



European Association of
Service providers for
Persons with Disabilities

The State of Play of Social Economy Development in non-EU Countries



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Abstract

In December 2021 the European Commission adopted “Building an economy that works for people: an action plan for the social economy (SEAP)”, a milestone document setting up the policy focus for the next 9 years of investment in social economy. The impact of SEAP will go beyond the EU Member States and regions, reaching out partners from Western Balkans and Eastern Neighbourhood countries. The purpose of the present study is to provide an analysis of the situation of the social economy sector in seven non-EU countries – Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia and Ukraine, countries belonging to Western Balkans and Eastern Neighbourhood regions. The specific objectives aimed at understanding and assessing contributing factors, the strategic, institutional and legal context of the social economy sector in the selected non-EU countries, in order to determine its strengths and weaknesses, as well as assessing its role within society, including in time of crisis as COVID19 pandemic and the Ukraine war. The methodological approach used in the study combines primary and secondary data collected through quantitative and qualitative research methods, including desk research, semi-structured questionnaire, secondary data analysis and in-depth expert interviews. The results indicate incremental progresses in terms of social economy sector

political and legal recognition, and visibility and conceptual understanding of the social economy specificity and role within the society. The study also acknowledges the difficulties and barriers encountered by social economy organisations in the analysed countries regarding the access to public and private resources, limited managerial skills and available business models, unsupportive legal and fiscal system, fragile networks and support structures, incoherent social economy ecosystem. The study confirmed that the EU represents the most important donor for the social economy sector in general, and for social enterprises in particular in the Western Balkans and Eastern Neighbourhood countries. Despite that, the European policy framework promoting social economy development is not well known and understood by local policymakers and stakeholders. Increased presence and connection of EU networks with national public and private stakeholders around the SEAP concept can be useful, facilitating the understanding of the role of social economy organisations in various policy areas such as the employment of vulnerable groups, social services reform, green and digital transition, regional integration and convergence with EU.

Key words: social economy, social enterprises, Western Balkans, Eastern Neighbourhood, Social Economy Action Plan.



Abbreviations

| No. | Abbreviation | Term |
|-----|--------------|--|
| 1. | CEE | Central and Eastern Europe |
| 2. | CSO | Civil Society Organisations |
| 3. | EASPD | European Association of Service providers for Persons with Disabilities |
| 4. | EC | European Commission |
| 5. | EU | European Union |
| 6. | FBiH | Federation Bosnia and Herzegovina |
| 7. | LLC | Limited Liability Company |
| 11. | NGO | Non-Governmental Organisation |
| 12. | PWD | Persons with disabilities |
| 13. | SE | Social Economy |
| 14. | SEE | Social Economy Entities |
| 15. | SEAP | Building an economy that works for people: an action plan for the social economy |
| 16. | UNDP | United Nations Development Program |
| 17. | USAID | United States Agency for International Development |
| 18. | WBs | Western Balkans |
| 19. | WISE | Work Integration Social Enterprise |



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Executive summary

The purpose of the present study is to provide an analysis of the situation of the social economy sector in seven non-EU countries – Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia and Ukraine, countries belonging to Western Balkans and Eastern Neighbourhood regions. The specific objectives aimed at understanding and assessing contributing factors, the strategic, institutional and legal context of the social economy sector in the selected non-EU countries, in order to determine its strengths and weaknesses, as well as assessing its role within society, including in time of crisis as COVID19 pandemic and the Ukraine war. The study responds to different questions regarding the status quo and development perspectives for social economy sector in non-EU countries. The social economy characteristics in the seven selected non-EU countries are described and analysed, focusing on the visibility and notoriety of the social economy concept, specific operational definitions used in non-EU context, the role of the EU models and initiatives in shaping local practices at organisational level and policy level. The study reveals that selected non-EU countries are actively exploring the opportunities that social economy can offer for the communities, public and private sector, even if there are a lot of challenges in developing the sector. In the last seven years, some improvements happened in the social economy sector in the selected non-EU countries due to top-down and bottom-up factors. The main top-down factors that have driven the development of social economy sector are: 1) the general negotiation process for EU access, 2) national legislation framework adopted in some of the selected countries, and 3) the funding opportunities from EU or other international organisations. The most significant **conclusions** that emerge from the analysis of the social economy situation in the non-EU countries included in the research are the following:

- a) **Incremental progresses in terms of social economy sector's visibility and recognition can be noticed.** This improved situation is more present in countries like Albania, Moldova or Serbia where new legislation was developed recently. Still, everywhere in the region there is limited information, low awareness and knowledge about social economy and social enterprises.
- b) **Limited steps are made to ensure an enabling legal and regulatory framework for social economy entities in general and for social enterprises in particular.** In the last decade, we can observe efforts to update or create new legislation in all analysed countries, mainly concerning the legal regime for association and foundations and social enterprises (including here the WISEs and protected shelters). Still, besides the limited recognition we cannot see other policy effects on social economy sector.
- c) The analysis of the fiscal framework for social economy organisations shows **limited and fragmented fiscal support for social economy actors.** Beyond the legal recognition we cannot find consistent fiscal policy targeting social economy actors.
- d) **The strategic approach to the social economy sector development is severely missing.** In countries as Albania or Macedonia we can find the social economy entities mentioned in Government Programs as a vehicle for better integration of vulnerable categories on labour market or mentioned in strategic documents defining the cooperation between Government and civil society (North Macedonia). In Moldova, there is a strategy for social entrepreneurship. Overall, the non-EU countries' policy landscape can be characterized by inconsistency and lack of policy coordination regarding the development of the social economy sector.
- e) **The access to finance is a major issue, hampering the development perspectives for the social economy sector** in non-EU countries from Western Balkans and Eastern Neighbourhood. Social economy actors mobilize a variety of external resources in order to perform their activities –

from donors (most accessed resources), shareholders' contributions, donations, but also subsidies from government and debt-based finance from banks, their profits from provision of goods and services.

- f) **The access of the social economy organisations to public and private markets in the analysed non-EU countries it is very difficult.** Despite new reforms regarding social procurement that have been recently introduced, in general very much influenced by the EU policy in this area, the access to public market through social public procurement and access to private markets is limited, facing many obstacles in implementation.
- g) **The lack of skills and managerial capacity it is identified as a problem** shared by different categories of stakeholders having an interest in the development of the social economy sector. Better skills and capacity will generate better partnership relations between the public sector and the social economy sector, will enhance the quality of policy decisions regarding the future of this sector.
- h) In the analysed non-EU countries, **the impact measurement is a challenge.** The impact measurement is equally important for social economy actors, private actors working with social economy organisations and public authorities. The social impact measurement results can stimulate the trust in social economy organisations capabilities and contributions to the society.

The final section of the study is focusing on specific **recommendations for EU policymakers on how to facilitate and support the development of the social economy sector in Western Balkans and Eastern Neighbourhood countries.** Based on the expert opinion of different categories of stakeholders from the analysed countries, the EU support for the social economy sector should be centred on:

- **Continuous support for grassroots initiatives and support intermediaries to develop financial products adapted to the needs of social economy entities:** long-term funding schemes, development of social finance instruments, increased access to EU funds. Also, **the public procurement reform should**

by supported by providing guides and methodologies for social and green procurement policy design and implementation.

- Support for the development of an enabling legal and institutional framework for social economy organisations, **investing in the development of a participative policy framework and mutual learning spaces.** In countries where the legal framework is still missing, the public consultation framework can create favourable conditions for improved legislative process. The institutionalization of social enterprises in particular can be supported by access to information regarding different business models and practices, design of an improved and regular data collection system.
- **Promotion of the concept of “social economy ecosystem”, emphasising on the importance of continuous capacity building, collaboration and networking** for all the actors of the ecosystem by exchange of information and good practices, recommendations for the development and implementation of social economy action plans (SEAP). **The national policy makers should be encouraged to take advantage of the EU international cooperation policy** (The Instrument for Pre-Accession Assistance and the Neighbourhood, Development and International Cooperation Instruments) and use the free resources available for policy makers (e.g. policy briefs on social economy topics, guides on legal forms and social impact measurement, recommended tools for policy makers).
- **The SEAP concept and process should be better promoted and explained** within the analysed countries. Despite the fact that EU represents the most important donor for social economy sector in general, and for social enterprises in particular, the European policy framework promoting social economy development is not well known and understood. Increased presence and connection of EU networks with national public and private stakeholders around the SEAP concept can be useful, facilitating the understanding of the role of social economy organisations in various policy areas as employment of vulnerable groups, social services reform, green and digital transition, regional integration and convergence with EU.



Introduction

The countries from Western Balkans and Eastern Neighbourhood regions belong to European traditions and share many historical background elements and social economy characteristics with EU countries, especially with EU countries from the CEE region. The renewal of the social economy in the last decades in Western Balkans and Eastern Neighbourhood region benefited from sustained dialogue and cooperation with European countries and the European Commission on various aspects related to social economy sector development, from theoretical aspects to funding and technical assistance.

In the last decade, social economy organisations from Western Balkans and Eastern Neighbourhood region (associations and foundations, cooperatives, mutuals, social enterprises), populating the organisational space between the State and the market, have raised the interest of both policy makers and scholars. Recent comparative reports analysing specifically social economy organisations have been launched, bringing new information and perspective on the situation in the non- EU countries. Here we mention the series of national reports on “Social Economy in Eastern Neighbourhood and in the Western Balkans” (AETS Consortium, 2018) published by the European Commission in 2018.

Another large comparative study also published by the European Commission in 2020 was focusing specifically on social enterprises (European Commission, 2020). The report on “Social Enterprises and their ecosystems in Europe” includes country reports for all EU Member States and country fiches for non-EU Member States such as Albania, North Macedonia, Montenegro, and Serbia. The comparative study explores social enterprises ecosystem development trends, challenges, and opportunities, emphasising on the commonalities but also specificity of each individual country.

Other recent contributions to a better understanding of the social economy organisation in Western Balkans is the comparative study on “Social Economy as a main driver of economic and social development in the Western Balkans and

Visegrad Region” (Tosheva and Petriskova, 2020). Also, a recent volume dedicated to the study of social enterprises “Social enterprises in central and eastern Europe – theory, models and practice (eds. Defourny and Nyssens, 2021) include comparative studies between countries from Western Balkans, Eastern Neighbourhood and CEE (Georbelidze, 2021; Cvejic, Zoehrer, Urutyan, 2021).

At the general level of the report, social economy is understood as a variety of different enterprises, organisations and legal entities, having a specific focus on the people to produce a positive impact on local communities and pursue a social cause, that have a democratic structure and reinvest most profits (especially in areas such as services of interest to members, community interest or sustainable development). A specific section will address the definitions and the legal forms in use in the seven countries included in the analysis.

In order to develop a better understanding of the context in which social economy actors operate, the study aimed to assess the legal and fiscal framework governing the functioning of social economy organisations in each analysed country. Comprehensive data regarding the size and composition of the social economy sector, scope and articulation of the social economy organisations, policy ecosystem enabling the functioning of social economy organisations have been collected and analysed in order to facilitate understanding of the general context and development trends, identify barriers and challenges to social economy development in the selected countries from Western Balkans and Eastern Neighbourhood region.

The methodological approach used in the study combines quantitative and qualitative research methods, including desk research, secondary data analysis, semi-structured questionnaire and in-depth expert interviews. The core team worked closely with seven local experts from the targeted countries, which were responsible for drafting the country fiches and conducting the in-depth interviews (where possible). **Table 1** below summarises the data collection tools applied in each country.



Table 1.

Data collection tools applied at country level

| Country | Country-fiche | In-depth interviews |
|------------------------|-------------------------------|---|
| Albania | Yes, in full format | 1 social economy expert – academic researcher 1 representative of the local authorities 1 social economy network representative |
| Bosnia and Herzegovina | Yes, in full format | 1 social economy expert – academic researcher & practitioner 1 representative of the national authorities 1 social economy network representative |
| Moldova | Yes, in reduced format | 1 social economy expert – academic researcher 1 social economy network representative 1 social economy relevant practitioner |
| Montenegro | Yes, in full format | 2 representatives of the national authorities 1 social economy relevant practitioner |
| North Macedonia | Yes, in full format | 1 social economy expert 1 representative of the national authorities 1 social economy network representative |
| Serbia | Yes, in full format | 1 social economy expert 1 decision-maker 1 social economy relevant practitioner |
| Ukraine | Yes, in full format | 1 social economy expert |

The desk review was the first phase of the research, which thoroughly examined a wide range of available secondary data coming from documents, reports, academic articles etc. related to the social economy status quo and evolution in each of the countries included in the study. Existing reports from national governments, reports and assessments made by the European Commission, other international organisations, local social economy organisations' reports, academic comparative studies, statistical data have been used in order to comprehensively assess the size, structure and dynamic of social economy sector in the selected countries from Western Balkans and Eastern Neighbourhood region, and to understand trends and challenges in social economy development.

The country fiche template was designed to collect technical information such as the main features, typologies of the social economy entities active in the selected countries, mapping, legal and fiscal framework, policy measures in support to the social economy at national level, characteristics of target population or members served by social economy organisations, support infrastructure for social economy entities (networks, support centres), access to finance, major challenges and barriers.

In completion to the country fiches, 19 in depth interviews have been conducted in the selected countries with social economy experts (academic researchers, consultants etc.), representatives of the national authorities / decision-makers and /



or social economy network representatives or relevant practitioners. The interviews targeted qualitative aspects such as stakeholders' perspectives of key problems and opportunities, skills need and skills gaps, national good practices, the role and impact of the SEE during the COVID19 pandemic and more recently during the crisis caused by the Russian invasion of Ukraine. Close attention was given to issues related to the impact of the European Commission's initiative "Building an economy that works for people: an action plan for the social economy" (Commission Communication COM (2021) 778 final), also known as the "Social Economy Action Plan (SEAP)"¹. All the information collected from major stakeholders active at national level were analysed and grouped in a set of comprehensive conclusions and recommendations.

This report represents a synthesis of the information gathered through the means described above and emphasises the most relevant findings and highlights of the targeted countries. Important details of the state of play of the social economy in each of the countries can be found in the country fiches annexed.

In the first section, the study presents the evolution and the state of play of social economy in non-EU countries, on aspects such as general characteristics, institutional framework (definition, main features and people targeted, forms of entities and entities' mapping), policy framework (legal framework, fiscal framework, support measures for the social economy sector and social procurement), additional initiatives supporting social economy (networks and support mechanisms), challenges and opportunities and skills needs and gaps.

¹For an easier reading of the report and the section addressing the European Commission's initiative "Building an economy that works for people: an action plan for the social economy" (Commission Communication COM (2021) 778 final), the authors will use in the remainder of the report the short denomination of the initiative – the Social Economy Action Plan or SEAP.

The second section identifies and presents promising practices for the development of the social economy sector in the non-EU countries included in our analysis, regarding legal and institutional frameworks or public policy measures, as well as projects or programmes and networks or coalitions.

The third section focuses on the analysis of the role and impact of the social economy sector in non-EU countries during the most recent crises of the COVID19 pandemic and the invasion of Ukraine. The section details and presents practical examples from the seven countries analysed on how social economy organisations and social enterprises brought their contribution on mitigating the devastating effects of the health and humanitarian crises.

The fourth section of the study focuses on the impact of the European Commission's initiative "Building an economy that works for people: an action plan for the social economy" (Commission Communication COM (2021) 778 final), also known as the "Social Economy Action Plan (SEAP)" in the non-EU countries targeted. The chapter includes both a brief presentation of SEAP's priorities and objectives and some highlights of its implementation at national level in Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia, and Ukraine.

The last section of the study presents a series of conclusions and recommendations for national policy makers on how to support the development of social economy in non-EU countries, as well as recommendations to EU policymakers and stakeholders of how to facilitate and support the development of social economy in non-EU countries to achieve a sustainable and strong sector.



1. Evolution and the state of play of social economy in non-EU countries

1.1. Social economy sector – general characteristics

The term “social economy” embraces a range of concepts used in the various EU Member States, such as the third sector, solidarity economy, alternative economy, non-profit sector, the not-for-profit sector and voluntary sector. They operate in a large variety of economic sectors, and they have been identified as creative responses to contemporary societal challenges, including forestry and fishing, energy, reuse and repair, social work activities, climate change, waste management, migration and enhancing social cohesion through culture, art, and sport (European Commission, 2021a; European Commission, 2020).

Historically, in the European tradition, social economy organisations are divided into four groups: associations (including charities), mutuals, co-operatives, and foundations. Social enterprises are now considered part of the social economy, such an innovative branch of the social economy which provide new, innovative services to society in various sectors.

Thus, the social economy has gradually expanded its operational sectors, playing a pivotal role during the economic crisis and nowadays in the twin transition. In fact, in light of the experience of the COVID19 pandemic, the Commission updated the EU industrial strategy, highlighting the need to accelerate the green and digital transitions and increase the resilience of key industrial ecosystems and recognise proximity and social economy as one of the 14 key industrial ecosystems in Europe. Beyond national differences in terminology and legal forms, social economy entities are distinguished from capital-based com-

panies by shared principles (Monzón and Chaves, 2012)² and common characteristics (Social Economy Europe, 2015) such as:

- Primacy of people and the social objective over capital;
- Democratic control by the membership (does not concern foundations as they have no members);
- Voluntary and open membership;
- The combination of the interest of members/user (collective interest) and/or society at large (general interest);
- The defence and application of the principles of solidarity and responsibility;
- Autonomous management and independence from public authorities;
- Reinvestment of the essential surplus to carry out sustainable development objectives, services of interest to members or services of general interest.

Nevertheless, it is still hard to find an exact, common definition of the social economy and social enterprises, because so many definitions exist, based on the different organisational forms that are used in Europe and around the world. In the Social Business Initiative (SBI) the European Commission proposed the following operational definition of social enterprise: “a social enterprise

²On 10 April 2002, the main European social economy actors, represented by the CEP-CMAF (European Standing Conference of Co-operatives, Mutuals, Associations and Foundations), the predecessor of Social Economy Europe, adopted the Social Economy Charter (Social Economy Europe, 2015), revised in 2015, defining the identity, core values and characteristics shared by all social economy actors.



is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fash-

ion and uses its profits primarily to achieve social objectives. It is managed openly and responsibly and, in particular, involves employees, consumers and stakeholders affected by its commercial activities” (European Commission, 2014)³.

Table 2.

An attempt to operationalise the concept of social enterprise based on the Social Business Initiative

| Main dimension | General definition | Minimum requirements |
|---|--|--|
| Entrepreneurial/ economic dimension | <p>Stable and continuous production of goods and services</p> <ul style="list-style-type: none"> > Revenues are generated mainly from the direct sale of goods and services to private users or members and public contracts. <p>(At least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets)</p> <ul style="list-style-type: none"> > Although relying on both volunteers (especially in the start-up phase) and non-commercial resources, to become sustainable, social enterprises normally also use production factors that typically function in the monetary economy. | Social Enterprises must be market oriented (incidence of trading should be ideally above 25%) |
| Social dimension | <p>The aim pursued is explicitly social. The product supplied/ activities run a social/general interest connotation</p> <ul style="list-style-type: none"> > The types of services offered, or activities run can vary significantly from place to place, depending on unmet needs arising at the local level or in some cases, even in a global context. | Primacy of social aim must be clearly established by national legislation, the statutes of Social Enterprises or other relevant documents. |
| Inclusive governance ownership dimension | <p>Inclusive and participatory governance model</p> <ul style="list-style-type: none"> > All concerned stakeholders are involved, regardless of the legal form. > The profit distribution constraint (especially on assets) guarantees that the enterprise’s social purpose is safeguarded. | The governance and/or organisational structure of Social Enterprises must ensure that the interests of all concerned stakeholders are duly represented in decision-making processes. |

Source: European Commission, 2020

³The Social Business Initiative (SBI), launched in 2011, was an important package of actions to support the development of social enterprises (European Commission, 2014). It contained 11 priority measures, organized into three themes: facilitating access to funding, improving the visibility of social entrepreneurship and simplifying the regulatory environment. For more info, please visit https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/social-enterprises_en;



Where the social economy and the social enterprises are considered a relatively new phenomenon, such as in the Western Balkans (WBs), one of the frequent questions is how to recognise a social enterprise and how a social enterprise differs from traditional enterprises (BC4ESE project, 2022). In this respect, the attempt to operationalise the concept of social enterprise based on the SBI could be a methodological step that allows for the application of a shared definition in all national contexts (European Commission, 2020).

Today, social economy is becoming more important in the European economic system. Some 2.8 million social economy entities in Europe offer concrete and innovative solutions, providing more than 13.6 million paid jobs and more or less 6.3% of the working population. However, in the more recent Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, Cyprus and Slovakia, the social economy sector remains a small emerging sector that employs under 2% of the working population (Monzon and Chaves, 2018, p. 66).

A similar trend is happening in WBs, Ukraine, and the Republic of Moldova, where social economy is considered a relatively new phenomenon. Despite the different levels of development of the Balkan countries – EU members on the one hand and the Western Balkan countries on the other, but also the Republic of Moldova and Ukraine aspiring to join the EU – the regions as a whole are actively exploring the opportunities that social economy enterprises and organisations can offer for the communities, public and private sector. This is, to a certain extent, to be expected, given that the concept of social enterprises in Europe emerged in the early 1990s and during the same years, most countries in the Balkans were going through transitions, which undoubtedly contributed to the delayed emergence of social enterprises in the region (in the mid-2000s) compared to the rest of Europe.

For instance, the long transition process of North Macedonian society has created numerous social challenges that profoundly affected the economy and other segments of social life, including the living standard and quality of life. The inflexibility of the labour market, poverty, increasing social

exclusion rates, disparities in regional development, migrations and significant brain drain, environmental pollution and sustainable development represent major challenges. Today, the slow economic growth is significantly hampered by the current energy crises, the war in Ukraine and the increasing inflation rates. In the last decade, despite the challenging context and the fragmented ecosystem, social enterprises have been emerging in the country, even if the ecosystem remains underdeveloped and in its infant stage, lacking the capacity to offer the needed services and support to steer the development of the sector.

Much the same is happening in Serbia, where the ecosystem for social economy entities still cannot be considered enabling (European Commission, 2018a). There is no specific policy framework for the development of the social economy sector, nor is there still consistent fiscal policy enabling the survival of social economy entities. Still, few laws regulate the establishment and operation of some social economy entities, such as cooperatives, work integration social enterprises (WISEs), enterprises for the professional integration of persons with disabilities (PWDs) and recently, social enterprises. More and more actors in the public sector comprehend the concept of social enterprises, while social economy is still a vague concept for most of the actors in Serbia. The potential of the social economy is not sufficiently recognised nor exploited, even because its concept is not sufficiently known in WBs, Ukraine and Moldova.

Indeed, in Montenegro, social economy entities are underdeveloped, fragmented, disorganised, poorly equipped, with limited capacities and resources to carry out work, and entirely dependent on donations; their incomes are minimal, and most of them have to compete in traditional markets (European Commission, 2018b). Only a few social economy entities are on their way to becoming sustainable; they mostly focus on the employment of disadvantaged groups. They operate with limited access to markets, primarily due to a lack of capacities, no formal recognition, and no specific regulation related to social enterprises and the social economy. The only favourable legislative support comes from the Ministry of Economy of Montenegro (2018), based on the



“Strategy for the development of micro, small and medium enterprises in Montenegro 2018-2022”, but it is more a legislative framework with no concrete activities of support.

