



BOOSTING SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE DEVELOPMENT IN SLOVENIA

In-depth policy review

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This report provides an in-depth analysis of the policy ecosystem in place for social entrepreneurship and social enterprises in Slovenia. It identifies the country's strengths and challenges and provides policy recommendations to support the development of a stronger policy ecosystem. After an overview of the socio-economic and political context (Chapter 1), the report describes the conceptual framework for social enterprises and the social economy (Chapter 2); and analyses institutional and legal frameworks for social enterprises (Chapter 3), access to finance for social enterprises (Chapter 4), and access to public and private markets (Chapter 5), along with social impact measurement and reporting for social enterprise development (Chapter 6).

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Acronyms

AIR	Accelerating Investment Readiness
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
CEED	Centre for Entrepreneurship Education and Development
CFE	Centre for Entrepreneurship, SMEs, Regions and Cities
CNVOS	Centre of Non-Governmental Organisations of Slovenia
CSR	Corporate Social Responsibility
DRCD	Department of Rural and Community Development
DSILI	Deloitte's Social Investment Leveraging Index
ESF	European Social Fund
ESG	Environmental, Social and Governance
EU	European Union
EURICSE	European Research Institute on Cooperative and Social Enterprises
EVPA	European Venture Philanthropy Association
FASE	Financing Agency for Social Entrepreneurship
GDP	Gross Domestic Product
GSEN	Global Social Entrepreneurship Network
HNWI	High-Net-Worth Individuals
IMAD	Institute of Macroeconomic Analysis and Development
IRDO	Institute for the Development of Social Responsibility
LEED	Local Employment and Economic Development
LLC	Limited Liability Company
MEAT	Most Economically Advantageous Tender
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
RRI	Responsible Research and Innovation
SDG	Sustainable Development Goal
SEF	Slovene Enterprise Fund
SEROI	Socio-economic and Environmental Return on Investment
SIA	Social Impact Award
SIO	Slovenian Educational Network
SME	Small and Medium-sized Enterprise
SPOT	Slovenian Business Point
SROI	Social Return on Investment
SSE	Social and Solidarity Economy
WISE	Work Integration Social Enterprise

Executive Summary

After gaining full sovereignty from Yugoslavia in 1991, Slovenia has enjoyed solid economic growth and has performed well on the Sustainable Development Goals (SDGs). However, the economic and social context remains challenging. Slovenia was hit hard by the 2008 global financial and economic crisis and, more recently, by the coronavirus pandemic, with GDP contracting by 4.2% in 2020. Other major concerns are the persisting disparities between Eastern and Western Slovenia and at the sub-regional level as well as the ageing of the Slovenian population. The latter is putting a strain on the healthcare, long-term care and pension systems, and is leading to a shrinking workforce, where skills gaps are also emerging.

Social enterprises are important vehicles for work integration as well as for rural and regional development, that have gained increasing and active support from policymakers. Following the 2008 crisis and the promotion of social enterprises by the EU, they gained political support in the country, which already had a longstanding tradition of civic engagement. Momentum around social enterprises culminated with the adoption of the 2011 Social Entrepreneurship Act, which was then amended in 2018 to bring diverse legal entities under the social economy umbrella term. The law requests mandatory reporting for registered enterprises and further instructs the adoption of a Directive on the measurement of social impacts. In addition, social enterprises in Slovenia now benefit from a more favourable access to public markets following the transposition of EU Public Procurement Directives.

Nonetheless, several challenges restrain the development of social entrepreneurship and social enterprises. For example, there is still confusion around the concepts of social enterprise, social entrepreneurship, social economy, and social innovation, which are often used interchangeably. Additionally, the fragmentation of the institutional and legal landscape for social enterprises and the limited coherence of the support frameworks create inconsistent operating environments for social enterprises. Their capacity to thrive is also restrained by limited access to finance as well as to public and private markets, while social impact measurement has not yet become common practice despite preliminary public and private efforts.

Policymakers can therefore play a critical role in helping social enterprises overcome these barriers, by shaping conducive policy ecosystems that reinforce a common understanding of social enterprises and enhance coherence among different policy areas. They have an opportunity to unlock the potential of social enterprises, by both building on existing achievements to support their development and taking action across a range of other policy areas.

Promoting a shared understanding of the concepts of social enterprises and the social economy

Slovenia has a longstanding and rich tradition of a plurality of entities operating as social enterprises, but confusion and limited awareness remain around the concepts of social enterprise and the social economy. Such misunderstandings contribute to fragmentation among different types of social enterprises, notably between companies for persons with disabilities, which focus on work integration, and other types of social enterprises. The 2018 revision of the Act on Social Entrepreneurship attempted to improve clarity among concepts within the field but the results have not been fully satisfactory.

There is a need to clarify core notions such as social enterprise and the social economy and facilitate a shared understanding. The official definitions provided in the Social Entrepreneurship Act do not need to be revised but clarity could be reinforced when promoting these notions. This clarification will also benefit policy makers when designing public policies to support social enterprise development. This could be achieved by raising awareness and enhancing knowledge on social enterprises and the social economy by, for example, leveraging the corpus of knowledge created over the years by international organisations and international academic networks or through specific funding schemes to support research in the Slovenian context.

A constructive dialogue among the diverse entities that comprise the social economy should be promoted by public institutions. This would help to reinforce a mutual understanding among diverse components within the field and overcome, in the medium to long term, the current fragmentation. Possible strategies include identifying one or several entities based on their representativeness of the social economy actors to participate in consultations with public authorities, supporting the collaboration among different components of the social economy through support to concrete projects, and providing capacity-building workshops targeting different types of social enterprises and the social economy at large.

Promoting coherent institutional and legal frameworks for social enterprises

Slovenia benefits from a legal environment characterised by the availability of a broad spectrum of legal forms and statuses for entities willing to perform as social enterprises. The introduction of the social enterprise status in the 2011 Act on Social Entrepreneurship and its revision in 2018 has raised political attention on social enterprises. However, this legal status was introduced without taking into proper account pre-existing statuses and forms used by *de facto* social enterprises, which contributed to the fragmentation of the legal landscape and led to inconsistencies in the support frameworks. The institutional framework is also characterised by several departments in charge of social enterprise-related competences, which contributes to operating environments that are difficult to navigate for social enterprises.

Policy makers can help overcome the fragmentation of institutional and legal environments in which social enterprises operate. Co-ordination mechanisms among departments with responsibilities for the social economy and social enterprises, such as inter-ministerial committees, should be developed to allow better alignment across different policy areas. The establishment of a task force overseen by the Council of the Social Economy to undertake operational work on a regular basis could be an option to reinforce alignment across policy areas. Simplifying the legal environment where social enterprises operate and reinforcing coherence among support schemes, including fiscal benefits, could also help overcome the current fragmentation of the legal landscape.

Improving access to finance for social enterprises

While there have been some public initiatives to provide funding for social enterprises, these efforts have been marked with weak outreach, which in turn limits the uptake of available funding opportunities. Additionally, there are few public or private opportunities specifically dedicated to reinforcing access for social enterprises to a diversity of financial instruments. Both the limited interest of commercial banks in social enterprises and the scarcity of established social or impact-driven investors make it difficult for social enterprises to achieve financial sustainability, making them largely dependent on grant-based financing. Likewise, local intermediaries and business support initiatives already exist but their offer for social enterprises remains limited.

In the short term, increasing the outreach of existing public and private financial instruments would improve access to finance for social enterprises. Empowering local intermediaries and leveraging existing business support networks to accommodate the specific needs of social enterprises could help expand the range of support mechanisms available for all types of social enterprises and reinforce capacity development.

In the longer term, there is room for improvement with regard to the type and diversity of financing mechanisms offered to social enterprises. Developing a consistent strategy for public funding to social enterprises is an important step towards harmonising public tendering processes across government and help to ensure that social enterprises are able to access all public tenders and financial support regardless of the legal form that they have adopted. It would also reinforce the role of policy makers in developing public-private initiatives or in facilitating the establishment of private actors as financial providers and intermediaries.

Reinforcing access to public and private markets for social enterprises

Despite significant improvements in public tendering processes following the transposition of EU regulations, the potential of Slovenian legislation to stimulate social enterprise access to public markets remains under-used. Social enterprises in Slovenia still have limited access to public markets due to the centralisation of welfare service provision by public agencies, poor technical skills among social enterprises and the limited support and expertise on social procurement in the ecosystem. In addition, access to private markets is affected by the quota system that mainly benefits companies for persons with disabilities and also depends on the legal form or status adopted by social enterprises.

Policy makers can help improve social enterprise access to markets by tapping into the potential of legislation to stimulate social procurement but also by enhancing capacity development and training opportunities. A first step is to improve the opportunities for social enterprises to access public markets and to promote capacity building for both public officers and social enterprises. The development of practical and legal guidance might help in this respect. In the medium to long term, it could be relevant to explore the potential and specific assets of social enterprises as providers of welfare services, in complement to public actors, and to encourage collaborations among social enterprises and with conventional enterprises to improve their capacity to participate in public and private procurements.

Promoting social impact measurement and reporting for social enterprises

Although there is public commitment to encourage social impact measurement by policy makers and independent attempts by social enterprises, concrete progress has been slowed by limited support and resources available to social enterprises. The government is currently taking steps to develop a common methodology on social impact measurement for registered social enterprises. Yet, the Slovenian ecosystem suffers from a dearth of capacity building intermediaries, which results in a limited offer in terms of continued training and technical support to adequately equip social enterprises and social economy actors with the skills they need to evidence their impact.

The government should push forward its attempts to develop a comprehensive framework for social impact measurement as well as enhance capacity building. Public guidance should include minimum basic principles to both ensure a robust and participatory measurement process and promote the disclosure of impact data. However, it should also remain flexible to accommodate the diversity of social enterprises and social economy organisations at large. Moreover, to ensure its feasibility and uptake, such guidance should be developed in close consultation with representatives from the social economy and should be accompanied by support services and capacity development. Policy makers can help build impact evidence at the national level, or mandate specific actors to do so, to better understand, at the macro level, the field's contribution to social, environmental and economic goals and better support public efforts in promoting the development of the social economy.

Action Plan

Recommendations	When	Who
Conceptual framework		
<p>Enhance the visibility of social enterprises and promote the social economy as an overarching concept Increasing the visibility of social enterprises and the social economy among the general public is needed. Fully recognising their contribution to a broad set of social, societal and environmental goals as well as to regional socio-economic development can be a way to further their visibility. The social economy should also be more broadly promoted as an umbrella concept that is able to capture the diverse types of <i>de facto</i> and <i>de jure</i> social enterprises, in addition to the other components of the social economy. The forthcoming Strategy for the Development of the Social Economy can be a first step in that direction.</p>	Short to medium term	Ministry of Economic Development and Technology In collaboration with the Council of the Social Economy
<p>Facilitate a shared understanding of the concepts through enhancing knowledge on social enterprise and the social economy The Strategy for the Development of the Social Economy can help clarify concepts such as social enterprise, social entrepreneurship and the social economy when promoting these notions. Capitalising on the corpus of knowledge produced by international organisations and research institutions is recommended. Specific funding schemes are also needed to promote research and enhance knowledge in this area.</p>	Short to medium term	
<p>Support dialogue among the diverse components of the social economy Constructive dialogue among the diverse entities that compose the social economy, including <i>de jure</i> and <i>de facto</i> social enterprises, needs to be promoted by public institutions. Possible strategies include identifying one or several entities based on their representativeness of the social economy actors to participate in consultations with public authorities, favour collaborations among social enterprises and social economy actors through support to concrete projects, and support the creation of networks gathering the diverse components of the social economy.</p>	Short to medium term	
Institutional and legal frameworks		
<p>Create a coherent support system and simplify the legal landscape Support schemes and fiscal benefits connected to the diverse legal forms and statuses for social enterprises need to be harmonised to overcome current inconsistencies. The legal environment where social enterprises operate should be simplified in the long term. An option is to reduce the number of statuses, which requires intermediary actions such as awareness-raising and consistent fiscal frameworks.</p>	Medium to long term	Ministry of Economic Development and Technology Ministry of Agriculture, Forestry and Food Ministry of Labour, Family, Social Affairs and Equal Opportunities Ministry of Public Administration

<p>Reinforce co-ordination across ministries and departments in charge of social economy- and social enterprise-related competence</p> <p>Co-ordination mechanisms, such as an inter-ministerial committee, should be developed to enable coherence and allow better alignment across different policy areas. Possible options include the establishment of a task force overseen by the Council of the Social Economy to undertake operational work on a regular basis, or the formalisation of a co-ordination mechanism among “contact points” on social enterprises and social economy from relevant ministries and departments. When the legal landscape will have been simplified, the opportunity to gather all competences related to social enterprise and social economy under one competent Ministry could also be explored in the longer term.</p>	Short to long term	Council of the Social Economy
Access to finance		
<p>Develop a coherent strategy for public funding to social enterprises</p> <p>A consistent funding strategy can help increase the types and diversity of financing mechanisms offered to social enterprises, harmonise public tendering across government and reinforce public actors in providing funding opportunities or facilitating the development of a private financial offer in the ecosystem.</p>	Long term	Council of the Social Economy
<p>Increase outreach of existing financial instruments</p> <p>Informing social enterprises of existing public (and even private) financial instruments can increase uptake and improve access to finance. Expanding outreach efforts and providing centralised dashboards outlining available opportunities represent a straightforward and low-cost way to boost utilisation of financial instruments.</p>	Short to medium term	Council of the Social Economy
<p>Diversify types of funding available to social enterprises</p> <p>Providing guarantees for bank loans from public funds, thereby reducing credit risk, would encourage private investment in social enterprises. Possible strategies include using the future InvestEU guarantees and financial instruments and Slovene Enterprise Fund to develop a bank guarantee dedicated to social enterprises and social economy organisations. To further diversify the types of funding available to social enterprises, policy makers can look beyond grants and develop loans.</p>	Short to long term	Ministry of Economic Development and Technology
<p>Enhance capacity building for social enterprises to ensure investment readiness</p> <p>It is important to expand engagement with social economy networks and federations as well as universities to provide social enterprises with tailored coaching in addition to the available training opportunities. This could help social enterprises understand the potential benefits presented by financial instruments beyond grants and help them consolidate their business models in order to access loans and other source of finance. This could be achieved by leveraging existing business support networks to accommodate the specific needs of social enterprises. The participation of the University of Ljubljana in the SocialB Erasmus programme is an excellent example of this type of initiative.</p>	Short to medium term	Ministry of Economic Development and Technology
<p>Empower local intermediaries</p> <p>It is important to empower local intermediaries to provide support to early-stage social enterprises to access finance and to contribute to the consolidation of the overall ecosystem. This can be accomplished by raising awareness and building capacity among existing incubators and accelerators of the specific needs and potential of social enterprises.</p>	Short to medium term	Ministry of Economic Development and Technology

Access to public and private markets		
<p>Improve the opportunities for social enterprises to access public procurement</p> <p>Policy makers could encourage the participation of social enterprises in public procurement by better aligning their calls for tenders with the social enterprises' realities and capacities. The opportunity to tap into the potential of social enterprises to provide welfare services, in complement to public action, could also be explored.</p>	Short to medium term	Ministry of Economic Development and Technology
<p>Enhance capacities of social enterprises and public officers</p> <p>Promoting capacity building and making information available for public officers, social enterprises and their networks is crucial to equip all actors with the necessary skills to engage in social public procurement. The upcoming Procurement Academy is a good example of this type of initiative. Leveraging the capacity of existing business support initiatives and extending their offer to accommodate the social enterprises' needs is another option.</p>	Short to medium term	Ministry of Economic Development and Technology Ministry of Public Administration
<p>Promote collaborations among social enterprises and between social and conventional enterprises</p> <p>Collaborations among social enterprises (and the social economy at large) and with conventional enterprises should be promoted to enhance social enterprise access to markets. Interactions between cities and remote areas as well as cross-border activities involving social enterprises should also be encouraged.</p>	Short to medium term	Ministry of Economic Development and Technology
<p>Collect data on social procurement</p> <p>Policy makers could develop an evaluation of public procurement, especially social public procurement, relying on systematic data collection to follow a set of quantitative and qualitative indicators on the implementation of these social public procurement. This evaluation tool should enable a better understanding of what works well, in which public procurement procedures social enterprises are involved and what is the room for improvement.</p>	Medium term	Ministry of Economic Development and Technology Ministry of Public Administration
Social impact measurement and reporting		
<p>Provide flexible guidance</p> <p>The government should push forward its attempts to develop a framework for social impact measurement. To ensure its feasibility and uptake, such guidance should be developed in consultation with social enterprises and the social economy at large, and adopt a flexible approach to accommodate the diversity of the field.</p>	Short to medium term	Ministry of Economic Development and Technology
<p>Enhance capacity building</p> <p>Guidance will need to be accompanied by capacity development and support services to encourage its dissemination and correct uptake. Given the limited capacity building offer, there is a need to empower existing intermediaries, open new opportunities for social enterprises and social economy organisations to get support, while also leveraging existing resources from abroad.</p>	Short to medium term	
<p>Create impact evidence</p> <p>Policy makers can engage in, or mandate, the creation of impact evidence at the national level to better capture the positive impacts of the field to social, environmental and economic goals in a macro-level perspective. This could take the form of theory-based evaluation of the different public initiatives undertaken in support of the social economy, to enhance public accountability and inform the design of future interventions.</p>	Long term	Ministry of Economic Development and Technology All stakeholders that could contribute to create impact evidence Academia and practitioners

1 The socio-economic and political context

Slovenia is a small market economy that has enjoyed solid economic growth over recent decades. Its performance on the Sustainable Development Goals (SDGs) is better than the EU average for most socio-economic indicators; however, there are persistent disparities between Eastern and Western Slovenia and at the sub-regional level. A major concern is population ageing, which is straining the healthcare, long-term care and pension systems and contributing to a shrinking workforce, which is exacerbated by emerging skills gaps. Welfare services are almost entirely covered by the public sector. Following the 2008 crisis and the recent promotion by the EU, social enterprises have been seen as tools, in complement to public action, to address social needs and contribute to work integration as well as rural and regional development. Social enterprises have therefore gained political support in the country building on a rich tradition of civic engagement developed stretching back to the 13th century, albeit interrupted by the Yugoslav socialist period. This chapter¹ provides an overview of the socio-economic and political context, which helps understand why and how social enterprises have emerged and developed in Slovenia up to the present day.

Socio-economic context

Solid economic growth was disrupted by the 2008 and COVID-19 crises

Slovenia is a small country located in Central Europe regarded as one of the most advanced economies of the Member States that joined the European Union after 2004. It covers 20 273 square kilometres, which is half the size of the Netherlands and one seventeenth of the size of Germany, and has a population just above 2 000 000 people (OECD, 2021^[1]). After gaining full sovereignty from Yugoslavia in 1991, the country transitioned from self-managed socialism to a market economy in pursuit of Europe integration. Following economic depression in the first few years of independence caused by the transition to a new political system and the Ten-Day war, Slovenia recovered relatively quickly and embarked on a path of strong economic growth. The transition was largely successful and entailed a restructuring of the economy with a rapid increase in the service sector as well as in the public services including education and health (Ferfila and Phillips, 2010^[2]).

The country was hit hard by the global financial and economic crisis that started in 2008 (Spear et al., 2010^[3]), which negatively affected the Slovenian economy up until 2013. An economic upturn was recorded in the period 2014-19, during which the country rapidly narrowed the gap with the EU average in economic development (Institute of Macroeconomic Analysis and Development, 2020^[4]). In 2017 and 2018, the economy grew by more than 4%, with more moderate growth in 2019 primarily due to a global downturn in trade, as Slovenia is an export-oriented economy (European Commission, 2020^[5]). At the

¹ This report is based on the available statistics, desk research and qualitative data gathered prior, during and after the stakeholder consultations undertaken virtually in October 2020. Additional follow up interviews were conducted remotely until October 2021. The reference period of the research covers one and a half year and the information has been last updated on 19 November 2021. Annex B provides the programme of the stakeholder consultations.

same time, the labour market registered a continued increase in the employment rate and a decrease in both the overall unemployment rate (at 4.6% in 2019) and the long-term unemployment rate (at 2.2% in 2019, well below the euro area average) (European Commission, 2020^[5]).

The coronavirus pandemic has had a severe impact on the Slovenian economy, causing GDP to contract by 4.2% in 2020 (European Commission, 2021^[6]). The pick-up in economic activity registered in the third quarter of 2020 after the end of the lockdown in mid-May was interrupted by the intensification of the outbreak in September 2020 and subsequent new restrictions (OECD, 2020^[7]). These were progressively lifted in early 2021, but the recovery was delayed as a third lockdown was introduced for the month of April following the quick spread of COVID-19 variants (OECD, 2021^[8]). Extensive government measures aimed at supporting employment and limiting insolvencies have mitigated the impact of the crisis; this notwithstanding, employment has decreased and unemployment has increased slightly (European Commission, 2021^[9]). The economy is expected to bounce back in the second half of 2021 thanks to vaccinations and other factors (e.g., support to public investment through the Next Generation EU programme and increasing private investment thanks to lower uncertainty and favourable financing conditions). According to OECD projections, economic growth is projected to rebound and reach 3.5% in 2021 and 4.6% in 2022 (OECD, 2021^[8]).

Good performance on most socio-economic indicators

Slovenia is considered to be performing well on the Sustainable Development Goals (SDGs).² On most sub-indicators, in particular the social ones, Slovenia is performing better than the EU average. It performs particularly well in the SDG 10 sub-theme “inequality within countries”. Income inequality is low – the lowest in the EU – and the share of people at risk of poverty or social exclusion has further declined since 2014. Nevertheless, it remains well above the EU average for elderly people – especially for elderly women – and it is higher in the Eastern than in the Western region. Overall, social benefits – especially sickness and disability benefits – reduce both the incidence of poverty and its depth (European Commission, 2020^[5]).

