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# Tool kit - Handbook for social entrepreneurship



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## 1. What is social entrepreneurship

In Slovenia, legal basis for the implementation of social entrepreneurship activities was established only with the adoption of the Social Entrepreneurship Act (ZScoP) in 2011. Thus, ZScoP states in Article 2 “social entrepreneurship is the permanent pursuance of entrepreneurial activity with the production and sale of products or pursuance of services in a market, where profit generation is not the main goal of entrepreneurial activity but the main aim is to achieve social or societal effects.” At the same time, Article 3 of ZScoP states “social entrepreneurship strengthens social solidarity and cohesion, encourages people’s participation, strengthens society’s ability to solve social, economic, environmental and other problems; it promotes social innovation, provides additional offer of products and services that are in the public interest, develops new employment opportunities, provides additional workplaces, social inclusion and professional (re)integration of vulnerable groups in the labour market.”

Social entrepreneurship is thus a form of entrepreneurship, which with its products and services responds to social problems and creates social benefits. Social enterprises help with its activity to solve social, environmental, economic and other social problems in the local environments in an innovative way and provide social inclusion of (the most) vulnerable groups. Social entrepreneurship is an innovative form of entrepreneurship, which is like traditional enterprises present on the market with its services and products, while its primary goal is not to generate a profit but rather to encourage solidarity, cooperation among people, volunteer work and to seek innovative business solutions, which follow social, economic, environmental and other goals. Social entrepreneurship is oriented in creating new workplaces, especially for vulnerable target groups of job-seekers on the labour market, such as disabled persons, elderly unemployed job-seekers in areas, where due to low profitability private sector does not have a special interest to invest.

Based on the above, competences of a social entrepreneur are in the core similar to that of a classic entrepreneur, with the exception that, while being entrepreneurial, the so-called “soft contents” (managerial, communicational, organisational competences, etc.) are also important for social entrepreneur’s successful business.



In addition, social entrepreneur has to be innovative (seeking solutions, submitting proposals, finding business opportunities), persistent and committed to his work (mission) and highly motivated. Finally, yet importantly, social entrepreneur is also supposed to have social sense and certain moral principles, especially in the case of working with vulnerable target groups.



## 2. Overview of social entrepreneurs development in Slovenia

The beginnings of the social entrepreneurship and broadly regarded social economy respectively go back to the 19<sup>th</sup> century in Slovenia. The cooperative movement thus linked the principle of economic value, social freedom and participation in a political life. However, at the end of the 19<sup>th</sup> century, the cooperative system developed into a very social movement that was a safeguard mechanism for farmers, workers and artisans against capitalism. Before the Second World War, associations, trade unions, expert groups, charity organisations, cooperatives and various federations joined the social economy. After the Second World War, with the introduction of socialism, the development of the social economy slowed down, thus transferring most associations to the public sector, although the self-management system contained some elements of the social economy, especially in regards to the decision-making system and the greater involvement of business in the local community.

After the independence in 1991, Slovenia introduced multi-party democracy. The same year, the new social program was passed. The purpose of this program was to restructure the welfare state. Characteristics of the social economy have remained largely in the third sector, which was made up of the following types of organisations aimed at creating positive social change and enhancing social well-being: non-governmental organisations (societies, private institutions, and foundations), associations, cooperatives and religious organisations.

Due to the economic crisis in 2008, unemployment in the state has increased, which meant for Slovenia, characterised by being one of the countries with small social differences, a huge social crisis. Consequently, interest in social entrepreneurship and social enterprises, the purpose of which is to create different social impacts in the local environments, has increased.

In Slovenia, social entrepreneurship is nowadays carried out through various forms of non-governmental organisations, through cooperatives, companies and other legal entities governed by private law, which have acquired the status of social entrepreneurship and operate according to the principles of social entrepreneurship. More broadly, in Slovenia, the idea of social economy is implemented also through other entities, namely through sheltered workshops, employment centres and mutual companies, which legally cannot acquire the status of a social enterprise; however, they operate according to the principles of social



entrepreneurship and at the same time are not established solely with the purpose to generate profit, they work for the benefits of their members, users and wider community respectively, and produce market or non-market products and services.

Social entrepreneurship is still a young field, but it has immediately gained strong support from the EU, countries inside and outside EU, it has strong support in the society and very positive effect on it. Undoubtedly, there is still a story of growth and development in front of this field. In Slovenia, the trend of increasing the number of social enterprises has been recorded in the last decade. The law on social entrepreneurship has been passed in Slovenia in 2011. The definition of social entrepreneurship is that it creates new workplaces for vulnerable groups of people and carries out socially beneficial activity. Currently, there are almost 250 social enterprises registered in Slovenia. The trend of social enterprises is increasing, in a year and a half their number has increased for 300 percent, according to the Ministry of Economic Development and Technology. Fields of activity of enterprises are very different: local self-supply, eco and bioprocessing of food, reuse of materials, education, digitalisation, sustainable transport, efficient use of energy. The main positive effects of social entrepreneurship are according to the ministry: youth activation, increased social inclusion of individuals, sustainable development, contribution to the circular economy, enhancement of knowledge and competences, assertion of collaborative and sharing economy.

According to the study “Recent Development of Social Economy in European Union (European Economic – social Committee, 2017)” Slovenia is part of the group of European countries, where the concept of social economy has a moderate level of recognition and acknowledgement. The same study describes Slovenia as a country, where the sector of social economy is small, growing sector that employs less than 2% of working population. The concept of social economy is also much broader than the concept of the social entrepreneurship. The concept of social economy is also substantively and qualitatively different from the concept of social entrepreneurship, not only in the scope, in the sense that besides social enterprises this sector also includes other legal entities due to their purposes and manners of operating. We refer to them all as social economy entities.



Legal organisational forms of social economy entities in Slovenia:

- social enterprises (companies, cooperatives, NGOs, which have the status of a social enterprise);
- cooperatives (z.o.o. and z.b.o.);
- non-governmental organisations (societies, institutes, institutions);
- sheltered workshops
- employment centres
- mutual companies (currently there is only one such company in Slovenia, the Mutual Health Insurance Company d.v.z.)

Legal organisational forms of entities in Slovenia, which can acquire the status of a social enterprise:

- Society:
  - Society
  - Association
  - Club
  - Family
  - Association of societies
- Institute:
  - private institute
  - community of institutes
  - institute
- Institution:
  - institution
  - foundation
- Cooperative:
  - A limited liability cooperative
  - Non-liability cooperative
  - Cooperative union
  - European cooperative / cooperative.



- Corporation:
  - Closely held corporations: no liability company, limited partnership
  - Capital company: limited liability company, joint stock company, European joint stock company, public limited company
  - Economic interest grouping
- Other legal entities governed by private law or legal entities established under special laws (The law does not indicate whether private legal entities established under special laws can acquire status, e.g. mutual insurance companies, trade unions, chambers of commerce, student organisations, youth councils, etc.).

The number of **social enterprises** in Slovenia is constantly increasing. According to the record of social enterprises on December 31, 2019 (source: AJPES), there were 268 social enterprises registered in Slovenia, and 38 social enterprises ceased their operations. According to the legal form, institutions (98 and 37%) prevailed, followed by cooperatives (69 and 26%) and societies (68 and 25%) and, to a lesser extent, limited liability companies (32 and 12%) and foundations (1).

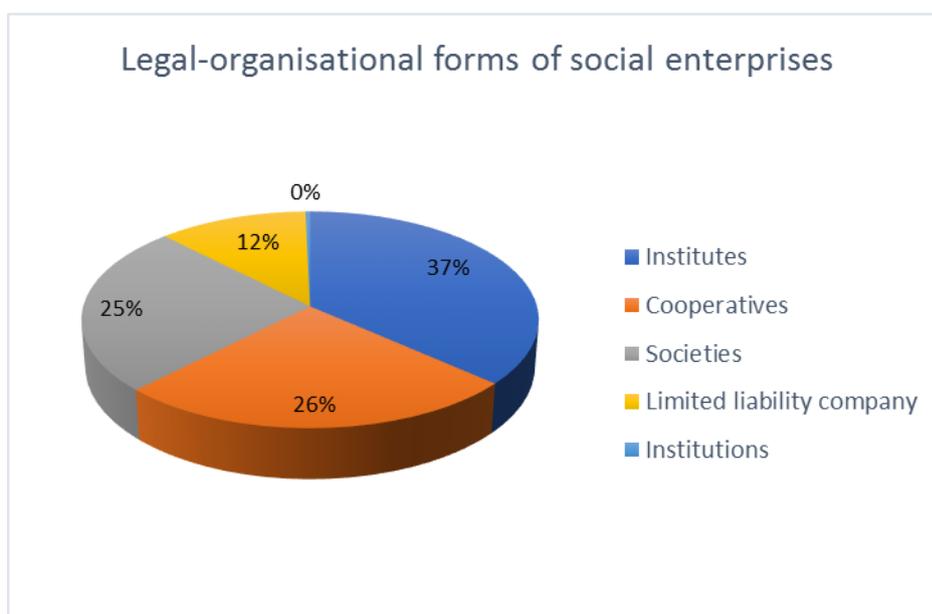


Figure 1: Legal-organisational forms of social enterprises (source: Record of social enterprises, 31.12.2019, AJPES)



The majority of social enterprises were registered in the Podravje region (70 or 26%). The Central Slovenia region followed (49 and 18%) and the Pomurje region (40 or 15%), Savinjska region (31 and 12%), Southeast Slovenia region (17 and 6%), Upper Carniola region (15 or 6%), Lower Sava region (12 and 4%), Coastal-Karst region (11 and 4%), Carinthia region (8 and 3%), Central Sava region (6 and 2%), Gorizia region (5 and 2%) and the Littoral-Inner Carniola region (4 and 1%).

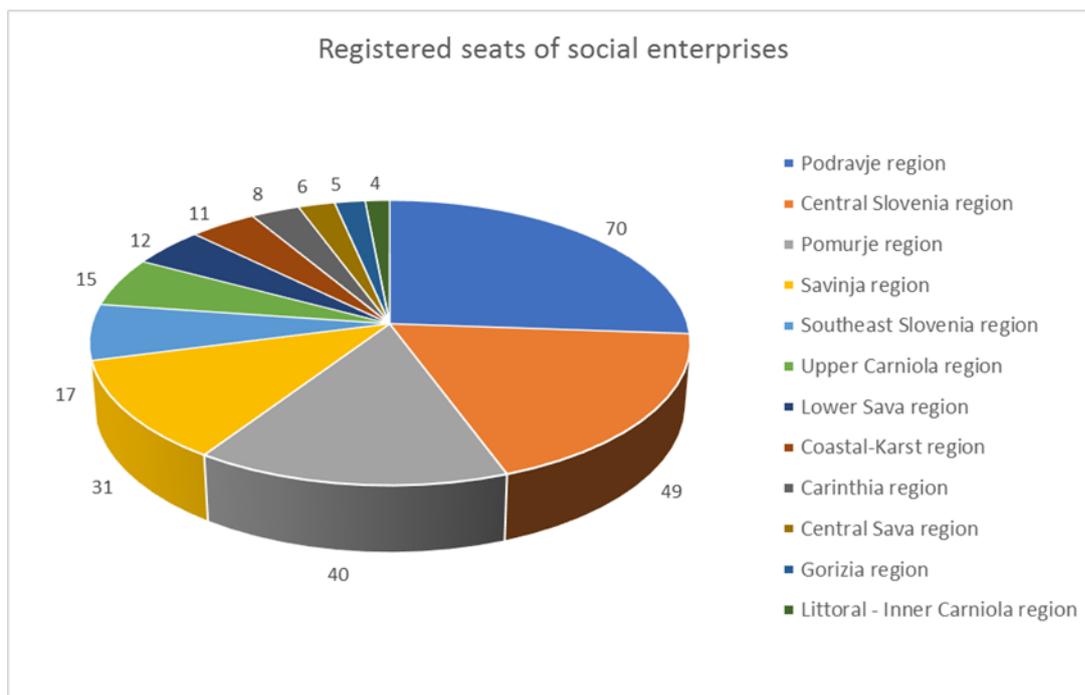


Figure 2: Registered seats of social enterprises according to Slovenian regions (source: Record of social enterprises, 31.12.2019, AJPES).

In regards to the selected main activity, according to the SKD register (Standard Classification of Activities), social enterprises operate in the following areas: S Other activities (73 and 27.24%), M Professional, scientific and technical activities (42 and 15.67%), P Education (40 and 14.93%), Q Health and social work (25 and 9.33%), G Trade, maintenance and repair of motor vehicles (19 and 7.09%), N Other miscellaneous business activities (12 and 4.48%), A Agriculture and hunting, forestry and fishing (11 and 4.10%), R Cultural, entertainment and recreational activities (11 and 4.10%), C Manufacturing (11 and 3.73%), I Catering (10 and 3.73%), J Information and communication activities (6 and 2.24%), E Water supply; sewerage; waste management (2 or 0.75%), F Construction (2 and 0.75%), O Activities of public administration and defence; compulsory social security activity (2 and 0.75%), D Electricity, gas and steam supply (1 and 0.37%), L real estate (1 or 0.37%).



However, there are no registered social enterprises in areas B Mining, H Transport and storage, T Household activities with employed house staff, production for own use and U Activity of extraterritorial organisations and bodies.

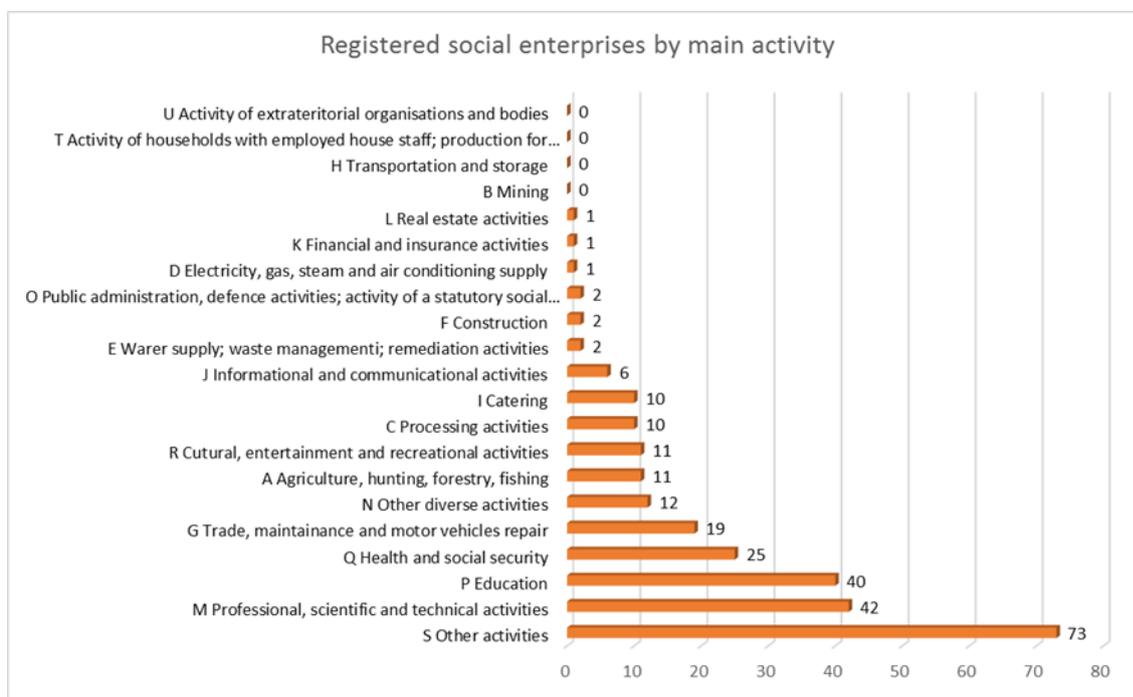


Figure 3: Registered social enterprises in regards to the main activity, according to the SKD register (source: Record of social enterprises, 31.12.2019, AJPES).

