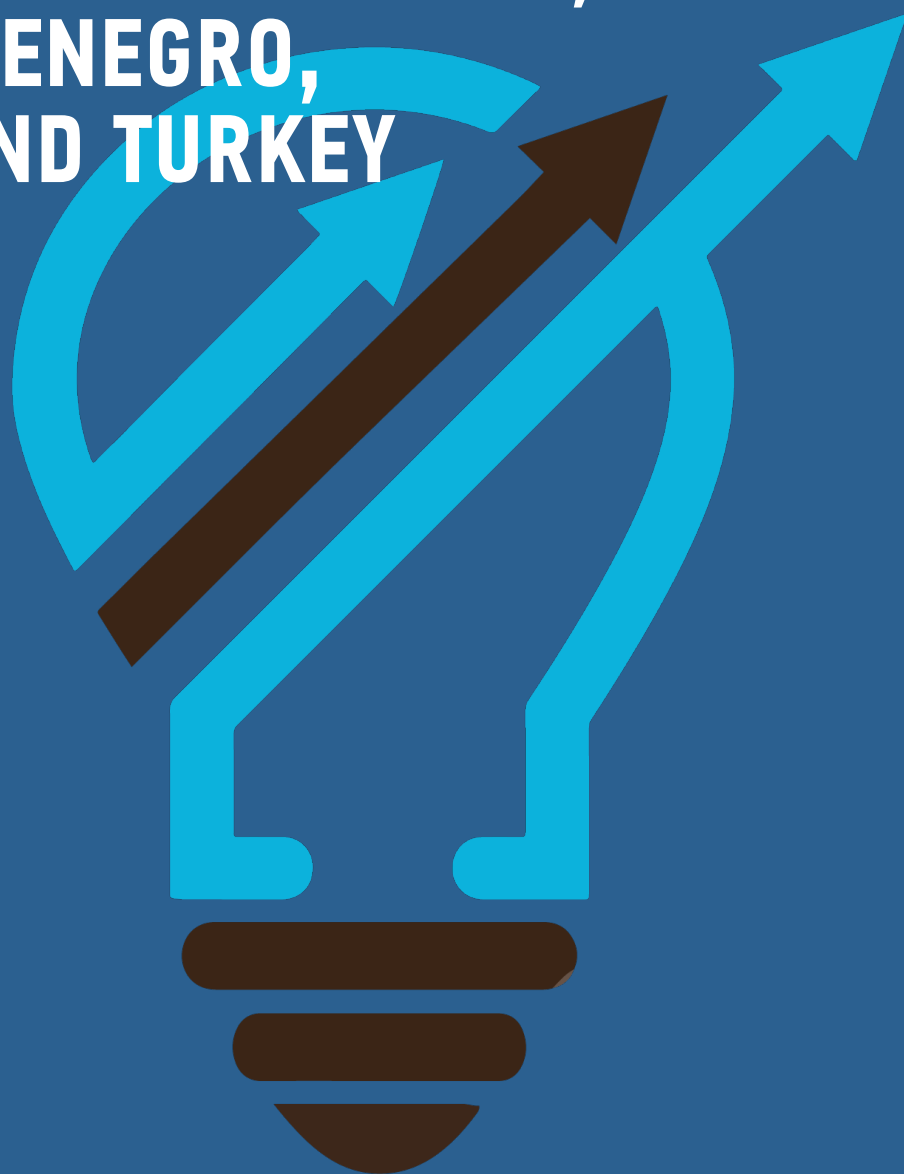




SELF-FINANCING AND SOCIAL ENTERPRISE AMONG CIVIL SOCIETY ORGANIZATIONS IN BOSNIA AND HERZEGOVINA, SERBIA, MONTENEGRO, MACEDONIA AND TURKEY



Prepared by YADA Foundation - 2017

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Acronyms and Abbreviations

BCSDN	Balkan Civil Society Development Network
BIH	Bosnia and Herzegovina
CIRIEC	International Centre of Research and Information on the Public, Social and Cooperative Economy
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
EESC	European Economic and Social Committee
ERDF	European Regional Development Fund
ESF	European Social Fund
EUR	European Currency
FYR	Macedonia – Former Yugoslav Republic of Macedonia Growth Domestic Project
GDP	Growth Domestic Project
GEM	Global Entrepreneurship Monitor
ILO	International Labour Organization
NGO	Non-Government Organization
RCC	Regional Cooperation Council
SEE	South East Europe
SME	Small and Medium Enterprise
SMEs	Small and Medium Enterprises
TACSO	Technical Assistance for Civil Society Organizations
UN	United Nations
VAT	Value-added tax

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1. Introduction

This report was prepared as part of the three-year project “Smart Start - Sustaining civil society impact through social entrepreneurship and innovations in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey”, funded by the European Union in the framework of “Civil Society Facility and Media Programme 2014-2015: Support to regional thematic networks of Civil Society Organisations,” under Lot 9: Sustainable socio-economic development (natural resources, environmental protection and climate change; rural development; social economy and social innovation, including corporate social responsibility) in the period of 2015 - 2018. The project is implemented by a consortium of 6 partners, The Centre for Civil Society Promotion - CCSP from Bosnia and Herzegovina, as lead partner, Centre for Research and Policy Making from Macedonia, Institute for entrepreneurship and economic development from Montenegro, Centre for Development of Non-Profit Sector from Serbia and Yaşama Dair Vakıf (YADA) from Turkey, with support by CEDRA HR from Croatia. The overall objective of this project is to help create an enabling environment for social entrepreneurship of civil society organizations (CSOs) and to improve their sustainability, financial viability and social impact in Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and Turkey. The specific objectives are: 1 to strengthen long-term financial sustainability and impact of 50 selected CSOs in the five partner countries through start-up financial support and socially and environmentally responsible use of self-financing strategies, social innovations and social enterprise; 2 to improve the social enterprise-friendly environment through networking of CSOs and other stakeholders, and conducting five national advocacy campaigns; 3 to promote CSO social entrepreneurship and to encourage replication throughout the civil society sector in the region by the sharing of information, lessons learned and by promotion of good practices in CSO self-financing and social enterprise. The Smart Start Project with its objectives and expected results, addresses the strengthening CSOs advocacy and networking capacities, improvement of internal governance structures, funding base diversification through establishment of social entrepreneurship and elaboration of strategic long-term organizational plan. The project will assist in enabling a generation of new and more professional CSOs more dedicated to their mission, citizens and society at large. Within the project, under this study “Self-Financing and Social Enterprise among Civil Society Organizations” the task was undertaken to understand the opinion and positions of CSOs and social entrepreneurship in in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey, the five targeted countries, to create an overview of social entrepreneurship, social

enterprise, and to provide an overview of the environmental characteristics that impact the creation and successful operation of social enterprises. The study is composed of 15 sections, with sections 3-10 assisting as a general overview of social entrepreneurship, CSOs financing, the background history of the terms and the global development of the concepts. Section 3-15 should assist as a comparative analysis with general recommendations applicable to CSOs looking to start a social enterprise in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey, and gives the overview of the common challenges and situation of social enterprises and CSOs the five targeted countries. The section with analysis per country give a more detailed description of the situation with data collection, challenges, obstacles, and country specific recommendations that aim at developing advocacy tools to introduce the concept of social entrepreneurship as a viable option for the sustainability of CSOs.

2. Methodology Approach

A standardized methodology was agreed in the first phase of project implementation among the consortium partners. YADA Foundation was responsible for the collection of data and publication of this study with support from the country partners. YADA gathered the relevant information on the social enterprise sector and the CSO sector, as well as the identification and description of instruments supporting social enterprises in each country. To gather the information required, various sources were used and different methods applied:

The gathering, overview and research of the existing studies, strategies, reports and analyses conducted in the field of social entrepreneurship and the CSO sector in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey was conducted as the initial phase of the research. This phase provided an insight in the existence, level of development, legal framework and main actors and implementers of the activities of social entrepreneurship, with a special focus on the perception and knowledge the CSO sector had on the concept of social entrepreneurship, theoretical and practical. Information obtained during the first phase of the research provided a basis for the survey questions, interviews, and gathering of new information and their processing.

At the phase of quantitative research, an online survey was conducted between the dates August 10, 2016 – February 28, 2017. Several announcements about the call to participate in survey was made via the social media accounts of YADA Foundation and the SmartStart project. Data was collected by means of an online tool, Google Forms, and the database was organized and analyzed with the SPSS statistical package program. At total 292 CSO from the five partner countries participated in survey. After omitting the incomplete surveys, 284 of all was included into the analysis.

In general, the survey served to gather information about CSOs and social enterprises and to provide a current picture of the situation of CSO and their perceptions of social enterprise of CSOs operating in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey. The questionnaire also examined information about the current financial situations, personnel capacity, existing social enterprise practices of the CSOs by scale based and factual questions. To be able to do comparative analyzes, independent variables such as country and legal status were used. In the report, descriptive statistics is shared as much as the sample size is sufficient for a statistically meaningful analysis.

Qualitative phase of the research consists of interview-in-depths. 14 experts were participated in the interviews. The experts who were interviewed with varies among the representatives of the relevant stakeholder groups in the field of social entrepreneurship/or and CSO sector which included representatives of the governments, public institutions, private sector, civil society organizations, international and domestic donors and investors, and individuals active in social entrepreneurship. The interviews were conducted with the aim of obtaining direct and updated information, examining of knowledge, attitudes and opinions of the respondents. With this aim a semi-structured questioner was created and it included questions related to the level of development of social entrepreneurship in the area or the country, main needs in this field, funding opportunities, and existing potentials for development of social entrepreneurship among CSOs in the country.

The study, also, provides recommendations for changes and improvements needed for CSOs to engage in Social enterprise as a suitable and sustainable financial option in the five partner countries.

3. *Financial Sustainability of CSOs*

Achieving financial viability is the single biggest challenge for CSOs across the Western Balkans and Turkey¹. A significant majority of CSOs in all five countries are under funded, with insufficient resources to maintain a continuous programme of activities. Dependence on project funding, subject to the uncertain and over-subscribed competitive application process, renders very many CSOs financially unstable and unsustainable.

All civil societies in the region, with possibly the exception of Turkey, where civil society largely retains traditions of local fundraising, are conceptually dependent on international donor sources. Fundraising skills in all but the most efficient professional NGOs are poorly developed. Very few CSOs engage in long-term financial planning or develop fundraising strategies oriented towards identifying and developing a diversity of donor relations and alternative funding sources in the community.

Despite the economic value that CSOs add to the country's economy, the situation is not different whether in Bosnia and Herzegovina, Montenegro, Macedonia, Serbia or Turkey.

The increasing number of organizations that have been developed over the years as well as worsening economic conditions globally, have contributed to the reduction in the amount of funding available for CSOs to serve their communities, execute projects and remain sustainable. This has subsequently impacted and increased the challenges faced by CSOs as to how best to attract and sustain support, whilst maintaining focus on their social mission and objectives. Since traditional resources are continually reduced and competition for these common resources becomes severely scarce, it is necessary for CSOs to employ business professional operations and marketing techniques to improve efficiency in products and services to serve the community better. To achieve this, there is need for a change in attitude, approach, behaviour and ultimately culture in the CSO sector, as only the fittest (enterprising CSOs) will survive the increased competition over scarce public and private money.

Balancing financial sustainability with organizational mission is an essential component for most CSOs. Most CSOs receive funds from multiple sources (e.g., government, foundations, private donors, grants, contracts, membership fees). The average number of sources of income per CSO in Western Balkans and Turkey is 2.3². Substantial cutbacks in international funds, government and foundational funds urge CSOs to develop or revisit their fundraising plans to support their long term financial sustainability.

¹ TACSO, 2014, p. 55

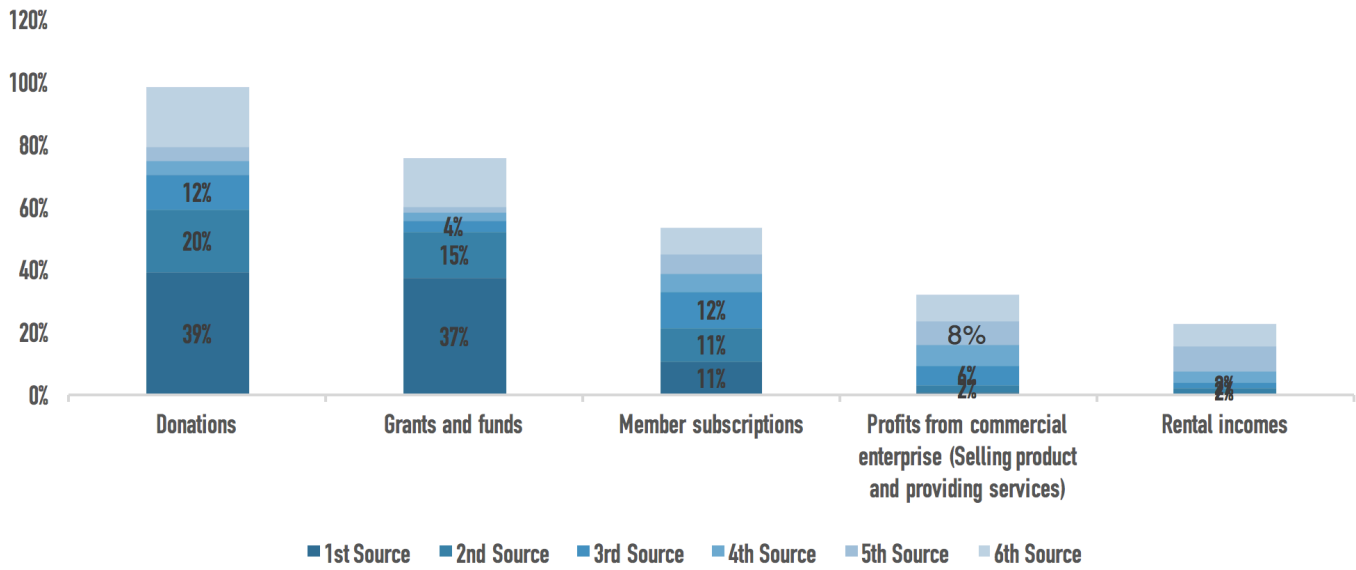
² *ibid*

TABLE 1. ECONOMIC VALUE OF CIVIL SOCIETY SECTOR IN THE 5 PARTNER COUNTRIES

	BOSNIA AND HERZEGOVINA	MACEDONIA	MONTENEGRO	SERBIA	TURKEY
Population	3.791.622	2.069.172	620.029	7.186.862	76.667.864
Number of CSOs	12.000	4.156	3.300	23.394	102.727
Number of citizens per 1 CSO	316	498	188	307	746
DATA ON ECONOMIC PERFORMANCES					
GDP (EUR)	13.667.000.000	8.535.000.000	3.425.000.000	34.263.000.000	616.345.000.000
% of total CSO income in GDP	N/A	0,96%	0,58%	0,74%	1,34%
Total CSO income (EUR)	N/A	81.516.756	19.889.292	254.713.543	8.282.157.668
Average income per CSO (EUR)	N/A	19.614	6.027	10.888	80.623
Total CSO Expenditure (EUR)	N/A	60.226.397	N/A	247.615.305	4.916.022.161
Expenditure for taxes (VAT+personal income tax + profit)	N/A	N/A	2.412.946	N/A	N/A
Number of CSO employees	N/A	1.897	776	6.729	50.976
Total employees in the country	N/A	501.788	210.900	1.715.164	25.933.000
% of CSO employees in total employment	N/A	0,38%	0,37%	0,39%	0,20%
Number of employees per CSO	N/A	0,46	0,24	0,29	0,50
Number of volunteers	N/A	N/A	N/A	N/A	1.183.435