However, there are a few indicators where Slovenia is below the EU average and on a deteriorating path. Particularly relevant in this regard is investment as a share of GDP (SDG 9), which in 2018 stood at 19.2% – below the EU average of 20.9% – and which has been falling in recent years (European Commission, 2020^[5]). On a similar note, Slovenia’s gap with the EU average in the field of innovation has widened since 2016, while the introduction of sophisticated technological solutions for digital transformation is regarded as too slow for the 2013-17 timespan (Institute of Macroeconomic Analysis and Development, 2020^[4]).

Regional and sub-regional disparities

The country’s Eastern region lags behind the Western region – which includes the capital city of Ljubljana – across several economic and social indicators (see Figure 1.1 for a map of Slovenia and its regions). In particular, gaps are significant in many areas considered instrumental for the development of a modern economy. According to the 2020 European semester report on Slovenia, the Eastern region has “a lower share of people with tertiary education; a higher share of people with low educational attainment; lower public and private R&D investment; lower employment in high-technology sectors and knowledge-intensive services; and less internet use by individuals” (European Commission, 2020, p. 34^[5]).

² For an overview of the performance of Western and Eastern Slovenia against each SDG, see the OECD Tool “[Measuring the distance to the SDGs in regions and cities](#)”. For additional information on Slovenia’s well-being, see the [OECD Better Life Index](#), the 2020 How’s Life report (OECD, 2020^[48]) and the [Slovenia country note](#).

Figure 1.1. Map of Slovenia's twelve statistical regions and two cohesion regions

The country is divided in the Western and the Eastern cohesion regions. Western cohesion regions include Osrednjeslovenska, Goriška, Gorenjska, Obalno-kraška, while Eastern cohesion regions include Zasavska, Podravska, Posavska, Savinjska, Pomurska, Koroška, Jugovzhodna Slovenija, Primorsko-notranjska.



Source: Adapted from Statistični urad Republike Slovenije (<https://www.stat.si/obcine>)

Additionally, the population is growing in Western Slovenia (by 7.7% in 2000-17), while it is slightly decreasing in the Eastern region (by 0.4% in the same period). To give some telling examples at sub-regional level, the population of the capital sub-region and the coastal Obalno-Kraska grew significantly (12% and 8% respectively) against a decline of more than 7% and 5% respectively in two of the least developed sub-regions (Pomurska and Zasavska) due to natural population decrease and emigration. During the same period (2000-17), GDP grew faster in Western Slovenia than in the less developed eastern part of the country (1.7% annually against 1.4%) (European Commission, 2020_[5]). Over the same period, the GDP per capita of Eastern Slovenia had a yearly average growth of 1.8% close to the one recorded by Western Slovenia (2%) (OECD, 2021_[10]). However, in light of the population change, the cross-regional coefficient of variation of GDP per head weighted by population is one of the lowest in the Eurozone (European Commission, 2020_[5]).

Another example of pronounced disparities at sub-regional level is the prominent role of the capital sub-region around Ljubljana in the economy. This area “produced 37% of national GDP in 2017, with 26% of country’s population” and “its GDP per capita in 2017 (120% of the EU average) was almost three times higher than in Slovenia’s poorest region (Zasavska, 45% of the EU average)” (European Commission, 2020, p. 10_[5]), which is mainly due to intensive labour migration between the two regions.³

³ <https://www.stat.si/StatWeb/en/news/Index/8726>.

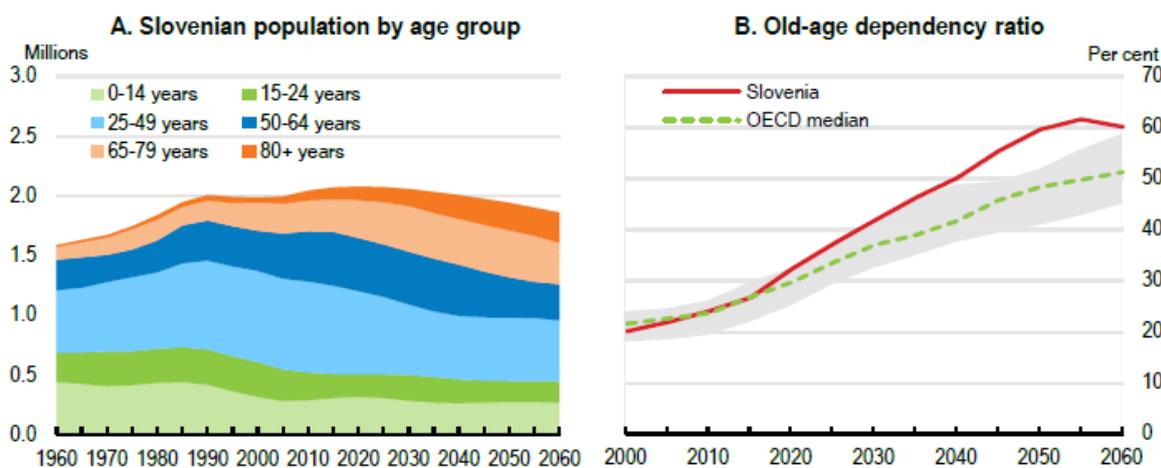
An ageing population and the related challenges

Slovenia's population is ageing, and the age composition is rapidly changing with a growing older population (65+) and a decreasing working age population (15-64) (see Figure 1.2). This demographic change creates multiple challenges.⁴ For example, ageing is putting a strain on the healthcare and long-term care systems as well as on the pension system (OECD, 2020_[11]).

As the population ages, the healthcare system, which suffers from some structural problems,⁵ is increasingly facing a diversified and growing demand for health services (OECD, 2020_[11]). Growing even faster than the needs for regular healthcare are those for long-term care. Against this backdrop, the integrated provision of long-term care community services is considered to be underdeveloped in the current system (European Commission, 2020_[5]). According to OECD/European Observatory on Health Systems and Policies (2019_[12]), in 2017, spending on the health component of long-term care was 9.8% of total health expenditure, significantly less than the EU average of 17%.

The pension system is already running a deficit of 2.5% of GDP, which is projected to reach 6% by 2050 (more than in almost all other EU Member States). Despite the 2013 pension reform aimed at prolonging working lives by introducing a minimum pension age of 60 for workers with a full contribution period of 40 years and a statutory age of 65 for all, the effective retirement age remains among the lowest in the OECD. Additionally, many older workers avail themselves of unemployment, disability and long-term sickness benefits as pathways to early retirement (OECD, 2020_[11]).

Figure 1.2. The population is ageing



Note: In Panel B, the old-age dependency ratio is share of the population older than 65 over the working age population (20-64 years) and the shaded area denotes the 25th to 75th percentile range of available data for OECD countries.

Source: United Nations (2019), World Population Prospects: The 2019 Revision, Online Edition.

Source: (OECD, 2020, p. 17_[11])

⁴ To address in a comprehensive manner the challenges related to population ageing, the government has adopted the Active Ageing Strategy in 2018. For further information, see: https://www.umar.gov.si/fileadmin/user_upload/publikacije/kratke_analize/Strategija_dolgozive_druzbe/UMAR_SDD_ang.pdf.

⁵ For example, the relatively low density of general practitioners and their high work-burden leads to an over-referral to specialist care, which in turn increases waiting times (OECD, 2020_[11]).

Shrinking workforce and increasing need for appropriate skills

Population ageing is leading to a smaller and older workforce, which will create more permanent labour shortages. In light of this, better labour utilisation and human resources with appropriate knowledge and (digital) skills are considered crucial (OECD, 2020_[11]).

Older and less skilled workers represent an under-utilised pool of potential job candidates. Their inactivity rates are high (and significantly higher than the EU average for the 55-64-year cohort). On the one hand, they may lack the skills to be attractive for employers; on the other hand, they often leave the labour market early (OECD, 2020_[11]).

Compared to the OECD average, Slovenia has lower public spending on labour market policies and relatively higher reliance on passive labour market policies (e.g., unemployment benefits) (OECD, 2020_[11]). Funding for active labour market policies (e.g., employment subsidies, direct job creation, re- and up-skilling measures) is lacking and not efficiently allocated across different measures and regions (European Commission, 2020_[5]). While employment support measures are well developed for workers with disabilities, active labour market policies are not sufficiently effective in addressing long-term unemployment. Over the last decade, targeted active labour market policies have somewhat improved the chances of employment for older and low skilled workers, but their participation remains low (European Commission, 2020_[5]). Also low is their engagement in lifelong learning that could help them adapt to job digitalisation and automation and acquire sought-after skills (Institute of Macroeconomic Analysis and Development, 2019_[13]). At the same time, hard-to-employ job seekers, including older and low skilled workers, are not receiving sufficient training (OECD, 2020_[11]).

Other challenges pertaining to the labour market include low geographical mobility that hampers the optimal allocation of workers to job (OECD, 2020_[11]); mismatch between the supply of knowledge and skills and the needs of the labour market; and insufficient digital literacy (European Commission, 2020_[5]).

Political and administrative landscape

Slovenia gained independence from Yugoslavia in 1991 and became a multi-party representative democracy. Since then, it has joined several European and international institutions, in particular the European Union (including the Schengen Agreement and the Eurozone), as well as NATO and the OECD.

Slovenia remains a centralised country with regard to welfare services, which are almost entirely covered by the public sector (European Commission, 2019_[14]). The country is subdivided into twelve statistical regions, which do not have administrative functions and are distributed in two cohesion macro-regions, Western and Eastern Slovenia. Therefore, the local government is only structured at the level of 212 distinct municipalities (OECD/UCLG, 2019_[15]).

Slovenians have a strong sense of community but a moderate level of civic participation. According to OECD data, 92% of them believe they know someone to rely on in case of need (higher than the OECD average of 89%), while voter turnout – a measure of citizens' participation in the political process – only reached 53% during recent elections (lower than the OECD average of 68% and one of the lowest in the OECD).⁶

In December 2017, the government adopted the Slovenian Development Strategy 2030, which represents the long-term national development framework and incorporates the SDGs. As shown in Figure 1.3, it pursues the overarching objective to provide a high quality of life for all by setting out five strategic orientations: i) a highly productive economy that creates added value for all; (ii) lifelong learning;

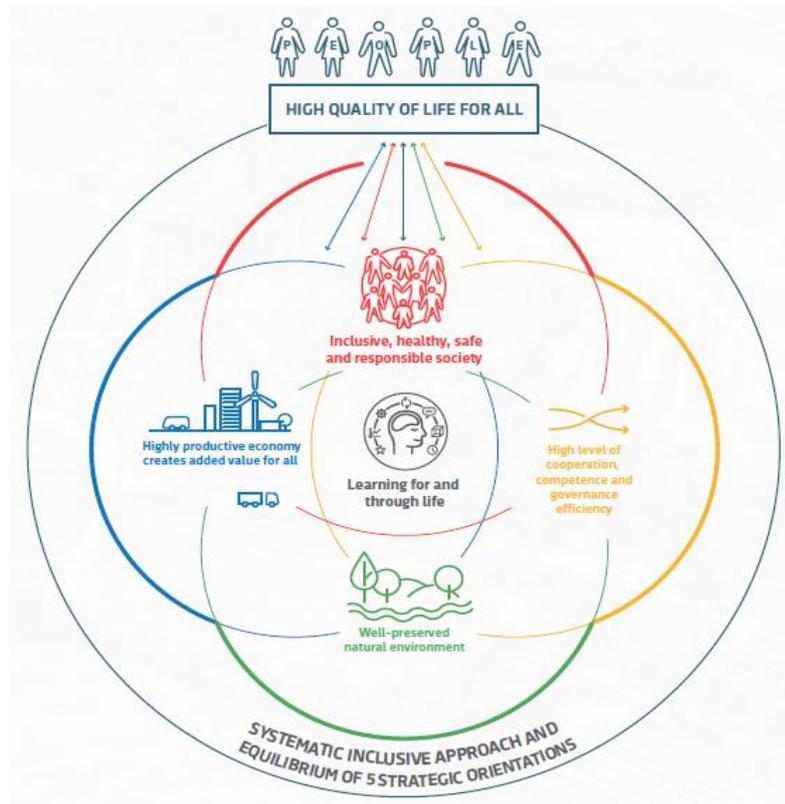
⁶ See: <http://www.oecdbetterlifeindex.org/countries/slovenia/>

(iii) an inclusive, healthy, safe and responsible society; (iv) a well-preserved natural environment; and (v) a high level of co-operation, competence and governance efficiency. Additionally, it establishes twelve development goals in interconnected and interdependent areas that are considered essential for the implementation of the strategic orientations (OECD, 2018^[16]). Two of them are the transition to a low-carbon circular economy and a sustainable natural resource management, reflecting Slovenia's commitment to the protection of the environment, as per the Framework Programme for a transition to a green economy adopted by the government in 2015. However, the 2020 IMAD report that monitors the implementation of the Slovenian Development Strategy (2020^[4]) notes deviations from the strategic orientations in some areas, e.g., the slow response to technological, demographic and climate change.

The efficiency of the government in supporting the business sector and promoting development in several areas has strengthened over recent years although managers report some remaining challenges, such as excessive bureaucracy, lengthy procedures and high tax burden on labour, as main obstacles to doing business (Institute of Macroeconomic Analysis and Development, 2020^[4]). It is also recognised that the COVID-19 pandemic has shifted the priority in the short term to preventing the spread of the virus and mitigating the socio-economic consequences.

Figure 1.3. Slovenian Development Strategy 2030

The figure displays the equilibrium of the five strategic orientations of the new Slovenian Development Strategy 2030 and the inclusive approach to achieving well-being for all.



Source: (Institute of Macroeconomic Analysis and Development, 2020^[4])

The roots of social enterprises in Slovenia

A long history of civil society self-organisation and self-reliance

Slovenia has a long tradition of civil society self-organisation and self-reliance dating back to the emergence of craft-guilds and religious charity organisations and funds in the 13th and 14th centuries (Spear et al., 2010^[3]). After the revolution of 1848, when Slovenian territories tried to free themselves from Habsburg rule (mid-14th century until 1918), freedom of association was recognised as a classical constitutional right and legal norms were introduced to regulate the establishment of associations and other forms collective organisation on the basis of common interests (Borzaga, Galera and Nogales, 2008^[17]). The first law on cooperatives was passed in 1873, corroborating the long history of the cooperative movement in the country. Back then, the law on cooperatives succeeded in combining the principles of economic security, social freedom, civic and political participation. An extensive network of associations, cooperatives, charity organisations and unions had come into place before World War I. Cooperatives and associations continued to be the primary providers of public goods and services until the end of World War II (aside from the informal sector): in 1938, there were about 6 000 cooperatives and 1 600 associations active in Slovenia (Črnak-Meglič and Rakar, 2009^[18]).

The arrival of the Yugoslav socialist period after the end of World War II broke with this rich tradition and ended the drive for collective initiatives, social responsibility and a need for self-organisation. Most activities were transferred to the so-called “social and political organisations”, as most associations were included in the public sector and funds were nationalised or ceased to exist. In the 1960s, the tradition of employment and support of persons with disabilities – still strong today – was established. While the first companies for persons with disabilities (*invalidskih podjetij*) were set up to integrate persons with physical disabilities into work, they now also include persons with mental disabilities (Spear et al., 2010^[3]).

The development of civil society organisations⁷ started to surge again in 1974 when the Act on Associations was adopted in the frame of a broader reform process implying the reduction of state regulations and the promotion of self-governed socialism (European Commission, 2019^[14]). Their number grew rapidly over the next decade (1975-85), even more than during the 1990s, when Slovenia’s independence from Yugoslavia in 1991 brought significant political change (Borzaga, Galera and Nogales, 2008^[17]). The newly formed country had effectively continued to provide most social services and maintained the number of people employed in public services unchanged.

Consequently, Slovenia did not experience a welfare gap, which is what stimulated the significant development of civil society organisations in many other transition countries. This explains the relative marginalisation of civil society organisations in service delivery. However, with the transition came a considerable reduction of the state control over the activity of civil society organisations as well as the introduction of new legislation regulating cooperatives, foundations and private institutes (*zavodi*) in the 1990s and employment centres later in the 2000s (European Commission, 2019^[14]).

Social enterprise and social economy promotion

Following Slovenia’s accession to the EU in 2004 and the EU’s social enterprise promotion in recent years (2011 – onwards), social enterprises have gained momentum and political support in the country (European Commission, 2019^[14]). The concept was used for the first time in 2009 when pilot projects funded by the European Social Fund (ESF) were launched to support the development of social enterprises. The 2008 financial and economic crisis was an important catalyst in this regard. On the one

⁷ According to the EU, “civil society refers to all forms of social action carried out by individuals or groups who are neither connected to, nor managed by, the State. A civil society organisation is an organisational structure whose members serve the general interest through a democratic process, and which plays the role of mediator between public authorities and citizens.” (https://eur-lex.europa.eu/summary/glossary/civil_society_organisation.html).

hand, the related disappointment of the population with mainstream economic reforms resulted in the emergence of movements advocating new ways of organising the economy (Interreg CE SENTINEL, 2018^[19]). On the other hand, the government became increasingly interested around 2008-09 in using the social economy, and social enterprises in particular (see Box 1.1 for a definition of these terms), as vehicles to successfully tackle crucial economic and social concerns such as unemployment (Spear et al., 2010^[3]) but also to reinforce regional development. The competence for social entrepreneurship was under the Ministry of Labour, Family, Social Affairs and Equal Opportunities until January 2015.

Since then, interest around social enterprises has been growing, and so have their activities, although their weight in the Slovene economy remains modest. Registered social enterprises employ 0.045% of the active Slovenian population with revenues of up to 0.041% of GDP. *De facto* social enterprises employ a higher share of the working population – 0.268% – with revenues equivalent to 0.269% of GDP (excluding companies for persons with disabilities that employ 1.37% of the active population) (European Commission, 2019^[14]).

Momentum around social enterprises culminated with the adoption of the Social Entrepreneurship Act in 2011, which aimed at promoting social enterprises by establishing an *ad hoc* social enterprise status for a number of legal forms fulfilling certain criteria.

However, the Act received criticism for its restricting requirements as well as for the lack of specific financial and fiscal advantages for organisations acquiring the status. Restrictive provisions included: the obligation to employ disadvantaged workers (for type-B social enterprises) and operate in defined fields of activity; yearly reports to the Ministry of Labour, Family, Social Affairs and Equal Opportunities on the employment of vulnerable groups; and specific restrictions for entities working with persons with disabilities. In practice, such restricting provisions prevented some *de facto* social enterprises from obtaining the legal status of social enterprise, as was the case of companies for persons with disabilities and employment centres, and discouraged eligible organisations from seeking the status of social enterprise.

Consequently, the Act was amended in 2018. Changes include the contextualisation of the social enterprise within the social economy, erasure of the distinction between type-A and type-B social enterprises;⁸ removal of the obligation to employ disadvantaged groups and suppression of the limitation on the fields of activity; removal of the restrictions that in practice prevented companies for persons with disabilities and employment centres to register; mitigation of the administrative barriers in place to maintain the status; and introduction of a total non-profit distribution constraint⁹ (European Commission, 2019^[14]). Between the 2011 Social Entrepreneurship Act and its revision in 2018, the competence on social enterprises was transferred from the Ministry of Labour, Family, Social Affairs and Equal Opportunities to the Ministry of Economic Development and Technology with the objective to reinforce the business orientation in social enterprises.

⁸ Type A was used for a range of social entrepreneurship activities defined in both the Act (see Article 5) and the Regulation on Determination of Activities of Social Entrepreneurship (2012), while Type B covered work integration social enterprises employing disadvantaged groups. Additional information is provided in Box 3.1.

⁹ The non-profit distribution constraint prevents registered social enterprises from distributing any profits to their members and owners.

Box 1.1. Defining the social economy and the social enterprise

The **social economy** refers to the set of associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises, whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance (OECD, 2018^[20]). Social economy organisations organise their activity in an alternative way, building on local roots, using participatory and democratic governance and working in close co-operation with other actors.¹⁰

Social enterprises extend the scope of the social economy beyond its traditional forms. Similar to the OECD definition of social enterprise (OECD, 1999^[21]), the European Commission understands a social enterprise as an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities (European Commission, 2011^[22]). The social enterprise's social purpose may include environmental goals (European Union, 2021^[23]).

Social enterprises are not a specific legal form, but rather can take a diversity of legal forms and statuses that reflect the entrepreneurial approaches within the social economy. **De jure social enterprises** are those legally recognised through specifically designed ad hoc legal forms and statuses while **de facto social enterprises** are those which are not legally recognised as such but meet the operational definition of the social enterprise, produce important services of general interest and use a legal form not specifically designed for social enterprises (e.g., association, cooperative, conventional enterprise) (European Commission, 2020^[24]).

In Slovenia, the 2018 revised Social Entrepreneurship Act defines the social economy as an economy consisting of social enterprises, cooperatives, companies for persons with disabilities, employment centres, non-governmental organisations (associations, institutes, foundations), which are not established solely for the purpose of gaining profit, operate for the benefit of their members, users or broader society and produce commercial or non-commercial products and services (article 2). In addition, the social enterprise is defined in the same legal text as a 'non-profit legal entity, which acquires the status of social enterprise and can be an association, institute, foundation, company, cooperative, European cooperative or other legal entity of the private law, that is not established for the sole purpose of generating profit and does not distribute assets or the generated profit or excess revenue over expenditure.' (European Commission, 2019^[14]) To acquire the status of social enterprise, a non-profit legal entity must comply with a range of principles and requirements defined in the legal framework to indicate its public benefit nature and social character.

Nevertheless, the revision of the legal and policy framework supporting social enterprises remains incomplete, with some barriers still present in the revised law and a Strategy for the Development of the Social Economy still in the making, even though it had been set in the 2018 amendment – that introduces the notion of social economy (see Box 1.1) – and expected within six months of the adoption of the 2018 revision of the Act. The political ambition to support the social economy that gained momentum in 2018, when the country chaired the Monitoring Committee of the Luxembourg Declaration¹¹ and the city of Maribor was made the European Capital of the Social Economy, has faded over the following years

¹⁰ <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=9922&furtherNews=yes>

¹¹ The Monitoring Committee of the Luxembourg Declaration was created in 2016 to follow up on the agreements reached within the framework of the Luxembourg Declaration entitled "A roadmap towards a more comprehensive ecosystem for social economy enterprises", which was adopted by the representatives of the Governments of France, Italy, Luxembourg, Slovak Republic, Slovenia and Spain in December 2015.

although a certain interest and commitment remains as shown in the next chapters. Box 1.2 provides an overview of the institutional framework for the social enterprise and the social economy in Slovenia.

