



# **A map of social enterprises and their eco-systems in Europe**

## **Country Report: Slovenia**

**European Commission**

*This report provides a non-exhaustive overview of the social enterprise landscape in Slovenia based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.*

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## Document Control

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## Headline summary

### Definition(s) and concepts

In Slovenia the concept of social enterprise is still relatively new – it was hardly used until 2009 when an EU-funded pilot programme was launched<sup>1</sup>.

### Policy and legal framework

In 2011, Slovenia passed an Act on Social Entrepreneurship which provides a definition of a social enterprise that is largely in line with the EU definition; the Act also provides a definition of a social entrepreneurship. Furthermore, the Act introduces an explicit distinction between work-integration social enterprises (WISE) and other social enterprises. The Act enables institutions to register and obtain the social enterprise status. Many stakeholders believe the Act needs to be improved as it is seen to be too strict and restrictive.

The Act is followed by proposed Strategy for Social Entrepreneurship and related Programme of Measures that define the public support measures for the sector. The delay in adoption of these documents imply that until now there has been only very limited publicly-funded support measures and these have mainly focused on WISE.

### Public support and initiatives

There are only a very limited number of public measures implemented in Slovenia which are specifically designed for social enterprises.

### Networks and mutual support mechanisms

Slovenian Forum of Social Entrepreneurship is the main national network in the sector. There are no marks, labels or certification systems, apart from the voluntary registration of institutions as social enterprises under the Act.

### Marks, labels and certification systems

Voluntarily registration of social enterprises according to the Act (2011) is currently the only certification system available in Slovenia.

### Social investment markets

Social finance market is in infancy with first specialised social funds entering the market in 2013.

### Spectrum of social enterprise

Registered social enterprises include associations, institutions, foundations, private limited companies and cooperatives. However, other de facto social enterprises also exist and are set up using the legal framework of Zavod, company for the disabled, cooperative and NGO.

### Scale and characteristics

There is no data on the size of the social enterprise sector. 46 entities are registered as social enterprises (Act 2011). The current register does not cover the entire spectrum of SEs in Slovenia. This is partly due to the strict criteria to maintain the status of SE and no public financial advantage offered apart from existing MLFSA measures. This study estimates there are around 900 organisations which potentially fall within EU operational definition. The main legal forms taken up by

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<sup>1</sup> The term “social entrepreneurship” typically refers to entrepreneurial activity undertaken by specific individuals or organisations in pursuit of social goals. Unlike the concept of social enterprise, it does not refer to organisational features and constraints such as limits on distribution of profits, asset lock, governance models etc.

social enterprises are believed to be cooperatives, institutes, associations and other NGOs undertaking economic activity.

Most of the current social enterprises deliver their impact through people they employ (WISE). This is the results of the legacy of companies for the disabled and government policy to tackle structural unemployment. Emerging trends relate to impact on environment and health through production of organic food, re-cycling and waste treatment.

The revival of the social enterprise sector in recent few years can be explained by the impact of the economic crisis leading to rising interest in alternative economic development models, fiscal austerity measures that on the one hand reduced grant support to the NGO sector and on the other opened up possibilities for the public sector to outsource certain public services to private entities (the system of '*koncesije*') and also focus on fighting social inclusion in strategic policy documents opening up funding schemes for WISE.

### **Factors constraining the start-up and development of social enterprise**

Looking ahead barriers for the sector's development include weak business skills among majority of social entrepreneurs, still limited understanding of social enterprise concept among the general public, issues related to the design of public support and access to finance.

## 1 Definitions and concepts of social enterprise in Slovenia

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 enterprise. 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.

Against this backdrop, Slovenia adopted the *Act on Social Entrepreneurship* in 2011 which among other things, provides a definition of social entrepreneurship and social enterprise – Box 1.

### Box 1 Key definitions set in the Act on Social Entrepreneurship (2011)

#### Article 2: Definitions

Non-profit legal entity shall mean a society, institute, foundation, company, cooperative society, European cooperative society or other legal entity governed by private law not established for the sole purpose of generating profit, which does not distribute assets or the generated profit or excess revenue over expenditure, except to a limited scope in accordance with legislation;

#### Article 3: Definition of social entrepreneurship

*"Social entrepreneurship shall represent the permanent performance of social entrepreneurship activities or other activities, which are subject to special conditions of employment, in the manufacture and sales of products or the provision of services on the market, for which the generation of profit is neither an exclusive nor a main objective"*

(2) Social entrepreneurship shall strengthen social solidarity and cohesion, promote the participation of the people, support voluntary work, improve society's capacity for innovation in addressing social, economic, environmental and other issues, ensure the additional supply of products and services in the public interest, develop new employment possibilities, provide additional jobs and enable social integration and vocational reintegration of the most disadvantaged groups in the labour market (social entrepreneurship objectives).

#### Article 4: Social entrepreneurship principles and requirements

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

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

#### **Article 5: area and activities of social entrepreneurs**

The Act lists the following “social entrepreneurship activities”

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

#### **Article 8: social enterprise**

Any non-profit legal entity can acquire the status of a social enterprise provided it meets the following criteria:

- It has been established with a view to permanently performing the social entrepreneurship activities and employing at least one worker in the first year of its operation and at least two workers in subsequent years (hereinafter: social enterprise of Type A); or
- established with a view to employing persons referred to in Article 6 of this Act and being engaged in a particular activity by permanently employing at least one third of these workers out of the total staff (hereinafter: Type B social enterprise); and
- It operates according to the principles of social entrepreneurship stipulated by the Act

(Extracted from the English version of the Act, available at:

[http://www.mdsz.gov.si/fileadmin/mdsz.gov.si/pageuploads/dokumenti\\_pdf/zaposlovanje/Act\\_SE\\_rev\\_clear.pdf](http://www.mdsz.gov.si/fileadmin/mdsz.gov.si/pageuploads/dokumenti_pdf/zaposlovanje/Act_SE_rev_clear.pdf)

The *Act on Social Entrepreneurship* defines two types of social enterprises:

- type A, which carries out (one or several) “social entrepreneurship activities” as laid out in Article 5 of the Act or as defined in the *Regulation on Determination of Activities of Social Entrepreneurship*<sup>2</sup>; and
- type B, which is a work-integration social enterprise (employing people from vulnerable groups). The following groups are defined as vulnerable target groups: the disabled, unemployed persons that are hard-to-employ due to lasting physical or mental problems, the very long-term unemployed (over 24 months), first-time job seekers<sup>3</sup>, the people aged over 55, Roma people, young drop-outs from primary and

<sup>2</sup> Official Gazette, 54/2012

<sup>3</sup> unemployed persons, registered with the Employment Service of the Republic of Slovenia for more than six months if employed for the first time after having finished their education or after having finished their traineeship



secondary education, ex-prisoners (for one year after serving the sentence), refugees included in the integration programmes, drug and alcohol abusers that are in rehabilitation programmes or up to two years after the rehabilitation programmes, and homeless people.

Despite there being a legal definition of social enterprise, there are disagreements and misconceptions about the concept of social enterprise. Some Slovenes argue that social enterprises must not generate profits while others believe that only cooperatives are real social enterprises.

Consulted stakeholders were unified in acknowledging the importance of both the entrepreneurial and social dimension of social enterprises. They however, disagreed on the detail:

- *The level of market orientation:* one social investor believes that social enterprises should seek to generate 100 per cent of their revenue from market sources. In the view expressed by a representative of WISE, this share could at the most reach 50 percent.
- *Social aim:* whereas some understand social enterprise mainly as type B enterprises (WISE), other stakeholders noted the wider role of contemporary social enterprises (type A).

Stakeholders also expressed different views as far as the governance dimension is concerned. Some stakeholders believe the governance of social enterprises does not need to officially represent interests of relevant stakeholders in decision-making processes. According to their opinion, transparency of the governance processes is sufficient for the governance of social enterprises. However, other stakeholders believe stakeholder participation in the governance structure should be strictly imposed, to prevent a misuse of the social enterprise definition.

There seem to be an agreement between various stakeholders interviewed that current companies for the disabled and employment centres (which have a special legal status and under current legislation cannot be registered as a social enterprise) are social enterprises and should be allowed to register as a social enterprise. However, according to MLFSA the reason for not allowing double registration is to prevent double funding; enterprises for disabled and employment centres have the advantage of secure and generous public funding that covers significant part of their operations through the provisions of the Act Regulating the Training and Employment of Disabled Persons. Public support amounts from 40% to 60% of their revenues.

## 2 The ecosystem for social enterprise in Slovenia

### 2.1 The policy and legal framework for social enterprise

The *Act on Social Entrepreneurship* (Official Gazette, 20/2011) regulates social enterprise activity. It also stipulates a series of measures aimed at fostering the development of social enterprise, including the requirement to set up a *Council for Social Entrepreneurship* and to adopt a Strategy for the development of social entrepreneurship and a Programme of Measures to implement the strategy every four years.

So far, the following measures have been implemented:

- The *Council for Social Entrepreneurship* has been established. It is composed of representatives of all ministries (except the Ministry of Foreign Affairs), two representatives of social enterprises, one representative of social partners and one expert;
- The *Regulation on Determination of Activities of Social Entrepreneurship* has been adopted (Official Gazette, 54/2012, amended 45/2014);
- The rules for monitoring the activities of social enterprises have been prepared (Official Gazette 35/2013);
- Accounting standards for social enterprises (2/2012);

The main responsibility for implementation of the Act lies with the *Ministry of Labour, Family, Social Affairs and Equal Opportunities* (MLFSA) and all ministries responsible for social entrepreneurship activities. Among other things, the MLFSA provides expert support to the Council, maintains a register of social enterprises and organises events (debates, presentations etc.) on social enterprise.