Examination of other entities of social economy in Slovenia reveals that the number of them is also increasing. The number of **cooperatives** has been increasing in recent years and the number of employees in cooperatives has been reducing. In 2018, there were 424 cooperatives registered in Slovenia, slightly more than in 2017 (420 cooperatives). In 2018, the cooperatives generated 888.718.000 EUR in revenue and 893.501.000 EUR in expenditure. Both revenue and expenditure increased by 15% and 17% respectively. Cooperative revenue accounted for 0.9% of company revenues. There were 2.863 employees in the cooperatives, 28 more than in 2017, which represented 0.6% of employees in the companies.

Most cooperatives, 81.8% of all, were micro-cooperatives, which generated 16.3% of total revenues with 5.7% of all employees and 46.9% of total assets.



The largest number of employees was in small and medium-sized cooperatives, which also generated the most revenue and showed the highest net profit. Even a large cooperative operated with a net profit.

The most important areas in terms of the number of cooperatives, employees and the generated net sales revenues were trade, maintenance and repair of motor vehicles, and agriculture, hunting, forestry and fishing. In regards to the field of activities, according to the SKD register, in 2018 the most cooperatives were in section G Trade, maintenance and repair of motor vehicles (107 and 24.8%), A Agriculture and hunting, forestry, fishing (78 and 18.4%) and M Professional, scientific and technical activities (57 and 13.4% respectively) and together represent almost 60% of all operating cooperatives.

In 2018, 7 regions displayed a net profit. The highest net profit was established by cooperatives from Gorizia region, 842 000 EUR, cooperatives from Podravje region, 824 000 EUR, and cooperatives from Savinja region, 497 000 EUR. The largest net loss was established by cooperatives from Central Slovenia region, 7943 000 EUR, and cooperatives from Pomurje region, 126 000 EUR (AJ PES, 2019).

**Sheltered workshops** provide workplaces for disabled persons and are thus companies of particular importance. Their development began in the 1980s in the form of sheltered workshops, which were transformed into sheltered company (MDDSZ) over a decade. Most (around 80%) of the enterprises for people with disabilities are established by companies (LLC). Sheltered workshops are eligible for various grants and receive a monthly subsidy of up to 70% of their wages for each disabled employee. However, it is imperative to emphasize that the majority of sheltered workshops generate revenue from the carrying out their activity, with only a small proportion coming from public funds.

At the end of 2016, there were 11.295 persons employed in 144 disability enterprises (130 in the private, 14 in the public sector), which is 5% more than at the end of 2015. Among employed, there are around half of them persons with disabilities, representing 8% of all persons with disabilities.



The majority of sheltered workshops were still engaged in manufacturing (47%), but this percentage is decreasing every year, as more and more sheltered workshops are engaged in other diversified business activities. (Association CAAP, so.p.).

**Employment centres** as an intermediate form between care centres and sheltered workshops exist for over 10 years. Under the ZZRZI law, the employment centres must employ at least 5 people with disabilities, in addition to professionals and associates. On average, more than 75% of persons with disabilities are employed in the overall structure of EC. Compared to sheltered workshops, employment centres are entitled to higher public support, especially since employee productivity is much lower and they must provide additional mentoring support. Systemic public funding per employee with disabilities in the employment centre is between 15 000 and 22 000 EUR annually and is 20% to 80% higher in comparison to sheltered workshops. As a result, their share in total revenues is much higher and averages between 45 % and 65% (Association CAAP, so.p.).

According to CNVOS data, there were 27,955 non-governmental organisations that were registered in Slovenia on January 31, 2020; among them, there were 24.134 societies, 3.564 (private) institutions and 257 foundations. This is 24 more than on December 31, 2010, when there were 24.119 societies, 3.556 (private) institutions and 256 foundations.

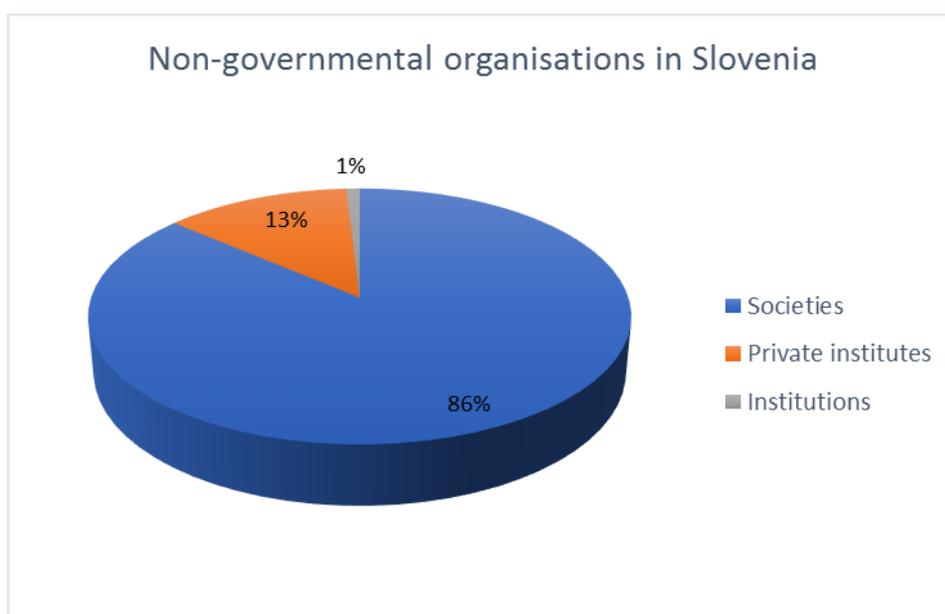


Figure 4: Number of non-governmental organisations in Slovenia (source: CNVOS).



In recent years, the number of NGOs is increasing by around 500 per year. For example, on September 17, 2012, 22.490 societies, 2.324 institutes and 251 foundations were registered. Not all registered NGOs are necessarily also active. In accordance with established practice, those who submit their annual report to AJPES are active and these are cca. 3% less than registered. The number of non-governmental organisations decreased in 2018 for the first time in many years, with the number of societies decreasing by 1.13% (in 2017 the number of societies increased by 1.17%), the number of institutes increasing by 1.11% (increased by 5.15% in 2017), while the number of institutions decreased by 1.69% (increased by 1.72% in 2017). The total annual growth index of all NGOs in 2018 was –0.88%. By far the largest share among all non-governmental organisations belongs to associations, in total 87.21%. The least – only 0.87% - are institutions, while there are 11.92% of institutes. In the last five years, the share of institutes increased the most, since there was less than 7% of them out of all NGOs.

There are just under 8.300 people employed in the non-governmental sector. More than half of all workers are employed in institutes, although they represent only 11.92% of all NGOs. In recent years, the total number of NGO employees has been increasing. The number of employees in recent years has been increasing in all NGOs, except in institutes, where in 2017 the number decreased by 2.16% and in 2018 increased by 1.96% compared to the previous year. More than half of the employees in non-governmental organisations are employed in institutes, followed by employees of associations and employees of institutions. The vast majority of NGOs (as many as 92.07%) do not have a single employee, with the highest number of such being associations (as many as 95.05% of all associations) and the fewest being institutes (70.13% of all institutes). Depending on the number of employees in the organisation, the institutes are the leading ones, which employ more than half of all workers in the sector. At least one employee have 4.95% of associations, 29.87% of institutes and 5.17% of institutions. On average, every Slovenian NGO has 0.31 employee. However, the average fluctuates, when we take into account legal organisational forms: on average, each institute has 1.48 employees, the institution has 0.22 employees, and the association has only 0.15 employees.



In Slovenia, the share of employees in non-governmental organisations amounted to 0.84% in 2017 (7.811 employees out of 947.270 active population in total), and has grown, in spite of the economic crisis, until 2017, when for the first time it was the same as in the previous year. This share is still extremely low compared to the rest of the world. According to the latest major international comparative study by John Hopkins University in 2013, this share is 5.1% in the world average of the compared countries and 5.42% in the EU countries.



### 3. Legislative framework of social enterprises in Slovenia

Until 2011, when the **Social Entrepreneurship Act (Official Gazette of RS, nr. 20/11, ZSocP)** came into force, Slovenia did not have a law that would comprehensively regulate the position of publicly beneficial organisations. Nevertheless, social entrepreneurship existed in Slovenia prior to the adoption of the ZSocP in the form of entities / organisations that operated on the principles of social entrepreneurship. To a large extent, such activities were carried out by cooperatives, non-governmental organisations (mainly societies) and sheltered workshops. Legally, individual laws governed these legal organisational forms: Societies Act, Institutes Act, Cooperatives Act, Vocational Rehabilitation and Employment of Persons with Disabilities Act, etc. ZSocP was the first law in Slovenia to legally regulate and define the field of social entrepreneurship, the criteria for obtaining the status of a social enterprise and maintaining it, as well as the ways of reporting and promoting social entrepreneurship.

In 2018, **Act Amending the Social Entrepreneurship Act (Official Gazette of RS, nr. 13/18, ZSocP – A)** entered into force. This law defines the definition, goals and principles of social entrepreneurship, social entrepreneurship activities and the conditions under which social enterprises carry out activities, the conditions under which legal persons acquire the status of a social enterprise, the manner of acquiring and withdrawing the status, the special conditions of business of social enterprises, the records that are in the field of social entrepreneurship and supervision. The law also regulates development planning and incentives for the development of social entrepreneurship, cooperation of social partners and organisations of civil society in the adoption of development documents, the role of municipalities in the planning and implementation of social entrepreneurship's development policies, and authority in the field of social entrepreneurship.

The law thus defines **social enterprise** as a non-profit legal entity that acquires the status of social entrepreneurship and this can be a society, institute, institution, company, cooperative or other legal entity that is not established solely for the purpose of generating profit and does not share property, as well as it does not share created surplus of revenue over expenditure.



Social entrepreneurship is a permanent carrying out of entrepreneurial activity with the production and sale of products or services carried out on the market, where generation of the revenue is not the main goal of the entrepreneurial activity, but rather the achieving of social or societal effects. **Implementation of social entrepreneurship can be carried out in all areas of economic and non-economic activities.**

More broadly, the law defines social economy as economy consisting of social enterprises, cooperatives, sheltered workshops, employment centres, non-governmental organisations (societies, institutes, institutions or foundations) that are not established solely for the purpose of generating profit, they operate for the benefit of their members, users or the wider community in produce market or non-market products and services.

The law also defines **goals and principles of social entrepreneurship**; social entrepreneurship enhances social solidarity and cohesion, encourages society's ability to solve social, economic, environmental and other problems, encourages social innovation, provides additional offer of products and services of the public interest, develops additional workplaces and social inclusion and professional (re)integration of vulnerable groups of people in the labour market.

Social entrepreneurship includes non-profit legal entities that are established and operate according to following principles (hereinafter referred to as "principles"), which demonstrate their social character:

- they are established based on a voluntary decision of the founders (autonomous initiative);
- the purpose of the establishment is not exclusively to generate profit, assets and surpluses of income over expenditure are invested in the activity of social enterprise, division of surpluses of income over expenses is not permitted (non-profit making nature);
- they are established with the purpose of permanent activity and can be established with the purpose of employing the most vulnerable groups of people in the labour market, which is also a public interest (implementation of activity in the public interest);
- their members work voluntarily (voluntary activity);



- they are autonomous in management (independence);
- the production and sale of products or provision of services on the market is in accordance with market laws (market orientation);
- they may include volunteer work (involvement of volunteer work);
- individual founders or owners do not have a dominant influence in decision making; decisions are made by all members on the principle of one member – one vote, independently of the share of invested capital (equality of membership);
- stakeholders are also involved in decision-making (cooperation of stakeholders in management);
- they provide transparent financial management and internal control over material and financial operations (transparent business);
- they work permanently for the benefit of their members, users and wider community (socially beneficial activity).

The competent ministry for social entrepreneurship according to ZSocP was until January 1, 2015 the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ), after which the competence was transferred to the Ministry of Economic Development and Technology (MGRT). The ministry responsible for the economy provides the coordination of the implementation of professional tasks, monitoring the business of social enterprises and implementing measures to promote the development of the social economy. To implement tasks, the competent ministry:

- in cooperation with other ministries and government departments prepares a program of measures for implementing the strategy,
- monitors the implementation of the program of measures,
- prepares analyses, reports and other professional materials for the council in collaboration with other ministries and government departments,
- establishes and monitors the fulfilment of the conditions laid down by this law for the business of social enterprises and the conditions for the prohibition of the business of a non-profit legal entity as a social enterprise and
- keeps the record of social enterprises.



The non-profit legal entity can operate as a social enterprise, if they acquire the status of social enterprise. **A non-profit-making legal entity acquires the status of a social enterprise if:**

- they carry out economic and non-economic activities,
- have in their internal acts defined restriction on the distribution of revenues' surplus over expenses or assets among members or stakeholders of a social enterprise,
- they are independent and organisationally autonomous in relation to commercial companies, public-law entities or local communities,
- provides an inclusive form of governance based on co-decision and democratic decision-making and
- meets the other conditions laid down in this Act and the law governing the legal organisation of each type of non-profit legal entity.

A social enterprise must always operate on the principles of social entrepreneurship as set in the Social Entrepreneurship Act.

**The law defines restrictions in business of social enterprises.** Thus, a profit-making company cannot establish a social enterprise to which it would transfer part of a business or activity, but it can create new workplaces for its redundant workers with the establishment. A non-profit-making legal entity cannot acquire social enterprise status if its member is a political party. Moreover, the status cannot be acquired by a non-profit-making legal entity if one or more profitable companies, legal entities under public law or local communities dominate its decision-making. A non-profit-making legal entity cannot acquire social enterprise status if, at the time of the registration process of incorporation act changes, which would transform it into a social enterprise, it is in a bankruptcy procedure, compulsory settlement proceedings or liquidation, if it does not have all its tax obligations and social security contributions for workers of 50 EUR or more paid and if it did not have balance sheets of withholding taxes of employment incomes for the last five years up to the day of the submission of the amendment of the incorporation act so that they can connect into associations of social enterprises. The law, however, permits social enterprises to affiliate with social enterprise associations.