Box 1.2. The Slovenian institutional framework for social enterprises

In Slovenia, the regulatory competence for social entrepreneurship is under the competence of the Ministry of Economic Development and Technology. It was transferred to this ministry from the Ministry of Labour, Family, Social Affairs and Equal Opportunities in January 2015 with a view to strengthen the business orientation in social enterprises.

However, the responsibility over entities that can be regarded as social enterprises is in practice dispersed across various ministries according to their legal form and status. *De jure* social enterprises and conventional enterprises are under the competence of the Ministry of Economic Development and Technology; cooperatives are under the competence of the Ministry of Agriculture; NGOs are under the competence of the Ministry of Public Administration; and companies for persons with disabilities and employment centres are under the competence of the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

Following the 2011 Social Entrepreneurship Act, the Council of the Social Entrepreneurship – composed of representatives from relevant ministries, two social enterprise representatives, one social partner representative and one expert – was established to ensure co-ordination on social entrepreneurship policies and to prepare and monitor the implementation of the Strategy for Social Entrepreneurship Development 2013-2016. The 2018 revision of the Social Entrepreneurship Act transformed this council into the Council of the Social Economy and enlarged its composition (counting now the Minister in charge of the social economy acting as President of the Council as well as ten government representatives from relevant ministries, two representatives of social enterprises and two of cooperatives, one representative of companies for persons with disabilities and one of employment centres, one representative of local communities, two of social partners, one of professional organisations in the field of social economy and one of civil society). Its task is to prepare the forthcoming Strategy for the Development of the Social Economy 2021-31.

Sources: (European Commission, 2019^[14]); stakeholder consultations and interviews conducted by the OECD as part of this policy review

2 Conceptual framework: social enterprises and the social economy

Slovenia has a longstanding and rich tradition of a plurality of entities acting as social enterprises. However, there is confusion and little awareness around the concept of social enterprise, which is often conflated with work integration. Misunderstandings of what can be regarded as a social enterprise nourish segmentation in the social enterprise field between companies for persons with disabilities and other types of social enterprises. After outlining the strengths and challenges which impact the development of the Slovenian social enterprise, this chapter proposes enlarging the scope of social enterprises and promoting a common language as the main policy issues. The chapter concludes with a series of recommendations aimed at enhancing clarity among these notions to better capture the specific features of social enterprises and the social economy at large, which helps reinforce conducive policy ecosystems.

Strengths

The tradition of civic engagement to assist and integrate persons with disabilities into work

As noted above, Slovenia has a longstanding tradition of civic engagement through associations, self-organised by different groups of people according to their respective interests (Borzaga, Galera and Nogales, 2008^[17]). These entities together with organisations assisting and employing persons with disabilities, which were institutionalised during the Yugoslav socialist period, have contributed to shaping the rich and broad set of civil society organisations that can be regarded as social enterprises in contemporary Slovenia (European Commission, 2019^[14]).

A diverse population of social enterprises

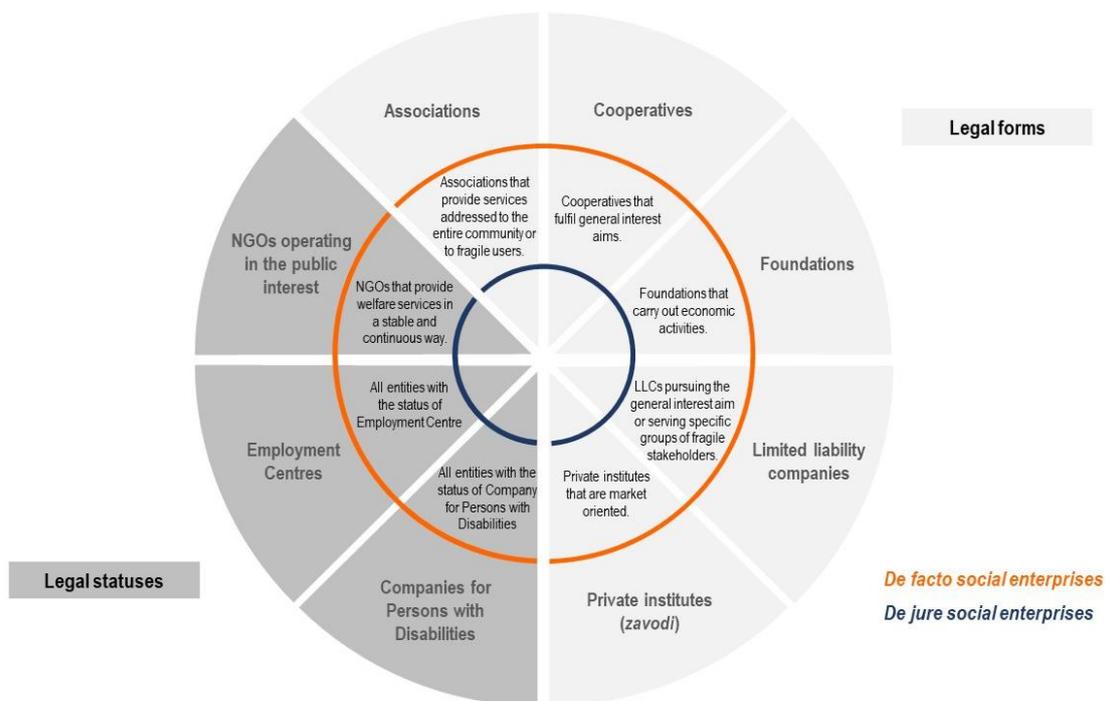
There is a wide spectrum of legal forms and statuses¹² that, albeit not specifically designed for social enterprises, may be used by organisations that define themselves and operate as social enterprises. Possible options include the following legal forms: association, cooperative, foundation, limited liability company and private institute (*zavod*). The Slovene legislation regulating these entities is aligned with EU and OECD definitions of social enterprise (see Box 1.1). Traditional non-profit organisations are allowed to engage in economic activities; legislation on cooperatives allows cooperatives to address the needs of non-members including vulnerable recipients; legislation regulating limited liability companies provides for the introduction of specific constraints, such as the non-profit distribution constraint and the asset lock, which are meant to ensure the survival of the general interest aim over time.

¹² A legal form is the foundational legal structure adopted by an organisation, e.g. association, cooperative or Limited Liability Company (ESELA, 2015^[51]). A legal status can be adopted by a number of legal forms complying with certain characteristics and criteria, and affect the treatment of those legal forms, for example the fiscal treatment (ESELA, 2015^[51]).

In addition to this wide spectrum of legal forms, the Slovenian legal system provides for two legal statuses specifically designed for work integration social enterprises and one status of Non-Governmental Organisations (NGO) operating in the public interest. The statuses for WISEs – employment centres and companies for persons with disabilities – played an important role in strengthening the visibility and consolidating the capacity of social enterprises integrating persons with disabilities into the labour market. Stakeholder consultations conducted by the OECD as part of this policy review confirmed that employment centres and companies for persons with disabilities are still today the most widely recognised and supported types of entities among the ones that operate as social enterprises.

Figure 2.1. The spectrum of legal forms and statuses available for social enterprises

A wide spectrum of legal forms and statuses can be used by entities that define themselves and operate as social enterprises. This spectrum identifies the so-called *de facto* social enterprises, that are not legally recognised as social enterprises but fulfil the definition of the social enterprise and operate as such. As for *de jure* social enterprises, they include those legally recognised through *ad hoc* legal forms and statuses designed specifically to support social enterprise development.



Source: Authors' elaboration

Shift towards the social economy as a more comprehensive concept

By bringing diverse legal entities under the social economy umbrella term, the 2018 revision attempted to enhance coherence among entities sharing the social economy principles and values. The 2018 amendment of the Social Entrepreneurship Act indeed defined the term “social economy” for the first time in Slovenian legislation and contextualised the social enterprise within this broader concept. While reflecting EU influence (see Box 2.1), this shift towards the wider social economy was also an attempt to bridge the longstanding tradition of cooperatives and companies for persons with disabilities and employment centres with newly established social enterprises targeting new forms of poverty and social exclusion.

Box 2.1. EU trends: from a social enterprise focus towards a wider understanding of the social economy

Over the last decade there has been a progressive shift in policy debates and initiatives at both EU and Member States levels from the social enterprise – as a specific entrepreneurial form – towards the social economy as a wider set of organisations sharing specific features and values. This wider approach implies the promotion of another way of doing business that is expected to bridge the longstanding tradition of cooperatives, mutual aid societies and associations with current concerns that plague contemporary societies. Recent legal changes recognising the social enterprise as part of a wider phenomenon (e.g., France, Bulgaria, Slovakia) – the social economy, the social and solidarity economy or the third sector – reflect this trend (European Commission, 2020^[24]). This broader perspective is expected to be mirrored by the EU Action Plan for the Social Economy,¹³ whereas, on the contrary, the 2011 Social Business Initiative was focused mainly on the social enterprise.

This shift has coincided with the parallel enlargement of the scope of social enterprises from tackling specific social challenges (e.g., work integration of specific target groups, delivery of welfare services) to pursuing the well-being of individuals and communities as an overarching goal. Social enterprises are increasingly regarded as a solution for a plurality of social and societal challenges by recent national legislations and policies, which have enlarged both the fields of activity of social enterprises and the number of entitled organisations that may qualify as social enterprises.

Source: (Haarich et al., 2020^[25])

Challenges

Uneven uptake of the social enterprise notion within the national landscape

Despite the longstanding existence of a plurality of entities performing as *de facto* social enterprises, the notion itself was rarely used in Slovenia¹⁴ before it was formally introduced by EU funding schemes and the 2011 Act on Social Entrepreneurship. Since then, the development of the social enterprise concept has continued to be strongly shaped by funding schemes and legal developments rather than being influenced by the practice on the ground.

Consequently, the ownership and uptake of the social enterprise concept among *de facto* social enterprises continues to be rather low. Stakeholder consultations conducted in the frame of this study confirmed that these organisations that would be entitled to register as social enterprises do not fully define themselves as such or recognise themselves in this notion. This is especially the case of organisations holding the status of companies for persons with disabilities which rarely self-recognise as social enterprises, although they fully comply with the EU definition of social enterprises, as well as with the Slovenian national definition of social enterprise. Similarly, associations that have progressively shifted towards a strong entrepreneurial stance, as well as private institutes (*zavodi*) that are engaged in the provision of general interest services with an entrepreneurial and market-oriented approach are not fully aware of being *de facto* social enterprises.

There is, in particular, a significant division between companies for persons with disabilities and other types of social enterprises. Several stakeholders expressed a certain reluctance among companies for persons with disabilities to define themselves as social enterprises. Many fear losing the advantages already granted under the support framework these entities have been using for decades and see no benefit in defining themselves as social enterprises. As a result, the stakeholder consultations

¹³ <https://ec.europa.eu/social/main.jsp?catId=1537&langId=en>

¹⁴ The term “social enterprise” was introduced in Europe in the nineties (OECD, 1999^[21]; Borzaga and Defourny, 2001^[52]).

conducted as part of this policy review also confirmed the poor inclination of social enterprises and more widely social economy organisations to collaborate with each other.

Diverse umbrella organisations, networks and federations, gathering either *de facto* or *de jure* social enterprises, exist side by side in Slovenia but they do not co-operate. A unified body bringing the different families of the social economy under the same roof and speaking with one voice does not exist. This fragmentation reflects both the poor inclination of Slovenian social economy organisations to co-operate with one another and their reluctance to recognise themselves in the same founding values. On the contrary, several stakeholders tended to emphasise the differences distinguishing the diverse social enterprises, and social economy entities at large.

Narrow interpretation of the social enterprise concept

While contributing to the wider visibility of the social enterprise concept, both EU funds¹⁵ and the 2011 Act on Social Entrepreneurship have favoured a rather narrow understanding of what is to be recognised as a social enterprise in Slovenia. This narrow understanding of the concept continues to predominate, although a wider interpretation of what can be regarded as a social enterprise was embraced in the 2018 revision of the Act on Social Entrepreneurship.

The 2011 Act on Social Entrepreneurship conflated the concept of social enterprise with work integration in a rather narrow sense and failed to embed the valuable contribution of non-state organisations to improving the welfare of persons with disabilities in the social enterprise concept. As a concept, the social enterprise was instead promoted as something new, independent from the longstanding tradition of civic engagement to support persons with disabilities. This has had two unintended consequences: (1) the creation of a strong divide between old organisations committed to integrating persons with disabilities into work and new organisations, complying with the Slovenian national notion of social enterprise, that focussed mainly on disadvantaged workers other than persons with disabilities; (2) failure to harness the potential of the social enterprise in a wide spectrum of fields of general interest beyond work integration.

Interchangeable use of concepts and difficulty to apply theoretical notions to the Slovenian context

Most Slovenian stakeholders tend to use the concepts of social enterprise, social entrepreneurship, social economy, corporate social responsibility and social innovation interchangeably. They sometimes struggle to develop a shared understanding of these notions and to apply these concepts consistently to the Slovenian context. Problems can be ascribed to difficulties in understanding the differences between diverse types of entities (social enterprises, traditional cooperatives, and conventional enterprises promoting CSR) and broader phenomena (social economy, social entrepreneurship and social innovation).

The 2011 Act added to the confusion by improperly using the term social entrepreneurship to refer to the social enterprise. Indeed, rather than referring to an approach driving positive social changes, as the term social entrepreneurship would imply, the Act regulates organisations sharing specific features.

The term social innovation is rarely used by stakeholders and the relationship between social enterprises and social innovation is not fully clear. Rather than being conceived as a specific product, service, or new process, social innovation tends to be vaguely understood as the capacity of social enterprises to address unmet challenges. Indeed, the same Act on social entrepreneurship defines social innovation as a solution to social problems and needs that the market cannot provide. At the same time, innovative partnerships connecting traditional enterprises with companies for persons with disabilities, so

¹⁵ The definition used in some European funding schemes' documentation was initially restraining the concept of social enterprise, which contributed to this narrow understanding, as raised during the stakeholder consultations conducted for this policy review.

as to reach quotas foreseen by national regulations, are overall underestimated and, in any event, rarely regarded as Corporate Social Responsibility (CSR) practices (see chapter 5).

Conceptual confusion persisting after the 2018 revision of the Act

The 2011 Act nourished further segmentation among the different social enterprise types. Indeed, it introduced yet another status – the social enterprise – without ensuring proper co-ordination with previously existing statuses, particularly the statuses for employment centres and companies for persons with disabilities (Haarich et al., 2020^[25]).

By removing a number of barriers,¹⁶ the 2018 amended Act has attempted to improve clarity and coherence within the field but the results have not been fully satisfactory. The legal, fiscal and support system remains highly fragmented and the social enterprise as a status is regarded as not appealing, especially to organisations targeting persons with disabilities, such as companies for persons with disabilities and employment centres. This reluctance to adopt the social enterprise status by two of the main components of the social enterprise landscape jeopardises the mainstreaming of the social enterprise as a concept and a specific way of operating socio-economic activities.

Policy issues

Enlarging the scope of social enterprise

The reach of the 2011 Act was limited. Its scope was made even narrower by preventing organisations traditionally aimed at integrating persons with disabilities, such as employment centres and companies for persons with disabilities, from registering as social enterprises. As a result, when originally introduced, the concept of social enterprise aimed especially to support the development of organisations addressing the needs of disadvantaged persons other than the persons with disabilities.

The concept of social enterprise introduced in 2018 has a broader scope and closely matches the European Commission's Social Business Initiative definition (European Commission, 2019^[14]). However, despite the 2018 amendments, which have removed technical barriers preventing employment centres and companies for persons with disabilities from registering as social enterprises, these organisations do not recognise themselves in this concept and have no incentive to gain an additional status.

To fully harness the potential of social enterprises, the first step is to acknowledge the broad set of social and societal concerns they can contribute to tackling, which range from facilitating the integration of persons with disabilities and hard-to-employ persons to supplying a set of general interest services that are meant to improve the well-being of people and communities as well as to address environmental challenges.

Promoting a common language and a shared understanding of the notions

As a concept, the social enterprise is not widely used and it is still very little understood by the general public, by policy makers and by the social enterprises themselves, which often do not recognise themselves in it. The public also narrowly frames social enterprises within the field of social policy. Factors explaining this confusion include significant misunderstandings around terms such as the “social economy” – often associated with social care/support or state support –, the “cooperatives” and “vulnerable groups”.

The translation of “social enterprise” in Slovenia, namely “socialno podjetje”, generates misunderstandings due to the fact that the English word “social” is interpreted as the Slovenian equivalent for “social welfare”, hinting at welfare issues and “economy of the poor” (European

¹⁶ Chapter 3 on Institutional and legal frameworks provides further clarification on the benefits of the 2018 revision of the Act.

Commission, 2019^[14]). A better translation of the English word “social” should relate to the general interest or the benefit to communities and society in general.

The difficulty in operationalising the concept is also compounded by the lack of a common language when it comes to classifying social enterprise income sources. Public subsidies aimed at covering the costs linked to the integration of persons with disabilities by employment centres and companies for persons with disabilities are often wrongly classified as public grants.¹⁷ This misunderstanding pushes many stakeholders to regard organisations that are market-oriented as not entrepreneurial. Thus, it would be important to clarify the difference between public grants, which imply a lump sum payment, and public subsidies, which are transferred to employment centres and companies for persons with disabilities in proportion to the degree of disability and the number of persons with disabilities integrated.

Added to this, prejudices towards social enterprises dating back to the socialist system are still rather widespread. Until recently, stakeholders agreed that “entrepreneurship” had a negative connotation within civil society, because under the socialist system, the state played an all-encompassing role in service provision. Consequently, social enterprises were and still are perceived as competitors to public institutions. According to some stakeholders, this presents one of the main barriers impeding greater social enterprise development.

Recommendations

Enhance the visibility of social enterprises and promote the social economy as an overarching concept

Increasing the visibility of social enterprises among the general public is needed in the short run.

One option can be to acknowledge the potential of social enterprises to address a broad set of social, societal and environmental challenges, beyond the integration of vulnerable groups, and to fully recognise their contribution to regional and local socio-economic development. The incorporation of social enterprises and the social economy more widely in regional development policy can be one step in this direction, as it is the case in the proposed four-year Development Incentives Programme for Border Problem Areas. Possible strategies may also include proper awareness-raising campaigns on a regular basis (e.g., social enterprise day, buy social campaigns¹⁸), educational initiatives involving secondary schools and higher education institutions, as well as support to research activities focused on social enterprises.

The social economy also ought to be more broadly promoted as an umbrella concept in the short to medium run that is able to capture the diverse types of *de facto* and *de jure* social enterprises operating in Slovenia, as well as traditional cooperatives and non-profit organisations (e.g. associations and private institutes – *zavodi* – that do not engage in economic activities). There is a need to educate about the commonalities of all the components of the social economy to promote this field as a unified one that contributes to socio-economic development. The forthcoming Strategy for the Development of the Social Economy (envisaged by the 2018 revision of the Act) can be a first step in that direction, combined with a reinforcement of the dialogue among the various components of the social economy, as could be the case

¹⁷ Grants and subsidies are both cash-based substantive financial policy tools that are used to influence directly some aspects of the production, distribution or delivery of goods and services. Through grants and subsidies, the government pays companies, organisations or individuals (in our case, social enterprises) to do (or not to do) some (un)desired form of activity. Grants are transfers made in cash, goods or services for which no repayment is required (OECD, n.d.^[49]), for example with the objective to funding a specific project. Subsidies are current unrequited payments that governments make to entities on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import (OECD, n.d.^[49]).

¹⁸ In December 2017, the Association Social Economy Slovenia launched the six-month campaign “#BuyResponsible” with the aim of developing a catalogue of products and services offered by social enterprises and encouraging public and private socially responsible procurement (<http://socialnaekonomija.si/responsible-companies-individuals-positive-social-impact-getting-involved-campaign-buyresponsible/?lang=en>).

through the Council of the Social Economy, as well as awareness-raising campaigns, firstly among the social economy actors.

Facilitate a shared understanding of the concepts through enhancing knowledge on social enterprise and the social economy

In the short term, the forthcoming Strategy for the Development of the Social Economy can help to clarify the meaning of the concepts currently in use in Slovenia, such as social enterprise, social entrepreneurship, social economy and social innovation, and the connections among these. While the official definitions provided in the Social Entrepreneurship Act do not need to be revised, these notions could be utilised and promoted by government sources with greater clarity. Leveraging the corpus of knowledge created over the years by international organisations, such as the OECD and the European Commission, and leading international academic networks, such as the EMES international research network, is highly recommended.

In the medium term, specific funding schemes are needed to support research in this area in the Slovenian context. Research could contribute to better understanding the roles, potential and impact of social enterprise and the social economy upon welfare, employment and more widely well-being, as well to help quantify the size of social enterprise. Moreover, it could explore the conditions in which social enterprises as welfare providers can increase the coverage of welfare services, notably in fields such as elderly care where the demand for services is likely to increase over the next years. It could also improve the production of statistics in order to quantifying accurately the size and weight of the social enterprise field, beyond the sole *de jure* social enterprises, which requires to introduce the notion of “social enterprise” in relation to statistical data.

Support dialogue among the diverse components of the social economy

Public institutions can promote constructive dialogue among the diverse entities that compose the social enterprise field and more widely the social economy in the short to medium run. This dialogue is paramount to overcome in the medium to long term the current fragmentation among the various types of social enterprises and the diverse segments of the social economy. There is a need for all types of social enterprises, and more widely for the diverse components of the social economy, to better understand the common features they share with each other in order to reinforce their sense of belonging to a same field. Reinforcing the dialogue and multiplying the opportunities to interact and collaborate can help in this respect. As an example, in Belgium, the 2008 Walloon decree on the social economy requires from the government to identify one or several organisations based on their representativeness of the social economy actors to participate in consultations with public authorities (Art. 3), which facilitated the dialogue among various components of the social economy. This mandate is granted for a four-year period and clearly defined in a convention. ConcertES, the concertation platform of the organisations that represent the social economy in the Walloon Region, was mandated to take on this role and benefit from a financial public support to realise this mission.