The lack of a national strategy and/or single law on social economy demonstrates the state’s lack of understanding and effective support. It also indicates social economy sector’s weakness in cooperating and effectively advocating for a more enabling environment for their activity. Another hindering factor to effective public awareness and policy advocacy is the lack of centralised data for SE. For instance, the Albanian Institute of Statistics (INSTAT) does not collect data on any entity belonging to SE, except for several not-for-profits and their number of employees.

However, major improvements happened in the last few years. Both top-down and bottom-up factors generated these changes. From the top-down perspective, the non-EU countries part of the report (WBs, Ukraine and Republic of Moldova) recognised three main factors:

- 1) The general negotiation process for access to the EU, which brought new experiences and opened the public sector to new concepts, initiatives, and exchange of good practices. The increased recognition of social economy entities on the EU level, the role they played during the COVID-19 crisis, the new European Action Plan on social economy and the increased funding opportunities encouraged the development and recognition of the sector.
- 2) National policies and laws adopted in the last years in Western Balkans and Republic of Moldova supported the enlargement of the region’s social economy and social entrepreneurship.
- 3) The funding opportunities from EU or other international agencies/ organisations that encourage the development of social entrepreneurship. In 2020, North Macedonia adopted the new Law no. 104/2019 on Social Protection and the new Law no. 24/2019 on Public Procurement (similar in Serbia, according to Smart Kolektiv (2017)). For instance, in Serbia, a working group was established to prepare a draft of the Law no.

14/2022 on Social Entrepreneurship that the Parliament adopted, and by it, the Council for Social Entrepreneurship was established. A similar situation happened in Bosnia and Herzegovina (Rosandic and Kusnikova, 2018; Šimundža et. al., 2016), thanks to the adoption of laws on social entrepreneurship. Republic of Moldova has a legislation that introduce social entrepreneurship and a national strategy for the development of social entrepreneurship.

In Ukraine, social entrepreneurship is often wrongly interpreted as a form of charity (WHS, 2020; Malinkin, n. d), because of the term “social,” which is associated with non-profit, subsidised activities (AETS Consortium, 2018) or as a form of Corporate Social Responsibility – CSR (Pact, 2018), which is not always regular practice. However, the social economy in Ukraine has been developing for more than a century. More than a century ago, Ukrainians created a massive cooperative movement. More than a hundred years ago, cooperatives of forestry, agriculture, oil unions, and solidarity banks worked for the social purposes of preserving and developing culture, schooling, and inclusion. In 1918, there were 15 000 cooperatives united in 222 unions. But all these achievements were destroyed by the Soviet regime’s policies of communism and collectivism. The cooperative system was liquidated by the end of 30ies of the 20th century. The ideas of social entrepreneurship revitalised and became more and more popular after 2010. Among the main drivers for social entrepreneurship development were the Revolution of Dignity and the occupation of Crimea and Donbas (Sholya, 2019) in February 2014. Today we are assisting at the Russian invasion of Ukraine that has caused the greatest humanitarian crisis in Europe since the Second World War. As Anna Bjerde, World Bank Vice President for Europe and Central Asia, said⁴, “Russia’s invasion of Ukraine has triggered one of the biggest human displacement crises and exacted a heavy toll on human and economic

⁴<https://www.worldbank.org/en/news/press-release/2022/10/04/russian-invasion-of-ukraine-impedes-post-pandemic-economic-recovery-in-emerging-europe-and-central-asia>

life". The conflict in Ukraine is provoking significant trade disruptions, food and fuel price shocks, high inflation and subsequent tightening in global financing conditions.

Even in times of war, the existing social enterprises are doing their best to survive and help Internally Displaced People (IDP) and others suffering with their products or services. Over the last 5 years, the question of a specific law for the social economy has been raised more and more often. In this regard, a series of expert working group meetings have been conducted, ending with legislative document drafts sent to respective governmental structures. Still, the social economy in Ukraine develops mainly from the grassroots level, and all the current achievements in social economy are possible because of the active individuals and organisations passionate about social entrepreneurship.

Thus, in recent years, concepts such as social economy, social enterprises and social entrepreneurship have been integrated into national strategic documents such as the National Youth Strategy in Albania (2022), the Development Strategy of the Federation of Bosnia and Herzegovina 2021-2027, Platform of the development of social entrepreneurship in Republika Srpska, Strategy for the development of small and medium-sized enterprises of Republika Srpska for the period 2021-2027, National Strategy on Social Enterprises (2021-2027) for North Macedonia, National Programme for the Development of Social Entrepreneurship 2021 – 2025 of Republic of Moldova, as well as the Roadmap for Government Policy towards a More Enabling Environment for Civil Society (2019) in Albania.

From the bottom-up, more impactful changes have been introduced, such as 1) NGOs and civil society organisations that are becoming more

market-oriented for financing their activities through social entrepreneurship ventures and aim at the sustainability of the survival provided for their final beneficiaries; 2) The Generation Z and the appearance of young entrepreneurs aiming at developing a mission-oriented business; 3) More advocacy and cooperation between actors on a national level and actors active on EU level that enabled better outcomes from advocacy and lobbying initiatives, better opportunities for networking and mutual learning; 4) Increased interest in social entrepreneurship arose due to increased social needs in society and insufficient capacity to respond to all social and economic challenges with existing services.

1.2. Social economy institutional framework

1.2.1. Definition, main features and people targeted

As mentioned briefly before, at the general level of the report, social economy is understood as a variety of different enterprises, organisations and legal entities, having a specific focus on the people to produce a positive impact on local communities and pursue a social cause, that have a democratic structure and reinvest most profits (especially in areas such as services of interest to members, community interest or sustainable development). This section makes a brief analysis of the definitions and concepts used in the seven countries analysed when referring to social economy activities or other connected concepts such as social entrepreneurship, social enterprise or work integration social enterprise. **Table 3** below summarises the main aspects discussed.



Table 3.

Definitions and concepts used for social economy in non-EU countries

| Country | Definition | Concept in use | Text of the definition(s) |
|-------------------------------|---|--|--|
| Albania | No | social enterprise | Acknowledged in a legal framework, but not defined. |
| Bosnia and Herzegovina | No – at national level Yes – in a regional level law | social entrepreneurship | Social entrepreneurship is an organized activity that is based on market principles and aims to fulfil social goals, that is, to create opportunities for solving social, health, cultural, economic, ecological or other social problems of certain groups of citizens, narrow or wider society community, as well as preventing the emergence and eliminating the consequences of social exclusion and strengthening social solidarity and cohesion. (Law no. 111/21 on Social Entrepreneurship of Republika Srpska) |
| Moldova | Yes, in a national law | social entrepreneurship social enterprise work integration social enterprise (social enterprise of insertion) | [Social entrepreneurship is] the activity carried out by social enterprises and work integration social enterprises, aimed at improving living conditions and offering opportunities to people from disadvantaged categories of the population by strengthening economic and social cohesion, including at the level of local communities, through employment, by developing social services in the interest of the community, by increasing social inclusion. (Law no. 223/2017 regarding the amendment and completion of some legislative acts (Law no. 845/1992 on entrepreneurship and enterprises)) The social enterprise is the enterprise constituted by public associations, foundations, religious cults, private institutions and/or individuals that carry out social entrepreneurship activities in order to solve social problems of community interest and that meet the conditions established. (Social Entrepreneurship Platform in Moldova, 2022, p. 11) The social enterprises of insertion are social enterprises whose purpose is to create jobs and hire, as a matter of priority, people from the disadvantaged categories of the population. Social Entrepreneurship Platform in Moldova, 2022, p. 12) |
| Montenegro | No | social entrepreneurship | Acknowledged in several strategies, but not defined. |



| | | | |
|-------------------------------|--|---|--|
| <p>North Macedonia</p> | <p>Yes, in a national strategy</p> | <p>social enterprise social economy</p> | <p>[A social enterprise is] a social economy operator whose main goal is to have a social impact by providing a wide range of social, economic, health, educational, cultural, environmental and other products and services with social value that serve for solving socio-economic and environmental challenges; and to promote social well-being by providing goods and services in the market of innovative and entrepreneurial way, using their profits primarily to achieve social or environmental objectives; and managed in a transparent and accountable manner, involving workers, consumers and parties affected by it decision-making activities. (Strategy for Development of Social Enterprises in North Macedonia (2021-2027))</p> |
| <p>Serbia</p> | <p>Yes, in a law</p> | <p>social entrepreneurship social economy</p> | <p>The social economy is economy whose prevailing goal is the benefit for the wider social community and vulnerable groups and not making of profit. (Law no. 14/2022 on Social Entrepreneurship)</p> <p>Social entrepreneurship is the conduct of activity of wider interest, with reasons of making new and innovative options for solving of social problems, problems of individuals or socially vulnerable groups and prevention of and removal of consequences of social exclusion, strengthening of social cohesion and solving of other problems in local communities and the society as a whole. (Law no. 14/2022 on Social Entrepreneurship)</p> |
| <p>Ukraine</p> | <p>No – at national level Yes – by experts</p> | <p>social entrepreneurship social enterprise social economy</p> | <p>The entrepreneurial activity is proposed to be recognized as social entrepreneurship if it meets the following criteria:</p> <ul style="list-style-type: none"> > The social purpose of the business entity’s activity must be fixed in its constituent documents or in contracts or other documents that confirm the social purpose of its activity; > the business entity partially or fully directs its profit to a social purpose, conducts its activities with a social goal, provides its products/ services with a social purpose, employs persons belonging to the vulnerable groups; > the business entity publicly reports its social impact; > the business entity adheres to a democratic form of management (only for legal entities) (OSCE, 2019). |

Source: Country fiches developed during the research



A first emphasis is to be put on the fact that the non-EU countries targeted can be shared into two groups – countries that have a definition of the social economy (or of alternative concepts such as social entrepreneurship, social enterprise, work integration social enterprise) and countries that don't have one. The first group, made of Moldova, North Macedonia and Serbia has in use at least one definition of the social economy (or of similar concepts), usually sanctioned through a law or a strategy in place for the development of the sector. For example, in Moldova the national authorities amended in 2017 the Law no. 223 regarding the amendment and completion of some legislative acts, where Law no. 845/1992 on entrepreneurship and enterprises was supplemented with Chapter VI, index 1: Social entrepreneurship and social enterprise, where the definitions of social entrepreneurship, social enterprise and work integration social enterprise were stated, all acknowledging both the economic and the social dimensions of the activity.

In North Macedonia, the concept of social economy seems to remain relatively unclear for most stakeholders and policymakers and no legal framework regulates these concepts. However, the country has a National Strategy on social enterprises (2021-2027) that defines the social enterprises, but not specifically the social economy. The stated definition is based on the EU criteria from the Social Business Initiative, where the term social purpose is understood in a broader sense and includes the provision of cultural, health and educational services, including animal protection services environment and sustainable development.

In Serbia, the social economy was recently defined in the Law on Social Entrepreneurship. An interesting decision was made by the Serbian law-makers in that they decided to avoid using the term 'enterprise', since the law recognizes enterprises as "economic operators" (similar to LLC – limited liability companies). Thus, the law deals with social entrepreneurship and refers to social enterprises of different kinds as 'entities of social entrepreneurship' (Vukmirović, D. et al, 2014).

The second group, made of Albania, Bosnia and Herzegovina (at national level), Montenegro and

Ukraine doesn't have a definition in use for the social economy or similar concepts, but acknowledge a great variety of organisations that follow the social economy principles (e.g. associations, foundations, mutual societies, saving and credit associations, cooperatives, social enterprises, work integration social enterprises etc.) in various legal frameworks where common conceptual elements are mentioned, stipulating definitions, mandatory principles of organisation, and decision-making processes. A common trait in these countries is that the concepts of social economy, social entrepreneurship and social enterprises are rather unknown.

An interesting case is the one of Bosnia and Herzegovina (BiH), where there is no definition of the social economy in use at national level, but the Republic Srpska (the second entity of BiH) has its own Law on social entrepreneurship, adopted in 2021, whose Article 5(1) defines social entrepreneurship in its economic and social dimensions, as a market activity aiming to fulfil certain social goals.

In a similar situation, Ukrainian legislation does not define the social economy, nor other terms such as social entrepreneurship and social enterprise (ECNL, 2021). Moreover, the term social economy is not widely used and is often misinterpreted. Social entrepreneurship as a part of the social economy also is a novelty in Ukraine (Kokot, 2020). However, it is more prevalent in public usage when talking about the social economy. Despite the lack of a legal definition, during the last 5 years, the key stakeholders in the field of social entrepreneurship in Ukraine initiated different projects and working groups to elaborate on the commonly agreed definition of social entrepreneurship. According to that, the entrepreneurial activity is proposed to be recognized as social entrepreneurship if it meets criteria regarding the social purpose to be established in official documents, profits are redistributed towards the social goal, the social impact is publicly reported and the entity is democratically governed (WHS, 2020).

In Albania, where the legal framework for social enterprises doesn't propose a definition and creates confusion whether a social enterprise is different entity or a label to be obtained by entities that follow certain principles. The law includes



specific criteria on the social mission of the social enterprises – that of protection and social inclusion of vulnerable groups through employment, creation of employment opportunities for groups left out of labour market, services and goods provision for people with special needs and women, and economic and integration of groups in need, which basically sums up as the social mission of the work integration social enterprises – WISEs (Partners Albania, 2019). Only non-profits are eligible to be social enterprises according to the law, but the uncertainties surrounding the concept and lack of fiscal incentives lead to a very low number of organisations obtaining the status (9), even though in practice there are a lot more eligible (Partners Albania, 2022).

In Montenegro the social economy concept is not used, but rather assimilated to the concept of social entrepreneurship – a field whose significance has been recognised by the government, but with no concrete efforts made so far to promote it nor to develop a strategic institutional framework. Several Montenegrin national strategies (the National Strategy for Employment and Human Resources Development 2016-2020, the Strategy for Improving the Enabling Environment for the Activities of Non-Governmental Organisations 2018-2020 and the Strategy for Micro and SMEs in Montenegro 2018-2020) acknowledge the existence of social entrepreneurship, with its economic and social dimensions, but don't offer a structured definition.

In regard to the people targeted by the social economy, social enterprises or social entrepreneurship activities in the seven countries included in the research, a general note is that these initiatives address a wide spectrum of social groups falling under marginalised categories through direct services and work integration programs. Table 4 below summarises the target groups of the social economy in each country.

Table 4.

People targeted by the social economy organisations in non-EU countries

| Country | Young people (e.g. NEETS) | Low-skilled adults | Persons with disabilities | People in / in risk of poverty | Ethnic minorities | Women | Older people | Former prisoners | Addicts | Internally displaced persons |
|-------------------------------|---------------------------|--------------------|---------------------------|--------------------------------|-------------------|-------|--------------|------------------|---------|------------------------------|
| Albania | X | X | X | X | X | | | | | X |
| Bosnia and Herzegovina | X | | X | | X | X | | | | |
| Moldova | X | X | X | X | X | | X | | X | |
| Montenegro | | | X | | | X | | | | |
| North Macedonia | X | X | X | X | X | X | X | X | X | |
| Serbia | X | X | X | X | X | X | X | | | X |
| Ukraine | X | X | X | X | | | | X | X | X |

Source: Country fiches developed during the research

The vulnerable groups target by the social economy activities include: young people (e.g. unemployed, NEETS), low-skilled adults that have difficulties to find employment, persons with disabilities (motor, sensory and intellectual), persons in situations of or at risk of poverty (including numerous families, persons from rural areas affected by poverty etc.), ethnic minorities (especially Roma), women (especially in rural areas, single mothers or unemployed), older people, former prisoners or addicts. From these, persons with disabilities are targeted in each country by specific organisations and entities, recognized or not as social enterprise or work integration social enterprises. A common form is also the one of protected/ sheltered workshop, in which persons with different disabilities are employed.

Recent research, conducted by the Helsinki Committee of Human Rights (Kochoska et. al., 2018) on the employment



rights of persons with disabilities, concluded that persons with physical disabilities wander through the labyrinths of the state when they need to enter the labour market. On the one hand, it appears as a lack of assessment of their skills, while on the other hand it is the inappropriate adjustment of jobs, lack of job assistants, but also the attitude of the workplace and abuse of their labour. Moreover, due to the segregated education system, persons with disabilities cannot acquire the appropriate qualifications to actively participate in the labour market, on equal basis as other citizens without disabilities. As many as 96% of the respondents employed in sheltered companies are ordinary workers. Sheltered companies mostly provide jobs in manufacturing and are not sufficiently open to persons with physical disabilities who have higher education, as well as appropriate professional, and managerial skills and knowledge.

There is a growing body of literature that provides evidence on the role of social enterprises in the creation of employment opportunities for marginalized groups (Ilijevski et.al, 2016; Arca Cooperativa Sociale a.r.l, 2017; Ilijevski & Iloska, 2019; Loparska-Iloska, 2022; Radoš et.al, 2021). Ilijevski et.al (2016) argue that social economy organisations provide significant support in the transition

of persons from marginalized groups from passive recipients of social welfare to active actors in the labour market through various models of temporary and/or part-time work, training, developing soft skills, and networking. They address the particular challenges identified by the marginalized groups such as the loss of life and professional habits, social isolation and the need for an individualized approach to their social rehabilitation.

1.2.2. Types of entities

The social economy is often defined through the legal forms of the entities that make up the sector. The traditional forms of social economy are the associations and foundations, cooperatives and mutuals (Defourny & Develtere, 1999). All these legal forms are part of the social economy sector in Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia and Ukraine. In addition, in the last years, other types of entities, such as social enterprises, work integration social enterprises or sheltered workshops began to be established. Table 5 below synthesises the legal forms of the entities that belong to the social economy in the seven non-EU countries included in the research.

Table 5.

Forms of legal entities that belong to the social economy in non-EU countries

| Country | Associations & Foundations | Cooperatives | Mutuals | LLCs with a social aim | WISE's / sheltered workshops |
|-------------------------------|---|---|---|---|---|
| Albania | Yes, including a special form – “centres” | Yes, including a special form – companies of reciprocal cooperation | Yes – Savings and Credit Associations (SCA) | | |
| Bosnia and Herzegovina | Yes, but have to establish a different legal entity for economic activities | Yes – agricultural | | Yes, usually enterprises established by non-profits | Yes, as companies for the employment of persons with disabilities, institutions, sheltered workshops and work centres |



| Country | Associations & Foundations | Cooperatives | Mutuals | LLCs with a social aim | WISE's / sheltered workshops |
|------------------------|--|--|---------|---|---|
| Moldova | Yes | Yes | | Yes, including enterprises established by non-profits | |
| Montenegro | Yes | Yes, different types established by law, only agricultural and rural tourism in practice | | Yes, when the form of association or foundation doesn't fit objectives | Yes, as sheltered workshops |
| North Macedonia | Yes, named entrepreneurial civil society organisations | Yes, agricultural cooperatives with a special law | | Yes, named mission-oriented enterprises, including enterprises established by non-profits | Yes, sheltered workplaces and integration centres |
| Serbia | Yes, as the most numerous forms at national level | Yes, mostly agricultural cooperatives and a few social cooperatives | | Yes, but a few | Yes, modernized and reformed |
| Ukraine | Yes, including public associations, charitable organisations | Yes, agricultural cooperatives with a special law | | Yes, allowed to have non-commercial economic activity and advised to mention their social mission in the bylaws | |

Source: Country fiches developed during the research

In Albania, the social economy sector includes, besides the common legal forms, a special legal form, the legal form of the “centre”. Albanian “centres” are regulated by the same legal framework as the associations and foundations, all three entities being allowed to conduct an economic activity without having to create a separate legal entity for this reason, provided that the activity is in conformity with its purposes, is declared as one of the sources of income, is not the

primary purpose of its activity, and does not make more than 20% of the annual turnover. Another special legal entity is that of “companies of reciprocal cooperation”, which are similar to agricultural cooperatives, but considered more suitable as a legal form for the crediting, insurance, and construction sectors.

Associations and foundations in Bosnia and Herzegovina are allowed to perform economic



activities only if the purpose of such activities is the achievement of goals established by the statute. Unrelated economic activities, meaning economic activities which are not directly related to the realization of the basic statutory goals of the association and foundation may only be conducted through a specially established legal entity. Moreover, WISEs (Work Integration Social Enterprises or other similar organisations) appear under the name of companies for the employment of persons with disabilities, institution, sheltered workshops and work centres, all regulated by the same legal framework and having to meet specific criteria on the percentage of persons with disabilities to be employed (40-50% of the total number of employees).

In Montenegrin social economy, limited liability companies are sometimes used as a preferred legal form for social enterprises, especially when the legal form of association is not suitable for the economic activity conducted. Since any such company in Montenegro is obliged by law to have at least one permanent employee, the social enterprises that are struggling to achieve financial sustainability see this as an obstacle. However, social enterprises established as companies have no obligation by law regarding their distribution of profits and can establish a limit, if they wish, through the bylaws.

In a research that included the different models of de facto social enterprises in North Macedonia, Loparska-Iloska (2022) provides evidence that all different models of de facto SEs provide employment opportunities for marginalized groups, even if they are not purposefully established as work integration social enterprises or sheltered workshops.

In Serbia, WISEs targeting persons with disabilities were reformed in the last 12 years and traditional, socialist type WISEs were transformed into modern, market oriented and much more self-sustainable entities. Also, Serbia is the only country that provides a framework for social cooperatives, even though these are not that numerous.

Ukrainian social economy organisations include also limited liability companies which are allowed to conduct non-commercial economic activities and to establish a social objective for their activities. Furthermore, charitable organisations (organisations, associations, foundations, and institutions with a charitable purpose) are also seen as part of the social economy sector in Ukraine (OSCE, 2019).

None of the countries studied has a special legal entity for the social enterprises, but rather existing legal forms can obtain the status if they meet certain conditions. The situations encountered are rather diverse. For example, in Albania, only non-profit organisations (associations, foundations, centres) can apply for the social enterprise status, while in Moldova, only limited liability companies are eligible.

1.2.3. Mapping social economy sector

Evidences about social economy entities are not available from official sources in all analysed countries from the Western Balkan and Eastern Neighbourhood regions. In absence of official data about the number, employees, turn-over of entities that could be included in social economy sector, it is difficult to have a good knowledge of the sector dimension and also efficient public policies. Data about social enterprises with this status are available especially in the countries where there is legislation on social economy and this label of social enterprise or social enterprise of insertion is provided by a public authority (e.g., Moldova). At the same time, it is difficult to know how many entities that could be included in social economy sector fulfil the characteristics mentioned by the European Commission in the social enterprise definition. A lot of data about these entities is missing due to the fact that national statistics institutes are not implementing the national satellite accounts for social economy (**Table 6**).



Table 6.

