

BRESE – Border Regions in Europe for Social Entrepreneurship

# Analysis of the state of social entrepreneurship in Slovakia

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This analysis covers the situation throughout the country, but it also analyses the regional disparities and the capacity of social entrepreneurship in border regions, with a focus on Banska Bystrica region which has several leading initiatives in the social entrepreneurship sector and it is a border region as well.



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## Content

1. Introduction .....	4
2. Socioeconomic situation and characteristics of the social entrepreneurship sector of Slovakia and Banská Bystrica region .....	5
2.1. Socioeconomic situation .....	5
2.2. Social entrepreneurship sector .....	7
3. Development of social entrepreneurship and nature of cross-border cooperation of the BBSK .....	8
3.1. Legal status and concept of a social enterprise .....	8
3.2. Development of social enterprises .....	9
3.3. Nature of cross-border cooperation .....	12
4. Main stakeholders of the region .....	13
5. SWOT analysis .....	14
6. Regional policy analysis in the context social entrepreneurship from perspective of the cross-border cooperation .....	16
6.1. Legal framework .....	16
6.2. Analysis of the proposed policy instrument .....	19
7. Results of expert interviews with regional stakeholders .....	20
8. Analysis and identification of good practices .....	25
9. Conclusions and recommendations .....	29
Bibliography .....	31
Appendices .....	33

## 1. Introduction

The Slovak Republic (SR) is a landlocked country in Central Europe with area of 49,035 km, as of 1 January 2019 the population of Slovakia was 5,450,421<sup>1</sup>. The SR is a sovereign, democratic and legal state. It was established on 1 January 1993 by the division of the Czech and Slovak Federal Republic. The SR has been a member of the European Union since 1 May 2004, a member of the Schengen area since 21 December 2007 and a member of the euro area since 1 January 2009. The political system is parliamentary democracy with the highest bodies of power and representatives: the National Council of the SR (Parliament), the Government of the SR and the President of the SR. Public administration is provided by both state administration and territorial self-government. Territorially, Slovakia is divided into 8 higher territorial units (regions - NUTS 3 level), 79 districts, and 2,933 local municipalities. The SR has the second highest regional differences between OECD member countries. Regional differences in GDP per capita in Slovakia have increased over the last 16 years, mainly due to the rapid growth of the richest region - Bratislava. GDP per capita in Bratislava is almost 3.5 times higher compared to eastern Slovakia.

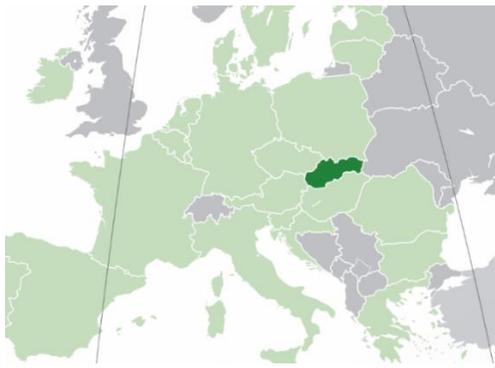


Figure 1: Geographic location of Slovakia

The Banská Bystrica self-governing region (Banskobystrický samosprávny kraj - BBSK) is rural, stagnating to slowly growing, with a low degree of readiness for innovation, averagely attractive with low levels of competitiveness. It is one of the lowest populated regions in terms of population (12.2% in Slovakia) and population density (69.6 inhabitants/km<sup>2</sup>). According to the degree of urbanisation, BBSK belongs to the rural regions with 53.3% of the urban population.<sup>2</sup> Although the Banská Bystrica region borders Hungary, international relations are also being developed with other countries such as Russia and France, together with neighbouring countries such as the Czech Republic, Poland and Ukraine. Cooperation is developing mainly in the fields of tourism, business and agriculture.<sup>3</sup>

This study is part of the INTERREG-funded BRESE project, which aims to develop better sound policies for cross-border regional cooperation. Slovakia, as a member of the project consortium, identified the Human Resources Operational Program (the “OP HR”) as the main political tool. The Strategy of the OP HR is based on the National Reform Programme of the SR which defines measures strengthening economic growth and employment in the SR. One of the main challenges for the sustainable economic growth is high level of long-term unemployment and social inclusion of marginalized groups. Therefore, the strong focus of OP HR is paid on the measures increasing the employment rate of marginalized group and social inclusion of excluded groups, with the main focus on marginalized Roma communities. Activities supporting establishment of new social enterprises and operation of already existing social enterprises are considered to be eligible under

<sup>1</sup> <https://ec.europa.eu/eurostat/web/regions/data/database>, [demo\_r\_gind3]

<sup>2</sup> National Strategy for Regional Development of the Slovak Republic 2014 - 2030

<sup>3</sup> Medzinárodná spolupráca Banskobystrického samosprávneho kraja

4 investment priorities of OP HR. Despite the recent focus on the social entrepreneurship related activities, the social entrepreneurship is still new phenomena within the priorities of the financial schemes and OP HR as such. Fine-tuning of the adequate and tailored supporting schemes combining refundable and non-refundable financial assistance effectively promoting social entrepreneurship in Slovakia is a challenge, which meant to be addressed by this project.

## 2. Socioeconomic situation and characteristics of the social entrepreneurship sector of Slovakia and Banská Bystrica region

### 2.1. Socioeconomic situation

Slovakia has experienced sustained and steady GDP growth since its integration into the EU in 2004, except for the financial crisis of 2008-2009 and the Eurozone crisis of 2011-2012. After a growth rate of 3.5% in 2018, the country's economic growth slowed down to 2.0% in 2019<sup>4</sup>. Slovakia's strong productivity growth has arisen from joining global value chains, mainly in labour-intensive segments, such as car assembly. Large foreign investment inflows have helped develop a competitive export-led manufacturing industry, with a strong specialization in the automotive and electronics sectors, fostering robust growth and productivity performance. The local value added content of exports is relatively low, and skills shortages may deter future investment. Long-term unemployment remains prevalent in the east and some central regions. Regional differences in disposable income are still large.<sup>5</sup> The agriculture sector is little developed and represented only 2.4% of the GDP and 2.7% of employment in 2019 although almost two-fifths of the land are arable. The secondary sector represents 30.1% of the GDP and employs 37% of the workforce. Heavy industry sectors, such as metal and steel, are still in a restructuring phase. High value-added industries, like electronics, engineering and petro-chemicals, are located in the western part of the country. The World Bank estimates that the manufacturing sector alone accounts for one-fifth of Slovakia's GDP. The services sector contributes 55.9% of the GDP and employs around 61% of the active population. It is dominated by trade and real estate. The development of tourism may also become important for the Slovak economy in the coming years, as tourism is currently the country's most dynamic sector<sup>6</sup>. The country's banking sector is strong and largely owned by foreigners.<sup>7</sup>

With a total area of 9 454 km<sup>2</sup>, the Banská Bystrica Self-governing Region (BBSK) is the largest region of Slovakia, but with population of 648,000 it is the third lowest. The population of the BBSK is in long term decline, the trend has been in equal measure caused by the negative natural population growth and the negative net migration rate (both measured by permanent residence).

<sup>4</sup> Statistical Office of the Slovak Republic, [www.statistics.sk](http://www.statistics.sk)

<sup>5</sup> OECD Economic Surveys: Slovak Republic, OECD 2019

<sup>6</sup> 5.6 million tourists in 2018, of which 2.3 million were foreigners

<sup>7</sup> <https://www.nordeatrade.com/en/explore-new-market/slovakia/economical-context>

The average age of 41.98 years is slightly above national average. In terms of composition of the population, 77.1 % of the population has the Slovak nationality, 10.6 % are Hungarians, other nationalities (Czech, German, Polish etc.) account for remaining 10 % of the population. According to the Atlas of Roma communities (2019), about 12% of BBSK's population belongs to the Roma ethnicity and lives in marginalized Roma communities.<sup>8</sup> BBSK is one of the economically weakest regions of Slovakia. Five out of 13 region's districts belong to the development programme of Slovak government for the Least-Developed Districts. Regional GDP is only at 8.8% of the total Slovak GDP which is the lowest rate of all regions. BBSK's unemployment rate was in April 2020 8.71% (country unemployment rate was 6.57%). However, unemployment rate in some of the least-developed districts exceeds 10%. Long-term unemployment, low- skills and insufficient education are serious issues.<sup>9</sup> In BBSK, there are more than 19,000 legal entities – companies and 37,000 entrepreneurs. 24% of all companies operate in wholesale and retail trade, 10% in manufacturing and 9% in construction. Industry is highly concentrated in the northern part agriculture-related sectors are concentrated in the southern part of the region.<sup>10</sup>

Table 1: General information, 2014-2019

Indicators	2014	2015	2016	2017	2018	2019
Size of territory Slovakia <i>square kilometres</i>	49 035	49 035	49 035	49 035	49 035	49035
Population Slovakia <i>Millions</i>	5, 415	5,421	5,426	5,435	5,443	5,450
Real GDP per capita Slovakia <i>Euro</i>	14 100	14 700	14 900	15 500	16 500 <sup>f</sup>	n.a.
<i>Banská Bystrica region</i>	9 911	10 578	10753	11 292	12 064	
Real GDP growth Slovakia <i>% change</i>	2,7	4,5	2,2	2,6	4,0 <sup>f</sup>	n.a.
New business density Slovakia <i>number of new businesses per 1000 people age 15-64</i>	3,119	2,720	4,724	5,237	5,253	n.a.
Unemployment rate Slovakia <i>% of labour force</i>	12,9	11,3	9,5	7,9	6,4	5,6
<i>Banská Bystrica region</i>	17,2	14,9	12,8	8,7	7,0	6,7
Youth unemployment Slovakia						

