises don't operate in an entrepreneurial way as it is expected.

In spite of numerous legislation documents that have been published in Slovenia recently, the opinion of one of the experts on the field is that the social enterprise is not defined in enough understandable way and that there is still a lot of open space to improve it, and thus improve the conditions for operation in the Slovenian social entrepreneurship economy.

PUBLIC SUPPORT AND INITIATIVES

Social entrepreneurship has become one of more important elements for society in the last few years. Wider society still perceives and connects social entrepreneurship with disability enterprises and employment of disabled persons, different kinds of subsidies and other similar topics. Society still doesn't connect social entrepreneurship with innovation, creativity and real entrepreneurial manner of operation. It is the role of government to improve the understanding of social entrepreneurship of wider audience.

The Ministry of economic development and technology established the Council for Social Entrepreneurship. Its main aim is to design the politics of development of social entrepreneurship by involving other ministries, government offices, municipalities, social partners and organizations of civil society.

The support is in a way provided by the government and it still shows the lack of understanding of the role of social entrepreneurship. Mechanisms and support are not always well distributed and properly defined.

Table 1 presents the initiatives and financial support in the field of social entrepreneurship in Slovenia, in the period of 2009 - 2014:

Priority	Activity	Funds	Government body
Fostering of employment for vulnerable groups in the labor market	The call for fostering the social entrepreneurship (2009- 2012)	6,5 mio EUR	Ministry for labor, family and social affairs
Fostering of employment for vulnerable groups in the labor market	The call for fostering of equal opportunities and social inclusion	2,7 mio EUR	Ministry for labor, family and social affairs
Fostering of employment for vulnerable groups in the labor market	Public works - development program for fostering of establishment and development of social enterprises (B type)	827.888 EUR	Ministry for labor, family and social affairs
Fostering of employment for vulnerable groups in the labor market	The call for fostering of social entrepreneurship in Pomurska region	77.000 EUR	Ministry for labor, family and social affairs
Upgrading of current supporting environment of entrepreneurship	Pilot mentoring program of support for potential in operating social enterprises	20.000 EUR	SPIRIT
Research	Survey on social impact for Development of model of working workshops in social enterprises type B	30.000 EUR	Ministry for labor, family and social affairs

Improvement of recognition of social entrepreneurship	Entrepreneurial way to social impacts		SPIRIT
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Table 2 presents the implemented and planned actions by the “Program of actions of 2014 - 2015 for implementation of strategy of social entrepreneurship of 2013 - 2016”

Strategic goal	Action	Funds for 2014 - 2015
Improvement of recognition of social entrepreneurship and knowledge about the social entrepreneurship principles	Implementation of promotion and information activities on social entrepreneurship	54.000 EUR
Improvement of recognition of social entrepreneurship	Adjustment of legislation in the field of support environment for entrepreneurship	/
	Improvement of VEM (all in one point) offices to support the social entrepreneurship	112.000 EUR
	Consultancy and promotion of social entrepreneurship at farms, to improve the supportive environment of rural area	230.000 EUR
	Fostering of social entrepreneurship in rural areas	1,7 mio EUR
	Fostering of social entrepreneurship in Pomurje region	1,5 mio EUR
	Development of The social impact model for social entrepreneurship	15.000 EUR
	Up-grading of positive impact on public tenders in the field of social entrepreneurship	/
	Changes in the field of legislation of social entrepreneurship	/
Fostering of employment for vulnerable groups in the labor market	Incentives for employments	1,5 mio EUR
	Development of education workshops for Social entrepreneurship, Type B	265.000 EUR
	Program development for educating people, responsible to work with vulnerable groups of people	15.000 EUR
	Fostering of establishment	2 mio EUR

	of new social enterprises in the frame of public works (Type B)	
	Development of new approaches for employment of young (Guarantees for young)	4 mio EUR

By the opinion of an expert in the field, unfortunately the public support for social entrepreneurship is weak in Slovenia. It is resulting in a negative influence on the development of social entrepreneurship in Slovenia, in lack of information about social entrepreneurship and in no suitable support for ideas on the field of social entrepreneurship in practice. We are missing financing possibilities through microcredits and other financial instruments, consulting and public support. The government support with accepting the Law and the Strategy was the first step, but the next steps are still missing. Slovenia has to put more focus to the promotion of social enterprises and education of social entrepreneurs, advisers and financial support on the field.