Main data regarding the social economy organisations in non-EU countries

| Country | Social enterprises | Associations & foundations | Cooperatives | Mutuals | WISE |
|-------------------------------|--------------------|--|--------------|---------|--------------------------------------|
| Albania | 9 | 12.240 | 149 | 15 | N.A. |
| Bosnia and Herzegovina | N.A. | 33.666 8020 in R. Srpska 25646 in FBiH | 905 | N.A. | 112 2 in R. Srpska 110 in FBiH |
| Moldova | 8 | N.A. | N.A. | N.A. | 4 |
| Montenegro | N.A. | 130 | 2 | N.A. | 1 |
| North Macedonia | N.A. | 143 | 63 | N.A. | 291 |
| Serbia | N.A. | N.A. | N.A. | N.A. | 57 |
| Ukraine | N.A. | N.A. | N.A. | N.A. | N.A. |

Sources of data:

- Albania: General Directory of Taxation for cooperatives and mutuals (2021), Self-declaration of Social Enterprises with granted status for social enterprises (2022), Tirana Court for associations and foundations (2021)
- Bosnia and Herzegovina: Cooperative Union of Republika Srpska for agricultural cooperatives (2022), The Republika Srpska Institute of Statistics – Register of business entities, Statistical Yearbook of Republika Srpska for general cooperatives, specialised cooperatives, enterprises for employment of disabled persons, associations and foundations in Republika Srpska (2020), Delegation of the European Union to Bosnia and Herzegovina for associations and foundations in Federation of Bosnia and Herzegovina (2020), Fund for professional rehabilitation and employment of persons with disabilities of the Federation of Bosnia and Herzegovina for enterprises for employment of disabled persons (2022)
- Moldova: National Commission for Social Entrepreneurship for social enterprises or social enterprise of insertion (2022)
- Montenegro: Social enterprises and their ecosystems in Europe | Country fiche MONTENEGRO, European Union for association and foundations (2018), Ministry of Labour and Social Welfare for WISEs (2022), Central Registry of Business Entities for cooperatives (2022)
- North Macedonia: State Statistical Office for WISEs (2021), State Statistical Office (2022), Macedonian centre for international cooperation for Civil society organisations with economic activities (2020), Ministry of Agricultural, Forestry and Water Economy for agricultural cooperatives (2022)
- Serbia: Ministry for social affairs for WISEs (2022)
- Ukraine: provided by the Ukrainian Social Academy in their research papers “Impact of training at the Ukrainian Social Academy on the business development of participants” (Ukrainian Social Academy, 2021a) and the “Research on the Social Entrepreneurship Ecosystem in Ukraine” (Ukrainian Social Academy, 2021b)

As mentioned before, the main problem is related to the public availability of data regarding social economy entities in these countries. Although regular data collection can ensure better understanding of the different legal forms, the sectors they operate, their needs and capacities, as well as support needed, the efforts to collect data are still very limited. In the absence of solid research base, there is also a challenge to adequately access the eco-system, the impact of legislative and supportive actions.

In Albania there is no centralized and easy-to-access data on various forms of social economy. Different institutions collect data for different variables of social economy activity but this information is not yet synchronized among institutions, making the data unreliable. The Institute of Statistics (INSTAT) as the institution in-charge at national level provides no data on SE, except associations and foundations (non-profit organisations – NPOs). INSTAT data regarding NPOs are different from Tirana District Court where NPOs register and the General Directorate of Taxation.

In Bosnia and Herzegovina there are no publicly available records of business entities that operate according to the principles of social entrepreneurship yet, except for companies for employment of persons with disabilities in FBiH. Data from the statistical institutes at the entity level, the Fund for Professional Rehabilitation and Employment of Persons with Disabilities of the Federation of Bosnia and Herzegovina, the Cooperative Union of Republika Srpska, etc. are the main official and publicly published data on social economy entities.

In Moldova the data on social enterprises and social enterprises of insertion accredited are available in the reports of the National Commission for Social Entrepreneurship. Other data on the public associations and foundations or cooperatives are not publicly available.

In Montenegro, there are no official data on the size and structure of social enterprises as a whole. The only attempt to map social enterprise in Montenegro has been made by the Centre for the Development of NGOs (CRNVO) in 2016 and through the development of the Country fiche for Montenegro (European Commission, 2018b) in

the framework of developing the Social enterprises and their ecosystems in Europe project funded by EU in 2018.

In North Macedonia in the absence of a register of social enterprises, the research efforts to access the exact number of entities that comprise the social enterprise spectrum remains a challenge and data availability remains limited. The most reliable data are available for sheltered workplaces, in terms of total number of employees and total number of employed persons with disabilities. Data are officially published by the State Statistical Office in the regular annual publication on Social Welfare for Children, Juveniles and Adults. When it comes to agricultural cooperatives, the exact number is accessed through their umbrella organisation, the Association of Agricultural Cooperatives. There is no official data on the number of cooperatives available, although this is under the regulation of the Ministry of Economy. Data on civil society organisations with economic activities are regularly collected and published in the annual publication of the Macedonian Centre for International Cooperation that accesses the enabling environment for the development of civil society sector. This report provides some data to access the economic activities of CSOs, but it is not clear how many of them are social enterprises.

In Serbia it is very difficult to obtain information on the number of entities and their performance, except for WISEs for persons with disabilities and hopefully soon, social enterprises. For all of the rest, one has to pay to the Business Registry to get any data. Also, it is difficult to point which limited liability companies and associations are de facto social economy entities without conducting a separate survey. The Statistical Office of the Republic of Serbia also collects data on all types of entities that have to present financial reports and statistical forms annually.

Due to the absence of a legal framework in Ukraine, there are no official data about the numbers and types of social enterprises. In terms of measuring social enterprises and their business and social data, the latest information is provided by the Ukrainian Social Academy in their research papers “Impact of training at the Ukrainian Social Academy on the business development of participants” (Ukrainian Social



Academy, 2021a) and the “Research on the Social Entrepreneurship Ecosystem in Ukraine” (Ukrainian Social Academy, 2021b). Both papers were presented in 2021, making them the last data available.

1.3. Social Economy policy framework

At international level, the political recognition and development of a regulatory framework for social economy organisations has proven to be crucial to the development of this sector. Governments can support the growth of the social economy sector by investing public funding and stimulating private investment, granting direct or indirect fiscal incentives, alleviating regulatory barriers and leveraging tax frameworks, buying goods and services from social economy organisations that deliver social and environmental value. The following chapter will address questions related to specific characteristics of the policy framework addressing the social economy sector in selected non-EU countries from Western Balkans and Eastern Neighbourhood region (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, Moldova, and Ukraine).

1.3.1. Legal framework

In non-EU countries, the social economy sector comprises associations and foundations that engage in business activities, cooperatives, social enterprises (as WISEs and sheltered workshops), mutuals. All of them have in common the focus on the primacy of social objectives and entrepreneurial actions meant to support social objectives, the democratic governance structure, services delivered to benefit their members, management autonomy. The social economy landscape in non-EU countries is puzzled and scarcely visible, despite growing development trends that characterise some of the social economy actors as social enterprises.

The existence of a favourable legal framework for social economy actors is essential to sector growth. Associations and foundations, mutual aid associations, cooperatives, social enterprises – all of them operate under specific legislation often requiring in-depth changes. Each type of entity that falls under the concept of social economy is faced with legal issues to be solved only under its own specific legislation (obsolete legislation, unclear concepts and requirements, constraints on their entrepreneurial activities). In less than a decade a growing interest should be acknowledged especially in the institutionalization of social enterprises. In Albania, Bosnia and Herzegovina, Moldova, Serbia we have recent legislation on social enterprises, while in other countries as North Macedonia we can find draft legislation developed and debated among major stakeholders. **Table 7** below makes a summary of the legal framework for social economy entities in WBs and Eastern Neighbourhood region.

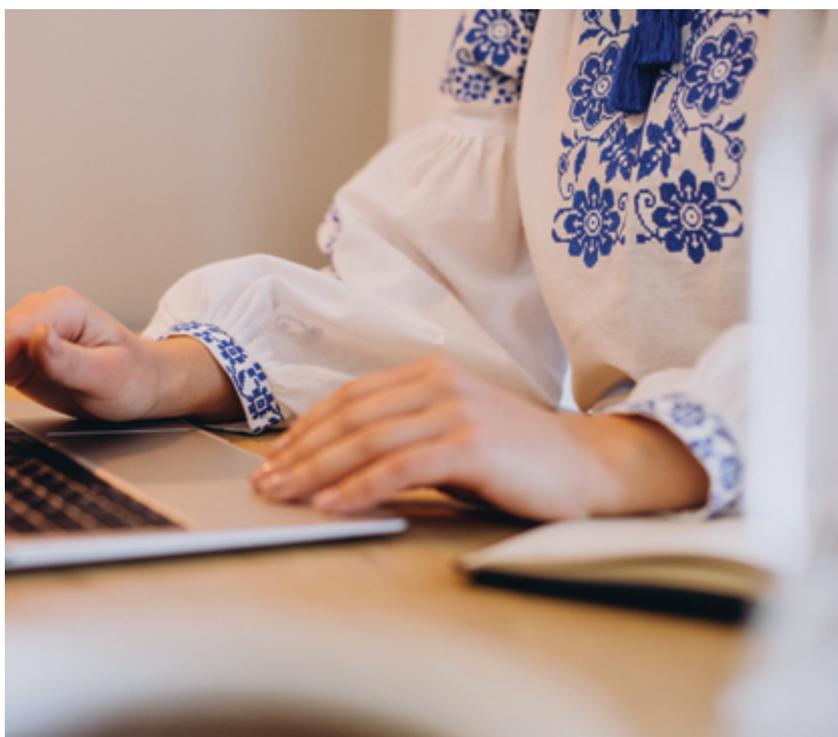


Table 7.

Legal framework for social economy entities in WBs and Eastern Neighbourhood region

| Country | Cooperatives | Mutuals and Savings and Credit Associations (SCA) | Associations and Foundations with economic activity (NGOs) | Social Enterprises | WISEs and Protected Shelters |
|----------------|--|--|--|--|--|
| Albania | Law for Companies of Agricultural Cooperation, No. 38/2012 | <p>Law 8088/1996 “For Companies of Reciprocal Cooperation” amended to the Law 9039/2003 and the Law 9747/2007</p> <p>Law no 52/2016 “For Savings and Credit Associations and their Unions”</p> | <p>Law 7850/1994 for Civil Code of the Republic of Albania, as amended;</p> <p>Law 8788/2001 for Non-profit Organisations, amended to the Law 9814/2007 and the Law 92/2013</p> <p>Law 8789/2001 for the Registration of Non-profit Organisations”</p> <p>In June 2021 the new Law 80/2021 for the Registration of Non-profit Organisation was approved, which enables the electronic register of NPOs, but will come into power in January 2024, when the electronic register is created.</p> | Law No.65/2016 on Social Enterprises in the Republic of Albania. WISE are treated as part of the same law. | Law No.65/2016 on Social Enterprises in the Republic of Albania. WISE are treated as part of the same law. |



| Country | Cooperatives | Mutuals and Savings and Credit Associations (SCA) | Associations and Foundations with economic activity (NGOs) | Social Enterprises | WISEs and Protected Shelters |
|-------------------------------|--|---|--|---|--|
| Bosnia and Herzegovina | <p>General Law no. 18/03 and 55/06 on Cooperatives of Bosnia and Herzegovina</p> <p>Law no. 73/08, 106/09, 78/11 on agricultural cooperatives in Republika Srpska</p> | N/A | <p>Law no. 32/01, 42/03, 63/08, 76/11, 94/16 on Associations and Foundations of Bosnia and Herzegovina</p> | <p>Law no. 111/21 on Social Entrepreneurship of Republika Srpska</p> <p>Law no. 2/10 on Social Entrepreneurship of Brčko District of Bosnia and Herzegovina</p> | <p>Law no. 37/12 and 82/15 on professional rehabilitation, training and employment of persons with disabilities (Republika Srpska)</p> <p>Law no. 9/10 on professional rehabilitation, training and employment of persons with disabilities (Federation of Bosnia and Herzegovina)</p> |
| Montenegro | <p>The Cooperatives Act, adopted in 2015</p> | N/A | <p>Law on non-governmental organisations (NGOs)</p> | N/A | <p>Law on professional rehabilitation and employment of persons with disabilities, adopted in 2008 and amended in 2011</p> |
| North Macedonia | <p>Law no.54/2002 on Cooperatives</p> <p>Law no.158/2010 on Labour Relations</p> <p>Draft Law on Social Enterprises⁵</p> <p>Law no.23/2014 on Agricultural Cooperatives</p> | N/A | <p>Law no.52/2010 on Associations and Foundations</p> | <p>Draft Law on Social Enterprises</p> <p>Law no.28/2004 on Trade Companies</p> | <p>Law no.44/2000 on Employment of Persons with Disabilities</p> <p>Law no.52/2010 on Associations and Foundations</p> <p>Draft Law on Social Enterprises</p> |

⁵The draft Law is not publicly available



| Country | Cooperatives | Mutuals and Savings and Credit Associations (SCA) | Associations and Foundations with economic activity (NGOs) | Social Enterprises | WISEs and Protected Shelters |
|----------------|--|---|--|---|---|
| Serbia | Law on Cooperatives Generally, one law regulates all types of coops | N/A | Law on Associations Law on Foundations and Endowments | Law on Social Entrepreneurship | Law on WISEs (targeting persons with disabilities) |
| Moldova | Law on Production Cooperatives (Law no. 1007/2002) | N/A | Law 837/1996 on collective associations Law 581/1999 on foundations | Law 223/2017 introduces social entrepreneurship and social enterprise | Law 223/2017 introduces also the concept of social enterprise for insertion |
| Ukraine | Law on Cooperation Law on Agricultural Cooperation | N/A | Law on Charity and Charitable Organisations | N/A | N/A |

Source: Country fiches developed during the research

In each of the analysed non-EU countries we can find a variety of legislation specifically developed for each type of social economy organisation. Looking to the evolution of the legislative framework we can see that social enterprises (as different types of WISEs and sheltered workshops) were the main focus of legislative reforms. In Albania “The Law on social Enterprises” was enacted in 2016, failing to give a clear definition on what a social enterprise is, but making some clarifications related to the fact that social enterprises main mission should be in the area of social protection and inclusion of vulnerable groups through employment, creation of employment opportunities for groups challenged on the mainstream labour market, services and goods for people with special needs and women, economic integration of groups at risk. According to the new legislation only non-profit organisations are eligible to receive the social enterprise status. In the absence of any fiscal incentives the social enterprise status is not appealing to non-profits.

After six years of implementation only 9 organisations have granted and obtained the social enterprise status, based on specific criteria.

In Bosnia and Herzegovina, a Law on Social entrepreneurship (The Government of Republika Srpska, 2021) was adopted in 2021 at the level of Srpska Republika, where social enterprises (art.4) are defined as legal entities that performs an activity bringing narrow or wider social community benefits. In the Federation of Bosnia and Herzegovina a draft law is in early stage of preparation.

In Montenegro the social economy is not well developed. This is primarily due to the lack of an adequate overall legal framework identifying different types of social economy organisations. There is not a general law on social economy, nor specific regulation regulating the activity of social economy organisations. However, there are various legal forms enabling social enterprises to carry out activities. These include associations, co-



operatives, limited liability companies (LTDs) and “protective workshops”. The LTD is a legal form used by social enterprises usually when their business operations exceed the limits defined by the Law on NGOs.

In North Macedonia a working group for the drafting of a Law on social enterprises was established. Serbia has a new Law on Social Entrepreneurship adopted in 2022. The new law defines social economy as an area of economic activity where the prevailing goal is to generate benefit for the wider social community and vulnerable groups, and not making of profit. Also, the social entrepreneurship is defined as “activity of wider interest, aiming at generating new and innovative options for solving social problems, problems of individuals or socially vulnerable groups and prevention of and removal of consequences of social exclusion”. The Law on social entrepreneurship recognises as potential actors that can qualified as social entrepreneurship agents WISEs, cooperatives, Foundations and endowments, associations and foundations, associations of citizens subsidised by the state (associations of PWDs, older people, youth, women, ethnic minorities, etc.), development agencies and business incubators able to provide support to social enterprises, business that direct most of their profit to support social goals (social enterprises).

Moldova has introduced social entrepreneurship and social enterprises in the Law on entrepreneurship and enterprises (Law 845/ 1992) through Law 123/ 2017 on amending and supplementing certain legislative acts. The law defines the concepts of social entrepreneurship, social enterprise and social enterprise of insertion, establishes the criteria for activities that could be included in social entrepreneurship and for obtaining the status of social enterprises by limited liability companies or production cooperatives. Also, Republic of Moldova develops a National Programme for Social Entrepreneurship Development for 2021 – 2025 which includes strategic directions and measures to achieve them.

In Ukraine there is no general or special law on the social economy or social entrepreneurship. Consequently, Ukrainian social economy organisations do not have a special status within a legal

framework and act as different types of organisations – public or charitable organisations, LLCs, natural person entrepreneurs, etc. It is essential to mention that they are considered social enterprises only by demonstrating the above characteristics.

There is a genuine and considerable interest in social enterprise development within different non-EU national contexts while demonstrating the various forms of organisation and incorporation for social enterprises depending on context-driven constraints and opportunities, as well as the various institutionalisation models. International guidelines and models, comparative reports, and best practices at EU level have been often used as source of inspiration for drafting national legislation.

In all non-EU countries analysed in this study could be observed difficulties in understanding and defining social enterprises beyond work integration or social inclusion logic. In the legislation (enacted or draft) the main legitimisation argument for social enterprises is related to their role in integrating on the labour market vulnerable groups, defined in various ways.

1.3.2. Fiscal framework

A comprehensive and enabling fiscal framework is an important element in building up a favourable national policy context for the development of the social economy organisations. Fiscal advantages and fiscal benefits are primarily intended to support organisational consolidation and encourage specific type of services and goods production, as it is the case with social services for vulnerable people.

The analysis of the fiscal framework for social economy organisations in non-EU countries shows limited and fragmented fiscal support for social economy actors. Beyond the legal recognition we cannot find consistent fiscal policy targeting social economy actors. Some limited fiscal measures as **VAT reduction or exemption can be found in limited cases** as for agricultural cooperation societies and for NGOs active in the social, educational, cultural field in Albania, or for NGOs in Serbia. Also, **the bulk of fiscal advantages**



are placed in all analysed countries on organisations providing social services and work integration services to vulnerable groups as persons with disabilities. Here we include mainly WISEs and sheltered workshops. We can find a variety of fiscal advantages as **profit tax exemption** in Albania, Bosnia and Herzegovina, North

Macedonia, Serbia. Also, in countries like North Macedonia, Bosnia and Herzegovina we can find **other type of fiscal benefits** such as concession of public real estate to WISEs or sheltered workshops free of charge or at below market prices, reduction of various taxes and fees for building infrastructure or insurance taxes.

Table 8.

Fiscal framework for social economy entities

| Type of organisation | Fiscal exemption/advantages – Comments |
|--------------------------------------|---|
| Cooperatives | <p><i>Albania</i> – Art. 9, point 2 of the of the Decision No. 953, dated 29.12.2014 “For Implementation of Dispositions of Law No. 92/2014”, amended stipulates that agriculture cooperation societies are excluded from VAT.</p> <p><i>North Macedonia</i> – Are exempted from profit tax of 10% if all annual revenues are below 3,000,000 MKD dinars.</p> <p>In <i>Montenegro</i> agricultural cooperatives are tax exempted up to 18,000 EUR turnover.</p> |
| Social Enterprises | <p><i>Albania</i> – SEs have no fiscal exemption. They do not benefit even from the exemptions other type of NGOs are eligible.</p> <p><i>Bosnia and Herzegovina</i> – Social enterprises that operate in the form of limited liability company and cooperative are subject to all obligations, like other business entities, with the exception of companies for the employment of disabled persons in the RS, which do not pay profit tax.</p> |
| WISEs and sheltered workshops | <p><i>Albania</i> – SEs have no fiscal exemption. They do not benefit even from the exemptions other type of NGOs are eligible.</p> <p><i>Bosnia and Herzegovina</i> – Law on professional rehabilitation, training and employment of persons with disabilities of <i>Republika Srpska</i>. An employer who employs a disabled person has the right to tax benefits established by tax regulations. Profit tax is not paid by companies established in accordance with the regulations on the employment of disabled people. Law on professional rehabilitation, training and employment of persons with disabilities of the Federation of Bosnia and Herzegovina – The companies for employment of persons with disabilities and protective workshop is exempt from payment of: taxes on specific ways of generating income, such as lottery, raffle or other type of prize game and various one-off charitable actions of a non-economic nature; tax on any type of transfer of private property to the public property for the benefit of the company; tax in the case of acquisition of property rights on immovable property regardless of the basis of acquisition (purchase, gift, bequest, testament, etc.); profit tax, fees for forest exploitation; membership fees for tourist boards; fees for infrastructure (for construction land, water supply, electricity supply, highways, etc.); contributions for water management; taxes for protection against natural and other disasters; contributions for environmental protection; communal, administrative and other types of fees; fees and charges during company registration and independent activities. The exemptions and benefits established by this article are regulated in more detail laws and other regulations regulating those areas.</p> <p><i>North Macedonia</i> – sheltered workshops are exempted from profit tax regardless of the amount of their income.</p> |



| Type of organisation | Fiscal exemption/advantages – Comments |
|---|--|
| WISEs and sheltered workshops | <p>Exemption of employees from paying personal income tax, which – according to the Law on Employment of Persons with Disabilities – is approved for:</p> <ul style="list-style-type: none"> • Employment of persons with disabilities; • Employees of protective societies who are not disabled <p>Exemption of employees from paying contributions for health insurance and unemployment insurance is granted to employed persons with disabilities in accordance with the Law on Employment of Persons with Disabilities. These contributions are compensated with funds from the Budget of the Republic of Macedonia.</p> <p><i>Serbia</i> – No tax exemptions, subsidized wages for PWD employees, refunding of costs of adaptation of work place for a PWD, subsidies for improvement of production/services, licensing (e.g. ISSO), improvement of working conditions</p> <p>In <i>Ukraine</i>, the employer has a subsidy in the case of employment the person with a disability. The social contribution is reduced to 8.41%.</p> <p>In <i>Montenegro</i> receive up to 75% salary subsidy from the Fund for professional rehabilitation of PWDs</p> |
| Associations and foundations with economic activities (NGOs) | <p><i>Albania</i> – Article 2 of the Decision No. 953, dated 29.12.2014 “For Implementation of Dispositions of Law nr. 92/2014”, “For Value Added Tax in Republic of Albania” amended, establishes the new criteria for VAT exemption of supply activity of the NPOs. This activity should be social, educational, cultural or sport-related in nature.</p> <p>Non-profit organisations can engage in economic activities that is in line with their mission. The turnover from economic activity should not exceed 20% of the total annual turnover (Art. 51 Law no 92/2014 “On VAT in the Republic of Albania”).</p> <p>Instruction of the Ministry of Finance and Economy no. 34, date 05.12.2019 regulates VAT reimbursement for grants awarded in compliance with the financial agreements ratified by the Parliament or grant agreements approved by the Council of Ministers for foreign donor funds to NPOs.</p> <p><i>Bosnia and Herzegovina</i> – According to the Law on Associations and Foundations of BiH, an association registered in the Register can implement programs and projects of public interest. An association that has received funds for the implementation of programs or projects of public interest can obtain tax, customs and other benefits, in accordance with special regulations.</p> <p><i>North Macedonia</i> – Associations and foundations are exempted from profit tax of 10% in the following cases:</p> <ul style="list-style-type: none"> • income generated from donations • The total annual income from economic activity is less than 1,000,000 MKD denars; <p>Sale of goods and services to organisations that implement projects financed by foreign donations.</p> <p><i>Serbia</i> – Exemption from VAT for yearly income</p> <p>In <i>Montenegro</i> NGOs are tax exempted up to 18,000 EUR turnover.</p> <p>In <i>Ukraine</i> there is the possibility of performing an entrepreneurial activity as non-profit organisations without paying VAT (the Ministry of Finances of Ukraine, 2019).</p> |
| Mutuals | <p><i>Albania</i> – According to the Art. 50 of the Law “For companies at the reciprocal cooperation” as amended in 2003, they are taxable entities. Exempted from taxation are companies of mutual cooperation in the field of agricultural and livestock production for the first five years of their activity. These companies lose this right when they merge with other companies that are not exempted by taxes.</p> |

Source: Country fiches developed during the research



The limited fiscal measures, placed mainly on WISEs and sheltered workshops, have also difficulties in implementation. Public consultations on the new legal framework for social enterprises have also played a revealing role as to the serious fiscal measures lacks that social economy entities are up against in general, and especially in the case of social enterprises. This situation can be linked with the often reported unclarities in understanding and defining social economy organisations role in the new socio-economic context, and specifically with the difficulties to understand the role and potential of social enterprises.

