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FOUNDATION FOR IMPROVEMENT OF EMPLOYMENT

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NAME OF TERRITORY: SLOVENIA

COUNTRY REPORT ON SE SUPPORT SERVICES AND NETWORKING INITIATIVES IN SLOVENIA

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AUTHORS:

Primož Šporar; Fund05, Manja Munda, Fund05, Dušanka Lužar Šajt, Foundation Prizma, Andreja Kuhar, Foundation Prizma, Mateja Karničnik, Foundation Prizma, Karolina Babič, CAAP

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1. Socio-economic and Institutional Context

The concept of social enterprise is very new to Slovenia; it was used for the first time in the context of ESF-funded pilot projects launched in 2009 to support the development of social enterprises. Since then, interest and activity in the social enterprise ‘space’ has grown. The impetus for this interest is in part driven by the economic crisis and connected disappointment of the masses with capitalism, resulting in the emergence of movements advocating new ways of organising the economy. At the same time, the Government is increasingly interested in using work integration social enterprises (WISE) as a tool for tackling high levels of structural unemployment.¹

Only in 2011 Slovenia adopted the **Social Entrepreneurship Act** which provided definition of social entrepreneurship and social enterprise. Before that Slovenia had a long history of cooperative movement (more than 150 years) and a numerous sector of NGOs with a long history of civil action, even though the NGO sector is economically weak. There are also two facts that give strong basis for development of social economy in Slovenia: one is a strong community and solidarity inclination of inhabitants. And the other is strongly present left or middle left political parties that are in one way supportive to the idea of social economy and are on the other hand using social economy as a political object. However, even if social economy is not strongly set into the historical roots in Slovenia, it does have quite good basis set in last decade in political and civil sectors.

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The law uses a model of open formal forms, which means that the social enterprise is not defined as a mandatory legal organizational form, essential is the purpose of the organisation wishing to obtain the status of SE. Social entrepreneurship legislation is thus secondary legislation for enterprises that must first be registered under different legal forms. However, registration of SE status is voluntary, comes with no financial advantage and the Act has been criticised for being too strict and restrictive.

Recently the Social Entrepreneurship Act is under novelization (should pass the parliament at the end of 2017 / beginning of 2018) and will for the first time use the term “social economy” in legal sense. Social economy is defined as an umbrella concept that includes: 1. social enterprises, 2. non-for-profit non-governmental organizations - NGOs (associations,

¹ SE mapping_Country report Slovenia

foundations, institutes, economic interest societies), 3. companies for employment of disabled people and employee-rehabilitations centres, 4. cooperatives.

Since 2015 the main responsibility for implementation of the Act lies with the **Ministry of economic development and technology** (Ministrstvo za gospodarski razvoj in tehnologijo) and its special sector - Department for Social Entrepreneurship. The sector carries out the legislative changes and run subsidies calls and political promotion of social entrepreneurship, and in some extent also cooperatives and social economy in general. They also hold a register of SEs.

Before 2015 the home-ministry of social economy was **Ministry of Labour, Family, Social Affairs and Equal Opportunities** (Ministrstvo za delo, družino socialne zadeve in enake možnosti), which encompasses many areas that are very important for development of social economy in two ways, as development of companies/organizations and as development of products with high social impact.

On the national level the important role for SEs play also:

- **Ministry of Public Administration** (Ministrstvo za javno upravo): has several priority tasks in the area of cooperation with non-governmental organisations (like preparation of the NGOs and Volunteering Development Strategy, monitoring development of the NGO sector, preparing systemic solutions for the development of NGOs and voluntary work, etc.).
- **Employment Service of Slovenia** (Zavod RS za zaposlovanje): carries out all the Active employment policy measures, which includes most of subsidies for employment on national level.
- **SPIRIT Slovenia - Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology** (Javna agencija Republike Slovenije za spodbujanje podjetništva, internacionalizacije, tujih investicij in tehnologije): strives to become an institution that in cooperation with stakeholders offers Slovenian companies effective and comprehensive support for development and promotion on the global competitive market. It renders its services according to the one-stop-shop principle as it merges all of the key activities required by companies at all stages of their lifecycles under one roof.
- **Chambers of commerce and craft** (Gospodarska zbornica Slovenije - GZS, Obrtna zbornica etc.): strong partners in so called “social dialog” which is a formal political

process, but are unfortunately not opened to cooperatives and associations, only classical companies are members.

- **Ministry of Finance** (Ministrstvo za finance): is more or less rejective, therefore there is a need to prepare financial arguments that would convince Ministry of finance to give way for better involvement of social enterprises in public procurement processes and to make way for tax reductions and tax exemptions for social enterprises and NGOs in general.
- **BAMC d.d. - Bank Assets Management Company d.d.** (DUTB d.d. – Družba za upravljanje terjatev bank d.d.): there is a big potential for development of worker cooperatives through worker-buy-outs because DUTB is selling out bank assets from companies in bankruptcy or restructuration.
- **Local self-government - municipalities and cities:** the law on social entrepreneurship is giving strong importance and responsibility for development of social entrepreneurship to the local self-government units (municipalities and cities). But they are independent and must be smoothly convinced to become stronger partner in the development of social enterprises and social economy in general.