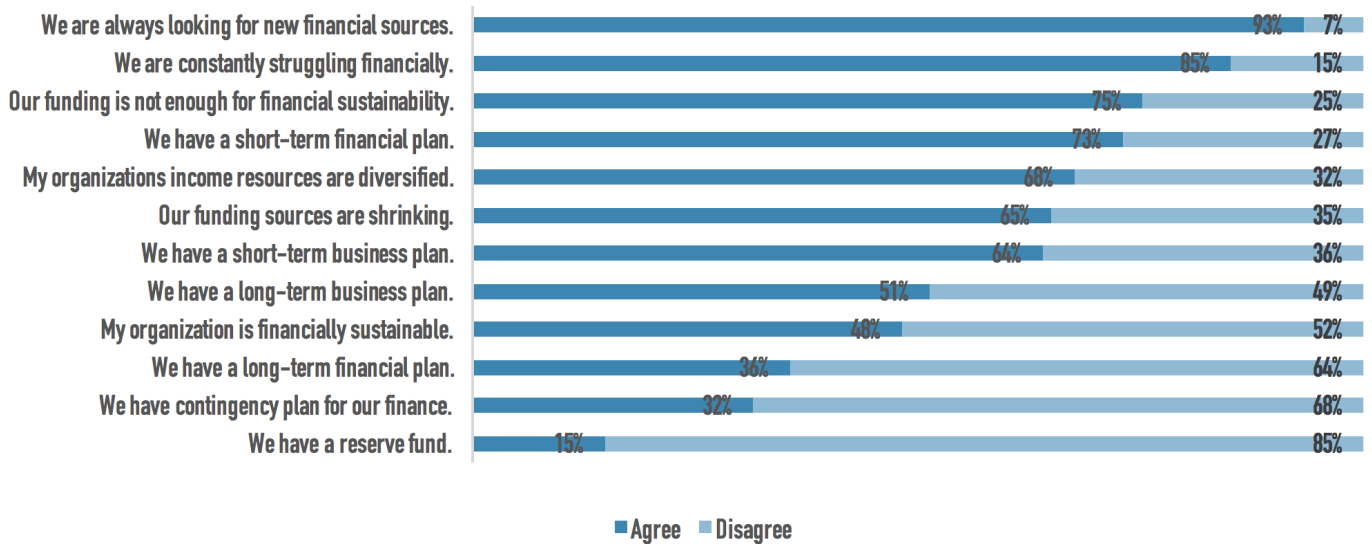
Source: Report on the Economic Value of the Non-Profit Sector in the Countries of the Western Balkans & Turkey

THE MAJOR SOURCE OF YOUR ORGANIZATION’S TOTAL INCOME?



The recent economic downturn and increasing expectations to demonstrate the value and effectiveness of programs and services have exacerbated the myriad of challenges faced by CSOs in their efforts to establish and define sustainability over the long term. Given an over-reliance on external funds and sources of funds, many CSOs have difficulty generating income, sustaining financial support, and meeting their target populations’ needs. In our survey 85% of CSOs responded that they are experiencing financial difficulties. If an organization is to improve its decision making regarding financial sustainability, administrators must understand the challenges they face in maintaining funds to support organizational activities in the long term while meeting the needs of their target populations, and they must utilize promising practices to overcome these challenges.

PERCEPTIONS ABOUT FINANCIAL ISSUES

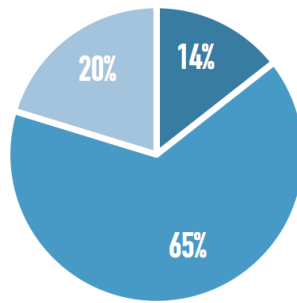


One of the common tendencies among the five countries in this study is about the CSO need to constantly seek new financial sources, with 93% of CSOs indicated that their organizations are always looking for new financial sources. A staggering 75% of CSOs do not see their current funding sources as enough for their financial stability. Income resources of two third of the CSO respondents are not diversified and the know that their existing income resources are shrinking. Although short-term business plans (%64) are more common among the CSOs compare to the long-term programs (%51), more than half of the organizations do have a long-term business plan and see their organization as financially sustainable (48%). Sustainability plans should be of the highest priority for CSOs if they want to keep serving their constituents and society.

4. Social Enterprise for CSO Sustainability

Establishing financial sustainability is viewed by CSOs as a dynamic and continual process. Due to the decline in funding, some CSOs are using the social enterprise model to create self-financing programs by charging a fee for their services, or creating revenue generating programs. This model provides the potential to diversify funding sources and sustain financial support for mission-based work.

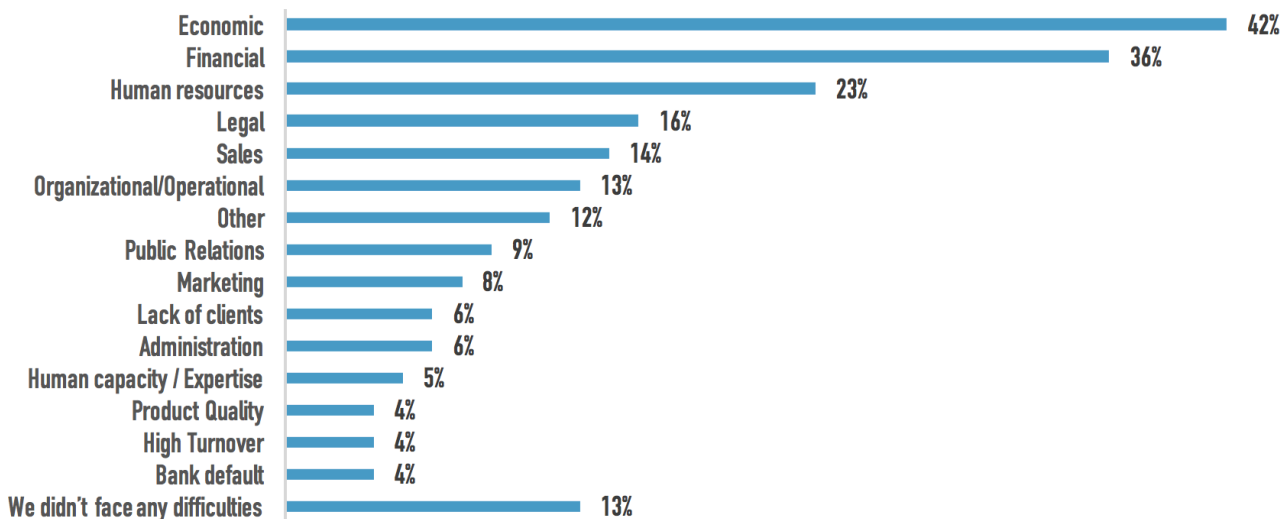
DO YOUR ORGANIZAION HAVE A SOCIAL ENTERPRISE (BASE=222)



- No, but our organization used to have a social enterprise
- No, our organization never had a social enterprise
- Yes, our organization currently has a social enterprise

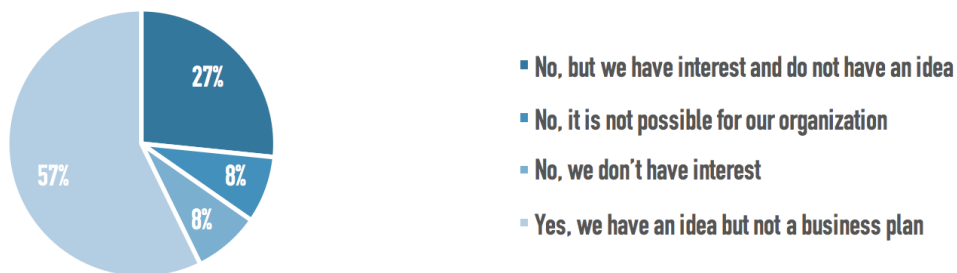
Earned income isn't a good fit for every organization for either mission or organizational reasons. It should also be taken into consideration that despite the numerous support programs, social entrepreneurship is still in a growing stage in the five targeted countries. Social enterprises do have a lot of potentials for development, but main obstacles are lack of awareness on social entrepreneurship (SE) benefits for the society by government and CSOs, and low level of entrepreneurial skills and thinking among CSOs. In our survey, the major difficulties in running a social enterprise are economic and financial issues, follow by financial problems, managements of human resources, and legal issues come to the front as other common difficulties. Sales of the SEs and organizational/operational problems also mentioned by the CSOs during interviews.

DIFFICULTIES THE ORGANIZATIONS FACED WHILE RUNNING SOCIAL ENTERPRISE



The number of CSOs is constantly growing and currently there are over 145.000 CSOs in the five targeted countries (Table 1). The positive economic influence of the CSOs sector is undisputable, but overlooked by governmental agencies. Despite this growth and influence, financial resources are scarce due to the economic situation and withdrawal of many donor agencies, which is especially dangerous for grassroots organizations. It is increasingly difficult to sustain positive impact of CSOs' activities and support to most vulnerable population, and therefore very much needed use of innovative approaches and use of local resources is needed. Many CSOs are considering SE as a sustainable form of income.

DO YOU HAVE A PLAN FOR ESTABLISHING A SOCIAL ENTERPRISE?



Survey participants were questioned whether or not their institutions do have a plan for establishing a social enterprise. A close-ended question with the options include different intentions and situations about the plans on SEs. No participant stated that they have an idea for establishing a SE and pursue a business plan. But our survey show 84% of CSOs in the five countries of this study do have an interest in establishing a social enterprise. As it is seen on the chart above, of the surveyed 57% do have an idea but not a business plan, makes the majority intention, meanwhile 27% have interest but without an idea. 8% of the CSOs indicated that their institution does not have any interest. Of the 8% establishing a SE seems impossible.

5. Social Economy, Social Enterprise, and Social Entrepreneurship

Social economy, social enterprise, and social entrepreneurship are terms that have become extremely popular particularly the last two decades, all of them used commonly to define a trend to engage in economic activity towards a social purpose. In some instances, particularly social entrepreneurship may also be used for defining civil society sector's social responsibility activities or social impact of a private companies profit seeking activities. Social economy as a term has a clearer definition, whereas social enterprise and social entrepreneurship are sometimes used interchangeably, while in some instances social economy is implicitly understood as the activities of social enterprises. The common abbreviation SE of these three terms makes the problem even more complex. Therefore, any study on the economic activities of the third sector within this context is bound to start by making clear what is meant by those terms in the study.

“Social economy” as a term dating back to the early 19th century, yet in recent years the term has re-emerged as a sector composed of particular actors.³ Traditionally, associations, foundations, mutual societies and cooperatives are listed as the organisational legal forms in a social economy. Today, EU institutions use social economy as a term covering organisations with different legal forms and/or legal statuses who engage in continuous non-profit economic activities for a social purpose. In that sense, social economy defines activities and services of those traditional legal forms within the space between the market and the state.

The term “social enterprise” describes a for-profit or non-profit organisation which is active in the delivery of socially beneficial economic activities. In Europe, the term has been for a long time particularly described as work integration enterprises who work for the employment of disadvantaged and/or socially marginalised groups.⁴ Whereas the approach to social enterprises in the US may have different dimensions, the European approach to social enterprises focuses on activities and services targeting labour market integration, social inclusion, and economic development, delivered through a business model combining social and economic objectives, and by autonomous organisations owned and managed by a group of citizens which are subject to limitations in generating and distributing profits, while usually in exchange or as a result benefit from special types of direct or indirect state support.

However, contrary to the general perception especially among practitioners, it should be underlined that social economy does not imply an economy made up of social enterprises. For example, in their report prepared for published by ILO, Fonteneau et al⁵, define social and solidarity economy as “a concept that refers to enterprises and organisations, in particular, cooperatives, mutual benefit societies, associations, foundations and social enterprises, which specifically produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity”. Also, when listing the legal forms of the organisations within the social economy, The EU cites social enterprises as a different form, along with cooperatives, mutual societies, non-profit associations, and foundations.

³ European Movement in Serbia, 2015, p. 21.

⁴ European Centre for Non-Profit Law, 2015, p. 3.

⁵ 2011, p. iv.

⁶ https://ec.europa.eu/growth/sectors/social-economy_en.

According to the definition accepted by the ILO, a cooperative is an “autonomous organisation of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise”.⁷ In cooperatives, ownership rights do not belong to investors but groups like consumers, workers, producers, farmers, etc. Mutual benefit societies are organisations that provide social services for their individual members and their dependents. These societies – whether formal or informal – allow its members to share risks and pool resources to meet the needs of their communities.⁸ They provide an alternative insurance system to their members and allow members to receive benefits because of their participation.⁹ An association defines a group of people acting together for a common purpose. Associations can be formal based on rules, by-laws and membership requirements, or can be an informal collection of people without a set structure.¹⁰ Today associations are the most common form of citizen organisations, active in both advocacy and service provision. European Commission defines foundations as “legal entities created to accomplish specific goals for the benefit of a specific group of people or of the community at large, through the use of an endowment or systematic fundraising”¹¹. They are philanthropic organisations, organised and operating primarily as a permanent collection of endowed funds, the earnings of which are used for the benefit of a specific group of people or of the community at large.

Fonteneau et al. suggests that social enterprises differ from those types as they are not necessarily collectively owned. However, they also differ from for-profit entities as, rather than profit seeking, their main aim is to create social benefits through economic activity.¹² They list three distinguishing features of social enterprises: entrepreneurial mindset and behaviour; multi-stakeholder governance and ownership; and economic democracy (limits in voting powers and limits in returns on capital shares). The European Commission defines 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, involve employees, consumers and stakeholders affected by its commercial activities”.

engaged in the following types of businesses:

- > Those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- > Those where profits are mainly reinvested with a view to achieving this social objective,
- > The method of organisation or ownership system reflects their mission using democratic or participatory principles or focusing on social justice.

In a recent study, by examining different definitions of the term made by various academics and practitioners, Global Entrepreneurship Monitor¹³ defines social entrepreneur “as an individual who is starting or currently leading any kind of activity, organisation or initiative that has a particular social, environmental or community objective”. Yet, GEM also notes that those activities may involve those that are outside the market, and that to make a more narrow and consistent definition of the term, social entrepreneurs should be limited to those who are active in the market.¹⁴

Social entrepreneurship on the other hand brings together altruism and innovation and points out new models for creating social value. The concept signals the imperative to drive social change and introduces new types of leadership in civic activities. Particularly popularised by pioneer organisations such as Ashoka, Schwab, and Skill Foundations, social entrepreneurship today is supported, mostly, by international organisations as a new form of social and civic activism. However, social entrepreneurship and social entrepreneur are fuzzy terms. Entrepreneurship itself covers different forms of economic activity; extending the term by adding a social dimension makes the term all-inclusive and complex, with no definitive boundaries. Table 1 makes a list of some examples of definitions of social entrepreneur and social entrepreneurship made by different scholars and organisations.

7 Fonteneau et al., 2011, p. 2.

8 ibid.

9 European Commission, 2013, p. 23.

10 ibid, p. 24.

11 ibid, p. 25.

12 ibid, p. 4.

13 GEM, 2016

14 ibid, p. 15.