1.3.3. Support measures

The growing interest in social economy sector in general and in social enterprises in particular at European level has led to the development of support measures targeting these organisations. New governmental and private support programs, new instruments and institutions have been developed in EU countries to encourage start-up and scaling-up initiatives in the social economy field (Phillips et. al, 2016).

In non-EU countries, the support measures for social economy sector can be qualified as very

limited. The grants and subsidies from national or local public authorities are limited both in scope and the available number of grants/ subsidies awarded. In all analysed non-EU countries these types of support measures are mainly targeting NGOs involved in social inclusion activities, grants for cooperatives and active labour market measures (measures for work integration of persons with support needs). EU funds are also available as grants and subsidies managed by national authorities. Programs as Erasmus +, IPA, EASI program, ERDF or grants and other support measures managed by private organisations and second level organisations as Partners ALBANIA for Change and Development, Regional Incubator for Social Entrepreneurs (RISE), Yunus Social Business Balkans⁶ are supporting the social economy organisations with grants and services. Other international development public donors as USAID, World Bank, Swiss Entrepreneurship Program, GIZ, Swedish International Development Cooperation Agency, ILO, British Council are present with programs, but not covering the deep need for financial resources of the social economy sector. We have also to mention limited corporate Social Responsibility (CSR) initiatives.

Table 9.

Support measures for social economy organisations

| Type of support measure | Yes, with limited extent | Not available |
|---|--|-----------------|
| Grants and subsidies from public authorities (national budget) | Albania, Bosnia and Herzegovina, North Macedonia, Serbia, Montenegro, Moldova, Ukraine | |
| Grants and subsidies from European funds (managed at national level) | Albania, Bosnia and Herzegovina, North Macedonia, Serbia, Montenegro, Moldova, Ukraine | |
| Grants and other support from private stakeholders, foundations, and second level organisations. | Albania, Bosnia and Herzegovina, Serbia, Montenegro, Republic of Moldova, Ukraine | North Macedonia |

⁶The Yunus Social Business Balkans official webpage: <https://www.balkanimpact.com/>



| Type of support measure | Yes, with limited extent | Not available |
|--|---|--------------------------------------|
| Public support for social economy incubators/accelerators, resource centres, and business innovation centres | Albania, Bosnia and Herzegovina, Serbia, Ukraine | North Macedonia, Montenegro, Moldova |
| Private support for social economy incubators/accelerators, resource centres, and business innovation centres | Albania, Bosnia and Herzegovina, Montenegro, Ukraine, Moldova | North Macedonia, Serbia |

Source: Country fiches developed during the research

Specifically, for social enterprises, the support measures are very limited, available to a small extent only for WISEs and sheltered workshops. The main support is coming from EU funds, available through various financing programs as IPA, EASI, and Erasmus+.

1.3.4. Social procurement

The social procurement reform has a lot of significance to the social economy sector. The contracting out of the provision of goods or services is a key instrument for public authorities to support the mission of the social economy sector. Through public procurement, the public sector can buy goods and services from social economy actors, enhancing public authorities' efforts to solve important social and environmental issues, such as social and work integration of vulnerable people, long-term unemployed peoples' return on labour market, green economy reform. Through social procurement reform the governments can create and develop new markets, allowing and encouraging the use of reserved contracts, social and green criteria in procurement procedures. Also, the governments can encourage through fiscal incentives the private sector to procure from social economy actors. At EU level, the public procurement reform took place in 2014, with the enactment of a specific Directives package – directive 2014/23 and 2014/24 aiming at creating new opportunities for regional, local, and national government to procure from social economy actors. Social clauses become an option for awarding public contracts. Up to 2016 all member states reformed their

public procurement legislative framework in line with the EU Directives requirements.

In non-EU countries, new reforms regarding social procurement have been recently introduced. In Albania a new Law on Public Procurement (162/2020) was enacted in 2020. The law recognizes social procurement as part of the public procurement procedures, through a special chapter on social services. Further on, a Decision of the Council of Ministers from 2021 simplified the procurement procedure for social and other specific services for which the participation of NGOs is granted, in line with EU directives (UNDP, 2021).

In Bosnia and Herzegovina, the Public Procurement Law 59/2022 specify that the reserved contracts are available “only for candidates, bidders who employ, in relation to the total number of employees, more than 50% of persons with disabilities, who cannot perform tasks under normal conditions”. These provisions of the law are meant to back up the problematic implementation of the laws on professional rehabilitation and employment of persons with disabilities.

In Montenegro, there is no social public procurement system and one of the key reasons for that is lack of legislation in the field of social economy. As reported by the people in public administration, social enterprises cannot formally become part of the procurement system until their official recognition. Still, most of the social enterprises participate in the procurements but with a very small amounts of activity though willingness of, mostly, local authorities and companies to share



a smaller part of their procurements and thus support economic activities of social enterprises, primarily to support their social mission.

In North Macedonia the new Law 24/2019 on Public Procurement introduced for the first time the possibility of using reserved contracts for specific types of social enterprises as WISEs and sheltered workshops, defined as “economic operators whose main goal is the social and professional integration of persons with disabilities or to persons belonging to socially vulnerable groups, who reinvest the profit for the support of their social objective”. According to the law, 30 percent of the economic operator employees should be persons with disabilities or persons from socially vulnerable groups.

Republic of Moldova’s Law on Public Procurement (Law 131/ 2015) includes social procurement and also reserved contracts for sheltered workshops or social enterprises of insertion. These measures are being implemented to a very limited extent.

In Serbia the same logic in reforming the public procurement legal framework can be found. The reserved contracts are available for WISEs and sheltered workshops as actors “whose main goal is social and professional integration of persons in disadvantageous situations if these economic subjects are organized according to the law that regulates social entrepreneurship”. The law stipulates the request for the economic operator to have at least 50% of employees coming from vulnerable groups.

The procurement system in Ukraine is regulated by the “Law of Ukraine on Public Procurement” and, in practice, functions through the “Prozorro” public electronic procurement system that emerged during the implementation of the Public Procurement Reform. The Prozorro system also covers social procurement procedures. In this regard, Ukrainian CSOs, including social economy organisations, especially those providing social services, may participate in the auction as providers. Still, the social procurement system has many issues in implementation, as follows: Representatives of CSOs, including social economy organisations, do not always have sufficient knowledge of how to use procedures for public

procurement; Local authorities have a relatively low understanding of the need for purchasing social services⁷. There is no clear understanding of the method of participation of social service providers through procurement in the “Prozorro” system.

1.4. Additional initiatives supporting social economy

Strengthening representative organisations, networks, and mutual support structures are key elements for the development of social economy sector. In the analysed non-EU countries, we can find networks and support mechanisms (incubators/ accelerators/ support centres), with relative influence of the governmental policies affecting the social economy sector in general, and social enterprises in particular. At the moment, the few networks and support mechanisms available in the non-EU countries are instrumental to the training, advocacy, and representation needs of the social economy sector.

1.4.1. Social Economy networks

Social economy networks represent a very important mutual support mechanism. Their main role is to ensure good conditions for advocacy and representation of specific interests, to improve recognition and visibility of the social economy sector, to foster mutual learning and support, to provide services to their members. The country fiches offer examples of formal or informal networks, but the overall picture shows a poor representation of networks in non-EU countries, with limited activity and advocacy performance. This can be linked to the challenging context for social economy development in the analysed region.

In Albania we can find an umbrella organisation where agriculture cooperatives can associate. The Albanian Agribusiness Council (KASH)⁸,

⁷Details about the project “Map of legal reforms for civil society in Ukraine” are available at <http://www.ucipr.org.ua/ua/publikatsii/vydannia/karta-pravovikh-reform-dlya-gromadyanskogo-suspilstva-v-ukrajini>

⁸KASH official webpage: www.kash.org.al

established in 2001 is gathering 22 agribusiness associations and cooperatives. For the social enterprises there is no formal network active in Albania. Partner Albania has created an informal network of social enterprises. Dua Partner Invest (DPI)⁹, an investment of Partners Albania, acts a virtual hub in the field of entrepreneurship and innovation serving to WB6 start-up community to boost networking, outreach, and access know-how and funding opportunities. It brings together start-ups from the WB6 that generate social and/or environmental impact, investors of all kinds (businesses, venture capital firms, impact investment schemes, development programs and individuals), and experts from a wide variety of areas. The community of DPI has around 200 entrepreneurs, 65 consultants, and 6 investors. Another example is Yunus Social Business Balkans, organisation that serves also as a network of youth social enterprises in Albania supported through RISE project.

In Bosnia and Herzegovina at the initiative of activists CDP “Globus” /Centre for the development of social entrepreneurship “Globe”, in 2014, the Coalition for the Development of Social Entrepreneurship “United We Can More” was formed, the first of its kind in the country. The coalition is an informal network of organisations (open to citizens’ associations, business companies, foundations and similar forms of business/activity) and individuals interested to contribute to the development of social entrepreneurship in BiH. More than 70 organisations throughout BiH joined the Coalition so far. The main purpose of the Coalition is to inform and bring together social activists and experts, in order to work together to promote and advocate the development of social entrepreneurship in BiH. Members of the Coalition exchange information and participate in various educational, promotional and advocacy activities and projects.

In North Macedonia in 2019, the Social Enterprises Network Mk was established. This is a platform for communication and cooperation between different social enterprises, with the goal to upgrade

⁹Dua Partner Invest official webpage: <https://dua-partnerinvest.com/homepage>

the public image of the sector, and to improve cooperation and multi-sectoral partnership with other parties at regional and national level. Based on the defined needs for cooperation, 22 social enterprises which are existing the longest period on the market, joined forces and took the initiative for creating this network.

In Montenegro there is a low level of networking among the various stakeholders in society in order to promote the concept and create a more enabling ecosystem (Utting 2015). Social enterprise networks do not exist, nor incubators and accelerators for social enterprises. The only social enterprise supporting organisation is Centre for Economic Prosperity and Freedom – CEPS, which is a local non-governmental organisation which, as all other NGOs, operates on project basis. Recently, the UpBeat Hub has been established by local NGO “ADP ZID”, as a hub more focused on innovation, then on social enterprise and social economy development, but it is used by some service providers for the events. Another available resource is ITC “Tehnopolis”, which is established by the public sector for innovation and technology development. While CEPS provide training, consultancy and mentorship services, UpBeat Hub and Tehnopolis primarily provide premises that can be rented and used by their beneficiaries. Most of the social entrepreneurship ideas and projects are supported through regular entrepreneurial and employment support programmes, due to the lack of available funding to social business support structures.

In Serbia, there are active networks formalised as the Coalition for Solidarity Economy Development that advocates for better legal framework and more enabling environment for social and solidarity economy, promotes concept to key stakeholders and provides research and analysis of the ecosystem. Another example is SENS – Social Economy Network Serbia, that promotes the social entrepreneurship and creates networking and learning opportunities for its members. We can also mention the Association of Business Women in Serbia, that provides support and promotion of women entrepreneurs, advocating for improvement of the business climate and fostering networking on a local, regional and international level.



Moldova has an important network of social enterprises called Platform for Social Entrepreneurship Development¹⁰. The platform does advocacy and lobbying to bring legislative changes and promote the concepts of social entrepreneurship and social enterprise.

In Ukraine, there is no national umbrella organisation that would be focused on designing and implementing a national strategy for social economy development. But we can mention the existence of large networks aiming at NGO sector development, usually supported by international donors. Among them are the following:

- The Ukrainian Forum of Philanthropists¹¹ is the first professional association of charitable organisations in Ukraine since 2005. The organisation aims to create infrastructure to support and develop charitable organisations and unites 39 leading charitable organisations around Ukraine. The organisation is a member of the European network of donor associations DAFNE and the network of the World Initiative for Grant Support WINGS, as well as a signatory of the Ukrainian Network of the UN Global Compact.
- ISAR “Ednannia”¹² – an NGO that has been developing civil society and the culture of strategic philanthropy for 23 years and strengthening initiatives to build democracy in Ukraine. They are one of the largest Ukrainian grant makers, and every year they provide from 200 to 500 grants for the implementation of socially beneficial initiatives throughout Ukraine. The strategic directions of their work are the organisational development of public and charitable organisations, popularising strategic philanthropy in communities, and creating a platform for constructive cross-sectoral interaction.
- The charitable organisations “Caritas Ukraine”¹³ and “Caritas-Spes Ukraine”¹⁴ comprise regional organisations in different regions of Ukraine. They are independent legal entities and often create local parish organisations of Caritas. These structures allow the development of a network of philanthropic organisations that are unified by a single set of rules but act upon the real needs of their regions and local communities. Depending

on the latter, different Caritas organisations might focus their philanthropic efforts on other needs.

- The charitable organisation “100% LIFE”¹⁵ (formerly the All-Ukrainian Network of PLHIV) is the largest patient organisation in Ukraine. The network works with patients and for patients, including representing the interests of people living with HIV in 25 regions of Ukraine. The network has been operating since 2001 and provides services to more than 190,000 patients, 90,000 of whom are PLHIV. In 2016 and 2017, the Network became the most prominent philanthropic organisation in the country, according to the Ukrainian Forum of Philanthropists.
- The Ukrainian Society of the Deaf¹⁶ supports the professional, labour, and social rehabilitation and integration of deaf people into traditional life and protects their rights and interests.
- The Ukrainian Association of the Blind¹⁷ protects its members’ interests, promotes integration, and supports their medical, social and labour rehabilitation.
- Also, Chambers of Commerce are established in all regions of Ukraine and represent a vital economic resource. However, they are viewed as acting primarily in the interests of medium and large enterprises.

1.4.2. Support mechanisms

In the last years in Albania, there can be observed important developments regarding incubators and acceleration programs for social enterprises.

¹⁰<https://www.antreprenoriatsocial.md/index.php?pag=page&id=1185&l=ro>

¹¹<https://ufb.org.ua/>

¹²<http://ednannia.ua/>

¹³<https://caritas.ua/>

¹⁴<http://caritas-spes.org/ua>

¹⁵<https://network.org.ua/>

¹⁶<https://utog.org/>

¹⁷<http://cputos.org.ua/>

Almost all of them are supported through ODA donors. An example is represented by EU for Innovation (Challenge Fund), seeking to improve the innovative ecosystem and boost the creation of start-ups in Albania. The project is funded by the European Union with additional support from the German Federal Ministry for Economic Cooperation and Development (BMZ) as well as the Swedish International Development Cooperation Agency (Swedish Government). 'EU for Innovation' is another example, focusing stimulating the innovative ecosystem and boost the creation of start-ups in Albania through capacity development for innovation. In order to achieve the stated objectives, the project is working with three main stakeholder groups: start-ups and growing start-up companies, innovation support organisations (ISOs) (incubators, accelerators, research institutes and universities), government stakeholders and agencies. Partners Albania, a local foundation offers services of incubators and accelerators in the field of green start-ups and social enterprises, offers capacity building, mentoring and networking opportunities, exposure to international markets and seed funding. PA also run an innovative program which consists in social reuse of confiscated assets of organised crime¹⁸, by establishing social enterprises in these assets.

In Bosnia and Herzegovina, Start-up studio is a program of the Mozaik Foundation that aims to recognize and invest in start-up ideas of young people that have the potential to be first commercially viable, then profitable and extremely socially responsible. This studio provides various types of services and support such as: Accounting services, Legal support, Access to favourable loans, Educational content, Mentoring support, Development of e-commerce business. The Impact Investment Foundation works with both employed and unemployed people (including women and youth) by helping them to incubate business ideas, leading to the registration of formal business. Ideation program is tailored to the needs of the participants and may include methods such as mind mapping, 6-3-5 Brainwriting, design thinking and others. Adaptation of the program to users implies a combination of methods, dynamics, duration of support.

In North Macedonia, regional centres can be found in the eight planning regions in the country (Centre for support of enterprises- ESA- Ohrid; Foundation for development of entrepreneurship, regional and cross border cooperation- Bitola; Centre for development of South-East region; Centre for development of Vardar region; Foundation for support of enterprises ESA-Tetovo; Centre for development of East planning region- Shtip; Centre for development of North-east planning region- Kumanovo; Foundation CEED- Macedonia). The centres are part of the system for support and development of the social economy and social entrepreneurship. The centres function as the key points for support, development and promotion of the capacities of social entrepreneurs and enterprises. Also, the centres enable communication and cooperation with local authorities, civil society organisations, social enterprises, private companies, individual experts, academic circles and all entities that can offer their expertise in support of the further development of social enterprises. Together with the National Centre for Social Enterprises, the regional centres are dedicated to the social and professional reintegration of disadvantaged groups as well as to the sustainable development of local communities.

Montenegro has limited support mechanism initiatives. Most of the social entrepreneurship ideas and projects are supported through regular entrepreneurial and employment support programmes, due to the lack of available funding to social business support structures. The absence of support for advocacy, networking and business support activities significantly influences service providers sustainably, since there are limited available funds, mostly project based, not based on business support activities and social economy development.

¹⁸The information on C.A.U.S.E Project and SEs supported are available at Partners Albania official webpage: <https://partnersalbania.org/publication/cause-confiscated-assets-used-for-social-experimentation-initiative/>



In Serbia, there are organisations as Smart Kolektiv, offering comprehensive support to social enterprises, including start up and incubation, providing opportunity for learning and partnership with business sector, promoting the concept among business sector and other stakeholders. They organise an annual regional conference, named the Social Innovation Forum aimed at fostering social entrepreneurship. Also, we can mention the Section for Social Entrepreneurship by the Serbian Chamber of Commerce, organisation providing education, counselling and knowledge exchange in order to support development of social entrepreneurship.

In Moldova, there are two main incubators for social enterprises: the HUB of Social Entrepreneurs and the Initiative for Social Entrepreneurship in Moldova. The HUB for Social Entrepreneurs is based on training, mentoring and support actions for social businesses. The Initiative for Social Entrepreneurship in Moldova provides resources, training, advocacy activities and support for social entrepreneurs and public authorities. Also, IarmarECO is a platform for local entrepreneurs and 11 business incubators at regional level.

In Ukraine, there are no social economy networks, but we can find large sectoral networks supported by international donors. A good example is Impact Hub Odesa which started to implement social economy education programs in 2015. Among their projects, there are:

- Accelerate 2030 – an educational program for social entrepreneurs initiated and supported by the UNDP in 2017;
- Idea Boost – a mentorship program for local social entrepreneurs in 2017;
- SOIN School – an educational project in 2018, which foreseen regional seminars, youth exchanges, and an acceleration program;
- Social Entrepreneurship Camp-Summer Business School in 2018.

Another example is SiLab Ukraine²⁰, an organisation that works to develop social entrepreneurship and innovations in Ukraine. Among the successful projects of SiLab Ukraine are the following:

- Digital LABs for social entrepreneurs and social entrepreneurship experts. Digital LABs is a joint initiative of SiLab Ukraine and the British Council in Ukraine, supported by the House of Europe. This is a training program for social entrepreneurs and social entrepreneurship coaches.
- SELab social entrepreneurship accelerator that was initially implemented only in Kyiv. In 2019, SiLab started to organize regional workshops to select the most promising project for the Accelerator in Kyiv.

Also, there are organisations as the Ukrainian Social Academy²¹ – focusing on implementation of training programs for social entrepreneurship and organisational development, as well as providing investment and consulting support to social entrepreneurs in Ukraine. The School of ME is an organisation that delivers educational and consultancy services to social enterprises, implementing successfully programs in mentorship and supporting financial program for young social entrepreneurs; Social Student Companies to Activate the Youth – program for school social entrepreneurship development's – incubation program on crowdfunding; and Social Impact Award. The School of ME is the Ukrainian licensee of the SIA International network and runs a social business incubation program for youth.

1.5. Challenges and opportunities

In the last 10 years, the social economy sector in the analysed countries from Western Balkans and Eastern Neighbourhood regions has faced a lot of challenges that hindered its evolution – from limited understanding and awareness of the concept itself among public authorities and citizens to limited support from public authorities or limited funds for the sector. All these challenges have been addressed in various ways by national stake-

¹⁹<https://impacthub.odessa.ua/en/>

²⁰<https://www.silabua.com/>

²¹<https://social-academy.com.ua/>

holders in the context of the increased recognition of the sector at EU level, along with the increased funding opportunities. The desk research and interviews with national stakeholders reveal some of the main challenges and opportunities for the social economy sector's development.

Main challenges that hindered the development of the social economy sector

The limited understanding and awareness of the social economy concept and its values among public institutions, municipalities, and citizens represents one of the main factors that hinders the development of the sector in analysed countries. The lack of clarity in the definition of the concepts such as social economy, social enterprise or social entrepreneurship due to limited understanding, has a negative impact on the development of the sector. Even if social economy entities (cooperatives, associations and foundations, mutual etc.) exist in these countries from the beginning of the XX. century, the social economy concept is relatively new and needs time to be understood and internalised. This understanding of the concept is necessary for the social economy's eco-system to develop in terms of legal, institutional and financial framework, funding schemes or education opportunities. The dialogue with public authorities and the business sector, the dissemination of good practices and of the social and economic impact of social economy entities' activities among public authorities, business sector and citizens have supported the understanding and awareness of the concept (European Commission, 2021b).