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1.1 Main economic sectors

The contribution of social entrepreneurship to GDB and job creation is in Slovenia 4 times less important than is the case for the EU, which means, that only about 1.5 to 2 % of all employees work in the field of social entrepreneurship, unlike the EU countries with developed social entrepreneurship, where this percentage ranges between 6 and 8 %.² In Slovenia cooperatives and non-governmental organizations employed about 7,000 persons in 2010, representing 0.73 % of all employees during the year.³

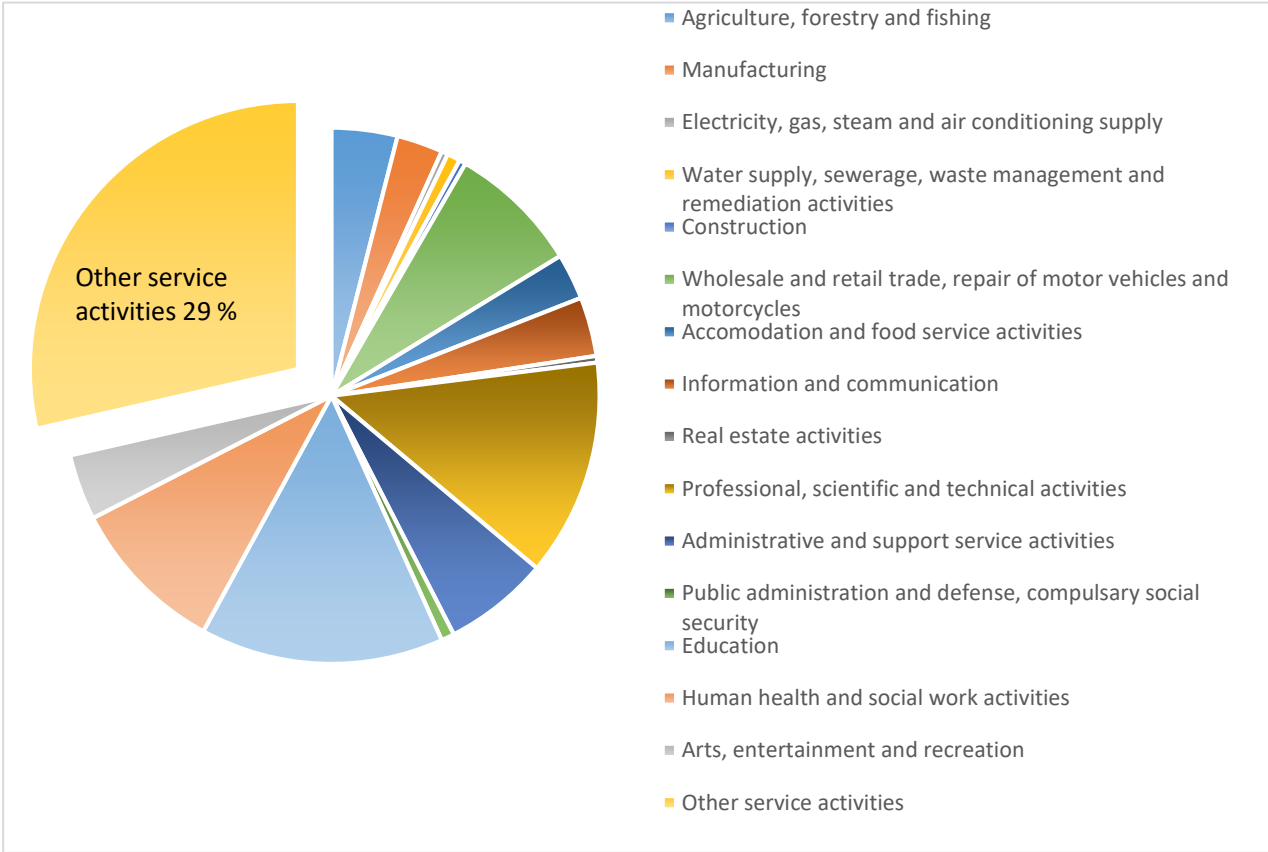
As Slovenian law on SEs does not foresee specific legal form for social enterprises, the most common ones are institutes, cooperatives, associations, and organisations with limited liability. According to the register of SEs there were 252 social enterprises registered by August 2017. By definition of the Slovene standard classification of activities is the main activity of almost 29 % of all social enterprises defined under Other service activities (from that 70 % implement

² Assessment of the OECD Expert Group, presented in in the document »Improving social inclusion at the local level through the social economy: report on Slovenia« (December 2010)

³ Findings of the report »Social Economy in the European Union«, prepared by CIRIEC in 2012

Activities of other membership organisations, related to quality of life, sustainable development, social innovation, etc.). The second largest group of SEs is involved in Education (almost 15 %), followed by those engaged with Professional, scientific and technical activities (13,10 %). This is quite in line with the definition of fields where EU social enterprises operate: work integration, personal social services, local development of disadvantaged areas and other (recycling, environmental protection, sports, art, culture, etc.).

Graph 1: Social enterprises by main activities, Slovenia, August 2017



1.2 Main challenges to face in the area

Slovenia is slowly progressing in the field of economic development and quality of life, and it is decreasing also pressures on the environment. Nevertheless, is in many areas of economic, social and environmental development far behind the most developed European countries. Further development potential is thus constrained by low productivity, disproportionate to demographic change, still excessive environmental burden, and low state’s efficiency in promoting development.

Slovenia is facing several challenges, the main ones being:

- A strong increase in the segmentation of the labour market, often affecting young people in particular,
- Demographic changes, reflecting in the population ageing, and reducing the potential of working population,
- Increase in demand for public services (especially social services – health and long-term care),
- Poorer life-style indicators,
- Population decrease in distant and agricultural places,
- Lagging behind in development of digital society,
- Underdeveloped creativity that originates from culture and creative industry,
- Excessive environmental burden,
- Inappropriate use of natural resources.

Adapting to climate change, moving to low carbon and circular economy that would enable competitiveness of Slovenia and the quality of life of the population, along with long-term preservation of natural resources, requires changes in existing production and consumption in more sustainable forms.