**Act of establishment of a social enterprise** must, in addition to the content stipulated by the law for the legal organisation of each type of legal entity (e.g. the Companies Act, the Societies Act, the Institutes Act), also define the non-profit aim of establishing a legal entity and substantiate its publicly beneficial and social character. As an activity or tasks of a social enterprise, it must define the pursuit of business of social entrepreneurship or other activities, differentiate them from other activities or tasks, and determine the manner of disposing of assets and the use of profits or surpluses of revenues.

The act of establishment must:

- define the management manner of a social enterprise according to the principle of equality,
- determine persons responsible for management in carrying out social entrepreneurship activities and conditions for their appointment or election and responsibilities,
- determine a supervisory authority, which monitors business in accordance with provisions of this Act, the Act of Incorporation and other acts of a social enterprise and business according to the principles of good management, the regularity of financial and material business and the composition of the annual report, and also to determine the manner of election or appointment of members of the supervisory authority, term of office and its authority, powers and responsibilities,
- determine if social enterprise also includes volunteers in the work,
- determine the manner of stakeholders' involvement in management (consultation, mandatory opinion, etc.),
- determine the rules for keeping the books of account and producing the financial statements of the social enterprise or stipulate that these rules will be governed by a separate act, and
- determine the conditions for the status transformation of a social enterprise and the disposal of social enterprise assets in the case of termination, in accordance with the provisions of this Act.

Laws governing legal organisational of each type of non-profit-making legal entity determine responsibility for social enterprise's obligations.



**The control over carrying out provisions of this Act, whose violations constitute misdemeanours, are exercised by:**

- Labour Inspectorate of the Republic of Slovenia,
- Financial Administration of the Republic of Slovenia,
- Market Inspectorate of the Republic of Slovenia,
- Agency of the Republic of Slovenia for Public Legal Records and Related Services
- Ministry of Economic Development and Technology.

In addition to the umbrella Social Entrepreneurship Act, Slovenia also has the following by-laws regulating social entrepreneurship field in more detail. The Social Entrepreneurship Act systematically defines the field of social entrepreneurship and is supplemented by:

- **Rules on the monitoring of the operations of social enterprises** (this Regulation regulates the business of social enterprises and the manner of determining compliance with the conditions laid down in the Social Entrepreneurship Act);
- **SAS 40 – Accounting Solutions in Social Enterprises** (The latter deals with the specificities of accounting in social enterprises, irrespective of their organisational form and is linked to general accounting standards, while also relying on International Accounting Standard / MRD – 20).

These by-laws thus regulate the manner of monitoring the business of social enterprises and the fulfilment of the conditions for acquiring the status social enterprise; prescribe the detailed content of applications, supporting documents and reports required by ZSocP. They prescribe the conditions of eligibility of incentives and manners of monitoring the eligibility to incentives of a social enterprise, prescribe the manner of carrying out the control over the use of financial resources, received on the basis of ZSocP and the manner of returning the unduly obtained financial resources, as well as the conditions, which the organisation has to fulfil in order to acquire the status of a social enterprise.

In Slovenia, **the Council of Social Economy** established by the Government of the Republic of Slovenia formulates the social entrepreneurship development policy.



In addition to formulating social entrepreneurship development policies, the Council of Social Economy analyses the needs of social entrepreneurship development, prepares development documents, analyses, evaluates and monitors the implementation of measures and policies in the field of social entrepreneurship, and encourages the involvement of municipalities in defining and implementing these policies at local and regional level. The Council ensures the coordination of social economy policies with ministries, government departments, municipalities, social partners and organisations of civil society.



## 4. Establishing and operating of a social enterprise

**A non-profit-making legal entity seeking to acquire the status of social enterprise has to comply with the Social Entrepreneurship Act and its by-laws, which specify exactly what conditions such company must fulfil.** The status of a social enterprise may be acquired by a non-profit-making legal entity, which may be a society, institute, foundation, company, cooperative, European cooperative or other legal entity governed by private law. These legal entities are established in the manner and under the conditions laid down by laws for each individual, e.g. Societies Act, Institute Act, Foundations Act, Cooperatives Act, Companies Act, Vocational Rehabilitation and Employment of Persons with Disabilities Act, etc. A non-profit-making legal entity seeking to acquire the status of a social enterprise must, in addition to obeying the law governing this field, also comply with the Social Entrepreneurship Act. This means that elements and provisions laid down by the Social Entrepreneurship Act are also entered into the constituent act and that other conditions, stipulated by the legislation, are also taken into account. In the case, that a legal entity is already established, it is necessary to supplement or amend the basic act and to fulfil other conditions as well. The most important provision is that a legal entity is not established solely for the purpose of generating a profit and does not divide the property, profit achieved or surpluses of incomes over expenses, which means that the generated surplus or profit cannot be paid out, but rather directed back to performing its basic activity.

Non-profit-making nature of operations means that the social enterprise must allocate surpluses of revenues over expenditures from the activities of the social enterprise for performing of these activities or for other with ZSocP defined purposes. The division of surpluses of revenues over expenditures or assets is not allowed.

The following is considered as an indirect division of the surpluses of revenues over expenditures:

- Paying out rewards to responsible persons, board members or other bodies and workers,



- Paying out the reimbursement of expenses in excess of the amounts stipulated by the regulation, which determines the amount of reimbursement of labour costs and other expenses, which are not included in the tax base, unless otherwise provided by a special law.

Social entrepreneurship is characterised by the motives of business being the solving social, economic, environmental and other problems of society in an innovative way. The social entrepreneur is supposed to be motivated by the idea itself. The latter is supposed to solve a certain social problem. The bigger the problem, the more people will be inclined to help the company, which means that the company will operate for a longer period of time. As it has been said many times before, the essence of establishing a social enterprise should not be the desire for the profit, but the welfare of society. The one establishing a social enterprise must really enjoy it, be one hundred percent committed to their work and strive for their goal. So that his or her business will change, improve or even eliminate a particular social problem in the long run. Social entrepreneurship is still entrepreneurship and depends to some extent on market revenues. However, it must also ensure that the company will generate certain revenues from various alternative sources, since it can only with the optimal combination of different sources ensure that the introduced improvement is maintained. A social entrepreneur is necessarily a very persistent person, which means that he or she needs the inner motivation he finds in himself and, consequently, in society.

**The process of registering a social enterprise** begins with an application for registration of a non-profit-making legal entity that intends to operate as a social enterprise. A social enterprise is special status that is acquired by non-profit-making legal entities and they are not guided by an exclusive motive – to generate a profit. Such examples of social entrepreneurship are often found in societies, institutes, L.L.C.. and other legal entities governed by private law. It is first necessary to establish one of the non-profit-making legal entities and after the establishment or even at the same time initiate the procedure for acquiring the status of a social enterprise.

In order to “establish a social enterprise”, it is first necessary to establish one of the non-profit-making legal entities, which will then apply for the status of a social enterprise.



Both procedures (that is, the establishment process and the acquisition of status process) can be initiated at the same time, which means that the body responsible for registration will also assess the eligibility for obtaining the status of a social enterprise upon its establishment.

In Slovenia, the following legal-organisational forms of entities may be granted the status of a social enterprise:

- Non-governmental organisations (society, institute, institution) – a non-profit-making and not-profit legal entity under private law with the registered seat in the Republic of Slovenia, established exclusively by domestic or foreign natural or legal persons under private law. A non-governmental organisation is independent of other entities and is not organised as a political party, church or other religious community, trade union or chamber (Non-governmental Organisations Act, Official Gazette RS, no. 21/18). Currently, non-governmental organisations in Slovenia are legally and formally registered as societies, institutes or institutions:
  - Society - is an independent and non-profit-making association established by the founders for the purpose of pursuing common interests. The society itself determines the purpose and goals of the activity or tasks and the manner of operation, and the members of the association make the decisions on the management of the association directly or indirectly. The purpose of the establishment and operation of the association is not to make a profit. The society permanently allocates surplus revenues over expenses from all activities and other sources for the realisation of its purpose and goals and does not divide them among its members. The operation of the society is public (Societies Act, Official Gazette of RS, no. 64/11).
  - Institutes - a legal entity which may be established by one or more natural persons for the pursuit of education, science, culture, sports, health, social care, child care, disability care, social security or other activities, provided that the purpose of pursuing the activity is not to generate profit (Institutes Act, Official Gazette of RS, no. 12/91).



- Institution or foundation - is a legal person governed by private law. The purpose of the foundation must be generally beneficial or charitable and, as a rule, lasting. The purpose of the foundation is generally useful if the foundation is established for purposes in the fields of science, culture, sports, education, health, child, disability and social care, environmental protection, protection of natural values and cultural heritage, for religious purposes and the like. The purpose of a foundation is charitable if the foundation is established to assist persons in need (Foundations Act, Official Gazette of RS, no. 70/05).
- Cooperative – is an organisation of a predetermined indefinite number of members whose purpose is to promote the economic benefits and develop the economic or social activities of its members and is based on a voluntary approach, free exit, equal participation and management of members. The cooperative may also conduct its activities through subsidiaries. A cooperative may set up a corporation, another cooperative or other legal entity, or become a member of another legal entity, provided that the purpose for which was formed is fulfilled (Cooperatives Act, Official Gazette of RS, no. 97/09).
- Company – is a legal person, which independently carries out a gainful activity on the market as its sole activity. Profitable activity is any activity that is performed on the market for profit. Companies can be organised in one of the following forms:
  - Limited partnerships: an unlimited liability company, a limited partnership;
  - Capital companies: limited liability company, joint stock company, European limited company, limited partnership;
  - Economic Interest Grouping (Companies Act, Official Gazette of RS, no. 42/06).
- Other legal entities governed under private law or legal entities established under special laws (from the law is not evident whether also private entities governed under private law, established under special laws can acquire the status, such as mutual insurance companies, trade unions, chambers of commerce, student organisations, youth councils, etc.).



In order to acquire the status of a social enterprise, an application for registration of a social enterprise is submitted to the competent authority or usually the district court, which establishes the conditions to acquire the status of a social enterprise based on the fifth paragraph of Article 7 of the ZSocP-A. The application must also be accompanied by the founder's decision that the applicant intends to operate as a social enterprise.

Comparison of the characteristics of legal-organisational entities that can acquire the status of social entrepreneur:

<b>Society</b>	
Founders	Society can establish at least three natural persons or legal entities with operational capacity.
Nominal capital	Minimum nominal capital is not prescribed. In the constituent act, it is necessary to define from what sources the society will finance the implementation of its activities (membership fee, donor contributions, public funds ...).
Name	The name of the society must be in Slovenian language. If the society has a registered seat in the area where the national communities live, the name of the society is in both official languages. The name must differentiate from the names of other societies and cannot be misleading or offensive. Unless otherwise authorised by law, the name of the society must include the word society, association, family or club. There must be an indication in the name of the society that indicates the activity of the society.
Relationship between partners	The highest authority of the society is the assembly of members, consisting of all the members. In addition to the assembly of members, the society must have at least one other representative representing the society in legal transactions. The remaining bodies are not legally determined.



	<p>If the society designates other bodies in the basic act, it must also determine their composition, authority, responsibilities, manner of decision-making, mutual relations, term of office, and manner of election or appointment and dismissal of members. The representation of the members must be equally assured in the society.</p>
<p>Constituent act</p>	<p>The constituent act must specify:</p> <ul style="list-style-type: none"> <li>• Name and seat of the society (chosen place of business of the society),</li> <li>• The purpose and goals of activity of the society,</li> <li>• Activity or tasks of the society,</li> <li>• Conditions and manner of membership and termination of membership,</li> <li>• Member's rights and obligations,</li> <li>• The manner of society's management,</li> <li>• Representation of the society,</li> <li>• The financing of the society and the manner of exercising control over the disposal of the assets of the society and over the financial and material business of the society,</li> <li>• The manner of providing the public nature of the society's work,</li> <li>• The manner of adopting amendments and supplements to the basic act,</li> <li>• The manner of dissolution of the society and the disposal of property in such a case.</li> </ul> <p>The activity of a society, which is profitable, must be defined according to the regulations governing the standard classification of activities. The constituent act can also regulate other issues relevant to the management and operation of the society.</p>



Process of establishment	Three natural persons or legal entities with operational capacity can establish a society. Regardless of the provision of the preceding paragraph, companies cannot establish a society, which has in the constituent act a specific activity, which the company performs as its activity. The founders of the constituent assembly adopt the founding decision and the constituent act of the society.
<b>(Private) institutes</b>	
Founders	<p>Institutes are organisations that are established for the purpose of carrying out activity of upbringing and education, science, culture, sports, health social care, child care, disability care, social security or other activities, if the purpose of activity is not to generate profit.</p> <p>Domestic and foreign natural and legal entities can establish institutes, unless law for particular activities or for particular types of institutes provides otherwise.</p>
Nominal capital	An institute can be established if the resources for the establishment and start-up of the institute's work are provided and other conditions laid down by law are fulfilled. Therefore, the minimum nominal capital is not prescribed. Upon entry in the register, the competent court assesses whether the funds invested are sufficient for the establishment and carrying out the activity of the institute.
Name	Name of the institute must include a designation, which indicates the activity and the registered seat of the institute. Name of the institute can include name of the founder. Name of the institute can include name of the republic, municipality or city, only with the permission of the competent authority if the founder of the institute is not a republic, municipality or city. The name of the institute can include name of a historic or other deceased significant persona. An integral part of the name can be a sign or a graphic form of the name, the institute can also have a shortened name.