TABLE 2. CORE CHARACTERISTICS OF THE TERMS “SOCIAL ENTREPRENEUR” AND “SOCIAL ENTREPRENEURSHIP”

SOURCE	DEFINITION	CORE CHARACTERISTICS
Bornstein (1998)	A social entrepreneur is a path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has a strong ethical fibre, and is totally possessed by his or her vision for change.	Mission leader Persistent
Thompson et al. (2000)	Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money, and premises) and use these to “make a difference”.	Emotionally charged Social value creator
Brinckerhoff (2009)	A social entrepreneur is someone who takes reasonable risk on behalf of the people their organization serves.	Opinion leader
Zahra et al. (2008)	Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.	Innovator Initiative taker Opportunity alert
Ashoka (2012)	Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems [...] They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else.	Visionary Committed

Source: Abu Safian (2012)

As a recent study of UNDP notes “until recently, the concepts of ‘social entrepreneur’, ‘social entrepreneurship’ and ‘social enterprise’ were viewed practically as a continuum: social entrepreneurship could be seen as the process through which social entrepreneurs created social enterprises”. However, as the study explains, the approaches to those concepts differ in different sides of the Atlantic. For example, Ashoka, an American Foundation, provides support to individuals who behave as true individuals in spirit and practice, while focusing on a social mission. Contrary to the overwhelmingly individual nature of social entrepreneurship in the United States, in Europe, the term has a collective nature and the activities under social entrepreneurship is carried out by organisations rather than individuals, though it is underlined sometimes that this collective nature does not rule out the importance of leadership. Social entrepreneurship is also used for various kinds of activities with a social purpose; for example, both voluntary activism and corporate responsibility project may be labelled as social entrepreneurship in different studies.

The tradition in the US pays less attention to the elaboration of institutional legal forms and focuses more on creating social value alongside profits. On the other hand, the literature in the EU, as well as the studies of EU level organisations on social entrepreneurship concentrates more on defining institutional and legal forms and more on the revenue generating activities of the third sector, which in its nature works for creating social values. Moreover, in the US tradition social entrepreneurship is essentially an activity within the market and less linked to public policies, whereas in Europe social enterprises are perceived as activities taking place at the crossroads of market, public policies, and civil society.¹⁵

¹⁵ UNDP, 2008, pp. 18-19.

6. A Brief of Different Approaches

As a CSO decides whether to venture into the social economy and be part of the Social entrepreneurship sector they should consider the different approaches in the field. Social entrepreneurship entered into literature first during the 1980s by Young, who combined non-profit activity with the Schumpeterian understanding of entrepreneurship.¹⁶ Defourny and Nyssens¹⁷ points out the strikingly diverse concept that have been used since 1980s to explain entrepreneurial activities with a social purpose, including ‘non-profit venture’, ‘non-profit entrepreneurship’, ‘social-purpose endeavour’, ‘social innovation’, ‘social-purpose business’, ‘community wealth enterprise’, ‘public entrepreneurship’, ‘social enterprise’. To make a distinction between different approaches, particularly within the US literature, Dees and Anderson have proposed to distinguish two major schools of thought: (1) Defining social entrepreneurship by referring to the use of commercial activities by non-profit organisations in support of their mission; (2) the ‘social innovation’ school of thought, particularly supported by organizations such as Ashoka.¹⁸ This history proves the strong link between social enterprise and the civil society sector and how interlink it was during the beginning stages of the social entrepreneurship.

The earned income school of thought puts all types of commercial activities carried out by CSOs under the concept of social entrepreneurship. The focus of this approach is to extend the ability of CSOs to become more commercial and to import skills and models created in businesses to CSOs activities. This school of thought, sometimes is also referred as the social enterprise school of thought, regards all types of earned income business or strategy of a CSOs as social enterprise activity, which later also included social ventures of for-profit companies. For example, according to Ahmad and Seymour¹⁹ there are many types of entrepreneurial

activity with a social purpose, ranging from corporate venturing to social change enterprises. Value created by entrepreneurs can be either captured by the entrepreneur and/or exchanged or shared with others (for example with employees, stakeholders, and/or society). What differentiates social entrepreneur from self-employment or for-profit entrepreneurship is the distribution of earned income between the entrepreneur and others (beneficiaries). Social entrepreneurship theoretically defines the situation when the created value (earned income) captured by the entrepreneur is low, while value created for others, whether consumers, workers, or the government is high. Table 3 represents different types of social enterprises that fall under this conceptualization of social entrepreneurship.

The social innovation school of thought follows the Schumpeterian definition and define social entrepreneurs as agents of social change; thus, creating social impact becomes the main feature of social entrepreneurship. For example, as one of the main supporters of this school of thought, Dees²⁰ states that the concept of social entrepreneurship “combines the passion of a social mission with an image of business-like discipline, innovation, and determination commonly associated with, for instance, the high-tech pioneers of Silicon Valley”.

Dees also points out that, while some associate social entrepreneurship exclusively with CSOs (starting for-profit or earned-income ventures), others use it to describe anyone who starts a not-for-profit organisation or to refer to business owners who integrate social responsibility into their operations, create systemic changes and sustainable improvements, by acting locally but having a potential to stimulate global changes in particular areas);

¹⁶ For Schumpeter, an entrepreneur is the agent of innovation, bearer of mechanisms for change and innovation means:

1. launch of a new product or a new species of already known product;
2. application of new methods of production or sales of a product (not yet proven in the industry);
3. opening of a new market (the market for which a branch of the industry was not yet represent-ed);
4. acquiring of new sources of supply of raw material or semi-finished goods;
5. new industry structure such as the creation or destruction of a monopoly position. (Śledzik, 2013, 90).

¹⁷ 2010, p. 40

¹⁸ *ibid.*

¹⁹ 2008, pp. 17-18.

²⁰ 1998.

He suggests that, to make a more meaningful definition of social entrepreneurship, one should look the roots of the term 'entrepreneur'. Arguing that any definition of social entrepreneurship should reflect the need for a substitute for the market discipline, In Dees's approach, social entrepreneurs are individuals/organizations that;

- 1 Play the role of change agents in the social sector (reformers and revolutionaries, attacking underlying causes of the problems, reducing needs rather than just meeting them, and seeking to
- 2 Adopt a mission to create and sustain social value (making profit, creating wealth or serving the desires of the customers as means to social ends, targeting to create social change, and concentrating on long-term social return on investment);

- 3 Recognize and relentlessly pursue new opportunities to serve that mission (with a vision to achieve improvement, by developing innovative models and approaches);
- 4 Engage in a process of continuous innovation, adaptation, and learning;
- 5 Act boldly without being limited by resources currently in hand (not bound with sector norms or traditions, taking calculated risks and understanding the risk tolerances of their stakeholders);
- 6 Exhibit a heightened sense of accountability to the constituencies served and for the outcomes created.

TABLE 3. SOCIAL ENTERPRISE DISCOURSES, THEORETICAL ASSUMPTIONS, AND ORGANISATIONAL FORMS

DISCOURSE	THEORETICAL ASSUMPTIONS	ORGANISATIONAL EXAMPLE
Earned income - social enterprise activity - voluntary organizations selling goods and services.	Resource dependence - earned income as a response to declining state or philanthropic funding.	Oxfam - the main income of the organization comes from the sale of second hand and fair trade goods.
Delivering public services - rather than delivering, the state funds services and the third sector expands to fill the gap.	Voluntary failure - the third sector does not have the capacity to deliver the services, and thus requires infrastructural investment to meet the challenges.	Turning Point - derives over 90% of its income through contracts to deliver drug and alcohol services on behalf of the state.
Social business - businesses which apply market based strategies to achieve a social or environmental purpose, which is central to their operation.	State failure - the inability of the public sector to deliver effective welfare services has led social enterprises to fill the gap.	Carbon Retirement Limited - for profit business which allows businesses and individuals to offset their carbon footprint.
Community enterprise - enterprises working to create and retain wealth in communities, trading on a not for personal profit basis, reinvesting surplus in the community.	Market failure - the failure of the private sector to allocate resources equitably.	Sunlight Development Trust - (community owned and managed charitable organization with a mix of social, medical, and community services aimed at everyone in their community.
Co-operatives - different way of doing business, because jointly owned and democratically controlled by members who are beneficiaries of business activities.	Social economy - a tradition that sees capitalism as the problem.	Any cooperative

Source: Teasdale, 2012, 104-105.

Leadbeater ²¹, another scholar following the same school of thought, defines three characteristics of social entrepreneurs:

- > **Entrepreneurial**: they take under-utilised, discarded resources and spot ways of using them to satisfy unmet needs.
- > **Innovative**: they create new services and products, new ways of dealing with problems, often by bringing together approaches that have traditionally been kept separate.
- > **Transformatory**: they transform the institutions they oversee, taking moribund organisations and turning them into dynamic creative ones. Most importantly, they can transform the neighbourhoods and communities they serve by opening possibilities for self-development.

Martin and Osberg ²² argues that in economics an entrepreneur is an agent attracted to the existence of a suboptimal equilibrium in the market; i.e. inefficient and unsatisfactory provision of goods and services, and inspired to alter the unpleasant equilibrium. Entrepreneurs think creatively and develop new solutions; they do not make minor adjustments but explore new ways of approaching problems. Martin and Osberg contradict to the idea that difference of motivation (profit seeking versus altruism) is the main characteristics that distinguishes social entrepreneurs and the rest, as both the entrepreneur and the social entrepreneur is driven by a vision. Instead, they argue that the critical distinction between entrepreneurship and social entrepreneurship lies in the value proposition itself. They define social entrepreneurship on three components:

- > Identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalisation, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own;
- > Identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony;
- > Forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society.

From this perspective, social entrepreneurship does not mean

social service provision, as those types of social ventures never break out their limited frame, thus alter the stable state. Social entrepreneurship is also not social activism, as social activism mostly aims to create change through indirect action, i.e. advocacy, rather than entrepreneurial direct action. Yet, Martin and Osberg also note that, in most cases organisations use hybrid models, making those distinctions fuzzier. For example, Grameen Bank and RugMark are examples of those hybrid models, in these cases combining social activism and social entrepreneurship.

The third school of thought, which can be also labelled as the European school of thought, mainly focuses on collective action and non-profit activities. The European approach to social entrepreneurship is particularly elaborated by various studies initiated by the EMES European Research Network (EMergence des Entreprises Sociales).

²¹ 1998.

²² 2007.

TABLE 4: A SUMMARY OF US AND EUROPEAN TRADITIONS OF SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE

VARIABLES	CRITERIA	US TRADITION		EUROPEAN TRADI-TION
		THE SOCIAL INNO-VA-TION SCHOOL	THE SOCIAL ENTER-PRISE SCHOOL	THE EMES NET-WORK
Individual	1. The entrepreneur	Central figure	Secondary role	Collective action: ‘initia-tive launched by a group of citi-zens’
Process	2. The mission	Mission is at the core of the social innovation process	The first objective of social entrepre-neurship is to pur-sue social goals	Explicit aim to benefit the com-munity’
Link between mission and pro-ductive activ-ities	Direct	No constraint: so-cial entrepre- neurship con-sists in the implemen-tation by non- profits of commercial dy-namics to fund their social activi-ties	Direct: ‘the nature of the economic activity must be linked to the social mission’	
Organization	4. The enterprise	Secondary im-portance: activity set up by a social entrepreneur	Central: stress on the risks associat-ed with market in-come	Central: ‘significant level of economic risk’
	5. The legal form	No clear con-straint: the choice regarding the legal form should rather be dictated by the nature of the so-cial needs ad-dressed and the amount of re-sources needed	Social enterprises are non-profit or-ganizations (Later: any busi-ness that trades for a social pur-pose)	Some constraints: new specific legal forms have been created to en-cour-age and support so-cial enterprises, in some cases, use of traditional business legal forms.
	6. Profit distribu-tion	No constraint	Profit non-distribution con-straint (Later: some profit distri-bution permit-ted)	Limited: ‘organiza-tions that avoid a profit-maxi-mizing behaviour’

Source: Bacq & Janssen, 2011, 390.

As mentioned before, the European tradition define social entrepreneurship as an outcome of the activities of the third sector which functions at the unique space intersecting the state, the market, and the community. Within the third sector, social enterprises are sub-types of traditional third sector legal forms, triggered by new dynamics. Those sub-types combine economic and social dimension either with the existing organisational forms or by creating new hybrid organisational forms.²³ EMES approach²⁴, derived from this tradition, defines social enterprises as “not-for-profit private organisations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamic involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity”. EMES also identifies four criteria for economic and entrepreneurial dimensions of those organisations:

- > a continuous activity producing goods and/or selling services;
- > a high degree of autonomy;
- > a significant level of economic risk;
- > On the other hand, five other indicators determine the social dimensions of such enterprises:
 - > an explicit aim to benefit the community;
 - > an initiative launched by a group of citizens;
 - > a decision-making power not based on capital ownership;
 - > a participatory nature, which involves various parties affected by the activity;
 - > a limited profit distribution.

Hulgard²⁵, on the other hand, proposes an all-encompassing definition of social entrepreneurship based upon a review of literature and definitions offered by networks such as the EMES, the Skoll Centre, CAN and Ashoka) and by individual scholars such as Dees, Austin, Leadbeater, as well as others. He defines social entrepreneurship as “the creation of a social value that is produced in collaboration with people and organisations from the civil society, who are engaged in social innovations that usually imply an economic activity”, which is based on four criteria: social value, civil society, innovation and economic activity. Social value, which can be broad and global, narrow and global, narrow and local, or broad and local, appears in all different definitions of social entrepreneurship, distinguishing it from other types of economic activity.

The civil society criteria distinguish social entrepreneurship from corporate social responsibility, which in fact serves the interests

the shareholders or owners of the private companies, rather than the smaller or wider community. Hulgard notes that including innovation to the definition can be regarded as a tautology, yet it is needed to emphasise the fact that social enterprises are established to offer new approaches to social problems, not only for the sake of forming an enterprise. Economy on the other hand should be understood in the broadest sense and should imply that social enterprises and social entrepreneurship require a degree of autonomy, as well as an engagement in the production of goods and services.

²³ UNDP, 2008, p. 20.

²⁴ Defourney, & Nyssen, 2010, p. 43.

²⁵ 2010, p. 4.

7. CSOs and The European Experience

Though social enterprises and social entrepreneurship has recently become popular in both literature and practice, the economic activity of non-state actors for a social purpose, particularly in health and social service domains, trace back to middle ages. On the other hand, the history of cooperatives began with the industrial revolution, and throughout the 19th century agriculture cooperatives, credit unions, and saving banks could be observed across Europe.²⁶ However, establishment of nation states and implementation of different forms of welfare policies, coupled with the establishment of unions, reduced the economic activity of the third sector till 1970s, when welfare systems found themselves in crisis. The austerity measures cutting social and community services and the welfare states' inability to provide employment, especially for the disadvantaged and marginalised groups, created a rise in the third sector's economic activity. As a result, associations and foundations, mostly committed to advocacy activities adopted a more entrepreneurial approach, while traditional cooperatives, focused on their members' mutual interests, extended their scope to address the interests of other stakeholders and the communities.²⁷ Towards the end of the 20th century, interest in typical organisations within the social economy revived in Europe, particularly as a result of market economies' inability to find solutions to major problems like long-term unemployment, social exclusion, inequality, unsatisfactory provision of health and education services.²⁸ The European conceptualisation of social entrepreneurship and social enterprise we discuss today, can be regarded as a joint product of two simultaneous trends dominant since mid 1980s²⁹:

1 Privatisation of public responsibility for social welfare:

The crisis of the welfare states beginning from 1970s implied a shift from a universal approach based on publicly delivered benefits and social rights, to a market oriented approach based on privately delivered provisions and individual responsibility.