The Council on the other hand, is responsible for policy design and specifically, it has been tasked with preparing a strategy for social enterprise development. It initially made slow progress and stakeholders were dissatisfied. For instance, the members of the Slovenian Social Entrepreneurship forum, one of the main networking and advocacy platforms of social enterprise and entrepreneurship in Slovenia, publicly expressed their dissatisfaction with the delay of preparation of the first Strategy in their open letter to the Council in 2012<sup>4</sup>.

The first *Strategy for Social Entrepreneurship development for the period 2013 – 2016* (Strategy) was eventually published in July 2013<sup>5</sup>. It sets out three high level objectives for the period 2013 – 2016:

- To increase the visibility of social entrepreneurship and knowledge of the principles of social entrepreneurship;
- To upgrade existing supportive environment for entrepreneurship; and
- To promote the employment of vulnerable groups in the labour market.

The Programme of Measures for executing the Strategy was adopted on 3<sup>rd</sup> July 2014<sup>6</sup>. Table 2.1 outlines the measures proposed in the Programme of Measures together with the foreseen financial commitments and sources of funding.

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<sup>4</sup> “Initiatives and proposals for Completion of Strategy of the development of social entrepreneurship and the Proposed Measures” - the document can be accessed at (available in Slovenian) <http://fsp.si/wp-content/uploads/Predlogi-SFSP-strategija-in-program-ukrepov-razvoja-socialnega-podjetni%C5%A1tva-v-SLO1.pdf>

<sup>5</sup> The Strategy is available in Slovenian on the web-site of the Ministry: [http://www.mddsz.gov.si/nc/si/medijsko\\_sredisce/novica/article//7189/](http://www.mddsz.gov.si/nc/si/medijsko_sredisce/novica/article//7189/)

<sup>6</sup> The Programme of Measures can be Accessed at (in Slovenian) [http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti\\_pdf/zaposlovanje/Program\\_ukrepov\\_2014-2015\\_za\\_izvajanje\\_strategije\\_razvoja\\_socialnega\\_podjetnistva.pdf](http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti_pdf/zaposlovanje/Program_ukrepov_2014-2015_za_izvajanje_strategije_razvoja_socialnega_podjetnistva.pdf)

Financing is reported by separate activities. When the amounts of financing per activity are summed they account for € 12,721,000 to be invested by the Government in fostering social entrepreneurship in Slovenia between 2014 and 2015. 69% of the funding falls under the last objective of the Strategy; to promote the employment of vulnerable groups in the labour market. Hence, € 4,000,000 or 31% of the funding is foreseen to support pilot projects for youth guarantee funds, € 2,530,000 or 20% of the funding to subsidise jobs for vulnerable people and € 2,000,000 or 15% for public works programmes to promote the establishment of social enterprises Type B. Other large spending items are: social entrepreneurship projects financed in the region of Pomurje; € 1,500,000 or 12% and support to farmers and fostering social enterprises in the rural areas; € 1,930,000 or 15% of the funding.

As noted by the MLFSA, the Programme of Measures strived for larger pre-start-up support for entrepreneurial skills. However, it was only partially successful also because the ESF Regulation places social entrepreneurship in the function of social inclusion much more than in the function of competitiveness. MLFSA is of opinion that for Slovene situation, placing social entrepreneurship strongly in relation to social inclusion in ESF regulation is not favorable, since more specific accent would be needed under ERDF and CF.

**Table 2.1 Measures to meet social entrepreneurship objectives as set out in the Programme of Measures 2014 – 2015**

Strategic objective	Activity	Target	Financial commitment € (2014 – 2015)	Source of funding
To increase the visibility of social entrepreneurship and knowledge of the principles of social entrepreneurship	Campaigns, exchange of good practices	2 national campaigns per year (targeting different stakeholders)	54,000	National
	Organisation of workshops	30 workshops per year	*	
To upgrade existing supportive environment for entrepreneurship	Explore the possibility of adjusting legislation pertinent to entrepreneurship environment to enable access of social enterprises to supporting measures for entrepreneurship	Preparation of the amendment to the existing legislation on supportive environment for entrepreneurship	Completed in 2013	
	To supplement and expand existing supporting environment of VEM <sup>7</sup> offices to social entrepreneurs	Capacity building on social enterprise registration procedures for employees consulting at VEM offices.	Completed in 2013	
		Help with registration at VEM offices to at least 50 social entrepreneurs.	30,000 (including the above activity under *)	National
		400 consultations to social enterprises or to potential social entrepreneurs (goal for 2013 – 2016 period)		

<sup>7</sup> VEM offices serve as one-stop shops for companies or entrepreneurs to carry out all activities linked to the formation of a company and some other procedures that are carried out by a business entity upon or after its formation.

Strategic objective	Activity	Target	Financial commitment € (2014 – 2015)	Source of funding
		Training provision (external experts) for managers of social enterprises employing vulnerable groups on management skills and working with vulnerable groups.	80,000	ERDF/ESF
	Promotion and consulting on social entrepreneurship to farmers to develop supporting environment in rural areas	Support to improve production capacities, incentives for cooperation and joint marketing of products, creation of social enterprises in the rural areas	230,000 1,700,000	National EAFRD
	Promoting social entrepreneurship in the area of culture	Financial support to start up social entrepreneurs in the media industry or media cooperatives  To support social enterprises active in the area of culture developing new products and services	300,000	ERDF/ESF
	Promoting social entrepreneurship in the region of Pomurje		1,500,000	National
	Development of a model to measure the social impact of SEs		15,000	National
	Upgrading public procurement in the direction of achieving social impact	Integrating the principles of social entrepreneurship as one of the criteria for selecting providers of public procurement procedures		
	Changes in sectorial legislation to promote social entrepreneurship			
To promote the employment of vulnerable groups in the labour market.	Incentives for employment of vulnerable groups	1500 subsidised jobs (goal for 2013 – 2016 period)	1,800,000 730,000	National ESF
	Development of workshops for social enterprises Type B <sup>8</sup>	Development of learning workshops. 200 beneficiaries of workshops	15,000 250,000	National ESF
	Development of capacity building programmes for	Preparation of capacity building programme for	15,000	ESF

<sup>8</sup> Enterprise established for the recruitment of vulnerable people, in such a way that a given activity is carried out in a continuous recruitment of at least one third of these workers from all employees (hereinafter referred to as social enterprise type B)

Strategic objective	Activity	Target	Financial commitment € (2014 – 2015)	Source of funding
	people working with vulnerable groups	managers of Type B enterprises.		
	Promoting establishment of social enterprises Type B in the context of public works programmes.	Preparation of public works programmes to promote the establishment of social enterprises Type B.	2,000,000	National
	Youth Guarantee	Pilot projects for youth guarantee	4,000,000	ESF

Source: Programme of Measures, ICF calculations

In terms of funding sources Table 2.2 provides an overview of foreseen national vs. EU funds to carry out the recently adopted Programme of Measures. National funds are foreseen to cover 44% of the total funding or 5,644,000. EU funds (ESF/EDRF and EAFRD) are foreseen to contribute 56% of the funding.

**Table 2.2 Breakdown by source of funding to execute the activities to meet the social entrepreneurship objectives as set out in the Programme of Measures**

	National	EU	
		ESF	EAFRD
Share of funding	44%	42%	13%
Total funding (€ )	5,644,000	5,375,000	1,700,000

Source: Programme of Measures, ICF calculations

Stakeholders interviewed in the context of this Study highlighted the following weaknesses of the current strategy and the Programme of Measures<sup>9</sup>:

- The measures are primarily focused to Type B (WISE) social enterprises;
- The strategy does not include any measures aimed at facilitating access to finance support (i.e. a financial instrument).

The Slovenian law does not provide for a specific legal form for social enterprise. As a result social enterprises adopt existing legal forms as laid down in Art.2 of the Act, the most common ones being: society (association) and institution, followed by Limited Liability Company and the Cooperative legal form. These legal forms do not recognize the specific features and characteristics of social enterprise, which often acts as a practical impediment to the development of social enterprise. In addition, there is an absence of incentives to encourage social enterprise formation, as there are currently no fiscal benefits attached to the majority of legal forms used by social enterprises.

As mentioned earlier, the law provides for the legal status of social enterprise. The status of social enterprise is approved by the authority, responsible for the initial registration of the legal entity applying for the status. There are therefore several approving bodies – for associations: administrative units, for private institutes, cooperatives and companies: courts, for foundations: ministries.