Additional strategies include reinforcing the collaboration among different components of the social economy through support to concrete projects or the creation of multi-stakeholder networks that gather the different components of the social economy and carry out dedicated initiatives to reduce fragmentation within the field. These may include, for instance, capacity-building workshops addressed to the representatives of the diverse types of social enterprises, and the social economy actors at large, and mediated by a facilitator who has a good knowledge of the social enterprise/social economy and is well aware of the prejudices and misunderstandings nourishing artificial divisions.

3 Institutional and legal frameworks

The legal environment is characterised by the broad spectrum of legal options, being legal forms or statuses, available for organisations willing to perform as social enterprises. These were not taken into proper account in the 2011 Social Entrepreneurship Act, which, by introducing an additional qualification for social enterprise, created a new parallel support system. The fragmentation of the legal landscape and its poor co-ordination, combined with jurisdictional dispersion over social enterprise (as explained below), are some of the challenges the country faces in regard to the legal framework. In light of this, main policy issues relate to overcoming fragmentation among support schemes, developing an encompassing support system covering all areas of activity of social enterprises and promoting better policy alignment. After presenting the strengths and challenges of the legal framework, and the related policy issues, the chapter concludes with a series of recommendations.

Strengths

Longstanding variety of legal forms and statuses for social enterprises

The legal system is distinguished by a broad spectrum of legal forms and legal statuses that can be used by organisations willing to perform as social enterprises (see Figure 2.1). Legal forms that can and have been used by social enterprises include associations, cooperatives,¹⁹ foundations, limited liability companies and private institutions. Albeit not having been originally designed specifically for social enterprises, such legal forms have been so far largely used by organisations that can be regarded as social enterprises. Moreover, the status of companies for persons with disabilities and the status of employment centres are meant to acknowledge the focus on work integration of persons with disabilities above a minimum share required by law, while the status of Non-Governmental Organisations (NGO) operating in the public interest is meant to acknowledge the pursuit of public interest aims. These statuses are fully compatible with the concept of social enterprise. Table 3.1 provides data related to the legal forms and statuses available for social enterprises. Annex A further details the main characteristics of these legal forms and statuses, their fields of engagement and the number of registered social enterprises having adopted these legal forms and statuses.

¹⁹ Slovenia has a strong cooperative sector that is regulated by the Slovenian Cooperative Act since 1992. Many cooperatives founded after the adoption of the 2011 Social Entrepreneurship Act acquired the social enterprise status, as did some cooperatives founded before the adoption of the Act. Newly-established cooperatives are also strongly connected to the wider movement of the social economy (Fiedler et al., 2020^[53]).

Table 3.1. Overview of legal forms and statuses adopted by social enterprises in Slovenia

The table provides data related to the legal forms and statuses that are available for entities willing to operate as social enterprises. Please consider that for each legal form, the number of *de facto* social enterprises is not equivalent to the total number of entities as *de facto* social enterprises do represent a subset with specific characteristics. Figure 2.1 and Annex A provide additional information to understand the links between legal forms and statuses, *de facto* and *de jure* social enterprises.

	Total number	Number of jobs	Number of registered social enterprises	Number of jobs in registered social enterprises
Legal forms				
Association (<i>društvo</i>)	24 000	5 571	68	406
Cooperative (<i>zadruga</i>)	474	2 905	70	65
Foundation (<i>ustanova</i>)	288	113	1	3
Limited liability company (<i>družba z omejeno odgovornostjo</i>)	71 966	460 846	33	122
Private institute (<i>zavod</i>)	3 760	7 978	100	676
Legal statuses				
Status of Company for Persons with Disabilities (<i>invalidskih podjetij</i>)	155(*)	11 589(*)	0	0
Status of Employment Centre (<i>zaposlitveni center</i>)	65(*)	1 074(*)	4	46
Status of NGO operating in public interest (<i>nevladnih organizacij v javnem interesu</i>)	5 875	5 236	19	549

Note: Based on data from 31 December 2020 except figures with a (*) that rely on data from September 2021

Sources: AJPES data 2020, Slovenian Register of social enterprises, National platform for public data (<https://podatki.gov.si/>)

Introduction of an ad hoc social enterprise status by the 2011 Act on Social Entrepreneurship

The 2011 Act on social entrepreneurship introduced an additional status for social enterprises in order to encourage their development. In response to the severe consequences of the 2008 financial economic crisis, the rationale behind the 2011 Act was to trigger the growth in number of social enterprises with a strong labour integration focus and to support the creation of a conducive ecosystem (Haarich et al., 2020_[25]). While the introduction of this Act resulted in a narrow interpretation of the social enterprise and brought some conceptual confusion (as explained in the previous chapter), the law also contributed to increase the political interest in this topic.

The Act introduced an umbrella qualification – the social enterprise status – which was expected to be adopted by a plurality of legal entities that were already performing as social enterprises as well as by newly established ones. Accession to the EU played a significant role in boosting the social economy and the social enterprises as new ways of tackling unmet social and economic concerns. Factors paving the way for an ad hoc social enterprise qualification included EU funding schemes dedicated to fight against unemployment, the aim being to target a broad spectrum of hard-to-employ workers that could not be employed by companies for persons with disabilities and employment centres.

The Act on social entrepreneurship did not provide financial and fiscal advantages for registered social enterprises but it raised political attention on social enterprises. It also stimulated a reflection on this phenomenon, which for example continues to attract a growing number of researchers (European Commission, 2019_[14]). Stakeholder consultations confirmed that recognition of social enterprises' vital role has increased significantly thanks to the new Act. At the same time, access to funding has improved via EU funds and governmental schemes dedicated to social enterprises, such as grants for the start-up phase of social enterprises, including youth cooperatives (2016-18).

2018 Revision of the Act on Social Entrepreneurship

The 2018 amendment removed a number of restrictions for legal entities working for persons with disabilities, removed the limitation on the fields of activity of social enterprises and removed the obligation to employ disadvantaged groups for those social enterprises not aimed at facilitating work integration, simplified registration and removed reporting requirements. However, the amended law introduced a 100% non-profit distribution constraint for all social enterprises (independently from their legal form), which is perceived as a barrier by a range of stakeholders and as an opportunity for others, as explained in the next section. Box 3.1 summarises the rationale behind the introduction and the amendment of the Act and presents the main elements of the 2011 and 2018 versions.

Box 3.1. Comparison of the initial Social Entrepreneurship Act (2011) and amendment (2018)

The Act on Social Entrepreneurship was introduced in 2011 to promote social enterprises in a context in which the concept was gaining momentum thanks to EU promotion following the 2008 financial and economic crisis. The crisis contributed to shedding light on the potential of such organisations to successfully tackle crucial economic and social concerns. The Act established an *ad hoc* social enterprise status for a number of legal forms fulfilling certain criteria, but received criticism for its rigid restrictions and was amended in 2018.

	2011 Act on Social Entrepreneurship	2018 revision of the Act
Definition of social enterprises	Specific focus on the social enterprise	Introduction of the overarching concept of the social economy
	Distinction between type-A (implementing defined activities ²⁰ as per article 5 of the Act) and type-B (integrating disadvantaged groups) social enterprises	Removal of the distinction between type-A and type-B social enterprises
Amendments	Obligation to employ disadvantaged groups and operate in defined fields of activity	Removal of the obligation to employ disadvantaged groups and broadening of the fields of activity (for social enterprises not aimed at facilitating work integration)
	Burdensome administrative requirements for obtaining and maintaining the status (e.g., yearly reporting to the Ministry of Labour, Family, Social Affairs and Equal Opportunities on the employment of vulnerable groups or the public interest activities)	Mitigation of certain administrative barriers (e.g., abolishment of the yearly reporting on the employment of vulnerable groups or the public interest activities)
	Restrictions to register companies for persons with disabilities and employment centres; Possibility given for non-profit organisations registered as social enterprises to share 20% of their profits under given conditions	Removal of the registration restrictions for companies for persons with disabilities and employment centres
Additions		Introduction of a 100% non-profit distribution constraint for all social enterprises
		Introduction of a new requirement to report on social impact (in accordance with the still to be adopted directive on the measuring of social impact)

Source: Adapted from (European Commission, 2019_[14])

²⁰ These activities include for example social assistance, research and education, health, promotion of employment and vocational training for vulnerable groups, nature conservation and environmental protection, development of the green economy, social tourism, social shops, fair trade, culture, promotion of local communities' development, support services for social enterprises, etc. See article 5 of the 2011 Act on Social Entrepreneurship for the exhaustive list of defined activities.

Challenges

Mismatch between the 2011 Social Entrepreneurship Act and its 2018 revision with the practice of de facto social enterprises

The 2011 Social Entrepreneurship Act introduced a new qualification for social enterprise without taking into proper account pre-existing statuses and forms used by *de facto* social enterprises. When the 2011 Social Entrepreneurship Act was introduced, Slovenia was distinguished by an enabling legal environment for social enterprises operating especially in two fields: work integration of persons with disabilities (physical disabled and persons with mental health problems) and supply of welfare services for vulnerable people. The social enterprise status was hence defined without building on the existing legal frameworks (forms and statuses) that had been utilised by *de facto* social enterprises for many years.

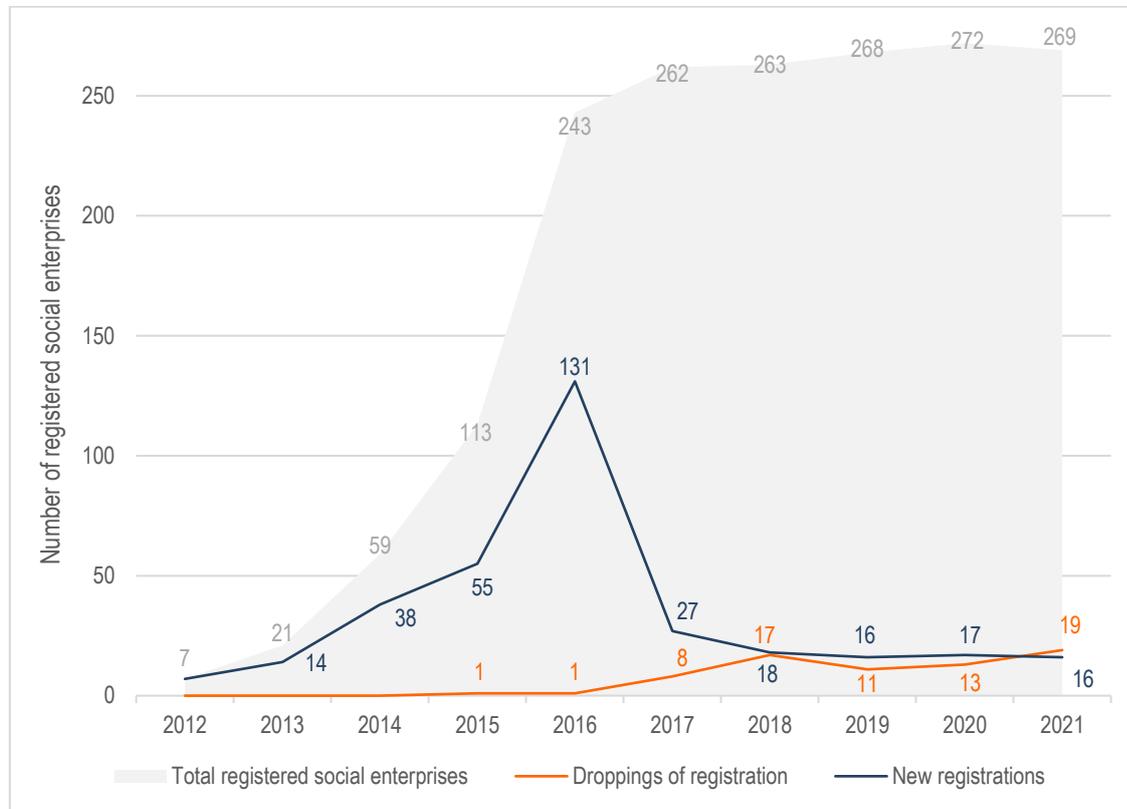
In addition, the policy strategy has created a new parallel support system. The pre-existing support system for WISEs integrating persons with disabilities (in the form of companies for persons with disabilities and employment centres) has continued to be more favourable than the one for social enterprises integrating other types of disadvantaged workers. Companies for persons with disabilities and employment centres benefit from advantageous fiscal breaks and wage subsidies for the persons with disability they employ. When the Social Entrepreneurship Act was adopted in 2011, these two types of WISEs were not considered as social enterprises, which could explain the co-existence of two parallel support systems. The 2018 amended Social Entrepreneurship Act, which was aimed at removing a number of barriers preventing a balanced development of the social enterprise as a field, did not succeed in completely overcoming this fragmentation; hence, two parallel systems continue to co-exist next to one another.

Unexpected impacts of the Social Entrepreneurship Act

Slovenia is distinguished by a peculiar development pattern of *de jure* social enterprises, which was mainly shaped by externally driven and top down factors. Not surprisingly, Figure 3.1 shows a peak growth in number of *de jure* social enterprises following the launch of a call for “public works” (*javna dela*) in 2014 with the goal to provide jobs to unemployed persons in Slovenia. The call implemented in all regions was addressed exclusively to organisations with a type B social enterprise status and to start-ups that could qualify for the social enterprise status within the next two years. Another peak growth of *de jure* social enterprises was registered in 2016 following a public tender launched by the Ministry of Economic Development and Technology to support the establishment of social enterprises and youth cooperatives. The budget assigned for the implementation of the 2014 and 2016 support programmes was comprised of both EU and national funds. The same growth in number of registered social enterprises driven by top-down factors can be observed in other countries that implemented similar registration tools. In Denmark, after the establishment of a registration tool in 2014, the number of registrations has been growing to 798 in July 2021, notably thanks to an increased interest at the local level. Stakeholder consultations indeed revealed that several municipalities (such as Copenhagen, Silkeborg, Ikast-Brande and Jammerbugt) do advertise the register and have created local support systems for registered social enterprises. In Belgium, the 2018 Brussels Ordinance on social enterprises has introduced a new legal status available for various legal entities if they comply with a set of predefined criteria with the objective to recognise social enterprises beyond the work integration field. The legal framework also sets out the public support schemes that social enterprises active in the work integration field can leverage, these public support schemes not being available to other types of social enterprises. As of June 2021, 155 social enterprises were accredited, a majority of them being work integration social enterprises as the incentives for other types of social enterprises to register remain limited.

Figure 3.1. Evolution of the number of registered social enterprises

The figure provides the number of new registrations and droppings of registration and shows the total number of registered social enterprises since 2012.



Note: Figures updated on 11 November 2021.

Source: Authors' elaboration from data of the Slovenian Register of Social enterprises

According to several stakeholders, the 2011 Act ended up attracting less entrepreneurial organisations and/or organisations that were driven by economic incentives, such as the possibility to access EU funding schemes. Paradoxically, although the rationale of the 2018 revision was to strengthen the entrepreneurial dimension of social enterprises, the introduction of the total non-profit distribution constraint²¹ tended to discourage the most entrepreneurial entities – being cooperatives and companies for persons with disabilities - from registering as social enterprises (European Commission, 2019^[14]).

Limited ownership of the Social Entrepreneurship Act by the concerned stakeholders

Stakeholder consultations carried out before 2011 shed light on the complex challenges faced by social enterprises. However, recommendations to carefully reflect on the application of the theoretical definition of social enterprise endorsed by the 2011 Social Entrepreneurship Act were not properly taken into account. An indication of limited stakeholder engagement in the policy-making process is provided by the composition of the Council of the Social Entrepreneurship, established following

²¹ The introduction of a total non-profit distribution constraint was the only way to enable NGOs with the status of voluntary organisation to apply for the status of social enterprise.

the 2011 Act, which comprised only two representatives of the social enterprise community (European Commission, 2019^[14]).

Similarly, for the preparation of the 2018 revision, despite consultations with civil society and expert groups, stakeholder consulted in the framework of this policy review perceived limited involvement during the legislative process along with insufficient in-depth research on the roles and potential of social enterprises in Slovenia.

Fragmented institutional framework for social enterprises

Fragmentation is generated by jurisdiction dispersion over social enterprises, which contributes to operating environments that are difficult to navigate for social enterprises (see Box 1.2 for an overview of the Slovenian institutional framework for the social enterprise and the social economy). *De jure* social enterprises and conventional enterprises are under the competence of the Ministry of Economic Development and Technology; cooperatives under the competence of the Ministry of Agriculture; NGOs under the competence of the Ministry of Public Administration; companies for persons with disabilities and employment centres under the competence of the Ministry of Labour, Family, Social Affairs and Equal Opportunities. Fragmentation is made even stronger in the case of NGOs operating in the public interest as this public interest status is awarded by the Ministry competent for the NGO's field of engagement, and not by a single competent Ministry.

Fragmented and uncoordinated legal landscape for social enterprises

When compared to the legal contexts of other EU Member States, in Slovenia the field of engagement of social enterprises is over-regulated by sector specific regulations that tend to both change rapidly and overlap. In the face of an intense legislative production activity aimed at improving previous regulations on specific types of organisations and/or fields of engagement, little effort has been made to ensure overall coherence and consistency among the diverse legal acts.

In the absence of a unitary and well co-ordinated approach, the broad availability of legal options at the disposal of entities willing to operate as social enterprises has turned into a challenge. The abundance of legal forms and statuses, including the social enterprise status, has come along with an increase in bureaucracy and differentiation of benefits connected with each status, which has pushed organisations to decide on the basis of a cost-benefit analysis. Eligible organisations are therefore encouraged to select the most convenient legal form or status solely based on economic criteria such as access to fiscal breaks or public subsidies without considering other factors, including the needs of target beneficiaries. An example of a unitary framework, which is meant to ensure greater coherence among diverse organisational entities sharing common features, is provided by the French Law on the Social and Solidarity Economy (see Box 3.2).

The lack of co-ordination mechanisms has led to some divide and strong competition for funding among different types of social enterprises and social economy organisations at large. Competition appears, for example, between non-commercial organisations and entrepreneurial non-profits, as well as between old types of organisations (cooperatives and companies for persons with disabilities which have their roots before and during the previous regime, and large organisations for the persons with disabilities) and new start-ups (e.g., limited liability companies that pursue explicit social aims).

Box 3.2. The French Law on the Social and Solidarity Economy

The French Law on the Social and Solidarity Economy (SSE) was introduced in 2014 to fulfil four main goals: i) meet the need for recognition of SSE actors; ii) recognise the SSE as a specific model of entrepreneurship; iii) be part of an approach initiated at the European level; and iv) better define a range of tools aiming to foster the development of SSE actors, particularly by facilitating access to financing and public procurement, consolidating the network of SSE actors, facilitating the return to work of salaried employees, modernising the legal status of cooperatives, and strengthening sustainable local-development policies.

Differently from other EU Member States legislations on the social economy (e.g., Portugal and Spain), the French Law on the Social and Solidarity Economy does not provide for a symbolic recognition of those organisational entities sharing specific features. The law's specificity lies in two main innovations. First, it contributes to building a new conceptual framework encompassing more than the traditional statutory actors (i.e., cooperatives, mutual societies, associations and foundations); indeed, the law also includes commercial enterprises, provided they respect specific principles, such as conducting a social utility purpose activity and directing profits towards this activity. Second, the law does not limit itself to clearly define the perimeter of the SSE: it introduces a set of tools fostering the development of SSE actors. Among these tools, the Law encourages the creation of enterprises and the development of activities, particularly by:

- consolidating the network of SSE actors to reinforce their legitimacy in the public debate,
- facilitating their access to financing and public procurement,
- facilitating employees' takeover of their companies to preserve jobs,
- modernising the status of cooperatives, e.g., by allowing them to band together for increased efficiency.

Source: (European Commission, 2020^[26]) and <https://betterentrepreneurship.eu/en/node/91>.

Uneven promotion of social enterprises over time

The social enterprise as a policy area gained sudden visibility with the introduction of the 2011 Social Entrepreneurship Act but its promotion has been unsteady over years. The promotion of social enterprises has been linked to the commitment of individual policy makers, reaching its apex in 2018 when Slovenia chaired the Monitoring Committee of the Luxembourg Declaration and Maribor was made the European Capital of the Social Economy. As an example, the concrete support measures that the promoters planned to incorporate in the 2011 Act were not included whatsoever. As for some concrete measures envisaged by the 2018 amendment, they have yet not been implemented. According to some stakeholders consulted in the frame of this study, swinging trends in supporting social enterprise also depend upon the continuous change of officers in the unit responsible for social enterprises over the last few years, which has hampered the continuity of the work.

Policy issues

Promoting better policy alignment

Based on the experience of other countries, the centralisation of policy responsibility under one ministry in charge of the diverse social economy entities contributes to fostering a coherent policy framework. Another strategy followed by other countries is the creation of an inter-ministerial task force specifically designed to facilitate dialogue and co-ordination of consistent actions by all the concerned ministries (e.g., the National Social Enterprise Policy Implementation Group in Ireland, mentioned in Box 3.3). A precondition is hence developing a better understanding of the interaction between social enterprises and relevant policy areas across government. Ireland provides an interesting example in this respect of how better alignment can be promoted at national level so as to create a more enabling environment for social enterprises (see Box 3.3).

Box 3.3. Overcoming institutional fragmentation in Ireland

Up until recently, in Ireland, responsibility for social enterprise used to be fragmented across government departments and support for social enterprises also used to be dispersed (Department of Rural and Community Development, 2019^[27]).

The assignment of policy responsibility for social enterprise to the newly established Department of Rural and Community Development (DRCD) in July 2017 was an unprecedented opportunity for policy on social enterprise to be developed in a co-ordinated and integrated way alongside other initiatives to support organisations providing services to communities or tackling social or socio-economic issues (Department of Rural and Community Development, 2019^[27]).