Although dialogue has been ongoing with the authorities in all the countries, the process of translation of the political declarations into legal frameworks or support schemes for social enterprises has been slow, fragmented, without a clear vision about the sector or with a narrow understanding of the sector's role. Based on the objectives of the funding schemes of the various funders, the social economy has been understood mainly as an instrument of active social inclusion (European Commission, 2020). This is a narrow understanding of the social economy that influence the public perception (social economy is the economy of vulnerable groups) and the public support schemes for the

sector. Therefore, as was mentioned before, the main support schemes are the ones dedicated to the work integration social enterprises.

At national level, social economy as a concept emerged from the third sector discourse, leading to a growing body of actors in the eco-system that focused their services on civil society organisations, while other social economy entities (such as cooperatives or mutuals) have very limited access to support services. These support services (training, education, fiscal facilities, etc.) are important for development. Limited support services/ schemes and funds for social economy entities represent a major challenge for the sector. At the same time many funds are for start-up of social enterprises and less for research, advocacy campaigns, training and so on. Also, funds are short-term and project based. Grants are the most used form of support, which is not a sustainable form of financing a social economy activity. Also, the lack of funding is hindering the development and capacities of support infrastructure for social economy entities and their networking capacity among WBs countries and European level (Andjelic & Petricevic, 2020). An additional factor that hinders progress in the sector is also the lack of coordination between donors' community. The absence of a strategic approach and coordination mechanism on how various donors can work together to promote and advance the sector, significantly hampers the sustainability of their actions.

The weak infrastructure for social economy represents a challenge for the development of the sector. Lack or limited number of hubs, incubators, accelerators, training centres, local learning hubs, resource centres is included in this weak infrastructure. Most of these infrastructure components operate within the projects supported by international donors for a certain period. This approach cannot ensure the sustainable development of the social economy and calls for sustainable business models to continue their functioning (Ashoka, 2020).

Some challenges are internal to the social economy actors, like difficulties in implementing the social economy characteristics or limited entrepreneurship competences. For many of the entities (cooperatives, mutuals, and sheltered work-



places) that could be included in social economy sector, an important challenge is to internalise and operationalise some of the characteristics of the social economy – democratic governance, limited profit distribution, to establish internal mechanisms for employee's consultation and participation, establish processes for consultations with stakeholders etc.

The limited entrepreneurship competences are another important challenge that impacts the performance and sustainability of social economy entities (OECD, 2022). This determines a low capacity of social economy actors to transit from project financing to market approach (business-oriented organisation). It is still notable that many social economy entities are not capable of designing sustainable business plans. For example, civil society organisations need increased support to further strengthen their entrepreneurial spirit and ensure better sustainability of their economic activities, to sell their products and services. This challenge is determined by lack of education on entrepreneurship, scarce and unaffordable opportunities to access professional training and/or mentoring and technology. The providers and support structures are located only in some of the biggest cities, when they exist.

Two challenges can be flagged at national level. In Moldova, the bureaucracy in obtaining the social enterprise or social enterprise of insertion label represents an important challenge in the accreditation process of social enterprises (Social Entrepreneurship Platform in Moldova, 2022). In Ukraine, one main very important challenge is the armed conflict and its immediate effect – the large number of people who have had to leave their homes and refugee in other countries or other parts of the country.

Main opportunities for the development of the social economy sector

The data collected during the interviews with experts and social economy stakeholders shows that the progress and development of the social economy sector has been encouraged by the increased recognition of the sector on EU level, along with the increased funding opportunities at EU and national levels.

The EU accession process represents one of the main opportunities for the development of the social economy sector at national level. The trends from EU level in the sector are translated at national level in most of the cases even if the process is slow. As such, the Social Business Initiative (SBI) created new opportunities. First, for state actors to get introduced to the concept and engage in a discussion at the European and national levels. Secondly, it provided a framework for non-state actors (social economy entities, intermediary organisations) to orient their advocacy efforts.

The availability of funds for the development of the social economy sectors at national level is one of the main factors of support. Each donor brings a new perspective on the social economy and provide funds for its development. For example, in Moldova (AXA Management Consulting, 2020), the concept of social entrepreneurship is promoted, due to the funds from donors from Germany, Austria and USA. The development of economy is also an opportunity: many businesses have socially responsible business policy and try to cooperate with social economy entities. For example, three large companies responded positively to invitations to cooperate with Caritas in Serbia.

Although the legal framework is not perfect in the countries where progress has been made to draft laws and policies (Moldova, Albania, Serbia), it represents an opportunity for the development of the social economy sector. It brings a public recognition of the concept and a starting point in the improvement of the support measures for the social economy sector.

1.6. Skills needs and skills gaps

The success or failure of changing the social economy entities' status relates to specific external and internal factors. Social entrepreneurs must have a business-oriented mindset analogous to the social mission and external factors like comprehensive institutional structure and a friendly habitat to access grants (WB SEA, 2021). Besides all obstacles, social enterprises have been considered an opportunity for employment and the introduction of innovative services, which will



serve to make further progress in social and economic inclusion (Partners Albania, 2021).

Social economy and social enterprises represent a relatively new phenomenon in the analysed countries. Both concepts remain virtually unknown to the average citizen, decision maker or businessman. On the other hand, those exposed to this terminology usually associate it with social assistance or social work. Due to the insufficient knowledge of the concept and the limited perception of the potential of social economy, there are skills mismatches and missing preparation for the job market by educational institutions.

Regarding skills, social economy entities need the skills other enterprises need, such as business and financial management skills necessary to plan for and manage financial, legal, and marketing processes. At the same time, social enterprises require additional skills that imply a new approach to entrepreneurship that promotes values rather than profit maximisation. From the analysis of the countries involved, entrepreneurial and leadership skills, capacity to design sustainable business plans and competencies in building new management models still need to be improved. Besides the lack of financial sustainability and technical skills necessary for organisational management and project planning, many organisations are insufficiently trained to use new communication technologies. For example, in Albania, the lack of entrepreneurial skills translates to the low capacity of social economy entities to transit financing to market approach. New skills should be made among the people who are engaged in the sector and at the level of political actors, the business sector, and the general public, as well as cooperation skills.

In Bosnia and Herzegovina, improving access to finance for social economy entities is recognised as one of the basic prerequisites for developing the social economy. The same happened in Serbia, where access to finance has been identified as the biggest challenge for social economy entities. The relative shortage of project management and sector-specific experience (planning, budgeting, and process management) and a lack of business management skills/ experience necessary to plan for and manage financial, legal, and marketing processes, the lack of knowledge of

how to enter the market and have a competitive product financial support, support for product sales and market conquest, support for entering large retail chains are the other challenges for the social economy development in Serbia (Tosheva and Petriskova, 2020).

In Montenegro, there needs to be more skills in fundraising and voluntary work to strengthen their income base and adequately valorise the contribution of volunteers and other stakeholders who might be interested in supporting their activities. Volunteers also need more specialist knowledge related to social economy and social enterprise operations, and they primarily receive training for product engineering and quality service delivery.

Lack of education on entrepreneurship, lack of opportunities to access professional training and or mentoring programme is another skills' gap. In North Macedonia, there are no formal educational programs that are explicitly focused on social entrepreneurship. In higher education, only one part of the high educational institutions has social entrepreneurship as a subject. Within secondary education, on the other hand, part of the programs offers an introduction to social entrepreneurship, integrated into the subject of "Business and Entrepreneurship".

A growing body of literature provides evidence of the role of social enterprises in creating employment opportunities for marginalised groups. Ilijevski et al. (2016) argue that SEs provide significant support in the transition of persons from marginalised groups from passive recipients of social welfare to active actors in the labour market through various models of temporary and/or part-time work, training, developing soft skills, and networking. They address the challenges the marginalised groups identified, such as the loss of life and professional habits, social isolation and the need for an individualised approach to their social rehabilitation. Additional research demonstrates that almost 56.41 per cent of the surveyed social enterprises have a twofold social mission, at the same time pointing to the problem of a non-inclusive labour market and unemployment of various vulnerable categories and contributing to the protection of the environment (European Commission, 2018c).



Moreover, as one of Europe's 14 key industrial ecosystems, new and adapted skills are needed for the social economy entities to face the green and digital transition pathway, avoid job losses due to the transition process, and improve working conditions, especially in given sectors. A focus should be put on digital and green innovation skills, skills to adapt to the transition and skills to digital and green operations (European Commission, 2021c). A low level of digitalisation generally characterises SE entities (Bräulisauer et al, 2020). Aside from their capacity, their digital uptake depends on territorial conditions such as connectivity, especially in remote and rural areas (Brunori et. al, 2022). In this sense, it is essential that incubators, companies, business support organisations and training and education centres work together to train people in the right skills,

which in today's economy should also include digital and green skills.

The European Commission has stressed the importance of maximising the impact of investing in improving skills through several initiatives and policies, such as the Pact for Skills²², a shared engagement model for skills development in Europe, and the European Skills Agenda²³, a five-year plan to help individuals and businesses develop more and better skills; the Green Comp²⁴, the European sustainability competence framework; as well as DigComp²⁵ for the upskilling and re-skilling regarding digital technologies and digital skills, which is also in line with the Digital Education Action Plan²⁶ and the European Education Area,²⁷ as well as the OECD's Future of Education and Skills²⁸.

²²<https://ec.europa.eu/social/main.jsp?catId=1517&langId=en>

²³<https://ec.europa.eu/social/main.jsp?catId=1223&langId=en>

²⁴<https://op.europa.eu/en/publication-detail/-/publication/bc83061d-74ec-11ec-9136-01aa75ed71a1/language-en>

²⁵<https://publications.jrc.ec.europa.eu/repository/handle/JRC128415>

²⁶<https://education.ec.europa.eu/focus-topics/digital-education/action-plan>

²⁷<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0625&from=EN>

²⁸[https://www.oecd.org/education/2030/E2030%20Position%20Paper%20\(05.04.2018\).pdf](https://www.oecd.org/education/2030/E2030%20Position%20Paper%20(05.04.2018).pdf)



2. Promising practices for social economy sector development in non-EU countries

Although it is assisting the momentum of the social economy, many countries still struggle to develop favourable ecosystems to develop the social economy sector. Some conducive aspects, such as legal frameworks, have been identified as pillars for developing a social economy ecosystem. Indeed, the legal frameworks are a decisive component of the socio-economic development of the social economy ecosystems and significantly impact the sector's reputation, visibility, and recognition (OECD, 2020).

The recognition of social economy (political and legal recognition, recognition through private marks and self-recognition by the same social enterprises) and the capacity to access resources (resources for setting up and consolidating, resources from income-generating activities, tax breaks, and fiscal benefits) at different levels have been identified as drivers to enable the development of social economy ecosystems (European Commission, 2020). Moreover, empowering networks, promoting the capacity to self-organize,

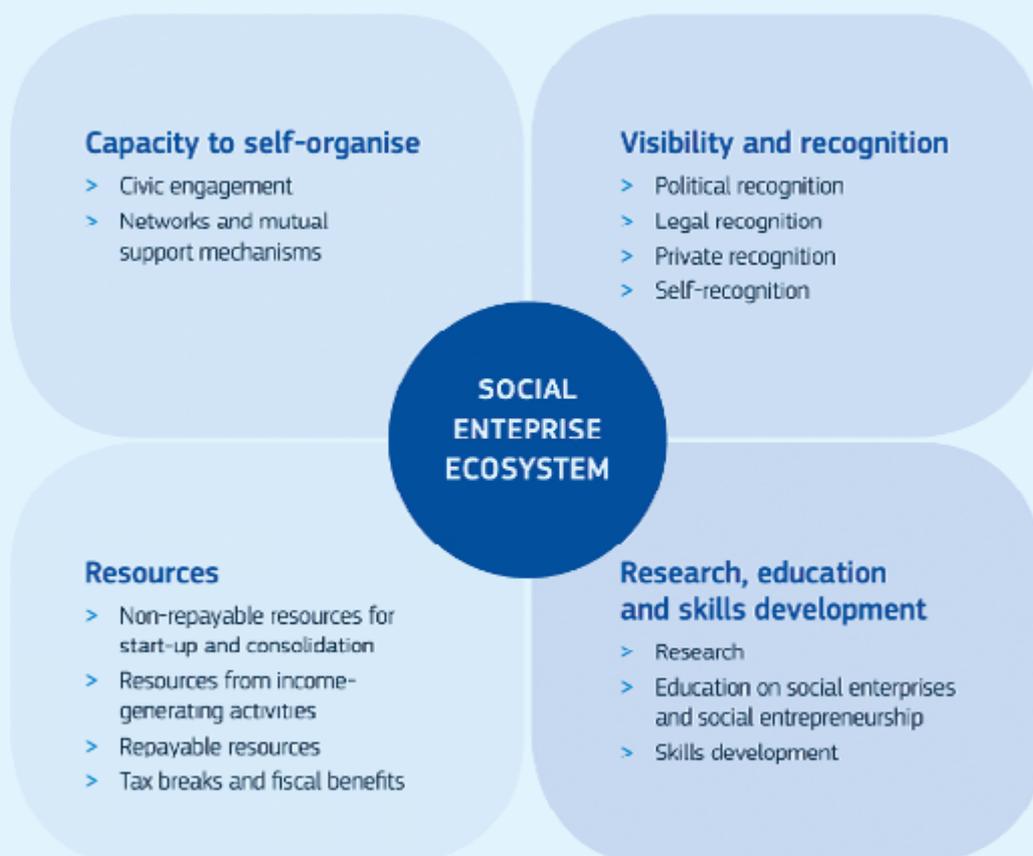


Figure 1. Social enterprise ecosystem

and building capacities and skills are development opportunities to favour social enterprises in tackling economic and social concerns.

In the report, the promising practices have been selected by considering the pillars mentioned above, specifically: legal and institutional framework initiatives, various programmes or projects that support the knowledge in the sector through research or the start-up of social enterprises, networks/ coalitions that through their activities increase the visibility of the concept between policy makers and the general population. In each of these countries, one or more of these factors has been proven to be a key factor in supporting the social economy development ecosystem.

2.1. Legal and institutional framework or public policy measures that support the development of the social economy sector

As mentioned before, the legal and institutional framework represents one of the main factors that has hindered the development of the social economy sector in the non-EU countries analysed. After many years of discussions between social economy entities and decision makers, research in the field provided evidence to support

the policy decisions, advocacy campaigns. In some of these countries (Albania, Moldova, Serbia) there is a legislative framework dedicated to social economy. In North Macedonia, the law on social economy has not been adopted but a draft of this law is on the national policy agenda.

Given that this legislation is relatively new in many of these countries, it is difficult to discuss its immediate impact. It should be noted, however, that these laws set out the characteristics that entities must fulfil in order to be considered as belonging to the social economy and propose support measures for social enterprises of insertion in particular. These laws represent an official recognition of the field of social economy and help to better understand its role among decision-makers and other stakeholders.

In Moldova, the introduction of social economy in the legal framework determine also the development of a National Strategy for the Development of Social Entrepreneurship for 2021 – 2025 that includes measures for the sector, such as elaboration of secondary legislation to support social entrepreneurs/ social enterprises/ social enterprises of insertion, fiscal facilities proposals for social entrepreneurs/ social enterprises/ social enterprises of insertion, data collection on social economy sector, training programmes. In the same time, the Government of the Republic of Moldova proposed to allocate national funds for the development of social entrepreneurs/ social enterprises/ social enterprises of insertion. Also, the legal framework on public procurement includes reserved contracts for social enterprises of insertion and social procurement.



Box 1.

Promising practice – the policy development in North Macedonia

1) Policy level reforms and institutional frameworks

In order to improve the ecosystem for social enterprises, the Ministry of Labour and Social Policy published on 28.07.2015 **the first draft version of the Law on Social Entrepreneurship**, which was expected to regulate the principles, forms and activities in the field of social entrepreneurship, the establishment and management criteria, as well as the monitoring and evaluation mechanisms. The recommendations of the existing community of social entrepreneurs were that in the absence of a developed practice that should shape the legal solution, the necessary conditions for the development of a legal solution have not been created. As a result, this legal solution was withdrawn.

With **the new Law on Public Procurement** (Official Gazette of the Republic of North Macedonia, No. 24/2019), the possibility of introducing reserved procurement is regulated for the first time in the country's legal framework. It entered into force on April 1, 2019. For the first time, the law promotes the concept of social procurement, which allows the state authority to reserve the right to participate in a public procurement procedure for economic operators, whose main purpose is the social and professional integration of persons with disabilities or persons from socially vulnerable groups.

The new Law on Social Protection (Official Gazette of the Republic of North Macedonia, No. 104 of 23.5.2019), foresees greater engagement of local self-government units in social mapping of citizens' needs at the local level. The reformed system of social protection envisages the promotion and development of social services that will be provided in the user's home, in the community and in the family, as well as the creation of innovative and interventional social services. In addition to the local self-government, citizens' associations, natural persons and the private sector are recognized in the provision and provision of social services. In fact, all these services represent an opportunity for the development of new social enterprises, which would meet the needs of services at the local level. Reforms at the level of public policies are expected to have an effect on the ecosystem in which social enterprises operate in the country.

The wider discourse on social entrepreneurship started in 2018, when the Ministry of Labour and Social Policy launched the development of the first National Strategy on Social Enterprises. The first was developed through a broad consultative and participatory process, implemented in two phases: 1) Phase 1 from November 2018 to December 2019. During this phase the main objectives of the Strategy were defined, along with the strategic priorities and the activities. The Ministry of Labour and Social Policy assigned the mandate for coordination of the process of creating the Strategy to the Association for Research, Communications and Development "PUBLIC". In summary, in the preparation process, 10 working groups were organized, over 50 individual meetings and consultations and one main event with the presence of about



60 stakeholders were held. Within the individual meetings, meetings were held with 15 key actors, including public institutions, with which measures and activities were jointly discussed. In this phase, the Strategy fully acknowledged the need of transparency and inclusion of all stakeholders as key elements to strengthen legitimacy and effective policy implementation. Hence, each of the defined measures is discussed and developed through discussions with public institutions, actors in the eco-system and social entrepreneurs and 2) Phase 2, when the Strategy was updated with new activities and measures developed in consultation with small working groups, added as an answer to the new context that resulted from the COVID19 crisis.

2) Establishment of national and local social enterprise support structures

In September, 2019 the Ministry of Labour and Social Policy launched the IPA-funded technical assistance project “Encouraging Social Entrepreneurship”, in which together with civil society organisations already working in the field (practitioners, support organisations, think-tank organisations, etc.) concepts for policies and a legal framework were developed to encourage the development of social enterprises. The established support structures are listed in section 4.2.

3) Increased, but still limited funding and capacity building opportunities

Over the years, several institutions have engaged in promoting social entrepreneurship and providing support to initiatives related to social enterprises. Within the framework of the Program for Competitiveness, Innovation and Entrepreneurship, in the period 2017-2019, the Ministry of Economy co-financed projects for social enterprises within the measures for the development and support of small and medium-sized enterprises and entrepreneurship. The Entrepreneurship Support Agency organized several training courses and educational sessions on social entrepreneurship for youth and other stakeholders. The Ministry of Labour and Social Policy piloted a targeted active measure for the employment of vulnerable groups of citizens in civil society organisations and social enterprises. What draws attention to the new legislation measures design is that the newly introduced legal acts do not explicitly use the expressions such as “social enterprise” or “social entrepreneurship”.

In 2021, the Fund for Innovation and Technology Development, a leading government institution for the support of start-ups and innovative companies in the Republic of North Macedonia published the first call to support social enterprises- “Encouraging social entrepreneurship”, with a total budget of 97.000 EUR for 10 social enterprises. The objective of the Call was to encourage the development of social entrepreneurship by supporting innovative solutions for current social needs and social challenges (social innovation), while ensuring sustainable and inclusive development. The Call was opened for two legal forms of social enterprises such as, civil society organisations and trade companies. The call was also opened for teams (consisted of 2-5 members).



2.2. Programmes / projects that support the development of the social economy

In the non-EU countries analysed the development of the social economy sector was influenced by external factors like the funding opportunities or different projects/ programmes that included these countries. Many international donors supported the social economy sector development through the promotion of the concept at national level and the funds offered. The funds for social economy or social entrepreneurship from European Commission, USAID, GIZ, Swiss Agency for Development and Cooperation, Swedish International Development Cooperation Agency, ILO, British Council represent one main driver for the development of the sector.

The access to financial resources for social entrepreneurs has increased in Ukraine because of the low-rate loan programs development (by “WNISEF”), grant programs with no or partial return (by the newly established “Ukrainian Social Venture Fund,” “Renaissance Foundation”, “East Europe Foundation,” “ISAR Yednannya” etc.). Some programmes developed in WBs are important for the EU stakeholders to understand the social economy ecosystem in these countries (e.g. the RISE programme). Also, these programmes support the research in the field in order to produce evidence for the legal framework and the advocacy campaigns to promote the necessity of the sector regulation.

Box 2.

The RISE programme in WBs

RISE programme – WB Regional Incubator for Social Enterprises: Launched on 1st October 2019, the multiannual RISE (Regional Incubator for Social Entrepreneurs) project is based in the Western Balkans and aims to support social entrepreneurship there. The implementation of the project considers the specific needs of the region as well as its historical and political context. The local implementation of RISE is ensured by the social incubators located in the region: ARNO (North Macedonia), Nesto Vise, (Bosnia-Herzegovina), Yunus Social Business Balkans (Albania), Smart Kolektiv (Serbia), IEC Technopolis (Montenegro) and Balkan Green Foundation (Kosovo). Local incubators provide tailor-made support program that provides training and technical skills. The project’s objective is to address a specific and crucial need in the region in relation to its current context and history: opening new spaces of reconciliation for the youth of the Western Balkans through social entrepreneurship. Due to its very regional nature, the project will tend to increase the number of cross-border interactions around social entrepreneurship. RISE supports young change-makers in developing their impactful ideas into sustainable social businesses. So far, the programme has trained 260 young people with basic skills to establish and lead a social enterprise, incubated 90 social economy ideas and 24 incubated projects benefiting from regional mobility programs.

Box 3.

The EMBRACE project – Albania

The “EMBRACE – Albania”²⁹ Entrepreneurship Models Building Relations and Creative Economy” project implemented by Partners Albania provided seed funding for new and existing social enterprises, advanced the dialogue with institutions around the social economy law, and introduced capacity-building programs for the social economy sector. It was funded through “Support to Civil Society Organisations under the Civil Society Facility Action 2016-2017”, the first donor program funding Albania’s social enterprises’ ecosystem.

²⁹The information on the Embrace project and SEs supported are available at Partners Albania official webpage: <https://partnersalbania.org/embrace-entrepreneurship-models-building-relations-and-creative-economy/>

2.3. Networks/ coalitions that support the development of the social economy

The development of the social economy sector in all the countries analysed has been supported by non-governmental organisations. The work of these NGOs or networks of NGOs was extremely important for the development of the legal, institutional, and financial framework for

the social economy. They introduce and disseminate the concept at national level, produce knowledge about the sector and develop advocacy campaigns to create legal frameworks, to introduce social procurement or to obtain fiscal facilities.

Box 4.