<sup>9</sup> Networking organisations, financial intermediaries

## 2.2 Public support schemes targeting social enterprises

As of March 2014 there were only a very limited number of public measures implemented in Slovenia which were specifically designed for social enterprises:

- Two calls were launched in 2009 and 2012 by MLFSA to support pilot projects. All together 24 projects received EUR 6.5 million of ESF funding through these tenders. Pilot projects included training and employment of persons from vulnerable (hard-to-employ) groups (work-integration type of social enterprises). For instance one of the 17<sup>th</sup> projects co-financed under 2012 call established a 'Roma restaurant'; a restaurant employing Roma people and serving Roma food. First, cooks and other staff necessary to run a restaurant was trained (Roma people). After two years four of those trained were employed in the restaurant. Another project employed five textile workers (women over 50) made redundant after restructuring of the company Prevent. They sew and sell re-usable grocery bags;
- Most MLFSA programmes, actions, tenders are traditionally open to SE type of organisations such as ALMPs, social affairs, family and disabled.
- Calls<sup>10</sup> for projects promoting social entrepreneurship in the region of Pomurje in 2011 issued by the Ministry of Economic development and Technology. EUR 300,000 was awarded. The second call in 2013 was restricted to entities registered as social enterprises according to the Act (2011). The call is currently re-launched under the Programme of Measures and EUR 1.5 million will be rewarded for the period of 2014 – 2015. The calls co-finance labour costs (gross wages), material, equipment and rent for social enterprises;
- In 2014 a 'public works' programme prepared by MLFSA and Slovenian employment service was extended to registered Type B social enterprises. The programme intends to activate long term unemployed from vulnerable groups. Projects will operate for two years with an aim to establish Type B social enterprises or upgrade existing Type B social enterprises<sup>11</sup>. EUR 2 million is available for this measure.
- Project SEA - Social Economy Development Agency financed from the Cross Border Co-operation Programme Italy-Slovenia 2007-2013 (ERDF). EUR 1.3 million was available between 2011 and 2014. The aim of the project was to promote the development of social entrepreneurship in the border area through the implementation of joint activities and the establishment of common policies for the development and promotion of social entrepreneurship and to set up a Social Economy Development Agency in the legal form of a European Cooperative Society.

In 2014 – 2015 additional publicly funded schemes as set out in the Programme of Measures (see Table 2.1 above) are expected to be rolled out. Other publicly co-funded specialist support and infrastructure available to social enterprises is presented in the Table 2.3.

<sup>10</sup> The text of the earlier call can be accessed here (only in Slovenian) [http://www.arhiv.svlr.gov.si/si/javne\\_objave/javni\\_razpisi/indexa987.html?tx\\_t3javnirazpis\\_pi1\[show\\_single\]=139](http://www.arhiv.svlr.gov.si/si/javne_objave/javni_razpisi/indexa987.html?tx_t3javnirazpis_pi1[show_single]=139)

<sup>11</sup> Accessed at [http://www.mddsz.gov.si/nc/si/medijsko\\_sredisce/novica/article/1966/7294/](http://www.mddsz.gov.si/nc/si/medijsko_sredisce/novica/article/1966/7294/)

**Table 2.3 Other publicly funded specialist support and infrastructure available to social enterprises**

Support type	Name of the measure	Name of the organisation	Description	Financing
Pre-start support (e.g. incubators)	Incubator within the Social innovators of the future <sup>12</sup> project	Mladinski ceh/Youth Guild is a national non-governmental youth organisation  Kadis 2020  SKUP skupnost privatnih zavodov  Regional partner of Social Innovation of Europe (SIE)	Co-working space  <b>School of Social entrepreneurship</b> including support with development of social entrepreneurial idea, market research, business plan, mentoring, technical support (registration), financial and accounting consulting, consulting regarding available financial mechanisms (presentation of the social entrepreneurship idea to potential investors, help with project documentation)	ESF project
	Social incubator <sup>13</sup>	Founded in 2010 by Student organisation of Ljubljana (ŠOU)  Slovenian forum of Social Entrepreneurship  Regional partner of Social Innovation of Europe (SIE)	Business incubator specialised in supportive business environment for <b>students</b> who want to become social entrepreneurs. Incubator supports students in different stages of development of their businesses: <i>planning</i> , <i>establishing</i> and <i>running</i> their social enterprises:  <ul style="list-style-type: none"> <li>■ <b>Incubation:</b> co-working office</li> <li>■ <b>Knowledge:</b> “Academy of inspiring entrepreneurship” ‘workshops, seminars, conferences and study visits organised. Two business consultants provide advice on a daily basis.</li> <li>■ <b>Start-up capital:</b> Gold fish: Established first crowdfund start-up capital in Slovenia. Funds will be raised with organisation of various events (conferences, sports events, concerts).</li> <li>■ <b>Promotion:</b> promotional workshops for public and cooperation with media</li> </ul>	Student organisation of Ljubljana
Social entrepreneurship	MBA Social entrepreneurship	GEA College	Two year master programme targeted to managers	EU Teses

<sup>12</sup> Web-site accessed at <http://www.socialni-inovatorji.si/socialni-inkubator>

<sup>13</sup> Web-site accessed at <http://www.socialni-inkubator.si/>

Support type	Name of the measure	Name of the organisation	Description	Financing
education (e.g. school for social entrepreneurs)			of social enterprises and disabled enterprises, civil servant and government staff, as well as others interested in social enterprises.	project (Leonardo da Vinci)
	Examples of one time academies, projects:			
	Regional social entrepreneurship academies	PRIZMA in cooperation with SPIRIT Slovenia	3 day events organised in 3 Slovenian regions. 2 days of workshops, 1 day of visiting best practices	Ministry of Economic development and technology
	"Young graduates and the Social Sector: developing new job opportunities"	Eko-Humanitas		PROGRESS
Business support (e.g. business planning, management skills, marketing etc.)	Incubators described in the pre-starting support.			



**Table 2.4 Overview of publicly funded schemes specifically designed for or targeting social enterprises**

Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ ESF?
Awareness raising (e.g. award schemes, communication, advocacy )	✓	✓ (ESF)
Social entrepreneurship education (e.g. academic courses)	✓	✓ (Leonardo da Vinci, PROGRESS)
Pre-start / start-up support e.g. <ul style="list-style-type: none"> <li>▪ Business support e.g. mentoring, consultancy, coaching etc.</li> <li>▪ Grants</li> <li>▪ Infrastructure e.g. incubators</li> </ul>	✓	✓ (ESF)
Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.)	✓	✓
Investment readiness support	X	X
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	X	X
Physical infrastructure (e.g. shared working space)	X	X
Collaborations and access to markets	X	X
Networking, knowledge sharing and mutual learning initiatives	X	X

### 2.3 Other specialist support and infrastructure available to social enterprises

The non-publicly funded support schemes for social entrepreneurs are more developed. Table 2.5 outlines main stakeholders and types of support presently available for social entrepreneurs.

**Table 2.5 Other specialist support and infrastructure available to social enterprises**

Support type	Name of the measure	Name of the organisation	Description	Financing
Pre-start support (e.g. incubators)	Social incubator KNOF <sup>14</sup>	Association KNOF (registered social business)	Regional incubator – Posavje region. The incubator offers support regarding: <ul style="list-style-type: none"> <li>■ <b>Administration</b> (accounting, legal counselling, marketing support, graphical and technical support, support with project applications);</li> <li>■ <b>Start-up fund</b></li> <li>■ <b>Facilities and equipment:</b> co-working space</li> <li>■ <b>Creative and motivation workshops:</b> design thinking, cooperation, seminars, mentoring</li> </ul> <p><b>Info point</b> on social entrepreneurship.</p> <p>In May 2013 KNOF organised gathering of existing social incubators.</p>	
	CAAP Maribor <sup>15</sup>		Co-working space PROTOR	
	HUB Ljubljana Candidate	Impact HUB Vienna, network HUB world	First impact investment of FUND05 – SIF05 for start-up of HUB Ljubljana Candidate. The project is still in development	
Awareness raising (e.g. awards)	Social enterprise award	UniCredit	In 2012 UniCredit bank awarded up to 24,000 EUR to three social enterprises <sup>16</sup> . <p>However, some consulted stakeholders believe this was a CSR/marketing strategy of the bank rather than a measure designed for supporting social entrepreneurship.</p>	
	HORUS award	IRDO	In 2014 CSR award Horus for the first time include category of SE	
	Days of Social Economy	SKUP – community of private associations		

<sup>14</sup> Web-site accessed at <http://www.knof.si/index.php/2014-03-07-13-56-23>

<sup>15</sup> Web-site can be accessed at <http://brazde.org/category/caap/>

<sup>16</sup> Accessed at <http://www.unicreditbank.si/press.asp?id=779>

Support type	Name of the measure	Name of the organisation	Description	Financing
	Social enterprise award	UniCredit	In 2012 UniCredit bank awarded up to 24,000 EUR to three social enterprises <sup>17</sup> .  However, some consulted stakeholders believe this was a CSR/marketing strategy of the bank rather than a measure designed for supporting social entrepreneurship.	
	HORUS award	IRDO	In 2014 CSR award Horus for the first time include category of SE	
Social entrepreneurship education (e.g. school for social entrepreneurs)	Examples of one time academies, projects:  Social entrepreneurship school – new employment opportunities and sustainable rural development in Istria	Središče Rotunda (Eko-Humanitas, Cooperation of eco-farmers Obala)	30 hours of lectures, workshops, training on organic production and processing of products made of natural materials.	
Business support (e.g. business planning, management skills, marketing etc.)	Incubators described in the pre-start up support.			
Training and coaching schemes	No specific schemes identified. Some coaching include in the pre-start support			
Investment readiness support	Investment ready – Warm up 2014 <sup>18</sup>  Impact investment day Slovenia 2013	Impact Hub Vienna, Boston Consulting Group in cooperation with FUND05  FUND05	First investment readiness workshop bringing together Slovenian social entrepreneurs and Slovenian and international impact investors	
Dedicated financial instruments	FUND05  Start-up fund	Brez dobička d.o.o.  Social Incubator KNOF		
Physical infrastructure (e.g.	All social incubators described			

<sup>17</sup> Accessed at <http://www.unicreditbank.si/press.asp?id=779>

<sup>18</sup> Accessed at <http://www.sklad05.si/stran/18/irp>

Support type	Name of the measure	Name of the organisation	Description	Financing
shared working space)	above offer shared working space.			
	POLIGON creative centre <sup>19</sup>	Slovenia Co-working, Slovenia Crowdfunding, Kreativna Cona Šiška (Rompom), Ljudje.si	Training ground for creative communities and self-employed operating in the field of creative economies, social entrepreneurship and culture.	
Collaborations and access to markets	Limited support from incubators described in the pre-starting support.			
	Social investors conference and social banking	FUND05		
	National forum of social entrepreneurship 2013: Invest in untapped potential <sup>20</sup>	Slovenian Forum of Social Entrepreneurship and SPIRIT		
Networking, knowledge sharing, mutual learning initiatives	Social Business Design Labs <sup>21</sup>	Yunus Centre for Social Business, University of Maribor	One day workshops to develop and support social entrepreneurship ideas, networking.	
	Slovenian Forum of Social Entrepreneurship		See section 2.4 for further details regarding the activities of the Forum.	