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Differences in economic development levels among Slovenian regions are small in comparison to other countries. However, in some regions, especially in the east of Slovenia (like Podravska region), developmental vulnerability varies considerably from the national average. Faster Slovenia's development could thus be achieved by reducing developmental barriers in individual regions and better exploiting developmental potentials at regional and local level.

1.3 Local resources and key factors

Social enterprises in local and regional communities are becoming more and more important and enable direct participation of citizens in responding to diverse needs such as local food self-sufficiency, energy and housing, the creation of new jobs with labor cooperatives on the remains of failed companies and the creation of new jobs for young people and the elderly unemployed.

Social enterprises are embedded in the local environments where they operate, and therefore they provide decent and sustainable jobs.

Slovenia is also one of the transit countries through which in the last years migrated many people on their way to desirable destinations in Central and Western Europe. In doing so, it faces the difficult challenges brought about by migration, in particular by meeting the very specific needs of migrants and by providing staff, accommodation and tailor-made services. Social enterprises can offer an answer to several challenges: they address the issue of social inclusion and social activation at the local level, as well as the challenges of high unemployment, especially among young people, which can make them an important driver of economic activity in the local community. They can play an important role in realizing immigrant potentials at the local level, especially in terms of resources, assets and capabilities, and identifying projects that are ready for investment.

1.4 New and potential businesses related to local resources

According to the identified main challenges and local resources the SEs could provide following answers:

- High unemployment: employing in general, especially people with less possibilities on the labor market,
- Need for long-term care services: social enterprises in the field of personal and household services, care services etc.,
- Ongoing privatisation process: worker-buy-outs of state owned companies,
- Greening the economy: SEs in green and circular economy,
- Development in rural areas: SEs promoting local resources, local sustainable self-efficiency, eco farming,
- Tourism: touristic cooperatives, shared economy,
- Empowering professional and self-employed producers: worker and producers' cooperatives are answering the problem of precarious producers,
- Developmental cooperation: development cooperatives for systematic bottom-up local and regional development.

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Social enterprises created in the last year (2017) are covering following activities: construction, home and art craft, sustainable rural development, quality of life, tourism, culture and art, and reuse of old, redundant or damaged items.

2. SE Support Services

Supportive environment for SE in Slovenia can be detected on three key levels: national/state level, municipal/local level and on the level of organisations (mostly from NGO sector) working in advocacy, social inclusion and promotion of social entrepreneurship.

Focus of supportive measures on the state level is on supportive projects assuring employment for people from vulnerable social groups while support for entrepreneurial development of the sector is neglected. During the *start-up phase* the network of entrepreneurial (one-stop-shop VEM points) and innovative environments & support systems (technological parks, incubators, start-up initiatives) is available, but not seriously specialised for social entrepreneurship. There are only few organisations offering incubation and co-working space as well as related services to social enterprises as the main target group. *Business coaching and advise* is provided from the state level through the SPIRIT Business portal and network of one-stop-shop points, again not specialized for social businesses. Consequence of that are problems concerning economic sustainability of new social enterprises.

Municipalities are playing an important role in development of SE and can support sector with integration of projects related to the SE into local development programs and establishing concrete incentives and resources, available to support social entrepreneurship at the local level; by activating untapped local resources (land, buildings, equipment) held by the local community to support the functioning of the SE; offering financial support to employment programs of SE, etc. Since the municipalities don't play their role in practice, they must be smoothly convinced to become stronger partner in the development of social enterprises and social economy in general.

There is also relatively big number of supportive non-governmental organisations, which have started to work in SE in spontaneous way, answering to local needs. They are strongly connected with local initiatives and in this way able to recognize their needs in effective way. But in many cases, they lack human capital, especially in areas of entrepreneurship, marketing and finance, which are areas where social enterprises need most of the support.⁴

⁴ The Challenges of Social Entrepreneurship in Slovenia, EMES conference paper

2.1 Detailed description of the support services in relation to business sectors, status of the organizations

Start-up support

During the *start-up phase* the network of entrepreneurial (one-stop-shop VEM points) and innovative environments (technological parks and incubators, like [Technology Park Ljubljana](#), which is the largest innovation ecosystem for commercialization of knowledge and technology in SE Europe) is available, but not seriously specialised for social entrepreneurship. The same goes for the national innovation support system [Initiative Start:up Slovenia](#). There are only few organisations offering incubation and co-working space as well as related services to social enterprises as the main target group (like Business community KNOF, Development cooperative Tkalka, DPlac, Centre Rotunda). *Business coaching and advise* is provided from the state level through the SPIRIT Business portal and network of one-stop-shop points (VEM točke) again not specialized for social businesses.

Youth/women entrepreneurship support services

According to [GEM research](#), Slovenia is listed at the back of the list when it comes to inclusion of women into entrepreneurial world (there's only 27% of women included in to early stages of entrepreneurial development. There are only 3 countries ranking worse: Tunisia, Egypt, and Netherlands.

There is no surprise that gender based SE services are underdeveloped not only in the sector of social economics but also across all sectors.

Business plan competition:

Even though the following support service wasn't directly a business plan competition, it still targeted women and is thus valid to consider. Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology has together with Employment Service of Slovenia organized a programme for educating and providing relevant entrepreneurial skill to women. After successfully concluding the 100hours long programme (which primarily focused on business plan development), every participant received subvention of 5.000 EUR for self-employment.

[WE Inspire](#) is a project run by CEED Slovenia and is a response to statistics stated above. It's purpose is to connect female entrepreneurs with different experiences and offer them environment for developing skills and networking. With the project vulnerable groups of

women are especially targeted (first employment seekers, re-integration after maternity leave, etc.). For the most perspective individuals (bootcamp winners) some funds and CEED's networks are offered. The programme has started in 2017 and is (supposedly) going to be repeated next year.