<p>Relationship between partners</p>	<p>The management body of the institute is the director or other individual entity. Director organises and carries out the work and business of the institute, presents and represents the institute, and is responsible for the legality of the work of the institute. The director is appointed and dismissed by the founder, unless the council of the institute is authorised to do so by the law or the constituent act. The term of office of the director lasts for four years, unless otherwise provided by law or constituent act. The council of the institute is the highest decision-making body.</p>
<p>Constituent act</p>	<p>The constituent act of a private institute is the basic act governing the business and relations between the founders. In accordance with Article 8 of the Institutes Act, the constituent act of the institute contains:</p> <ul style="list-style-type: none"> <li>• name and seat or residence of the founder,</li> <li>• name and seat of the institute,</li> <li>• activities of the institute,</li> <li>• provisions on the bodies of the institute,</li> <li>• funds provided to the institute for the establishment and start-up,</li> <li>• sources, manner and conditions for obtaining funds for the work of the institute,</li> <li>• manner of managing the excess of revenues over expenses and manner of covering the lack of funds for the work of the institute,</li> <li>• rights, obligations and responsibilities of the institute in legal transactions,</li> <li>• provisions on the liability of the founder for the obligations of the institute,</li> <li>• mutual rights and obligations of the founder and institute,</li> <li>• other provisions according to law.</li> </ul>



	<p>In preparing the constituent act, particular attention should be paid to the following elements:</p> <ul style="list-style-type: none"> <li>• activities of the institute (as in the case of other legal forms, all activities that the institute intends to carry out need to be stated in the constituent act according to SKD);</li> <li>• manner of disposal with the surplus of revenues over expenditures (in the constituent act should be explicitly stated that the surplus of revenues over expenditures may be used for other purposes, such as the carrying out and development of activities);</li> <li>• the founder's responsibility with respect to the institute's obligations (in the constituent act should be explicitly stated that the founders are not responsible for the institute's obligations);</li> <li>• provisions on the possibility of divestiture of business shares (the divestiture of a business share of the founder is possible only if explicitly stated in the constituent act).</li> </ul>
<p>Process of establishment</p>	<p>Institute can be established if the resources for the establishment and start-up of the institute's work are provided and other conditions laid down by law are met. You can vote the establishment of the institute yourself, or it can be established by a notary.</p> <p>The institute can be established by founders collecting the required documents (the constituent act, the proposal for the registration of the institute in the court register and the decision appointing the director) and verifying their signatures on these documents at the administrative unit.</p> <p>When the appropriate authority of the institute adopts the constituent act, the founder appoints the acting management organ (director), who is authorised to carry out preparations for the start-up of the work of the institute under the supervision of the founder.</p>



	<p>The drafting and signing of documents require the personal presence of the founders (natural persons or legal representatives of legal entities). A plenipotentiary can represent the individual founder. The application for entry in the court register is decided by the registry court. By registering the constituent act in the court register, the institute acquires legal capacity.</p>
<b>Institutions</b>	
Founders	<p>Domestic or foreign natural or legal entity can establish an institution. The purpose of the institution must be generally beneficial or charitable and, as a rule, lasting.</p> <p>The purpose of the institution is generally useful if the institution is established for purposes in the fields of science, culture, sports, education, health, child, disability and social care, environmental protection, protection of natural values and cultural heritage, for religious purposes and the like. The purpose of an institution is charitable if the institution is established with the purpose of helping persons in need.</p>
Nominal capital	<p>An institution is a fixed asset to a specific purpose. Founding property can be money, movable property, real estate and other property rights. The size of the founding assets must be adequate to carry out the purpose of the foundation.</p>
Name	<p>Name of the institution must include the word institution. A designation of purpose, founder or other supplementary designation must be added to distinguish clearly and unequivocally from establishments already registered in the register of establishment. Regarding the possibility of using name republic, municipality or city, historical or other personality and the protection of the name are under provisions that apply to institutions.</p>



	<p>The word foundation can be used in the name or business by legal entities that are established for general charitable or charitable purposes and do not pursue these a gainful activity.</p>
<p>Relationship between partners</p>	<p>The statutory body of the institution is the administration but it can have other bodies in accordance with the constituent act or the rules. The management board ensures the implementation of the purpose of the institution, represents the institution and performs other tasks according to the law, the founding act and the rules.</p>
<p>Constituent act</p>	<p>The constituent act contains:</p> <ul style="list-style-type: none"> <li>• name and seat or residence of the founder,</li> <li>• name and seat of the institution,</li> <li>• reference to the founding assets and their value,</li> <li>• the purpose of the institution,</li> <li>• the manner and procedure of appointing members of the management board,</li> <li>• named members of the first administration.</li> </ul> <p>The constituent act can also include other provisions relevant to the operation of the institution. If the institution is established by a legal transaction in the case of death and it does not specify the name, seat and names of members of the first administration of the institution, they are appointed by the authority responsible for the institutions. If the articles of the constitution act do not contain provisions on the manner and procedure for appointing members of the management board, this is determined by the rules of the foundation. The institution (founder or board of directors) must adopt the rules or statutes within 30 days of the approval of the constituent act. The request</p>



<p>Process of establishment</p>	<p>The request for the registration of the institution submits the founder to the ministry in whose field of work the purpose for which the institution is founded falls, which issues consent if:</p> <ul style="list-style-type: none"> <li>• the constituent act meets the legal requirements,</li> <li>• the purpose of the institution is generally beneficial or charitable,</li> <li>• the foundation assets are secured,</li> <li>• establishment is not contrary to public order.</li> </ul> <p>After receiving the consent to the constituent act, the ministry responsible for internal affairs on official duty enters the institution in the register of institutions.</p>
<p><b>Cooperatives</b></p>	
<p>Founders</p>	<p>Cooperative can be founded by at least three founders. The founders can be natural or legal persons. The founders of the cooperative, who are natural persons, must have operational capability. Natural or legal persons can join the established cooperative under the conditions laid down in the cooperative rules.</p>
<p>Nominal capital</p>	<p>Minimum nominal capital is not prescribed. It may be established if the resources for the establishment and start-up of the cooperative are provided.</p>
<p>Name</p>	<p>The cooperative company must include a designation that it is a cooperative and a designation of the members' liability for the cooperative's obligations:</p> <ul style="list-style-type: none"> <li>• "limited liability cooperative" or the abbreviation z.o.o. if the liability of members for the cooperative's obligations under the cooperative rules is limited to a certain amount;</li> </ul>



	<ul style="list-style-type: none"> <li>• “cooperative without liability,” or z.b.o. if the liability of members for the cooperative’s obligations is excluded by cooperative rules.</li> <li>• Only cooperatives and other forms of cooperative organisation have the right and obligation to use a company designation as a cooperative, in accordance with the cooperative act.</li> </ul>
Relationship between partners	<p>General Assembly (assembly) is the highest body of the cooperative, which is formed by all members of the cooperative. The president of the cooperative presents and represents the cooperative and is responsible for the legality of a business. A cooperative with ten or more members also has a board of directors. A cooperative whose securities are traded on a regulated market must have a supervisory board and an audit committee, otherwise it only has a supervisor.</p>
Constituent act	<p>The cooperative is established by the adoption of the constituent act. The constituent act contains:</p> <ul style="list-style-type: none"> <li>• Names and addresses or seats of the founders,</li> <li>• Decision to adopt cooperative rules,</li> <li>• Decision on the election of the organs of the cooperative, which the cooperative must elect in accordance with the law and its rules,</li> <li>• Date and place of constituent assembly,</li> <li>• Signatures of all founders.</li> </ul> <p>The compulsory constituent part of the constituent act establishing the cooperative is the cooperative rules. The cooperative rules must in particular regulate:</p> <ul style="list-style-type: none"> <li>• The company name and seat of the cooperative,</li> <li>• Cooperative activity,</li> <li>• Any special conditions for admission to membership,</li> </ul>





	<ul style="list-style-type: none"><li>• Notice period and any special conditions for leaving the cooperative,</li><li>• The reasons why a member can be excluded from the cooperative,</li><li>• The share to be subscribed by each member (compulsory share), the number of compulsory shares if members are required to subscribe to a compulsory share in different number of mandatory shares,</li><li>• Deadline and manner of payment for at least one half of the obligatory share,</li><li>• Other obligations of members, in particular regarding cooperation with the cooperative, or the conditions under which such obligations may be imposed or increased,</li><li>• Liability of members for the obligations of the cooperative,</li><li>• The basis for allocating the surpluses and offsetting any operating losses,</li><li>• Convening and deciding the general assembly, if the general assembly is composed of representatives as well as the election, recall and term for which the representatives are elected,</li><li>• The field of work, election, recall and term of office of the president and other bodies of the cooperative,</li><li>• Representation and representation, cooperatives,</li><li>• Informing members about the resolution of the general assembly and the business secrecy of the cooperative,</li><li>• The manner of division of the assets remaining after the repayment of the creditors and the return of the shares in the liquidation or bankruptcy proceedings, or the purpose of those assets, if not distributed among members.</li></ul>
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<p>Process of establishment</p>	<p>An application for registration or registration of a cooperative in the court register shall be made before the district court in the territory of which the cooperative is established, which must contain:</p> <ul style="list-style-type: none"> <li>• Three copies of the UST forms – a proposal for entry of the establishment of the entity in the court register,</li> <li>• The original of the act establishing the cooperative, which certifies the signatures of all the founders and the cooperative rules that are an integral part of this act;</li> <li>• A decision appointing the first members of the organs of the cooperative;</li> <li>• A bank certificate of payment of the initial capital.</li> </ul>
<p><b>Limited liability company L.L.C.</b></p>	
<p>Founders</p>	<p>A company may be founded by one of more natural or legal persons who become members by way of incorporation. A company can have a maximum of 50 members. A company may have more than 50 members only if permitted by the minister responsible for the economy.</p>
<p>Nominal capital</p>	<p>The nominal capital (share capital) must be at least 7500 EUR and each share capital must be at least 50 EUR. The basic contribution can be provided in cash or as an in-kind contribution or in-kind acquisition. Movable and immovable property, rights and the business or part of the business may be provided as input. The in-kind contribution shall also be considered payment for the assets taken over by the company and added to the shareholder's contribution. Before applying for entry in the register, each partner must provide at least one quarter of the basic contribution, and the value of all the contributions provided must be at least 7.500 EUR.</p>



Name	According to the Companies Act, a company is the name by which a company operates on the market. The company must have a label indicating the company's activity. The company may have additional components that characterize the company in more detail, or the company may use a shortened company that contains at least an ingredient that distinguishes the company from other companies and the designation d.o.o.
Relationship between partners	D.o.o. has one or more executives (directors) who, at their own risk, manage and represent the company. The shareholders adopt resolutions at the general meeting. Each additional 50 EUR of the basic contribution gives the shareholder one vote.
Constituent act	<p>D.o.o. shall be established by a contract, which may be concluded in the form of a notarial record or in special form. The contract must include:</p> <ul style="list-style-type: none"> <li>• An indication of the name and place of residence or business name and registered office of each partner;</li> <li>• Company name, headquarters and business;</li> <li>• An indication of the amount of share capital and each share contribution individually, an indication of the shareholder for each share contribution and its shareholding;</li> <li>• The operating time of the company, if established for a fixed period;</li> <li>• Any liabilities that the partners have towards the company in addition to the payment of the basic contribution, and any liabilities of the company to the partners.</li> </ul> <p>For one person L.L.C. we are talking about an act of incorporation.</p>
Process of establishment	The establishment of a L.L.C. is done via VEM point (simple L.L.C.) or by a notary (demanding L.L.C.).



The manager, therefore, reports to the L.L.C. to be registered in the registry (court) or at the VEM point, which submits the application to the registry. The application must include:

- Original or certified copy of the contract,
- A list of partners and an indication of the contribution they have taken over,
- A report on contributions in kind
- Confirmation of the bank's deposit of cash deposits with the bank's statement that the company is free to dispose of the funds; the bank is responsible to the company for the truth of the statement.



## 5. Key issues of social enterprises in the start-up phase

### Factors constraining the start-up of the social enterprises

#### Process of acquiring social enterprise status

The process of acquiring the status of social enterprise is defined in the Social Entrepreneurship Act (ZSocP) and the Act Amending the Social Entrepreneurship Act (ZSocP-A).

Social enterprise status can be acquired by a non-profit-making legal entity, e.g. society, institute, institution, cooperative, European cooperative, employment centres, sheltered workshop, company, etc., which fulfils the principles of social entrepreneurship and the conditions listed in ZSocP-A, in particular:

- Carries out economic and non-economic activities,
- Does not divide assets and surplus revenues over expenditures,
- Is independent and organisationally independent in relation to profit-making companies, legal entities under public law or local communities,
- Provides an inclusive form of governance, which is based on co-decision and democratic decision-making, and
- Meets other conditions laid down in this Act and the law governing the legal organisation of each type of non-profit legal entity.

An individual non-profit legal entity may already be established and subsequently be additionally registered in a social enterprise or does this at the same time with the competent registration authority. When a company fulfils all the conditions prescribed by law, it acquires the title “social enterprise” or the abbreviation “so.p.” in the name of the company or in the name of the non-profit-making legal entity.



## **Process of registering a social enterprise**

Only a legal entity (of various legal forms) can register a social enterprise, while a natural person (e.g. sole proprietorship, farmer) cannot acquire the status.

In order to register a non-profit-making legal entity as a social enterprise, the entrepreneur submits the application to the competent registration authority. This also applies also in the case when the non-profit-making legal entity is already established and is in the process of additional registration as a social enterprise.

The establishment conditions are laid down in the ZSocP-A and in the legislation governing the organisation of each type of non-profit-making legal entity.

## **Application for registration or additional registration of a social enterprise**

According to ZSocP, the application for registration of a non-profit-making legal entity that intends to operate as a social enterprise, in addition to the content and attachments specified in the special regulations, must also include:

- decision of the founders or the competent authority of the non-profit-making legal entity to intend to operate as a social enterprise,
- personal names, SS number, citizenship and address of permanent or temporary residence of all persons having the power of representation and scope of authority for societies,
- certificate of the amount of any start-up funds or assets of the social enterprise.

An application for registration of a change in an act of incorporation by which a non-profit-making legal entity is transformed into a social enterprise must have the same content.



Registration bodies of individual legal entities:

<b>Non-profit-making legal entity</b>	<b>Registration body</b>	<b>Legal basis</b>
Society	Administrative unit in the area where there is a registered seat of the society	Social Entrepreneurship Act (Official Gazette of RS, no. 64/11)
Institute	District court / court register	Institutes Act (Official Gazette of RS, no.12/11).
Institution	Competent ministry	Institutions Act (Official Gazette of RS, no. 70/05)
Cooperative / European cooperative	District court / court register	Cooperatives Act (Official Gazette of RS, no. 97/09).
Company	District court / court register	Companies Act (Official Gazette of RS, no. 65/09).

In the process, the registration authority examines on official duty from the official records the personal data on the persons authorised to represent and the founders, in the process of registration of the change of the constituent act by which the non-profit-making legal entity is transformed into a social enterprise, and also that the legal entity is not in the bankruptcy procedure, compulsory settlement or liquidation and having outstanding tax obligations and social security contributions of workers of 50 EUR or more and submitting all withholding tax returns for the last five years until the date of the submission of the amendment of the instrument of incorporation.

In the process of registration, the registration authority also determines whether the act of incorporation of a non-profit-making legal person intending to operate as a social enterprise is in accordance with Article 12 of the Act, in which the law establishes the mandatory components of the act if incorporation.



Eligibility is also examined in the procedures for registering a change in an act of incorporation by which a non-profit-making legal entity is transformed into a social enterprise.