<sup>19</sup> Web-site accessed at <http://www.poligon.si/en/programme/>

<sup>20</sup> For more information see [http://www.podjetniski-portal.si/resources/files/doc/Nacionalni\\_forum\\_socialnega\\_podjetnistva\\_2013.pdf](http://www.podjetniski-portal.si/resources/files/doc/Nacionalni_forum_socialnega_podjetnistva_2013.pdf)

<sup>21</sup> Accessed at <http://www.um.si/univerza/medijsko-sredisce/novice/Strani/novice.aspx?p=364>

## 2.4 Networks and mutual support mechanisms

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 (e.g. CAAP Maribor is an umbrella organisation for 5 associations developing social enterprise activities).

The Slovenian Forum of Social Entrepreneurship (SFSE)<sup>22</sup> is the main network of social enterprise stakeholders in Slovenia. The box below outlines the main areas of its activities.



SFSE works around the principles of social entrepreneurship, as represented by Mohammed Yunus. It connects social entrepreneurs, policy makers, potential investors and other social enterprise stakeholders. It facilitates joint research and innovation networks, develops joint projects etc.

For example, in 2013, SFSE in cooperation with other stakeholders, organised the **National forum of social entrepreneurship 2013: Invest in untapped potential**<sup>23</sup>. This one day event brought together representatives from ministries, social entrepreneurs, cooperatives and other stakeholders to present and discuss the development of social entrepreneurship in Slovenia.

In the framework of the event, first **Fair of social entrepreneurs “Good hands”** was prepared. Hence, Slovenian social entrepreneurs had the opportunity to showcase products and services, present examples of good practice to promote social entrepreneurship in Slovenian municipalities, network and co-operate with each other.

In addition, SFSE acts as **an advocacy body** of social enterprise stakeholders with the aim of influencing public policy and establishment of a legal framework to support the work of social enterprises.

In December 2012 SFSE prepared suggestions for the *Strategy and Programme of Measures* where it warned policy makers to accelerate the preparation and adoption of the Strategy and suggested main areas and support mechanism to be included in the strategy<sup>24</sup>.

In January 2014 SFSE organized public discussion of the proposed Programme of Measures 2014 – 2015 for the implementation of the Strategy. The outcome of the public discussion was summarised in “Views and suggestions of Slovenian Forum of Social Entrepreneurship regarding Programme of Measures 2014 – 2015 and EU operational programs 2014- 2020 in the field of social entrepreneurship and cooperatives”<sup>25</sup>.

SFSE works towards the **development of international links and learning from best practice examples**. In March 2012 SFSE organised international bilateral conference entitled *Social Business Initiative 2020: SI-UK (Slovenian-British) perspective*<sup>26</sup>.

SFSE is also a partner of Social incubator established by Student organisation of Ljubljana (ŠOU).

<sup>22</sup> To access the web site go to <http://fsp.si/socialni-inkubator>

<sup>23</sup> More information available here: [http://www.podjetniski-portal.si/resources/files/doc/Nacionalni\\_forum\\_socialnega\\_podjetnistva\\_2013.pdf](http://www.podjetniski-portal.si/resources/files/doc/Nacionalni_forum_socialnega_podjetnistva_2013.pdf)

<sup>24</sup> More information available here: <http://fsp.si/wp-content/uploads/Predlogi-SFSP-strategija-in-program-ukrepov-razvoja-socialnega-podjetni%C5%A1tva-v-SLO1.pdf>

<sup>25</sup> More information available here: <http://fsp.si/stalisca-in-predlogi-slovenskega-foruma-socialnega-podjetnistva-do-programa-ukrepov-za-izvajanje-strategije-razvoja-socialnega-podjetnistva-2014-2014-in-operativnih-programov-financne-perspektive-eu-2>

<sup>26</sup> More information can be found here: <http://fsp.si/vabilo-na-mednarodno-bilateralo-konferenco-socialno-podjetniska-iniciativa-2020-si-uk-pespektiva>

## 2.5 Marks, labels and certification systems

Voluntarily registration of social enterprises according to the Act (2011) is currently the only certification system available in Slovenia.

## 2.6 Social investment markets

Social investment market in Slovenian is immature. In terms of private investors it is recently born; first private impact investment fund FUND05, was established in 2012.

### 2.6.1 The supply of finance

The supply of finance for social enterprises is scarce.

In general, three streams of external financing are currently present:

- Financial products offered through the programme Good exchange initiated by SKUP - community of private associations;
- Smaller bottom up initiatives (Strat-up fund within the social incubator KNOF);
- However, most of the social enterprises<sup>27</sup> seek financing through regular commercial bank loans (using their own property as a collateral).

Good exchange<sup>28</sup> platform established by SKUP – Community of private associations, coordinates national and international suppliers of finance and offers first tailored financial products to social enterprises in Slovenia. Good exchange founded the first private financial fund with the aim of financing social entrepreneurship and social innovations in Slovenia FUND05.

Current offer on social investment market provided by FUND05 and Good exchange is described in the box below.<sup>29,30</sup>



**Products of banks and financial institutions operating in Slovenia**

- Volksbanks and EIF in cooperation with FUND05 – **microcredit** up to 25,000 EUR;
- **Bridge loans** Sparkasse Bank and FUND05 (loans between 10,000 and 50,000 EUR in 2014 200,000 EUR available in this credit line)
- **Microcredit instrument with crowd guarantee scheme** Since February 2014 Sparkasse Bank and FUND05. At least 100 people need to agree to donate 0.5% of their income tax<sup>31</sup> to the borrower as collateral. Loans between 5,000 and 25,000 EUR can be acquired (5 years, with 5-7% interest rate);
- **0.5% investment programme**; financing of social causes based on 0.5% income tax which by law residents can distribute to organisations, political parties and labour unions. There is approximately 6 mio EUR of non-dedicated resources per year and the 0.5% investment programme is trying to capitalise on those.

**Products of financial institutions from abroad**

- **SIF05 impact investment fund**: FUND05 as partner of EuSEF for central and Eastern Europe

<sup>27</sup> Understand in a broader sense of definition, beyond the registry of social enterprises including cooperatives and other organisations that would fall within the broad definition of a social enterprise

<sup>28</sup> Web site can be accessed here <http://www.dobraborza.si/clanki/vsebina/o-nas/o-nas>

<sup>29</sup> Web site accessed at: <http://www.sklad05.si/>

<sup>30</sup> Based on interview with Good exchange representatives and information available on the web-site: <http://www.dobraborza.si/clanki/231>

<sup>31</sup> In Slovenia citizens are free to decide to which organisation (from the list of organisations) they wish to donate 0.5% of their income tax.

(investors CreditCooperativ, Deutsche Bank and EIF, main implementation partner TISE). 3-4 pilot social entrepreneurship projects are planned to be financed in 2014;

- **Bridge loans without a guarantee on EU projects:** FUND05 and TISE (single bridging loan up to 100,000 EUR, 500,000 EUR of bridged loans in 2013, the credit line in 2014 increased to 700,000 EUR);
- FUND05 and CAF<sup>32</sup> – **hybrid non-credits** (single nano hybrid loan up to 2,500 EUR, 20,000 EUR available);
- Cross-border **donation** within the network Trans Giving Europe (TGE)

However, most of the social enterprises currently operating financed their operations through grants, promoters own capital or regular commercial bank loans. Those loans however, required personal collateral.

### 2.6.2 The demand for finance

There is no information available on demand for social investment in Slovenia.

### 2.6.3 Market gaps/ deficiencies

According to some interviewed stakeholders, supply of finance currently does not meet the demand for financing among social enterprises. Other investors noted that social enterprises lack a viable business model which is why financing is scarce.

Managers lack the know-how about financing opportunities beyond national and EU project support. The lack of management and financial knowledge is connected with the fact that most social entrepreneurs come from the NGO sector which traditionally relies on grant funding. There are not many social entrepreneurs with business background.

## 2.7 Overview of the key actors in the social enterprise ecosystem

Table 2.6 provides an overview of key actors in the social enterprise ecosystem in Slovenia. This should, however, not be seen as an exhaustive list.