There are no favourable *financial schemes* for youth and women entrepreneurs, but there is access to micro-credits for SE, provided by Slovene Entrepreneurship Fund. In addition, rare examples of banking packages for SE are appearing.

Erasmus for Young Entrepreneurs:

Slovenia is a part of the European scheme Erasmus for Young Entrepreneurs. While the number of contact points is quite extensive, the programme itself is lacking recognition (funds are not fully utilized). Contact points for Erasmus for Young Entrepreneurs are two development agencies (one in Maribor and one in Koper), University of Primorska, Business Support Centre Kranj, and Technology Park Ljubljana.

Support programme for young entrepreneurs:

[Y.business](#) by Ypsilon Institute is a support programme for young entrepreneurs (ages 15 to 29). It is consisted of three parts - start, growth, and sustain your business. In those workshops youngsters develop skills for starting their own business and how to scale it later on. The workshops are connected into a cycle of 9 months, with 2 - 4 workshops per month. Next to the business knowledge and skills, young entrepreneurs also gain an extensive network by joining Ypsilon Institute.

[Ustvarjalnik](#) is an accelerator of entrepreneurship among youngsters. The main activity is organizing entrepreneurial workshops for high schoolers and encouraging them to develop their interests into business ideas. A special focus area is their mentoring programme for young entrepreneurs.

Youth policies:

[Ministry of Labour, Family, Social Affairs and Equal Opportunities](#) is implementing a programme for youth development and employment. The goal is to offer at least one employment possibility to each individual age 15 - 29. The working period for the programme is 2016 - 2020, there were already subventions for employment in the beginning of 2017 (5000€ for employment or self-employment).

As a part of the initiatives, employment of youth in the sector of social economy is specially noticeable. In 2017 a public tender for youth cooperation valued half a million EUR has already been put into action.

Training and Skills development

Although there are many programs and initiatives aimed at skills development of entrepreneurs, only few are offered to (future) social entrepreneurs, like:

- “From A to Z on Social Entrepreneurship”: informative programme covering basics on SE for unemployed persons,
- mentoring program, originally implemented for the group of social enterprises, but afterward expanded to enterprises with social impact ([Goodbiz program](#)),
- The school of social entrepreneurship: offered by Socialni inovatorji prihodnosti as a 2-months program for founders of social initiatives, accompanied with the Handbook on SE (unfortunately no delivery in 2017).
- Support programme for social entrepreneurs and cooperatives offered within the programme of incubator for social entrepreneurship and social innovation in Tkalka.

The listed programmes however are not delivered permanently but rather occasionally, depending on the resources and demand.

Considering EU exchange opportunities [Chicago - Fellowship Programme](#) by CEED is also available. It takes 4 entrepreneurs (from different sectors, including nonprofits and social enterprises) to Chicago for an exchange programme. It is sponsored by U.S: Department of State Bureau of Educational and Cultural Affairs. Overall goal is to gain insight to different entrepreneurial spheres.

Within different (mostly EU) projects there are also training, and skills development initiatives developed and tested in Slovenia at the moment, which are many times performed scattered and unrelated, and do usually not outgrow into permanent and systematic offer.

Innovation

As mentioned under the Start-up support the network of innovative environments (technological parks and incubators is organised state wide, as well as innovation support system [Initiative Start:up Slovenia](#). Recently also the FabLab Network Slovenia, the platform for education, intergenerational cooperation and networking, creating and support to creative business creators and startup companies, was established (by now includes 68 organisations). In practice, FabLabs (fabrication laboratories) are open, non-commercial spaces for making “almost anything”, where individuals can use the most advanced equipment and technology.

Internationalization

Also in the field of support services for internationalization, they are primarily intended for classical companies and not specialized for social enterprises. Most support is offered by national agency SPIRIT (education and consulting, business delegations, fairs, market analysis, business clubs) and chambers of commerce and industry (B2B events, business meetings, etc.).

2.2 Description of the resources used to provide the service

Majority of presented support services depend on public sources – either European funds or national budget.

2.3 Analysis of key factors enabling or hampering the initiatives (SWOT analysis)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • support services are in general quite well developed and can be applied to SEs • different programmes for skills development • existing measures/initiatives for employment of disadvantaged people (disabled, long-term undeployed) • good all-around start-up support 	<ul style="list-style-type: none"> • all-around start up support is not quite suitable for slow-paced development of SEs • no specialized support service for SEs if they'd like to internationalize • no all-year around support for women entrepreneurship • underdeveloped mechanisms for statistical and analytical monitoring of social entrepreneurship • dispersed and uncoordinated legislative frameworks and support mechanisms • existing support networks are poorly interconnected and insufficiently focused on identifying opportunities for the development of social entrepreneurship as a generator of economic growth
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • creation of support services tailored to SEs needs 	<ul style="list-style-type: none"> • negative perception of SE sector hindering development of specialized support

<ul style="list-style-type: none">• advancing general involvement of women in entrepreneurship by integrating them through SE sector• adapting legislation in the field of supportive business environment with the aim of ensuring social enterprises access to supporting instruments	<p>service – not enough capital, not many people would like to get involved</p> <ul style="list-style-type: none">• due to the lack of capital, support services probably won't be financially sustainable
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3. SE Networking Initiatives

In Slovenia social enterprises function more or less on their own, they have not formed many associations or networks. However, some NGOs work as umbrella organisations for several social enterprises, while the Association of the social economy Slovenia act as the main national network in the sector that recently started to establish branches in regional environments. There are no marks, labels or certification systems, apart from the voluntary registration of institutions as social enterprises under the Act.