2 Civil society, community, and social policy entering high economics:

The re-orientation of welfare states also created a new role for civil society, allowing a room for new types of collective and solidarity movements. On the other hand, civil society, community, and democratic governance were regarded as remedies for the inefficiency of state institutions, which further strengthened by the collapse of the Soviet Union and the transition efforts of new Central and Eastern European states.

CIRIEC report on the social economy in the European Union argues that, during the recent financial crises, social economy has proved that it can provide a short-term buffer in such periods of instability, mainly for two reasons. Firstly, due to the non-profit motive, the surplus allocation rules and the dual nature of their members, organisations within the social economy cannot be bought out because there is no market for their shares. Moreover, as they are anchored to people, it is difficult to relocate them, while they are resilient due to their financial reserves, thanks to limitations for the distribution of profits. They are financially more flexible because of the arbitrage between immediate income and distribution of the surpluses and, finally, because they pursue longer-term strategies. Secondly, in times of crises, their mode of governance based on consensus seeking creates less hierarchical inner structures and a certain job stability. This mode of governance also increases public's trust in these organisations, which ensures the generation of income through donations during economic crises when generally there are cuts in public funding.³⁰

²⁶ For a brief history on associations, foundations, cooperatives, and mutuals see, CIRIEC, 2010.

²⁷ UNDP, 2008, 15-17.

²⁸ CIRIEC, 2010, 17.

²⁹ Hulgard, 2010, pp. 8-9.

³⁰ CIRIEC, 2010, p. 85.

8. European Union Framework

It should be noted that when we talk about a common European definition for social economy, social enterprises, and social entrepreneurship, we talk about an understanding that is based on common features of those types of organisations in different European countries. In other words, there is no uniform system of social enterprises within Europe, but different types of organisational forms that has emerged as a response to the crisis of the welfare states. Since countries in Europe had different welfare state traditions, the resulting responses exhibited a path dependency and shaped and institutionalised according to those traditions. Table 4 gives a brief picture of how CSOs role in different European states altered as a response to the economic crisis and corresponding changes in welfare state benefits and services during the 1980s and 1990s.

Social enterprise began to appear as a concept in Europe in early 1990s, as a part of the third sector bringing together cooperatives, associations, mutual societies, and foundations labelled as social economy. In 1991, Italian Parliament adopted a law for a specific new legal form for social cooperatives, followed by several other European countries introducing new legal forms; cooperative type forms in France, Portugal, and Spain and more open models of social enterprise in Belgium, the UK, and then Italy. On the other hand, 1990s also witnessed the emergence of specific public programs targeting work integration. Today named as Work Integration Social Enterprises (WISEs), they were pioneers and later important elements of active labor policies, targeting disadvantaged people, who were at the risk of long term exclusion in the labor market.³¹

TABLE 5: WELFARE STATE AND LOCAL ENTERPRISES IN THE EUROPEAN CONTEXT

TRADITION	NATURE OF NON-PROFIT ACTIVITY	ROLE OF CSO AS A RESPONSE TO THE DECLINE OF WELFARE STATE
Corporatist/Statist (Belgium, France, Germany, Ireland)	Non-profit (CSOs) private organizations are mainly financed and regulated by public bodies.	Associations taking part in active labour market policies, which created a third sector sometimes called “social economy” or “solidarity economy”.
Social-Democrat (Nordic European countries)	Civil society which focuses on the articulation of interests and the shaping of the broad societal agenda and a tradition of cooperatives.	New dynamics emerging in the cooperatives as a result of shrinking public services, such as parent cooperatives due to the slowdown in public childcare sector.
Liberal (UK)	A large voluntary sector relying on private resources.	Introduction of quasi-market mechanisms to increase efficiency in service provision through which voluntary sector (the third sector) gets more involved in direct service provision through grants and other resources provided by the public sector.
Southern Europe Corporatist-Conservative (Italy, Portugal, Greece)	Strong cooperative tradition and a very small civil society sector and reliance on Church related charity organizations.	New forms of cooperatives reacting to exclusion of different groups from the labour market combining different types of stakeholders.

: Defourny & Nyssens, 2010, 35-36.

³¹ Defourny and Nyssen, 2012, pp. 10-11.

Bringing together various disciplines like economics, sociology, political science, and management, as well as various traditions within Europe, EMES identified three set of indicators for three distinct dimensions of social enterprises in Europe we see today³². Those indicators do not represent a set of conditions to be met by an organisation to be acknowledged as a social enterprise; instead they offer a compass for researchers and practitioners to compare various types of entities and to identify sub-types of social enterprises. Those three set of criteria are as follows:

1) ECONOMIC AND ENTREPRENEURIAL DIMENSION

- > a continuous activity of producing goods and/or selling services: Opposed to advocacy based activities of CSOs and the redistribution of financial flows mainly observed in foundations, social enterprises are directly involved in production of goods and/or selling services to people on continuous basis.
- > a significant level of economic risk: The inherent risk of a social initiative is assumed by its founders or members and social enterprises need to generate adequate resources for its activities.
- > a minimum amount of paid work: As well as monetary and non-monetary resources, social enterprises may combine voluntary and paid work. Yet, the nature of economic activity assumed by social enterprises requires at least a minimum amount of paid workers.

2) SOCIAL DIMENSION

- > an explicit social purpose: social enterprises aim to serve the community or a specific group of people and they also promote social responsibility in their environments.
- > an initiative launched by a group of citizens or civil society organisations: social enterprises are citizen-led initiatives, involving people gathered around a collective purpose.
- > a limited profit distribution: constraints on the distribution of profits reflects the social aim of the social enterprise. Social enterprises are not profit seeking entities, though they may distribute profits to a limited extend in some forms, for example as in cooperatives.

3) GOVERNANCE DIMENSION

- > a high degree of autonomy: social enterprises may benefit from financial support/subsidies of the public sector, yet they are governed only by its members and neither public authorities or other type of organisations directly or indirectly intervene their management.
- > a decision-making power not based on capital ownership: Each member has a vote and voting power is not distributed accord-

ing to capital shares.

- > participatory governance: representation and participation of other stakeholder as well as end users to decision-making processes is an important feature of social enterprises. In that sense, social enterprises also act as agents of democratic participation at the local level.

As of 2013, it is estimated that the social economy in Europe (measured as the aggregate of cooperatives, mutuals, associations and foundations) engages over 14.5 million paid employees, equivalent to about 6.5% of the working population of the EU-27 and about 7.4% in EU-15 countries. The social economy has increased more than proportionately between 2002-03 and 2009-10, increasing from 6 % to 6.5 % of total European paid employment and from 11 million to 14.5 million jobs.³³

The emergence of different forms of social enterprises and the increasing share of the social economy also prompted EU level policies on social economy and social entrepreneurship. In its report on the social economy in Europe, CIRIEC lists the important steps taken towards a common EU framework for social economy⁴ till the Lisbon Agenda:

- > In 1989 with the Communication from the Commission to the Council on “Businesses in the ‘Économie Sociale’ sector: Europe’s frontier-free market”, proposed the establishment through statutes of a European legal basis for cooperatives, associations and mutual societies.
- > During that 1980s, two community institutions, the Parliament and the European Economic and Social Committee (EESC), released.
- > The Social Economy Unit in Directorate- General XXIII was created by the European Commission in order to take initiatives to strengthen the cooperatives, mutual societies, associations and foundations sector; prepare European legislation for cooperatives, mutual societies and associations; analyse the sector; ensure the coherence of EU policy affecting the sector; liaise with existing representative federations; establish relations with parts of the sector that are unorganised; raise awareness of the cooperatives, mutual societies, associations and foundations sector among decision-makers; assess the problems the sector faces; and to represent the Commission on relevant matters to the other EU institutions. The Unit was restructured in 2000 and DG Enterprise Unit B3 – “Crafts, Small Enterprises, Cooperatives and Mutuals” concentrating particularly on the “business aspects” of cooperatives, mutuals, associations and foundations was created, while DG Social Affairs assumed the responsibility for associations and foundations.

³² Defourny and Nyssen, 2012.

³³ European Commission, 2013, p.45.

³⁴ CIRIEC, 2010, pp. 93-96.

- > European Parliament Social Economy Intergroup was first set up in 1990. This intergroup was made up of members of the European Parliament and the organisations that represent the social economy in Europe. Prompted by the intergroup, in 2009 the European Parliament approved a key report on the social economy, known as the Toia report.
- > In 2002 the Committee of the Regions also adopted an Opinion on “Partnerships between local and regional authorities and social economy organisations: contribution to employment, local development and social cohesion”, in which it called for recognition of the social economy in regional policy.
- > The Consultative Committee of Cooperatives, Mutuals, Associations and Foundations (CMAF) was established in 1998 to give opinion on the different matters concerning the promotion of the social economy at EU level. This Committee was abolished in a Commission restructuring in 2000, followed by the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF), which has later changed its name to ‘Social Economy Europe’.
- > Participation of the social economy in EU budgetary policy has taken place within the framework of employment and social cohesion policy, specifically the pluriannual budgets to promote SMEs and employment, such as the ADAPT initiative, the EQUAL initiative for social and work integration and the Local Action for Employment and Local Social Capital programmes; this participation has also taken place through the European Social Fund (ESF) in the form of measures to support local initiatives, which make explicit reference to the role of the social economy. These explicit references are part of how the social economy is recognised within the Lisbon Strategy framework for employment and local development.
- > At the initiative of the European Parliament, in 1997 the Commission set in motion an important pilot scheme entitled The Third System and Employment.

Though the vision of the Lisbon Agenda acknowledged the need for a change to tackle the common problems within Europe and the need for policies targeting social inclusion, the limits of the social cohesion model set in the Agenda could only be seen when an economic crisis started in the second half of the 2000s. As a response, the Europe 2020 strategy originated from this need of a new model and recognised that, to overcome the current economic crisis, the recovery cannot be based on a ‘business as usual’ approach, as simply going back to the way things worked before the crisis is not possible.³⁵

In 2007, the European Commission published the “Manual for drawing up the Satellite Accounts of Companies in the Social Economy”, which make it easier to compile data on different legal forms of social enterprises in EU countries. In 2009, the European Parliament report on the social economy focused on the regulation of the social economy at the EU level, asking the Commission to promote the social economy and social entrepreneurship, while

calling EU member states to recognise social enterprises as legal entities and provide those organisations support through credit and tax reliefs. In 2010 the European Commission published a new set of guidelines for the Europe 2020 strategy, which call member states to “actively promote the social economy and social innovation in support of the most vulnerable”.³⁶ While the Europe 2020 strategy does not specifically refer to social economy or social enterprises, it sets out three core priorities including smart growth (developing an economy based on knowledge and innovation); sustainable growth (promoting a more resource efficient, greener and more competitive economy); and inclusive growth (fostering a high-employment economy delivering economic, social and territorial cohesion), as well as five specific targets (increasing the employment rate from 69% to 75%; investing 3% of GDP in R&D; reducing the greenhouse effect, developing renewable energies and increasing energy efficiency; reducing the school drop-out rate; and reducing the number of people living in poverty by 25%) for which social economy has the potential to play a prominent role. Moreover, there are other steps taken by the European Commission regarding the social economy since 2010.

In a communication issued in 2011 reviewing the “Small Business Act”, the Commission specifically referred to social economy and announced the establishment of a Social Business Initiative focusing on enterprises pursuing social objectives. The Small Business Initiative listed 11 key actions: Proposal for a regulation on European social investment funds; Microfinance; A European financial instrument; Investment priority for social enterprises in the structural funds; Mapping of social enterprises; business models, economic weight, tax regimes, identification of best practices; Data base of labels and certifications; National and Regional Administrations: promotion of mutual learning and capacity building; Electronic data exchange platform for social investors and entrepreneurs; access to EU education and training programs; Simplification of the Statute for a European Cooperative Society regulation, and a regulation for a European Foundation statute; Greater priority given to considerations of quality in awarding contracts in the context of public procurement reform; Simplification of the implementation of rules concerning state aid to social and local services. Moreover, On 13 April 2011 the Commission issued a new Communication on the “Single Market Act”, with levers aiming to boost economic growth and strengthen social confidence, one of which is social entrepreneurship. The Commission identified the aim of its interventions for social entrepreneurship as “to promote the development of businesses that have chosen – above and beyond the legitimate quest for financial gain – to pursue objectives of general interest or relating to social, ethical or environmental development”.³⁷

³⁵ European Commission, 2013, pp. 11-19.

³⁶ Butković and Vidačak, 2010, p. 195.

³⁷ Manzon and Chavez, 2012, pp. 99-101.

9. Mapping of Social Economy in the European Union

As mentioned above, one of the key actions of the Small Business Initiative was defined as to make a mapping of social enterprises with the EU. The results of this mapping study were published in 2015 under the title, “A Map of Social Enterprises and their Eco-Systems in Europe: Synthesis Report”³⁸ which is the first comparative study examining different types of social enterprises and the environment they are operating in EU member countries, as well as Switzerland. The Report shows that social enterprises in Europe are active in a wide range of areas, including:

- > Social and economic integration of the disadvantaged and marginalised groups, such as work integration of people with mental disabilities;
- > Social services of public interest, such as operation of a house for elderly people, provision of health care and medical services for people with cancer;
- > Other public services, such as operation of a public transportation, maintenance of public spaces;

- > Strengthening democracy and civil rights, such as for example fight against corruption;
- > Environmental activities, such as reduction of emissions, promotion of alternative and
- > renewable energy;
- > Practicing solidarity with developing countries, such as promotion of fair trade products.

The synthesis report of the European Commission reviews the eco-system of social enterprises focusing on seven features:

The mapping exercise of the Synthesis Report of the Commission demonstrates that while only seven out of 29 European countries have written policies encouraging and supporting the development of social enterprises, seven other are in the process of developing specific policy frameworks, whereas, there are also countries like Finland, Germany, and the Netherlands, which does not see targeted policies for social enterprises as a necessity.

³⁸ European Commission Directorate-General for Employment, Social Affairs and Inclusion, 2015.

TABLE 6: LEGAL FRAMEWORK FOR SOCIAL ENTERPRISES IN EU MEMBER COUNTRIES

COUNTRIES	LAW/ACT	LEGAL STATUS	LEGAL FORM	NO OF ORGANISATIONS REGISTERED
Belgium	(1995) Social purpose company (governed by articles 661-669 of the Belgian Companies Code)	●		736 (213)
Croatia	(2011) Social cooperatives established under the new Cooperatives Act		●	n.a.
Czech Republic	(2014) Social cooperative established under the Commercial Corporations Act n. 90/2012 Coll		●	n.a.
Denmark	(2014) LOV nr 711 af 25/06/2014 Lov om registrerede socialøkonomiske virksomheder [Act on registered social enterprises]	●		n.a.
Finland	(2004) Act on Social Enterprise (1351/2003)	●		154 (2009)
France	(2001) Société coopérative d'intérêt collectif (SCIC) - France has adapted its existing cooperative charter (Law n. 47-1775 dated September 1947) by introducing special SCIC provisions		●	266 (2012)
Greece	(2011) Law 4019/2011 on Social Economy and Social Entrepreneurship creating Social Cooperative Enterprises (Koin.S.Ep.)	●	●	530 (2014)
	(1999) Law 2716/99 (article 12) creating Limited Liability Social Cooperatives (Koi.S.P.E.)		●	10 (2014)
Hungary	(2006) Social cooperatives (as defined under Act no. X of 2006 on cooperatives)		●	490 (2013)
Italy	(1991) Law on social cooperatives (381/1991)		●	11,264 (2013)
	(2006) Law on social enterprises (155/2006)	●		774 (2013)
Lithuania	(2004) Law on Social Enterprises (IX-2251)	●		133 (2014)
Poland	(2006) Act on Social Cooperatives		●	~900 (2014)
Portugal	(1997) Social solidarity cooperative under Cooperative Code (Law No. 51/96)		●	108 (2014)
Slovakia	(2008) Act No. 5/2004 on Employment Services	●		94 (March 2014)
Slovenia	(2011) Act on Social Entrepreneurship (20/2011)	●		33 (2013)
Spain	(1999) Social initiative cooperative		●	56 (2019)
United Kingdom	(2005) The Community Interest Company (CIC) Regulations		●	9,545 (June 2014)

Source: European Commission Directorate-General for Employment, Social Affairs and Inclusion (2015), A Map of Social Enterprises and Their Eco-Systems in Europe.