Soon, the DRCD initiated a process that, following a research project jointly undertaken with the Social Finance Foundation and consultations with stakeholders and the general public, led to the publication of the very first National Social Enterprise Policy for Ireland in July 2019. In this regard, a significant driving factor was the work carried out by the Social Enterprise Task Force, a group of social enterprise stakeholders that had advocated over a period of 10 years for the recognition of social enterprise and the development of a national policy for the field (Haarich et al., 2020^[25]).

The policy, which runs over a period of four years (2019-22), aims to provide a coherent framework to enable social enterprises to further develop and maximise their positive impact on communities and society. Interestingly, one of the three main objectives focuses upon “achieving better policy alignment”. To do so, the policy aims at developing better understanding of the interaction between social enterprises and relevant policy areas across government.

Furthermore, the policy is implemented in close co-ordination with the Strategy to Support the Community and Voluntary Sectors and with a new National Volunteering Strategy to ensure coherent and aligned support for social enterprises and other organisations providing services to communities or tackling social issues. This way, these organisations are best placed, themselves, to select, among the available initiatives, those that meet their specific needs (Department of Rural and Community Development, 2019^[27]).

The implementation of the policy and the measures that underpin its delivery involve a shared effort on the part of government, social enterprises and other relevant stakeholders. In this context, enhancing engagement with social enterprises is an overarching priority of this policy (Department of Rural and Community Development, 2019^[27]). Next to the DRCD (which is the lead body), a range of partners are involved in the implementation of the policy, such as the Department Business, Enterprise and Innovation, the Office of Government Procurement, local authorities, the Irish Research Council, Local Development Companies, etc. An Implementation Group chaired by the DRCD²² and including representation from relevant government departments, public bodies and social enterprise stakeholders oversees and monitors progress on the policy (Haarich et al., 2020^[25]).

Developing an encompassing support system covering all the areas of social enterprise activity and overcoming fragmentation

The existence of distinct funding schemes targeting diverse categories of vulnerable workers – on the one hand persons with disabilities and on the other hand disadvantaged people – risks creating internal divisions and conflicts among organisations targeting diverse types of vulnerable workers. The

²² This webpage gathers the Summary Minutes of the National Social Enterprise Policy Implementation Group (NSEPIG) meetings: <https://www.gov.ie/en/collection/f1f28-summary-minutes-of-national-social-enterprise-policy-implementation-group-nsepig-meetings/>

degree of vulnerability could become the main criterion to be valued in defining the amount of public subsidies for entities targeting vulnerable groups. At the same time, improving the fiscal framework should increase consistency among the diverse fiscal breaks and benefits connected to the various legal forms and statuses.

In addition, a unified and well co-ordinated support system needs to be adopted in order to fully harness the potential of social enterprises in tackling a plurality of social and societal challenges, beyond social and work exclusion. This implies the design of a consistent and balanced fiscal framework and coherent support measures aimed at funding the diverse social economy entities in the successive stages of their development (start up and consolidation) and in the wide spectrum of field of activity of general interest where social enterprises could play a key role. To stimulate the demand for the services and products delivered by social enterprises, it is important that public procurement is made accessible to social enterprises (as highlighted in Chapter 5).

Recommendations

Create a coherent support system and simplify the legal landscape

Support schemes and fiscal benefits connected to the diverse statuses could be rendered in the medium term more coherent. Fiscal benefits and advantages ought to be defined consistently with agreed criteria so as to grant the same types of advantages to organisations pursuing similar aims and operating along similar principles. A more coherent support system, including on the fiscal side, is essential to overcome the current fragmentation and re-align existing support schemes.

The legal environment wherein social enterprises operate should be simplified in the long term. A better understanding of the pitfalls of the diverse legal frameworks regulating both *de jure* and *de facto* social enterprises is needed so as to remove possible obstacles and avoid the further over-regulation of the field, which has so far prevailed.

An additional option in the long term (10 to 15 years) is to reduce the number of statuses, ideally to the NGO public benefit status and the social enterprise status. If the rationale of the Social Entrepreneurship Act is to promote social enterprises as a solid tool for local economic development, social inclusion and job creation, there is a need to converge towards a unified framework that encompasses all social enterprises, including *de facto* work integration social enterprises in the form of companies for persons with disabilities and employment centres. Statuses regulating these two types of *de facto* work integration social enterprises could in this case flow into one overarching-umbrella status – the social enterprise – without introducing changes in the way these entities do operate in practice. This transition requires time as significant changes in institutional, cultural and legal frameworks are needed. In Italy, this process has taken more than 20 years, with the Law on Social Cooperatives adopted in 1991 and the Third Sector Reform adopted in 2017. This simplification would reduce the segmentation within the field, reinforce the relevance of the social enterprise status and enable the country to move towards the design of a coherent approach in support of vulnerable people, independently from the type of disadvantage (e.g., disability versus social disadvantages) shown.

Achieving this ideal situation with a reduced number of statuses that could be adopted by all *de facto* and *de jure* social enterprises requires intermediary conditions that include awareness-raising initiatives within the field to reduce *de facto* social enterprises' reluctance to self-recognise as such, as well as the development of consistent fiscal benefits and support schemes. There is also a need to clearly demonstrate the opportunities and the interest for the actors to acquire the social enterprise legal status and recognise themselves under this specific form of entrepreneurship. In Italy, the 2017 Third Sector Reform provides a common framework for social cooperatives that are automatically defined by law as social enterprises. This framework reduces confusion within the field and extend the opportunities for

social enterprises beyond legal forms and fields of activity. In Belgium, the 2018 Brussels Ordinance on social enterprises provides a social enterprise legal status that all the work integration social enterprises – previously regulated through a specific legal framework – need to adopt in order to be recognised and have access to public support. An objective of this legal framework was also to extend the fields of engagement of the social enterprises beyond the work integration field.

Reinforce co-ordination across ministries and departments in charge of social economy- and social enterprise-related competence

The co-ordination among ministries and departments in charge of the policies that relate to social enterprise and social economy, especially those entitled to award the diverse statuses, must be enhanced in the short and medium-long term. Co-ordination mechanisms, such as inter-ministerial committees or platforms for information exchange, could be developed to enable coherence among support schemes and allow better alignment across different policy areas. The Council of the Social Economy that gathers representatives from relevant ministries and departments – next to representatives from the field – could play this role of co-ordination. The establishment of a task force overseen by the Council to undertake operational work on a regular basis could be an option to reinforce alignment across policy areas. Another option could be to formalise a mechanism of co-ordination among all the “contact points” on social enterprises and social economy from the relevant ministries and departments. In France, the inter-ministerial delegation on the social and solidarity economy that was in place until 2010 and again in 2016 provides a good example of such co-ordination mechanisms.

In the long term, when the legal landscape will have been simplified, the opportunity to gather all the competence related to social enterprise and social economy under one competent Ministry could be explored. The transfer of competence to one ministry in charge of *de jure* and *de facto* social enterprises as well as other social economy organisations including NGOs, can help overcome fragmentation and enable the development of consistent policy frameworks for social enterprises and the social economy. This option has been successfully implemented in France (Secretary of State for the Social, Inclusive and Responsible Economy, attached to the Minister of the Economy, Finance and the Recovery) and in Luxembourg (Ministry of Labour, Employment and the Social and Solidarity Economy).

4 Access to finance

As a crucial dimension of the social enterprise ecosystem, this chapter assesses current opportunities and challenges for social enterprises in accessing finance. This chapter explores how to better leverage private finance while outlining the important role that coherent public policy, partnerships with local financial intermediaries and capacity-building initiatives for social enterprises could play in this effort. These findings will be used to inform policy recommendations on how to improve access to finance for social enterprises in Slovenia.

Strengths

Public funding available for start-ups and SMEs

While Slovenia has developed a strong entrepreneurial ecosystem that includes a variety of financing mechanisms for start-ups and SMEs, few mechanisms specifically target social enterprises. This section introduces mechanisms that can benefit social enterprise development although they do not target them specifically.

The Slovenian Regional Development Fund²³ supports social enterprise development by offering incentives to entrepreneurs, companies and municipalities for rural and regional development. While measures do not usually target social enterprises specifically, the fund employs a weighting scheme that favours specific social objectives during the selection process for social enterprises when their mission aligns closely to the strategic objective of the tender,²⁴ usually including green, digital, social and development priorities. Additionally, the Fund offers bridge financing to social enterprises and non-profits that obtained EU contracts in the form of loans valued up to EUR 250 000 per organisation as well as maturities of up to three years. Stakeholder consultations revealed that the programme was developed after studies demonstrated that social enterprises struggle to access private finance, as private financiers often consider them too risky. Nevertheless, stakeholder consultations confirmed that default rates among social enterprises that have benefitted from the programme remain lower than expected and that the programme will consequently be continued and likely expanded under the Fund's next strategy.

The Slovenian Export and Development Bank (SID Bank) offers public funding instruments through the Fund of Funds for SMEs (and other legal entities) that may benefit social enterprises.²⁵ These financial instruments support the objectives of the 2014–20 EU Cohesion Policy through four priority areas: research, development and innovation, small and medium-sized enterprises, energy efficiency and urban development. A total of nine financial instruments were developed and disseminated via several financial intermediaries, such as the Slovene Enterprise Fund, the Public fund of Republic of Slovenia, contracted commercial banks (Primorska Hranilnica Vipava, Gorenjska banka, Sberbank, Delavska hranilnica, NLB), and via SID bank itself, four of them being designed especially for SMEs. However, social enterprises of all legal forms and statuses can access two general instruments in the form of microloans for SMEs of up

²³ <https://www.srrs.si>.

²⁴ The term public tender is employed in alignment with its use by Slovenian authorities to denote public calls.

²⁵ <https://www.interregeurope.eu/policylearning/good-practices/item/4485/portfolio-guarantees-within-fund-of-funds>.

to EUR 25 000 and loans for Responsible Research and Innovation (RRI) of up to EUR 10 million, as associations and foundations are excluded from many opportunities. The call for applications for these instruments does not include social criteria and has not attracted any applications from social enterprises thus far. In response to the COVID-19 crisis, the fund received an additional EUR 65 million, of which EUR 60 million for SMEs is intended to be multiplied by 1.5 by private banks to offer microloans, and EUR 5 million for RRI is also multiplied by 1.5. These two instruments are made available to social enterprises. Although no specific support measures were adopted to support social enterprises, certain social enterprises such as cooperatives and limited liability companies (LLCs) are eligible and are expected to benefit from the general measures.

The Slovene Enterprise Fund is a public national fund and an intermediary of the Fund of Funds, which supports SMEs through a variety of programmes including micro-credits, guarantees and start-up incentives. The Fund is a recipient of a roughly EUR 5.8 million guarantee from EaSI for microfinance operations (European Investment Fund, 2021^[28]), of which a portion is dedicated to social enterprises. In 2016, it developed a tender for registered social enterprises intended to allocate a budget of EUR 4 million to provide microloans valued up to EUR 25 000 (European Commission, 2019^[14]). However, only 19% of this budget was used to fund social enterprises due to a lack of applications, with the remainder of these funds being reallocated to other tenders. In subsequent tenders, the Fund did not include financing mechanisms specifically targeting social enterprises but considers them eligible in general tenders if they are incorporated as cooperatives or LLCs. Nevertheless, stakeholder consultations revealed initiatives such as the P2 Fund that offer a number of mostly grants have gained popularity among early-stage social enterprises. For example, the P2 Fund provides grants to innovative start-ups and provides opportunities to participate in a range of accelerator, internationalisation and networking opportunities. Although not specifically targeted at social enterprises, they are eligible to compete for funding and participate in business support initiatives.

The Government Office for Development and European Cohesion Policy oversaw EUR 1.9 million public tender supporting social enterprises from 2016-2018. This tender was partially funded through the European Regional Development Fund and was designed to encourage the founding of new social enterprises and the expansion of existing ones. Over the course of the tender, 93 social enterprises received up to EUR 20 000 for start-up activities. At the regional level, Ministry of Economic Development and Technology opened a public tender for the Pomurska region²⁶ between 2018 and 2019, which was open to registered social enterprises operating in specific municipalities. In 2014, cooperatives were also able to access public tenders promoting access to employment through the social economy valued at EUR 195 000 that were administered by the Government Office for Development and European Cohesion Policy and partially funded by the European Social Fund.²⁷

In January 2021, the Ministry of Economic Development and Technology allocated EUR 4.4 million to support social entrepreneurship. This builds on the 2010 OECD recommendation to recognise and support social enterprises through seed funding, consulting services and other mechanisms that specifically support social enterprises (Spear et al., 2010^[3]). As part of this initiative, EUR 3 million was allocated for mentorship schemes in the form of public tenders overseen by the Slovene Regional Fund and co-financed by the European Social Fund. The Slovenian Enterprise Agency oversees a public tender process co-financed by EuReact valued at EUR 13 million to support SMEs, of which EUR 1 million will be allocated exclusively to social enterprises. Participants selected through the tender procedure are eligible for grants supporting marketing skills and/or vouchers to upgrade their digital platforms such as webpages and applications. The tender process was published early October 2021 and has already received applications. An additional EUR 400 000 public tender has been published in November 2021 to support

²⁶ Pomurska region : <https://www.lrf-pomurje.si/razpis/javni-razpis-za-spodbujanje-socialnega-podjetnistva-v-pomurski-regiji-v-obdobju-2018-2019/>.

²⁷ Cooperatives: <https://www.eu-skladi.si/sl/aktualno/novice/evropska-sredstva-za-dostop-do-zaposlitev-preko-socialne-ekonomije>

the social economy ecosystem in the eastern and western regions of the country to reinforce business development through mentorship.

Support measures for social enterprises and the social economy at large may be included early 2022 within a proposed four-year Development Incentives Programme for Border Problem Areas (OPO programme), although the timeline remains uncertain. This upholds the OECD's 2010 recommendation to formulate community development and rural regeneration strategies in co-operation with municipal governments and social economy organisations (Spear et al., 2010^[3]). The OPO programme is designed to support entrepreneurship and business growth along border areas through a range of financial instruments and business support measures. In addition to traditional enterprises, the programme would specifically support social enterprises and social economy entities at large in order to encourage start-up of entities, social innovation and capacity building. However, the programme remains in a fairly early stage and policy measures remain subject to possible adjustments.

Public funding for NGOs

Social enterprises that are not incorporated as cooperatives or LLCs and operate as NGOs have access to some alternative sources of funding. The Ministry of Public Administration provides funding opportunities for NGOs through the Budgetary Fund for Development of NGOs, which was established in 2018 through the Act on Non-Governmental Organisations. Although public tenders offered through this initiative do not specifically target social enterprises, Article 2 of the Act on Non-Governmental Organisations specifies that social enterprises operating as NGOs are eligible to receive funds. To date, the Ministry has not undertaken any initiatives that specifically target social enterprises operating as NGOs.

Since 2018, the Ministry of Public Administration has implemented public tenders benefitting a range of NGOs. These range from public tenders providing wage subsidies to NGOs²⁸ in 2018 and 2019, developing NGO support structures and capacity building in 2019, and promoting digital transformation from 2021 through 2023.

Public funding for social innovation and WISEs

In addition to SME and start-up funding, Slovenia provides dedicated financing programmes for social innovation projects and WISEs. These initiatives are limited to grant and project-based financing, which might limit the social enterprise development potential because of a lack of diversified sources of finance, as explained in the next subsection.

Under the Operational Programme for Cohesion Policy (2014-20), the Ministry of Labour, Family, Social Affairs and Equal Opportunities considers the promotion of social entrepreneurship and professional inclusion in social enterprises and the social economy to be a priority investment area. This strategic objective is implemented through two programmes:

- **The Learning Workshop programme offers participants six months of on-the-job training in the social economy, including in social enterprises, employment centres and companies for persons with disabilities.** This first phase is followed by six to twelve months of subsidised employment with a market-oriented employer, which can include social economy actors as well as for-profit companies. Running from 2018-23 on a budget of EUR 9.5 million, 80% of which is funded by the ESF, over one fifth of all eligible 470 organisations participated in the programme.
- **SocioLab supports social economy development in the Podravje region.** Run by the PRIZMA foundation and five municipalities,²⁹ the programme has supported 28 social enterprises and

²⁸ Wage subsidies: <https://www.gov.si/zbirke/javne-objave/javni-razpis-za-sofinanciranje-projektov-razvoja-in-profesionalizacije-nevladnih-organizacij-in-prostovoljstva-2018/>.

²⁹ These five municipalities include: Maribor, Cirkulane, Lenart, Slovenska Bistrica and Ptuj.

developed 11 social innovations by establishing a regional laboratory network and five local information points. SocioLab is credited with stimulating social enterprise development in the region at a much higher rate than the rest of Slovenia and presents a useful model that could be replicated in other regions.

Specialised local intermediaries

Slovenia's social enterprise ecosystem includes specialised local intermediaries that offer incubation, acceleration and other services to social enterprises. Notable examples include the business community KNOF, Tkalka, a development cooperative in Maribor, DPlac in Ljubljana and Centre Rotunda. These may support social entrepreneurs in developing a business plan and identifying suitable sources of funding.

For example, Fund 05 is a financial network that, as part of its broader set of operations, connects social enterprises and impact investors in Slovenia. The initiative has attracted commercial banks such as Sparkasse Bank and Intesa San Paolo but has struggled to identify local or international investors willing to invest into social enterprises for financial and social return. As of December 2021, Fund 05 received a EUR 1 million grant from the Google Social Innovation Fund to help spur the development of Slovenia's social enterprise ecosystem.³⁰ In addition to their market building activities, the financial activities of Fund 05 include the following instruments:

- **Grants** financed through the income tax (0.5% of donations are deductible and the government is considering raising the deduction to 20% of donations).³¹
- **Bridge loans** financed mainly by banking institutions including Sparkasse, Intesa Sanpaolo, which are intended for pre-financing on EU or public projects.
- **Microcredits** of up to EUR 25 000 are made available to starting or expanding social entrepreneurs.

Likewise, the SPIRIT agency invests in social innovation and entrepreneurship, among other innovation-related initiatives, and provides grants for strategic business transformation using EU Cohesion funds as well as support from the Ministry of Economic Development and Technology. Since 2017, this programme has supported SMEs in developing strategies that move beyond a sole profit orientation to sustainability-oriented ones, balancing economic, social and ecological value creation. While this could be a valuable support channel for social enterprises, its impact is somewhat limited as the programme currently excludes all social enterprises that are not registered as LLCs and cooperatives due to legal constraints. For example, SPIRIT has run the SIO platform, which is funded by the European Regional and Development Fund and uses public tenders to stimulate entrepreneurship and innovation among potential entrepreneurs, start-up and well-established companies, and students. Social enterprises may participate in the tender process although it is open to all types of innovative start-ups operating in technology. Overall, social enterprise participation remained relatively low in 2021: of the 2817 enterprises that have been awarded the nearly EUR 10 million of tenders, eleven are social enterprises and three cooperatives. The SPIRIT business portal and its network of one-stop shops offering business coaching and advice are financed by the Ministry of Economic Development and Technology.

Start:up Slovenia is publicly funded national innovation system for support and promotion of start-ups, including social enterprises (Primož Šporar, 2019^[29]). A last public actor, supporting both social economy entities and for-profit businesses, is the Slovenian Business Point (SPOT), offering free support

³⁰ Google Social Innovation Fund: <https://blog.google/around-the-globe/google-europe/20-million-to-support-the-european-social-economy/>.

³¹ <https://sklad05.si/stran/13/fund05-angleska>.

services concerning registrations, digitalisation, consulting and other information to aspiring entrepreneurs and existing businesses.

At the local level, there are some emerging good practices aimed at creating support systems for social enterprises such as the Kranj Business Support Centre's involvement in the Interreg project Leveraging Finance 4 Positive Social Change, aimed at stimulating social entrepreneurship in the Danube region with funding from the EU.³²

Challenges

Weak outreach of public funding for social enterprises

While there have been some public initiatives to provide funding for registered social enterprises, these efforts have been marked by weak dissemination. Weak outreach means that social enterprises are often unaware of available support and financing opportunities, which limits the uptake of new initiatives. Stakeholder consultations illustrated that many social enterprises are not aware that they are eligible for opportunities such as microloans for SMEs overseen by the Ministry of Economic Development and Technology that allocated EUR 5 million to be invested into social enterprises. Additionally, SID Bank, which is responsible for implementing the programme, considered social enterprises as too small and too risky to access this type of loan, especially if they are incorporated as associations or foundations rather than cooperatives or LLCs.

Social enterprises show little demand for loans

Stakeholder consultations indicated that the majority of social enterprises in Slovenia do not use loans. This is partly due to legal barriers, for example equity investment being impossible for cooperatives, as well as to social enterprises' preference for less risky grants. Limited awareness among social enterprises also inhibits the uptake of available financial instruments provided by both the public and private sector. This lack of demand is exacerbated by the fact that many social enterprises lack the financial sustainability and entrepreneurial knowledge to successfully navigate loan application processes. Consequently, the most common types of finance used by social enterprises include grants, personal funds or regular commercial bank loans, for which the entrepreneur is personally liable.

Commercial banks have limited interest in social enterprises as potential clients

While social entrepreneurs in Slovenia often state that the supply of finance does not meet their needs, investors argue that limited available finance reflects the dearth of viable business models among social enterprises. This reflects social enterprises' limited managerial skills and know-how about financing opportunities beyond national and EU project support, as many social entrepreneurs are experienced in the non-profit sector but lack business backgrounds (Roth, 2019^[30]).

Social enterprises are often perceived as high-risk by commercial banks, as their operations are too small to generate stable revenue streams and because their repayment period is often quite long. Consequently, banks in Slovenia show little interest in better understanding the needs of social enterprises or in developing specific instruments for them.

Accessing commercial offerings through traditional due diligence processes is in most cases impossible for nascent social enterprises, which often experience cash flow difficulties. Consequently, there is a need for catalytic sources of financing able to unlock the market potential of social

³² <https://www.zsi.at/en/object/project/4978>.

enterprises through patient loans at low interest rates (Kramer, 2009). At the moment, there are no ethical banks available in Slovenia to play this role (Roth, 2019^[30]).