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3.1 Detailed description of the networking initiatives in relation to business sectors, status of the organizations

Representation of local/regional/national social enterprises

Arising from the fact, that the concept of “social economy” was not used in Slovenia before 2000 and the strong history in cooperative movement and civil action, there is no surprise that SE are being represented by CNVOS – Centre for information service, co-operation and development of NGOs (national NGO umbrella network) and Cooperative association of Slovenia (national umbrella organisation of cooperatives).

Since 2011 the social enterprises are being represented by Association of the social economy Slovenia, the main national network in the sector that recently started to establish branches in regional environments.

Financial network

Microcredits for Social Enterprises provided by different stakeholders (Sparkasse Bank, Intesa SanPaolo, and [Fund 05](#)). Fund still in the process of onboarding new financial providers for offering loans at lower interest rates. Currently, 90% of loans are bridge loans for social enterprises funded by EU funds.

Next to loans, Fund 05 is also offering grants by being involved into a wide international network, including Transnational Giving Europe, Giving Tuesday, and round up financial instruments. The end goal is to create a network of not only institutions but also individuals who would be willing to invest into social enterprises for financial and social return.

Networking activity

On the national level a cooperation for promotion and growth of SE was established with Ljubljana declaration “Development of social enterprises – for stronger and more structured cooperation between EU and South-east European countries” (*document includes the list of recommendations and proposals for establishment of stronger transnational network between the countries of EU and South-east Europe with the aim to promote the growth of social economy in this European region*). Declaration was signed by the governments of Slovenia, Croatia, Serbia, Bosnia and Hercegovina, Montenegro, Kosovo, Albania and Luxemburg.

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On the regional/local level different again different NGOs started with limited networking activities spontaneously, answering the local needs (like KNOF, Center for alternative and autonomous production (CAAP), and others).

Knowledge production and sharing experiences

Apart from the different randomly organised events that offer opportunity for knowledge production and sharing of experiences, the Slovenian association for Mental Health ŠENT organises, together with partners and supporters, the annual international conference “Days of Social Economy” since 2010. During all these years, a number of important topics from the field of social economy and entrepreneurship were highlighted, from supporting the environment to the importance of innovative approaches to solving social problems and awareness of benefits of diverse employment. In the past, the need to improve civil dialogue among all stakeholders has already been highlighted, along with the focus on training and education of those who want to develop social entrepreneurship. In carefully prepared programs, a lot of foreign and domestic lecturers from the field, as well as young innovative entrepreneurs, who presented their experience with social entrepreneurship through their ideas,

took part. Every year the program is based on the current social situation and needs in relation to the social economy (e.g. in the time of the economic crisis, the search for new ideas has increased, which would contribute to the creation of new jobs).

3.2 Description of the resources used to provide the service

Presented networking initiatives are using public sources – either European funds or national budget, and members fees in certain cases of networking umbrella organisations.

3.3 Analysis of key factors enabling or hampering the initiatives (SWOT analysis)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • a few network initiatives lead to higher negotiating power • financial initiative provides easier access to bridge loans for SEs • proactive Association of Social Economy in Slovenia 	<ul style="list-style-type: none"> • a few network initiatives are too general • rigid banking system has slow adaptation to needs of SEs
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • developing transnational network instead of guidelines • creating complete financial scheme 	<ul style="list-style-type: none"> • too many initiatives would lose negotiating power on the market • financial aspect of creating networking initiatives – no market incentive

4. Good Practices about SE Support Services and / or Networking Initiatives

4.1 Good Practice on financial support services

Background information

Title:

FUND05 - INSTITUTION FOR SOCIAL AND IMPACT INVESTMENT

Key actor(s)

Sparkasse Bank, Intesa Sanpaolo Bank, Fund05, Transnational Giving Europe, Giving Tuesday, TISE

Duration of the initiative (starting year):

The fund was established in July 2012 based on the consent of the Ministry of Labour, Family and Social Affairs, and performs activities for the common good in accordance with the law. The founder of Sklad 05 is the company Brez dobička – inovativne družbene storitve d.o.o. (Non-Profit – Innovative Social Services Ltd.).

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Geographic size of the intervention:

Fund 05 is covering all Slovenian regions. The latest network member (Intesa Sanpaolo Bank) is primarily focused in western region, while all the other financial instruments are covering the whole Slovenia

Funding:

Fund05 is due to small size and operations also funded by EU funds, not only provisions.

Thematic focus and main sector addressed:

Special focus are social enterprises, social enterprises recipients of EU funds, and any type of impact investment regardless of the registered legal entity. Thus, our financial instruments are

also used by companies that do not have a “social enterprise” status but are working for social/public benefit.

Main reasons for highlighting this case:

The case of Fund05 is being highlighted as the only case of financial network/support service for social enterprises and impact investments. While some social enterprises are definitely eligible for standard financial mechanisms, most of the social enterprises cannot candidate for regular loans (cash flow difficulties, negative capital, liquidity issues). Fund 05 is creating a network of different stakeholders to enable social enterprises easier access to different funds, according to their needs.

Highlighting this case will show the scarcity of financial mechanisms for social enterprises currently on the market and main financial instruments that have proven as suitable for them.

Service description

Overall objectives:

- Network development for easier access to funds (social enterprises)
- Development of innovative financial mechanisms in cooperation with different stakeholders
- Development of an impact fund for social and impact investments

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Description of activities/services:

In the past 5 years, Fund 05 has gained recognition in the field of bridge loans and loans for social enterprises in cooperation with Sparkasse bank and for other financial mechanisms such as grants and intermediary for 0.5% (income tax) programme. Right now primary focus is on development of impact fund for impact investments and on spreading the network of banks.