**Table 2.6 Key actors in the social enterprise ecosystem in Slovenia**

**Policy makers** - Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures

- Ministry of Labour, Family and Social Affairs and Equal Opportunities (the lead ministry responsible)

**Organisations promoting, certifying and awarding social enterprises labels**

- Ministry of Labour, Family and Social Affairs and Equal Opportunities

**Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models**

- Slovenian Forum of Social Entrepreneurship
- Association KNOF
- SKUP community of private institutions
- Foundation PRIZMA

**Organisations that have the capacity act as an observatory and to monitor the development and to assess needs and opportunities of social entrepreneurs/social enterprises**

- Slovenian Forum of Social Entrepreneurship
- FUND05, SKUP community of private associations
- SPIRIT Slovenia (public agency)

**Providers of social enterprise start up and development support services and facilities (such as incubators)**

- Student organisation of Ljubljana (ŠOU) and Slovenian Forum of Social Entrepreneurship
- Social innovators of the future project (Youth Guild (National non-governmental youth organisation), SKUP, Kadis 2020)

<sup>32</sup> Charity Aid Foundation

- Association KNOF
- CAAP Maribor

#### Business support providers

- The above incubators
- Foundation PRIZMA
- CAAP Maribor

#### Facilitators of learning and exchange platforms for social enterprises

- Slovenian Forum of Social Entrepreneurship
- Foundation PRIZMA
- Eko-Humanitas

#### Social enterprise (support) networks, associations

- Slovenian Social Entrepreneurship Forum

#### Key providers of finance

- Good Exchange<sup>33</sup>
- FUND05
- Sparkasse
- Deželna banka
- Crowd fund start-up capital Gold fish (Social incubator)

#### Research institutions

- Faculty of Social Work
  - Faculty of Social Sciences
  - University of Maribor, Yunus Centre for Social Business
  - Institute for corporate responsibility research (IRDO), Maribor
- 

<sup>33</sup> Good exchange accessed at <http://www.dobraborza.si/>



## 3 Mapping of social enterprise in Slovenia

### 3.1 The spectrum of social enterprises in Slovenia

Drawing on EU operational definition, the social enterprise spectrum in Slovenia includes both organisations that have been inherited from the previous regime (traditional cooperatives and companies for the disabled<sup>34</sup>), which provide the most significant contribution to GDP and employment creation in Slovenia, and recently established organisations (zavods; institutions and societies; foundations).

46 organisations are officially registered as social enterprises<sup>35</sup>. The growth rate in registration is high; between March and July 2014 13 additional organisations registered as SEs; a 39% growth in number of registered SE. Those include associations, institutions, foundations, private limited companies and cooperatives. The proposed EU operational definition encompasses Slovenian definition described in the Act (2011).

However, the current register comprising of those holding the statuses of social enterprises according to Act (2011) is probably not representative of the actual number of social enterprises by EU operational definition in Slovenia. Based on the opinion of a small number of stakeholders interviewed for the present study there are few possible explanations on why this is the case; the lack of financial incentives, the lack of tax incentives and high administrative burden caused by high reporting duties. One social enterprise also noted that the registration process was lengthy and discouraging because the administration was not aware of the procedures connected with social enterprise registration. Some commentators also argue that the legal environment was quite enabling even before the introduction of the 2011 Act. For example, social enterprises could (and still can) be set up using the legal framework of Zavod, company for the disabled, cooperative and NGO.

One policy maker had somewhat different opinion; that low number of registration could mean that the organisations are not social enterprises, or they lack knowledge to recognize their operation as a social purpose, or they fail to see registration could help them position themselves on the market.

Nevertheless 142 companies for the disabled (at least 40 per cent of employees need to consist of people with disabilities) are not included in the register despite the fact that some would fulfil EU operational definition as well as Slovenian definition for enterprises Type B (WISE). The current legislation (Act 2011) does not allow companies for the disabled to double register as a social enterprise due to possibility of double funding for the same purpose.

Data on how many of the 23,075 NGOs fall under the EU or Slovenian definition of a social enterprise are not available. Similarly, data on social entrepreneurs within the mainstream enterprises emphasizing social mission in their business models are not available.

### 3.2 Application of operational definition: determining the boundaries

Table 3.1 below discusses the application of operational definition on each of the above identified groups of organisations.

<sup>34</sup> Sheltered workshops for disabled and job centres for disabled as defined in Act Regulating the Training and Employment of Disabled Persons.

<sup>35</sup> Register of social enterprises on 23.6.2014

Table 3.7 Application of operational definition: determining the boundaries

EU Operational Definition		Social enterprises (as defined by Act 2011)	Companies for the disabled <sup>36</sup>	Institutions <sup>37</sup>
Dimension	Core Criterion			
Economic	The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	One of the mandatory “principles of social entrepreneurship” (Article 2 of the Act) is market orientation i.e. the manufacture and sale of its products or the provision of its services in the market are largely organised according to market principles “Social entrepreneurship activities” however, can only be carried out in pre-defined fields as laid out in Article 5 of the Act or as defined in the Regulation on Determination of Activities of Social Entrepreneurship	Yes - Companies for the disabled sell their goods and services on the market, which may generate a profit.	Economic activities are allowed to the extent necessary for the organisation to accomplish its major statutory goal, but the law does not provide further guidance in this respect. Not all institutions engage in economic activity. Therefore, only a sub-set of institutions meet this criterion
Social	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	Social enterprises need to have sustainable business where the generation of profit is neither an exclusive nor a main objective or/and develop new employment possibilities, provide additional jobs and enable social integration and vocational reintegration of the most disadvantaged groups in the labour market	Fulfils the core criteria  Needs to employ at least 40% of employees with disabilities.	Institutions are organisations operating in education, science, culture, sports, health, social care, childcare and care for disabled people, social security where. Institutions therefore, fulfil this criterion.
Governance	It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making	Profit and surpluses should be used for social or other non-profit purposes, distribution of profits or surpluses is limited in accordance with the Act (non-profit operation) – Article 26. The assets that remain, after having concluded the winding-up procedure, and having repaid the creditors and potential voluntary or compulsory shares, may be transferred to another social enterprise, another non-profit legal entity or a municipality – Article 28	Fulfils the core criteria 20% of the profit can be distributed.	Fulfils the core criteria Non- profit organisations.

<sup>36</sup> ZZRZI-UPB2 Accessed at <http://www.uradni-list.si/1/content?id=78532>

<sup>37</sup> ZZ

## EU Operational Definition

Dimension	Core Criterion	Social enterprises (as defined by Act 2011)	Companies for the disabled <sup>36</sup>	Institutions <sup>37</sup>
	It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations	As per the Act, social enterprises are managed independently	Fulfil the core criteria - many are subsidiaries of larger companies.	Some fulfil the core criteria Private institutions (as opposed to public institutions) fulfil the core criteria regarding independence.
	It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes	"Principles of social entrepreneurship" include: democratic decision-making ( one member-one vote) and stakeholders involvement in decision making / management – Articles 23 and 24	Participatory governance is not entirely fulfilled. Decision making process is often in hands of the owners of the company	Institutions are governed by a council which consists of representatives of founders, employees and consumers (interested public).

### 3.3 Measurement of social enterprises

The concept of social enterprises is new and therefore, statistics are scarce. Whereas statistics on the number of registered social enterprises and the number of registered companies for the disabled are available for recent years, consulted stakeholders, experts and researchers for this assignment did not come across any recent statistics on the structure of the Slovenian NGOs sector and associations which would enable estimating the number of those entities falling within the EU definition of social enterprises.

It is for instance estimated that in 2009-2010 the share of employees in social economy in Slovenia presented 0.73 per cent<sup>38</sup> of all employees. But the notion of social economy falls beyond social enterprises.

However, based on the data collected for this Study it is estimated that Slovenia has around 900 organisations which potentially fulfill the criteria laid out by the EU definition (for details regarding assumptions and calculations see Table 3.2 below).

**Table 3.8 Estimate on number of social enterprises covered under the spectrum of this assignment**

Type of social enterprise	Total population (2012 or 2013)	Estimate of the % meeting operational criteria	Key assumptions <sup>39</sup>
<b>Based on labels</b>			
Social enterprises registered under 2011 Act (ex-lege social enterprises)	46	100%	Assumes that 100% of the registered enterprises meet the operational criteria applied under this assignment
Companies for the disabled	142	Low proportion	Companies for the disabled fulfill the social and economic criteria, but only a low proportion of enterprises also meet the criteria relating to independence and participatory governance
<b>Total</b>		<b>80</b>	
<b>Other</b>			
NGOs	23,075	~3.6%	60% of NGOs work in public interest. 80% of organisations did not have employees. 30% of income is generated from market sources. <sup>40</sup>

Source: AJPES and Register of Social Enterprises

### 3.4 Characteristics of social enterprises

#### 3.4.1 Legal forms

Most of the 46 registered social enterprises are institutions (zavod 15), societies (drustvo 14) followed by companies (7) and cooperatives (9). Additionally, de facto social enterprises can

<sup>38</sup> Peer Review in Social Protection and Social Inclusion 2012. Social Economy – laying the ground for innovative solutions to today's challenges. France, 10-11 December 2012

<sup>39</sup> These assumptions are subject to change and validation is required. These are estimates only.

<sup>40</sup> Based on PPT presentation Črnak-Meglič: "Pridobivanje sredstev zasebnih profitnih organizacij".

also be found among institutions that are not registered as social enterprises and share companies. Annex 1 provides a comparative overview of the three legal forms most commonly used by social enterprises. As presented in the table 3.2 above, there is a separate registration label for the companies for disabled which cannot register as social enterprise.

### **3.4.2 Business models**

Social enterprises (ex-lege and de facto) heavily depend on government and EU support for reintegration of disadvantaged groups into the labour market. This, however may not be representative for the whole population of social enterprise as there was strong self-selection to registration driven by interest in access to specific financial support instruments.

Two social enterprises which were consulted in the framework of the present assignment estimated that between 30 per cent and 50 per cent of their income is generated on the market. Social entrepreneurs also noted that businesses heavily rely on voluntary work of the management.

#### ***Sources of income***

Entities included in the registry of social enterprises have three main sources of income: EU project grants, subsidies for employment of vulnerable groups (public works programme and subsidies for employing vulnerable groups from ESF) and income from market generating activities.