The mapping exercise of the Synthesis Report points out that while only seven out of 29 European countries have written policies encouraging and supporting the development of social enterprise, seven other are in the races of developing specific policy frameworks, whereas, there are also countries like Finland, Germany, and the Netherlands, which does not see targeted policies for social enterprises as a necessity.

A previous research conducted in 2012 by CIRIEC shows that (Table 6) the recognition of social economy by various parties, including public authorities, companies in the social economy, and the academia/scientific world differs across EU countries. Spain, France, Portugal, Belgium, Ireland and Greece are countries where the concept of social economy is widely accepted, while Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands, Slovakia, Romania, Croatia and Slovenia constitutes a group where social economy has little recognition. On the other hand, Finland, the Netherlands, Sweden, Italy and Poland are countries where social enterprises are widely accepted, whereas in the United Kingdom, Denmark, Malta and Slovenia the concepts of voluntary sector and non-governmental organisations has a wider recognition.

TABLE 7: COMPONENTS OF THE ‘SOCIAL ECONOMY’ EXISTING IN EU MEMBER COUNTRIES (2012)

COUNTRY	COOPERA-TIVES	MUTU-ALS	ASSOCIA-TIONS	FOUN-DATION	OTHERS
Austria	●	●	●	●	Social enterprises
Belgium	●	●	●	●	Sociétés à finalité sociale
Bulgaria	●	●	●	●	
Cyprus	●	n.a.	n.a.	n.a.	
Croatia	●		●	●	
Czech Republic	●				Association of Common Benefit
Denmark	●	●	●	●	Social enterprises
Estonia	●	n.a.	●	●	
Finland	●	●	●	●	
France	●	●	●	●	Comités d’entreprise, voluntary social protection
Germany	●		●	●	Volunteer services and agencies; social firms for disadvantaged people; alternative enterprises of the women’s and environmental movement; self-help organisations; socio-cultural centres; work integration companies; local exchange and trading systems; neighbourhood and community enterprises
Greece	●	●	●	●	Popular companies
Hungary	●		●	●	Non-profit enterprises

COUNTRY	COOPERA-TIVES	MUTU-ALS	ASSOCIA-TIONS	FOUN-DATION	OTHERS
Ireland	●	●			Credit unions
Italy	●	●	●	●	Volunteering organisations; specific types of associations such as associations of social promotion and family associations; community foundations; non-governmental organizations; IPAB: Istituzioni di Pubblica Assistenza e Beneficenza
Latvia	●	●	●	●	
Lithuania	●				Credit unions and social enterprises
Luxembourg	●	●	●	●	
Malta	●	●	●	●	BandClub
Netherlands	●	●		●	
Poland	●		●	●	Centres of Socio-Economic Integration
Portugal	●	●	●	●	Misericordias; IPSS
Romania	●	●	●	●	Unitati Autorizate Proteiate (Authorized Protected Units)
Slovakia	●	●	●	●	Sheltered workshops, social services
Slovenia	●	●	●	●	
Spain	●	●	●	●	Sociedades Laborales, Empresas de Inserción, Centros Especiales de Empleo, specific groups such as ONCE, Sociedades Agrarias de Transformación
Sweden	●	●	●	●	
United Kingdom	●	●	●	●	

Source: Manzon and Chavez, 2012, p. 42.

In terms of legislation, there are mainly three approaches to social enterprises in European countries. The first approach adopts existing legal forms to the specific features of social enterprises. While in France, Greece, Italy and Poland the existing legal form for cooperatives are adopted by creating a new legal form for social enterprises, in Croatia, Czech Republic, Hungary, Portugal and Spain social cooperatives are recognised in the existing legislation on cooperatives. On the other hand, UK has adopted the

traditional company form and created community interest companies. The second approach is to introduce a legal status for social enterprises, cross-cutting various legal forms. In those countries, if they meet a pre-defined criterion, legal status of social enterprise can be obtained by selected or all legal forms. For example, in Belgium any type of enterprise proving that “it is not dedicated to the enrichment of its members” can be registered as a social purpose company. The third approach in some countries like Slovakia and Czech Republic created specific types of non-profit organisations that can engage in economic activity.

TABLE 8: DEFINITION OF SOCIAL ENTERPRISES IN DIFFERENT EU MEMBER COUNTRIES

COUNTRY	REFERENCE	DEFINITION
Lithuania	Article 3 of the Law on Social Enterprise No.IX 2251, 1 June, 2004	Social enterprise is a legal person in any legal form, which has acquired the status of a social enterprise in accordance with the Law and the legal acts implementing it.
	Article 8 of the order of the Minister of Economy 'Concept of Social Entrepreneurship' No 4 207, 3 April, 2015	Social enterprise is a business model according to which profit maximisation is related to social goals and priorities using market mechanism, taking into account public private sector partnership principles and applying social innovations.
United Kingdom	UK Government Department for Business, Innovation and Skills (2011) A Guide to Legal Forms for Social Enterprise	Social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.
Spain	Part I. of the Preamble of the Law 5/2011 on Social Economy, Official Journal n. 76, of 30th March 2011.	Social economy is the designation for the set of economic and entrepreneurial activities that are carried out in the private scope by those entities that pursue the collective interest of their members, whether the general economic or social interest or both.
France	Article 1 of the Law on Social and Solidarity Economy No. 2014 856 from July 31, 2014	Social economy is a way of undertaking an economic development suited to all areas of human activity through legal entities which fulfil an enumerated list of criteria, further elaborated under the section 3.4

Source: European Commission Directorate-General for Employment, Social Affairs and Inclusion (2015), A Map of Social Enterprises and Their Eco-Systems in Europe

The report also shows that, new forms of social enterprises are emerging in Europe, particularly observed in Austria, Estonia, Spain, Germany, France, the UK, Latvia, Netherlands and Switzerland, which implies a move towards stronger entrepreneurial activity. In that respect, the prevailing forms of social enterprises are divided to 3 categories, according to level of entrepreneurial activity.

- > **Mission locked for profit businesses (strong entrepreneurial dimension):** Observed in legal forms like traditional cooperatives, share companies or sole proprietors, with limited distribution of profits between owners, members, or investors.
- > **Purpose driven businesses (medium entrepreneurial dimension):** Those organisations have country specific legal forms like “country interest companies” in the UK or “work integration social enterprises” in countries like Italy and Spain. Their distribution of profits is limited by law and they usually function in specific areas such as provision of social and community services, public services, education, housing, and/or work integration.

- > **Entrepreneurial Non-Profits (weak entrepreneurial dimension):** Traditional forms of CSOs such as associations, foundations, and institutions, as well as hybrid forms being reshaped by new entrepreneurial forms.

Social cooperatives are the main legal form for social enterprises in European countries. Different than traditional cooperatives, social cooperatives are expected to follow a selected or further social purpose and there are restrictions on the distribution of profits. For example in Italy, there are two types of social cooperatives; those that provide social, health, and educational services and those that engage in other types of economic activity for furthering work integration of disadvantaged groups. In France, they have to have a both social and economic purpose and should be engaged in the production and sale of products that creates a social benefit. Spain’s legal form defines those as organisations engaged “in the provision of welfare services in health, educational, cultural or other activities of social nature, as well as in the development of any economic activity” targeting social excluded

people and any type of social needs not met by the market. In Greece, social cooperatives are categorised according to their purposes, i.e. “inclusion”, “social care”, and “collective and productive purpose”.

In UK, a Community Interest Company can be established either as a company limited by guarantee without a shared capital which cannot distribute profits, or as a private or public limited company which is able to distribute profits. The economic activities of those companies are not subject to any restrictions, if they pass a community interest test.

In addition to legal status provided to social enterprises, in countries like Belgium, Denmark, Italy, and Slovenia, there are also other legal statuses relevant for social enterprises in some countries. For example, public benefit status, implying tax privileges for some organisations with public benefit exist in Spain, France, Ireland, Austria, and Germany. Integration Enterprises in Bulgaria, Romania, Poland, Slovenia, and Spain, which are established with the purpose to encourage employment of long term unemployed and/or disadvantaged people. Table 6 shows the available tax exemptions in EU member countries as of 2012.

The mapping of social economy in EU member countries demonstrates that, work integration Social enterprises also provide a wide range of social welfare services or social services of general

interest (long term care for the elderly and for people with disabilities; early education and childcare; employment and training services; social housing; social integration of disadvantaged such as ex-offenders, migrants, drug addicts, etc.; and health care and medical services). In some countries, social enterprises may be more visible in one specific area. That is the case for Ireland in childcare services. In the Czech Republic, Malta, and Romania land-based industries and the environment (for example, agriculture, horticulture, food processing, through to environmental services and environmental protection) and in countries like Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden cultural activities also emerge as areas in which social enterprises are active. Social enterprises in Belgium, Germany, the Netherlands and the UK appear to be more innovative. In those countries, social innovation creates new forms of service provision in agriculture, energy and housing, transport, and social and welfare and personal services, as well as business services, creative, digital/IT and the provision of sustainable consumer products and services.

10. Funding for Social Enterprises in Europe

Generally, the social enterprises generate their revenue from sources: income generating activities, government support, and philanthropy. Government funding for social enterprises may consist of directly allocated resources or indirect benefits. Directly allocated resources consist of grants, subsidies, fees or contractual (procurement) income received from central and/or local governments.

Grant income implies “a specific project that is identified as being in line with government objectives”. It should be noted that grant may also be received from programmes of international organisations such as the EU and/or other donor organisations. Subsidies define money transfers to organisations to support their activities more generally. While grants usually have more clearly defined procedures and criteria, the process for entitling subsidies may be less transparent in some countries and more open to favouritism. For procurement contracts, organisations usually follow a procedure competitive bidding for the delivery of services. In some instances, the procurement processes include social clauses that gives social economy organisations a competitive advantage. Fee income on the other hand defines the payments (usually in the form of voucher schemes) made by public institutions for the use of services. While tax exemptions, for example exemptions on profits or donations, are the most common form of indirect government support, in some countries a percentage mechanism which allows individuals to allocate a proportion of their taxes to specific organisations is also used. Philanthropy is an important source of income for social economy organisations, that is particularly the case in countries where access to public funding is quite limited. Support through philanthropy can include gas and indirect contributions and in most cases donations to associations and foundations are encouraged by the state through specific tax incentives.

Mapping out the social enterprises and their eco-systems in 29 countries, the Synthesis Report of the European Commission lists the main types of revenue streams of social enterprises in EU member countries, including:

- › Revenue derived from public contracts (in the form of direct payment by public authorities to social security systems, voucher systems, or indirect payment through third-party intermediaries);
- › Direct grants / subsidies (grants for specific project based activity or employment subsidies provided by public authorities);
- › Market based revenue (sale of goods and services to other businesses and final consumers);
- › Membership fees, donations and sponsorship;
- › Other forms of revenue (renting assets (such as property), penalty payments, prize money or income from endowed assets, and non-monetary forms such as in-kind donations, including voluntary work)

However, the revenue derived from market resources varies among countries, indicating the entrepreneurial strength of social enterprises. The report states that there is a strong correlation between the organisational/legal form of social enterprises and the level of revenue generated from market resources. However, it is also observed that In countries like the Czech Republic, Finland, France, Italy and the UK where social enterprises derive a majority of their revenue from market sources, public bodies appear to be main clients. Thus, there is a reliance on public sector even in countries where social enterprises are more market oriented, which in turn makes them vulnerable in times of austerity.

Mapping of social enterprises across Europe has indicated that different public support measures that exists in different countries can be categorised according to following typology:

- › Awareness raising, knowledge sharing, mutual learning;
- › Specialist business development services and support;
- › Investment readiness support;
- › Dedicated financial instruments (e.g. social investment funds);
- › Physical infrastructure (e.g. shared working space);
- › Collaborations and access to markets.

TABLE 9: SPECIFIC TAX TREATMENT FOR SOCIAL ECONOMY ORGANISATIONS IN THE EU (2012)

COUNTRY	COOPERATIVES	MUTUALS	ASSOCIATIONS	FOUNDATIONS
Austria	●		●	●
Belgium	●	●	●	●
Bulgaria				
Cyprus	●	n.a.	n.a.	n.a.
Croatia			●	●
Czech Republic			●	●
Denmark	●		●	●
Estonia				●
Finland	●		●	●
France	●	●	●	●
Germany		●	●	●
Greece	●	●	●	●
Hungary	●	●	●	●
Ireland	●			
Italy	●	●	●	●
Latvia	●		●	●
Lithuania	n.a.	n.a.	n.a.	n.a.
Luxembourg				●
Malta	●	n.a.	●	●
Netherlands	●	●	●	●
Poland	●			
Portugal	●	●	●	●
Romania		●	●	●
Slovakia		●	●	●
Slovenia	n.a.	n.a.	n.a.	n.a.
Spain	●	●	●	●
Sweden				
United Kingdom		●	●	●

Source: Manzoni and Chavez, 2012, p. 77.

TABLE 10: EXAMPLES OF PUBLIC SUPPORT MEASURES

Czech Republic	“Club of Social Entrepreneurs” as an informal network organises quarterly seminars that allow social entrepreneurs/ social enterprises from different regions to share their experiences and good practices. Another ESF funded project “Innovative establishment of social entrepreneurship” in the Czech Republic aims to raise awareness on social enterprise. It has established a national network of eight ambassadors that actively promote social enterprise in their regions through seminars, panel discussions, etc.
Poland	Social economy support centres (OWES) provide of a wide range of advisory and consulting services, advising on existing sources of financing and assisting in applying for financing. These operate at a local/ regional level and are spread throughout the country. The map of OWES lists 90 initiatives from all over Poland that were active as of September 2013. These centres have been typically established as projects (with no legal status and with limited time of operation) financed by the Operational Programme Human Capital.
Italy	Fertilità project in Italy, launched in 2001 by the National Agency for Inward Investment Promotion and Enterprise Development in cooperation with the Ministry of Labour and Social Policy, supports the start-up of social cooperatives through the provision of training, consultancy services and coaching by established social cooperatives or consortium of cooperatives.
United Kingdom	<p>The Social Incubator Fund launched in 2012 and delivered by the Big Lottery Fund on behalf of the Office for Civil Society (OCS), provides grants to social incubators, a portion of which is to be invested in social ventures using non-grant financial structures. The aim of the scheme is to help drive a robust pipeline of start-up social enterprises by increasing focus on incubation support, and attracting new incubators into the market. Each supported social incubator is expected to offer a complete range of support methods and to could help at least 50 social enterprises. The Social Incubator Fund has invested £10million in 10 incubators over three rounds of funding.</p> <p>The Investment and Contract Readiness Fund is a £10 million fund, spread over 3 years, to help social businesses secure social investment and bid for public service contracts. Launched in May 2012 by the Office for Civil Society, the fund gives out grants of between £50,000 and £150,000 to social ventures that have the potential to provide their services and positive social impact at scale, but are not yet able to take on loans. The fund expects to support over 130 social enterprises, and £3.8 million has been committed to support 40 organisations during 2012/13. The Fund is managed by The Social Investment Business, the social enterprise department of Adventure Capital Fund, and is open to applications from social ventures on a rolling basis.</p>
Finland	National Support Structure for Social Enterprises support establishment and development of social enterprises in a form of guidance and networking. It also works for increasing public awareness about social enterprise through brochures, web site, campaigns etc. Moreover, it acts as monitoring body for implementation of the Law on Social Enterprises and reports all weaknesses and obstacles during the implementation to the Ministry of Labour and has its own budget.
Belgium	Start Centres and Regional Incubation Centres authorised by the Flemish Ministry for Work and Social Economy assist the future and existing social entrepreneurs to develop and implement their business ideas, motivate them to employ unprivileged groups of people and guide them towards their sustainability.