Based on the Impact Investment Ready Service it offers instruments of support and funding:

- Grants within the Investments 0.5% program (financing from income tax), cross-border donation network Transnational Giving Europe – TGE program, Giving Tuesday and Round up financial instruments (www.zaokrozi.si),
- Bridge loans (TISE, Sparkasse Banka d.d., Intesa Sanpaolo bank) are intended for pre-financing the programs, which already have assured resources (eg. EU projects, public funding), but come across the lack of liquidity for implementation,

- Impact Microcredits provided for starting or expanding social entrepreneurial activities enable access to funds in the amount of 25,000 EUR using mass guarantees, which reduce the risk of non-repayment,
- Social Investments from European Social Entrepreneurship Funds – EuSEF, intended for financing socially beneficial activities, including Social Investment Fund for Central and Eastern Europe (SIF CEE),
- regional innovation schemes of social investments and accessible financial instruments Regional Impact Scheme – RIS, that we develop in collaboration with municipalities and local or regional partners,
- Fund 05 also co-organizes Days of Social Economy, an annual event for promotion of social entrepreneurship and an opportunity for networking
- it is a partner in Dplac in Ljubljana, accelerator for social entrepreneurship (www.dplac.si) and co-establisher of ZEBRA – Cooperative for ethics in banking (www.ebanka.si)
- it supports other innovative social undertakings, eg. Impact Tourism (www.impact-tourism.net)
- lastly, Fund 05 participates in different projects, eg. PROFIT

Description of recipients:

Recipients are, as stated above, social enterprises or small business that are creating added value, impact to our society. The amount of approved loan for recipients is up to 25.000€. However, there are no limitations for other financial mechanisms.

Resources used and financial sustainability:

Financial resources and sustainability arises from the mix of two revenue streams - project based revenue stream and provisions from Fund's financial intermediary role. Majority of income is still project revenue stream (EU funds) due to low demand for loans by social enterprises (greater risk aversion and denial rate).

Management and evaluation:

Fund 05's management board has following members (Brez dobička is 100% owner of Fund 05):

- Primož Šporar (Brez dobička, Board president)
- Kristjan Strojan (Institut MONEO, member)
- Urša Manček (Insurance company Triglav, member)

- Tatjana Strojjan (SKUP, member)

Board decides on major strategic decisions which are then implemented by employees.

Main outputs / results:

Fund 05 manages (April 2017) 305 Social and Impact Investments in amount of 4.37 mio EUR, for which 2.06 mio EUR was already invested (47%).

Partnership with local, national, international organizations and institutions:

Fund 05 has different partnerships and is a member of many initiatives. The most recognizable ones are membership in Euclid network, Febea, and EVPA - European Venture Philanthropy Association. From the financial perspective, these are the partnerships enabling building a new impact fund. Other partnerships are with banks, accelerator, initiative for ethical banks, and many others.

Replicability:

Replicability of initiative is highly possible in any EU country since the source of success is network with local banks, and other financial intermediaries. The only challenging this is negotiating parameters and criteria for eligible candidates for loans.

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By-product effects:

There are no noticeable by-product effects.

Problems / challenges to face:

Fund 05 is facing several challenges:

- Lack of demand; unfortunately lack of demand for financial products such as loans means lower negotiating power for organization when entering negotiating process with larger financial institution, such as bank. With higher demand, better terms could be negotiated.
- Rigorous procedures; since banking system is quite conservative, changing their terms or making exceptions is nearly impossible. It's also one of the reasons for starting the process of impact fund with privately owned funds.
- Risk awareness; majority of entrepreneurs in the sector of social enterprises is after subventions and are unwilling to accept risk of different financial mechanisms

Conclusions: Key Success Factors and Lessons Learned:

One of the greatest key factors for success is definitely the advantage of the first market player. However, tailor made financial instruments for SE and facilitating loans by representing SEs in banks is worth mentioning.

However, in order to gain greater power and help SEs they need to change their mindset into entrepreneurial one. One of the big lessons learned is that in order to develop supporting environment, SEs themselves need to develop from working as purely non-profit organization to more market-oriented one.

4.2 Good Practice on SE networking activity

Background information

Title:

TKALKA, COOPERATIVE FOR DEVELOPMENT OF SOCIAL AND TECHNOLOGICAL INNOVATIONS, SOCIAL ENTERPRISE 20

Key actor(s)

- Municipality Maribor as owner of the building TKALKA.
- Public institute for tourism (Tourist Board of Maribor) helping with management of the building
- Founders and support organisations: PRIZMA Foundation for Improvement of Employment Possibilities, an institution, Association Center for alternative and autonomous production, social enterprise, CITILAB, Institute for development of creative technologies Maribor, social enterprise
- many non-profit organizations, companies, initiatives that are involved in Tkalka as members, coworkers and supporters

Duration of the initiative (starting year):

2014 and ongoing

Geographic size of the intervention:

Tkalka is with activities covering Podravska region.

Funding:

Cooperative is funded in minimum from the membership fee, and EU projects that involve TKALKA as an “open-space” for the innovations.

Thematic focus and main sector addressed:

- 5 main activities: financing for development (fundraising and distributing funds); management of co-working facilities); research and development of social and technological innovation; education and training (competence centre); promotion and advocacy.
- Main sectors addressed: development of tourism, (social) entrepreneurship and local economies, cooperatives, development of social innovation, support system for social enterprises, cooperatives, NGO sector...