<sup>8</sup> <https://www.minv.sk/?atlas-romskych-komunit-2019>

<sup>9</sup> Statistical data from Statistical Office of the Slovak Republic, [www.statistics.sk](http://www.statistics.sk)

<sup>10</sup> Action plan for the Growth and Employment in the Banská Bystrica Self-governing Region

% of labour force under the age of 25	29,7	26,5	22,2	18,9	14,9	16,1
<i>Banská Bystrica region</i>	39,4	32,2	23,2	14,8	13,1	14,9
Long term unemployment Slovakia						
<i>% of labour force</i>	9,3	7,6	5,8	5,1	4,0	3,3
<i>Banská Bystrica region</i>	12,1	10,5	8,5	5,6	4,1	3,7

Source: authors based on based on Eurostat (data for whole country) and the Statistical Office of the Slovak Republic - SOSR (data for Banská Bystrica region)

## 2.2. Social entrepreneurship sector

Before 2018 as registered social enterprises only the WISEs based on the Act 5/2004 on Employment services were taken into account although the social entrepreneurship sector had many more organizations that could be considered as social enterprises. In 2018 within registered WISEs, out of 106 only 13 were still active. In June 2018 there were 7 new registered social enterprises which were founded after the adoption of the Act no. 112/2018 Coll. on social economy and social enterprises that has broadened the scope beyond the WISE. Up to June 2020 there were 149 registered social enterprises in total. In the BBSK there were 21 registered social enterprises, however in Slovakia there are many organizations fulfilling the definition of social entrepreneurship which operate beyond the scope of the legislation. Their exact number is unknown, the estimates are in Table 2.

Table 2: Social entrepreneurship, 2014-2019

Indicators	2014	2015	2016	2017	2018	2019
SMEs						
<i>total number SVK Eurostat</i>	420,203	428,993	445,725	471,110	n.a.	n.a.
<i>total number SVK SOSR</i>	n.a.	320,505	308,638	312,162	318,340	332,017
<i>total number BBSK SOSR</i>	n.a.	9,963	9,786	10,490	10,962	11,635
Social enterprises SVK						
<i>Registered</i>						
<i>Including estimate of “de facto” social enterprises</i>	44*	44*	16*	9*	7**	52**
<i>***</i>	2,427	2,643	2,950	3,225	3,443	1,002****
Growth of social enterprises including estimates, % change	-	108.9%	111.62%	109.32%	106.76%	-
Support for social enterprises provided by the OP	-	-	-	Job subsidies for employees	Social Economy Institute	Support for WISE (job subsidies)

<i>millions EUR</i>				of SE from lagging regions	8,28 (contracted)	49,32 (contracted)
				49,53 (contracted)	2,47 (spent)	2,29 (spent)
				0,014 (spent)	Job subsidies for employees of SE from lagging regions	Investment Aid for Social Enterprises - Non-Returnable Component
					0,14 (spent)	48,78 (contracted)

Source: authors based on DataCube of the Slovak Statistical Office and Directory of social enterprises in Slovakia

\* Based on the Act no. 5/2004 on Employment - only WISE type of social enterprise

\*\* Based on the Act no. 112/2018 Coll. - only newly registered social enterprises with broader scope than WISE

\*\*\* To avoid duplicity in the estimates of social enterprises we followed the criteria of legal form (see Appendix 1 for detailed calculation of the estimates).

\*\*\*\* data on NGOs for 2019 is not available, therefore this number is incomplete (see Appendix 1)

### 3. Development of social entrepreneurship and nature of cross-border cooperation of the BBSK

#### 3.1. Legal status and concept of a social enterprise

In Slovakia, the social enterprises are regulated by the Act no. 112/2018 Coll. on social economy and social enterprises (The SEaSE Act), adopted in May 2018. Prior to adoption of this new legislation, the Employment Services Act no. 5/2004 Coll. narrowed the term ‘social enterprise’ only to enterprises associated with the work integration structures. The social enterprises of those days in Slovakia were not only work integration structures such as sheltered workplaces; but it includes also cooperatives; municipality companies; agricultural social enterprises and some forms of non-governmental organizations if their main purpose was to prepare disadvantaged persons to enter the labour market.

This narrow definition of social enterprise to only one type of social enterprise (WISE) altogether with not very successful program of “pilot social enterprises” from 2008 (see part 3.2) led to the changes in the Act on Employment services in 2015. This amendment extended the definition of social enterprises, but this was not sufficient to boost the number of registered social enterprises. In 2018, the SEaSE Act accommodated social enterprises to the context of the social economy. As a new term “social economy subject” it recognizes any civic associations, foundations, non-

investment funds, public benefit organization, religious organization, trade company, cooperative or sole proprietor (and also employers) which:

- a) are not mostly or fully financed and managed by the state;
- b) perform activities pertaining to an area of the social economy (i.e., their main objective is to achieve positive social impact);
- c) that are not-for-profit or the profit is used for purposes of achieving a positive social impact.

A social economy subject is considered a social enterprise, only if:

- a) it performs economic activity systematically, independently, in its own name and on its own liability,
- b) its main objective is to achieve a measurable positive social impact,
- c) its achievement of positive social impact is done through goods or services, which it produces, supplies, provides or distributes, or contributes to the method of manufacture or provision,
- d) it creates a profit from its activities, uses more than 50% of the profits after tax for achievement of the main objective as referred to in point b), or it distributes part of the profits under the Commercial Code, divides it according to the procedures and rules that do not disrupt the main objective as defined in point b),
- e) it involves stakeholders in the management of its economic activities.

The SEaSE Act further distinguishes between a social enterprise (mentioned above) and a registered social enterprise, which is established on the basis of an application. The status of a registered social enterprise can be granted to social economy entities in the areas of: WISE (integrated social enterprise), housing social enterprise and other registered social enterprise, if it achieves a greater positive social impact than an entrepreneur who performs a similar activity for profit.

The registration according the SEaSE Act on is not compulsory for social enterprise. Therefore, in parallel to the social enterprises registered according to the SEaSE Act number of other social enterprises exists. These are of various legal forms (mostly NGOs) active in the variety of areas e.g. environmental protection, energy activities, creative industry or other.

### 3.2. Development of social enterprises

The main factors influencing the development of social entrepreneurship in Slovakia are:

- Historical development and legislative framework - experience and few good examples from practice of social enterprises has been followed by a new separate law on social economy and social enterprises - the SEaSE Act. This Act is one of the first comprehensive legislative instruments for the construction of the social entrepreneurship sector in the former transit economies.
- Substantial demand for social services – the demand for social services continues to be high in Slovakia. This clearly shows the strong potentials for the development of this sector as some of the demands remain unmet. Specifically, with the ageing of the population in Slovakia, still persistently high unemployment in many regions of the country, problems of poverty or unmet

needs of significant portions of the Roma community living in Slovakia, the demand for social services will continue to remain high.<sup>11</sup>

- Emergence of the new economically viable social enterprises – although slowly and in a small scale, there has been a number of emerging grass-root initiatives, examples of socially oriented and yet sustainable business models. And the development of dynamic structures which combine the strong entrepreneurial dimension and the social objectives may have stimulating and refreshing effect on the whole sector.<sup>12</sup>

The main drawbacks slowing down the development of social entrepreneurship in Slovakia are based on several studies<sup>13</sup> and interviews with experts conducted as a part of this report:

- Lack of financial capital - finance is needed for both operational and administrative costs on the one hand, and for investments on the other. Especially the lack of investment aid for the development of social enterprises is felt. Social enterprises do not have to be as productive and flexible as other purely commercial enterprises in order to take into account the social goal. For this reason, they are at a disadvantage compared to other companies that do not invest in meeting the social goal.

To overcome this issue, the SEaSE Act established three key types of support measures tailored for social enterprises. They are classified as: a) investment aid, b) compensatory aid, and c) demand-support aid. The investment and compensatory aid involve financial assistance (combination of financial tools and non-repayable aid), whereas the aid stimulating the market for social enterprises primarily involves non-financial assistance. Investment aid for social enterprises is planned within the National project “Investment aid for social enterprises – a non-repayable component” of the OP HR. At the time of writing (May 2020), investment aid for the applicants was not yet available. As for investment aid, social enterprises may apply for non-repayable aid only when at least 20% of the total budget of the investment plan is acquired through a loan. The combination of a loan and non-repayable forms of support aims to stimulate a greater commitment to the quality of the investment plan on the applicant's side and a lower level of risk on the donor's side.