#### ***Social impact***

Most of the current social enterprises deliver their impact through people they employ (Type B or WISE enterprises). As already noted, this is in part due to the incentives provided through active labour market policy and strong legacy of companies for the disabled.

Other impact relates to environment and health through production of organic food, recycling and waste treatment.

Provision of welfare services is less common, since the State continues to hold a dominant role in the provision of public goods and services. However, this has been opening up with the provision of 'commissions'.

#### ***Use of paid workers***

Social enterprises in Slovenia usually employ subsidised workers (i.e. WISEs). However, the use of paid workers also extend beyond WISEs.

Organisations still rely considerably on voluntary work, specially the management of the enterprises.

### **3.4.3 Fields of activity**

Registered social enterprises are mainly involved in the work integration programmes to help disadvantaged workers enter the labour market (WISEs), including people with disabilities, long term unemployed, young unemployed, homeless, drug addicts, elderly and other vulnerable groups. This is also true for companies for the disabled.

Beyond work integration programmes, registered social enterprises also operate in environmental area, education, agriculture, retail, catering and health.

Institutions work in a range of different fields of activities ranging from family care to culture and arts. They are also very active in the field of social protection.

# KRALJI ULICE

Organisational form: Society (drustvo)

Kralji ulice ('Kings of the street') is a society working on re-integration of homeless people.

Their market generating income activity includes a newspaper 'Kings of the Street', first newspaper on homelessness and related social issues in Slovenia. It is a street newspaper, written and sold by the homeless. The newspaper is published monthly with a circulation of 10 000 copies sold in Ljubljana, Maribor, Slovenska Bistrica and Primorje region.

In addition, the association opened a thrift store 'Stara roba nova roba', providing employment and development of skills for homeless with ecologically oriented activity (re-cycling). The project was funded through 2009 call from Ministry of Labour, Family, Social Affairs and Equal Opportunities.

Some activities include providing apartments for homeless, counselling and day centre.



eTRI

razvojná zadruga E TRI business model, which currently operates Development Cooperative including sheltered workshops Jason doo, 3R cooperatives and other initiatives

The team includes both employees and external contractors, individuals on vocational rehabilitation and training in the workplace, young developers and scholars.

Some of their activities include:

- Mobile supply; specialized trader of office supply
- Collection of newspaper and office papers for reuse purpose, for production of cellulose isolation
- renting reusable cups
- on-line sale of greeting cards with motives drawn by children of art contest in Slovenian eco-schools. The proceeds from sales go to the school or kindergarten of the author of the greeting card
- work integration of people with disabilities and other disadvantage groups

Learn more about eTRI at <https://www.youtube.com/watch?v=ilr7tZel6Lg>



Organisational form: Company (LLC), first officially registered social enterprise in Slovenia

Center ponovne uporabe is a company specialising in reusable goods.

Their business model consists of renovating abandoned not used spaces (rented for symbolic price) and turning them into collection centres for donations of old goods and thrift stores. The products are refurbished and sold. They currently operate in 13 cities across Slovenia.

The company employs people with disabilities and other disadvantaged groups on the labour market.

Table 3.3 below indicates typical fields of activity by each of the identified group of enterprises.

**Table 3.9 Fields of activity**

Field of activity	Enterprises registered under 2011 Act	Companies for the disabled	Institutions
Social protection			
Family care			
Protection of persons with disabilities			
Science, research, education and upbringing			
Provision and integration of youth work			
Sport and physical culture, whose purpose is recreation and socialization			
Environment and waste treatment			
Ensuring social inclusion, promotion of employment and vocational training for persons who are unemployed			
Work integration programs to help disadvantages workers enter the labour market, including social workshops, sheltered employment			
Organic food production			
Nature conservation, management and protection of the environment and animal welfare			
Promoting the use of renewable energy sources and the development of green economy			
Tourism for persons whose living conditions preventing or impeding access to			
Agriculture, hunting, forestry and fishing			
Wholesale, retail, services and repairs			
Real estate, housing			
Culture and arts			

Source: Registry of Social enterprises

In general, the current trends as noted by consulted stakeholders mainly relate to activities promoting food sufficiency, energy sufficiency, environmental causes, affordable housing and intergenerational activities.

#### 3.4.4 Target groups

Most of the social enterprises target disadvantaged groups (young, unemployed, homeless, older people, etc), among them people with disability are probably the most commonly

targeted. However, general public and communities are also targeted through social enterprises focusing on promoting food sufficiency, energy sufficiency, environmental causes etc.

### 3.5 Summary of mapping results

- It is estimated that around 900 organisations comply with the core criteria of the EU definition of social enterprises;
- The legal category of social enterprise does not capture the full universe of de facto social enterprises that exist in Slovenia;
- Social enterprises rely on EU project grants, subsidies for employment of vulnerable groups and income from market generating activities;
- Majority of the social enterprises are associations and institutes, companies for the disabled are also an important type of social enterprise (focussing primarily on work integration);
- Social enterprises achieve their social impact through employment of vulnerable groups. Recent trend is observed towards achieving environmental impact.



Table 3.10 Mapping the 'universe of social enterprises in Slovenia

Dimension	Criterion	Legally recognised social enterprises		De facto social enterprises
		Social Enterprise (2011)	Companies for the disabled	NGOs
Entrepreneurial dimension	The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	Yes	Yes	Some do
Social dimension	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	Yes	Yes	Yes
Independence and governance	It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making	Yes, as general legal rule, elaborated in by laws	Yes, 40% of the profit can be distributed	Yes, as general legal rule, elaborated in by laws
	It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations	Yes, as general legal rule, SE elaborate in by laws	Many are subsidiaries of larger companies.	Yes, as general legal rule, elaborated in by laws
	It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes	Yes, as general legal rule, SE elaborate in by laws	Mainly not fulfilled	Encouraged, but not a requirement, some NGOs elaborate in by laws
<b>Estimated number (2009 unless stated otherwise)</b>		<b>46</b>	<b>142</b>	<b>23,075</b>
<b>Estimated % meeting core criteria (appx)</b>		<b>100%</b>	<b>~20%</b>	<b>3.6%</b>
<b>Estimated number meeting core criteria</b>		<b>46</b>	<b>~30</b>	<b>830</b>
Entrepreneurial dimension	Share of income derived from : fees (incl. membership fees);trading income; rental income on assets; income from public contracting (both competitive tenders and direct contracting); grants and donations etc.	30% - 50% income generated from market sources  50% - 70% of income received from subsidies for employing vulnerable groups and other grants	Unknown	30% of the income generated from market sources
	The use of paid workers	Yes by law	Yes by law	Some do
Social dimension	Fields of activity	Employment opportunities for vulnerable groups, social/environmental services of general interest	Employment for the disabled	Social/environmental services of general interest

Dimension	Criterion	Legally recognised social enterprises		De facto social enterprises
		Social Enterprise (2011)	Companies for the disabled	NGOs
	Target groups (customers/ users of goods and services provided)	Vulnerable groups, general public	People with disabilities	Vulnerable groups, general public
Independence and governance	Transparency - a system for measuring and reporting impact	Obligatory social accounting	No system for reporting social impact	No system for reporting social impact
	Legal forms	Institutes, cooperatives, societies, companies	Companies	Institutes, societies, foundations, associations

## 3.6 Opportunities and barriers

Slovenian social enterprise 'sector' is young. As such it is evolving in all aspects including financial, legal, policy, know-how and general public awareness of it. The table below describes the key barriers to the sector's development as perceived by different stakeholders consulted.

**Table 3.11 Barriers to social enterprise start-up and growth**

Access to finance
<i>External barriers</i>
<ul style="list-style-type: none"><li>■ Apart from employment of disadvantaged, lack of public support– the Programme of Measures is yet to be implemented</li><li>■ Banks or other financial institutions do not offer social investments or microcredits; their awareness of this niche is extremely low.</li></ul>
<i>Internal barriers</i>
<ul style="list-style-type: none"><li>■ Social entrepreneurs (those registered according to the Act (2011)) largely rely on public tenders; limited success in other markets;</li><li>■ Current social enterprises are too small to be able to attract international impact investors;</li><li>■ Mostly regional focus with low possibility for up scaling; hence foreign investors are not attracted.</li></ul>
Lack of internal skills
<ul style="list-style-type: none"><li>■ Many social enterprises in Slovenia were established by NGOs. Those enterprises often lack skills to shift from project based funding to income generating activities on the market.</li><li>■ In general stakeholders agreed that managers lack entrepreneurial, business and finance skills.</li><li>■ Some stakeholders noted that social entrepreneurship recently became a popular concept. People decide to open a social enterprise without a proper market research, viable business model and knowledge of the market, industry.</li></ul>
Government policy
<ul style="list-style-type: none"><li>■ Lack of government incentives for registering as social enterprises; specifically current Programme of Measures does not include measures aimed at facilitating access to finance support (i.e. a financial instrument).</li><li>■ Current government measures for supporting environment mainly focused on Type B (WISE) social entrepreneurs. Lack of future incentives for developing entrepreneurial skills and Type A adjusted incentives (enterprises with a social mission);</li><li>■ Lack of knowledge and policy making regarding social entrepreneurship in the government structures;</li><li>■ Lack of knowledge on benefits and opportunities for social entrepreneurship within municipalities;</li><li>■ All ministries have legislative obligation to develop social entrepreneurship in their field of work. Frequent changes of high officials in the Government and existing stereotypes connote social entrepreneurship as social policy or socialist regime constrain the potential growth in this area.</li></ul>
Legal and tax regime
<ul style="list-style-type: none"><li>■ No fiscal benefits available to registered social enterprises;</li><li>■ No incentives for municipalities or other CSR company to work as strategic partners for social entrepreneurs;</li><li>■ Demanding conditions to maintain status of a social enterprise, especially for start-ups. Demanding reporting duties.</li></ul>
Lack of external business support

- Opinions of stakeholders differ regarding the availability of supportive networks. Some stakeholders believe there is currently sufficient number of external business support for those social enterprises that seek it. Some social entrepreneurs stated, there was no external support available, and they have learned the business on their own. Those entrepreneurs are now helping the new comers in the business. Some stakeholders believe social entrepreneurs are not seeking external support.
- However, stakeholders seem to agree that investment readiness support and financial consulting is still lacking.