Main reasons for highlighting this case:

Tkalka/Weaver is a space and at the same time a social process. It is a social innovative method of connecting actors and activities, people and spaces, public and private, big and small ones, needs and solutions. Weaver empowers community for stepping on the path of sustainable and participatory development society.

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Service description

Overall objectives:

Primary purpose of Tkalka/Weaver-development cooperative is to promote development of local, regional and wider social and economic environment, job creation and raise the quality of life on the basis of social and circular economy, human potential development, local resources, innovations, open-source principles, creative technologies and an open and inclusive society.

Description of activities/services:

To reach the goals Tkalka is implementing 5 main activities:

- **financing for development (fundraising and distributing funds):** organizations in Tkalka are applying for EU-funds for financing the support activities and also educate and support users of Tkalka products in the field of applying and fundraising.

- **management of co-working facilities:** the team of Tkalka is managing 2500 m² of facilities in 6 floors, that means two type of activities. First, the technical and aesthetical care taking of the building (common spaces, yard, workshops with machines and tools, offices and classrooms and conference rooms). And secondly, the community management of connecting the users of Tkalka into a community of co-workers (info-point, casual Fridays, weekly meetings, mingling events, Facebook page, internet page, 3-minute video, Tkalka-postcards, coworkers pictures on “the wall of fame”, etc.).
- **research and development of social and technological innovation:** members of Tkalka are active in the field of writing professional and scientific articles, teaching in schools and informal learning programmes, working in professional strategic groups at local and national level of strategic-planning.
- **education and training (competence centre):** organizations in Tkalka are running regular programs in different fields of knowledge and skill gaining: soft skills, digital and fabrication skills, entrepreneurial knowledge and skills, innovation skills (design-thinking, hackathon methods etc.), primarily focused on social innovation, innovative business models and democratic management (cooperatives, social enterprises).
- **promotion and advocacy:** the team of Tkalka is active and in some cases primarily advocate in the advocacy toward the municipality and the state, such as the field of fabrication laboratories, coworking spaces, social economy and cooperatives in particular.

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Description of recipients:

There are two kinds of recipients

- people that are members of cooperative and are coworkers in Tkalka.
- people using services of cooperative

Resources used and financial sustainability:

The building where Tkalka is located, is owned by municipality and offered to users “free of charge” (only usage costs like electricity, water, etc. have to be paid). Key organisations/tenants, are running the Tkalka programme with the help of EU and national funding, obtained for implementation of projects and programmes in the field of social

innovation and social entrepreneurship. Now the programme is supported by 3 bigger projects (SocioLab, NewGenerationSkills and Sentinel) whose budget is around 2 million euros.

Management and evaluation:

Tkalka is a cooperative. The members of cooperative are the full member (with all the rights and obligations) and the user-member (with the user's rights and obligations).

The highest decision maker is general assembly that is composed of full members of cooperative (organisations and natural persons).

Daily management is conducted through management board of 3-member, president of the board is also legal representative of a cooperative. One member of the board is elected by the user-members.

Members are connected methodically with a method of special activity called "membership management" as it developed by worldwide cooperative movement.

Main outputs / results:

Evaluation results 2014-2017

- support for over 150 enterprise initiatives, cooperatives, young companies, social enterprises
- creation of more than 1500 m² of co-working space facilities (desk-sharing, fab-lab, offices etc.)
- inclusion of more than 5000 people (in workshops, events etc.)
- support for creation of more than 150 new jobs in the city and surroundings in the field of social economy (programmes supporting development social economy and other start-ups and growth - activation, ideas development, training, mentoring, office and fab lab facilities,...)

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Nowadays more than 40 (from 25 in the beginning) organizations/enterprises, entrepreneurs and artists are located in Weaver and more than 120 individuals are involved in programmes and (social) entrepreneurial initiatives. As a result of enhancing cooperation new enterprises were born, many projects were applied, there were numerous exchanges of goods, knowledge, experiences, information, contacts and more. Our social impact was recognized already in 2015 by Slovenian Public Agency Spirit with the award for "Best Slovenian Coworking Space Award 2015" and by Styrian Chamber of Commerce with a diploma for

"Non-technical innovation". Weaver encourages social innovation and is a social innovation itself.

Partnership with local, national, international organizations and institutions:

- Tkalka is bound with many local organisations and enterprises which it helped to establish, develop and connect with (from the sector of tourism, social entrepreneurship, cooperativism, sustainability, open source technology etc.)
- On national level we are in dialog with the Ministry of economic development and technology where we try to influence the changes of the law for social enterprises and cooperatives.
- On international level we are connected with organisations, associations through projects and other cooperation.

Replicability:

The model of development cooperative can be transferred and used in other environments with appropriate adjustments.

By-product effects:

A by-product is better connectivity and response-ability/responsiveness between organisations, faster involvement in crucial processes, involvement in different fields due to the capacity of versatile organisations and entrepreneurships.

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Problems / challenges to face:

- lack of finance
- lack of municipal involvement in maintaining the facilities (municipality owns the building)
- lack of municipal support for the programs (like local share of financing EU projects, common understanding of the programme and the needs, etc.)
- lack of connection in a whole municipal and regional development network (even though regional development networks exists on paper, there is no real coordination or cooperation of organisations, extensive overlapping of programs and projects related to entrepreneurial, innovation, social innovation, youth support, financed from various, mostly EU funds ...).

Conclusions: Key Success Factors and Lessons Learned:

For Tkalka the support of stakeholders from the national and municipal level was necessary, especially in the case of premises.

For development and implementation of Tkalka programme the cooperation of key organisations (CAAP, Prizma and CitiLab) was crucial. They build a strong core group with enough knowledge and expertise to put the programme into practice and supported its running. It is important that the key organisations come from different work areas (human resources and competences, technologies, bottom-up practices etc.) so they are compatible in their work and together they cover a wider spectre of areas. It is also very important that the key organizations are strongly connected to a network of non-governmental organisations in the city and region so they can reach the main target groups through this network.