- Lack of understanding and awareness about social entrepreneurship - controversies and negative connotations of the term "social enterprise" persist as a result of the misuse of public funds during the implementation of the pilot stage of social enterprise in 2008. This negative impact is experienced by some Slovak social enterprises at present, although the situation is gradually improving. The general public stereotypically perceives social enterprises exclusively in the context of employment. Social enterprises continue to be narrowly understood to work integration initiatives aimed at integrating the most disadvantaged groups. In addition, the degree of self-recognition of social enterprises is rather low. It is not unusual that organisations that display all the characteristics of a social enterprise do not consider themselves as such. Many potential social entrepreneurs have set a public benefit goal, but they do not understand that they have to meet it by applying business principles.<sup>14</sup>

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<sup>11</sup> Murray Svidroňová, 2019

<sup>12</sup> Directorate-General for Employment, Social Affairs and Inclusion, 2016

<sup>13</sup> Slovak Business Agency, 2019; Škobla, D., Kováčová, L., Ondoš, S., 2018; European Commission, 2020

<sup>14</sup> Škobla, D., Kováčová, L., Ondoš, S. 2018

To overcome this issue, better communication of the objectives and criteria of social enterprises by academics or experts to a large audience, as well as increased coverage in the media is needed. The self-recognition issue is connected with the next point of insufficient development of managerial and business skills.

- Weak managerial and entrepreneurial skills - in the management of social entrepreneurship, a high level of human capital is required in terms of social, emotional and moral capital of individuals.<sup>15</sup> The level of human capital in social enterprises requires a special approach. Despite recent improvements, there is still little research on social enterprises and only few degree programmes in the higher education curricula.

Promoting the entrepreneurial skills of social entrepreneurs is particularly important in social entrepreneurship, as social entrepreneurs often enter social entrepreneurship without prior training or experience in business. Developing entrepreneurial skills would be a way to make their work more efficient, expand their activities and thus make decisions that bring risks but also potentially higher returns (for example, borrowing technological equipment and thus expanding production).<sup>16</sup>

The most important social entrepreneurship sectors:

Activities of newly registered social enterprises include construction (102 social enterprises), wholesale and retail trade (63), agriculture, forestry and fishing (33), accommodation and food services (23), gardening (18), education (15), health and social work activities (9), and laundry services (9)<sup>17</sup>. Some of these sectors belong to the top 5 sectors of the Slovak economy in terms of added value: wholesale and retail trade, construction, public administration, education and healthcare, transport and storage together with accommodation and food services, these industries create slightly less than a fifth of the added value in Slovakia<sup>18</sup>.

In the national accounts, accommodation and food services are measured as a part of the block “wholesale; retail; repair of motor vehicles and motorcycles; transport and storage; accommodation and food services”, in 2018 this block had a 17.76% share in the Slovak GDP<sup>19</sup> but due to the data character we cannot specify how much was created by the accommodation and food services.

Construction grew relatively fast at the beginning of 2000'. Nowadays in the construction sector, probably due to infrastructure investments, the contribution of value added to GDP is growing.<sup>20</sup> In 2018, the share of construction in GDP was at the level of 7.8% and construction employed about 7.0% of the total number of persons working in the Slovak economy.<sup>21</sup>

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<sup>15</sup> Martinkovičová, M. 2014

<sup>16</sup> Škobla, D., Kováčová, L., Ondoš, S. 2018

<sup>17</sup> Based on the Directory of social enterprises April 2020, the social enterprises can have more than one business activity, therefore the total is higher the number of registered social enterprises.

<sup>18</sup> Pánis, S. 2014

<sup>19</sup> <https://slovak.statistics.sk/>

<sup>20</sup> National Bank of Slovakia 2018

<sup>21</sup> Yearbook of Slovak Construction 2019

In the former Czechoslovakia, a self-sufficient country in food production, Slovakia served as a centre for agricultural and food processing thanks to a strong local agricultural sector.<sup>22</sup> Due to the high level of automation and focus on sector of services, the share of agriculture on GDP in the SR from 2005 to 2018 recorded a fluctuating trend, while in the given period it increased by 0.6%. Within the agriculture sector, there is an increasing trend of demand for local (bio)products, which creates a space for social enterprises growing fruits and vegetables and beekeeping. Social (municipal) enterprises, especially in the agricultural field, focusing mainly on the local market, could be able to kick-start rural employment.

### 3.3. Nature of cross-border cooperation

Slovakia has signed cross-border cooperation agreements with all neighbouring countries: the Czech Republic, Austria, Hungary, Ukraine and Poland. The aim of cross-border cooperation is primarily to address economic, social and environmental problems at regional and local level, as a means of achieving greater unity and promoting cooperation between European countries.

The Banská Bystrica region is developing long-term cooperation with regions on the basis of partnership agreements with Departement La Loire (France), Hradec Králové Region (the Czech Republic), Lviv Regional State Administration of Ukraine (Ukraine), Borsod-Abaúj-Zemplén County, Novohrad County, Heves County (Hungary), Warmia-Masuria Voivodeship (Poland) and the Legislature of the Leningrad Region (Russian Federation)<sup>23</sup>. Areas of cooperation with individual regions are defined very broadly. They also include cooperation in business development; however, social entrepreneurship is not explicitly mentioned. The main tool utilised for BBSK cross-border cooperation is the cross-border cooperation program INTERREG Slovak Republic - Hungary 2014 - 2020. There is also the Small Project Fund (SPF) which is used for supporting smaller scale projects at regional level with objective to strengthen social cohesion across borders by supporting local level cooperation and to establish and improve long-term collaboration between actors on both sides of the border through the support of local/regional projects. Within SPF, two projects focussing on culture were supported on the territory of BBSK. Within the framework of other INTERREG, 21 projects were implemented within BBSK in the total amount of EUR 6,223,177. None of the projects focused directly on the area of social entrepreneurship, although the area of entrepreneurship, support for entrepreneurial skills and employment of people was the subject of interest of several projects. In the future, it can be expected that the topic of social entrepreneurship will be the subject of cross-border cooperation. Support for the development of social entrepreneurship is one of the BBSK priorities<sup>24</sup> and BBSK has already implemented several activities in this area and established several registered social enterprises.

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<sup>22</sup> <https://www.sario.sk/sk/investujte-na-slovensku/sektorove-prehlady/potravinarsky-priemysel>

<sup>23</sup> <https://www.bbsk.sk/eSlu%C5%BEby/Region%C3%A1Inyrozvoj/Partnersk%C3%A9regi%C3%B3ny.aspx>

<sup>24</sup> [https://rabbsk.dobrykraj.sk/wp-content/uploads/2019/05/Programove\\_priorita\\_Dobry\\_kraj.pdf](https://rabbsk.dobrykraj.sk/wp-content/uploads/2019/05/Programove_priorita_Dobry_kraj.pdf)

## 4. Main stakeholders of the region

Table 3: List of stakeholders

Organization	Contact data	Reason for this stakeholder
<a href="#">Mistry of Labor, Social Affairs and Family Slovak Republic, Work Section, Department of Social Economy</a>	Špitálska 4,6,8 816 43 Bratislava +421 2 2046 1258 <a href="mailto:ingrid.ujvariova@employment.gov.sk">ingrid.ujvariova@employment.gov.sk</a>	Responsible national institution for registration of social enterprises
<a href="#">Office of Governmental Plenipotentiary for Civil Society Development</a>	Cukrová 14 813 39 Bratislava +421 2 509 44 990 <a href="mailto:martin.giertl@minv.sk">martin.giertl@minv.sk</a>	National institution responsible for creating policies and strategies for NGOs
<a href="#">Regional Centers for Social Economy</a>	Special address in each region here: <a href="https://socialnaekonomika.sk/category/regionalne-centra-se/">https://socialnaekonomika.sk/category/regionalne-centra-se/</a>	Regional support bodies for social economy
<a href="#">Regional Development Agency BBSK, n.o.</a>	Námestie SNP 1/A, 974 01 B. Bystrica +421 48 432 57 51 <a href="mailto:info@dobrykraj.sk">info@dobrykraj.sk</a>	Regional support body in BBSK (BBSK specific stakeholder)
<a href="#">Slovak Business Agency</a>	Karadžičova 2, 811 09 Bratislava 1 +421 2 203 63 100 <a href="mailto:agency@sbagency.sk">agency@sbagency.sk</a>	Business support organization
<a href="#">Association of Social Economy Subjects</a>	Trieda SNP 1504/27, 974 01 B. Bystrica +421 905 139 573	Umbrella organizations for social enterprises
<a href="#">Alliance for Social Economy in Slovakia</a>	Čierny chodník 29/1, 831 07 Bratislava <a href="mailto:kancelaria@ases-slovensko.sk">kancelaria@ases-slovensko.sk</a>	Umbrella organizations for social enterprises
<a href="#">Social Innovators</a>	Zrúnskeho 1205 / 9, Bratislava 811 03 +421 948 833 057 <a href="mailto:flexipraca@flexipraca.sk">flexipraca@flexipraca.sk</a>	Provider of counselling support for social enterprises
<a href="#">Non-profit organization EPIC</a>	Panenská 29, 811 03 Bratislava +421259104280 <a href="mailto:info@epic-org.eu">info@epic-org.eu</a>	Provider of counselling support and education for social enterprises
<a href="#">Green Foundation</a>	Búdková cesta 22, 811 04 Bratislava <a href="mailto:info@greenfoundation.eu">info@greenfoundation.eu</a>	Provider of counselling support and education for social enterprises