Limited private social or impact investment

Access to diverse sources of funding is essential to the development of vibrant social enterprise ecosystems and to overcome the ‘financial dead zone’ between commercially and socially-driven sources of finance (Carpenter & Lauritzen, 2016). The lack of social or impact-driven investors in Slovenia makes it difficult for social enterprises to achieve financial sustainability, making them largely dependent on grant-based financing, i.e. the ‘primarily social’ side of the financing spectrum. Social outcome contracts and social impact bonds have been considered as possible options to facilitate access to finance for social enterprises in Slovenia. Stakeholder consultations organised as part of this review revealed that their adoption has been slowed by difficulties finding private investors willing to participate in any such initiative. A feasibility report on social impact bonds has been commissioned in 2019; the upcoming results should allow better understand the barriers to the development of these mechanisms.

Stakeholder consultations confirmed the scarcity of established social or impact-driven investors in Slovenia that have their own endowment such as high-net-worth individuals (HNWI), corporate or family foundations. Nevertheless, this might change as Central and Eastern Europe becomes more attractive to social investors. According to Deloitte’s Social Investment Leveraging Index (DSILI), developed in partnership with the European Venture Philanthropy Association (EVPA) and the Global Social Entrepreneurship Network (GSEN), the region’s high potential for social investment is explained by its growing importance at the crossroads between East and West, active local-level social entrepreneurship and emerging social enterprise support organisations and support networks (Deloitte, 2018).

Policy issues

A coherent strategy for public funding to social enterprises is needed

Although some national policies have targeted the development of the social economy since 2011, their implementation remains fragmented across ministries with inconsistent and discontinued political backing over time. While social enterprises are eligible for many public financing opportunities, limited collaboration or harmonisation of public financing opportunities or public calls for proposals across the government renders several of these inaccessible to many social enterprises due to bureaucratic hurdles. This fragmentation contributes to inconsistent policies and confusion for social enterprises, which discourages their participation in government initiatives and calls for tender.

In addition, stakeholder consultations confirmed that the lack of targeted funding for social enterprises creates uncertainty and confusion among social enterprises. The attempt to finance social enterprises through general instruments designed for SMEs or NGOs rather than through tailor-made financial instruments specifically targeting social enterprises may lead to financing mechanisms that do not meet social enterprises’ specific financing needs. This has contributed to the fact that social enterprises lack a clear overview of all public financing opportunities available to them.

Finally, there is room for improvement with regard to the type and diversity of financing mechanisms offered to social enterprises. SID Bank and its Fund of Funds, which offers portfolio guarantees, could play a valuable role in improving the type of financing mechanisms offered to social enterprises. These guarantees allow the three participating banks (Nova Ljubljanska Banka, Delavska Hranilnica and Primorska Hranilnica Vipava) in turn to offer more favourable terms of financing with lower

credit insurance.³³ Enhancing the microloans and innovation loans available to social enterprises and other types of businesses through SID bank could increase access to patient capital for social enterprises in Slovenia.³⁴

There are limited financial intermediation services to facilitate matching between supply and demand of social finance

Bridging the gap between traditionally grant-reliant social entrepreneurs and more commercially oriented private financiers requires specialised intermediaries that can broker dialogue and design a targeted financial offer satisfactory for both parties. A first step in unlocking domestic investment in social enterprises can be to increase the awareness among mainstream financial actors, which currently have a negative perception of social entrepreneurs due to their small scale and low degree of professionalisation (Podmenik, Adam and Milosevic, 2017^[31]). Box 4.1 highlights how the Financing Agency for Social Entrepreneurship (FASE) successfully developed collaborative funding models to support early-stage social enterprises in Germany.

International impact investors, particularly those from neighbouring countries such as Italy, Austria or Croatia, represent an important source of knowledge and expertise on social enterprises. While attracting them to Slovenia could give social enterprises access to sources of finance more attuned to their specific needs and objectives, their supply will need to be adapted to local social enterprises in terms of the amount of investment, risk assessment and interest rate. In this light, international specialised investors such as Chi Impact Capital (Switzerland), Metagroup (Italy) and the FeelsGood Impact Investment Fund (Croatia) are considering setting up activities in Slovenia (Roth, 2019^[30]). To this end, the Ministry of Economic Development and Technology has already taken steps to promote the Slovenian social economy field at the national as well as at the international level. For example, by ensuring Slovenian representation in international events such as the Italian Business Forum “From Social Enterprise to Social Innovation” and at the conference “Impact 2018 - Businesses, non-profits and social enterprises making a difference” held in Zagreb, the government has helped to raise the profile of Slovenian social enterprises.

Innovative financing mechanisms represent another opportunity to facilitate the matching of supply and demand in Slovenia’s social finance ecosystem. For example, crowdfunding, which allows local social enterprises to tap into global resources, has become an important financing channel for social entrepreneurs globally but remains underdeveloped and underutilised in Slovenia. In Estonia, crowdfunding has been developed to support social enterprises with great success. Estonia was ranked second in Europe for alternative finance volumes per capita in 2017, largely due to the range of crowdfunding platforms in operation such as the donation-based crowdfunding platform Hoojandja and the equity-based crowdfunding platform Fundwise (OECD, 2020^[32]).

³³ With a guarantee up to EUR 100 million, final beneficiaries will be able to receive loans amounting from EUR 30 thousand to EUR 10 million with partial 62.5 % risk of loss coverage. Source: <https://www.skladskladov.si/en/news/sid-bank-eases-access-commercial-banks-financing-smes-through-fund-funds-portfolio-guarantees>.

³⁴ Research and development loans: <https://www.skladskladov.si/mala-srednja-podjetja/posojila-za-financiranje-nalozb-v-razvoj-raziskave-inovacije-rti> / SME loans (including social enterprises): <https://www.skladskladov.si/mala-srednja-podjetja/mikroposojila-za-msp-msp-mikro>.

Box 4.1. Bridging the financing gap for social enterprises in Germany: The Financing Agency for Social Entrepreneurship (FASE)

The Financing Agency for Social Entrepreneurship (FASE) is a German financial intermediary that deploys innovative financing schemes to overcome the boundaries between donors, investors and the private sector in order to provide hybrid financing to social enterprises.

Many early-stage social enterprises face a common financing gap known as the “valley of death” where their financing needs are too large for donations or to attract foundations and too risky for institutional social investors. Registered as a private company and owned by Ashoka Germany, FASE was founded in 2013 to create a financial intermediary capable of supporting early-stage social enterprises to raise growth capital in order to scale their impact. FASE was a beneficiary of the 2016 and 2013 editions of the EaSI-PROGRESS calls to boost the demand and supply side of the finance market for social enterprises.

FASE supports early-stage social enterprises through collaborative funding models and transparent transaction management that help social enterprises overcome the “valley of death” by tailoring transactions to the specific needs of each social enterprise while ensuring a reliable and rapid process. Likewise, FASE provides business support services and guidance to social enterprises seeking to raise growth capital, including by raising awareness of available sources of funding.

FASE has closed over 50 transactions as of 2019 and overseen about EUR 25 million in investments into social enterprises. FASE has provided support to over 800 social enterprises to learn how to raise growth capital and overcome the specific challenges that social enterprises face. The organisation oversees a network of over 250 impact investors and has helped to raise awareness and expertise on growth capital for social enterprises and related policy issues.

Source: <https://betterentrepreneurship.eu/en/node/34>.
https://fa-se.de/static/fa_se_de/uploads/2021/01/FASE-Impact-Report-2019.pdf?x69731.

Greater business support is needed to improve financial viability

Business support does not yet meet the needs of social enterprises in Slovenia. Despite many noteworthy initiatives to upskill social enterprises and WISEs, these efforts remain circumscribed and have so far not involved mainstream start-up and business support networks. There is a need to increase their scope to help social enterprises strengthen their business models, raise awareness and increase the capacity among mainstream actors to support social entrepreneurs.

The most important capacity-building programme that is currently offered is the Ministry of the Economic Development and Technology’s mentorship scheme for social enterprises, which has been operational from 2018-20 and has been extended to 2020-23. The initiative has performed well in providing social enterprises with guidance and mentorship. However, there is some room for improvement, as stakeholder consultations indicated that the programme’s administrative burden and limited pool of service providers hinder its impact. There have also been a number of spontaneous collaborations between social enterprises and supportive non-governmental organisations, developed in response to local needs. However, these NGOs generally do not have enough human capital to support social enterprises, especially when it comes to entrepreneurship, marketing and finance, the areas in which social enterprises need to be supported most (Podmenik, Adam and Milosevic, 2017^[31]). Additional upskilling and mentoring opportunity might be provided through programmes targeted at inclusive entrepreneurship, i.e. youth and women entrepreneurs. Examples include the European scheme Erasmus for Young

Entrepreneurs, Y.business by Ypsilon Institute, the accelerator Ustvarjalnik, WE Inspire by the Centre for Entrepreneurship Education and Development (CEED Slovenia), and Business plan competition for women by SPIRIT together with Employment Service of Slovenia.

While Slovenia boasts a vibrant start-up ecosystem with well-developed business support services, it has only made limited contributions to a strengthening of the managerial capacity in social enterprises. The current business support systems in Slovenia do not provide social enterprises with adequate tailored support, which may inhibit social entrepreneurs from obtaining the support they need to succeed and grow, although there are plans to address this issue with the new ecosystem business support projects, to be selected shortly. Social entrepreneurs face distinct challenges compared to their traditional counterparts, as an economically viable social enterprise that fails to uphold its social mission is still a failure. As such, they require specific skillsets that are not always met through traditional business mentoring and education. Future developments should aim to raise awareness among mainstream actors to increase their engagement with social entrepreneurs. Additionally, targeted efforts may be needed to adjust their support services to the specific challenges hybrid organisations face, as well as their slower pace of development. The Chambers of Commerce and Craft could, for example, play an important networking role for social entrepreneurs but their services are currently not open to social enterprises which are not incorporated as LLCs.

Recommendations

Develop a coherent strategy for public funding to social enterprises

Encouraging greater co-ordination of policies for social enterprises could result in better policy implementation and reduce uncertainty for social enterprises. A consistent funding strategy represents an important step towards setting clear jurisdictional boundaries and harmonising public support across the government in the long term. In this respect, developing a co-ordination mechanism to harmonise policies and actions across ministries would help reduce cross-government fragmentation. This is especially important considering that social enterprises operate across an array of sectors using different legal forms, which places them under the jurisdiction of multiple ministries and other government institutions. A co-ordination mechanisms would help to ensure that social enterprises are consistently able to access all public calls for tender and financial support without facing undue bureaucratic hurdles caused by poorly co-ordinated or even contradictory government policies. Such measures would help provide social enterprises with a clearer understanding of the public financing opportunities available to them as well as encourage greater participation in public calls for proposals.

Increase outreach of existing financial instruments

Informing social enterprises of existing public (and even private) financial instruments can increase uptake and improve access to finance. Currently, a large portion of social enterprises remain unaware of the full range of public financial instruments available to them, which may contribute to their reliance on grants as their primary source of funding. Expanding outreach efforts and providing centralised dashboards outlining available opportunities represent a straightforward and low-cost way to boost utilisation of financial instruments.

Diversify types of funding available to social enterprises

One way to encourage private investment in social enterprises is the provision of guarantees for bank loans from public funds, thereby reducing credit risk in relation to social enterprises. Specifically, use the future InvestEU guarantees and financial instruments and Slovene Enterprise Fund to develop a bank guarantee dedicated to social enterprises and social economy organisations. This could

also include entities that do not yet have a formal bank account. To further diversify the types of funding available to social enterprises in the long term, policy makers can look beyond grants to develop loans that is attractive to both social entrepreneur and financiers. Drawing on the Fund of Funds represents a way to utilise existing financial infrastructure to achieve these objectives.

Enhance capacity building for social enterprises to ensure investment readiness

It is important to expand engagement with social economy networks and federations as well as universities to provide social enterprises with tailored coaching in addition to the available training opportunities. The mentorship scheme offered by the Ministry of Economic Development and Technology represents a positive step in this direction, but there is still room to further support social enterprises through formal training programmes and business support services. In particular, business support services should help social enterprises understand the potential benefits presented by financial instruments beyond grants and help them consolidate their business models in order to access loans and other source of finance. This would help to reduce the current reliance of social enterprises on grants for seed funding and expansion, enabling more rapid and durable growth of the social enterprise ecosystem in Slovenia.

Likewise, business support opportunities should not be limited to registered social enterprises, but to all social economy entities. Leveraging existing business support networks to accommodate the specific needs of social enterprises is a low-cost way to expand the range of support mechanisms available to social enterprises in the short to medium term. For example, the EU-funded Better Incubation project mobilises business support organisations to expand their activities to better support social entrepreneurs to access financial tools and improve their chances of success.

Empower local intermediaries

Intermediaries provide vital support to early-stage social enterprises to access finance and also contribute to the consolidation of the overall social enterprise ecosystem. However, intermediaries cannot solve the funding problems facing social enterprises alone, and it is important that social enterprises are not excluded from public grants and loans. This can be accomplished by adapting the existing policy framework for start-ups and SMEs in the short to medium term to adequately support social enterprises of all legal forms – thereby giving them access to existing public funding opportunities – and statuses and by raising awareness and building capacity among existing incubators and accelerators of the specific needs and potential of social enterprises. Financial intermediaries can act as powerful partners for social enterprises that can facilitate access to finance throughout their life-cycle as a business. Leveraging domestic and EU funding to support the development of financial intermediaries could encourage greater uptake of social enterprises and enable more social enterprises to succeed.

5 Access to public and private markets

As public procurement accounts for over 11.5% of the Slovenian GDP (Ministry of Public Administration, 2020^[33]), it has the ability to affect the private sector ecosystem, including social enterprises. The Public Administration Development Strategy 2015-20³⁵ has introduced several innovations and, following the transposition of the 2014 EU public procurement reform, Slovenia has made significant progress in the modernisation of public procurement. However, several challenges hamper social enterprises from fully harnessing the opportunities offered by EU regulations, and their access to public markets remains limited. Access to private markets greatly depends on the type of legal form and status adopted by social enterprises, and it is influenced by the rather well-functioning quota system that mainly benefits companies for persons with disabilities. The following chapter outlines both elements that may favour or hamper the access of social enterprises to public and private markets, as well as related policy issues and possible recommendations.

Strengths

Progress in the modernisation of public procurement following the transposition of EU regulations

In Slovenia, participation of small and medium enterprises (SMEs) in public tenders has significantly improved over the past years. Based on the 2020 European Semester report on Slovenia, SMEs are awarded a significant share of public contracts: for instance, in 2018, 78% of contractors were SMEs (European Commission, 2020^[5]). Their success rate in public procurement processes was above the EU average.

The Public Administration Development Strategy 2015-20 introduced several innovations – including the application of electronic public procurement with a view to simplifying, speeding-up and increasing flexibility, efficiency and rationality of public procurement processes. Since April 2018, as reported by the Ministry of Public Administration, electronic tendering is obligatory in Slovenia and several tools have been made available to contracting authorities. In accordance with the Public Procurement Act, access to public procurement is not limited to certain types of enterprises, which provide – theoretically – similar levels of access to public markets to social enterprises and SMEs, as it was also recommended in the 2010 OECD report on the social economy in Slovenia (Spear et al., 2010^[3]). Moreover, according to the OECD, Slovenia stands out as one of the OECD countries that makes the most information about the procurement process available to the public (OECD, 2019^[34]). Nevertheless, the Public Administration Development Strategy makes no explicit reference to socially responsible public

³⁵ Available at: <https://nio.gov.si/nio/asset/strategija+razvoja+iavne+uprave+2015+2020?lang=en> (accessed on 30 June 2021).

procurement and neither mentions social enterprises, social economy organisations nor non-profit organisations amongst main stakeholders in this field.

The 2015 Slovenian Act on Public Procurement (ZJN-3)³⁶ and subsequent regulations transposed the 2014 EU Public Procurement Directives that explicitly indicate that social criteria can be considered throughout the procurement process. The mechanisms integrating these social criteria include for instance preliminary market consultations, the use of reserved contracts, social award criteria and contract performance conditions (European Innovation Council and SMEs Executive Agency, 2020^[35]). A special section of the Slovenian Act regulates public procurement of “social and other specific services” placing dual importance on the affordable price as well as on quality and sustainability criteria (European Commission, 2019^[14]). The 2018 revision of the Public Procurement Act (ZJN-3A)³⁷ emphasises the importance of socially responsible public procurements including social criteria (in addition to price/costs) and makes alignment with these principles mandatory for public service contracts covering certain activities and special provisions.

Additionally, the Act calls for the involvement and empowerment of disadvantaged and vulnerable groups (Art. 97). In particular, the Act on Public Procurement establishes that contracting authorities may reserve the right to participate in public procurement for sheltered workshops and employment centres (as defined by the Vocational Rehabilitation and Employment of Persons with Disabilities Act) as well as for social enterprises and “enterprises with social content” (as defined by the Act on Social Entrepreneurship) (Art. 31). In addition, the Act establishes that contracting authorities may decide to reserve the right for particular organisations to participate in public procurement exclusively when procuring health, social and cultural services covered under “social and other specific services” (Art. 99).

Public policies favouring the work integration of persons with disabilities encourage access of social enterprises to private markets

Some social enterprises have access to private markets but access is uneven, as it depends on the type of legal form and status adopted by social enterprises. According to stakeholder consultations organised for this policy review, companies for persons with disabilities are very entrepreneurial and access private markets more easily. Conversely, *de jure* social enterprises tend to be less market-oriented and rely more heavily on public funding.

Access to private markets is, moreover, strongly influenced by the quota system that mainly benefits companies for persons with disabilities. Decree 21/2014 regulates the quota for the employment of persons with disabilities, pursuant to the implementation of the Vocational Rehabilitation and Employment of Persons with Disabilities Act.³⁸ The Decree establishes that any employer with at least 20 employees shall employ a prescribed number of persons with disabilities registered by the Health Insurance Institute of Slovenia. The quota is determined according to the size and the field of engagement of the employer (Art. 3 and 4). An employer who exceeds the established quota (or who employs workers with disabilities even if it is not subject to this obligation) is entitled to claim a reward equivalent to the 20% of the minimum wage for each disabled worker employed above the prescribed quota (Art. 9). Conversely, an employer who does not meet the quota may (partially or fully) reduce the obligation by either paying a contribution to a fund aimed at promoting the employment of persons with disabilities (the Public Scholarship, Development, Disability and Maintenance Fund of Slovenia) or establishing a co-operation agreement with a company for persons with disabilities or an employment centre. In accordance with the

³⁶ Official translation in English of the Slovenian Act on Public Procurement is available here: http://www.djn.mju.gov.si/resources/files/Predpisi/ZJN-3_ang_prevod.pdf.

³⁷ https://ejn.gov.si/dam/jcr:d0d0060a-0746-44cd-971a-c35e9635d0cc/ZJN-3A_anj_nov2018.pdf.

³⁸ Official Gazette of Slovenia, No. 16/07 and official consolidated text (87/11, 96/12 - ZPIZ-2, 98/14 and 18/21) - Articles 62 to 65 and 67.

Vocational Rehabilitation and Employment of Persons with Disabilities Act (Art. 64), such an agreement has to be issued on a yearly basis and must consist of a value of at least 15 minimal wages. Against this background, several well-established conventional enterprises (e.g., Gorenje, Luka, Plama, Hidria, Mercator) have set up specific companies for persons with disabilities with a view to fulfilling their quota requirements. Such spin-offs, which can be conceived as corporate social responsibility practices, are innovative forms of partnerships among conventional and social enterprises specifically aimed at strengthening the ability to integrate persons with disabilities into work.

Challenges

Limited access to public markets by social enterprises

Centralisation of welfare service provision by public agencies

Within the Slovenian welfare system, the vast majority of social, healthcare and educational services is currently provided by public agencies. The satisfactory degree of coverage and quality of these services combined with the tendency reported by stakeholders to prefer big players whenever private providers are engaged, limits to a significant extent the space available for social enterprises (European Commission, 2019^[14]). According to the latest statistical report on public procurement in Slovenia (Ministry of Public Administration, 2020^[33]), in 2019, only seven public contracts falling under the category “social and other specific services” were awarded for the provision of goods and services, for a total value of approximately EUR 10 million. Out of them, six contracts (99.48% of the total value) concerned the provision of “hotel and restaurant services”; the remaining contract (for a value of EUR 52 000) concerned services in the field of “administrative, social, educational, health and culture.”

However, Slovenia is going through profound demographic changes that might lead to an increase in the demand for public services and are likely to open new spaces for social enterprises to operate. These demographic changes, such as ageing population, will most likely lead to a progressive increase and diversification in the demand for public services, especially social services such as health and long-term care services for the elderly (Interreg CE SENTINEL, 2018^[19]; European Commission, 2020^[5]). These challenges are likely to open new spaces for the provision of welfare services that could be filled by social enterprises. At the same time, the governmental orientation to de-institutionalise the provision of welfare services is expected to increase the share of services to be contracted out to private providers, creating even more opportunities for social enterprises to fill this gap. Still, several barriers hamper the engagement of social enterprises in welfare service provision, as pointed out below.

There remains some resistance to the de-institutionalisation process. Stakeholder consultations and interviews attributed this mainly to the failed experiences of public services contracted out to for-profit welfare providers. As a result, de-institutionalisation is perceived by some stakeholders as an excuse to dismantle the public welfare system through a generalised privatisation. Stakeholders consulted by the OECD as part of this policy review have expressed their concern about this, also in relation with the ongoing drafting of the Act on Long-term Care. Box 5.1 provides the example of the Italian Third Sector Reform that has deeply changed the relations between public actors and third sector entities.

Box 5.1. Co-programming, co-design and organisation of the provision of general interest services within the Reform of the Third Sector in Italy

The recently adopted Italian Third Sector Reform has revolutionised the relations between public actors and third sector entities. The so-called Code of the Third Sector (Legislative Decree 117/2017) encourages the active involvement of third sector entities in the programming, design and organisation of the provision of general interest services and introduces an interaction modality that can be adopted to favour close collaborations between public and third sector actors (Art. 55).