SMART Kolektiv NGO – Serbia

Smart Kolektiv is Belgrade-based NGO (Serbia) that plays major role in development of social entrepreneurship in Serbia. Starting from the idea of connecting business and society, Smart Kolektiv finds ways to apply business experiences and logic to solving social issues. It helps companies work with the community in an articulate and strategic manner, and various social groups to attract the interest of the business world with regard to their needs and initiatives, and at the same time become more innovative, efficient and sustainable. Smart Kolektiv's direct beneficiaries are civil society organisations, which they help find partners from the business sector and develop sustainable sources of funding, social enterprises and entrepreneurs they help become sustainable and competitive, companies they help develop CSR programs, and young people they help launch and successfully run their business.

Box 5.

Coalition for Solidarity Economy Development – Serbia

The Association of **Coalition for the Solidarity Economy Development in Serbia** was founded on December 30, 2019 as a non-governmental and non-profit association, which works to establish a society that develops sustainably underlying on a solidarity economy, which enables and encourages economic, social, and political inclusion of citizens. CoSED has been established as an association founded by organisations dedicated to the development of the solidarity economy in Serbia. The CoSED is aimed at creating a stimulating framework for the development of the solidarity economy and solidarity entrepreneurship through information, advocacy, and capacity building of various actors.



Network events were created in order to promote the social economy organisations' products and activities to business sector or public authorities and to build partnerships to support the development of the social economy. These

represent an opportunity for business sector or public authorities to find information about the social economy, to understand their activity and to create partnerships for future initiatives/projects.

Box 6.

Companies Doing Good Forum – North Macedonia

Companies Doing Good Forum- North Macedonia is a bi-annual event in the format of integrated action that offers opportunities for connection and optimal integration of the capacities of progressive business entities, public institutions, social enterprises and civil society organisations by transferring knowledge of world-proven methodologies for sustainable change. Since 2016, the Forum has contributed to building partnerships between the three sectors of society (public, private and civil society) and emphasizes the role of each stakeholder in creating better societies.

The forum is structured around three (3) pillars: 1) The public institutions have a key role to play in setting trends and thinking about supporting vulnerable people; 2) The social enterprises' scene purports new thinking about self-sustainability and the arising opportunities in providing social services for vulnerable groups, especially in regards to their employability and their future in the shifted workplaces and social inclusion; and 3) the business sector is in dire need to align the business to societal needs to boost productivity, competitiveness and its impact in the society.



3. The role and impact of the social economy sector in non-EU countries during the most recent crises

The last 5 years were marked by two major crises at national and world-level – the COVID19 health crisis and the armed conflict in Ukraine. In both cases, social economy organisations in both EU and non-EU countries provided different types of support to first responders, persons directly affected by the crisis or people impacted on the short, medium and long-term by the crises' effects. This section aims to offer several examples on the role and impact of the social economy sector in Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia and Ukraine in these recent crises.

During the COVID-19 crisis a general trend of support consisted in manufacturing and/or distributing protective masks for the first responders in the health system, and, where possible distributing meals to the medical staff that had to work in isolation. Another common action was providing support for day to day tasks, especially groceries shopping to older people or persons with disabilities that weren't allowed to leave their houses for long distances or longer periods of time. All these initiatives and contribution were established despite the fact that social economy organisations were only briefly included among the entities eligible to receive state support during the crisis. Some illustrative examples are provided in Case study **box 1**.

Box 7.

Examples of social economy organisations providing support during the COVID-19 crisis

Albania

Voluntary entrepreneurs working in the field of innovation and technology developed the “HEROI IM” (“My HERO”)³⁰ online platform. The platform allowed all persons willing to aid to register, aiming to create a network of volunteers from all over Albania to come to the aid of health professionals and their families.

“Rinora Handmade”³¹ is a small social enterprise based in Berat, focused on the production of artisanal soaps and natural sponge “Made in Albania”. During COVID19 situation, for every product that they would sell, 10% of the income would go to the purchase of sterilising detergents for students in some schools in the district of Berat and especially in rural areas.

The FaceShieldMask initiative of entrepreneur Dea Buza started in March 2020. More than 1,500 protective masks were produced for the medical staff of QSUT and that of Shkodra Hospital, with 3D printers and her own expenses.

A very meaningful initiative was “Adopto një gjysh dhe gjyshe!” (Adopt a grandmother and a grandfather”) undertaken by young people in Tirana. Since in the capital currently live nearly 35,000 lonely older people, the initiative called on all young people to help older people or families in need living near them during the hours at their disposal to go out and buy groceries, medicines, etc.

³⁰The “HEROI IM” official webpage: <http://heroi-im.al/>

³¹The “Rinora Handmade” Facebook page: (<https://www.facebook.com/rinorahandmade>)

The majority of the Albanian social economy organisations did not cease the activity, although many of them had to reduce their capacity. Especially, social economy organisations working in work integration and disability services adapted quickly to on-line services, while others shifted their production to meet needs related to the pandemic situation.

Similarly, in Moldova, some units manufactured and distributed protective masks, visors, while others, such as Eco-Răzeni, provided food to doctors in the delicate situation of isolation shifts. It was a considerable effort – from a financial point of view, given the increase in inflation, but also to ensure the regular feeding flow of the older beneficiaries already in the program.

In North-Macedonia, the COVID-19 crisis paved the way to development of an economy driven by real social needs. In these critical times, social economy organisations provided care for older people, access to food, and various services for the most deprived communities.

Even in the circumstances of crisis, Ukrainian social entrepreneurs took care of their social mission and even did more to support the medical and civil infrastructure. For instance, the enterprise “Veterano Pizza” delivered pizzas “to all fighters against the coronavirus” – doctors, firefighters, police, and national guards. Many social sewing factories like “CrazyKaktus”, “Systemni Rishennya” and many others started to produce masks and protective equipment for hospitals and other civic infrastructure workers.

The Ukraine war which started almost 9 months ago is the most recent crisis in which social economy organisations were able to support vulnerable

Hopla Artisan Workshop, a women small enterprise in Berat, had to interrupt the production of hand-made orders due to the situation. They came together and changed the focus of their work from artisanal clothes, carpets, etc. to the production of hand-made protective masks against COVID19.

Moldova

Eco-Răzeni – provided food to doctors in the delicate situation of isolation shifts. It was a considerable effort – from a financial point of view, given the increase in inflation, but also to ensure the regular feeding flow of the older beneficiaries already in the program.

Ukraine

The enterprise “Veterano Pizza” delivered pizzas “to all fighters against the coronavirus” – doctors, firefighters, police, and national guards.

Social sewing factories like “CrazyKaktus”, “Systemni Rishennya” and many others started to produce masks and protective equipment for hospitals and other civic infrastructure workers.

people, both in the country where the conflict is active and in certain neighbouring countries. Besides Ukrainian social economy organisations, the most notable contribution is the one provided by Moldavian organisations, as the country sharing a long border with Ukraine.

In Ukraine, the crisis was even more painful to social entrepreneurs with weak business administration capacities or those organisations that started their social business activities based on NGOs or other forms of non-profits. Being social mission-driven, most Ukrainian social entrepreneurs temporarily stopped their business activities. In most cases, during the war period, Ukrainian social enterprises started to provide their products or services free of charge or at a low-cost price for those needed. Social bakeries like “Good bread from good people”, “Bakery 21.3” and others provided their products and humanitarian food packages to those living in destroyed or formerly occupied territories. Also, the social enterprise “Woodluck” mobilized their current and former employees and volunteers and set up the bed production for shelters. The inclusive “Lady Di Atelier” set up the shelter and sewed the bed linen for free.

In Moldova, as a neighbouring country, the crisis of the war and of the refugees, led to a general mobilization, at the level

of the individual and society. Not only social enterprises jumped in to help, but every person. In particular, the teams of the work integration social economy organisations were involved in the crisis generated by the war, having as an argument the in-depth knowledge of the needs of disadvantaged categories, at the level of nutrition, medical needs, etc. In addition, it was the social economy organisations that preserved the jobs, as well as the salary level – unlike the typical economic agents, which reduced/ abolished them in this emergency context. This advantage of social economy organisations was possible thanks to the unconventional and creative mechanism of finding solutions, typical of the social branch.

In the case of Eco-Răzeni social enterprise, support for refugees has been constant since the beginning of the crisis, but the volume has fluctuated. In the beginning, they contributed about 1000-1200 portions of food, but now the need has decreased and they contribute about 200 por-

tions of food daily to persons in transit centres. Also, some social entrepreneurship units, such as the one in Balti, provided catering services for the refugees and others provided recreational services for refugees, shelter and entertainment activities, psychological counselling or organized mobile teams for areas where refugees were sheltered.

The examples described above from the seven non-Eu countries included in our research make the portray of a social economy sector that enacts the values of solidarity, self-help and reciprocity, demonstrating the primacy of the people over capital. As seen above, social economy organisations played an important role during the two major crises of the last 5 year, the COVID19 pandemic and the invasion of Ukraine by the Russian army. These organisations demonstrated agility, resilience and increased adaptation capacity, in order to provide the most needed support that emerged in times of crisis.



4. The impact of the European Commission's initiative “Social Economy Action Plan (SEAP)” in non-EU countries

The social economy ecosystem has developed significantly with the launch of the Social Business Initiative in 2011 (European Commission, 2014), and the concept of the social economy started to gain attention and momentum. However, difficulties in developing and scaling up the activities are still present because social economy organisations need to be sufficiently understood and recognised. Therefore, the President of the European Commission, Ursula von der Leyer, has mandated the Commissioner for Jobs and Social Rights, Nicholas Schmit, to develop a European Action Plan for the Social Economy to contribute to the priority of “An economy that works for the people” (European Commission, 2021a).

On 9 December 2021, over a two-year process of consultations with citizens and stakeholders, the European Commission adopted a new action plan on the social economy. The Social Economy Action Plan (SEAP) represents a milestone event setting the policy focus for the next 9 years and supports the objectives of the Commission in a variety of other policy areas, such as the European Green Deal, a Europe fit for the digital age and Promoting our European way of life. SEAP proposes concrete measures to foster the full potential of the social economy, building on the results of the 2011 Social Business Initiative and the 2016 Start-up and Scale-up Initiative. Through the Plan, the European Commission acknowledges social economy actors as entities that put social and environmental purposes first, reinvesting most of their profit into the organisation. The SEAP shows that the social economy offers solutions to key challenges in societies in different sectors and forms, from care services to recycling, from cooperatives to social enterprises. After defining the social economy from the European Commission's perspective, the action plan encourages Member

States to adopt or update their social economy strategies and measures in cooperation with social economy stakeholders into three main areas:

- The first area focus is on improving the legal and policy framework and promoting the social economy by creating the right conditions for the social economy to thrive;
- Opening up opportunities for social economy entities to develop represents the second area of action that refers to supporting social businesses and innovation, increasing access to funding and creating linkages between the social economy and the green and digital transitions.
- The final area is dedicated to ensuring the social economy and its potential are recognised. This section focuses on mapping, collecting and analysing data on the social economy and raising public awareness of it.

The SEAP wants to promote the social economy at different levels, from local to international. Indeed, there is also a scope to strengthen dialogue and collaboration on the social economy with key international partners. In Central and Eastern Europe and the neighbouring countries (e.g., the Western Balkans), SBI actions and EU funding have played an essential role in setting up the social economy ecosystem. Despite progress in many areas, needs persist – although with different intensities across EU Member States and regions. Indeed, improving access to finance for social entrepreneurs in the WBs, the Eastern Partnership and Southern Neighbourhood by launching actions to boost grassroots initiatives and support intermediaries to develop financial products adapted to the needs of social economy entities is one of the key actions of the SEAP.

However, the SEAP is an almost unknown document in Western Balkans and Moldova, except for some representatives of the social economy sector, that consider it a very relevant document for developing the social economy entities. There is no knowledge and information on relying on the recommendations of this document (so far).

For instance, in Montenegro, nobody is dealing with the SEAP: primarily, it is a new initiative, and all activities related to social economy development have been stopped due to political instability and halted the EU integration process; secondarily, the social economy sector is not developed, and it lacks funding primarily for advocacy initiatives and all the advocacy activities are done on rare public events that mostly deal with the civil society development.

As the SEAP aims to address issues regarding the business environment (i.e., diversity of social economy legal forms, taxation policy, certification systems, public procurement and state aid) which resonate with the challenges of the countries analysed in this report, it has the potential to provide a new impetus to developments in the field. However, the interviewed national experts in social economy from the analysed countries have different perceptions of the role of the SEAP initiative in developing the social economy in their countries.

There is no evidence available to discuss the potential impact of the EU SEAP initiative in North Macedonia. From the Albanian perspective, for as long as the EU integration process remains the driving force of development in the country, SEAP represents the driving force in the social economy sector. Approximation of legislation and adaptation of EU best practices in the field would be powerful tools in bringing changes. Without such an EU strategy, changes may happen or not at the speed and the standards expected.

From Serbian and Montenegro perspectives, the EU SEAP initiative doesn't yet impact the development of the social economy sector. Additionally, the social economy sector and social enterprises need to be developed in Montenegro, where the stakeholders are still struggling to define the social economy concept in the context

of the country's economy. It is necessary to bring the SEAP initiative at the local/national level to benefit from it.

From Moldova's experience and knowledge, the interviewed experts do not consider that SEAP can have an impact, as it is too little known to the public. More substantial measures cannot currently cover the Republic of Moldova or other states that still need EU member status. The hope is that, together with the status of a country aspiring to the EU member states, changes will occur in this sense. Possible actions are currently limited to knowledge transfer, best practices, event organisation, public awareness, etc.

Apart from the potential role of SEAP in non-EU countries, contradictory opinions emerged regarding the role and impact of the EU institutions and Member States (MS) in supporting the development of the social economy. For instance, in Montenegro, the role and impact of the EU institutions and MSs in supporting the development of the social economy are considered crucial because of the integration process, and EU initiatives are seen as obligatory by the people in the government. A similar frame of reference appears in Serbia, where the EU accession process, especially social inclusion and human rights processes, shapes the whole process of social economy development. Financial support from the EU and other donors was significant for the sustainability of the social economy sector in the last ten years. Also, the EU showed great interest when participating in the presentation of the new Law on Social Entrepreneurship in Serbia.

On the other side, in Albania, the role of EU institutions has been detrimental regarding strategy, funding and legislative changes. MSs have played a minor role compared to EU institutions in this regard. EU remains the only donor/institution articulated about social economy in its strategy and funding at the country level.

Among the initiatives supporting non-EU countries that can be considered significant for the social economy ecosystem development is the Economic and Investment Plan for the Western Balkans. Indeed, it is one of the most important measures adopted in the last years by the Euro-



pean Commission. It aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union. The Economic and Investment Plan emphasised:

- Bringing the European Pillar of Social Rights to the region by strengthening the dialogue with the Governments and increasing the financial support for the development of human capital, building on the reforms identified in the Economic Reform Programmes (ERP) in the areas of education and skills, employment, and social protection and inclusion. In this respect, the EU welcomes the greater attention given to the social economy and social enterprises in the reforms and activities that countries prioritise. Indeed, in the 2020-2021 cycle of ERP, North Macedonia has presented two activities for supporting social enterprises: the creation of a legal framework conducive to the delivery of social services for supported employment (e.g. mentoring, counselling, etc.) by various providers; provision of financial and technical support for setting up or running of social enterprises leading to job creation and integration of the most disadvantaged categories into the labour market.

- Supporting civil and private sectors' wider involvement by encouraging innovative solutions and promoting social entrepreneurship to tackle social challenges. Financial instruments will be used to attract private funds that target social needs (impact finance) in close partnership with International Financial Institutions.

From the interviews with experts among the non-EU countries analysed, the EU should be more vocal in its support of the sector at the country level, especially now with SEAP. The EU financial and technical support going to state institutions with decision-making powers in social economy-related issues should use SEAP as the development framework. Such assistance should be conditioned by an open and inclusive dialogue with ecosystem stakeholders in setting priorities and determining changes/improvements and types of support, among others.

Without synchronised influence from both sides, i.e. EU and local stakeholders, the Government will never deal with the social and economic development since already 10 years have passed since the first draft law was developed on the initiative of Technical Assistance to Civil Society Organisations in the Western Balkans and Turkey (TACSO).



5. Conclusions and Recommendations

5.1. General conclusions

Despite its potential, the social economy organisations still encounter common barriers preventing them from growing, such as: limited visibility, lack of a supportive legal and regulatory framework, and restricted market access. However, the researchers recognised **incremental progress regarding the social economy sector's visibility and recognition, especially in countries such as Albania, Moldova or Serbia, where new legislation was developed recently.**

On the other hand, **more steps should be taken to ensure an enabling legal and regulatory framework** for social economy entities. Indeed, a legal and regulatory framework can support the sector's growth by clarifying what social economy is and effectively unlocking its potential. In recent years some efforts have been made in developing new legislation in all analysed countries, but still is more to be done.

The institutionalisation of social economy entities can be supported not only in developing a legal and regulatory framework but also in **implementing a supportive and adequate fiscal policy.** However, the analysis of the fiscal framework for social economy organisations in non-EU countries shows limited and fragmented fiscal support for social economy actors. When fiscal advantages exist, they are targeted for organisations providing social services and work integration services to vulnerable groups as persons with disabilities, including mainly WISEs.

Indeed, one of the primary trends observed is that **the potential of the social economy is not sufficiently recognised nor exploited, even because its concept is not adequately known** in WBs, Ukraine and Moldova, except for WISEs or

social economy entities focusing on the employment of disadvantaged groups. Access to information regarding different business models and practices, an improved and regular data collection system design, and the creation of mutual learning spaces can contribute to growing the social economy ecosystems in non-EU countries.

Nevertheless, **access to finance is a major issue**, hampering the development perspectives for the social economy sector in non-EU countries from Western Balkans and Eastern Neighbourhood. Even if social economy entities mobilise various external resources to perform their activities, they need to be more sustainable and stable in the long term in terms of financial resources. The social economy entities also have experienced **difficulties in accessing the public and private markets that affected the sustainable competitiveness** of the social economy industrial ecosystem.

On this point, social economy entities in non-EU analysed countries must overcome their "invisibility". The invisibility of the sector is not only a matter of lack of conceptual identity or the previously mentioned obstacles (lack of legal framework, access to finances, etc.) but also the lack of a strategic approach to the development of the social economy sector by national authorities. Overall, the non-EU countries' policy landscape can be characterized by inconsistency and lack of policy coordination regarding the development of the social economy sector.

On the other hand, the lack of leadership skills and managerial capacity is a problem shared by stakeholders interested in the development of the social economy sector as well as the ability to measure the added value of social economy entities in terms of social impact. As stressed by

the European Commission, it is crucial to maximising the impact of investing in improving skills through several initiatives and policies. New and adapted skills are needed for the SE entities to face the green and digital transition pathway and experience the transition as an opportunity to create a new job and not fall behind. Finally, the social impact measurement results can stimulate trust in social economy organisations' capabilities and contributions to developing inclusive, prosperous and sustainable local communities.

Even though the EU represents the most important donor for the social economy sector in general and social enterprises in particular, the European policy framework promoting social and economic development still needs to be well-known and understood. The national policymakers should be encouraged to take advantage of the EU international cooperation policy and use the free resources available for policymakers for supporting grassroots initiatives and intermediary organisations, especially nowadays with the SEAP. Increased presence and connection of EU networks with national public and private stakeholders around the SEAP concept can facilitate the understanding of the role of social economy organisations in various policy areas such as the employment of vulnerable groups, social services reform, green and digital transition, regional integration and convergence with EU.

5.2. Conclusions and recommendation to the national policy makers on how to support the development of social economy in non-EU countries

In the analysed non-EU countries, the social economy sector is facing many challenges. The analysis has shown that the visibility of the social economy sector is limited, the understanding of the social economy concept and related concepts (as social enterprises or social entrepreneurship) are still unclear to public authorities, practitio-

ners, and general public. The limited understanding of concepts, the unclear and puzzled definitions used, lead to weak legal and institutional frameworks and unsupportive fiscal frameworks, to limited development of support mechanisms for social economy organisations.

The development of social economy sector is not an end in itself, but an opportunity for policy makers to better identify and respond to various social and societal needs – vulnerable groups insertion on the labour market, good conditions to unleash social innovation and territorial cohesion, improved and better targeted social services, improved social and green procurement etc.

Starting from the secondary data gathered in the country fiche and in-depth interviews with stakeholders from the analysed countries, we have identified challenges in the development of the social economy sector, but also possible solutions to be advanced by national policy makers. In formulating our recommendations, we considered the specific political and economic context in non-EU countries at present, characterized by severe financial stress and political pressures. The specific conclusions and recommendations to the national policy makers in Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia, and Ukraine on how to support the development of social economy in non-EU countries are presented in **Table 10** below.



Table 10.