#### Public awareness on social enterprises

- Despite recent upward trends in awareness of Slovenian consumers for buying local and eco, general awareness of consumers to buy goods from social enterprises (as oppose to for profit companies selling eco products) is still low;
- There is still a misunderstanding/confusion between the term social enterprise and organisation structures under the past socialist system.

#### Market conditions

- Due to difficult economic situation consumption is dropping and unemployment is rising. This could on one hand be a favourable environment to start a social business (pressing social issues are arising).

Since many of the enterprises are new, insights on the barriers for scaling up were not provided.

However, two barriers linked to the internal business model and products of the enterprises were mentioned:

- Enterprises have distinct local focus, not replicable in other places;
- Unviable business model for scaling – up. For instance the company heavily relies on subsidies received for employing vulnerable groups and other projects (70% of income).

Despite many barriers for social entrepreneurs in Slovenia, there is a number of enabling factors helping the market to develop. Table 3.6 below outlines some of the most important ones as stated by interviewed stakeholders.

**Table 3.12 Enabling factors for the future growth of social enterprises in Slovenia**

#### Access to finance

- The importance of social enterprise financing with the ESF/ERDF funds in current financial perspective;
- Rapidly growing number of private finance initiatives (FUND05);

#### Internal skills

- Tradition of social entrepreneurship in Slovenia. Know-how of cooperatives, private associations and companies for the disabled.
- Strong and important NGOs community working towards social causes – good know how of the pressing issues.

#### Government policy

- Strategy on Development of Social Enterprises 2013-2016 and supporting Programme of Measures ;
- Register of social enterprises with potential for higher visibility and future monitoring, analysis of the market;
- The establishment of Council for SE as an actor to form the SE policy;
- Study on measuring the social impact currently under preparation

- Positive public perceptions of non-profit organisations engagement in economic activity

#### Legal and tax regime

- Act on Social Enterprises (2011);
- There are measures/incentives in place to support employment of target groups of disabled and others vulnerable groups;
- Legislation enabling private entities to provide certain public services based on contracts with authorities ('concessions')

#### External business support

- Existing and rapidly growing support in terms of incubators, coworking spaces, academies, networking events;
- Potential for integration of social business support in current entrepreneurship support environment (VEM points, coaching, etc.)

#### Public awareness

- Traditionally strong feeling of solidarity among population

#### Other

- Large number of inactive public properties that can be used as facilities for social businesses;
- Existence of numerous initiatives in local communities
- The initiative Cradle to Cradle available to develop and transfer good practices in sustainable operations of enterprises;

## Annex 1 Comparative overview of legal forms commonly used by social enterprises in Slovenia

Legal form	Co-operatives	Institutions	Company limited by shares
Definition	<p>A cooperative is an association of persons united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.</p>	<p>Institutions are organisations that are set up to perform activities in the fields of education, science, culture, sports, health, social care, childcare, disability care, social security or non-profit activities.</p> <p>A social enterprise can use an institution as its legal form. The constitution (Articles of Association) of an institution can be drafted to provide for the features of a social enterprise. For example, the Articles can include social purposes and provisions.</p>	<p>A company limited by shares is a form of company commonly used by for-profit organisations. A company limited by shares is typically established with commercial aims, to distribute profits to its shareholders. A company established with solely commercial aims would not be considered a social enterprise.</p> <p>A company limited by shares means that for the debts of the company's shareholders are not liable with their assets, but it is the company itself responsible to the amount of the share capital.</p> <p>A social enterprise can use a company limited by shares as its legal form. The constitution (Articles of Association) of a company limited by shares can be drafted to provide for the features of a social enterprise. For example, the Articles can include social purposes and provisions which cap the dividends that can be paid to shareholders.</p>
Key national legislation governing the legal form	<ul style="list-style-type: none"> <li>▪ Law on Cooperatives - ZZad (Official Gazette of RS, no. 13/92 of 20 3 1992)</li> <li>▪ The Law on Amendments and Supplements to the Law on Cooperatives - ZAD-A (Official Gazette of RS, no. 7/93 of 4 2 1993),</li> <li>▪ Required explanation 67 of the Law on Cooperatives - ORZZad67 (Official Gazette of RS, no. 22/94 dated 28 4 1994)</li> <li>▪ Required explanation of the list of companies from 57 of the Law on Cooperatives - 4 point B section "Wine Cellar" - ORSPZZad (Official Gazette of RS, no. No. 35/96 of 5 7 1996),</li> <li>▪ The Law on Amendments and</li> </ul>	<ul style="list-style-type: none"> <li>▪ Institutes Act</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Companies Act (consolidated text) / CA-1-UPB3 /</li> <li>▪ Official RS, no. 65/2009</li> </ul>

Legal form	Co-operatives	Institutions	Company limited by shares
	<p>Supplements to the Law on Cooperatives - ZZad -B (Official Gazette of RS, no. 41/07 dated 11 5 2007) and</p> <ul style="list-style-type: none"> <li>▪ The Law on Amendments and Supplements to the Law on Cooperatives - ZZad -C (Official Gazette of RS, no. 87/09 dated 2 11 2009).</li> </ul>		
Whether the legal form is used exclusively or not exclusively for social enterprise	<p>Not exclusively for social enterprise.</p> <p>A co-operative can pursue virtually any purpose subject to the requirement that there should be a common, economic, social or cultural need or interest among the members of the co-operative.</p>	<p>Not exclusively for social enterprise.</p> <p>The objectives of the institution must be those of providing services in the fields of social welfare, health, education, utilities, youth, non-governmental sector, the environment or education.</p>	<p>Not exclusively for social enterprise.</p> <p>A company limited by shares can pursue any purpose whether profit making or social or both.</p>
Methods of creation	<p>To establish the cooperative, the founding members have to draft the statute and the articles of incorporation.</p> <p>The legal form then needs to register with the appropriate community registry.</p>	<p>An institution may be established after the Articles of Association of the institute are approved and the initial funds are provided for the establishment and commencement of the institution's work. The institute is then required to register with the appropriate community registry.</p>	<p>To establish the company, the founding members have to draft the memorandum and articles of association.</p> <p>The legal form then needs to register with the appropriate community registry.</p>
Required capital or assets	<p>There is no requirement for the legal form to hold a minimum level of capital or assets.</p>	<p>There is no requirement for the legal form to hold a minimum level of capital or assets.</p>	<p>Share capital (core capital) must be at least €7,500 and each primary input is at least €50.</p>
Management and corporate governance	<p>The members elect the bodies of the Cooperative (president and other members of the Management Board and the Supervisory Authority).</p> <p>Organisational and management structure is adapted to the size of the cooperative.</p> <p>Cooperatives with less than 10 members must have in addition to the General Assembly, at least, a</p>	<p>The Institute is managed by the Council of the Institute. The Institute Council consists of representatives of the founder, representatives of the staff, and representatives of users and the interested public.</p> <p>The Institute Council adopts the statute or rules and</p>	<p>It is a requirement to have such a board, although it may be only one person.</p> <p>The board of directors is responsible for the administration and management of the company.</p> <p>The company is required to have at least one</p>

Legal form	Co-operatives	Institutions	Company limited by shares
	<p>President and the supervisory authority, which may be single-judge (overseer) or collectively (Monitoring Committee).</p> <p>In larger cooperatives (with ten or more members) it is required to have that at least a three-member Management Board, with the chairman of the board being the president of the cooperative.</p> <p>The duties of the committee members of a society are: a fiduciary (in good faith) duty to act in the best interest of the society as a whole and its members; a duty not to misuse information for their own benefit; a duty not to misuse the society's property; and a duty not to allow their personal interests to over-ride the interests of the society as a whole.</p>	<p>other general acts of the institution. It adopts work programs and development of the institute and monitoring their enforcement, determines the financial plan and adopts the annual accounts of the Institute, proposes to the founder the amendment or extension of activities, gives the founder and the director of the Institute suggestions and opinions on specific issues and performs other matters determined statutory or by instruments of incorporation or by the statutes or the rules of the institution.</p> <p>Composition, method of appointment or election of members, term of office and powers of the Board shall be determined by law or instruments of incorporation or by the statutes or the rules of the institution.</p> <p>To the extent that the institution exists for a social purpose, as set out in the Articles, the obligation of the director is to advance the social purpose rather than to promote the success of the institution for the benefit of members.</p>	<p>director, and there is no limit on the number of directors the company may have.</p> <p>Directors are usually appointed by resolution of the other directors or the members.</p> <p>The duties of the director of a company are a fiduciary (in good faith) duty to act in the best interest of the company as a whole and its employees and to avoid a conflict of interests.</p> <p>To the extent that the company exists for a social purpose, as set out in the Articles, the obligation of the directors is to advance the social purpose rather than to promote the success of the company for the benefit of members.</p>
Conflict of interest	<p>Legal form has members</p> <p>Since the existence of a co-operative society is based on a contract between its members, the members have ultimate control over the rules and the appointment and removal of directors.</p>	<p>Legal form has members.</p> <p>Members of the institute have, in principle, their representative in the Council of the Institute.</p> <p>The statutes of the institute establish how many representatives the members of the institute have in the Council of the Institute and how they are elected.</p>	<p>Legal form has shareholders.</p> <p>Ultimate control of the company rests with the shareholders because of their rights to attend, speak and vote at the General Assembly.</p> <p>They can pass resolutions which change the Articles of Association and to appoint and remove directors.</p> <p>Shareholders have the right to receive the annual accounts, including the directors' and auditors'</p>