Lessons learnt: bottom-up initiatives can be very strong and fruitful; municipality is not very stable partner of such projects, so such projects need to be less dependable on the municipalities and other public bodies (must cooperate with public bodies but not be dependable on them); such initiatives as Tkalka need to put much more energy and focus on early professionalization of the model (organization, digitalization, monetization) and need to professionalize management of members (development of membership management in a cooperative).

5. Annex

Sources (bibliography, data)

- Strategija razvoja socialnega podjetništva za obdobje 2013 – 2016, Svet za socialno podjetništvo, Slovenija
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E-mail of the key contact person

- Manja Munda, Fund05
- Mateja Karničnik, Foundation Prizma

6. Executive Summary

6.1 Key findings

Social entrepreneurship is the sustainable concept of the economy, characterized by resilience to market shocks, great potential for social integration and employment, and excellent adaptation to local challenges. The foundation of the long-term development of social entrepreneurship must therefore be to build a system of measures and policies that take into account the specific character of social entrepreneurship and respond to the key issues of social entrepreneurship in Slovenia. Only in this way will social enterprises become a productive, creative and self-sustainable part of the economy, contribute to the well-being of citizens and will not be understood as an extension of the state's social policy.

Social entrepreneurship in Slovenia has still not reached a satisfactory level, primarily because the poor knowledge and lack of understanding of the concept of social entrepreneurship, its principles, goals and benefits. According to the classification of the EU, Slovenia belongs to the group of countries where the concept of social economy is not widely known and accepted (Monzón and Chaves, 2012, p. 28). Social economy sector in Slovenia employs a meagre 0.74% of the workforce (Černak-Meglič and Rakar, 2009, p. 241), in contrast to the EU where social economy enterprises make up 3 million organisations or 10% of all European companies, employing 6.5% of the total working population of the EU-27 (European Commission, 2013, p. 45). Therefore, the potential of social entrepreneurship in Slovenia is unexploited. The cooperation between the institutions responsible for the development of social entrepreneurship at national and regional level is still insufficient, and there is a lack of mechanisms for financial investments in social enterprises.

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Among the most important reasons for the small number of established social enterprises in Slovenia are the lack of entrepreneurial and marketing skills of social entrepreneurs, lack of awareness of the public about the role of social entrepreneurship, unrecognition on the market, poor support from the local communities and similar. Obstacles to development of social entrepreneurship are mainly the presence of the informal economy, insufficient coordination of responsibilities between various government departments, lack of support from other ministries and local governments (including access to public procurement markets). Concluding from the abovementioned facts, the legislation of social enterprises is too rigid. For social entrepreneurs,

a significant problem is the difficult access to financial resources, which includes more favourable loans for employment, as well as providing guarantees and subsidies from the budget. For this purpose, it is necessary to establish funds for the promotion and development of social entrepreneurship.⁵

6.2 Remarks and suggestions

Social entrepreneurship strengthens social solidarity and cohesion, promotes people's involvement and volunteer work, strengthens the company's innovative ability to solve social, economic, environmental and other problems, provides an additional offer of products and services that are in the public interest, develops new employment opportunities, jobs and social integration and professional reintegration of the most vulnerable groups of people in the labor market (goals of social entrepreneurship). "

The European Commission has therefore highlighted those industries in the future, where jobs are emerging in the face of the crisis:

- jobs related to the protection of the environment,
- jobs in health care, care and personal services, and
- jobs in information and communication technology.

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These are at the same time branches, which we expect to cover a large part of the demand and needs for the challenges of the modern world in the field of environmental protection, demographic change and globalization. Undoubtedly, these are also industries that represent great potential for social entrepreneurship growth in Slovenia as well.

The development of social entrepreneurship should therefore be based primarily on:

- the potential of social entrepreneurship for economic growth,
- the potential of social entrepreneurship to raise the welfare of citizens,
- the potential of social entrepreneurship to open up new, stable jobs at the local level,
- the potential of social entrepreneurship to reduce poverty and unemployment, including persons from vulnerable groups,
- the potential of social entrepreneurship for innovative and creative responses to the challenges of demographic change, environmental protection and globalization.

⁵ Rajko Macura, PhD, Iva Konda, PhD: Social Entrepreneurship; an Instrument of Social and Development Policy, Revija za ekonomske in poslovne vede (2, 2016)

The support to SEs from the environment should be provided in a way not to make them dependent but to empower them for their mission (social mission together with the economic one). Due to this particular type of entrepreneurship, the business ecosystem has to be well shaped and developed to offer adequate support. As the most suitable tools for achieving this seems to be the mentoring programs as personalized support in developing weak points (competencies), and networking activities to enable mutual learning, cross-fertilization and joint market presence. It is also necessary to develop the specialized supportive environment for social enterprises (social incubators, innovation parks, social hubs, "co-working" spaces – with appropriate material and service infrastructure) to be able to respond to the specific needs of the sector.

Of particular importance is the need for social enterprises networking and the development of new cooperation models that will assure the possibility of knowledge transfer between experienced and new social enterprises. Support for the transfer of good practices of social entrepreneurship between the various regions and areas of activity should also be provided.

6.3 Lessons learned and replicability

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Despite the relatively new concept of social enterprise in Slovenia the study cases can be found around the country, not only of the social enterprises but also of supportive organisations and networking initiatives. Although they need some degree of support from public bodies on national/regional/local level, they should not depend on it, but need to be more structured and professionalized.