As far as the application for registration or additional registration of a social enterprise is in line with certain ZScoP and ZScoP-A, the registration authority by an act decides on the entry of a non-profit-making legal entity or whether the company or name of the non-profit-making legal entity is added with addendum “social enterprise” in the in register. After the registration of the non-profit-making legal entity, the registration authority informs AJPES and the Ministry of Economic Development and Technology, which also keeps records of social enterprises, of the status award.

The record of social enterprises is kept by the Ministry of Economic Development and Technology or the Sector for Social Entrepreneurship, Cooperatives and Economic Democracy. The record is kept for the purpose of collecting, processing, transmitting and publicly publishing data on social enterprises. The enterprise is listed in the register when the non-profit-making legal entity is granted the status of social enterprise and the erasure on the day of withdrawal of that status.

The following information are kept in the record:

- the company or name and registered seat and business address of the social enterprise;
- the personal names and address of the permanent or temporary residence of the persons authorised to represent themselves;
- social enterprise registration number;
- tax number of the social enterprise;
- legal form of social enterprise;
- number and date of issue and enforceability of the social enterprise act and indication of the issuing authority;
- social enterprise activity carried out by a social enterprise;
- the number and date of issue and enforceability of the decision withdrawing the status of social enterprise or the date and manner of termination of the social enterprise;
- information on the legal successors of a socially transformed company.



### **Cancellation of the status of social enterprise**

The non-profit-making legal entity may renounce the status of a social enterprise if it estimates that it no longer wishes to operate as a social enterprise, by submitting an application or a written waiver to the Ministry of Economic Development and Technology, which issues the order about banning business as a social enterprise, and sends it to the social enterprise and, after the decision is legally binding, also to the court, which registers the change in the court register. After the decision becomes final, the status of social enterprise ceases. The written cancellation must state the basic information about the company and the reason for the cancellation of the status of social enterprise.

Despite the waiver of social enterprise status, a non-profit-making legal entity that has waived the status may re-apply for the status 24 months after the decision on the withdrawal of the social enterprise status has become final. It submits the application to the registry.

### **Prohibition of business and termination of social enterprise status**

The minister authorised for the economy, revokes the status of social enterprise by order if it does not fulfil any of the following conditions:

- if the social enterprise does not submit to the competent ministry certificate of the beginning of activity within one year of obtaining the status;
- divides property, directly or indirectly divides surplus revenues over expenditures or allocates them contrary to the provisions of the Social Entrepreneurship Act;
- unintentionally uses public funds received from incentives or funds for exemptions or reliefs intended for social enterprises;
- is in the offense procedure for a particularly serious tax offense committed with a final decision establishing its liability;
- fails to submit the annual report to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) within the prescribed period in two consecutive years;
- despite the warning, does not forward to the competent ministry reports which it has to submit under the previous article;



- does not operate according to the constituent act and thus operates contrary to the principles of social entrepreneurship, or adopts such amendments to acts which make it impossible.

### **Reporting of social enterprises**

Social enterprise reports to the Ministry of Economic Development and Technology about the beginning of its activity within one year of acquiring the status.

The social enterprise submits the annual report to AJ PES within the prescribed deadlines for each type of legal entity. In addition to the mandatory constituents for each type of legal entity, the annual report is accompanied the report's part, which relates exclusively to the business of the social enterprise. According to the prescribed laws and within the deadlines, the annual report to AJ PES has to indicate also following for each legal from:

- delimitation of revenues from social entrepreneurship activities from revenues from other activities and other sources, by determining the percentage of the amount of funds;
- display of revenues and expenses from incentives, relieves and exemptions;
- display of the number of employees employed for at least nine months in the year and the number of volunteers;
- allocating surplus revenues over expenditure by purpose;
- an explanation of the achievement of the objectives of social entrepreneurship and the purpose of the social enterprise (business report).

In addition, the annual report also includes assessment of the supervisory authority about the correctness and completeness of the information in the annual report. Therefore, the supervisory authority has to complete supervision over correctness and legality of the financial and material business of the social enterprise and the correctness of the business books and the fulfilment of objectives of social entrepreneurship.



## Conditions for maintaining the status of social enterprise

To maintain the status of a social enterprise, a social enterprise must:

- respect the principles of social entrepreneurship throughout their business,
- cannot distribute profits or surplus,
- keeps the business books according to special accounting standards for social enterprises and according to the standards / regulations governing accounting for their legal form,
- reports according with the provisions of ZSocP (on employment, income shortfall).

## Advantages and disadvantages of social entrepreneurship

Advantages:

- Obtaining special incentives or incentives for carrying out social entrepreneurship activities;
- Employment of a certain type of workers;
- Limitation of liability of shareholders by free choice of the basic status of the company;
- Promoting social cohesion and social assistance.

Disadvantages:

- Limited profit sharing of surplus revenues,
- Relatively limited range of activities envisaged.



## 6. Business development and management of a social enterprises

Within the project “Update of the mapping of SEs and their eco-systems in Europe” (Goran Milošević), an analysis was carried out between stakeholders (social enterprises), which dealt with the detection of barriers and supporting factors, possible development trends and development of social companies. The findings of the analysis were:

### 1. Detecting obstacles and supporting factors

- The main obstacles to the development of a supportive environment system for social enterprises in Slovenia:
  - Misunderstanding of the specifics of the goals, methods and effects of the functioning of social enterprises in the political and professional public, and evaluating their effectiveness with the criteria established for market-oriented enterprises, prevents the development of a supportive environment according to the needs of social enterprises.
  - Inaccessibility of financial resources for the development and sustainable operation, which is the consequence of distrust to new business models and lack of knowledge of the nature of business process in social enterprises, often represents an insurmountable obstacle for the transition of social enterprises from the start-up phase to more mature periods in which positive social effects can be more pronounced.
  - Public policies do not work in a coherent way to support horizontal empowerment of social enterprises in society. Social enterprises are supported in individual policy segments (e.g. in the field of employing people with disabilities) and less in other areas related to other positive social impacts (community social services, local development in rural and degraded areas, environmental protection). Perceived are negative pressures of individual segments and individuals in the public sector to detect the expansion of areas of the social economy due to the sense of threat.



- Main factors that can contribute to the development of social enterprises in Slovenia:
  - The existing supportive environment for entrepreneurship needs to be adapted to provide services to specific legal forms and activities carried out by social enterprises. In addition, it is necessary to develop specific support environments for social enterprises (incubators, hubs, community facilities, training programs, etc.) in all local settings (specific content according to the needs of the local environment) and to promote the promotion and recognition of the positive social effects of social enterprises in relevant for the public. In this way, the capacity of the holders of individual socio-entrepreneurial initiatives will be strengthened, the transfer of good practices will be enabled, and networking and expansion into new fields of activity will be ensured.
  - Building the incentive legal and fiscal system that will enable compensation (lower) profitability at the expense of achieving greater positive social impacts. Legislation, by-laws and other implementing acts should treat all legal forms of social enterprise equally in relation to the effects of their operation and provide a comprehensive and transparent system of rules of operation and possible support. Fiscal incentives and tax exemptions should reflect the real positive social impact of social enterprises and present compensation of the cost associated with achieving positive externalities (social benefit, environmental sustainability, reintegration of vulnerable social groups, etc).
  - Access to new markets and financial resources is crucial for social enterprises seeking to strengthen their sustainability. Social enterprises can access new markets through the systematic transfer of public sector service delivery, especially at the local level, where they can ensure a higher quality of life and customer satisfaction through better knowledge of the needs and integration of all available resources in the community. It is also necessary to facilitate the access of social enterprises to public procurement by adapting rules to ensure greater social effects of public procurement. Regarding the access to financial resources, public guarantee schemes for social enterprise projects with social impact and public co-financing should be provided.



This would make it easier to obtain working capital from banking resources, as well as to introduce innovative forms of financing such as: investment philanthropy, investing with social impact (upgrading corporate social responsibility) and expanding the use of online fundraising platforms.

## 2. Possible trends of development

- The most likely scenarios for the development of social enterprises in Slovenia:
  - In the processes of deinstitutionalisation, a certain part of public services for providing a social standard in some areas (social, environment, migration, etc.) is transferred from the domain of the state to the domain of community treatment. New configuration of institutions for the provision of quality of life standards (social, environmental, health, education, etc.) are being established in local settings, as well as restructuring the sources of funding for these services to represent a combination of public and private sources, taking into account the synergistic sources of community treatment of the most important needs. In areas relevant to sustaining economic activity in degraded areas (both rural and urban), networks of social enterprises are being formed, which also connect with public and private companies in the environment to meet specific local needs and jobs in the local economy. In this way, a balanced settlement and development is maintained.
- Promising or threatening trends for the development of social enterprises in Slovenia:
  - The rapid demographic change and the inability of existing structures to cope with their consequences will bring about the need for a range of specific and locally conditioned services in the community, opening up the opportunity for social enterprises to effectively satisfy them with social innovation.
  - “End of work” in the long run brings the need to create new models of social inclusion or connection.
  - Strong pressure from global capital to control all key segments of social regulation can block autonomous initiatives at development points as they begin to expand into the “mainstream”.



### 3. Development according to the context

- Recognition of different forms of social enterprises in Slovenia:
  - The most recognised are specific forms of employment for persons with disabilities, especially sheltered workshops and little less the employment centres. In part, they have a negative sign, as their activity is often associated with the exploitation of persons with disabilities rather than the positive pay of social inclusion. Traditionally, our society has cooperatives, which have moved away from the original concepts of reciprocity in the past and have evolved into agro-trade conglomerates, which have taken over the management of the whole chain, instead of maintaining the key bottom-up approach and the strong social dimension of cooperatives. Other social enterprises are mostly in the start-up phase and are recognised by most people as individual, specific initiatives with a limited reach, which have yet to prove that they are capable of transitioning to more mature stages of operation.
- Impact of historical circumstances and socio-political context in Slovenia on the development of social enterprises:
  - With the liberalisation and democratisation of society, various alternative forms of economic entities have begun to emerge. After the initial start-up and privatisation, which marked the first decade of independence, there was a deep social crisis, the emergence of high structural unemployment and markedly uneven development, which led to the search for new ways of solving these problems. By transferring knowledge and ideas from some of the more developed environments and with the support of EU funds, the first pilot activities have started, which eventually led to shifts at the legislative level. However, these are shifts that are happening at a more declarative level and actual shifts will occur when the social economy occupies at least 10% of economic activity in the country. As this can only be achieved by the relative contraction of the public sector and the introduction of new initiatives in the private sector, it is necessary to continue to count on the great resistance that the social economy can overcome only by the evident and transparently



presented positive social effects of its growth, on the basis of which also a real political support for the reconfiguration of some key social institutions.

The success of any business activity depends largely on external conditions or environmental factors that encourage the efficient use of available resources for the development of an entrepreneurial idea. Due to the encouragement of achieving social goals, social enterprises often encounter misunderstandings and barriers in providing a stimulating business environment.

When planning the encouragement of the of social entrepreneurship development, the needs of key stakeholders of social entrepreneurship in Slovenia should also be taken into account, which therefore relate primarily to the removal of these barriers and can be summarised in five areas (OECD Methodology, 2013).

#### **Legal and regulatory framework:**

- Laws and regulations should treat all companies belonging to the social entrepreneurship sector equally.
- A comprehensive and transparent system of rules of operation and possible supports should be established within the regulatory system, which should be specified according to the organisational form, the target group it employs and the type of activities of the social enterprise.
- Fiscal incentives and tax exemptions should reflect the real positive social impact of social enterprises and compensate for the higher costs or lower productivity associated with achieving positive externalities (social benefit, environmental sustainability, reintegration of vulnerable groups, etc.). In this field, social enterprises in Slovenia are insufficiently cared for and the system should be extended, which applies to employment of persons with disabilities and is in line with EU regulations on authorised forms of state aid.



### **Provision of financial resources:**

- It is typical for social enterprises to finance their activity from a combination of market and non-market sources (government and EU subsidies, donations, volunteering); we are talking about hybrid financing.
- Funding in the form of state and EU subsidies has proven to be crucial especially in the start-up phase of social enterprises, when the activity is just developing and both material investments and human resources training are needed. In particular, for companies that have evident positive externalities, subsidies should also be provided on a permanent basis, in particular to support professional work with vulnerable groups and to manage them.
- Bank loans are difficult to access for social enterprises or can be obtained in Slovenia under the same or even more difficult conditions than for traditional companies.
- Financial innovations in the field of social investment need to be accelerated in Slovenia as well. In particular, the trend of “investing with social influence” is developing more and more abroad, in which the generation of measurable environmental and social impact is also important in the investment assessment, in addition to financial profitability.
- The need to develop a methodology to monitor the positive externalities of social enterprise performance, as they are a key criterion for investor’s decision-making.

### **Market access:**

- Providing access to markets for products and services is crucial for social enterprises seeking to strengthen their sustainability.
- For this purpose, there is a need to strengthen management and marketing skills in social enterprises and to provide competencies for designing and implementing effective marketing strategies.
- Equal access for social enterprises to the programs and instruments of the supportive environment for SMEs already developed must be ensured. For individual support measures, it is evident that they are not intended for the organisational forms most common in social enterprises.



- Access to public procurement markets is a particularly important area. Social enterprises are handicapped if the only criterion for selection is price. The social and environmental effects of the performance of the contract should be added to the criteria and at least to a certain extent the whole public sector should be obliged for such a procurement system

#### **Support services for the development:**

- It is important to adapt the existing supportive environment with existing institutions and the provision of support services to the needs of social enterprises; however, it is necessary to develop also specialised supportive environment for social enterprises, which will be able to answer the specific needs of social enterprises and could offer them suitable services.
- Of particular importance is the need to network social enterprises and to ensure the functioning of organisations linking social enterprises to cooperatives or associations. This provides a supportive environment between the social enterprises themselves, establishes a system of advocacy and representation and the possibility of mentoring knowledge transfer between experienced and new social enterprises.

#### **Education, training and research:**

- Cultivating a culture of social, inclusive or socially responsible entrepreneurship can only be achieved by integrating these contents into school and university curricula.
- Training should be introduced to acquire the specific areas of skills necessary for successful work in social entrepreneurship, incorporating both entrepreneurial skills in general and specific knowledge of the activities developed by social enterprises. In addition to these skills, programs to promote social inclusion and vocational rehabilitation should also be included in the programs.
- The wide involvement of different target groups of participants in training programs must be ensured. These are not only social entrepreneurs or employees of social enterprises, but also public workers and representatives of the non-governmental sector.