Source: European Commission Directorate-General for Employment, Social Affairs and Inclusion (2015), A Map of Social Enterprises and Their Eco-Systems in Europe.

11. Social Entrepreneurship and Social Enterprises in The Western Balkan Countries and Turkey

In Central and Eastern Europe countries which are faced with poverty, inequality, and social exclusion, social enterprises are perceived as tools to address crucial economic and social problems more effectively than traditional actors like public agencies, cooperatives, and advocacy oriented non-governmental organisations.

In November 2013, after two years of preparation led by the Regional Cooperation Council (RCC), a regional strategy SEE 2020 was adopted by seven economies from the region: Albania, Bosnia and Herzegovina (BH), Croatia, Kosovo, Montenegro, Serbia and The Former Yugoslav Republic of Macedonia (FYR Macedonia) (SECONS, 2014). SEE 2020 defines interlinked development pillars, including inclusive growth, targeting greater emphasis on developing skills, creating employment, inclusive participation in the labour market and health and wellbeing within the region. The report, this study expert interviews and survey comply, makes the following observations as the common features of the countries in the region:

- > The economic and political transformation of the countries in the region has resulted in 40 percent increase in regional aggregate GDP between 2000 and 2010, as well as a significant catch-up effect as GDP in the region increased from 28.5 percent of the EU average in 2000 to 36 percent in 2010.
- > However, particularly because of the global recession, countries in the region also face declining growth rates, raising public debt, and increasing unemployment rate.
- > The region is still exposed to the vulnerabilities of the developed European economies and still lag considerably behind.
- > Production facilities are mostly obsolete, while a high level of investment is needed for improving public infrastructure.
- > The growth rates in between 2000 and 2010 were mainly achieved as a result of increased domestic consumption and led to unsustainable external deficits.
- > The market economy is still weak and the markets are inefficient due to unfinished reforms.
- > High unemployment rate particularly among the youth and the prevalence of informal employment are common features of the labour markets of the countries in the region.

EU integration process is an important factor triggering economic and political transformation in SEE countries: While Croatia has already become a member of the EU, the remaining countries are in different stages of EU accession negotiations.

In its report analysing the situation of social economy in South-east European Countries, the European Movement in Serbia notes that “the integration process ramps up the fight against corruption, helps establish stable and effective public institutions with transparent governance, and introduces social justice and social inclusion.³⁹” Social economy is introduced in this process as an instrument to tackle problems arising from inequalities in the labour market and access to education. The same report also includes the following observations as cross cutting characteristics of the region:

- > A developed sector of social economy does not exist in any of the countries within the Region. However, the can be recognised as social economy actors.
- > Social economy initiatives are mostly recognised by the state in the provision of social, education and health services and in work integration. The main factors behind social economy initiatives are:
 - > a rise of demands from diverse marginalised groups, which cannot be addressed by the state;
 - > the high cost of the services needed;
 - > the obsolete and inefficient state social provision system;
 - > unfinished and inconsistent reforms in social sector;
 - > a demand for many new services which need a different and innovative approach;
 - > the narrow employment market, which does not take into consideration the specific characteristics of numerous marginalised groups.
- > While national institutions in most of the countries in the region have opened dialogue for the establishment of support systems for social economy, those efforts are mostly ad hoc and uncoordinated.
- > Lack of human resources the problem of ensuring institutional and financial sustainability are the major obstacles regarding the social economy.
- > While values of trust, solidarity and cooperation are crucially important for the development of a social economy, the region is marked with low level of social capital as a legacy of the social era.
- > In ex-socialist countries, there are resistance to some forms of social economy forms, mainly cooperatives.

³⁹ 2014, p. 10.

With its high population and relatively strong economy, Turkey, at first glance seems quite different than South Eastern European States. The country also has a longer relation with the European Union, is a member of the Customs Union, and is a peculiar example with more than 10 years of pre-accession negotiations. Turkey has also never experienced a communist system, while it has always been a strong centralist state in which the relations between the state and the society is based on distrust and the civil society is weak. Moreover, the tradition of the third sector in Turkey dates back to Ottoman times, and service provision through philanthropy has been a consistent form of civic activity since then.

European integration has also become the main trigger of revitalisation of civil society in Turkey, particularly since 1990s. Since Turkey has been granted the status of candidate country, major reforms have been made particularly in relation to freedom of association and new types of financial instruments have become more widely available to civil society organisations in Turkey. However, Turkey is a very polarised country, which negatively effects the implementation of those reforms and, as observed in recent times.

Turkey is also marked with high level of income equality and striking regional imbalances. Though the country has exhibited relatively high growth rates particularly in the last decade, its struggling with problems like unskilled labour force, migration from rural to urban areas, low labour market participation of woman, a high level of youth employment, and a prevalence of informal economy. In those respects, Turkey and South Eastern Europe countries have more similarities, rather than differences.

12. *Direct Interviews*

Interviews were conducted with representatives of the relevant stakeholder groups in the field of social entrepreneurship which included representatives of the governments, public institutions, private sector, civil society organizations, international and domestic donors and investors, and individuals active in social entrepreneurship. The interviews were conducted with the aim of obtaining direct and updated information, examining of knowledge, attitudes and opinions of the respondents. With this aim a semi-structured questioner was created and it included 25 questions related to the level of development of social entrepreneurship in the area or the country, main needs in this field, funding opportunities, existing potentials for development of social entrepreneurship among CSOs in the country.

Local expert interviews lasted up to 1 hour. Due to time and budget constraints, interviews were conducted remotely via Skype, at participants' convenience. Local expert interview data were supplemented by secondary data collected during the desk research, and the most relevant secondary sources (reports, websites, etc.) are included in the data analysis.

The interviews have assisted in identified the main features of the SE in the region and the challenges this sector is facing today. Some key findings can be highlighted and a few initial conclusions about SE in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey can be drawn based on the conducted interviews and survey. The conclusions and recommendations that follow reflect a synthesis of the national reports' findings, together with incentives and impediments identified in the analysis.

GENERAL FINDINGS

There is a current lack of legal definition and framework for registering SEs in all the countries covered in this study. This affects CSOs greatly, as many are in legal limbo as identified by our survey. The concepts of SE and social entrepreneurship are still not widely understood or fully recognized by the public, or even among key stakeholders in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey. In general, existing legislation enables SE through various types of legal forms – associations, foundations and cooperatives, being the most frequent options. Although the legal frameworks were largely assessed to be inconsistent and not stimulating for SE development, the existing laws do enable SE and social entrepreneurship to exist via hybrid forms and combinations of nonprofits and commercial companies. Cooperatives are probably the type of organization with the most unfavourable legislation, they are the least common according to our findings, and in most countries of the study they also remain the most neglected. Some countries though, show slight trends towards revitalizing the cooperative sector towards something more in keeping with modern understandings. In particular, cooperatives should be encouraged in areas other than agriculture.

Despite the lack of legal definitions and frameworks, SEs do operate in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey in varied forms, including among others: civil society organisations (CSOs), non-government organisations (NGOs), non-profit organisations, protective companies (e.g. employing people with disabilities), cooperatives, sole proprietorships, savings and credit associations, mutuals, centres, and foundations.

CSOs running an SEs in the in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey cover a broad range of sectors, products/services, and activities, including:

- > agriculture (e.g. processing, packaging, organic food production, herbs)
- > arts and crafts (e.g. production, promotion, protection of traditions)
- > catering
- > cleaning
- > clothing/textiles
- > education and training
- > energy (e.g. alternative, renewable)
- > employment and work integration
- > environmental sustainability, conservation
- > finance (e.g. ethical, alternative, inclusive banking)
- > health, healthcare, health promotion
- > Journalism/publications
- > recycling, waste treatment and management
- > sports and recreation
- > social services, protection, inclusion
- > tourism (e.g. accommodation, food services, ecotourism), cultural heritage

1. LACK OF PROPER DEFINITION

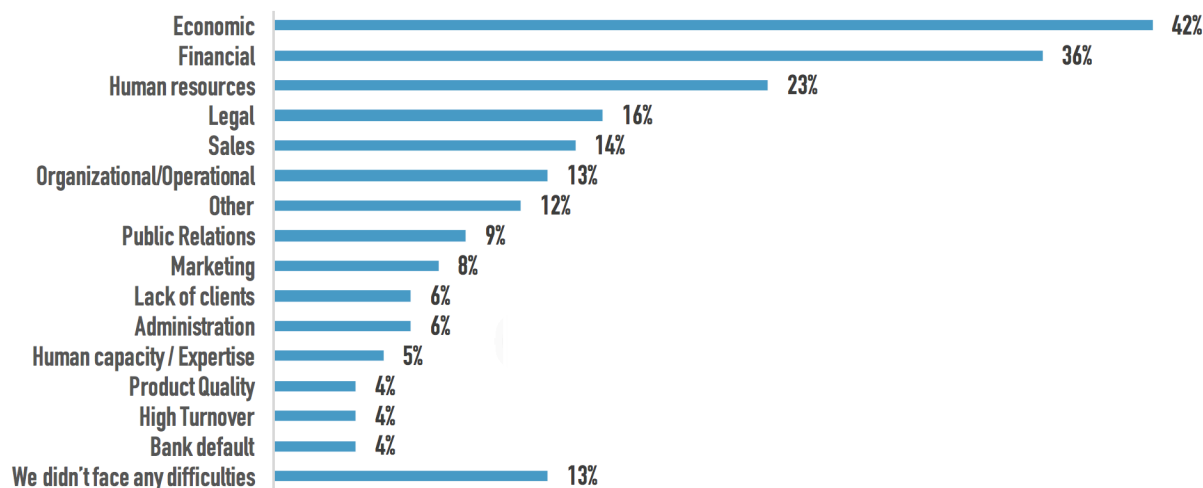
One of the biggest difficulties encountered during the organization’s activities is dealing with changing “people’s mentality” and shattering society misconceptions and prejudices. Society including CSOs themselves are not familiar with the concept of social entrepreneurship and the social impact an enterprise can have. This lead to constantly having to explain and be an advocate not just for the enterprise for the concept of social entrepreneurship as well. Most interviewers agreed that once people understood the concept they were very acceptable of it and of the enterprise. They also complaint, that despite government officials supposed interest in the concept, most of them were not familiar with it. More needs to be done in terms of advocacy at a sector, societal and governmental level to disseminate the social entrepreneurship and the country examples of social enterprises.

Social enterprises operate at the crossroads of the private, public and so called ‘third’ sector. The historical and political background determines in most of the cases the role of social enterprises and their development as well as their characteristics primarily with a view to their position between the public and the private sector. Therefore, the distinction from the public sector is not clear in some cases, highlighting the importance of a proper definition of the sector.

2. LACK OF PROPER LEGAL FRAMEWORK

Our study shows that one of the most difficult obstacle for anyone starting a social enterprise in the five partner countries is the lack of a proper legal framework. The lack of a clear legal framework on CSOs that have an economic activity pushed towards searching alternative paths, e.g. to register as a small enterprise, or to continue keeping the economic activity for as long as possible on the informal level. Bureaucratic procedures are also a difficulty when interacting with public institutions, as they do not know in which category to use and, in some cases, this leads to lack of proper recognition by them for the services organizations offer to the community.

DIFFICULTIES CSOS FACED WHILE RUNNING SOCIAL ENTERPRISE



It is very difficult to accurately estimate the number of SEs in the in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey, given the lack of official registration data, and the variety of operational definitions for ‘social enterprise’ across the different countries. Present definitions of the term “social enterprise” vary considerably. This impedes the general discussion about social enterprises at the public and governmental level. Moreover, the lack of official definitions in any of the surveyed countries means that quantitative analysis on the importance of the social enterprise sector is not possible.

A lack of awareness of the important role SE plays in social development and economic recovery, results in a lack of political commitment for creating a stimulating environment for it. In general, there is a perception that the development of social economy has little or no support from government and government institutions. Attempts at creating a legal framework for social entrepreneurship are recognized and welcomed, however stronger political will in this process is required.

3. LACK OF HUMAN CAPACITY

The level of skills needed to engage in social enterprise is usually a long process which takes years to achieve, that was the opinion of many interviewed for the study. This was specially highlighted by interviewees who started an SE. They stress, that a range of skills is needed that goes beyond the usual business plan or the usual CSO management. Despite their backgrounds and skills sets of their core network, more capacity than what they had at their disposal was necessary. Many interviewees point out that such trainings do not exist and more support by government and other CSOs is needed. Joint trainings could be delivered to groups of social enterprises who lack knowledge in certain areas, for instance, sales skills, assistance in strategic planning, financial support, redefinition of the business plan, marketing, training/education, credit loans, education in these topics would be beneficial to CSOs who want to run an SE and to other entrepreneurs. Our survey show “lack of human capacity/expertise” as the number one reason why CSOs would not pursue an SE as an obtainable option. In addition, CSOs are already lacking in capacity and professional staff. According to our survey, in the five country 55% of the CSOs do not have salaried employees, and 18% of the have no volunteers. However, outsourcing of professionals is a main strategy for the management of human resources with 87% of the CSOs in these countries outsource at least one professional. This trend highly affects the weak market position of SE products and services.

Social enterprises need external support during start-up for setting a business plan and marketing strategy. One interviewee underlines the importance of having a good idea that responds to the targeted needs, that fits to the market logic and that is innovative. Another advice on marketing and promotion to critical to success, yet many do not budget it accordingly. Trainings offered by foundations and government entities should be more inclusive of these needs keeping in mind the CSOs impact future and present.

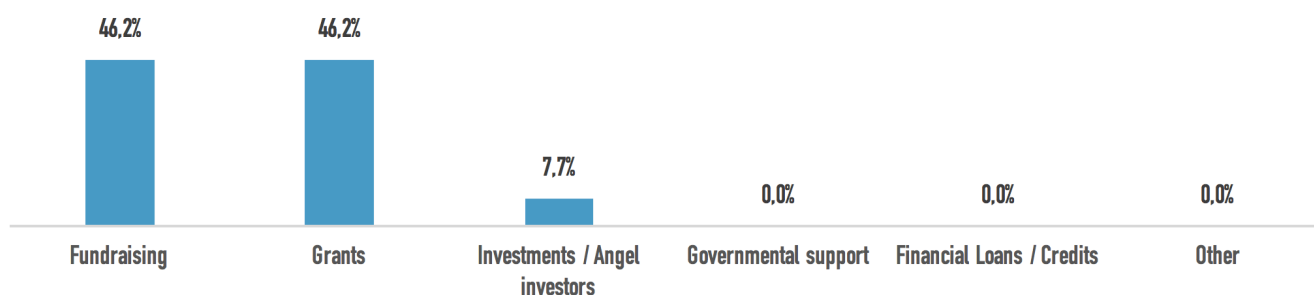
4. LACK OF FINANCING IN STARTING A SEs

For the most part, interviewed CSOs are funded by grants, local or international, with few CSOs having some income come from fees and donations. All the current CSOs running an SE receive external funding to finance their economic activity, usually an international source. This dependency on grants raises issues about the financial sustainability of CSOs in the study countries, with many CSOs struggling or failing to transition from grant dependency to financially sustainable commercial activities.