Legal form	Co-operatives	Institutions	Company limited by shares
Rights of members	Members are represented at general meetings of assembly where each member has an equal vote in the governance of the co-operative.	Members are represented in the Council of the Institute as provided for in the statutes of the institution.	<p>reports.</p> <p>Shareholders are represented at the General Assembly.</p> <p>They can also pass resolutions outside of a general meeting.</p> <p>If not otherwise required by the Articles or by company law, resolutions are passed with the majority (&gt;50%) of the votes cast.</p> <p>General Assembly meetings may be called at any time by the directors. Shareholders can also ask the directors to call a general meeting.</p>
Voting and representation of members in general meetings	A cooperative does have shares but only insofar as each member (regardless of size of their shareholding) has one vote.	<p>Legal form has founding shares.</p> <p>The amount of initial interest does not constitute an equivalent share of voting rights. The right to vote in the highest authority of the institution - the institution's council is defined in the statutes of the institution, which may, for example, allow members of the institute the majority of the representatives in the council.</p>	<p>Legal form has shares.</p> <p>Shares usually carry voting rights but this is not necessarily the case. The rights attaching to the shares are set out in the constitution.</p>
Types of shares, if any	<p>The cooperative principles require that share capital receives a strictly limited reward.</p> <p>Any distribution to members must be in the form of a dividend on their transactions/trade with the society. Not more than 20% of the profit can be</p>	Not applicable to legal form.	Subject to profits available for distribution, there are no limits on dividends unless the Articles of Association include any limits.

Legal form	Co-operatives	Institutions	Company limited by shares
	distributed to shareholders.		
Distribution of dividends on share capital	Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.	No legal provisions regarding reserves.	No legal provisions regarding reserves.
Allocation of the surplus particularly to compulsory legal reserve funds	Legal reserves must be used for the business of the cooperative.	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.
Distinction dividends/refunds and distribution of refunds	There is no distinction between dividends and refunds.	Refunds not applicable to legal form.	Refunds not applicable to legal form.
Restrictions on ability to trade	Any economic activity undertaken by a co-operative must be undertaken subject to the ICA's principles. Principally, the economic activity must be "sustainable".	The activities of the Institution must be not for profit. The objects set out in the company's Articles of Association may include a reference to a social enterprise' social aim(s). If this is the case then the company should only pursue economic activity which is consistent with the stated social aim.	The objects set out in the company's Articles of Association may include a reference to a social enterprise' social aim(s). If this is the case then the company should only pursue economic activity which is consistent with the stated social aim.
Internal financing (eg. investment title, member investors, increase in members)	There may be legitimate circumstances for a cooperative to look to its members for additional share capital. It can also seek donations or loans from its members and it can issue bonds to its members.	Institutions can make internal investments to the extent that is defined as the possibility of co-founding, in which co-founder invests as a founding share, which can be obtained after a certain time back only if it is defined in the statutes of the institution.	The company can allot or issue shares to its members to raise capital. It can also seek donations or loans from its members and it can issue bonds to its members.

Legal form	Co-operatives	Institutions	Company limited by shares
contributions)		An institution can also seek donations or loans from its founders and it can issue bonds to its founders.	
External financing (e.g. banking loans, issuing bonds, specific investment funds) including possibility for non-member investors	A cooperative can attract external investment through conventional equity finance. It can also obtain loans from banks or other financiers or it can issue bonds. It can also seek grants and donations.	An institute cannot raise funds by way of equity investment. However, an institute can obtain loans from banks or other financiers. It can also seek grants and donations.	A company limited by shares can be financed by equity investment by issuing shares to external investors. It can also obtain loans from banks or other financiers. It can also seek grants and donations.
Transparency and publicity requirements (and related auditing issues)	Cooperatives are required to submit an annual report to the Agency of the Republic of Slovenia for Public Legal Records and Related Services.  Accounts must be audited by an independent qualified auditor unless exemptions permitting a less rigorous accountant's report apply on the basis of the society's turnover and net assets.	The institute shall submit an annual report to the Agency of the Republic of Slovenia for Public Legal Records and Related Services.  Accounts must be audited by an independent qualified auditor unless exemptions permitting a less rigorous accountant's report apply on the basis of the society's turnover and net assets.	Companies shall submit an annual report to the Agency of the Republic of Slovenia for Public Legal Records and Related Services.  In accordance with the Corporations Act, the audit of the financial statements and annual report are subject to medium and large enterprises that in two consecutive years exceeds at least two of the following criteria:  <ol style="list-style-type: none"> <li>1. the number of employees exceeds 50,</li> <li>2. Net sales revenue in excess of €7.3 million</li> <li>3. value of the assets exceeds €3.65 million</li> </ol>
Employee involvement systems	Employees can only participate in decision making or by the receipt of profits if they are members.	Paid members of staff of the company can sit as directors on the institute's board.  Institutes can involve their staff in other ways, such as establishing consultative boards or encouraging a staff representative to join the board, but there is no legal requirement for a company to do so.	Paid members of staff of the company can sit as directors on the company's board.  Companies can involve their staff in other ways, such as establishing consultative boards or encouraging a staff representative to join the board, but there is no legal requirement for a company to

Legal form	Co-operatives	Institutions	Company limited by shares
		Employees cannot receive a proportion of the legal form's profit.	do so. Employees can only receive a proportion of the legal form's profits if they are shareholders.
Rules on bankruptcy, receivership, winding up, voluntary or mandatory liquidation	<p>The cooperative can be wound up:</p> <ol style="list-style-type: none"> <li>1. with the expiry of the period for which it was founded, if it has been established for a fixed period, and the General Assembly before the end of this time hasn't decided to continue the business of the cooperative;</li> <li>2. if a final court decides to annul its registration;</li> <li>3. after bankruptcy;</li> <li>4. if so decided by the General Assembly;</li> <li>5. if the number of its members is reduced below the minimum number required by law continuously for at least six months; or</li> <li>6. in other cases stipulated by law.</li> </ol>	<p>The Institute can be wound up:</p> <ol style="list-style-type: none"> <li>1. If the final court decision annuls the entry in the register of the institution,</li> <li>2. If the founder adopts the act of ceasing the institution, because the needs and conditions for carrying out the activities for which the institution was founded, stopped</li> <li>3. In other situations specified by law or Articles of Incorporation.</li> </ol>	<p>The company can be wound up:</p> <ol style="list-style-type: none"> <li>1. If the time for which it is established elapses;</li> <li>2. If so decided by shareholders with at least a three-fourths majority vote of all shareholders, the partnership agreement may set a higher majority;</li> <li>3. If the Court finds invalidity of a capital company;</li> <li>4. Bankruptcy;</li> </ol> <p>Any shareholder whose shareholding is at least one-tenth of the share capital may request the action, that the court decides on the dissolution of the company, if it considers that it cannot sufficiently achieve the company's objectives or that there is any other reasonable grounds for the dissolution of the company.</p> <p>The first phase of insolvency proceedings is debt settlement, which occurs if the company becomes insolvent. In this case, the administrator, appointed by the court carries out the procedure in which the company's management proposes a restructuring business and debts of the company's program. The company's creditors decide whether they accept the proposed program and if the majority they write off the majority of claims to the company.</p>

Legal form	Co-operatives	Institutions	Company limited by shares
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	Remaining assets are returned to the members in proportion to their shares unless the cooperative's rules specify a different purpose or a different basis for distribution among the members.	Remaining assets of the institute are distributed among the members in proportion to their shares unless the institute's rules specify a different purpose or a different basis for distribution among the members.	Assets of the company which remain shall be distributed among the members in proportion to their shares unless the company's constitution specifies a different purpose or a different basis for distribution among the members.
Conversion to another form of company	The cooperative can be transformed into: <ul style="list-style-type: none"> <li>▪ A company other than a silent partnership,</li> <li>▪ Economic Interest Grouping.</li> </ul>	This legal form cannot convert to a different type of legal form.	A company limited by shares cannot convert to a different type of legal form.

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Union of Slovenian cooperatives: <http://www.zadruzna-zveza.si/>

## A2.2 List of consultees

Name of the interviewee	Organisation/ Role	Stakeholder category
Marinka Vovk	Center ponovne uporabe d.o.o, so.p./director	Social enterprise
Branka Kovačič	Cooperative Konjice z.b.o, so.p	Social enterprise
Karolina Babič	CAAP Maribor	Umbrella organisation for social enterprises
Gregor Sakovič	FUND05/Member of the management board	Social investors/intermediaries
Primož Šporar	SKUP – community of private associations	Social investors/intermediaries/networks
Tadej Slapnik	Slovenian Social Entrepreneurship Forum	Networks, representatives of social enterprises
Boris Koprivnikar	Community of social institutions of Slovenia	Social partner organisations
Goran Forbici	CNVOS Centre for information service, co-operation and development of NGOs	Social partner organisations
Alenka Hren	SPIRIT	Public organisation providing financial or business development service to social enterprises