For organisations facing the process of establishing social enterprises, there are various free tools available online to measure the impact of an organisation's effect. They can be used whether the organisation is in the planning phase of a social enterprise, is thinking about the feasibility of an idea / business model, or just wants to increase the impact of its (social) business. The use of the individual depends on the decision of the organisation itself. The best free tools for social entrepreneurship are:

- Canvas model of social leanness (“Social Lean Canvas”). An alternative method of business planning within the lean start-up concept, which allows regularly verification of assumptions and rapid adaptation of a business idea in the market; it is called the use of a business or slender framework, or Business Model Canvas. Social Lean Canvas is a tool that enables social enterprises to quickly and easily develop consistent business models. Only on the one hand can social companies methodically define their business fashions.
- The B Impact Assessment Tool. An online tool that (social) companies can use to measure impact on their employees, community, environment and customers.
- Social Impact Test (“Big Society Capital”). Big Society Capital invests in Social Investment Finance (SIFI). As investors, Big Society Capital must ensure that both, SIFI and the charities and social enterprises receiving the investment, provide social impact. They have created a social impact test that their investment team uses to evaluate investment proposals. The test is divided into two main sections: social impact and risk, process and management and can be flexibly used to evaluate different types of investment proposals. This in-depth test is a great tool for critically reviewing the structure of a social enterprise.
- A business planning guide for social enterprises. The information guide is intended primarily for people and / or organisations who are first interested in starting a social enterprise. The guide, developed by Social Ventures Australia and Parramatta city council, is used in conjunction with standard business planning guidelines.



## 7. Funding opportunities for social enterprises

A social enterprise needs financial resources for its business. These can be divided into internal sources of financing (profit and depreciation) and external sources of financing, which represent sources for financing socially entrepreneurial activities. As a rule, (social) entrepreneurs generate income by selling goods and services on the market, but they can also provide their financial stability in other ways. The first and most important part of the revenue, however, is the creation of social enterprises in the market.

The Social Entrepreneurial Act determines measures to promote the development of social entrepreneurship, which thus provides that the promotion of the development of social entrepreneurship is ensured through the implementation of various measures, namely:

- By implementing measures to promote social entrepreneurship,
- Measures to form a favourable business environment,
- Employment encouragement measures and
- Measures to enable access to funding for investment in social enterprises.

**Social entrepreneurship promotion measures** include financial and other measures to promote social entrepreneurship, develop a social entrepreneurship information and education system, provide funds to promote social entrepreneurship, develop support services for social enterprises, including start-up services for social enterprises, and counselling services for the restructuring of a social enterprise that temporarily does not meet the criteria of this Act. Moreover, to involve municipalities in the implementation of policies and measures, to seek new business opportunities for social enterprises, including conducting market research for social entrepreneurship and identifying the possibility of providing public services in social companies.

**Measures to form a favourable business environment** for social enterprises include financial and other measures to ensure the special, technical and other conditions for the creation and operation of social enterprises.



These are business incubators for social enterprises, co-financing for the start of social enterprise activities and job creation, co-financing the creation of social enterprises for the provision of support services for social enterprises, targeting persons establishing a social enterprise and social enterprises.

**Employment encouragement measures in social enterprises** include the implementation of active employment policy measures targeted at social enterprises or targeted groups by those who are establishing a social enterprise or will be employed by a social enterprise and come from the most vulnerable groups of people in the labour market.

**Measures to enable access to funding resources for investment in social enterprises for the establishment and operation of social enterprises** include the provision of more favourable credits, guarantees and subsidies from budgetary sources through funds to promote the development of social entrepreneurship and European resources for social enterprises.

The business performance of social entrepreneurs depends largely on the incentive of the financial environment in which they operate. In recent years, an increasing number of investors have emerged, whose key goal is not to maximise profits, but to achieve social or sustainable effect of invested assets – meant are sustainable investors. It is important for investors to be aware that most social enterprises cannot provide market-based financial returns typical of traditional businesses.<sup>1</sup>

Funding sources can generally be divided into internal and external sources. This applies to all businesses, both social, classic and commercial. Internal sources include mainly own sources of funding, and project financing provided by public funds through call for tenders is added. In the case of external sources, capital appears mostly as institutional capital of private character. Another way of financing is grants (subsidies, donations) that can be acquired from public funds (state, local communities), from European Union funds and other funders (private foundations, embassies, etc).

An important source of grants is also the European Union's call for tenders, which are awarded on the basis of specific programming periods.

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<sup>1</sup> Mesojedec, 2012, p. 95.



The most important financial instruments for promoting the development of social entrepreneurship include the European Social Funds, as well as the various programs of European Territorial Cooperation – Interreg.

**Key sources of funding for social enterprises include:**

- **Revenue from the sale of goods and services on the market.** Sales revenue and market goods represent the most important sources of income for the operation of social enterprises.
- **Grants within the project funding.** Grants in the form of subsidies, at the local, national and international level (local communities, municipalities and states) from EU funds (EU calls for tenders) or through other funders (private foundations, embassies, etc). Based on call for tenders, call for proposals, schemes, financial sources are available which, in accordance with the programs of measures and development documents of the ministries, are intended to encourage entrepreneurship in the areas of service provision and start-up capital for faster beginning of new businesses with direct incentives for initial financing of entrepreneurial projects in the start-up and launch phase. In order to provide more favourable financing sources for corporate development investments with subsidies, favourable financial resources and guarantees, encouraging private investment and financing of entrepreneurial projects in all stages of development with equity, providing favourable credit resources and guarantees for investors.

Calls for tenders from the European Union can also be an important source of (grant) funding. We distinguish between the so-called decentralised and centralised programs. In the first case, as a rule, applicants apply through intermediary bodies (e.g. different ministries in Slovenia), in the second directly with the tenderers in Brussels. European money flows by the so-called programming periods (e.g. 2014-2020). Among the decentralised programs, the European Regional Development Fund (ERDF) and the European Social Fund (ESF) are of particular interest to social entrepreneurs. Priority areas for funding are determined based on priorities set by the Member State and coordinated with the EU.



- **Sponsorships and donations.** Financial means that legal entities and individuals intend for the business of social enterprise. Traditional NGOs that also engage in social-entrepreneurial activity receive part of the funds through donations and sponsorships. These financial resources are donated for the work of social enterprises by legal entity (e.g. companies) or individuals financially support entrepreneurial activity. They can also do this within the scope of tax law.
- **Membership fees.** Funds given for the operation of the social enterprise by legal entities and individuals.
- **Equity.** For the development or pursuit of an activity, social enterprises may acquire funds from investors who are interested in their operation, primarily because they will earn money by investing themselves or become “co-owners”. It is about the equity. For non-profit organisations, one should be aware of the limitations of this nature for the owners or investors, as it does not allow them to acquire and sell stake, such as in companies. This kind of investment is of particular interest to social investors who want to make a social impact with their financial contribution.
- **Debt capital.** It refers to borrowing of money, whereby a social enterprise commits itself to implement or develop something, and must return the agreed amount (repayable funds), such as loans hybrid credits, micro-credits, guarantees, sustainable banking and repayments of various public institutions (e.g. Slovenia Enterprise Fund). The products and services offered by banks are intended primarily for institutions, companies and individuals who create a positive impact in the fields of social care, health care, education, ecology, culture, charity, etc. The aim of social banking is to provide financial tools to charities, voluntary and social organisations and social enterprises, which thus operate more successfully, while maintaining and developing their mission.
- **Public-private partnership.** Article 2 of the Public-private partnership Act defines public-private partnership as the ratio of private investment in public projects and / or public co-financing of private projects of public interest. With this kind of partnership, the state provides more efficient provision of certain services, while providing new business opportunities for the private sector.



Such partnerships may be related to the construction, maintenance or management of public infrastructure or other projects of public interest.

- **Provision of services based on authorisation and concessions.** A number of laws provide the basis for financing a public utility activity based on a concession. For example, The Law on Gambling regulates the financing of the activities of persons with disabilities, humanitarian and sports organisations, whereby classic gambling may be permanently organised as a limited liability company only by joint stock companies. In some cases NGOs themselves carry out certain tasks on the basis of a concession or public authorisation (e.g. the Firefighting Act), in some cases the financing of individual organisations is regulated by a special law (e.g. the Slovenian Red Cross Act).
- **Alternative financing mechanisms.** Among the most important “newer” sources of financing for the operation of social enterprises are the bonds with social impact, crowdfunding, business incubators, micro-credit, financing of social innovation, social entrepreneurship funds, etc.

Ministries and government departments, each in their own field of work, but in a coordinated and consistent manner with the program of measures for implementing the social economy development strategy. The implementation of policies also involves proposing and adopting regulations that enable or facilitate the operation of social enterprises in specific fields and activities, remove administrative barriers to the functioning of social enterprises and allow the transfer of public authority, if required by law, to social enterprises.

The bodies for promoting the development of social entrepreneurship in Slovenia are:

- **Ministry of Economic Development and Technology (Sector for Social Entrepreneurship, Cooperatives and Economic Democracy).** The Ministry carries out professional tasks in the fields of social economy and cooperates with line ministries in the preparation of legal bases, strategies and measures in these fields. They monitor the functioning and development of social entrepreneurship and keep records of social enterprises. They also conduct calls for tenders to promote the functioning and development of social entrepreneurship. The Government appointed Social Economy Council formulates key policies in the field of social entrepreneurship.



The Council is composed of representatives of ministries, social enterprises, employment centres, sheltered workshops, local community, associations, social partners and professional institutions in the field of social economy.<sup>2</sup>

- **Ministry of Labour, Family, Social Affairs and Equal Opportunities (Directorate for Social Affairs).** The basic policies and mechanisms promoted within the ministry in the field of social development can be defined as policies aimed at promoting equal opportunities and facilitating social inclusion by investing in people and checking all social security systems and personalised measures. Revisions to the various fields and the social security system in the broad sense are aimed at improving the position of the socially weakest groups within the framework of general solidarity and, on the other hand, at establishing additional social security systems. The Directorate organises activities in this area by coordinating the government's program on combating poverty and social exclusion.
- **Municipalities.** The municipalities are responsible for planning, financing and implementing the social entrepreneurship development policy in the municipality area. One of the important characteristics of social entrepreneurship is, in particular, a close connection with the local environment, responsiveness to specific problems of local communities and thus job creation at the local level, which is also important for Slovenia in connection with rural settlements. Therefore, municipalities are vital in disseminating knowledge about the importance and visibility of social entrepreneurship at the local level. Municipalities can be important player in promoting public-private partnerships, that is, public co-financing of private projects of public interest and implemented in social enterprises. Local communities / municipalities, in collaboration with the Social Entrepreneurship Initiative, identify local issues, indicate solutions and enable them to solve problems in cooperation with social enterprises. Through the transfer of individual utilities, municipalities allow job creation and the opportunity for social enterprises to operate.

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<sup>2</sup> MGRT, 2019.



- **Employment Service of Slovenia.** Promoting the development of social entrepreneurship through various financial incentives for employers and the implementation of public works, which have been one of the active employment policy measures (APZ) implemented for many years. Public Works 2020 is primarily aimed at promoting the social and work inclusion of vulnerable groups of the unemployed, improving their skills and employment opportunities. The public invitation enables non-profit employers to co-finance the employment costs of the unemployed in public works programs. The programs can be implemented in the fields of social protection, education, culture, environment and space, agriculture and other related fields.



## 8. Supportive environment for social enterprises in Slovenia

The supportive environment for the social economy, with its emphasis on the supportive environment for social enterprises, can be broadly divided into two sections:

- Supportive environment organisations: for the most part, they are entities governed by private law, organised as non-governmental organisations or as some other social economy entity, since it is crucial to create a supportive environment in the civil and professional fields, i.g. exclusively as private law organisations. Of course, in some cases the role of a supportive environment is also played by support organisations, which are in the form of public bodies or are private organisations with full public ownership. These organisations are also very important in supporting the development of social entrepreneurship and cooperatives, as well as the socio-economic sector as a whole, but it is important that they do not attempt to take on a key developmental role. In some environments, it is sometimes forgotten that the socio-economic sector is always defined as a sector of exclusively private entities, which is its key characteristic.
- A key part of the supportive environment is the state, in all three roles, in which it usually acts in the development of other sectors: first, the political environment (political will, promotion, strategic planning), second, the normative environment (new laws, amendments to laws) (by-laws), third, financial mechanisms to support the development of the SE sector, especially for the support of the development of social entrepreneurship and cooperatives for this analysis.

In Slovenia, three key levels of the supportive environment can be identified: **the state, municipalities and various organisations** active in the promotion, advocacy and promotion of social entrepreneurship.

**The state** began to take a more active role in promoting social entrepreneurship over a decade ago. The key actor was the Ministry of Labour, Family and Social Affairs and Equal Opportunities, which also led the legislative drafting process adopted in 2011 (the Social Entrepreneurship Act).



The law was followed by the adoption of the Social Entrepreneurship Development Strategy 2013- 2016 (2013), which aimed at ensuring the planned development of social entrepreneurship for a period of four years. Based on the law, the strategy was drafted by the Social Entrepreneurship Council. According to the provisions of the law, the strategy included an analysis of the needs and directions of possible development of social entrepreneurship, strategic development goals and main areas of development of social entrepreneurship, the role of the state and its institutions and municipalities in the implementation of a particular policy and the achievement of development goals for the development of social entrepreneurship in Slovenia, namely raising the profile of social entrepreneurship and knowing the principles of social entrepreneurship, upgrading the existing supportive environment for entrepreneurship and promoting the employment of vulnerable groups in the labour market. Since the adoption of the Social Entrepreneurship Act, the state has to some extent encouraged the development of social entrepreneurship through various measures, for example, through public works actions, through cross-border cooperation programs and through LEADER, which supported several projects to promote social entrepreneurship.

**Municipalities** also play an important role in the development of social entrepreneurship, especially because of the high local involvement of businesses. The options for supporting municipalities may be different, which is also encouraged by legislation. The most common form of support is the provision of municipal premises for free rent, the co-financing of employment through public works, and co-financing of the activities of non-governmental organisations (mostly societies) active in the fields of social care and health care. Most unused support opportunities are in the area of public procurement and concessions, as this has the long-term positive effects on business operations and, consequently, less dependence on subsidies. It should be pointed out that there are significant differences between municipalities in support of social entrepreneurship.

There are a relatively large number of **organisations in Slovenia that serve as a supportive environment for social entrepreneurship**. Most of them are non-governmental organisations active in the field of social entrepreneurship that have evolved in response to needs in local settings.