<a href="#">Impact Hub Bratislava</a>	Hviezdoslavovo námestie 20 811 02 Bratislava +421 903 429 944 <a href="mailto:members@impacthub.sk">members@impacthub.sk</a>	Provider of counselling support and education for social enterprises
<a href="#">Provida Foundation</a>	Strážna 11, 831 01 Bratislava <a href="mailto:info@provida.sk">info@provida.sk</a>	Provider of counselling support and education for social enterprises
<a href="#">NESsT (Non-profit Enterprise and Self-Sustainability Team)</a>	NESsT Hungary József körút 69 fszt.1 1085 Budapest, Hungary	Provider of counselling support and education for social enterprises
<a href="#">Matej Bel University in Banská Bystrica (Faculty of Economics, Faculty of Education)</a>	Tajovského 10 975 90 Banská Bystrica + 42148 /446 2311 <a href="mailto:maria.murraysvidronova@umb.sk">maria.murraysvidronova@umb.sk</a>	University educating and conducting research on social economy
<a href="#">University of Economics in Bratislava (Faculty of National Economy)</a>	Dolnozemska cesta 1 852 35 Bratislava +421 2 6729 1221 <a href="mailto:eva.pongracz@euba.sk">eva.pongracz@euba.sk</a>	University educating and conducting research on social economy
<a href="#">Comenius University in Bratislava (Faculty of Philosophy)</a>	Gondova ulica 2 811 02 Bratislava 1 +421 2 9013 1111	University educating and conducting research on social economy
<a href="#">Slovenská sporiteľňa, a.s.</a>	Slovenská sporiteľňa, a. s. Tomášikova 48, 832 37 Bratislava +421 904 998 181 <a href="mailto:vlasicova.jana@slsp.sk">vlasicova.jana@slsp.sk</a>	Private Bank providing financial support, education and counseling for social enterprises

Source: authors based on the desk research and interviews with experts conducted for this report

## 5. SWOT analysis

Table 4: SWOT analysis

Internal Factors	
Strengths	Weaknesses
Adoption of a comprehensive legal framework	Investment aid for social enterprises is not yet available and not all financial tools are usable in practice

Effort to create an overall ecosystem for social enterprises and increasing support for local social enterprises	Time and administrative complexity in the public procurement process
Existence of new financial tools for social enterprises which are eligible to draw this support	Narrow perception of social entrepreneurship as WISE
Improvements in the culture of involvement of employees in the decision-making process of a social enterprise	Insufficient awareness and information about social entrepreneurship, including poor knowledge of legislation
Existence of regional centres of social economy	Insufficient readiness of potential social entrepreneurs and high level of dependency on financing by grants
<b>External Factors</b>	
<b>Opportunities</b>	<b>Threats</b>
Substantial demand for social services (ageing population) and high long-term unemployment rate, especially among the most marginalised communities	Significant dependence of social enterprises on the external economic environment
Support from European Commission and strengthening placement of social entrepreneurship in national programmes	Large regional differences in Slovakia
Socially responsible public procurement and multi-source financing of a social enterprise (e.g. donations, subsidies, grants)	Difficulty of stabilising social enterprises (financial and personal sustainability)
Cross - sectoral partnerships and increasing level of interest from regional and local self-government	Lack of understanding and awareness about social entrepreneurship, including controversies and negative connotations of the term 'social enterprise'
Challenges connected with the COVID crisis	Political cycles - a change in the government's attitude towards social enterprises

Source: authors based on Slovak Business Agency, 2019.

## 6. Regional policy analysis in the context social entrepreneurship from perspective of the cross-border cooperation

### 6.1. Legal framework

Basic legal regulation of social entrepreneurship is in the comprehensive law governing social entrepreneurship and social enterprises – the Act no. 112/2018 Coll. on the Social Economy and Social Enterprises. The main objective of the adopted law is to legislatively regulate the social economy sector and create suitable conditions for a support system that is socially acceptable and fully complies with rules of the state aid. Due to the recent adoption of legislation there has been no need for any national strategy for the development of the social entrepreneurship as such. There are several national documents that mention social entrepreneurship, but these documents are mostly focused on the role of social enterprises as a tool of increasing the employment (which complies with the OP HR, see “Introduction”). Among such documents belongs *the National Framework Strategy for Promoting Social Inclusion and Combating Poverty* which includes support for innovative programs aimed at increasing employment (especially in marginalized Roma communities) at the local level through social and municipal enterprises.<sup>25</sup> There is also *National employment strategy of the Slovak Republic until 2020*, which has a chapter on the development of the social economy as an innovative tool for support of regional and local employment. The chapter focuses on the development of the social economy using public support in three areas: legislative, financial and infrastructure.<sup>26</sup> *The Action plan to strengthen the integration of the long-term unemployed into the labour market in the Slovak Republic* among the main objectives states “to support the creation of social enterprises, including a functioning environment for their start-up and operation, which can be a key source of jobs for long-term unemployed.” Under the planned initiatives, there is development of social enterprises and initiatives to support the social entrepreneurship.<sup>27</sup> Some of the initiatives were already implemented, e.g. opening the regional centres of social economy under the National project *Institute of Social Economy*, which partially serves as an action plan for the social entrepreneurship development.

At the regional level, the BBSK embraced social enterprises as a tool for the region development, there have been several social enterprises established, all within a brand “Dobrý kraj” (Good region):

- [Rozvojová agentúra BBSK, n.o.](#) (Development agency of the BBSK).
- [Rozvojové služby BBSK](#) (Development services of the BBSK) - registered social enterprise.
- [Agentúra práce BBSK, n.o.](#) (Job agency of the BBSK).
- [Agro – drevinový ekosystém BBSK, s.r.o.](#) (Agro-tree ecosystem, ltd.) - registered social enterprise.

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<sup>25</sup>Národná rámcová stratégia podpory sociálneho začlenenia a boja proti chudobe

<sup>26</sup>Národná stratégia zamestnanosti Slovenskej republiky do roku 2020

<sup>27</sup> Akčný plán na posilnenie integrácie dlhodobo nezamestnaných na trh práce v Slovenskej republike

[Dobry kraj](#) builds a network between the above mentioned entities and other social enterprises to create their own supply and demand chains and support sustainability of their operation.

In regards of the support measures, there are several incentives to promote social entrepreneurship. The Act on Employment services enables providing of two types of allowances but only to the integration social enterprise. So-called placement allowance is to motivate the integration social enterprise to provide its employee, who was a disadvantaged person, with an employment or assistance in finding an employment for “regular” employers who are not integration enterprises. The second type is compensatory allowance that aims to support the employment of disadvantaged and vulnerable people in integration enterprises. This allowance can be used for wage costs connected with the employment of disadvantaged or vulnerable persons, additional costs associated with the employment of persons who are disadvantaged due to their state of health and costs incurred in assisting employed disadvantaged persons.

The investment aid by the SEaSE Act can be provided in order to support an investment or prepare an investment project (including advisory services). The investment aid can have various forms, e.g. financial instruments (returnable and non-returnable or their combination), grants for registered social enterprises, the sale of real estate at a lower price than the general value of the property or the lease of real estate at a lower price than the value of the lease of the real estate determined by an expert opinion, income tax relief.

The amendment to the Act no. 343/2015 on Public Procurement Coll. established socially responsible public procurement which enables to directly award an under-limit contract to a registered social enterprise. Effective from 1 January 2020, there is also a quota system: each contracting authority, which is conducting more than 10 public procurements annually, is obliged to apply social aspects in a minimum of 6% cases of procurement. Exact parameters and methodical guidelines for the successful implementation of this obligation are still under discussion.

Another incentive takes the form of service vouchers, which are as bonds issued by the Ministry of Labour, Social Affairs and Family (MLSAF) and can be used to pay for the services delivered by registered social enterprises. The value of a service voucher is 10 EUR and it includes household and garden services, although the actual scope of the services is subject to the price policy of the particular social enterprise.

According to SEaSE Act, registered social enterprises can be awarded a contract for the purposes of fulfilling the compulsory rate of employees with disabilities. Based on the Act on Employment services, employers that employ more than 20 employees, have the obligation to employ people with health disabilities. In the case that the employers fail to employ persons with disabilities, they are required to pay the state either in the form of a fine or by awarding a contract to a sheltered workshop or a registered social enterprise. However, this option is relevant only for integration social enterprises employing people with disabilities. The SEaSE Act also gives the possibility of reducing the VAT rate to 10% for goods and services provided by a registered social enterprise.<sup>28</sup>

To raise awareness and information in the field of social entrepreneurship, several initiatives have started, e.g. [the Academy of social economy](#) was created by the Green Foundation and the

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<sup>28</sup> European Commission, 2020

Slovenská sporiteľňa bank with the aim to reduce the borders between business and social sector and strengthen the capacities of social economy sector in the field of social entrepreneurship. Implementation Agency of Ministry of Labour, Social Affairs and Family (IA MoLSAF) runs ESF funded large-scale project Institute of Social Economy which manages [socialnaekonomika.sk](http://socialnaekonomika.sk), website providing news, education and other information on social entrepreneurship and social economy.