The challenge for the Government is to focus and assure more connected initiatives to stimulate and support development of social entrepreneurship. Actions should result in sustainable measures that will affect not only a few people or enterprises, but wider society. The fact is that many social enterprises have received at the start-up phase the governmental support, but they have collapsed when they had to start financing their activities at the market alone - in spite of the received subsidies in height of 300.000 EUR or more. This is a proof that wrong projects and enterprises were selected for financing.

NETWORKS AND MUTUAL SUPPORT MECHANISMS

The most common and the best developed support mechanism for the Slovenian social enterprises are consultancy services - there are many consulting firms which are counselling on the field:

- Potential social entrepreneurs - consultancy services consist of proper development of the business idea, functional business education for potential entrepreneurs, help with preparation of the business plan
- New entrepreneurs - consultancy services consist of business counselling, business education (functional knowledge for running the business) and help with preparation of business plans for new investments or the expansion of the business

Table 3 shows the support environment for social entrepreneurship in Slovenia:

Table 3: Support environment for social entrepreneurship in Slovenia

Institution	Supporting services	Region of operation
Center for alternative and autonomous production - CAAP	Incubator for social enterprises and social - innovative organizations. They have supported the establishment of many cooperatives.	Maribor, Podravska region
CNVOS	The main organization of non-government organization in the field of advocacy. They were involved in preparation of the legislation - they offer a specialized support for establishment of new social enterprises	Ljubljana and the entire Slovenian territory
DPlac -meeting point of ideas with social impact	Supported by the one of the biggest Slovenian banks; they offer education and consulting services, the aim is development of incubator and co-working	Ljubljana - central Slovenia
Creative center Poligon	The biggest co-working community in Slovenia; oriented in fostering the creative economy	Ljubljana - central Slovenia
Development community Tkalka	Education, co-working, incubator services, social practice and inter-generational cooperation	Maribor, Podravska region
Sklad 05 - foundation for social investments	Funding of social enterprises; development of innovative financial mechanisms for funding social enterprises	Kranj, Slovene territory
Rotunda - regional center of NVO	Support of non - government institutions; education, events, promotion activities, counselling (law, accounting...), co-working space	Koper, Primorska region
The Slovenian forum of social entrepreneurship	The "umbrella" organization at the national level; merges about 60 members (social enterprises); plan of development of social entrepreneurship; education and promotional activities	Maribor; the entire Slovenian territory
Social Incubator	Students organization - support students in social entrepreneurship activities	Ljubljana, Central Slovenia
Social Innovators of	Mentoring, coaching, education of young	Ljubljana,

the future (Mladinski ceh)	social entrepreneurs	Central Slovenia
Social Incubator Posavje	Helping in registration processes, helping with promotion on the market (innovative business model)	Brežice, Posavje
Zavod Uspešen podjetnik	Education, counselling, mentoring, regional start-up weekends and contests for the best social enterprise idea	Ljubjana, Slovene territory

In this phase of our research we have interviewed two social entrepreneurs. Both entrepreneurs are permanently or for a shorter time connected to two or even more initiatives, networks or projects on the field of social entrepreneurship. Both entrepreneurs value especially free counselling enabled by the state or the state's contribution to cover the costs of materials and services for special actions (like promotion video, promotion activities etc.).

On the other hand we have an opinion of an expert who said, that there are several local support networks for social entrepreneurship in Slovenia. The main problem is that these networks are supporting local politics interests instead of local vulnerable groups. The most effective support organizations are still non-governmental organizations. Although the conventional government support for social entrepreneurship exists, there are no real experts who would be enough efficient in the practice.

SOCIAL INVESTMENT MARKETS

We can say that social entrepreneurship has just started to develop in Slovenia.

Investments in social entrepreneurship are still poor and the Slovenian government should solve the issue.

One of the expert's opinion is that social entrepreneurship market will improve with more intensive activity of female entrepreneurs. Women are more inclined to social entrepreneurship and they are not so competitive and profit oriented as male entrepreneurs. According to the latest results of research on the field of female entrepreneurship in Slovenia women want to collaborate and they don't follow just the profit motive.

Both social entrepreneurs share the opinions, that one of the biggest problems of the Slovenian social entrepreneurs is, that they are not willing to risk and invest their own money to develop social entrepreneurship idea, but they rather wait for calls and tenders by the government. This is a wrong way of thinking since they know that the "window of opportunity for their product/ service" is opened just for a limited time. The result is that we have many non-governmental, non for profit organizations, which are not able to survive in the market and nobody wants to invest in.