Specific conclusions and recommendations to the national policy makers

| No. | Issue | Conclusion | Recommendation |
|-----|---|---|---|
| 1. | Limited visibility and understanding of the social economy concept and related concepts as social enterprises and social entrepreneurship role in sustainable and inclusive development. | The international experience revealed that social economy organisations' visibility and political and policy recognition go hand in hand. The analysis on the selected non-EU countries shows some incremental progresses in terms of visibility and recognition, at least in countries like Albania, Moldova or Serbia where new legislation was developed recently. Still, everywhere in the region there is limited information, low awareness and knowledge about social economy and social enterprises. On the one hand, more informed policy makers can adopt better decisions regarding the social economy actors, understanding the specificity and potential roles that social enterprises can play in solving different societal issues and societal needs. | The policy makers can reduce the visibility and information gap regarding social economy sector and social enterprises in particular by investing in data collection through national statistics institutions, decide on establishing satellite accounts focusing on social economy organisations, publishing and disseminating the information collected in a rigorous manner, organising and encouraging public debates on data collected by the public authorities. The policy makers can establish fruitful partnerships with the academic community on how to collect, present and explain better the reality of social economy at national level. More discussions and awareness campaigns about social economy entities role in the society should be implemented to raise the visibility and understanding of the concept. |
| 2. | Limited political support, and fragmented and unsupportive legal framework | The analysis of the situation of the non-EU countries shows limited steps to ensure an enabling legal and regulatory framework for social economy entities in general and for social enterprises in particular. In the last 10 years we can observe efforts to update or create new legislation in all analysed countries, mainly concerning the legal regime for association, foundations and social enterprises (including here the WISEs and protected shelters). Still, beside the limited recognition we cannot see other policy effects on social economy sector. | The national policy makers can invest more in building up a coherent and vivid policy consultation framework and mutual learning space, involving stakeholders, encouraging networking and consensus building around main strategic steps to make the implementation of the legal framework functional. In countries where the legal framework is still missing, the public consultation framework can create a favourable condition for good legislative design. An inclusive and participatory policy design will result in better legislative framework, more likely to be effectively implemented and more resilient in face of often changes in government. |



| No. | Issue | Conclusion | Recommendation |
|-----|---|--|---|
| 2. | | | <p>The national policy makers can also encourage mutual exchange and learning with EU countries, taking advantage of the EU international cooperation policy (The Instrument for Pre-Accession Assistance and the Neighbourhood, Development and International Cooperation Instruments). Free resources are available for policy makers from different non-EU countries provided by EU Commission in cooperation with OECD and ILO (e.g. policy briefs on social economy topics, guides on legal forms and social impact measurement, recommended tools for policy making).</p> |
| 3. | <p>Limited impact and unclear fiscal framework</p> | <p>The analysis of the fiscal framework for social economy organisations in non-EU countries shows limited and fragmented fiscal support for social economy actors. Beyond the legal recognition, we cannot find consistent fiscal policy targeting social economy actors. The limited impact and unclear fiscal framework are jeopardising the development perspectives for social economy actors in non-EU countries. The bulk of VAT exemption or profit tax cut/exemption are present especially for NGOs and, in some cases, for social enterprises integrating vulnerable groups on the labour market.</p> | <p>The decision makers should revise together with stakeholders the main elements of the fiscal framework, establish fiscal facilities or incentives for social economy entities to stimulate their development, identify measures with risks in implementation and find feasible solutions.</p> |
| 4. | <p>Lack of policy coordination in supporting social economy sector</p> | <p>In the non-EU countries, the strategic approach to social economy sector development is severely missing. This situation is very much linked with the limited understanding of the concepts of social economy sector and social enterprises. This situation generated difficulties to strategize on something we do not understand well, and we</p> | <p>The national policy makers, based on their affirmed interest and understanding of the social enterprises role in labour integration of vulnerable groups, especially persons with disabilities, can invest a strategic planning process focusing on WISEs and protected shelters. The strategies are the best policy coordination tools, and a large consultative strategy design process can bring together stakeholders in a common effort to</p> |



| No. | Issue | Conclusion | Recommendation |
|-----|--|--|---|
| 4. | | <p>don't see the benefits of. In countries as Albania or Macedonia we can find the social economy entities mentioned in Government Programs as a vehicle for better integration of vulnerable categories on labour market or mentioned in strategic documents defining the cooperation between Government and civil society (North Macedonia). Overall, the non-EU countries policy landscape can be characterized by inconsistency and lack of policy coordination.</p> | <p>establish strategic directions within a new, comprehensive policy framework.</p> <p>The policy makers should adopt an ecosystem approach, integrating in a social economy or social enterprises policy design different policy components as social services development, labour market reforms and inclusion of vulnerable groups, environmental and circular economy reform, social procurement reforms.</p> |
| 5. | <p>Limited access to finance</p> | <p>The access to finance was identified by all stakeholders from non-EU countries as a major issue, hampering the development perspectives for social economy sector. Social economy actors mobilize a variety of external resources in order to perform their activities – from donors (most accessed resources in non-EU countries), shareholders contributions, donations, but also subsidies from government and debt-based finance from banks, their profits from provision of goods and services. The international experience revealed that social economy actors and social enterprises needs sustainable investors and public authorities support, and this support is more available in contexts where their business model is understood.</p> | <p>Public support (through grants and subsidies) should be implemented on continuous bases, while right now many of them in non-EU countries are program based. In many countries public schemes to support start-up initiatives have been reported, at the same time with the need to have also programs supporting the development and sustainability of existing social enterprises.</p> <p>The policy makers should also identify the market failures situations and intervene with support programs for social finance investments, supply of capital, debt guarantees for social enterprises, other national or local funding instruments.</p> |
| 6. | <p>Lack of public authorities' interest for measuring the social impact of the social economy initiatives</p> | <p>The impact measurement is equally important for social economy actors, private actors working with social economy organisations and public authorities. The social impact measurement results can stimulate the trust in social economy organisations capabilities and contributions to the society.</p> | <p>The decision makers can encourage social impact measurement by including it in grants awarding procedures. Also, together with social economy actors they can develop and disseminate good practices examples.</p> |



| No. | Issue | Conclusion | Recommendation |
|-----|---|--|---|
| 7. | Limited access to markets | <p>When we discuss about access to markets, our focus should be placed on two major elements – access to public market through social public procurement and access to private markets. The social procurement reform has a lot of significance to the social economy. The contracting out of the provision of goods or services is a key instrument for public authorities to support the mission of social economy organisations. In non-EU countries, new reforms regarding social procurement have been recently introduced, in general very much influenced by the EU policy in this area. Still, we have identified many issues in implementation, making the public procurement policies at national level more formal.</p> | <p>In order to improve the implementation of social public procurement reforms, the decision makers could invest more in designing and disseminating best practices guides, examples of social criteria that can be used in procurement procedures, encouraging public authorities to use social procurement clauses. The guides and information packages can be made available online, presented in public authorities' meetings, conferences. Also, specific training programs can be implemented in order to support the capacity of public procurement officers from central and local administrations to implement social procurement/ social criteria in procurement procedures.</p> <p>Social economy organisations can relate, collaborate in many ways with conventional companies, as partners, suppliers, clients and co-producers. Especially social enterprises are a very good candidate for establishing this type of relationship with business actors. The decision makers can support the creation of business partnerships between social economy actors and conventional companies through dissemination of information about the potential of social enterprises, the social value added in their contracts.</p> |
| 8. | Lack of skills and managerial capacity for different categories of stakeholders involved in social economy sector– social economy managers, public authorities, financial entities, intermediary organisa- | <p>In all the analysed non-EU countries the lack of skills and managerial capacity it is identified as a problem shared by different categories of stakeholders having an interest in the development of the social economy sector. Better skills and capacity will generate better partnership relations between public sector and social economy sector, will enhance the quality of policy</p> | <p>The decision makers from non-EU countries can decide to use public sector training programs to introduce specific modules on social services management where references to social economy actors as potential policy implementation partners to be included. Also, to introduce specific training and capacity building modules on social procurement procedure. The policy</p> |



| No. | Issue | Conclusion | Recommendation |
|-----|---|--|---|
| 8. | tions, and education/academic institutions | decisions regarding the future of this sector. | makers can extend the training programs and info packages dissemination to financial intermediaries and other categories of private actors that can be involved in social economy sector support. A good resource ready to be exploited is coming from the European Commission, from where the national decision makers can find financial opportunities to get involved in international programs as Erasmus +, from where relevant capacity building resources can be developed. This involvement can be done in partnership with successful social economy actors at national level. The national academic community should be also involved in building up in partnership with governmental authorities (central and local level) formal education programs helping to a sustainable capacity building effort. |

5.3. Conclusions and recommendations to the EU on how to facilitate and support the process of development of social economy in non-EU countries

Considering the role of the EU in developing the social economy sector in Western Balkans and Eastern Neighbourhood regions, specific recommendations for the European Commission were formulated on how to facilitate and support the development of the social economy sector in

these countries based on data from interviews with national stakeholders and desk research. By relying on the EU SEAP initiative, the experts have identified several necessary interventions, presented in **Table 11**.



Table 11.

Specific conclusions and recommendations to the EU

| No. | Recommendation | Comments |
|-----|---|---|
| 1. | Improving access to funding and new financial instruments for social enterprises and other social economy actors | Improve access to finance for social entrepreneurs in the Western Balkans and Eastern Neighbourhood by launching actions to boost grassroots initiatives and support intermediaries to develop financial products adapted to the needs of social economy entities. Establish long-term funding schemes, social finance instruments, fiscal facilities or support and increase access for applying for EU funds represents ones of the main factors that will contribute to the development of the social economy sector. |
| 2. | Development of the legal and institutional frameworks including through the establishment of a register of social enterprises to ensure regular data collection on the different models of social enterprises, their capacities, contribution to the economy and existing barriers | Support the development of legal and institutional frameworks , both in terms of mainstream and secondary legislation in order to create a supportive context for the social economy sector. The development of public procurement law in order to include social procurement and reserved contracts. Also, the guides or methodologies for social and green procurement with criteria for these types of procurement should be developed. Establishment of a register of social enterprises to ensure regular data collection on the different models of social enterprises, their capacities, contribution in the economy and existing barriers could be a solution. |
| 3. | Ensure continuous capacity building, collaboration, and networking for the actors in the ecosystem | Foster the strengthening of the social economy ecosystem by exchange experiences and information about good practices and models from the European Union, capacity building programmes, as well as recommendations from strategic and action plans that can be helpful when creating future public policies. |
| 4. | Better access to markets for social economy entities to increase their sustainability and economic viability | Foster the dialogue at national level on SEAP and measures that can be implemented at national level. In the context of SEAP, the European Commission could ask the EU networks to start the dialogue at national level to have a clear image about how the measures will be implemented in each country and how the EC can support this process. |
| 5. | Promoting social economy and its significance among public authorities, business sector and citizens; | The social economy refers to more than WISE. It is important to better understand the notion of social economy and recognise the potential of social economy entities in green and digital sectors, for instance. In the public discourse, the social economy concept is considered as an instrument of social inclusion policy and/or employment targeting vulnerable groups, in the majority of cases, persons with disabilities as well as other vulnerable groups such as women, young people, children, older people, the Roma minority, people with addictions, etc. In recent years, social enterprises have attracted the interest of stakeholders from diverse sectors, |



| No. | Recommendation | Comments |
|-----|-----------------------------------|---|
| 5. | | including policy-makers, civil society organisations and academics. Nonetheless, social economy entities have not yet developed their capacity to be competitive in the market, nor to be recognised as key actors in the twin transition. Being an entrepreneur in the region comes with a list of obstacles that one must overcome, starting from the lack of resources like knowledge, information, and systemic financial and advisory support. Promoting the exchange of good practices and/or the mapping of good practices can demonstrate the potential of social economy entities also in emerging sectors such as digital and green as well as tourism, community's energy, creative cultural industries, and sustainable Housing (see New Eu Bahuaus). |
| 6. | Boosting social innovation | Capacity building for actors in the ecosystem and better targeting of their services for the different models of social enterprises. |



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Annexes

Country fiche Albania (summary)

Author: Juliana Hoxha

Albania does not have a law or national strategy in place that recognizes social economy as a sector. As a result, there is no governmental body or institution in charge dealing with the social economy sector as a whole. The ministries responsible for the economy, agriculture, social welfare, labour and entrepreneurship regulate the field where social economy operate, including different registration and/or licensing institutions such as Tirana District Court, National Business Centre, National Central Bank. The lack of a national strategy and/or single law on social economy, when various forms of it exists for some decades now, demonstrate lack of understanding and effective support by the state. It also indicates weakness of the social economy sector to cooperate and effectively advocate for a more enabling environment for their activity.

However, since 2016, Albania has a Law on social enterprises (No.65/2016) which fails to give a clear definition on what a social enterprise is and creates confusion whether a social enterprise is different entity or a label to be obtained by entities that follow certain principles. The law makes some clarifications related to the fact that social enterprises' main mission should be in the area of social protection and inclusion of vulnerable groups through employment, creation of employment opportunities for groups challenged on the mainstream labour market, services and goods for people with special needs and women, economic integration of groups at risk. According to the new legislation only non-profit organisations are eligible to receive the social enterprise status. In the absence of any fiscal incentives the social enterprise status is not appealing to non-profits. After six years of implementation only 9 organisations have granted and obtained the social enterprise status, based on specific criteria.

In Albania, the social economy sector includes associations & foundations, centres, cooperatives and savings and credit associations (SCA), each with their own legal framework. Albanian “centres” are regulated by the same legal framework as the associations and foundations, all three entities being allowed to conduct an economic activity without having to create a separate legal entity for this reason. Another special legal entity is that of “companies of reciprocal cooperation”, which are similar to agricultural cooperatives, but considered more suitable as a legal form for the crediting, insurance, and construction sectors. A highlighted hindering factor for effective public awareness and policy advocacy is the lack of centralized data for social economy. Albanian Institute of Statistics (INSTAT) does not collect any data on any type of entities belonging to social economy, except number of non-for-profits and their number of employees.

The financial support, fiscal incentives and institutional support for all the types of social economy organisations are not considered sufficient and effective. For example, agricultural cooperatives and some agricultural mutuals are excluded from paying VAT, similar to the NGOs that have social, educational, cultural or sport-related activities. WISEs and sheltered workshops don't benefit from any fiscal exemption. However, a new Law on Public Procurement (162/2020) was enacted in 2020. The law recognizes social procurement as part of the public procurement procedures, through a special chapter on social services. Further on, a Decision of the Council of Ministers from 2021 simplified the procurement procedure for social and other specific services for which the participation of NGOs is granted, in line with EU directives (UNDP, 2021).

In addition, the following support measures and mechanisms addressed to social economy are available in Albania: 1) grants and subsidies from public authorities (national budget), 2) grants and subsidies from European funds (managed at

national level), 3) grants and other support from private stakeholders, foundations, and second level organisations, 4) public support for social economy incubators/accelerators, resource centres, and business innovation centres and 5) private support for social economy incubators/accelerators, resource centres, and business innovation centres.

Regarding networks and other support mechanisms, in Albania we can find an umbrella organisation where agriculture cooperatives can associate. The Albanian Agribusiness Council (KASH), established in 2001 is gathering 22 agribusiness associations and cooperatives. No formal network is active for the social enterprises, but an informal network was created by Partner Albania. Also, important developments regarding incubators and acceleration programs for social enterprises can be observed in the last years.

During the COVID-19 pandemic the majority of the Albanian social economy organisations did not cease the activity, although many of them had to reduce their capacity. Especially, social economy organisations working in work integration and disability services adapted quickly to on-line services, while others shifted their production to meet needs related to the pandemic situation.

In Albania, the role of EU institutions has been detrimental regarding strategy, funding and legislative changes. MSs have played a minor role compared to EU institutions in this regard. EU remains the only donor/institution articulated about social economy in its strategy and funding at the country level. From the Albanian perspective, for as long as the EU integration process remains the driving force of development in the country, the Social Economy Action Plan (SEAP) represents the driving force in the social economy sector. Approximation of legislation and adaptation of EU best practices in the field would be powerful tools in bringing changes. Without such an EU strategy, changes may happen or not at the speed and the standards expected.

Country fiche Bosnia and Herzegovina (summary)

Author: Anita Šimundža

The social enterprises in Bosnia and Herzegovina are in their early stages of development. The social entrepreneurship discourse is characterised by several diverse distinct tendencies such as: primary focus on social integration and employment of vulnerable groups; economic activities of CSOs to ensure financial sustainability; and wider understanding of the social economy from the aspect of good economy.

Existing entities of the social economy, primarily social enterprises, operate in a very complex political and unfavourable social and economic environment. The socio-economic situation in Bosnia and Herzegovina is characterized by problems of the transitional post-conflict period, of slow economic growth, and high unemployment. Social exclusion, poverty, and unemployment are major social problems in Bosnia and Herzegovina. Due to the specificity of the constitutional and legal structures in BiH, certain areas of importance for the development of social enterprises are under the jurisdiction of the entity and the Brčko District, while in the Federation of Bosnia and Herzegovina, the jurisdiction for certain issues is divided between the entity and the canton. This complicates and slows down reform processes in connection with the adoption of certain legal solutions, among other, in this area as well.

The Federation of Bosnia and Herzegovina has no law on the social economy at national level (a draft law is in early stage of preparation), but the Republika Srpska and the Brčko District have their own laws on social entrepreneurship. According to the first law, social entrepreneurship is an organized activity that is based on market principles and aims to fulfil social goals, that is, to create opportunities for solving social, health, cultural, economic, ecological or other social problems of certain groups of citizens, narrow or wider society community, as well as preventing the emergence and eliminating the consequences of social exclusion and strengthening social soli-



parity and cohesion (Law no. 111/21 on Social Entrepreneurship of Republika Srpska).

The social economy sector includes associations & foundations, agricultural cooperatives, LLCs with a social aim and WISE's (companies for the employment of persons with disabilities, institutions, sheltered workshops and work centres), each with their own legal framework. Associations and foundations in BiH are allowed to perform economic activities only if the purpose of such activities is the achievement of goals established by the statute, while unrelated economic activities may only be conducted through a specially established legal entity.

In Bosnia and Herzegovina there are no publicly available records of business entities that operate according to the principles of social entrepreneurship yet, except for companies for employment of persons with disabilities. Data from the statistical institutes at the entity level, the Fund for Professional Rehabilitation and Employment of Persons with Disabilities of the Federation of Bosnia and Herzegovina, the Cooperative Union of Republika Srpska, etc. are the main official and publicly published data on social economy entities.

Fiscal exemptions and fiscal advantages are seldomly present. Social enterprises that operate in the form of limited liability company and cooperative are subject to all obligations, like other business entities, with the exception of companies for the employment of disabled persons in the Republika Srpska, which do not pay profit tax. Also, according to the Law on professional rehabilitation, training and employment of persons with disabilities of the Federation of Bosnia and Herzegovina, the companies for employment of persons with disabilities and protective workshop are exempt from payment of: taxes on specific ways of generating income, such as lottery, raffle or other type of prize game and various one-off charitable actions of a non-economic nature; tax on any type of transfer of private property to the public property for the benefit of the company; tax in the case of acquisition of property rights on immovable property

regardless of the basis of acquisition (purchase, gift, bequest, testament, etc.); profit tax, fees for forest exploitation; membership fees for tourist boards; fees for infrastructure (for construction land, water supply, electricity supply, highways, etc.); contributions for water management; taxes for protection against natural and other disasters; contributions for environmental protection; communal, administrative and other types of fees; fees and charges during company registration and independent activities.

In addition, the Public Procurement Law 59/2022 specifies that the reserved contracts are available "only for candidates, bidders who employ, in relation to the total number of employees, more than 50% of persons with disabilities, who cannot perform tasks under normal conditions". These provisions of the law are meant to back up the problematic implementation of the laws on professional rehabilitation and employment of persons with disabilities.

The following support measures and mechanisms addressed to social economy are available in Bosnia and Herzegovina: 1) grants and subsidies from public authorities (national budget), 2) grants and subsidies from European funds (managed at national level), 3) grants and other support from private stakeholders, foundations, and second level organisations, 4) public support for social economy incubators/accelerators, resource centres, and business innovation centres and 5) private support for social economy incubators/accelerators, resource centres, and business innovation centres.

In regard to social economy networks and other support mechanisms, the Coalition for the Development of Social Entrepreneurship "United We Can More" was formed in Bosnia and Herzegovina in 2014, at the initiative of activists CDP "Globus" /Centre for the development of social entrepreneurship "Globe", the first of its kind in the country. Also, several incubators/accelerators for social enterprises are also present, such as Start-up studio (a program of the Mozaik Foundation) and the Impakt Investment Foundation.



Country fiche

Moldova (summary)

Authors: Claudia Petrescu, Irina Opincaru, Angela Achiței

In the Republic of Moldova, social economy is considered a relatively new phenomenon but the opportunities that social economy enterprises and organisations can offer for the communities, public and private sector are actively explored. Most of the organisations that are included in social economy sector exist from many years: cooperatives, associations and foundations.

The national law on social entrepreneurship (Law no. 223/2017 regarding the amendment and completion of some legislative acts (Law no. 845/1992 on entrepreneurship and enterprises)) includes as main concepts social entrepreneurship, social enterprise and work integration social enterprise (social enterprise of insertion). The most used concept is social entrepreneurship as a consequence of the funding opportunities for the sector. The main funding schemes (USAID, GIZ from Germany, Swiss Agency for Development and Cooperation, Eastern European Foundation (EEF) that attracts funds from EU and Sweden) are dedicated to social entrepreneurship.

The law defines the concepts of social entrepreneurship, social enterprise and social enterprise of insertion, establishes the criteria for activities that could be included in social entrepreneurship and for obtaining the status of social enterprises by limited liability companies or production cooperatives. However, the bureaucracy in obtaining the social enterprise or social enterprise of insertion label represents an important challenge in the accreditation process of social enterprises (Social Entrepreneurship Platform in Moldova, 2022). According to the law:

- Social entrepreneurship is the activity carried out by social enterprises and work integration social enterprises, aimed at improving living conditions and offering opportunities to people from disadvantaged categories of the population by strengthening economic and social cohesion, including at the level of

local communities, through employment, by developing social services in the interest of the community, by increasing social inclusion. (Law no. 223/2017 regarding the amendment and completion of some legislative acts (Law no. 845/1992 on entrepreneurship and enterprises))

- The social enterprise is the enterprise constituted by public associations, foundations, religious cults, private institutions and/or individuals that carry out social entrepreneurship activities in order to solve social problems of community interest and that meet the conditions established. (Social Entrepreneurship Platform in Moldova, 2022, p. 11)
- The social enterprises of insertion are social enterprises whose purpose is to create jobs and hire, as a matter of priority, people from the disadvantaged categories of the population. (Social Entrepreneurship Platform in Moldova, 2022, p. 12)

The type of organisations included in the social economy sector are cooperatives (production cooperatives), associations and foundations and limited liability companies developed by NGOs (few registered as social enterprises), all benefiting by separate legislation. Also, according to the National Commission for Social Entrepreneurship for social enterprises or social enterprise of insertion (2022), in Republic of Moldova there are 8 social enterprises out of which 4 are work integration social enterprises. Other data on the public associations and foundations or cooperatives are not publicly available.

The introduction of social economy in the legal framework also determined the development of a National Strategy for the Development of Social Entrepreneurship for 2021 – 2025 that includes measures for the sector, such as elaboration of secondary legislation to support social entrepreneurs/ social enterprises/ social enterprises of insertion, fiscal facilities proposals for social entrepreneurs/ social enterprises/ social enterprises of insertion, data collection on social economy sector, training programmes. In the same time, the Government of the Republic of Moldova proposed to allocate national funds for the development of social entrepreneurs/ social enterprises/ social enterprises of insertion.

Moreover, the Republic of Moldova's Law on Public Procurement (Law 131/ 2015) includes social procurement and also reserved contracts for sheltered workshops or social enterprises of insertion. These measures are being implemented to a very limited extent.

The following support measures and mechanisms addressed to social economy are available in Moldova: 1) grants and subsidies from public authorities (national budget), 2) grants and subsidies from European funds (managed at national level), 3) grants and other support from private stakeholders, foundations, and second level organisations and 4) private support for social economy incubators/accelerators, resource centres, and business innovation centres.

Moldova has an important network of social enterprises called Platform for Social Entrepreneurship Development. The platform does advocacy and lobbying to bring legislative changes and promote the concepts of social entrepreneurship and social enterprise. Also, in the country there are two main incubators for social enterprises: the HUB of Social Entrepreneurs and the Initiative for Social Entrepreneurship in Moldova. The HUB for Social Entrepreneurs is based on training, mentoring and support actions for social businesses. The Initiative for Social Entrepreneurship in Moldova provides resources, training, advocacy activities and support for social entrepreneurs and public authorities. Also, IarmarECO is a platform for local entrepreneurs and 11 business incubators at regional level.

During the COVID19 crisis, social economy organisation in Moldova stepped up and got involved in various aid projects. Some units manufactured and distributed protective masks, visors, while others, such as Eco-Răzeni, provided food to doctors in the delicate situation of isolation shifts. It was a considerable effort – from a financial point of view, given the increase in inflation, but also to ensure the regular feeding flow of the older beneficiaries already in the program.