There are also social enterprises awards such as SozialMarie Award for social innovations or Roma Spirit, which is specialised on the social enterprises with positive impact on the marginalized Roma communities. Special type of awards is a start-up award, in Slovakia there are few initiatives that help to establish social start-ups and organise the awards events, such as Impact Hub Bratislava or Rozbehni sa/Get started (Uni2010, civic association). The latter also has the initiative “Get started and stay in the region” on which they cooperate with the Development Agency BBSK with the aim to motivate high school students to test their business ideas, preferably ideas with social impact in the Banska Bystrica region.

Table 5: Normative acts on national, regional and local levels regulating social entrepreneurship

<b>National level</b>
1. <a href="#">National Regional Development Strategy of the Slovak Republic</a> (ENG)
2. <a href="#">Operational Programme Human Resources</a> (brief overview from <a href="https://ec.europa.eu">https://ec.europa.eu</a> ) and <a href="#">Operational Programme Human Resources</a> (full document ENG)
3. <a href="#">Act 112/2018 on the Social Economy and Social Enterprises</a> (SVK)
4. <a href="#">Act no. 369/1990 Coll. on municipalities as amended</a> (municipality according to § 4 par. 3 letter 1) of the Act on Municipalities under special regulations establishes, abolishes and controls its budgetary and contributory organizations, other legal entities and facilities. Other legal entities might be businesses, special category is a municipal social company)
5. <a href="#">Act no. 343/2015 Coll. on public procurement as amended</a> (socially responsible public procurement enables to directly award an under-limit contract to a registered social enterprise)
6. <a href="#">Act no. 5/2004 Coll. on Employment services as amended</a> (regulates the work integration structures, including registered social enterprises) ( <a href="#">ENG version without amendments</a> )
<b>Regional level</b>
1. <a href="#">Action plan for Gemer</a> (output of the project, abstract and some parts of the document are in English)
2. <a href="#">Program priorities for Good region</a> (priorities of the Banska Bystrica self-governing region, chapter 4 deals with social economy and long-term unemployment).
<b>Local level</b>
1. Action plans for the development of the least developed districts (based on the Act no. 226/2015 Coll. on the support of the least developed districts, every such district prepares a plan for development, in the BBSK there are 5 such districts: Lučenec, Poltár, Revúca, Rimavská Sobota and Veľký Krtíš)

Source: authors

## 6.2. Analysis of the proposed policy instrument

In the Slovak Republic the main policy document for the BRESE project is the OP HR which is divided into priority axis: 1) Education; 2) Youth employment support initiative; 3) Employment; 4) Social inclusion; 5) Integration of Marginalized Roma Communities; 6) Technical facilities in municipalities with presence of marginalised Roma communities. Total funding for OP HR is 2.642.493.632 €. Until the 31.5.2020 the amount of 1.934.518.813 € was contracted from EU funds. The strategic aim of the OP HR is the positive social impact ensured by the provision of services or goods to vulnerable, marginalised, disadvantaged or excluded persons so that the result is an increase in their employment and social inclusion. Achieving a positive social impact is linked to the creation of a favourable environment to support social entrepreneurship in the social economy and social innovation. One of the main challenges for sustainable economic growth in Slovakia is the high level of long-term unemployment and social inclusion of marginalised groups. Therefore, the strong focus of OP HR is on the measures increasing the employment rate of marginalised groups and implementation of the measures improving the social inclusion of excluded groups, with the main focus on the people from marginalised Roma communities. Social entrepreneurship and support of WISE are also considered as such a measure.

Within the OP HR in the 2014-2020 programming period, the IA MoLSAF is implementing the national project Institute of Social Economy. The aim of the project is to create, pilot and verify the functioning of the system of support for the development of the social economy in the Slovak Republic, which is defined in the SEaSE Act. In connection with the set goals, a support infrastructure for the social economy is being created in Slovakia, including the creation of eight regional centres of social economy. An important part of the project is a media campaign focused on education and the social dimension in business.<sup>29</sup>

From June 2019, the large-scale project “Support for WISE” is implemented within OP HR. From this project job subsidies are provided for the disadvantaged and vulnerable employees of WISE. Support is paid in accordance with the Act on Employment services. The administrative body for this project is Central Office of Labour, Social Affairs and Family and local branches.

From March 2020, the large-scale project Investment Aid for Social Enterprises - Non-Returnable Component should be implemented within the OP HR. The aim of this project is a pilot verification of the functionality of the set system of investment support for registered and not registered social enterprises (SE). This support, in accordance with the SEaSE Act, is provided in the form of a mandatory combination of repayable assistance (financial tool or commercial loan) and non-repayable financial assistance. The local labour offices will provide non-repayable part of the assistance to those registered SE that were initially granted a loan in accordance with the approved investment plan. However, the project has not yet been launched (May 2020).

Demand-oriented calls aimed at supporting social entrepreneurship were not implemented yet in the 2014-2020 programming period. Under Priority Axis 6: Technical equipment in municipalities with the presence of marginalised Roma communities, a call for support for social enterprises in marginalised Roma communities is also planned, but has not yet been announced.

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<sup>29</sup> <https://socialnaekonomika.sk/>

By setting its priorities, the OP HR is an ideal tool for supporting social entrepreneurship. According to the interviewed experts as well as existing reports on social entrepreneurship in Slovakia, EU funding is considered an important source of financing for social enterprises in Slovakia. It is also the key source for financial coverage of the measures introduced under the SEaSE Act. In Slovakia, however, drawing this aid is unrealistic for many social enterprises for several reasons. Main obstacles in drawing funds are the required co-financing and an excessively bureaucratic and administratively demanding system, for which many subjects of the social economy do not have the capacity. Obstacle is also bad experience of many organisations to draw funds. In terms of perspectives, it would be necessary to simplify the system of drawing these funds in the next period, in particular, simplify the administrative use of funds, speed up payment processes and make the calls more transparent.

## 7. Results of expert interviews with regional stakeholders

For the interviews, we have prepared a database of experts working in various sectors of society. We contacted 10 people from this database, 8 responded to our call. We sent questions to the respondents in advance and then we conducted interviews with them via Zoom or by telephone. The interviews lasted from 30 to 70 minutes. We recorded all the interviews with the consent of the experts. The sample of experts includes a gender-balanced representation of men (4) and women (4) and includes experts working in academia, in public administration, in support structures for the development of social entrepreneurship and in the operation of social enterprises themselves. An overview of the organisations in which the experts work is given in Table 6. Due to the anonymization of the data, we do not provide their names.

Table 6: Information about the experts with whom the interviews were conducted

<b>Name, organisation, position</b>	Trilobit, o.z., social entrepreneurship expert
<b>Website</b>	<a href="https://3lobit.sk/">https://3lobit.sk/</a>
<b>Address</b>	Račianska 75, 831 02 Bratislava
<b>Contact information</b> (E-mail, phone, etc.)	+421 949 788 452 info@3lobit.sk
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	non - governmental organisation
<b>Focus</b> (relationship to social entrepreneurship)	social enterprise operator

<b>Name, organisation, position</b>	BBSK n.o., development agency, expert, specialist in social economy
<b>Website</b>	<a href="https://rabbsk.dobrykraj.sk/">https://rabbsk.dobrykraj.sk/</a>

<b>Address</b>	Námestie SNP 1/A, 974 01 Banská Bystrica
<b>Contact information</b> (E-mail, phone, etc.)	+421 48 432 57 51 info@dobrykraj.sk
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	non - governmental organisation, connected with regional self-government
<b>Focus</b> (relationship to social entrepreneurship)	support for the development of social entrepreneurship in the region

<b>Name, organisation, position</b>	Social innovators, cooperative, specialist in social economy
<b>Website</b>	<a href="https://www.socialniinovatori.sk/">https://www.socialniinovatori.sk/</a>
<b>Address</b>	Zrínskeho 1205 / 9, Bratislava 811 03
<b>Contact information</b> (E-mail, phone, etc.)	+421-948-833-057 flexipraca@flexipraca.sk
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	private
<b>Focus</b> (relationship to social entrepreneurship)	Advice and assistance in the development of social entrepreneurship

<b>Name, organisation, position</b>	Ministry of Labour, Social Affairs and Family of the Slovak Republic, Labour Section, Department of Social Economy, Director of the Department
<b>Website</b>	<a href="https://www.employment.gov.sk/sk/praca-zamestnanost/socialna-ekonomika/kontakt.html">https://www.employment.gov.sk/sk/praca-zamestnanost/socialna-ekonomika/kontakt.html</a>
<b>Address</b>	Špitálska 4,6,8, 816 43 Bratislava
<b>Contact information</b> (E-mail, phone, etc.)	+421 2 2046 1258 ingrid.ujvariova@employment.gov.sk
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	Public, state administration
<b>Focus</b> (relationship to social entrepreneurship)	Registration of social enterprises, implementation of the Act on the social economy and social enterprises in practice

<b>Name, organisation, position</b>	Regional Centre for Social Economy, Banská Bystrica, RCSE manager
<b>Website</b>	<a href="https://socialnaekonomika.sk/regionalne-centra-se/regionalne-centrum-banska-bystrica/">https://socialnaekonomika.sk/regionalne-centra-se/regionalne-centrum-banska-bystrica/</a>
<b>Address</b>	Janka Kráľ'a 2, 974 01 Banská Bystrica