As highlighted by several analyses and policy reports, while safeguarding competition and favouring in many instances the less locally rooted providers, the public tendering of welfare services via procedures solely based on the lowest price criterion has contributed to deteriorating the quality of both welfare services and working conditions of welfare professionals.

The collaborative interaction model promoted by the Third Sector Reform introduces an additional modality to tackle unmet challenges arising in local communities, which draws on the co-operation between public authorities and the concerned third sector organisations. It is indeed based on both the convergence of general interest objectives that are pursued by public actors and third sector entities alike and the aggregation of public and private resources.

In response to the negative opinion expressed by the Council of State in 2018, the Italian Constitutional Court has recently recognised the full legitimacy of Art. 55 and its compatibility with EU legislation, including with EU public procurement directives. As expressed by the Constitutional Court, Art. 55 enables the principle of horizontal subsidiarity introduced by Art. 118 of the Italian Constitution, which demands all levels of governments to find ways to share their powers and co-operate with individual or associated citizens willing to exercise their right to carry out activities of general interest.

Source: (Pellizzari and Borzaga, 2020^[36])

Predominance of the lowest price criterion in public contracting

The tendency to award contracts only on the basis of the lowest price, although decreasing, remains higher in Slovenia than the EU average (European Commission, 2020^[5]). According to the latest report on public procurement (Ministry of Public Administration, 2020^[33]), the most commonly used criterion for awarding a public contract in 2019 was the price (90.21% of the total number of contracts awarded, 85.13% of the total value). The alternative criterion, namely the most economically advantageous offer, was used in the remaining cases. However, the 2018 revision of the Public Procurement Act (ZJN-3A) implies mandatory social criteria, in addition to price/costs, for public service contracts covering certain activities and special provisions.

The tendency to favour the lowest price as the sole criterion penalises social enterprises. Despite the fact that Slovenia has intensified its efforts to improve capacity and has achieved a well-developed regulatory and policy framework for public procurement, the European Commission Single Market Scoreboard, Public Procurement section, rates the overall performance (whether purchases get good value for money) of public procurement as “unsatisfactory” (European Commission, 2019^[37]). However, it is worth noting that a number of indicators, including the percentage of SME contractors and the amount of procedures divided into lots, show good performance. These factors can help social enterprises position themselves in public procurement.

Poor technical skills among social enterprises and limited support available in the ecosystem

Additional problems jeopardising social enterprise access to public markets are attributable to the low technical skills among social enterprises and the rare opportunities for support and trainings on how to participate in public procurement. With the exception of companies for persons with disabilities, Slovenian social enterprises are not well suited to participate in public procurement: they face significant skills gaps, without having many concrete possibilities at their disposal to fill them. On the one hand, there are no umbrella/representative organisations providing technical assistance or delivering trainings specifically addressed to social enterprises on how to participate in public procurement processes. On the other hand, existing business support, development and coaching initiatives provided in particular by the national agency SPIRIT and the SPOT points³⁹ of the Chambers of Commerce and Industry are primarily intended for conventional companies and are not tailored to the specific needs of social enterprises. The Ministry of Public Administration provides guidelines, consultation services, help desk solutions and e-learning tools for increasing capabilities of contracting authorities and tenderers, including social enterprises. Mentoring and skills development initiatives addressed specifically to social entrepreneurs are provided only on an occasional basis, in particular in the framework of EU projects, and have not yet evolved into a permanent and systematic training offer (Interreg CE SENTINEL, 2018^[19]).

Different opportunities in accessing private markets for social enterprises

The Vocational Rehabilitation and Employment of Persons with Disabilities Act provides an opportunity for social enterprises engaged in the work integration of persons with disabilities to develop partnerships with the private sector. Indeed, the possibility to replace the obligation for employers with at least 20 employees to hire workers with disabilities by contracting with companies for persons with disabilities and employment centres constitutes a stimulus for these specific types of social enterprises to work with the private sector. These partnerships among companies for persons with disabilities and conventional companies are well-developed to fulfil quota requirements.

Excluding these well-developed partnerships with companies for persons with disabilities, traditional companies generally do not recognise the importance of social and environmental impact. As emerged in the stakeholder consultations organised as part of this policy review, existing partnerships are mostly related to small sponsorships and donations of materials that social enterprises normally use for upcycling. Similarly, no public policies aimed at stimulating conventional enterprises to adopt Corporate Social Responsibility (CSR) practices, which could result in partnership opportunities for social enterprises, have been identified.

Policy issues

Promotion of socially responsible public procurement at the local level

The potential of the new legislation to stimulate social enterprise access to public market in the country remains under-used. In addition, the opportunities offered by the new legislation in relation to socially responsible public procurement (e.g. social clauses and reserved contracts) are not being exploited. Yet, the Ministry of Public Administration has both published guidelines – acknowledged as a good policy practice by the EU project “Buying for Social Impact” (Caimi, Daniele and Martignetti, 2019^[38]) – and provided training sessions to officers in charge of managing public procurement procedures to

³⁹ The national SPOT system offers a comprehensive system of support and free state services for business entities. It is composed of institutions that provide assistance, information and advice to business entities. See: <https://spot.gov.si/en/about-spot/presentation-of-the-spot-system-slovenian-business-point/>.

ensure the correct application of the Act on Public Procurement. The EMPUBLIC project (Box 5.2), carried out in 2016-19 under the EU Programme ERASMUS+, was another attempt to better exploit opportunities to include social clauses and reserved contracts in the public procurement awarding procedures.

Box 5.2. EMPUBLIC – Enhancing employment and self-entrepreneurship of disadvantaged people through a better relationship between the public and private sectors

The EMPUBLIC project was carried out in 2016-19 under the EU Programme ERASMUS+, key action 2 “Co-operation for innovation and the exchange of good practices”, which promoted the joint work between organisations from different countries aimed at developing, sharing and transferring good practices and innovative approaches in the fields of education, training and youth. The project involved ten partners amongst public authorities, educational institutions, research organisations and associations for local development from Italy, Slovenia and Spain.⁴⁰

EMPUBLIC was primarily aimed at increasing the opportunities for training, business ownership and employment for disadvantaged people in the context of tenders, agreements and direct awards by public administrations of contracts for the provision of goods and services. The project results include a study aimed at exploring the possibility to include social clauses and reserved contracts in public contracts awarding procedures in order to concretely put into practice the new approach embraced by the European legislator within the 2014 reform concerning public procurement. The study findings are illustrated in the document “Social clauses in public procurement – A practical Handbook”⁴¹. The Handbook includes an analysis of the national legislations of the three Member States targeted by the project, as well as standard procedures and good practices in the area of public contracts aimed at promoting entrepreneurship and work integration of disadvantaged groups. It also provides a set of recommendations to be considered in each phase of the procurement process with a view to favour an increased application of socially responsible public procurement.

Source: (EMPUBLIC, 2019^[39]) and <https://www.euricse.eu/projects/empubli-c-enhancing-self-employment-and-entrepreneurship-of-disadvantaged-people-through-better-relationships-between-the-public-and-private-sectors/>

At the local level, the 2018 revised Act on Social Entrepreneurship envisages an active role for municipalities in supporting social enterprise development, including the planning and implementation of social enterprise development policies.⁴² Municipalities are indeed expected to become stronger partners of social enterprises by integrating their projects into local development programmes and by activating new and untapped local resources to better seize the co-funding opportunities offered by EU projects (Interreg CE SENTINEL, 2018^[19]; European Commission, 2019^[14]). Moreover, according to the Act, municipalities should seek new business opportunities for social enterprises and identify their potential to carry out public services (Art. 32). Data on public contracting at the municipal level are not available but some good practices of collaboration have been mentioned during the interviews conducted as part of this policy review. Yet, stakeholder consultations indicated that, with a few exceptions, municipalities are not yet playing an active role, beyond their concession of rent-free premises to social enterprises.

Capacity-building of public officers at the local level is required to unleash the potential provided by both the 2018 revised Act on Social Entrepreneurship and EU directives in the domain of public

⁴⁰ Slovenian partners involved were: SKUP – Community of Private Institutes (<http://www.skup.si/skup/en>), BiT Planota Foundation (<http://www.fundacija-bitplanota.si/>) and the Regional Development Agency of Northern Primorska (<http://www.rra-sp.si/en>).

⁴¹ The Handbook may be downloaded at the following link: <https://www.euricse.eu/publications/social-clauses-in-public-procurement>.

⁴² Articles 1, 7, 29 and 31.

procurement – notably the consideration of specific social aspects in the evaluation processes. Public officers need to learn how to fully harness the opportunity offered by the transposition of the Act on Public Procurement and should take into account social considerations such as the Most Economically Advantageous Tender (MEAT) award criteria (Caimi, Daniele and Martignetti, 2019^[38]). The Ministry of Public Administration is preparing the implementation of the Procurement Academy expected for the end of 2022. This initiative will provide competence development and training activities in order to equip public officers with theoretical and practical knowledge on public procurement procedures (including socially responsible public procurement).

Recommendations

Improve the opportunities for social enterprises to access public procurement

Policy makers might encourage the participation of social enterprises in public procurement by better aligning their calls for tenders with the social enterprises' realities and capacities in the short to medium term. Slovenia has modernised its public procurement procedures following the transposition of EU public procurement regulations, and both the 2018 amended Act on Social Entrepreneurship and these EU regulations offer opportunities to increase social enterprises' access to public procurement. Yet, efforts in this direction should be maintained, combined with a reflection on the criteria to award contracts in order to better align them with the social enterprises' capacities. For example, the tendency to favour the lowest price criterion, although decreasing, makes difficult to consider social, environmental and ethical requirements. In addition, some factors may help social enterprises position themselves on public procurements, such as procedures divided into lots, a factor on which Slovenia shows good performance. A first step consists of providing clear information to raise awareness among public procurement officers about the potential of increasing the access of social enterprises to public markets as well as the range of options that are available to reach this objective. A practical guide that would adapt to the Slovenian context is a relevant option in this respect, as already released at the European level (European Commission, 2021^[40]) or in some countries (Baeyens et al., 2013^[41]).

An additional option includes, in the medium term, to consider whether and how social enterprises could also become providers of welfare services, in complement to public actors. Demographic changes entail an increasing and diversified demand for public services, including social services such as health and long-term care services for the elderly, which might open new areas for social enterprises to operate. The development of a strategy for social enterprises in service provision as a complement or alternative to public provision, especially for social services such as day care for the elderly and childcare in residential areas, was already among the recommendations of the 2010 OECD report on the social economy (Spear et al., 2010^[3]). A first necessary step is to acknowledge the assets of social enterprises *vis-à-vis* other welfare providers in responding to specific social and societal challenges. Against this background, it would be beneficial to push forward the public and private attempts to develop a comprehensive framework for social impact measurement. An alternative option is to capitalise on good practices and inspiring examples in other EU Member States where social enterprises have played an important role in providing welfare services and empowering civil society.

Enhance capacities of social enterprises and public officers

Reinforcement of the technical skills of social enterprises as well as the social enterprise networks and support organisations is required to harness the opportunities offered by public procurement. Social enterprises benefit from few opportunities for technical assistance or trainings on how to participate in public procurement. Two avenues would help achieve these objectives in the short to medium term: capacity building and the reinforcement of training opportunities for social enterprises and their networks

to develop these skills within the social enterprise ecosystem. Another option includes enhancing the capacity of existing business support, development and coaching initiatives, initially not targeting social enterprises, in order for them to expand their knowledge and better address the specific needs of social enterprises.

Promoting capacity building for public officers is also needed in the short term so as to equip these actors with the relevant skills and knowledge, especially on the use of socially responsible public procurement. These capacity building efforts should be organised at the national and subnational level, with the objective to develop public officers' skills on how to include social, environmental and ethical considerations in public tendering, which might increase opportunities for social enterprises to access these public markets. The Procurement Academy is a first step to reinforce the public officers' skills on public procurement execution. The development of practical and legal guidance might also enhance capacity building of policy makers and public officers.

The enhancement of information availability on public procurement, especially those that include social considerations, might also help raise awareness among social enterprises and facilitate their access to public markets in the short term. In this respect, but also to help enhance the capacity of social enterprises and public officers, the establishment of a network of people specifically trained to support all parties involved in social public procurement is an option that has shown to be fruitful in France or in Belgium for example. These "facilitators for social clauses" (*Facilitateurs clauses sociales*) support both public officers and social enterprises in social procurement processes.

Promote collaborations among social enterprises and between social and conventional enterprises

Couple the promotion of capacity building initiatives at the local level with the support of collaborations among social enterprises (and other organisations of the social economy) and with conventional enterprises might help enhance access to markets for social enterprises and social economy entities at large. These collaborations might enable social enterprises to position themselves on public tenders that they would not be able to respond to alone. While collaborations among social enterprises and with other social economy actors might appear more evident, there is an interest to reinforce the interactions with conventional enterprises. Achieving this objective in the short to medium term requires a dialogue between stakeholders to help them better understand the expectations and realities of each other. These concertation efforts could take place through the network of facilitators mentioned above. Interactions between cities and remote areas as well as cross-border activities involving social enterprises should also be promoted.

Collect data on social procurement

An evaluation of public procurement, especially social public procurement, should be developed in the medium term. This evaluation needs to rely on systematic data collection to follow a set of quantitative and qualitative indicators on the implementation of these social public procurements. Some data are already collected on socially responsible public procurement and how social considerations are included in these public procurement procedures. Additional data could be collected to better understand what profile of social enterprises participate in what type of public procurement. This evaluation tool could remain simple and should enable a better understanding of what works well and what is the room for improvement in order to encourage a greater uptake of social procurement by national and local governments but also to raise awareness on the potential for social enterprises.

6 Social impact measurement and reporting

Social impact measurement is essential to assess the social value and impact generated by the social economy, including social enterprises. Despite public commitment to encourage social impact measurement by policy makers and independent attempts by local actors, concrete progress has been slowed by incomplete implementation of the national system for social impact measurement as well as limited expertise and resources among stakeholders. As foreseen in the legislation, the government is currently taking steps to develop a common methodology on social impact measurement for registered social enterprises, which may have a positive spillover for other social economy entities as well. This chapter evaluates the state of social impact measurement in the country and provides recommendations on how policy makers can promote the use of this important lever for the development of the social enterprises, which is expected to positively benefit the social economy at large.

Strengths

Public commitment to encourage social impact measurement

The 2018 revision of the Act aims to bolster social impact measurement practices among registered social enterprises, by requesting mandatory reporting that should be made publicly available by the responsible ministry. The legislation further instructs the adoption of a Directive on the measurement of social impacts, which was also recommended in the OECD report on the social economy (Spear et al., 2010_[3]). The Ministry of the Economic Development and Technology reiterated its intention, in the forthcoming national Strategy for the Development of the Social Economy 2021-31, to establish a national system for social impact measurement.

Progress on these political commitments has so far been slow but concrete, with faster uptake since the end of 2021. Two calls for tender have been issued, but they have been unsuccessful due to insufficient expertise and short timeframe requirements. In 2021, the Slovenian research agency approved the proposal made by the Ministry of the Economic Development and Technology to prepare a methodology for social impact measurement and the research project started in October 2021. A survey was sent to all 269 registered social enterprises as a first phase of this project in order to collect information about social impact measurement approaches and indicators; 61 full answers were received. The next steps include expert consultations on the methodology for social impact measurement and the organisation of a workshop with social enterprises to have them test the proposed methodology and provide their feedback.

Interviews conducted among social enterprises have confirmed that there is great demand for additional guidance in terms of social impact measurement and reporting. They underlined however that this should be co-constructed in partnership with both non-profit and for-profit social economy actors, which is the case so far for the first steps of the research project to prepare a methodology for social impact measurement. Social economy organisations also perceive social public procurement as a natural venue,

where more social impact measurement could be prompted and developed. Because the government is one of the biggest buyers, it could also stimulate local authorities to move in this direction.

Early attempts by social enterprises

Social enterprises consulted by the OECD as part of this policy review have developed performance indicators to monitor their activities either at project or at the organisation level. The survey conducted in the framework of the research project to prepare a methodology for social impact measurement shows that 45% of the respondent social enterprises do measure social impacts, mainly to present them to the general public. Some of them have spontaneously identified and adopted international resources tailored to social enterprises or the wider social economy. Often, when social impact measurement is undertaken as part of project reporting, which is the case of 35% of surveyed registered social enterprises, the process is short-lived and does not unleash lasting cultural changes within the organisation. Circumscribed, project-based assessments, especially when undertaken to respond to funders' requests, do not necessarily permeate through the management structure, and often do not suffice to prompt the adoption of a permanent and systematic strategy for social impact measurement.

Few attempts at undertaking more advanced forms of social impact measurement, mostly aligned with the methodology for Social Return on Investment (SROI), were performed as part of European cross-border projects. For example, the think tank IRDO (Institute for the Development of Social Responsibility) was involved in the project "Model M Slovenia: career training, employment and entrepreneurship for youth in Slovenia" with support from the European Social Fund and Slovenia (Hrast and Mulej, 2020^[42]). The project aimed to train young unemployed to help them set up their own business or to find a job on the market. Through SROI, it was calculated that one euro spent resulted later in a ten euros impact.

Based on the feedback collected, social enterprises choose to engage in SROI because it is perceived as useful for fundraising when approaching potential investors and business partners. However, even in this respect, it has limited traction in Slovenia, since local financial actors pay little attention to extra-financial criteria. The main obstacles reported in the implementation of SROI are the lack of methodological expertise and data.

Many social enterprises underlined that a purely quantitative approach leads to a reductive or even misleading representation of their achievements, the main difficulty being how to capture intangible benefits. Interviewees also pointed to the fact that positive outcomes may not always go in the direction of the target being pursued, for instance in some cases greater well-being may actually result in one participant abandoning their entrepreneurship project. Qualitative information emerged as important to explain the difference between social enterprises and other business models. In the case of social enterprises, smaller volumes of outputs (e.g. beneficiaries reached or products delivered) are often justified by deeper inclusion of vulnerable groups. Similarly, modest growth prospects may imply greater resilience, thanks to their stronger connection to local needs.

Challenges

Scant evidence on the impact of social enterprises

So far, there has been few evaluation of the impact of social enterprises and/or work integration social enterprises by public actors or by social enterprise federations. The two most recent legislations on social entrepreneurship were not preceded by a formal impact assessment exercise, other than a review of statistics on employment and revenues produced as part of the country report mandated by the European Commission (European Commission, 2019^[14]). The national federations (namely, the Association Social Economy Slovenia, the Alliance of Companies Employing Disabled People of Slovenia,

the Cooperative Association) have not yet taken active steps to prove the collective impact of their members.

Since the amendment of the Social Entrepreneurship Act (2018), registered social enterprises are no longer obliged to yearly report on the employment of vulnerable groups or their activities in the public interest. While this reform lifted an administrative burden, it prevents a deeper understanding for both policy makers and concerned stakeholders. Employment statistics on *de facto* social enterprises active in the work integration field can be reconstructed from the database of the Centre of Non-Governmental Organisations of Slovenia (CNVOS) and from the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), as it was done in the European mapping report on social enterprise ecosystems (European Commission, 2019^[14]). However, a more comprehensive picture of the field's contribution to social and environmental goals is still missing.

Limited support and expertise available in the ecosystem

There has been very limited mobilisation on the topic of social impact measurement *per se* although several actors are actively promoting corporate social responsibility in Slovenia (Center of Business Excellence at the Faculty of Economics of the University of Ljubljana⁴³ and IRDO⁴⁴). From what emerged during the stakeholder consultations conducted by the OECD in the framework of this policy review, the only example going in this direction is the social and economic return on investment with open innovation methodology (SEROI+)⁴⁵ that was formulated by the University of Ljubljana as part of the Interreg Europe ERUDITE project. This process has led to establishing a national fabrication laboratory (fab lab) network and individual, rural fab labs in Slovenia, which aim to use the entrepreneurial potential of local communities to promote innovation, economic growth and the circular economy.⁴⁶ The use of the ERUDITE SEROI+ approach engaged local stakeholders through the establishment of the Fablab Network Slovenia, which aims to facilitate its adoption by national policy makers, municipalities, businesses, academic, research and formal educational institutions across Slovenia.⁴⁷

In general, the Slovenian ecosystem suffers from a dearth of capacity building intermediaries (incubators, accelerators, etc.) that could foster skills development among inclusive or social entrepreneurs, especially in more rural areas. Few publicly supported trainings or other support schemes could be identified in this regard. SocioLab, a project commissioned by the Ministry of Labour, Family, Social Affairs and Equal Opportunities, organised a few workshops on social impact measurement and reporting. Moreover, there is a shortage of guidance and resources available online for social enterprises and more widely social economy organisations. Competitions such as the annual awards for innovation from the Chamber of Commerce and Industry of Slovenia, or the Slovenian Award for Social Responsibility (by IRDO) only provide short-lived incentives.

As a consequence, there is a limited offer in terms of continued training and technical support for founders and start-ups on how to design an impact-focused strategy, how to go about measuring and managing social impact and finally how to communicate effectively. Interviews held as part of this policy review confirmed that social enterprises and more widely social economy actors are not sufficiently equipped to prove their potential in terms of social value creation. Positive impact is often assumed, by adherence to the mission and participatory governance models. Local actors lament the shortage in methodologies, skills and financial resources to adequately evidence their impact. Open-access web-platforms such as Enterprise Lithuania's social enterprise social impact measurement training

⁴³ <https://www.strategy-sustainability.com/>.

⁴⁴ <http://www.irdo.si/irdo2019/referati/c-3-babnik.pdf>.

⁴⁵ <https://seroi.plus/about/>.

⁴⁶ https://ec.europa.eu/regional_policy/en/projects/Italy/transnational-cooperation-for-a-new-energy-model-in-southwestern-europe.

⁴⁷ https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1558690242.pdf.

platform can offer targeted training to help social enterprises learn the foundations and apply social impact measurement effectively (see Box 6.1).

Box 6.1. Lithuania's social enterprise training platform for social impact measurement

Following the OECD's recommendation to raise awareness of social change via an open access web portal for social impact measurement (OECD/EU, 2019^[43]), *Versli Lietuva* (Enterprise Lithuania) has launched a social impact measurement training platform for social enterprises in March 2021 (<https://socialinisverslas.verslilietuva.lt/>). This platform has two main goals: (a) providing social enterprises with the training needed to successfully understand and measure their social impact and (b) having a single space collecting and displaying data about social enterprises who voluntarily register and can display their work.