Organizations outline the lack of an initial funding for small enterprises made available during the start-up phase, which means they usually need to start smaller than they anticipated or they need to finance themselves. Very few organizations are completely sustainable through an SE. Most CSO are running an SE with the hopes of becoming financially sustainable but very few achieve this. This is mostly due to poor planning and an underestimation of the time and money that the SE will take.

Currently, most of the limited financial incentives available for SE are provided through funding schemes for civil society organizations or through active labour market measures based on EU funds, in particular IPA Programs and the ERDF. Besides this, much of the financial resources for social economy development come from international donors, most commonly the USAID, the UNDP, the WB, the British Council, the ILO and others. Among the CSOs with SEs, fundraising activities and grants constitute the major supports for the startups. While investments and angel investors had a little contribution for these startups, the role of government supports and financial loans or credits are non-existent for the studies scope but it can be interpreted that their influence is very low for these kinds of startup projects.

STARTUP SUPPORT FOR CSO ENTERING AN SE



On rare occasions a CSO will take out a bank loan to finance an SE. However, the restrictive terms of these mainstream loans – high interest rates, proven track record, credit rating, collateral required, high minimum loan amounts – often make these SME loans undesirable or unattainable for SEs in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey. There are several innovative initiatives taking place in specific countries for banks to lend to SE, however these initiatives are not targeted towards CSOs. Mozaik Foundation in Bosnia and Herzegovina has negotiated with UniCredit Foundation to scale up SE loans through local municipalities, who would pay for the loans on behalf of SEs to boost local development. In Serbia, Smart Kolektiv and Erste Bank provide loans specifically targeted to support SEs.

5. LACK OF INFORMATION EXCHANGE AMONG THE SE SECTOR

In general, there is a lack of precious information on social enterprises “success stories” and innovative entrepreneurship ideas; studies on the legal framework and sustainability of management, on marketing strategies, for which many have shown great interest and consider them a necessity. Established networks and collaboration among the wide sector of social entrepreneurship is necessary. Most of cooperation between these organizations occurs on informal level generally through connections established through friendship. SEs are disconnected from each other, unless they are part of the ‘friend’ network. An interviewer explained “If a SE registry existed, as an SE I could look for the service I need and have another SE provide it for me, improving the financial sustainability and the social impact of all SE.”

GENERAL RECOMMENDATIONS

Notwithstanding the difficulty of offering recommendations with the same degree of relevance for all the targeted countries, the study advances some recommendations for creating an enabling environment for SE development for CSOs that are applicable to all five countries in the study, more specific recommendations are shared under each country analysis. The recommendations set forth, however, are to be considered while reflecting the existing context of national legislation, the role played by the government and the CSOs sectors in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey.

1. SUPPORT POLICIES FOR SOCIAL ENTERPRISES

Governments should support social enterprise and include the social economy in the governments’ agendas as one of the priorities in socio-economic development, but more importantly, those measures should be accompanied by budget allocation and strong commitment to their implementation by government officials. In all the countries of the study, government support SEs to various degrees, but they lack the commitment for the necessary actions to take place.

Policies and legislations should be put in place to ensure clear

understanding of the SE, its parts and characteristics. It should define specific features that distinguish SE organizations from commercial companies, emphasizing the added value they produce, in terms of their social, economic and environmental impact on local communities. The legislation should allow a larger scale of entrepreneurial activities for social economy organizations, and enable a mechanism for CSOs to be labeled as such, while at the same time distinguishing them from commercial business. Legislations should be amended regarding the adoption of tax regulations, public procurement laws and employment regulations for greater inclusion of SE organizations as important providers of goods and services.

The principal requirement is to create a legal context which does not disadvantage CSOs or social enterprises in comparison with business organizations, but allows flexible entrepreneurial activity. Each country is encouraged to develop its own form of legal framework that would best suit their respective SE sector’s needs, based on the country’s specificities, political, socio-economic and cultural factors.

2. DEVELOPMENT OF FINANCIAL INCENTIVES AND SUPPORT MECHANISMS

Financial mechanism for SEs provided by any institution private or public, is rare, sporadic and insufficient. The available opportunities are likely to be international grant schemes. For a CSO who is already facing financial challenges, raising the capital for the implementation of an SE is very difficult without outside help. For an organization who wants to run an SE, financial options are needed, such as, initial funding, start-up capital, loans, micro-credits, and various financial tools designed for the needs and specificities of the SE sector, which is often perceived by financial institutions as low-profit and high-risk. A supportive financial framework for SEs should provide sustainable funding opportunities for SE organizations and develop systematic and regular public incentives, as well as public-private mechanisms for the development of new SE organizations. These would include financial mechanisms to scale up the economic activities of SE organizations.

Governments should facilitate access to financial resources through development of specific funds for the SE, and by supporting organizations such as ethical banks and social investment funds, as well as bottom up initiatives such as crowd-funding and incubators. Government should also adjust legislation, such as tax and employee legislation, to accommodate the specific needs of the sector and provide financial incentives for SE, which can be tied to their impact.

Another important issue is that public procurement needs to include SE organizations in their tender calls and contract considerations. Furthermore, public procurement agents should either provide SE with privileged access to public contracts for the provision of services and goods according to the added value they provide to society or include the societal added value in their assessments of the SE for public contracts by creating the appropriate mechanisms.

3. INCREASE OF CAPACITIES FOR CSOS TO RUN AN SE

The low level of capacity of CSOs to start an SE should be increased through development of cross-sectoral networks or support centres as vehicles for transfer of knowledge and technology, exchange of ideas and share of best practices for the SE sector. Both the government and the business sector can assist SE sector by providing non-financial incentives, mentoring and administrative services, as well as consulting support.

Another tool to increase capacity is the organization of inter-sectoral regional events involving key actors from the government, private, non-profit and academic sector, aimed at serving transfer of knowledge and increase of SE capacities. These events could take the shape of visits, awards, conferences, workshops and other practices that can contribute to the exchange of knowledge and specific experiences in establishing and managing SE projects and organizations at the different levels and sectors.

A raise awareness of SE through education highlighting the importance of the SE and its role in creating common benefits should take place. Another valid approach to overcome the lack of managerial and entrepreneurial skills should be by establishing formal and informal educational programs in collaboration with the academic sector, this should include vocational education and retraining programs which the curriculum covers SE and entrepreneurship. This will assist in the promotion and acceptance of the sector among society but will also create a generation of future social entrepreneurs and individuals.

4. EFFECTIVE ADVOCACY FOR SE

Support for raising broader awareness, primarily among government and decision makers, that the SE may play an important role in economic recovery, while remaining based on social and environmental responsibilities as integrated principles, is of the greatest importance for the SE sector to strive. Private sector, government and CSOs need to see the SE sector as a key player, an important generator of social innovation and innovative ways of re-using locally available resources for creating sustainable ways of addressing social needs and increasing employment in their societies.

National government authorities play an important role in support for SEs, including government ministries, agencies, chambers of commerce, task forces, teams, offices, and local authorities. These agencies can achieve greater visibility and awareness through the creation of various mechanism at the local and regional level. Some of the activities to promote SE are, the promotion of good practices of the SE, Promotion of cross-border initiatives and cooperation, as well as good models of existing partnership, establishing annual awards for the SE or social entrepreneurship, initiating media channels and social media platforms, and developing partnerships with media and education institutions, including motivating and introducing young people and students to the concept of SE.

5. ESTABLISHMENT OF COMMUNICATION AND COOPERATION TOOLS

More infrastructures should be created that would facilitate communication and cooperation among SEs. These tools would serve to assist in many of the needs stated in the study. The collaboration should be local, national, regional and international. The participation in networks, online and offline through accelerator programmes, co-working spaces, fab labs, and impact hubs.

The establishment of comprehensive register or database which would provide information on active SE organizations in the region. The register will should have a developed methodological approach and data collection that would enable systematic monitoring and analysis of the SE sector. This would provide precise information on the size and structure of the sector, but also enable insights into its impact and efficiency.

15. Country Analysis

BOSNIA & HERZEGOVINA

In Bosnia and Herzegovina (BIH), the Law on Associations and Foundations regulates the establishment, registration, internal organisation of associations and foundations. Ministry of Justice is responsible of registrations at the national level, but CSOs can also register at the entity level. Recently, the Ministry of Justice proposed to separate the legislative framework for associations and foundations, yet this proposal was rejected by the Parliament. In 2016, the proposal for the Law on Changes and Supplement to the Law on Associations and Foundations, which included changes referring to the finance management, precise definition of public benefits and availability of associations and foundations electronic databases, was also rejected. According to the current Law associations and foundations can carry out economic activities that are directly related to their missions and goals. For economic activities outside their mission and goals, they must establish a separate commercial entity and the total profits gained from unrelated activities cannot exceed one-third of an organisation's annual budget. The distribution of profits is prohibited and can only be used for activities related to the stated purpose of the organisation. CSOs are exempt from paying tax on donations, grants, the organisations' goals, while for other activities they are treated similar to the for profit entities.⁴⁰

The Acting Laws on Associations and Foundations at the state level as well as, entity laws, provide the opportunity for registered CSO to gain a public benefit organisation status, if objectives and activities of the association go beyond the interests of membership of the association, i.e. if the association or foundation is working in areas such as: health, education, science, social protection, civil society, human rights and rights of minorities, support to the poor and socially endangered people, support to disabled persons, children and elderly persons, protection of environment, tolerance, culture, amateur sport, religious freedom and support to victims of natural disasters and other similar aims. However, the applications for acquiring a public benefit status is difficult, while the decision making process is not transparent.⁴¹

There is no accepted definition of social enterprise in Bosnia & Herzegovina, and the definition of 'social' enterprise is associated with welfare, while 'societal' enterprise is associated with broader set of cultural and ecological values. There is also no specific legal form for social enterprises, yet organisations can have a legal

form as traditional/mainstream enterprises. In BIH social economy and social entrepreneurship have been developing within the institutional and legal framework for CSOs, foundations and cooperatives, yet a legal status for cooperatives also exist. The General Law on Cooperatives adopted in 2003 allows civil society organisations (at least 5 CSOs) to establish cooperatives to achieve their economic and social goals through joint collaboration. A cooperative can use revenues only for material investments or for the permanent working capital of the cooperative and is required to invest a part of the profit in reserve funds, while the rest of the surplus may be distributed among cooperative members.⁴²

Law on Vocational Rehabilitation, Training and Employment of Disabled Persons in two entities allow associations, foundations and cooperatives to establish separate companies for the employment of people with disabilities. These entities are exempted from custom duties and taxes, their utility costs are charged at the same rate as households, and can claim rebates on payroll taxes.⁴³

In the case of Bosnia and Herzegovina, The Mozaik Foundation emerges as an important actor with regards to social entrepreneurship and social enterprises. As a social enterprise itself, the foundation provides financial and advisory support to community action and focuses on local resource mobilisation and the sustainability of social and economic development. In 2009 Mozaik established two for-profit companies whose revenues would fully support the foundation, while also providing jobs for 100 women of different ethnic backgrounds from the most rural areas of the country. EkoMozaik produces high-quality honey from 1,000 beehives, starting with the integral production of herbs, flowers and vegetables in a modern 5,000m² greenhouse. The second company, the MaSta Agency, promotes corporate social responsibility and organizes large corporate events. As a grant provider Mozaik has a 40 000 EUR grant fund for social enterprises, while Unicredit Foundation also has a grant fund of up to 100 000 EUR. Social enterprises are in a disadvantaged position in terms of using available funds for SMEs, due to level of turnover required to be eligible for those loans. The Mosaic Foundation, along with GOPA Consulting Group (Swiss Development Corporation), Dokukino, Foundation, and Centre for Civic Society Promotion are the main providers of capacity building for social enterprises.⁴⁴

⁴⁰ TACSO, 2016.

⁴¹ *ibid.*

⁴² European Movement in Serbia, 2015.

⁴³ *ibid.*

⁴⁴ Phillips et. al., 2016, p. 10.

⁴⁵ SPIS, 2013.

The GAP Analysis of SPIS ⁴⁵ states that, contrary to the rapid development in the EU social economy is very underdeveloped in Bosnia and Herzegovina in relation to the extensive development observed in the EU. Lack of visibility, lack of specialised training and education, lack of support networks and business infrastructure, lack of access to finance, and lack of specific enabling legislation are observed as the main obstacles hindering the development of social entrepreneurship. On the other hand, The Assessment Report on Social Entrepreneurship in Bosnia and Herzegovina published by TACSO in 2012 makes the following relevant recommendations for the development of social entrepreneurship in the country:

- 1 Promoting social entrepreneurship to make this concept and notion better understood by the public and make an appropriate definition in the context of Bosnia and Herzegovina;
- 2 Strengthening the role of media in promoting social entrepreneurship.
- 3 Developing appropriate educational content for social entrepreneurship at the faculties and schools, which would contribute to the early awareness on social entrepreneurship to achieve social changes and improvements, and innovative approach to solving economic and social problems;
- 4 Preparing and implementing training of the public servants – segments related to economy, taxes, social and health protection, which are all related to social entrepreneurship;
- 5 Enabling easier access to the funding resources, particularly ensuring the initial funding through development of new programs of funding, investing and opening the new credit lines for social entrepreneurship;
- 6 Establishing a centre for development of social entrepreneurship or Fund for development of social entrepreneurship that could provide the initial capital for development of social enterprises, in this regard it is necessity to define social market, goods and services for social entrepreneurship and define groups and number of people for employment in the field of social entrepreneurship;
- 7 Encouraging the business sector to be more actively engaged in the programs of social employment through co-funding of the programs of social entrepreneurship and ensuring access to the market and providing mentor services to the organisations of civil society active in the non-profit entrepreneurship and provide tax reduction for the enterprises which reinvest their profit in the activities contributing to the community development;
- 8 Advocating development of the tax policies that will be suitable for development of the concept and activities of social entrepreneurship – a possible fiscal solution might be tax reductions and subsidies for the development of the social enterprises;
- 9 Building the whole model of social entrepreneurship and enable establishing and functioning of social enterprises;
- 10 Developing partnerships among nongovernmental organisations and social enterprises and cooperation at the regional and national level;

11 Developing networking of social entrepreneurs is a platform which creates opportunity for cooperation and access to the resources which can be useful not only to social entrepreneurs but all those who see benefits in the work of social entrepreneurs.