<b>Contact information</b> (E-mail, phone, etc.)	+421 915 916 169 <a href="mailto:jan.balaz@ia.gov.sk">jan.balaz@ia.gov.sk</a>
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	Public
<b>Focus</b> (relationship to social entrepreneurship)	Consulting in the field of social entrepreneurship development

<b>Name, organisation, position</b>	<b>Faculty of Economics, University of Economics in Bratislava</b>
<b>Website</b>	<a href="https://nhf.euba.sk">https://nhf.euba.sk</a>
<b>Address</b>	Dolnozemska cesta 1, 852 35 Bratislava
<b>Contact information</b> (E-mail, phone, etc.)	+421 - 2 - 6729 1221 <a href="mailto:eva.pongracz@euba.sk">eva.pongracz@euba.sk</a>
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	University
<b>Focus</b> (relationship to social entrepreneurship)	Development of theory and education in the field of social entrepreneurship

<b>Name, organisation, position</b>	Podnik medzitru práce, Šanca pre všetkých n.o., BB. (registred sociala enterprise set up by local municipality)
<b>Website</b>	<a href="http://pmpbb.eu/">http://pmpbb.eu/</a>
<b>Address</b>	Magurska 16, 974 11 Banská Bystrica
<b>Contact information</b> (E-mail, phone, etc.)	+421918 741 030 <a href="mailto:filipova.maja@gmail.com">filipova.maja@gmail.com</a>
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	NGO
<b>Focus</b> (relationship to social entrepreneurship)	Consulting in the field of social entrepreneurship

<b>Name, organisation, position</b>	Non-profit organisation EPIC
<b>Website</b>	<a href="https://epic-org.eu/">https://epic-org.eu/</a>
<b>Address</b>	Panenska 29, 811 03 Bratislava
<b>Contact information</b> (E-mail, phone, etc.)	0421259104280 <a href="mailto:info@epic-org.eu">info@epic-org.eu</a>
<b>Type of stakeholder</b> (public, private, NGO, business, etc.)	non - governmental organisation

<b>Focus</b> (relationship to social entrepreneurship)	Support for social entrepreneurship
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### Experts' view of the current state of social entrepreneurship

The addressed experts connected social entrepreneurship in Slovakia especially with a narrower definition of social enterprises, i.e. in connection with the current legislation included in the SEaSE Act. Some of them also perceived broader aspects of the social economy and the achievement of a positive social impact by other economic actors, but this perception was rather marginal and focused primarily on assessing the situation in relation to social enterprises as defined by the legislation. According to one of the experts, *"the concept of social enterprises in connection with social enterprises of work integration has now been adopted"*, i.e. as a tool for tackling employment issues, linked to the regions' most pressing problem, unemployment. *"We have not yet moved into the concept of the social economy to address the achievement of a positive social impact through the provision of services or goods for groups of people in the community"*. Experts evaluated the current state of social entrepreneurship in Slovakia as in its infancy, they do not perceive social entrepreneurship in Slovakia as established. The development of social entrepreneurship linked several experts to *"struggle"* and *"long-term work for the next period"*. From the point of view of business entities, this is perceived as a *"burden"* (to develop business with social impact) rather than an *"honour of doing socially beneficial work"*.

Experts perceive regional differences in Slovakia in the field of social entrepreneurship development, namely in the increased emergence of social enterprises in less developed regions, where the unemployment rate is higher and with fewer job opportunities.

### Positive aspects in the development of social entrepreneurship in Slovakia

Experts perceived the current legislation related to social entrepreneurship in Slovakia as positive, i.e. the adoption of the SEaSE Act in 2018. They also perceive this Act as a kind of *"milestone in the development of social entrepreneurship"*. They perceive the legislation as comprehensive and at a very good level. The [large-scale project Institute of Social Economy](#) is perceived positively, within the framework of which centres for social economy were established in the regions, providing counselling free of charge to subjects of the social economy. Another positive aspect is education at universities and the creation of a theoretical basis for the development of social entrepreneurship. Experts also appreciate the fact that the social economy appears in the programme statement of the new government.

### Main problems and challenges in the area of social entrepreneurship

Experts perceive that financial tools are created but, in practice, not sufficiently implemented. Many tools are untouched, such as service vouchers or tax exemptions, and the support system as defined in the SEaSE Act is not fully operational yet. Investment aid is ready but not yet implemented in practice, either. From the point of view of experts, there is a lack of human

capacities in the field of social entrepreneurship - people who would understand social entrepreneurship and would know how to support, promote and develop social enterprises, but in some cases also people who would be willing to work in social enterprises. In this context, comprehensive education in the field of social entrepreneurship is absent and this sphere is also in its infancy. There is insufficient understanding of what social economy is on the part of entrepreneurs, but also among public administration entities - ministries, regional and local governments. Negative connotations from 2008 related to social entrepreneurship are also perceived. People still do not know what social entrepreneurship is. Experts lack marketing in this area, which should be performed by the state authorities. Another challenge is interdepartmental communication. Ministries (except the MoLSAF) do not reflect the SEaSE Act in their sectoral policies.

### Prospects in the field of social entrepreneurship

Experts perceive local and regional self-governments as key players in the development of social entrepreneurship. Self-government is responsible for delivering and providing many services and goods and it is viewed as a way of decreasing of long-term unemployment. Counselling centres (operating under the Institute of Social Economy) at the regional level are perceived as important players in the development of social entrepreneurship, but other entities (NGOs) also play a role. Experts perceive investment aid in the development of social enterprises as an important tool in the future, i.e. material-technical and technological support of social enterprises. Experts perceive contracts for social enterprises from public administration entities as an important tool in the field of social entrepreneurship. Prospective areas in social entrepreneurship are: agriculture, support for local production, food self-sufficiency, social enterprises that will provide services or products at the local level, environmental protection and the development of innovation. Several experts also mentioned sheltered workshops and workplaces, and their challenge to be “*turned into*” social enterprises, which is also the case in practice. The experts reckon a need to establish an umbrella organization covering the interests of social enterprises. The first umbrella organization was set up in April 2020 (in the time when we conducted interviews with experts) and the second one shortly afterwards (June 2020). For the development of social entrepreneurship in the future, experts perceive as important that people, public as well as entrepreneurs, understand social economy and social entrepreneurship and understand it correctly.

### Cross-border cooperation in the field of social entrepreneurship

Cross-border cooperation projects are perceived by experts primarily in connection with the transfer of knowledge and experience. The advantage in cross-border cooperation may be by a similarity of the challenges in common or geographical proximity - some experiences are easier to transfer than others. In the area of cross-border cooperation within specific social enterprises, they identified development opportunities (for example in the field of agriculture), but on the other hand, they see different legislation or different currency (CZK, PLN, HUF, UAH) as barriers.

## 8. Analysis and identification of good practices

Table 7: Good practice form

Good practice general information	
<b>Title of the practice</b>	<b>Bee country-paradise (Včelí kRaj)</b>
<b>Organisation in charge of the good practice</b>	<i>NGO kRaj (not registered as a social enterprise)</i> <i>Zavada 89, 991 21 Zavada, Banska Bystrica region, Slovak Republic</i>
Description	
<b>Short summary of the practice</b>	<p><i>The civic association kRaj was established in 2007, but the initiative "BEEsiness" that can be considered as a social enterprise started in 2013 thanks to support of the Ekopolis Foundation and the Norwegian partner Bybi.</i></p> <p><i>This enterprise aims to popularize beekeeping again for people, to educate general public in the field of pollination of the landscape and to show the importance of pollination for humankind. District of Poltár was in the past very rich in apiaries, but the pest radically reduced the number of apiaries in the whole region. Today the tradition of beekeeping is in extinction and the region is the one with the lowest number of apiaries and beekeepers in Slovakia and the highest rate of unemployment at the same time. The enterprise revives the tradition of beekeeping, increases the awareness of general public in the field of pollination and creates new employment possibilities by beekeeping for long-term unemployed people especially in marginalized groups. In 2019 the organization has started another project "Voštinári" (honeycombs) which opened a workshop in the building of an old glass factory and provides trainings on wax processing for the long-term unemployed as well as buys the wax from the small local beekeepers. With this initiative the NGO aims to be registered as a social enterprise.</i></p>
<b>Resources needed</b>	<p><i>In the beginning, the BEEsiness project was supported in the amount of 59,492€ within the EEA program Active Citizenship and Inclusion operated by the consortium led by the Ekopolis Foundation in partnership with Children of Slovakia Foundation and SOCIA – Social Reform Foundation. Active Citizenship and Inclusion is a grant scheme for supporting activities of non-governmental organisations active in enhancing participative democracy, decreasing social inequalities, poverty and exclusion, supporting children and youth, protecting the environment and providing welfare and basic social services.</i></p> <p><i>Now the project and organisation run independently without the support of the grants, funded by self-financing activities, including selling honey products, apiaries and beekeeping trainings and workshops for public and schools.</i></p> <p><i>The organization does not publish annual reports and they did not provide the data on income and number of employees after several requests.</i></p>
<b>Timescale (start/end date)</b>	<i>2013 - ongoing</i>
<b>Evidence of success (results achieved)</b>	<p><i>The positive social impact is achieved by creating new employment opportunities in beekeeping in the region, in particular for marginalized groups. Moreover, beekeeping is popularized among pupils, students and teachers.</i></p> <p><i>Main results of the project from the beginning: 20 new apiaries established; 40 people trained in beekeeping as a job opportunity (mainly Roma population, mentally handicapped people and unemployed women); 1400 pupils and students participating in experience program; 720 people participating in experience workshops and companies' teambuilding.</i></p>