The Entrepreneurship fund of the Republic of Slovenia and the Slovenian government announced the first public tender for financial microcredits to social entrepreneurs' companies in March 2016, but the initiative hasn't been realized yet.

SPECTRUM OF SOCIAL ENTERPRISE

Organizations that can operate in the field of social entrepreneurship should have one of the following forms:

- Society
- Institute
- Foundation
- Company
- Cooperative
- European cooperative
- Other legal entity of private law

Organization should be established exclusively as a non for profit organization that won't share its property and it won't exploit its profit and excess of income. The exploitation of profit is limited by law.

The Slovenian register of social enterprises currently registers about 140 social enterprises which operate in different economic fields: sales, education, social care, culture and art, innovative technological companies, hospitality, restaurants, architecture...

Table 4 shows the distribution of social enterprises and social entrepreneurship support organizations among all the Slovenian regions.

Table 4: Distribution of social enterprises and social entrepreneurship support organizations in Slovenia - by regions

Statistical region	NGO	Cooperatives	Disability enterprises	Social enterprises	Number of organizations of social entrepreneurship / 1000 citizens
Gorenjska	2078	32	16	2	10,4
Goriška	1360	19	6	1	10,5
JV Slovenija	1672	17	7	0	11,9
Koroška	815	9	10	1	11,5
Obalno Kraška	1434	20	3	4	13,1
Osrednje Slovenska	6275	75	42	9	11,9
Primorje&Kras	639	10	6	0	12,4
Podravje	3321	47	31	16	10,5
Pomurje	1588	28	11	16	13,8
Savinjska	2976	12	29	4	11,6
SpodnjeSavska	806	16	15	1	11,9
Zasavska	416	3	6	2	9,6

All recent studies show that social entrepreneurship has a great potential for economic growth and will reflect in reduction of unemployment.

SCALE AND CHARACTERISTICS

The register of the Slovenian social enterprises contains 140 addresses. By the Law, the status of social enterprise could be given to any legal person, who meets regulations.

Currently operating enterprises are micro (0-9 employees) or small (10 - 49 employees) companies. They are market oriented and are able to survive from their own sale.

Other institutions having the status of social enterprise, but being funded as well by other sources, are non-governmental associations. Speaking about the scale and characteristics of social enterprises, we are missing cooperatives, especially in the agricultural sector. We also need to focus more on the needs of disabled people and to the support for unemployment. We need to have more successful “social enterprises” in Slovenia.

FACTORS CONSTRAINING THE START-UP AND DEVELOPMENT OF A SOCIAL ENTERPRISE

The main factors that are constraining development of social entrepreneurship in Slovenia are very rigorous legislation in the field of social entrepreneurship, the lack of well thought and continuous mechanism of support. The problem is lack of funds and sometimes it seems that social enterprises stay behind, because their field of operation is not connected to high technology (technological research and development).

The lack of investments (private and government) in social entrepreneurship field is fostering social entrepreneurs to depend on themselves and on their own financial sources that are limited and insufficient.

Beside funds the other big problem is the lack of business knowledge and experience of (potential) social entrepreneurs.

The opportunities can be seen in private - public partnerships and better promotion of social entrepreneurship and its good practice.

Sometimes the only barrier for start-ups are social entrepreneurs themselves. They have an idea and “try to save the world” but they give up at the first problem/ obstacle.

The opinion of one of the experts is, that generally speaking, the idea of social entrepreneurship and to help each other is deeply rooted in each Slovenian citizen. Since foreign models have not been well accepted and implemented yet, Slovenia has to find, develop and follow its own model of social entrepreneurship.

The second expert's opinion is, that the start - ups on the field of social entrepreneurship should have more systematic support, advising and financing support. As we already mentioned in this report, the first tender for microcredits was opened last March. We absolutely need to establish the start -ups funding financial mechanism in a short term. Start -ups funding is very difficult to be secured. There is lack of social investors. We are also missing the mutual information systems and programs for start-ups in the field of social entrepreneurship.

The positive news is that social entrepreneurship is opening new perspectives to people and awaking new energies in people for the changes in the society - there is possibility to connect entrepreneurship with common wealth, sustainability, better relationships and environment protection. Anybody could participate and contribute his/her share. Many young and high educated people are deciding to become social entrepreneurs (many of them are women) and positive impact is already visible in development of social changes.

Social entrepreneurship has become an important element of surveys, diploma and master thesis in Slovenia. We expect that clarification of the regional and national impact of social entrepreneurship will also increase the interest and activities in this field.

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