The learning platform features trainings, exercises and other useful information, which aim to help social enterprises analyse their impact and create an impact measurement plan, assess the effectiveness of their solution, validate their business model and better understand the needs of the market and customers. The platform helps social enterprises gain this knowledge and improve strategic business decisions allowing them to contribute effectively to solving social problems. The learning modules also focus on how social enterprises can be successful businesses and generate steady income streams alongside creating impact. In addition, the website offers several degrees of engagement: social enterprises can access the training modules, they can display a short description, their logo as well as a link to their website and social media accounts and choose to engage and exchange with all those listed.

The possible scope of this platform is relatively large as its resources are available not only to existing social enterprises, but also to potential funders of social enterprises that have just an idea and can register as well and take advantage of the trainings. Today, the website counts 72 registered social enterprise accounts and 92 idea accounts and the numbers are growing. Not all of them are publicly showcased on the website, yet.

Source: (Versli Lietuva, 2021^[44]; Versli Lietuva, 2021^[45]; Geri norai LT, 2020^[46])

The only relevant public initiative, identified through the field visit, is the programme run by the public Agency for entrepreneurship, internationalisation, foreign investments and technology (SPIRIT Slovenia) with support from the Ministry of Economy and Technology and the European Cohesion funds, to accompany SMEs in developing a sustainability strategy. Here, materiality matrixes⁴⁸ are used to understand what matters to the company's external stakeholders and how that can influence business success. However, it has a relatively narrow scope (3 years ending in 2022, 60-62 companies) and is only open to mid-sized limited liability companies, from 30 to 250 employees.

⁴⁸ Material topics are "those that reflect the organisation's most significant impacts on the economy, environment, and people, including impacts on human rights." (GRI, 2020^[50]). A materiality analysis is a method to identify and prioritise the issues that are most important to an organisation and its stakeholders. In other words, it is a methodology a company can use to identify and estimate possible Environmental, Social and Governance (ESG) topics which might impact the business and its stakeholders. The materiality matrix showcases these sustainability issues by contrasting two dimensions: (i) the importance of the issue to the organisation regarding the expected influence this issue will have on the organisation's success, and (ii) the importance or attractiveness of the issue to stakeholders and the likely influence they might have, as a result of the working efforts (or lack of them) on this issue, on business success. Source: <https://youmatter.world/en/definition/materiality-assessment-definition/>

Policy issues

Embedding social impact considerations throughout public efforts

In order to promote social enterprise development and social economy more broadly, Slovenia needs to raise public awareness on their added value to society. Among the strategic orientations adopted in the National Development Strategy figure a resilient, inclusive, safe and responsible society as well as a highly productive economy that creates value for all (Slovenia, 2018^[47]). In the Vision of Slovenia 2050, the Government Office for Development and European Cohesion Policy has put the quality of life of all in the foreground. Social economy organisations are well positioned to contribute to progressing these goals.

Although the National Development Strategy targets a socially responsible entrepreneurial field (Slovenia, 2018^[47]), for-profit business and financial actors in Slovenia show limited interest in adopting sustainability strategies. Greater integration of environmental, social and governance (ESG) criteria in business and investment choices would favour collaboration with social enterprises. The EU directive on non-financial disclosure offers an opportunity to promote system change in the economy at large, not just in accounting but in corporate business strategies. So far, the Slovenian government has undertaken only timid attempts at fostering a more responsible and sustainable approach in the banking sector, large corporations and SMEs.

Even public investment funds, such as those channelled by SID Bank and the Slovene Enterprise Fund (SEF), only consider green criteria in their screening and selection processes, unless explicitly requested as a government priority. The main public development banks have not developed a triple-bottom line approach that would mainstream social and governance considerations, alongside environmental ones. Similarly, the start-up and business support infrastructure does not systematically promote the integration of social objectives as part of the counselling offered to founders and SMEs.

Aside from the national registry for social enterprises, few initiatives set out to promote and reward impact orientation even among social economy organisations. A greater uptake of social procurement practices by national and local governments could encourage impact measurement also among companies for persons with disabilities and employment centres. Impact-related awards and competitions could draw further attention and inspire capacity development in the longer term. For instance, the Slovenian NGO SLOAM, working on mentorship programmes and other activities to promote social innovation among youth, recently succeeded in the Social Impact Award (SIA)⁴⁹ programme. Similar efforts, if properly disseminated, could generate a positive dynamic around the definition and demonstration of social impact.

Striking the right balance in developing methodological guidance

Alongside the normative framework, social impact measurement standards are a vital component in the intangible infrastructure that can facilitate the development of the social economy. Should Slovenian social enterprises effectively adopt instruments to measure and report social impact, this would reinforce their adherence to their mission and constitute a competitive advantage with respect to other private sector actors.

Many methodologies exist for social impact measurement, ranging from purely qualitative to more quantitative approaches and all the way to monetisation. Their dissemination depends on the capacity of individual entities as much as on the resources available in the broader ecosystem. While efforts towards harmonisation can enhance comparability for a given territory or sector, some degree of customisation remains necessary to ensure social enterprises can draw useful lessons from the measurement exercise.

⁴⁹ <https://socialimpactaward.net/>.

The impacts being measured need to portray social economy organisations as multi-dimensional organisations that can promote social, economic, and environmental community development, thanks to the specificities of their business model (social mission, market activities and participatory governance). Indicators should thus go beyond hard data on income and employment, to capture soft aspects like well-being promotion and civic engagement. Importantly, they should be geared as far as possible to official public policy goals in order to evidence individual and collective contribution of the social economy to national and local priorities in terms of sustainable development.

At present, for social enterprises, social impact is mostly intended as job creation, with little attention being paid to other dimensions (e.g. environmental sustainability). For finance providers and commercial companies, the focus instead lies mostly in adherence to environmental standards. Independent experts interviewed as part of this policy review point to the risk of narrowly focusing on distinct aspects, such as the circular economy, at the expense of a more comprehensive picture of the private sector contribution. While it may favour the advancement of top political priorities, this reductive approach may trigger perverse behaviour, and hence reduce the chances of systemic change.

Recommendations

Provide flexible guidance

Given its political commitments and the high demand stemming directly from social enterprises, the government should push forward its attempts to develop a comprehensive framework for social impact measurement in the short to medium term. This could primarily target social enterprises (including companies for persons with disabilities and employment centres) in order to meet their specific needs and consider their capacities, but could become inspirational for the broader social economy and business environment.

Public guidance can typically address three aspects: indicators (what is measured), processes (how it is measured and by whom) and reporting (how the results are communicated). Minimum basic principles should be applied to ensure a robust and participatory measurement process as well as to promote the disclosure of impact data. Compliance should be formalised in certain areas, for instance in the award of public contracts and legal statuses, while informally encouraged in others (e.g. to orient private investment). To ensure its feasibility and ultimate uptake, such guidance should be developed in close consultation with representatives from the social enterprise and wider social economy.

A flexible approach is needed to accommodate the diversity of social economy organisations, thereby expanding the benefits of social impact measurement beyond the sole social enterprises. This could typically take the form of a catalogue of harmonised indicators, where individual entities are free to choose from, depending on their mission and activities, accompanied by instructions on how to go about data collection and treatment, taking into account the resources available in terms of financing and skills. Finally, a common reporting template could be envisaged, which should leave room for some degree of customisation, while promoting transparency on the underlying sources and limitations. This framework could feature both a qualitative and a quantitative dimension, with critical performance metrics and an accompanying narrative to describe how the impact was achieved.

Enhance capacity building

Methodological guidance will need to be accompanied by support services to encourage its dissemination and correct uptake in the short to medium term. Given the limited capacity building offer, there is a need to empower existing intermediaries, opening new opportunities for registered social enterprises and more broadly for social economy organisations, while also attracting new resources from abroad. Firstly, the government could support local intermediaries that already work with social economy

organisations in developing a more comprehensive offer in terms of training and counselling on impact measurement. Secondly, the government could encourage a better inclusion of social enterprises, independently of their size, legal form and status, in the existing start-up and SME support network. This would be particularly relevant if the programme on corporate social responsibility currently run by SPIRIT Slovenia is renewed and expanded. Other actors present on the territory, like the Slovenian fund for regional development, could be mobilised to relay these new opportunities, in an effort to ensure a thorough coverage of urban and rural areas.

Capacity development on social impact measurement could also be promoted by leveraging existing free online resources, for instance those developed at the European level, including the SEROI+ methodology mentioned above, the "AIR: Accelerating Investment Readiness" blended learning platform⁵⁰, stemming from the Finance4SocialChange, the resources produced by the VISES project for Social and Solidarity Economy Enterprises,⁵¹ both financed by EU Interreg, or the "Maximise Your Impact" Guide for Social Entrepreneurs,⁵² funded by the Erasmus+ programme. Translating these resources into Slovenian could facilitate their spontaneous uptake by social economy organisations and inclusion in the training offer by local intermediaries.

Finally, the government could bring in competencies from similar, foreign contexts to raise the profile of this topic and capitalise on their experience. Relevant actors that have been active in promoting regional co-operation include the European Venture Philanthropy Association with its Central and Eastern Europe initiative,⁵³ the more recent Social Impact Alliance for Central and Eastern Europe⁵⁴ and the DIESIS network with a focus on South East Europe.

Create impact evidence

In order to raise the visibility of social enterprises and social economy organisations at large, and to reaffirm the importance of public efforts promoting its development, the government could directly engage in, or otherwise mandate, the creation of impact evidence at the national level. These efforts would help to evidence the positive impacts of the field to social, environmental and economic goals in a macro-level perspective. In the long term, this could take the form of theory-based evaluation of the different public initiatives undertaken in support of the social economy, to enhance public accountability and inform the design of future interventions. Alternatively, quasi-experimental impact studies could be undertaken to develop a more comprehensive picture of the field and prove in a quantitative manner the contribution of the social economy to social, environmental and economic objectives. To ensure methodological soundness and stakeholder buy-in, the government could pursue such efforts in concertation with social economy representatives (Association Social Economy Slovenia, the Alliance of Companies Employing Disabled People of Slovenia, Cooperative Association) and relevant research experts (IRDO, University of Ljubljana).

⁵⁰ <https://air-mooc.teachable.com/>.

⁵¹ <http://www.projetvisesproject.eu/Thematic-Paper-no3-This-is-not-a>.

⁵² <https://socialvalueuk.org/resource/maximise-impact/>.

⁵³ <https://evpa.eu.com/central-eastern-europe-cee>.

⁵⁴ <https://ceeimpact.org/>.

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Annex A. Overview of legal forms and statuses adopted by social enterprises in Slovenia

Social enterprise legal forms						
Legal forms	Legal Act	Main characteristics	Fields of engagement	Share of organisations that can be regarded as social enterprise	Number of registered social enterprises (AJ PES data, 11 Nov 2021)	Total number
Association (<i>drustvo</i>)	The Act on Associations (2006 with later amendments replacing the first Act from 1995), defines an association as an independent and voluntary-based non-profit organisation for the fulfilment of common interest.	Associations are membership-based organisations but they can obtain the public interest status if they engage in public interest domains.	Very broad set of fields, including the provision of services promoting either the public interest or members' interests.	Associations that provide services addressed to the entire community or to fragile users can be regarded as social enterprises (e.g., cultural, sport and recreation, welfare and environment protection services).	64	
Cooperative (<i>zadruga</i>)	The Act on Cooperatives (1992 with later amendments) defines a cooperative as an "organisation associating an initially undetermined number of members with the purpose of enhancing the economic interest of its members and based on voluntary entry, free withdrawal and the equal rights of members to participate in the operation and management of the cooperative".	Oldest type of social economy organisation in the country (first law passed by Yugoslavia in 1937).	Mainly agricultural and forestry domain (activities cover entire supply chain from production to sale of food products). Marginal sectors of engagement include construction, media, renewable energy and nursing of elderly.	Cooperatives that fulfil general interest aims (e.g., cooperative shops serving remote areas and cooperatives supplying general interest services such as renewable energy and welfare services) are to be regarded as social enterprises. Cooperative form is very well suited to be used by social enterprises.	69	

Foundation (<i>ustanova</i>)	According to the Act on Foundations (1995 with amendments), foundations are assets bound for special social purposes.	Foundations act for the common good.	Scientific, cultural, sport, education, healthcare, childcare, social services, disability protection, protection of natural values and cultural heritage fields etc.	Foundations that carry out economic activities.	2	
Limited liability company (<i>druzba z omejeno odgovornostjo</i>)	Companies Act (2006 with related amendments and integrations)	May take the form of commercial companies, sole traders and associated persons.	All kinds of activities, unless otherwise provided.	Limited liability companies pursuing the general interest aim or serving specific groups of fragile stakeholders.	37	
Private institute (<i>zavod</i>)	The Institutes Act (1991 with later amendments) defines private institutes as organisations set up to perform activities that are non-profit oriented.	<i>Zavodi</i> are non-profit organisations that deliver services to the community. They are not membership organisations. They can obtain public interest status but (unlike associations) must first conform to legislation within the relevant field (e.g. culture, social service, sport, etc.).	Fields of education, science, culture, sports, healthcare, social services, childcare, disability care, social security or other activities that are non-profit oriented.	Institutes are generally market oriented since they largely rely on contract-based government sources and concession agreements.	97	

Social enterprise legal statuses

Legal status	Legal acts	Main characteristics	Fields of engagement	Share of organisations that can be regarded as social enterprise	Number of registered social enterprises (AJ PES data, 31 Dec 2020)	Total number
Status of Company for Persons with Disabilities (<i>invalidskih podjetij</i>)	Vocational Rehabilitation and Employment of Persons with Disabilities Act. The limited liability company is the sole legal form that can obtain the status of Company for persons with disabilities.	Must employ at least 40% of employees with disabilities and reinvest 80% of the profits back into the company. Eligible for permanent incentives from the government (Fund for the Promotion of Employment of Persons with Disabilities). Are exempt from paying employer social contributions for all employed persons, including those without disabilities. Receive a	A broad spectrum of services (e.g. manufacture, agriculture, gardening, catering, etc.)	All	0	

		subvention of salaries for employees with disabilities (ranging from 5% to 30% of the minimum wage for each disabled employee, depending on the level of disability).				
Status of Employment Centre (<i>zaposlitveni center</i>)	Vocational Rehabilitation and Employment of Persons with Disabilities Act. The regulation of Employment Centres dates back to 2005, subsequently replaced by an improved regulation in 2012 (amended in 2016 and 2018). Cooperatives, <i>zavodi</i> and limited liability companies are the legal forms that can obtain the status.	The Employment Centres must employ at least 50% of employees with disabilities (according to the data, the share of employed persons with disabilities in Employment Centres is 75%). It must employ at least 5 workers with disabilities with 30% to 70% level of productivity). They must reinvest 80% of profits back to the company (in case of <i>zavodi</i> , the 100% non-profit distribution constraint applies).	A broad spectrum of services (e.g., manufacture, agriculture, gardening, catering, etc.)	All	4	
Status of NGO operating in public interest (<i>nevladnih organizacij v javnem interesu</i>)	Act on Non-Governmental Organisations (2018). It replaced the status of organisation of public interest with NGO of public interest status. Associations, private institutes and foundations are the legal forms that can obtain the status, provided they operate in society's general interest.	The line ministry competent for the main field of action in which the NGO is engaged, is responsible for awarding the status. Since the 2018 Act, there is a register for the NGOs that have obtained the status (around 5 800 out of the 28 000 NGOs). The status encourages favourable treatment when applying for public tenders.	Public interest domains include: culture, education, healthcare, social services, family policy, human rights, environment and animal protection, sports, defence and protection from natural disasters, economy, agriculture, nutrition and veterinary services, international affairs and the development of democracy among others when based on activities that operate for the wider public benefit beyond member interests.	NGOs that provide welfare services in a stable and continuous way.	19	

Note: The figures were updated on 24 November 2021.

Sources: (European Commission, 2019^[14]); Slovenian Register of Social enterprises; stakeholder consultations and interviews conducted by the OECD as part of this policy review.

Annex B. Methodological note and programme of the stakeholder consultations

This report is based on the available statistics, desk research and qualitative data gathered prior, during and after the stakeholder consultations undertaken virtually from 5 to 21 October 2020. Additional follow up interviews were conducted remotely until 1 October 2021. The stakeholder consultations were also prepared based on the updated mapping report of the European Commission on Slovenia, which was published in 2019 (European Commission, 2019^[14]). The reference period of the research covers one and a half year and the information has been last updated on 19 November 2021.

Stakeholder consultation meetings

The programme included a launch and closing event with government representatives. Stakeholder consultation meetings were held on access to finance, education, social impact, access to procurement, business development, and a final one dedicated to social economy organisations. The series of seven online events involved a total of 65 participants from Slovenia.

Name	Organisation
Launch event – Monday 5 October 2020 (PM 13.30-15.30)	
Jana Beton	Ministry of Economic Development and Technology
Urška Bitenc	Ministry of Economic Development and Technology
Urska Kovac Zlobko	Ministry of Labour, Family, Social Affairs and Equal Opportunities
Mojca Žerovec	Ministry of Public Administration
Session “Access to finance” – Wednesday 7 October 2020 (AM 9.30-11.30)	
Urška Bitenc	Ministry of Economic Development and Technology
Simona Černel	Slovene Enterprise Fund
Andraž Glavač	PwC
Marko Hren	Government office for development and European cohesion policy
Simona Hocevar	Government office for development and European cohesion policy
Gorazd Jenko	Government office for development and European cohesion policy
Boštjan Jerman	Heba Ltd.
Tjaša Kariš	Slovenian fund for regional development
Primož Šporar	Fund 05 - Foundation for Social and Impact Investment
Velislav Žvipelj	Slovenian fund for regional development
Session “Social Impact” – Friday 9 October 2020 (AM 9.30-11.30)	
Rajko Antlejš	Development Agency Kozjansko
Karolina Babič	CAAP – Centre for alternative and autonomous production
Maruša Babnik	Ekvilib
Urška Bitenc	Ministry of Economic Development and Technology
Sonja Golc	Halo
Jure Gombač	Slovenian Migration Institute

Anita Hrast	IRDO
Bojan Mevlja	Središča Rotunda
Pamela Perdec	Ministry of Economic Development and Technology
Vid Tratnik	Association PiNA
Lenka Puh	Development Cooperative Etri
Max Zimani	Zavod Global
Session "Education" – Monday 12 October 2020 (AM 9.30-11.30)	
Urška Bitenc	Ministry of Economic Development and Technology
Irma Potočnik Slavič	Faculty of Arts, University of Ljubljana
Tatjana Rakar	University of Ljubljana
Alenka Slavec Gomezel	Faculty of Economics, University of Ljubljana
Emilija Stojmenova Duh	University of Ljubljana
Session "Access to markets and procurement" – Wednesday 14 October 2020 (PM 13.30-15.30)	
Urška Bitenc	Ministry of Economic Development and Technology
Gregor Cotič	SENT
Tomaž Čučnik	ZIPS
Anita Hrast	IRDO
Darijan Krpan	BIT Planota
Maja Marinček	Ministry of Public Administration, Directorate for Public Procurement
Mojca Žganec Metelko	Association Social Economy Slovenia
Bojan Mevlja	Središče Rotunda
Goran Milošević	Mosaic Association for Social Inclusion / Korenika
Borut Osonkar	Institute PiP
David Perović	EPEKA
Session "Business development" – Friday 16 October 2020 (AM 9.30-11.30)	
Branka Aralica	MPI Vrelec d.o.o
Urška Bitenc	Ministry of Economic Development and Technology
Nena Dokuzov	Ministry of Economic Development and Technology
Franja Gabrovšek Schmidt	BSC L.t.d., Kranj
Dušanka Lužar Šajt	Fundacija Prizma
Marijana Majerič	SPOT svetovanje Osrednjeslovenska
Jelena Malnar	Zadružna Zveza Slovenije
Bojan Mevlja	Social Centre of Primorska, Koper
Jose Antonio Morales Caceres	Skrivnostni Otok
Urban Slabnik	ID20 Institute
Meeting with social economy organisations – Monday 19 October 2020 (AM 9.30-11.30)	
Sebastjan Pikel	Association Social Economy Slovenia
Urška Bitenc	Ministry of Economic Development and Technology
Edisa Halimovič	Center Celostne Oskrbe
Boštjan Jerman	Heba ltd.
Andrej Kurent	Concepts association
Živa Lopatič	Cooperative Buna
Rok Ramšak	Cooperative Zadrugator
Maja Rijavec	Smetumet Cultural Ecological Association
Marija Strniša	Dobrovita
Closing event – Wednesday 21 October 2020 (AM 9.30-11.30)	
Urška Bitenc	Ministry of Economic Development and Technology
Urška Kovač Zlobko	Ministry of Labour, Family, Social Affairs and Equal Opportunities
Mojca Zerovec	Ministry of Public Administration

Additional follow-up interviews

Name	Organisation
Urška Bitenc	Ministry of Economic Development and Technology
Simona Černel	Slovene enterprise fund
Nena Dokuzov	Ministry of Economic Development and Technology
Anita Hrast	IRDO – Institute for the Development of Social Responsibility
Tjaša Kariš	Slovenian Regional Development Fund
Dolores Kores	Youth Office of Slovenia
Darijan Krpan	Fundacija BIT Planota
Sebastjan Pikel	Association Social Economy Slovenia
Tatjana Rakar	University of Ljubljana
Adriana Rejc Buhovac	Center of Business Excellence, Faculty of Economics, University of Ljubljana
Gregor Sakovič	NLB Bank
Tadej Slapnik	Hashnet & Catalyst 2030, former Secretary of State of the PM, former member of the GECEs, and former Secretary General of the Slovenian Social Enterprise Forum
Mitja Stefancic	Independent researcher expert in social enterprise
Natalija Stošički	SID - Slovene Export and Development Bank Inc.
Mojca Žerovec	Ministry of Public Administration
Velislav Žvipelj	Slovenian Regional Development Fund

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