<b>Potential for learning or transfer</b>	<i>The enterprise provides training, starting equipment, assistance for beekeepers at various level (beginners to professionals), it distributes its own bee products (honey, wax, apiaries, etc.) and buys the wax from local beekeepers – all these activities they strategically do in one of the regions with the highest unemployment rate (14.42%, national average is 7.43% in April 2020). An important moment is the activation of people from the region, the creation of informal networks as well as the cultivation of the country. Moreover, beekeeping is popularized among pupils, students and teachers, which helps to achieve the goals - awareness of the population about the importance of beekeeping. The activities of the enterprise solves social, economic and environmental problems at the same time.</i>
<b>Further information</b>	<a href="https://kraj.sk/nas-pribeh/">https://kraj.sk/nas-pribeh/</a> and <a href="https://www.vostinari.sk/">https://www.vostinari.sk/</a>

<b>Good practice general information</b>	
<b>Title of the practice</b>	<i>Rozvojové služby BBSK (BBSK development services)</i>
<b>Organisation in charge of the good practice</b>	<i>Rozvojové služby BBSK s.r.o. (registered social enterprise) Lichardova 1, 977 01 Brezno, Banská Bystrica region, Slovakia</i>
<b>Description</b>	
<b>Short summary of the practice</b>	<i>Rozvojové služby BBSK s.r.o is the first regional construction social enterprise in Brezno, 100% owned by the Banská Bystrica region itself.  Rozvojové služby BBSK s.r.o. is a work-integration social enterprise. It helps to reduce unemployment in the BBSK region by performing construction activities mainly in the BBSK on buildings and property owned or managed by the Banská Bystrica self-governing region. The subject of the organisation's activities is the provision of socially beneficial services, preparatory work for the implementation of construction, construction activities, construction and their changes, finishing construction work in the implementation of exteriors and interiors, engineering, construction valuation, design and construction and providing services to support tourism.</i>
<b>Resources needed</b>	<i>The resources required to set up were in the amount of 30,000 € as the share capital was invested in full by BBSK. Currently, the company is financed through a commercial activity - providing services in the field of construction, through 33 employees. The annual budget was 673,927€, revenues from own income were 648,924 € in 2019.</i>
<b>Timescale (start/end date)</b>	<i>2019 – ongoing</i>
<b>Evidence of success (results achieved)</b>	<i>The positive social impact is achieved by employing of marginalised groups, e.g. disadvantaged or vulnerable persons, by doing so the company helps to inclusion and stops the marginalisation. So far, they have implemented the reconstruction and repair of 5 public buildings in the value of 4 mil. €. They also provide subcontracting for several big companies at the national level.</i>
<b>Potential for learning or transfer</b>	<i>Rozvojové služby BBSK s.r.o reflects the poor employment opportunities for long-term unemployed and low-skilled in the region, and at the same time the gap on the construction sector market. Therefore the BBSK does not implement unauthorized state aid, does not affect the market and the existence of this company does not endanger the existence of local entrepreneurs in the construction industry. The company increases regional assets and invests the generated profit back in the BBSK region in the social economy or other development projects. The independence of the company is achieved by the independent body of managers, as well as with the Body of supervisors. The company can thus be an inspiration for other regions of Slovakia, or regions of other countries with a similar socio-economic situation.</i>

<b>Further information</b>	<a href="https://www.rozvojesluzby.sk/">https://www.rozvojesluzby.sk/</a>
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<b>Good practice general information</b>	
<b>Title of the practice</b>	<i>V.I.A.C. - Inštitút pre podporu a rozvoj mládeže zo Slovenska (Institute for Support and Development of Youth from Slovakia)</i>
<b>Organisation in charge of the good practice</b>	<i>V.I.A.C. - Inštitút pre podporu a rozvoj mládeže zo Slovenska, Ústie nad Priehradou 41, 028 01 Trstená, Žilina region, Slovakia</i>
<b>Description</b>	
<b>Short summary of the practice</b>	<p><i>Civic Association V.I.A.C. was established in 2011 and its activities are very rich in the areas of education (including environmental education), youth work and development of volunteering and solidarity. They also work with families in social need and on the brink of poverty through their community centre. Their seat is in a town neighbouring with Poland and the association has several informal initiatives with neighbouring towns in Poland. It has several international projects, such as “Step Further”, where they coordinated young volunteers with a lack of opportunities - unemployed and with health problems. Another cross-border project is the Meeting Point which is a three-year strategic partnership with the main goal to contribute to the recognition of young people's skills acquired through volunteering in the labour market.</i></p> <p><i>In addition to these various projects, the association also operates a community centre and cafe Sinaj, where it employs women returning from maternity leave and young people with a lack of opportunities (unemployed and with health problems). The premises offer the possibility of use for discussions, lectures, there is also a children's corner in the library, where books can be borrowed or read in it. The second business element is the operation of the Orava Youth Centre (property of the church) with a capacity of 41 beds, which are divided into double, triple and quadruple rooms. Catering is also available to guests staying there.</i></p>
<b>Resources needed</b>	<i>Civic Association V.I.A.C. used the association's resources (donations and grants) as well as volunteer work to launch these initiatives. Some parts of the premises were also reconstructed with the help of project resources as a side project output. Revenues from the Sinaj and Orava Youth Centre operations (own income) reached 85,423.45€ in 2018, the donations amounted for 6,938.42 € and grants were in the amount of 163,394 €.92. The total incomes in 2018 were 550 951,33€. The association has currently 25 employees.</i>
<b>Timescale (start/end date)</b>	<i>Orava Youth Centre 2011 - ongoing, Sinaj since September 2016 - ongoing</i>
<b>Evidence of success (results achieved)</b>	<i>The positive social impact is achieved by employing vulnerable groups in the café and youth centre, as well as providing counselling and assistance for the with families in social need and other clients. At the end of 2018, the Sinaj Community Centre registered a total of 701 clients. As part of individual counselling, they provided basic counselling to 192 clients, specialised counselling to 33 clients and assistance in protecting the rights and legally protected interests of 60 clients during the calendar year. Together they implemented 521 activities for 2,297 participants.</i>
<b>Potential for learning or transfer</b>	<i>The Civic Association V.I.A.C is a model example of a non-governmental organisation that could register as a social enterprise. In terms of activities, it performs activities that are typical for the non-profit sector, and at the same time connects them with elements characteristic of social entrepreneurship. In terms of financing, it also has commercial income, which it reinvests in full in the main activity of the association. The V.I.A.C association operates throughout the Upper Orava region and has the potential to be a model for other regions to form civic associations to have positive social impact by improving the living conditions of the region's inhabitants.</i>

<b>Further information</b>	<a href="https://www.ozviac.sk/sinaj">https://www.ozviac.sk/sinaj</a>
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<b>Good practice general information</b>	
<b>Title of the practice</b>	<i>Obecné služby Raslavice, s.r.o. (Municipality services Raslavice, ltd.)</i>
<b>Organisation in charge of the good practice</b>	<i>Obecné služby Raslavice, s.r.o., Hlavná 154, 086 41 Raslavice, Košice region, Slovakia</i>
<b>Description</b>	
<b>Short summary of the practice</b>	<p><i>Obecné služby Raslavice, s.r.o is a company 100 percent owned by the local municipality whose goal is to support employment by construction and agricultural activities. In addition to construction and small-scale production, they also grow vegetables. On an area of about 11 hectares, they grow mainly root vegetables: they supply carrots, parsley and potatoes to the school canteen and also sell part of the production (so-called boxing - for example through <a href="http://mojzelevoc.sk">mojzelevoc.sk</a>). They strive for BIO vegetables with the least possible use of chemicals; hoeing, skinning and harvesting is done by hand with minimal involvement of mechanisation. The purpose is to supply the local nursery and primary school so that children consume healthy vegetables with as little chemical treatment as possible. Main customers are Elementary school and kindergarten Raslavice, Raslavice municipality soup kitchen, restaurants and soup kitchens in districts Bardejov and Prešov, Bardejov Spa, social service facilities in districts Bardejov and Prešov, sales at the municipal market.</i></p> <p><i>The company is successful in obtaining ESIF funding for projects in the municipality, e.g. received 1.2 million euros from a budget assigned for employment and inclusion of the Roma population. The village has a population of 2,746, of which 438 (16%) are Roma, the municipality is in <a href="#">the Atlas of Roma communities</a>.</i></p>
<b>Resources needed</b>	<i>The municipal social enterprise in Raslavice was established as a concrete response of the municipality to address unemployment in the municipality, using public resources: contributions from labour office and the project Support for Employment in Rural Areas - New Ideas for Increasing Employment in Rural Europe.. The project was financially supported by ACRE - the Alliance of Conservatives and Reformists of Europe based in Brussels. At present, the company is sustainable from the resources obtained by selling cultivated production. In 2018 the income for goods and services was 222,926 €.</i>
<b>Timescale (start/end date)</b>	<i>May 2015 – ongoing</i>
<b>Evidence of success (results achieved)</b>	<i>During the first two years of existence (2015 and 2016), 64 people from the village were employed, 37 of them from the Roma community, mostly people from the marginalized Roma community. In 2015, there were 270 unemployed, in 2019 this number, also thanks to social enterprise dropped to 141. The company's employees, i.e. residents of Raslavice, earned almost one million euros in wages in two years, thus one can argue that the money stay in the local economy and fuel the development in the village. Those who were employed through the company repaid their debts, some of which returned directly to the municipal treasury, where they were in debt.</i>
<b>Potential for learning or transfer</b>	<i>As part of the project Support for Employment in Rural Areas, approximately 50 representatives of local self-governments from whole Slovakia became acquainted with the model of the municipal enterprise. Raslavice municipal enterprise make full use of local resources (municipal land), grow vegetables to supply their own facilities (kindergarten, school, local canteen) and in addition to giving children and pensioners good vegetables, they use local products, thus shortening supply chains and leaving a minimum carbon footprint. Moreover, they process waste at</i>