As a result, they work very openly, are strongly connected to the environment in which they operate and are familiar with what is happening or initiative and are therefore easier to reach. In this respect, they are crucially different from the conventional organisations of the supportive environment for entrepreneurship, which include Regional Development Agencies and VEM – One-stop shops. Often, however, they do not have enough human capital, especially in the areas of entrepreneurship, marketing and financing. The latter are the areas where social enterprises need the most support. From this perspective, we can talk about the gap between the provision of a supportive environment and the needs of social enterprises. Weak integration with the economy, as well as among support organisations, which are even competitors, has been recorded, since most depend on public funds.<sup>3</sup>

#### **A joint supportive environment for the development of social entrepreneurship in Slovenia with contacts:**

- **Ministry of Economic Development and Technology.**  
Contact: Kotnikova ulica 5, 1000 Ljubljana, 01 400 33 11, [gp.mgrt@gov.si](mailto:gp.mgrt@gov.si).
- **Ministry of Labour, Family, Social Affairs and Equal Opportunities.**  
Contact: Štukljeva cesta 44, 1000 Ljubljana, 01 369 77 00, [gp.mddsz@gov.si](mailto:gp.mddsz@gov.si).
- **SPIRIT Slovenia – Public Agency for Entrepreneurship, Internalisation, Foreign Investments and Technology.**  
Contact: Verovškova cesta 60, 1000 Ljubljana, 01 589 18 70, [info@spiritslovenia.si](mailto:info@spiritslovenia.si).
- **Council of the Government of the Republic of Slovenia for Social Economy.**  
Contact: Gregorčičeva ulica 45, 1000 Ljubljana, 01 478 26 30, [gp.ukom@gov.si](mailto:gp.ukom@gov.si).
- **Financial instruments and the development of social financial markets, e.g.:**
  - **Fund 05 – Foundation for Social and Impact Investment.**  
Contact: Britof 469, 4000 Kranj, 04 234 48 04, [info@sklad05.si](mailto:info@sklad05.si).
  - **Slovene Enterprise Fund.**  
Contact: Ulica kneza Koclja 22, 2000 Maribor, 02 234 12 60,  
[info@podjetniskisklad.si](mailto:info@podjetniskisklad.si)

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<sup>3</sup> Nerad, 2015, p. 104.



### Other supportive environment for the development of social entrepreneurship in Slovenia:

- **Regional development agencies** – there are twelve statistical regions in the Republic of Slovenia and the number of development agencies with regional status is exactly the same. The purpose of development agencies is to develop, seek and implement the best possible solutions in the development of economic and human capacities, in the management of space.

*Contact: Association of Regional Development Agencies of Slovenia, Tehnološki park 19, 1000 Ljubljana, 05 90 85 189, [karmen.sonjak@rra-koroska.si](mailto:karmen.sonjak@rra-koroska.si)*

- **Vem points – One-stop shop** – The VEM System provides services to companies and self-employed individuals through the VEM portal, at VM points and at notaries. The VEM system includes 146 VEM points in Slovenia and AJPES as a VEM point provides services in 12 outlets. VEM points are also organised within the Chamber of Commerce and Industry of Slovenia (GZS), Chamber of Craft and Small Business of Slovenia (OZS), administrative units (UE), SPIRIT Slovenia, public agencies, other VEM points and notaries. Notaries have a special position among VEM points, as they are authorised to accept all types of applications for companies and other entities in the court register, while other VEM points are only authorised to accept certain applications for the registration of companies and their parts, to accept all types of applications for business units and for accepting all types of applications for sole proprietorships. The registration courts do not have the position of VEM point, but according to the Law on the Court Register, through the e-VEM system, on official duty, procedures for all types of subjects of entry in the court register, as well as procedures for subjects of entry in the court register, which may also file their application (in a court of local jurisdiction). In Slovenia, applications for the establishment of companies can be submitted at around 250 places, and for the registration of sole proprietors at slightly less than 150 VEM points.
- **SPOT – Slovenian Business Point.** A new national SPOT system, the Slovenian Business Point, is being introduced within the country's support services for businesses. Slovene Business Points are gradually undergoing the existing VEM system, both the VEM points and the portal for e-VEM companies and entrepreneurs.



The aim is to establish a comprehensive system of free state support services for businesses under a single brand. The SPOT system will provide business entities, entrepreneurs and potential entrepreneurs with new and improved electronic services, business consulting, information and entrepreneurial training services, as well as an extensive range of services in the field of internalisation and foreign investment.

- **Local Action Groups (LAGs).** Community-led local development – The CLLD (Community-led Local Development) approach for the 2014-2020 programming period includes three funds, the European Agricultural Fund for Rural Development (EAFRD), the European Regional Development Fund (ERDF) and the European Maritime Fund and fisheries (ESPR). The CLLD approach aims at promoting a holistic and balanced development of local areas following a bottom-up approach. It enables the local population to actively decide on the priorities and development goals of the local area, including funding sources, to achieve the objectives of the local area through the formation of LAGs. In the 2014-2020 programming period, there are 37 LAGs.
- **Business incubators.** Business incubators are organisations dedicated to promoting the growth and success of businesses by providing various support. Business incubators provide entrepreneurs with initial business support and train them for successful business through mentoring, financing and cheaper office space. They provide support, resources and services such as office space, capital, mentoring, shared services, networking, consulting.
- **Slovenian Social Entrepreneurship Forum.** The purpose of the forum is to connect and cooperate with all those interested in developing social entrepreneurship in Slovenia. The work of the Forum is directed towards the development of social entrepreneurship at local, national and interstate level in order to ensure prosperity and innovative development of the Republic of Slovenia. The Forum also acts as an active interlocutor to the Council of the Government of the Republic of Slovenia for Social Entrepreneurship in the development and implementation of the social entrepreneurship development strategy in Slovenia.



Non-governmental organisation, companies, private institutions, representatives of state and local institutions, humanitarian organisations and all individuals who wish to contribute and participate in the forum. The aim of the forum is to accelerate the development of the social economy, using new business models to develop new job opportunities and quality jobs, to help curb the grey economy and undeclared work, to develop new opportunities for young people to find their first job and other vulnerable groups. *Contact: Tkalski prehod 4, 2000 Maribor.*

- **Centre for Information, Cooperation and Development of Non-governmental Organisations (CNVOS).** CNVOS is the umbrella network of Slovenian NGOs. They bring together more than 1300 different associations and individual societies, institutes and institutions. With their knowledge and experience, with experts in the fields of advocacy, law, project management, finance and communication, they provide the Slovenian non-governmental sector with comprehensive and professional expert support, develop the potential of the sector and foster creative and critical thinking.

*Contact: Povšetova 37, 1000 Ljubljana, 01 542 14 22, [info@cnavos.si](mailto:info@cnavos.si)*

- **Regional support hubs of NGOs.** NGO hubs bring together non-governmental organisations operating in different content areas within a given geographical area. Geographical areas are defined by statistical regions, which means that there are 12 regional junctions in Slovenia. Each support hub provides non-governmental organisations in their region with professional support and assistance, and strives for their connection and partnership.

- **Association of Social Economy of Slovenia, Social Enterprise (ZSES).** ZSES is an independent, non-governmental, non-political institution based on the principles of social entrepreneurship. It represents its members who are active in the field of social economy, regardless of organisational form. ZSES members are NGOs, social enterprises, emerging social enterprises, institutions of supportive environment, humanitarian organisations and individuals who wish to contribute to the development of social entrepreneurship.

*Contact: Gorkega ulica 34, 2000 Maribor, 051 309 063, [zdruzenje@socialnaekonomija.si](mailto:zdruzenje@socialnaekonomija.si).*

- Etc.



According to the stated above, we can place different organisations in the field of social entrepreneurship. So far, in terms of achieving socio-economic effects, the most important are traditional organisations, especially sheltered workshops and cooperatives, which do not meet all the criteria of social entrepreneurship and can be automatically equated with social enterprises. However, the same is true of registered social enterprises, since there are many such cases where it is not about entrepreneurship but activity related to public funds. Social entrepreneurship is certainly a potential for sustainable development, especially from a local perspective, it is also an opportunity for socio-economic revitalisation of the countryside. It is very important for local actors to create a supportive ecosystem in cooperation. Investing in strengthening social capital and stimulating the role of educated young people is crucial, as these can be key drivers of social entrepreneurship development.



## 9. Examples of good practices of social entrepreneurship in Pomurje and Podravje region

### **Eco-social farm Korenika (Pomurje region)**

The eco-social farm Korenika is located in Šalovci, in Regional Park Goričko. Korenika is recognised in the wider geographical area and is recognised by the professional public as an example of good practice in the field of social entrepreneurship, employment of persons with disabilities and persons from other vulnerable social groups and protective employment.

Eco-social farm develops activities in the field of organic agriculture in connection to the protection of natural and cultural heritage and the development of organic tourism. They are engaged in organic production and processing of fruits, vegetables, cereals and herbs. They cultivate about 16 hectares of arable land, 2 hectares of orchards and 5 hectares of meadows. Every day, 50 to 60 people from vulnerable groups are involved in farm work. Most are full-time employees, and some are enrolled in social inclusion programs, while some are enrolled in various work training, rehabilitation and public works programs

### **Cooperative for rural development Pomelaj, z.o.o. (Pomurje region)**

Mission of the Rural Development Cooperative (ZRP) is to discover and develop people's potentials and to co-create space and opportunities for the development of entrepreneurship, tourism and the preservation of natural and cultural heritage. They reinforce the position of a rural social enterprise in Pomurje, which enables people from vulnerable target groups in rural areas integration into work in their home environment, in activities traditionally close to them. Cooperative for rural development Pomelaj, z.o.o. transformed into an employment centre on 1.8.2009. The cooperative has a special status, which primarily follows the mission in terms of social and employment integration of disabled persons in sheltered workshops, which is also the reason for establishing legal entities of this kind. With the purpose to offer disabled persons in protected workplaces a permanent and continuous work, the cooperative has developed various rural-related activities mainly in the field of traditional craftsmanship and cuisine.



The mission of the Cooperative is therefore to develop social-entrepreneurial forms (culture) among provincial population, especially among vulnerable target groups in activities traditionally related to rural areas (crafts, cuisine,...)

**Institute korak naprej Murska Sobota, so.p. (Pomurje region)**

The institute is a social enterprise that develops and promotes reuse, raises awareness about responsible consumption and protection of the environment, employs people from vulnerable groups in the labour market, ensures social inclusion, organises education for children and adolescents.

The institute has a social shop with used children's equipment and clothing and a sewing room, where it creates recycled textile products such as: baby bedding, shopping bags, textile toys, slipper bags, etc. Textile processing creates new, unique products that are health, environment and wallet friendly.

**Scientific Research Association for Art, Cultural and Educational Programs and Technology EPEKA, so.p. (Podravje region)**

Association EPEKA, a social enterprise, was founded in 2008 as an initiative to bring together creators of cultural, artistic, educational, scientific and technological content for the European Capital of Culture 2012 project.

They operate on the principles of social enterprise. They focus on the active inclusion of vulnerable groups in society and the labour market. The main project of the EPEKA Association is the Romani restaurant Romani kafenava, which operates on the principles of a social enterprise, thus allocating all its earning to new workplaces. It is the first Roma restaurant in the entire European Union.

**Instite zadihaj, institute for sustainable mobility and friendly energy Maribor, so.p. (Podravje region)**

It was established with the purpose to research and promote sustainable mobility solutions, with the aim of enabling people to live a quality and active life, with an emphasis on healthy lifestyles.



Institute Zadihaj has experience in raising public awareness of the negative effects of transport on health and the environment and in possible solutions. For this purpose, it organises lectures for various target groups, organises thematic events with which it is present in the media, and is also active in the humanitarian field.

### **Cooperative Bikelab, so.p. (Podravje region)**

BikeLab, a social enterprise, was founded in 2014 in Maribor. The basic purpose of the cooperative, while providing green workplaces, is to provide quality cycling service, reuse, planning, implementing and maintaining tourism infrastructure, design tourism products and provide professional training.

The cooperative works in the fields of bicycle service, nature conservation, environmental regulation, science, research, education, training, development of green and social economies, preservation of cultural, technical and natural heritage, promotion of local community development, tourism product development and dedicated tourist infrastructure and integration of technical, nature and cultural knowledge.

### **Cooperative dobrina, z.o.o. (Podravje region)**

Cooperative dobrina z.o.o. is a cooperative for the development of sustainable local supply, which was formed in 2011. The primary purpose of the cooperative dobrina is not to generate profits, but to develop small farms, fair trade in food and ensure fair payment to growers and manufacturers. At the same time, the cooperative aims at connecting the countryside with the urban centre, promoting and developing organic farming, the principles of sustainable local food supply and socio-entrepreneurial activities in the field of agriculture. Growers and processors from small traditional farms in the Slovenske gorice area founded it. Wishing to provide fresh, seasonal, local and healthy produce to urban dwellers, they connected and embarked on a shifting period of organic and integrated farming and entered the market with a common offer. Today, they supply many facilities of public procurements with local food. All residents of Maribor are offered their products through a system of boxes with fresh vegetables and fruits in an online store.



## 10. Guidelines and suggestions for founding a social entrepreneurship

**Association CAAP, so.p. within the Applied Analysis of the State of the Social Economy in the Republic of Slovenia, commissioned by the Ministry of Economic Development and Technology (2018, pp. 65-70)**, based on a study commissioned by CECOP – CICOPA Europe entitled “Promoting workers, social and service cooperatives in the Republic of Slovenia – Report from the European Confederation of Workers and Services Cooperatives, as a potential for development of the social economy in Slovenia, especially in the form of social cooperatives and other cooperatives with the status of social enterprise identified some of the key potentials for the development of the social economy in Slovenia (market opportunities) if we follow the problems / challenges / resources on the one hand and the possible solutions on the other hand:

- High unemployment: **employment**, especially of vulnerable groups, especially **youth employment**. It is a general area of potential of the social economy, since the social sector is characterised by a focus on job development for vulnerable groups, a focus on job retention over profit creation, a focus on labour – intensive industries and services they require a workforce that is not technology-replaceable.
- The need for social services: **long-term care services, personal and household services, care services** (community care), etc. According to the OECD, Slovenia’s population is aging faster than in most other OECD countries. This is just one of the reasons for developing care services. There is also the issue of caring for people with disabilities and other vulnerable groups. Experience in several countries over the past two decades has shown that social service cooperatives can make a significant contribution to improving the provision of long-term care services. In addition, the employment and entrepreneurial dimension of cooperatives in this sector is also important. This is particularly important given that the average of low-skilled people in this sector is often very high. Rural social services are also included in this area. Particularly noteworthy is the aforementioned area of services for residents, so-called “Personal and household services” (PHS), which certainly represents great potential, especially in the light of deinstitutionalisation.



PHS services – “personal and household services”, which are very interesting for the development of the social economy sector, include a wide range of activities that contribute to the well-being of families and individuals at home: child care, long-term care for the elderly and disabled, cleaning, instruction, home repairs, gardening, ICT support, etc.