Also, during the Ukraine crisis, Moldova, as a neighbouring country, experienced a general mobilization, at the level of the individual and soci-

ety. Not only social enterprises jumped in to help, but every person. In particular, the teams of the work integration social economy organisations were involved in the crisis generated by the war, having as an argument the in-depth knowledge of the needs of disadvantaged categories, at the level of nutrition, medical needs, etc. In addition, it was the social economy organisations that preserved the jobs, as well as the salary level – unlike the typical economic agents, which reduced/abolished them in this emergency context. This advantage of social economy organisations was possible thanks to the unconventional and creative mechanism of finding solutions, typical of the social branch.

In the case of Eco-Răzeni social enterprise, support for refugees has been constant since the beginning of the crisis, but the volume has fluctuated. In the beginning, they contributed about 1000-1200 portions of food, but now the need has decreased and they contribute about 200 portions of food daily to persons in transit centres. Also, some social entrepreneurship units, such as the one in Balti, provided catering services for the refugees and others provided recreational services for refugees, shelter and entertainment activities, psychological counselling or organized mobile teams for areas where refugees were sheltered.

The European Commission's initiative "Social Economy Action Plan (SEAP) is an almost unknown document in Western Balkans and Moldova, except for some representatives of the social economy sector, that consider it a very relevant document for developing the social economy entities. There is no knowledge and information on relying on the recommendations of this document (so far). In Moldova's experience and knowledge, the interviewed experts do not consider that SEAP can have an impact, as it is too little known to the public. More substantial measures cannot currently cover the Republic of Moldova or other states that still need EU member status. The hope is that, together with the status of a country aspiring to the EU member states, changes will occur in this sense. Possible actions are currently limited to knowledge transfer, best practices, event organisation, public awareness, etc.



Country fiche

Montenegro (summary)

Author: Anto Jankovic

Social economy entities in Montenegro are underdeveloped, fragmented, disorganised, poorly equipped, with limited capacities and resources to carry out work. This is primarily due to the lack of an adequate overall legal framework identifying different types of social economy organisations. There is not a general law on social economy, nor specific regulation regulating the activity of social economy organisations. The only favourable legislative support comes from the Ministry of Economy of Montenegro (2018), based on the “Strategy for the development of micro, small and medium enterprises in Montenegro 2018-2022”, but it is more a legislative framework with no concrete activities of support.

Social economy entities are entirely dependent on donations – their incomes are minimal, and most of them have to compete in traditional markets (European Commission, 2018b). Only a few social economy entities are on their way to becoming sustainable and they mostly focus on the employment of disadvantaged groups. They operate with limited access to markets, primarily due to a lack of capacities, no formal recognition, and no specific regulation related to social enterprises and the social economy.

In Montenegro the social economy concept is not used, but rather assimilated to the concept of social entrepreneurship – a field whose significance has been recognised by the government, but with no concrete efforts made so far to promote it nor to develop a strategic institutional framework. Several Montenegrin national strategies (the National Strategy for Employment and Human Resources Development 2016-2020, the Strategy for Improving the Enabling Environment for the Activities of Non-Governmental Organisations 2018-2020 and the Strategy for Micro and SMEs in Montenegro 2018-2020) acknowledge the existence of social entrepreneurship, with its economic and social dimensions, but don't offer a structured definition.

There are various legal forms enabling social enterprises to carry out activities. These include associations, cooperatives, limited liability companies (LTDs) and sheltered workshops. The LTD is a legal form used by social enterprises usually when their business operations exceed the limits defined by the Law on NGOs. Each of these entities benefits by a dedicated legal framework.

There are no official data on the size and structure of the social economy entities in their whole. The only attempt to map social enterprise in Montenegro has been made by the Centre for the Development of NGOs (CRNVO) in 2016 and through the development of the Country fiche for Montenegro (European Commission, 2018b) in the framework of developing the Social enterprises and their ecosystems in Europe project funded by EU in 2018.

Fiscal exemptions and fiscal advantages are scarce, targeting agricultural cooperatives, associations and foundations (all tax exempted up to 18,000 EUR turnover) and the sheltered workshops which receive up to 75% salary subsidy from the Fund for professional rehabilitation of PWDs. In addition, in Montenegro, there is no social public procurement system and one of the key reasons for that is lack of legislation in the field of social economy. As reported by the people in public administration, social enterprises cannot formally become part of the procurement system until their official recognition. Still, most of the social enterprises participate in the procurements but with a very small amount of activity though willingness of, mostly, local authorities and companies to share a smaller part of their procurements and thus support economic activities of social enterprises, primarily to support their social mission.

The following support measures and mechanisms addressed to social economy are available in Montenegro: 1) grants and subsidies from public authorities (national budget), 2) grants and subsidies from European funds (managed at national level), 3) grants and other support from private stakeholders, foundations, and second level organisations, and 4) private support for social economy incubators/accelerators, resource centres, and business innovation centres.

At the country level there is a low level of networking among the various stakeholders in society in order to promote the concept and create a more enabling ecosystem (Utting 2015). Social enterprise networks do not exist, nor incubators and accelerators for social enterprises. The only social enterprise supporting organisation is Centre for Economic Prosperity and Freedom – CEPS, which is a local non-governmental organisation which, as all other NGOs, operates on project basis. Most of the social entrepreneurship ideas and projects are supported through regular entrepreneurial and employment support programmes, due to the lack of available funding to social business support structures. The absence of support for advocacy, networking and business support activities significantly influences service providers sustainably, since there are limited available funds, mostly project based, not based on business support activities and social economy development.

In Montenegro, more skills are needed in fundraising and voluntary work to strengthen social economy entities income base and adequately valorise the contribution of volunteers and other stakeholders who might be interested in supporting their activities. Volunteers also need more specialist knowledge related to social economy and social enterprise operations, and they primarily receive training for product engineering and quality service delivery.

The role and impact of the EU institutions and MSs in supporting the development of the social economy in Montenegro is considered crucial because of the integration process, and EU initiatives are seen as obligatory by the people in the government. The EU SEAP initiative doesn't yet impact the development of the social economy sector. Additionally, the social economy sector and social enterprises need to be developed in Montenegro, where the stakeholders are still struggling to define the social economy concept in the context of the country's economy. It is necessary to bring the SEAP initiative at the local/national level to benefit from it.

Country fiche North Macedonia (summary)

Authors: Aleksandra Loparska-Iloska, Klimentina Ilijevski

The long transition process of North Macedonian society has created numerous social challenges that profoundly affected the economy and other segments of social life, including the living standard and quality of life. The inflexibility of the labour market, poverty, increasing social exclusion rates, disparities in regional development, migrations and significant brain drain, environmental pollution and sustainable development represent major challenges. Today, the slow economic growth is significantly hampered by the current energy crises, the war in Ukraine and the increasing inflation rates. In the last decade, despite the challenging context and the fragmented ecosystem, social enterprises have been emerging in the country, even if the ecosystem remains underdeveloped and in its infant stage, lacking the capacity to offer the needed services and support to steer the development of the sector. The COVID-19 crisis paved the way to development of an economy driven by real social needs. In these critical times, social economy organisations provided care for older people, access to food, and various services for the most deprived communities.

In North Macedonia, the concept of social economy seems to remain relatively unclear for most stakeholders and policymakers and no legal framework regulates these concepts. A working group for the drafting of a Law on social enterprises was recently established. The country has a National Strategy on social enterprises (2021-2027) that defines the social enterprises, but not specifically the social economy. The stated definition is based on the EU criteria from the Social Business Initiative, where the term social purpose is understood in a broader sense and includes the provision of cultural, health and educational services, including animal protection services environment and sustainable development.



Thus, “[a social enterprise is] a social economy operator whose main goal is to have a social impact by providing a wide range of social, economic, health, educational, cultural, environmental and other products and services with social value that serve for solving socio-economic and environmental challenges; and to promote social well-being by providing goods and services in the market of innovative and entrepreneurial way, using their profits primarily to achieve social or environmental objectives; and managed in a transparent and accountable manner, involving workers, consumers and parties affected by its decision-making activities.”

Several entities, each with their own legal frameworks, are included in the social economy sector: associations and foundations (named entrepreneurial civil society organisations), agricultural cooperatives, mission-oriented enterprises (including enterprises established by non-profits) and WISEs (sheltered workplaces and integration centres). The research efforts to access the exact number of entities that comprise the social enterprise spectrum remains a challenge and data availability remains limited in the absence of a register of social enterprises.

The most reliable data are available for sheltered workplaces, in terms of total number of employees and total number of employed persons with disabilities. Data are officially published by the State Statistical Office in the regular annual publication on Social Welfare for Children, Juveniles and Adults. When it comes to agricultural cooperatives, the exact number is accessed through their umbrella organisation, the Association of Agricultural Cooperatives. There is no official data on the number of cooperatives available, although this is under the regulation of the Ministry of Economy. Data on civil society organisations with economic activities are regularly collected and published in the annual publication of the Macedonian Centre for International Cooperation that accesses the enabling environment for the development of civil society sector.

Fiscal exemptions are available in a limited amount for most of the social economy entities. Thus, agricultural cooperatives are exempted from profit tax of 10% if all annual revenues are

below 3,000,000 MKD denars, while associations and foundations are exempted from profit tax of 10% for the income generated from donations and if the total annual income from economic activity is less than 1,000,000 MKD denars. Moreover, sheltered workshops are exempted from profit tax regardless of the amount of their income. In addition, the following support measures and mechanisms addressed to social economy are available in North Macedonia: 1) grants and subsidies from public authorities (national budget) and 2) grants and subsidies from European funds (managed at national level).

The new Law 24/2019 on Public Procurement introduced for the first time the possibility of using reserved contracts for specific types of social enterprises as WISEs and sheltered workshops, defined as “economic operators whose main goal is the social and professional integration of persons with disabilities or to persons belonging to socially vulnerable groups, who reinvest the profit for the support of their social objective”. According to the law, 30 percent of the economic operator employees should be persons with disabilities or persons from socially vulnerable groups.

The Social Enterprises Network Mk was established in North Macedonia in 2019. This is a platform for communication and cooperation between different social enterprises, with the goal to upgrade the public image of the sector, and to improve cooperation and multi-sectoral partnership with other parties at regional and national level. Also, regional centres can be found in the eight planning regions in the country. The centres function as the key points for support, development and promotion of the capacities of social entrepreneurs and enterprises. Together with the National Centre for Social Enterprises, the regional centres are dedicated to the social and professional reintegration of disadvantaged groups as well as to the sustainable development of local communities.

Some of the most important barriers in social economy development in North Macedonia are: the lack of education on entrepreneurship, lack of opportunities to access professional training and or mentoring programme is another skills’ gap. There are no formal educational programs that are explicitly focused on social entrepreneurship



in the country. In higher education, only one part of the high educational institutions has social entrepreneurship as a subject. Within secondary education, on the other hand, part of the programs offers an introduction to social entrepreneurship, integrated into the subject of “Business and Entrepreneurship”.

Country fiche Serbia (summary)

Author: Slobodan Cvejic

The ecosystem for social economy entities still cannot be considered enabling in Serbia (European Commission, 2018a). There is no specific policy framework for the development of the social economy sector, nor is there a consistent fiscal policy enabling the survival of social economy entities. Several laws regulate the establishment and operation of the social economy entities, such as cooperatives, work integration social enterprises (WISEs), enterprises for the professional integration of persons with disabilities (PWDs) and recently, social enterprises. More and more actors in the public sector comprehend the concept of social enterprises, while social economy is still a vague concept for most of the actors in Serbia.

Serbia has a new Law on Social Entrepreneurship adopted in 2022 that defines both social economy and social entrepreneurship. An interesting decision was made by the Serbian law-makers in that they decided to avoid using the term ‘enterprise’, since the law recognizes enterprises as “economic operators” (similar to LLC – limited liability companies). Thus, the law deals with social entrepreneurship and refers to social enterprises of different kinds as ‘entities of social entrepreneurship’ (Vukmirović, D. et al, 2014). Also, Serbia is the only country that provides a framework for social cooperatives, even though these are not that numerous. According to the law:

- **The social economy** is economy whose prevailing goal is the benefit for the wider social community and vulnerable groups and not making of profit. (Law no. 14/2022 on Social Entrepreneurship)

- **Social entrepreneurship** is the conduct of activity of wider interest, with reasons of making new and innovative options for solving of social problems, problems of individuals or socially vulnerable groups and prevention of and removal of consequences of social exclusion, strengthening of social cohesion and solving of other problems in local communities and the society as a whole. (Law no. 14/2022 on Social Entrepreneurship)

In Serbia it is very difficult to obtain information on the number of entities and their performance, except for WISEs for persons with disabilities and hopefully soon, social enterprises. For all of the rest, one has to pay to the Business Registry to get any data. Also, it is difficult to point which limited liability companies and associations are de facto social economy entities without conducting a separate survey. The Statistical Office of the Republic of Serbia also collects data on all types of entities that have to present financial reports and statistical forms annually.

Fiscal exemptions and fiscal advantages are offered to WISEs in form of subsidized wages for PWD employees, refunding of costs of adaptation of work place for a PWD, subsidies for improvement of production/services, licensing (e.g. ISSO), improvement of working conditions and to associations and foundations in form of exemption from VAT for yearly income.

The public procurement legal framework was also revised and the reserved contracts are available for WISEs and sheltered workshops as actors “whose main goal is social and professional integration of persons in disadvantageous situations if these economic subjects are organized according to the law that regulates social entrepreneurship”. The law stipulates the request for the economic operator to have at least 50% of employees coming from vulnerable groups.

Moreover, the following support measures and mechanisms addressed to social economy are available in Serbia: 1) grants and subsidies from public authorities (national budget), 2) grants and subsidies from European funds (managed at national level), 3) grants and other support from private stakeholders, foundations, and second

level organisations and 4) public support for social economy incubators/accelerators, resource centres, and business innovation centres.

Improving access to finance for social economy entities is recognised as one of the basic prerequisites for developing the social economy in Serbia, where access to finance has been identified as the biggest challenge for social economy entities. The relative shortage of project management and sector-specific experience (planning, budgeting, and process management) and a lack of business management skills/ experience necessary to plan for and manage financial, legal, and marketing processes, the lack of knowledge of how to enter the market and have a competitive product financial support, support for product sales and market conquest, support for entering large retail chains are the other challenges for the social economy development in Serbia (Tosheva and Petriskova, 2020).

Several networks for the social economy entities are also active in Serbia, such as the Coalition for Solidarity Economy Development, that advocates for better legal framework and more enabling environment for social and solidarity economy, promotes concept to key stakeholders and provides research and analysis of the ecosystem. Another example is SENS – Social Economy Network Serbia, that promotes the social entrepreneurship and creates networking and learning opportunities for its members. Also, organisations such as Smart Kolektiv, offer comprehensive support to social enterprises, including start up and incubation, providing opportunity for learning and partnership with business sector, promoting the concept among business sector and other stakeholders. They organise an annual regional conference, named the Social Innovation Forum aimed at fostering social entrepreneurship. The Section for Social Entrepreneurship by the Serbian Chamber of Commerce provides education, counselling and knowledge exchange in order to support development of social entrepreneurship.

The EU accession process, especially social inclusion and human rights processes, shapes the whole process of social economy development in Serbia. Financial support from the EU and other donors was significant for the sustainability of the social

economy sector in the last ten years. Also, the EU showed great interest when participating in the presentation of the new Law on Social Entrepreneurship. The EU SEAP initiative doesn't yet impact the development of the social economy sector.

Country fiche Ukraine (summary)

Social entrepreneurship is often wrongly interpreted as a form of charity in Ukraine (WHS, 2020; Malinkin, n. d), because of the term “social,” which is associated with non-profit, subsidised activities (AETS Consortium, 2018) or as a form of Corporate Social Responsibility – CSR (Pact, 2018), which is not always regular practice. However, the social economy in Ukraine has been developing for more than a century. The ideas of social entrepreneurship revitalised and became more and more popular after 2010. Among the main drivers for social entrepreneurship development were the Revolution of Dignity and the occupation of Crimea and Donbas (Sholya, 2019) in February 2014.

Today we are assisting at the Russian invasion of Ukraine that has caused the greatest humanitarian crisis in Europe since the Second World War. The conflict in Ukraine is provoking significant trade disruptions, food and fuel price shocks, high inflation and subsequent tightening in global financing conditions. Even in times of war, the existing social enterprises are doing their best to survive and help Internally Displaced People (IDP) and others suffering with their products or services.

The crisis was even more painful to social entrepreneurs with weak business administration capacities or those organisations that started their social business activities based on NGOs or other forms of non-profits. Being social mission-driven, most Ukrainian social entrepreneurs temporarily stopped their business activities. In most cases, during the war period, Ukrainian social enterprises started to provide their products or services free of charge or at a low-cost price for those needed. Social bakeries like “Good bread from good people,” “Bakery 21.3” and others provided their products and humanitarian food packages

to those living in destroyed or formerly occupied territories. Also, the social enterprise “Woodluck” mobilized their current and former employees and volunteers and set up the bed production for shelters. The inclusive “Lady Di Atelier” set up the shelter and sewed the bed linen for free.

Over the last 5 years, the question of a specific law for the social economy has been raised more and more often. In this regard, a series of expert working group meetings have been conducted, ending with legislative document drafts sent to respective governmental structures. Still, the social economy in Ukraine develops mainly from the grassroots level, and all the current achievements in social economy are possible because of the active individuals and organisations passionate about social entrepreneurship.

Current Ukrainian legislation does not define the social economy, nor other terms such as social entrepreneurship and social enterprise (ECNL, 2021). Moreover, the term social economy is not widely used and is often misinterpreted. Social entrepreneurship as a part of the social economy also is a novelty in Ukraine (Kokot, 2020). However, it is more prevalent in public usage when talking about the social economy. However, key stakeholders in the field of social entrepreneurship in Ukraine initiated different projects and working groups to elaborate on the commonly agreed definition of social entrepreneurship. According to that, the entrepreneurial activity is proposed to be recognized as social entrepreneurship if it meets criteria regarding the social purpose to be established in official documents, profits are redistributed towards the social goal, the social impact is publicly reported and the entity is democratically governed (WHS, 2020).

Consequently, Ukrainian social economy organisations do not have a special status within a legal framework and act as different types of organisations, each with their own legal framework – public or charitable organisations, associations and foundations, cooperatives, etc. It is essential to mention that they are considered social enterprises only by demonstrating the characteristics stated by the definition described above. Ukrainian social economy organisations include also limited liability companies which are

allowed to conduct non-commercial economic activities and to establish a social objective for their activities.

Due to the absence of a legal framework in Ukraine, there are no official data about the numbers and types of social enterprises. In terms of measuring social enterprises and their business and social data, the latest information is provided by the Ukrainian Social Academy in their research papers “Impact of training at the Ukrainian Social Academy on the business development of participants” (Ukrainian Social Academy, 2021a) and the “Research on the Social Entrepreneurship Ecosystem in Ukraine” (Ukrainian Social Academy, 2021b). Both papers were presented in 2021, making them the last data available.

Fiscal exemption and advantages for social economy organisations are very scarce in Ukraine. In the case of WISEs, the employer has a subsidy in the case of employment of a person with a disability and the social contribution is reduced to 8.41%. Associations and foundations are exempted from paying VAT for their entrepreneurial activities.

The procurement system in Ukraine is regulated by the “Law of Ukraine on Public Procurement” and, in practice, functions through the “Prozorro” public electronic procurement system that emerged during the implementation of the Public Procurement Reform. The Prozorro system also covers social procurement procedures. In this regard, Ukrainian social economy organisations, especially those providing social services, may participate in the auction as providers.

In addition, the following support measures and mechanisms addressed to social economy are available in Ukraine: 1) grants and subsidies from public authorities (national budget), 2) grants and subsidies from European funds (managed at national level), 3) grants and other support from private stakeholders, foundations, and second level organisations, 4) public support for social economy incubators/accelerators, resource centres, and business innovation centres and 5) private support for social economy incubators/accelerators, resource centres, and business innovation centres.



The access to financial resources for social entrepreneurs has increased in Ukraine because of the low-rate loan programs development (by “WN-ISEF”), grant programs with no or partial return (by the newly established “Ukrainian Social Venture Fund,” “Renaissance Foundation”, “East Europe Foundation,” “ISAR Yednannya” etc.). Some programmes developed in WBs are important for the EU stakeholders to understand the social economy ecosystem in these countries (e.g. the RISE programme). Also, these programmes support the research in the field in order to produce evidence for the legal framework and the advocacy campaigns to promote the necessity of the sector regulation.

Regarding networks and support mechanisms in Ukraine, there is no national umbrella organisation that would be focused on designing and implementing a national strategy for social economy development. However, the existence of large networks (for philanthropists, patients, persons with disabilities etc.) aiming at NGO sector development, usually supported by international donors cannot be ignored. Chambers of Commerce are established in all regions of Ukraine and represent a vital economic resource. However, they are viewed as acting primarily in the interests of medium and large enterprises. The presence of incubators and accelerators for social enterprises can be also observed, implemented by organisations such as Impact Hub Odesa, SiLab Ukraine and Ukrainian Social Academy.



In-depth interview guide

Social economy national framework

- How can you describe the present situation of the social economy sector in the country? What are the most important developments in the last 5 years in the social economy sector?
 - Is there a strategic approach to social economy development at national level? How about at the local level?
 - Social economy actors and sectors are seen as part of the social inclusion policy? If yes, what is the specific role of the social economy as an instrument for social inclusion? (work integration of vulnerable people)?
 - Which vulnerable groups are the most targeted by the specific social economy actors with the support of the state?
 - What are the most important challenges for the further development of the social economy sector?
 - What are the most important opportunities for the development of the social economy sector?
 - What type of skills should be developed in the social economy sector in order to improve it?
 - What are the most promising practices that contribute to the social economy sector development? Can you give some examples?
- The EC's initiative SEAP has been useful for changes in legal and regulatory framework development/ modernization? How?
 - The EC's initiative SEAP has been useful for social economy's support infrastructure development? (incubators, capacity building, networks support, others)
 - Which of the objectives of EC's initiative SEAP can be implemented at national level?
 - In the last five years the access to finance and markets for social economy actors improved? How can the EU programs and models help the reform in this policy area?
 - Is there any social procurement reform in place in the country?

Evaluation of the European Commission's initiative "Social Economy Action Plan (SEAP)" (launched on November 2021)

- How do you evaluate at this point the impact of the European Commission's initiative "Social Economy Action Plan (SEAP)" at national level (e. g. on the public policy, strategic reform, public consultations etc.)?

Impact of social economy entities' activities in specific crises context

- What is/ was the role and impact of the social economy during the COVID19? Can you provide some examples (please provide at least 1 example from a WISE)?
- What is/ was the role and impact of the social economy during the Ukraine war crisis? Can you provide some examples?

Recommendations for development

- Which are three specific measures needed for the development of the social economy sector in the country? What about measures for the development of WISEs?
- Which are the main recommendations at national level on how to support the development of the social economy in the country?
- Which are the main recommendations at EU level on how to support the development of the social economy in the country?

EASPD is the European Association of Service providers for Persons with Disabilities. We are a European not-for-profit organisation representing over 20,000 social services and disability organisations across Europe. The main objective of **EASPD** is to promote equal opportunities for people with disabilities through effective and high-quality service systems.



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