	<i>a local composting site. In their activities, they combine the principles of the circular and social economy.</i>
<b>Further information</b>	<a href="https://www.raslavice.sk/obecny-podnik/?ftresult=soci%C3%A1lny+podnik">https://www.raslavice.sk/obecny-podnik/?ftresult=soci%C3%A1lny+podnik</a> .

Source: adjusted by authors using the Interreg Europe Good Practice template from the Interreg Europe website: <https://www.interregeurope.eu/policylearning/good-practices/>

## 9. Conclusions and recommendations

Based on this report, it is clear that social entrepreneurship cannot be left as a form to itself, but must be actively promoted and protected against undesirable external influences by appropriate policy instruments that can overcome barriers and thus support the functioning of existing social enterprises or new emerging ones. Despite the new legislation broadened the scope of social enterprises, the social entrepreneurship is still perceived as work integration structure, mostly due to the historic development as well as the fact that the easiest measurable social impact is the number of employees from disadvantaged and marginalized groups. Moreover, the support from the Operational Programme Human Resources is also strongly focused on the increasing the employment rate of marginalized group and social inclusion of excluded groups.

The distinctive feature of social entrepreneurship is the dependence on the external economic environment. This is mainly due to the economic health of the region, but also to the national economy. Many social enterprises may have problems due to the low purchasing power of the local population in disadvantaged regions. Therefore, they suffer with lack of financial capital, which is often a significant barrier to formation, development and continuous functioning of social enterprises.

In regards of the registered social enterprises of work integration type, the support scheme providing the job subsidies for disadvantaged and vulnerable employees exists. However, for those social enterprises not registered according Act on SEaSE, the personal costs of their employees may be a critical challenge. Therefore, better linkages between active labour policies (e.g. activation measures) and support of non-registered social enterprises would be very much of use of non-registered social enterprises

Social entrepreneurs often enter social entrepreneurship without prior training or business experience, lack of entrepreneurial skills is present in the area of creating business plans and business models, management and planning, marketing and communication, grant writing/project proposals preparation, knowledge in the fields of legislation on social enterprises, employing disadvantaged jobseekers, available financial instruments and public procurement.

Challenge, specific for Slovakia, is negative experience with the program of the pilot social enterprises in the past which causes aversion of the public to the very concept of social enterprise and a question of the state aid, which for now applies a very strict and conservative interpretation of the rules.

To overcome the barriers, several recommendations can be formulated based on the analysis and expert interviews.

- Experts recall a deeper cooperation with labour offices - to connect the continuity of tools of active labour market measures, counselling, preparation of jobseekers and tools to support social entrepreneurship. To continue to fund technical assistance programs providing free assistance to those interested in social enterprises and which, within their frameworks, will implement training programs aimed at building skills for successful social enterprises and the creation of support and information materials;
- The introduction of educational programmes in application practice, as well as programmes and disciplines at the level of higher education supports the successful establishment of social enterprises. Incubators and training centres are also suitable for acquiring business skills, which could prepare such potential entrepreneurs for pricing, marketing, etc. The development of other skills such as effective work with volunteers can be taken into account, since volunteering represents for many social enterprises an important part of their functioning, especially those non-registered according to the SEaSE Act. To include the topic of social entrepreneurship in the content of education at secondary schools and universities. From the European Funds to ensure the implementation of programs, within which it will be possible to implement non-formal education programs aimed at strengthening skills in the field of social entrepreneurship or the implementation of training social enterprises for young people under the age of 29.
- Lack of understanding and awareness about social entrepreneurship can be overcome by better communication of the objectives and criteria of social enterprises by academics or experts to a large audience. Increased coverage in the media – the growing number of success stories attracting the attention of the media; awareness of general public about roles of social enterprises can be being cultivated. Evaluation and public promotion of social enterprises, e.g. social enterprises awards (e.g. SozialMarie, Get started and others).

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## Appendices

### Calculation of estimated numbers of SEs for years 2014 – 2019

To avoid duplicity in the estimates of social enterprises we followed the criteria of legal form, i.e. among the registered social enterprises are cooperatives, limited companies (Ltd.), non-governmental organisations (NGOs) so for these legal forms in the calculation we take into account only those not registered as social enterprises according to Act 112/2018 or as sheltered workshop according to Act 5/2004. Also, the municipal social enterprises are either under the registered social enterprises or under the legal form of limited company, therefore we did not state them separately in our calculations for the estimates.

\*Note: the data should be treated as indicative range, estimates are based only on the authors' expert assumption.

\*\*Note: the total number of non-governmental organisations indicated in the table does not include those registered as foundations and non-investment funds, as they, according to the legislation, are not allowed to engage in entrepreneurial activities.

Table 8: Calculation of estimated numbers of SEs for years 2014 – 2019

	Registered	Estimated	Estimated number of active social enterprises*
<b>2014</b>			
<b>Social Enterprises (Act 5/2004 amended in 2013)</b>	44	100%	44
<b>Social Enterprises (Act 112/2018)</b>	-	100%	-
<b>Sheltered workshops (Act 5/2004 amended in 2013) – form of WISE</b>	898	50%	449
<b>Non-Governmental Organisations**</b>	36,601	5%	1,830
<b>Limited company (Ltd.)</b>	177,261	0,05%	89
<b>Cooperatives</b>	1,542	1%	15
<b>Total</b>	216,346	-	2,427
<b>2015</b>			
<b>Social Enterprises (Act 5/2004 amended in 2013)</b>	44	100%	44
<b>Social Enterprises (Act 112/2018)</b>	-	-	-
<b>Sheltered workshops (Act 5/2004 amended in 2013) – form of WISE</b>	1,072	50%	536
<b>Non-Governmental Organisations**</b>	39,234	5%	1,962

<b>Limited company (Ltd.)</b>	176,956	0,05%	88
<b>Cooperatives</b>	1,323	1%	13
<b>Total</b>	218, 629		2,643
<b>2016</b>			
<b>Social Enterprises (Act 5/2004 amended in 2013)</b>	16	100%	16
<b>Social Enterprises (Act 112/2018)</b>	-	-	-
<b>Sheltered workshops (Act 5/2004 amended in 2013) – form of WISE</b>	1,234	50%	617
<b>Non-Governmental Organisations**</b>	44,128	5%	2,206
<b>Limited company (Ltd.)</b>	193,300	0,05%	97
<b>Cooperatives</b>	1,353	1%	14
<b>Total</b>	240,031	-	2,950
<b>2017</b>			
<b>Social Enterprises (Act 5/2004 amended in 2013)</b>	9	100%	9
<b>Social Enterprises (Act 112/2018)</b>	-	-	-
<b>Sheltered workshops (Act 5/2004 amended in 2013) – form of WISE</b>	1,392	50%	696
<b>Non-Governmental Organisations**</b>	48,116	5%	2,406
<b>Limited company (Ltd.)</b>	200,782	0,05%	100
<b>Cooperatives</b>	1,367	1%	14
<b>Total</b>	251,666	-	3,225
<b>2018</b>			
<b>Social Enterprises (Act 5/2004 amended in 2013)</b>	13	100%	13
<b>Social Enterprises (Act 112/2018)</b>	7	100%	9
<b>Sheltered workshops (Act 5/2004 amended in 2013) – form of WISE</b>	1,526	50%	763
<b>Non-Governmental Organisations**</b>	50,812	5%	2,541
<b>Limited company (Ltd.)</b>	210,490	0,05%	105
<b>Cooperatives</b>	1,396	1%	14
<b>Total</b>	264,246	-	3,445
<b>2019</b>			

<b>Social Enterprises (Act 5/2004 amended in 2013)</b>	0	100%	0
<b>Social Enterprises (Act 112/2018)</b>	52	100%	52
<b>Sheltered workshops (Act 5/2004 amended in 2013) – form of WISE</b>	1,647	50%	824
<b>Non-Governmental Organisations**</b>	n.a.	5%	-
<b>Limited company (Ltd.)</b>	223,569	0,05%	112
<b>Cooperatives</b>	1,429	1%	14
<b>Total</b>	226,697	-	1,002

Source: authors