- Continued privatisation: WBO – **workers’ buyout of** state-owned (majority) **companies**. Worker buyouts in the form of a cooperative are one of the options for privatisation. Hundreds of cooperatives in the CECOP network are the result of companies that have been transferred to employees or purchased and transformed to employees or purchased and transformed into employees by a worker cooperative. The potential for transforming NGOs into cooperatives and alike, transforming companies into cooperatives and alike, and mergers and divisions.
- **Greening the economy:** a social economy in a green and circular economy. While the green and circular economy is a bit of an “isolated” topic, this is mainly due to over-political popularisation of these topics, while these are areas where the potential for development is sufficient to allow both traditional and start-up companies to develop intensively here as well as social economy entities. Social economy entities in the area of recycling and reuse belong to this segment.
- **Rural development:** According to Eurostat, rural communities across Europe face unique challenges in building and sustaining an economy, such as fewer job opportunities and a narrower range of economic activities than in urban areas. Social economy entities in the field of local resources, local self-sufficiency, organic farming respond to this challenge. In the field of social economy in Slovenia, this field has started to develop among the first (in addition to recycling) and is still an interesting area, since self-supply of vegetables in Slovenia is below 40%, which opens many dilemmas, but at the same time we have a strong tradition of farming in Slovenia, therefore, this is a very great potential for the development of social economy entities, already captured by the new wave of organic farming. The area of forestry is still important here, as Slovenia is above-average covered by forests and, since independence, the scope of forests has been expanding. Consequently, the potential of the timber industry is also linked to this. This field also covers rural social services.



- **Access to credit:** developing the second level of the sector (federations and funds). In Slovenia, however, we cannot promise the development of our ethical bank, and the question is whether such a small country really needs it. Certainly, the great potential of the social economy sector is to connect into federations and to form a private development funds for the social economy through the example of other countries through a strong national network.
- **Tourism:** tourist cooperatives, support and linking organisations for the development of joint tourism products, examples of dispersed hotels (also in Slovenia), examples of the revitalisation of degraded areas (also the first cases already in Slovenia), etc. As noted in the analysis above: “Cooperatives can play an important role in enabling Slovenian tourism to create benefits for the entire society with a positive impact on employment and sustainable promotion of cultural and environmental heritage. Being rooted in the community, cooperatives have a strong tradition of developing such communities by taking into account all categories of persons, including the vulnerable. Through their business model, a sustainable and responsible type of tourism can be achieved while combining economic competitiveness with social and environmental needs. Workers’ and social cooperatives develop the appropriate expertise needed to offer attractive and innovative experience that preserve and promote the local heritage. Their impact on local development is even more important when tourist activities are carried out in remote areas. Sometimes their activity creates a real “domino effect”, which allows them to sustain and create other activities, thereby revitalising decaying and demographically empty areas.”
- **Empowering professional and self-employed workers:** Workers “cooperatives and producers” cooperatives answer the problem of precariousness. The younger population in Slovenia, as in other countries, is characterized by a high level of precarisation and entrepreneurs of isolation. In the world, cooperatives linking independent producers and social enterprises linking individuals for joint appearances on the market have already developed in response to this problem.
- **Connecting for the development:** bringing together different stakeholders of a community around a particular economic activity; development cooperatives for systematic bottom-up local and regional development.



In doing so, social cooperatives are particularly emphasised in the analysis as a suitable model and potential for the development of the social economy in Slovenia. Social cooperatives are one of the main responses of the cooperative movement to the ever-new needs of the people. They are firmly based on the internationally agreed definition, values and principles of the co-operative society, and they have additional, unique features: explicit mission, action in the general interest, non-state character, multi-stakeholder membership structure, significant representation of member workers, prohibition of division or restriction on the division of surplus.

The analysis thus concludes that in Slovenia the social economy sector is restricted to agriculture and services, since most social enterprises have the registered activity “Other Activities”. Based on the above, we can thus identify a wide range of areas, which in Slovenia are too much attributed only to classical or start-up entrepreneurship, and therefore forget that the social sector and social enterprises could also develop intensively in the following areas (market opportunities of social economy entities):

- Deinstitutionalisation (care, personal and economic services, community care);
- Rural development;
- Green economy and green jobs;
- Status transformations and employee buy-outs;
- Tourism, cultural industries, creative industries;
- Linking producers and precarious workers;
- Self-sufficiency, agriculture forestry and woodworking;
- Recycling and reuse;
- Development of the second level of the social economy sector (federations and funds);
- Employment potential in the social economy sector.



## 11. Guidelines and recommendations for establishment an environmentally sustainable social entrepreneurship

Special importance should be given to business planning as soon as we start thinking about entering (social) entrepreneurship or developing our entrepreneurial story. The standard approach to business planning is the preparation of so-called business plan. A business plan is a written proposal that analyses all aspects of the business and assesses its business prospects. Creating a business plan is such a crucial step in starting a business that everyone who is considering entering into entrepreneurship or developing their entrepreneurial story must address it. Through the business plan, we determine the goals of the business, identify its strengths and weaknesses, and it is also useful in attracting investors and various financial and other resources.

According to Ingrid Burkett in her Handbook »Using the business model Canvas for social enterprise design are Social enterprises often started by people who are passionate about making a difference. Often it is not the actual business that captures their imagination, but the impact it will have for the social environmental issues they are seeking to address.

Understanding the business model of a social enterprises can have two key benefits:

- It can help us to understand design, articulate and discuss the “nuts and bolts” of our business concept;
- It can help us to test and develop prototypes so that we can see if what we passionately believe about our impact and our business actually “stacks up” in practice.

Understanding business models and their potential in terms of designing social enterprises could help entrepreneurs to avoid some of the pitfalls and increase the likelihood that more social enterprises become viable and sustainable both financially and in terms of their social impact.

The author also states that managing a social enterprise is not about just adding business skills to the realm of social impact and stirring. Balancing a social (or environmental, cultural or economic) mission with an intention to trade and manage a business requires a blending of skills which is greater than the sum of each set of skills alone.



Furthermore, addressing a social impact inside a business operation is not necessary cost neutral – so both the skills needed to deliver on a social impact and the costs involved in doing so need to be considered in designing a viable and sustainable business model.

One of the best methods for designing business models is the so-called Kanvas, developed by Alex Osterwalder and it is named “Business Model Canvas”. It is an efficient and modern method or tool used by innovative companies, especially in the field of start-ups, the Kanvas of the business model is a modern business plan in which the company, as a central element of its business, first identifies the value it offers, the segments its users, identifies customer relationships, distribution channels and revenue streams. At the same time, it defines its key activities, resources and partners and cost structures. For social enterprises, the business model canvas should provide an opportunity to see not just the business, but also to identify the social impact they are trying to achieve. The reality for social enterprises is that they cannot work if the business model does not work financially. But they also cannot work if the social objectives are not realised within the business. Business model Canvas can achieve both a social and financial values.

### **Content of the business model Kanvas**

The business model captures information about how an organisation creates, extracts and retains value. It presents strategy and innovative thinking that shows competitive advantage and leads to the success of the business model.

- Customer segmentation. In order to build an effective business model, a company must identify the customer segments it addresses with its product. Think and write down to whom you are adding value to your customers. Try to think very “plastic” and describe your typical user. The most important answer you are looking for is who your most important customers are. Segmentation is based on an accurate knowledge of the user’s characteristics, needs, problems, desires, expectations and goals. It also needs to be determined whether start-ups enter the business-to-business or business-to-costumer markets, and whether it is a costumer market or a niche market. Users are further segmented by demographic and sociological characteristics (age, income, family characteristics, etc.).



Knowing the types of users according to their attitude to novelty is also crucial – innovators, early adopters, early majority, late majority and delinquents.

- Offer value. Offering value, in addition to our typical user, is the most difficult task we have to figure out. The key ingredient in canvas is the value proposition that is most easily identified by the company when it knows exactly what customer needs are being met or what problem is solving it and what solution it offers. Value offered is therefore a group of products or services with which a business creates value to a particular customer segment.
- Distribution channels. Offered value can be communicated and delivered through various channels to its customer segments. These can be your own (such as your own physical or online store) or affiliate (sold through distributors or affiliate stores) or a combination of both. The answer depends on who your target audience is and where it stays. Think and write down how you will build awareness, news about your activity, how you will help customers evaluate the offer, where customers can buy your product / service, how you can deliver it, and how you will perform after-sales activities.
- Customer relations. What type of relationship do your customers expect, how you will achieve and maintain it. The definition of customer relations can be described by three keywords, namely acquiring new users, maintaining existing ones, and increasing the number of users or revenues in both groups (three different types of customers).
- Revenue sources. When defining revenue sources, you also need to consider the characteristics of each customer segment and define what value your customers are really willing to pay.
- Key resources. Key resources are all the material, human, financial and intellectual resources to create and deliver value to its customers, to establish and maintain customer relationships, and to generate revenue. Consider what all the resources a business needs to create and deliver value to its customers, to build and maintain customer relationships, and to generate revenue.
- Key activities. All key activities (development, sales, technical, marketing, etc.) are activities that the company performs in creating and distributing value to the customer, establishing and maintaining customer relationships and generating



revenue. Key activities also need to be optimised according to what stage of start-up the company is in and ensure that costs are not too high for them.

- Key partners. Partnerships that a company establishes in order to optimise its operations or acquire specific resources and activities. Optimise your business and get specific resources and activities to optimise your cost, get a business partner with whom you can allocate costs and get resources your business does not have.
- Cost structure. Companies need to know exactly what are all fixed (salaries, rents, etc.) and variable costs (depending on the volume or quantity of production of goods or services) caused by the business according to the chosen business model, and which key resources and activities are the most expensive. Determine what costs will be fixed (salaries, rents, ...) and which will be variable (different production volumes).



KANVAS POSLOVNIH MODELOV		Oblikovanje:	Interakcija:
<p><b>Ključni partnerji</b></p> <p>Kdo so naši ključni partnerji? Kdo so naši ključni izvajalci? Katere ključne vire zagotavljajo ključni partnerji? Katere ključne aktivnosti pridobivamo od ključnih partnerjev?</p> <p><b>MOTIVACIJA ZA PARTNERSTVA:</b> Optimizacija in ekonomski razlogi Zmanjšanje tveganja in negotovosti Pridobivanje določenih virov in aktivnosti</p>	<p><b>Ključne aktivnosti</b></p> <p>Katere ključne aktivnosti zahteva naša ponudba vrednosti? Katere aktivnosti zahtevajo distribucijske poti? Katere odnosi s kupci? In katere viri prihodkov?</p> <p><b>KATEGORIJE</b> Produkcija Reševanje problemov Platforma/Mreža</p>	<p><b>Odnosi s kupci</b></p> <p>Kakšen tip odnosa pričakuje vaš tim od naših segmentov kupcev, da ga bomo vzpostavili in vzdrževali? Katere odnose je vzpostaviti? Kako so udeleženi s prvotnimi deli našega poslovnega modela? Kako stanjšati?</p> <p><b>PRIMERI</b> Osebnostna podpora Predana osebnostna podpora Jamo potreba Automatizirana storitev Skupnosti So ustvarjanje</p>	<p><b>Segmentacija kupcev</b></p> <p>Komu ustvarjamo vrednost? Kdo so naši najpomembnejši kupci?</p> <p><b>TRGI</b> Trg široke potrošnje Nišni trg Segmentirani trg Raznovrsten trg Več-stranska platforma</p>
<p><b>Ključni viri</b></p> <p>Katere ključne vire zahteva naša ponudba vrednosti? Katere ključne vire zahtevajo naše distribucijske poti? Katere odnosi s kupci? In katere viri prihodkov?</p> <p><b>VRSTE KLJUČNIH VIROV</b> Materialni Intelektualni (patenti, znamke, pravice, podatki) Kadrovski viri Finančni viri</p>	<p><b>Ponudba vrednosti</b></p> <p>Kaj je problem, ki ga rešujemo? In ikakrat, kaj je rešitev, ki jo ponujamo? Katere vrednosti bomo zagotovili kupcem? Katere sveženi izdelki in storitve ponujamo vsakemu posameznemu segmentu kupcev? Katere potrebe kupcev izpolnjujemo?</p> <p><b>ZNACILNOSTI</b> Novost Zmogljivost Prilagoditev Zagotoviti, da bo delo opravljeno (=job done-iz) Dizajn Znamka/Status Cena Zmanjšanje stroškov Zmanjšanje tveganja Dostopnost Priročnost/uporabnost</p>	<p><b>Distribucijske poti</b></p> <p>Prvi lastnih distribucijskih poti (kaj bi dosegli vi naš segment kupcev? Kako zbirajemo segmente kupcev? Kako integriramo naše distribucijske poti? Katere poti najbolje delujejo? Katere poti so stroškovno najučinkovitejše? Kako integriramo naše poti z navedenimi kupci?)</p> <p><b>STOPNJE DISTRIBUCIJSKIH POTI</b> 1. Zavedanje - Kako bomo dosegli zavedanje o izdelkih in storitvah družbe? 2. Osvestitev - Kako bomo kupcem pomagali opredeliti potrebne vrednosti naše organizacije? 3. Izkup - Kako imajo kupci možnost ugati vrednosti? 4. Dostava - Kako dostavljamo ponudbo vrednosti kupcem? 5. Re-prodaja - Kako zagotavljamo po-prodajno podporo kupcem?</p>	<p><b>Viri prihodkov</b></p> <p>Katero vrednost so naši kupci resnično pripravljeni plačati? Kaj trenutno plačujejo? Kako trenutno plačujejo? Kako bi raje plačevali? Koliko vsak posamezen vir prihodkov prispeva k celotnim prihodkom?</p> <p><b>TIPI</b> Prodaja premoženja Pristojbina za uporabo Naročilnine Kreditiranje/najem/zakup Licenciranje Posredniške provizije Oglaševanje</p>
<p><b>Struktura stroškov</b></p> <p>Kateri so najpomembnejši stroški lastni našemu poslovnemu modelu? Kateri ključni viri so najdražji? In katere ključne aktivnosti so najdražje?</p> <p><b>ALI VAŠE POSLOVANJE:</b> Iščete stroškovne prednosti (višja stroškovna struktura, nižjo-cenovna ponudba vrednosti, največja možna avtomatizacija, široko zastavljeno zaposlovanje z zunanjimi partnerji) Iščete vrednosti (usmerjenost na ustvarjanje vrednosti, premium ponudba vrednosti)</p> <p><b>VZORCI ZNACILNIH STROŠKOV</b> Stalni stroški (plače, najemnine, pripomočki) Spremenljivi stroški Ekonomija obsega Ekonomija področja</p>	<p><b>DINAMIČNO OBLIKOVANJE CEN</b> Pogajanja (dogovarjanje) Upravljanje donosov V-realnem-času cene Glede na količino</p>	<p><b>FIKSNE CENE</b> Cenik Glede na funkcijo izdelkov Glede na segment kupcev Glede na količino</p>	<p><b>Viri prihodkov</b></p> <p>Katero vrednost so naši kupci resnično pripravljeni plačati? Kaj trenutno plačujejo? Kako trenutno plačujejo? Kako bi raje plačevali? Koliko vsak posamezen vir prihodkov prispeva k celotnim prihodkom?</p>

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Appendix: Business model Kanvas (source: <http://canvanizer.com/>).