12 Investing in creating a favourable environment for the work of social entrepreneurs, capacities and infrastructure support for all the subjects of social entrepreneurship;

13 Creating an official strategy for development of social entrepreneurship.

ABOUT THE CSOs*

- > CSOs by the legal status: 95% Association, 4% Foundation, 2% Cooperative.
- > Level of operation: The number of CSOs operates at the national level (17%) is lower than the average of the five countries (39%). CSOs active in more than one city (50%) is higher than the average (22%). One city-based organizations consist 11% while international organizations 22%.
- > Top 5 activity categories best fit to organizations' mission: Educational activities (68%), Awareness raising (38%), Capacity building (33%), Socialization activities (28%), Social services (23%).
- > Top 5 field of work of the CSOs: Civil society (35%), Education (33%), Human rights (30%), Environment and Nature Conservation (25%), Economic development (25%), Women (23%)
- > Top 3 organizations cooperate with: Local government / Municipalities (88%), International organizations (70%), Private sector (68%)
- > Employment and Outsourcing:
 - > %55 of the CSOs have employees working on salaries
 - > Top 3 outsourced staff: Administrators (55%), Project implementation experts (40%), Project development experts (40%)
- > Commercial entity: 28% have a commercial entity, 5% used to have one
- > Business and Finance:
 - > 45% have a long-term, 70% have a short-term business plan.
 - > 35% have a long-term, 83% have a short-term financial plan.
 - > Of the 43% organization is financially sustainable.
 - > Of the 65% funding sources are shrinking.
- > Internet visibility: 65% has a website, 88% has a Facebook account

ABOUT THE SOCIAL ENTERPRISES

- > Social Enterprise experience: 78% never had a social enterprise, 15% currently has one
- > Plan for establishing a social enterprise: 81% have an idea but not a business plan, 8% have interest but do not have an idea

*52 CSOs participated in survey, 40 included into analysis.

BOSNIA & HERZEGOVINA COUNTRY PROFILE

DEMOGRAPHY

POPULATION	3,810,416 (2015)
YOUTH POPULATION (AGES 15-24)	447.180 (2015)
MEDIAN AGE OF POPULATION	41.51 years (2015)
POPULATION GROWTH	-0.13 % (2015)
PALIFE EXPECTANCY AT BIRTH	76.63 years (2015)

ECONOMY

GDP PER CAPITA	4,198 (2015)
GDP, BILLION CURRENT US\$	6.0 (2015)
GDP GROWTH	3.0 % (2016)
EASE OF DOING BUSINESS RANK	81 (2017)
INFLATION - CPI	-0.7% (2016)
GOVERNMENT DEBT (% OF GDP)	44.1 % (2016)
CURRENT ACCOUNT BALANCE (% OF GDP)	-5.7 % (2015)
UNEMPLOYMENT RATE	25.4% (2016)
UNEMPLOYMENT RATE (AGES 15-29)	57.7% (2015)
NUMBER OF ACTIVE ENTERPRISES	64.226 (2012)

EDUCATION

GROSS ENROLMENT RATIO (PRE-PRIMARY EDUCATION)	14.8 % (2014)
GROSS ENROLMENT RATIO (PRIMARY EDUCATION)	100.2 % (2014)
GROSS ENROLMENT RATIO (SECONDARY EDUCATION)	88.7 % (2014)
GROSS ENROLMENT RATIO (TERTIARY EDUCATION)	47.6 % (2014)
ADULT LITERACY RATE	98.0 % (2014)
PUBLIC SPENDING ON EDUCATION (% OF GDP)	n.a.

POVERTY

POVERTY HEADCOUNT RATIO AT NATIONAL POVERTY LINE	17.9% (2011)
GINI INDEX	33.83 (2011)
INCOME SHARE HELD BY LOWEST 20%:	7.28 (2012)

UN HUMAN DEVELOPMENT INDEX (2012)

HUMAN DEVELOPMENT	0.735 (81 out of 187 countries)
INEQUALITY ADJUSTED HUMAN DEVELOPMENT	0.65
GENDER INEQUALITY	n.a.
MULTI-DIMENSIONAL POVERTY (2006)	0.8 percent of the population

FREEDOM HOUSE (2016)

FREEDOM STATUS	Partly Free
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TRANSPARENCY INTERNATIONAL (2015)

CORRUPTION PERCEPTIONS INDEX	38 (76 out of 168)
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WORLD BANK GOVERNANCE INDICATORS (2015)

VOICE AND ACCOUNTABILITY	- 0.11
POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM	- 0.45
GOVERNMENT EFFECTIVENESS	- 0.54
REGULATORY QUALITY	- 0.18
RULE OF LAW	- 0.29
CONTROL OF CORRUPTION	- 0.37

OECD SME POLICY INDEX

ENTREPRENEURIAL LEARNING & WOMEN'S ENTREPRENEURSHIP	2.13/5
BANKRUPTCY AND SECOND CHANCE FOR SMES	2.25/5
REGULATORY FRAMEWORK FOR SME POLICY MAKING	2.22/5
OPERATIONAL ENVIRONMENT FOR SMES	1.75/5
SUPPORT SERVICES FOR SMES AND START-UPS	2.42/5
PUBLIC PROCUREMENT	3.44/5
ACCESS TO FINANCE FOR SMES	3.25/5
STANDARDS AND TECHNICAL REGULATIONS	3.18/5
ENTERPRISE SKILLS	2.83/5
INNOVATION	1.94/5
SMES IN A GREEN ECONOMY	2.16/5
INTERNATIONALISATION OF SMES	2.31/5

MACEDONIA

Dokmonavic et. al. (2016) states that the development of the social entrepreneurship in Macedonia can be traced back to the 1960s, when the first state-owned enterprises employing disabled persons were established. During the transition in the 1990s, as it was the case in most countries in the region, those state-owned enterprises became private commercial companies.

There is no officially accepted definition of social entrepreneurship or social enterprise within the legal framework of FYR Macedonia. However, there is an ongoing initiative to draft and adopt a Law of Social Entrepreneurship whose progress has halted due to on-going political uncertainties in the country. Also, there is no specific Law on Social Enterprises, while the existing legal framework allows certain organisational forms that can be observed as social enterprises. Legal entity types that exist and can be considered as a part of the social economy are: (i) civil society organisations (CSOs) that engage in economic activities/social contracting; (ii) Protective companies (employment of people with disabilities); (iii) Cooperatives. The unofficial market size is estimate to be of 150 active entities.⁴⁶

The Law on Associations and Foundations allows NGOs to conduct commercial activities without the need to set up companies and consequently to make profit that must be used for the goals stated in the Statute. However, the Law does not precise the monitoring role of the governmental institutions and the taxation policy which later might causes problems for NGOs. According to the Law on Donations and Sponsorships that has been in force since 2007, NGOs can receive donations and use the taxation benefits if their projects get confirmation of public interest by the Ministry of Justice. The Law on Social Protection gives opportunity to associations to act as contractors for the social services after fulfilling the requirements and signing the Social contract with the Ministry of Labour and Social Policy.⁴⁷

The Law on Volunteering (2007) recognises volunteering as a valid work experience within the paid employment sector. The Law allows tax exemptions for the costs of volunteers, while protects unemployment rights of unemployed persons who engage in voluntary work. The government is also working on creating a more enabling environment for voluntary work through the Strategy for Promotion and Development of Volunteering (2010), the National Council for Development of Volunteering (2011) and the Strategy for Cooperation between the Government and Civil Society 2012-2017.⁴⁸

The Law on Social Protection (2011) gives associations the opportunity to act as contractors for the social services of the Ministry of Labour and Social Policy⁴⁹. The Social Welfare Law, on the other hand, allows associations (but not foundations) to provide certain social protection services, if they are registered as providers of services of social nature (for individuals, families and groups of citizens at social risk) and for the development and promotion of volunteering in the community.⁵⁰

Cooperatives are regulated by the Law on Cooperatives. According to the Law, a cooperative is a form of an association established by at least 3 individuals and legal persons with an aim to improve or to protect a determined number of exactly defined economic interests in all business areas, except in the banking and insurance sector and other the business activities forbidden by the Law. As of 2005, cooperatives are registered at the Central Registry of the Republic of Macedonia. They can be established as either cooperatives with unlimited liability or cooperatives with limited liability. Cooperatives can make profit and the annual profit after taxes can be shared between the members, after minimum 5% is invested in the reserved fund of the cooperative. Investment in the reserved Fund is obligatory for 20 years and the cooperative can establish additional funds.⁵¹

The Strategy for Cooperation between the Government and Civil Society 2012-2017⁶⁷ highlights the need for stronger participation of CSOs in economic and social development, as well as social cohesion, civil activism and community support. On the other hand, the draft Law on Social Entrepreneurship, which has not been adopted yet, is expected to provide legal status for social enterprises. The draft version of the Law also raised concerns within the civil society as it does not have the potential to respond to the needs of vulnerable groups, while is open to misuse as the social benefits offered may attract also for-profit businesses.⁵² The Revised National Strategy for Poverty Reduction and Social Exclusion covering the period 2010-2020, though does not specifically refer to social economy, makes emphasis on entrepreneurship and integrating young people, women and the elderly to the labour market which can create opportunities for social entrepreneurship.

A small percentage of budget provided from the national lottery, which amounts to 120,000 EUR annually are used for financing civic organisations. In 2007, The Code of Good Practices was developed to make the procedure for funds available to CSOs more transparent.⁵³

⁴⁶ Phillips et. al., 2016, p. 13.

⁴⁷ Center for Institutional Development and Euclid Network, 2011.

⁴⁸ European Movement Serbia, 2015, p. 143.

⁴⁹ *ibid.*, p. 69.

⁵⁰ European Movement Serbia, 2015, p. 144.

⁵¹ Center for Institutional Development and Euclid Network, 2011, p. 72.

⁵² European Movement Serbia, 2015, p. 143.

⁵³ *ibid.*, p. 145.

As in other country examples, financial support to social enterprises is quite restricted, apart from grants made available by major organisations.⁵⁴ In the absence of effective financial instruments tailored specifically for social enterprises, for example an association intending to establish a social enterprise can use the following ways to raise funding:

1. Using an initial grant from the Agency for Employment, if the initiator of the enterprise is unemployed.
2. To use its own savings or the investment from the informal investors (relatives, friends etc).
3. To establish a joint venture with already existing businesses.
4. To use donors grants open to civil society organisations.
5. To use the possibilities of other governmental support such as Social Contracting (Ministry of Labour and Social Policy), Voucher System of counselling (subventions for cost of counselling-project of the Ministry of Economy implemented by the Agency for Promotion of Entrepreneurship) etc.⁵⁵

The existing social enterprises in Macedonia carry out their activities in the following sectors: social protection and inclusion, protection of the disabled, environmental protection and nature conservation, usage of alternative and renewable energy, education, science and research (in particular community based research), eco-friendly and organic farming and food production, tourism, alternative tourism, rural tourism, ethic and alternative banking, healthcare and health promotion, sports and recreation, local community development, promotion and protection of traditional arts and crafts, etc.⁵⁶

In terms of capacity building, there are several incubators for business start-ups, yet mostly social enterprises have to modify their activities to benefit from those opportunities. There are around 50 centres for local economic development established within the municipalities of Macedonia, as part of the projects supported by USAID and UNDP; centre for transfers of technology; Associations of entrepreneurs (Macedonian Chamber of Commerce, The Chamber of Commerce of the Northwest Macedonia and the Macedonian Chamber of Artisans). The Employment Service Agency of Macedonia gives 3,000 EUR grant to unemployed people with a sustainable business idea, which can be used for raw materials (feedstock) and equipment, consultant services (basic training for running a business and voucher system of counselling for preparation of business plan) and to cover the cost for registration of the business.

In 2013, Stojilovska and Selami⁵⁷ conducted two different surveys on social enterprises and social entrepreneurship in Macedonia, 15 social businesses responded the former survey, while 11 participated to the latter. The answers to those surveys show that social businesses are usually registered as associations or foundations, and most of them are organisations founded before 2000. They operate in a wide range of areas and while half of them provide services at

the national and (sometimes) at regional level, half of them are local organisations. Only 7 of them employ less than 10 people, while the highest number of paid staff can reach over hundred in some instances. Out of 11 social enterprises in Macedonia that participated the survey, 5 have an annual turnover of less than 100 000 EUR and only 2 have more than 2 million EUR. Seven of them define themselves as social business stating that their core business has a relevant and measurable social impact. 5 out of 11 state that their employees' salaries are equal or close to the national average, while salaries are higher than the national average in three organisations.

ABOUT THE CSOs*

- > CSOs by the legal status: 100% Association
- > Level of operation: The number of CSOs operates at the national level (48%) is higher than the average of the five countries (39%). CSOs active in more than one city is 25%. One city-based organizations consist 10% while international organizations 17%.
- > Top 5 activity categories best fit to organizations' mission: Educational activities (52%), Capacity building (34%), Awareness raising (32%), Advocacy (26%), Research activities (20%)
- > Top 5 field of work of the CSOs: Civil society (45%), Education (34%), Human rights (31%), Youth (29%), Environment and Nature Conservation (26%)
- > Top 3 organizations cooperate with: International organizations (80%), Private sector (77%), Local government / Municipalities (69%), CSOs in other countries (69%)
- > Employment and Outsourcing:
 - > %46 of the CSOs have employees working on salaries
 - > Top 3 outsourced staff: Project development experts (63%), Project implementation experts (57%), Information technology experts (IT) (35%)
- > Commercial entity: Only 5% have a commercial entity, 2% used to have one
- > Business and Finance:
 - > 31% have a long-term, 55% have a short-term business plan.
 - > 31% have a long-term, 80% have a short-term financial plan.
 - > Of the 32% organization is financially sustainable.
 - > Of the 75% funding sources are shrinking.
- > Internet visibility: 74% has a website, 88% has a Facebook account

ABOUT THE SOCIAL ENTERPRISES

- > Social Enterprise experience: 59% never had a social enterprise, 6% currently has one
- > Plan for establishing a social enterprise: 39% have an idea but not a business plan, 47% have interest but do not have an idea.

*67 CSOs participated in survey, 65 included into analysis.

54 Phillips et. al., 2016, p. 13.

55 Center for Institutional Development and Euclid Network, 2011, pp. 63-64.

56 Phillips et. al., 2016, p. 13.

57 2013.

MACEDONIA COUNTRY PROFILE

DEMOGRAPHY

POPULATION	2,078,453 (2015)
YOUTH POPULATION (AGES 15-24)	287.250 (2015)
MEDIAN AGE OF POPULATION	37.50 years (2015)
POPULATION GROWTH	0.16% (2015)
PALIFE EXPECTANCY AT BIRTH	75.53 years

ECONOMY

GDP PER CAPITA	\$ 5,060 (2016)
GDP GROWTH	2.2 % (2016)
GINI INDEX	44.05 (2008)
EASE OF DOING BUSINESS RANK	10 (2017)
INFLATION - CPI	0.1 % (2016)
GOVERNMENT DEBT (% OF GDP)	40.2 % (2016)
CURRENT ACCOUNT BALANCE (% OF GDP)	-2.0 % (2015)
UNEMPLOYMENT RATE	26.1 % (2015)
UNEMPLOYMENT RATE (AGES 15-29)	57.7% (2015)
NUMBER OF ACTIVE ENTERPRISES	50.80 % (2014)

EDUCATION

GROSS ENROLMENT RATIO (PRE-PRIMARY EDUCATION)	28.7 % (2012)
GROSS ENROLMENT RATIO (PRIMARY EDUCATION)	85.8 % (2012)
GROSS ENROLMENT RATIO (SECONDARY EDUCATION)	82.0 % (2012)
GROSS ENROLMENT RATIO (TERTIARY EDUCATION)	39.4 % (2012)
ADULT LITERACY RATE	97.4 % (2014)
PUBLIC SPENDING ON EDUCATION (% OF GDP)	n.a.

POVERTY

POVERTY HEADCOUNT RATIO AT NATIONAL POVERTY LINE	26.8 % (2011)
GINI INDEX	33.7 (2015)
INCOME SHARE HELD BY LOWEST 20%:	5.39 % (2008)

UN HUMAN DEVELOPMENT INDEX (2012)

HUMAN DEVELOPMENT	0.747 (81 out of 187 countries)
INEQUALITY ADJUSTED HUMAN DEVELOPMENT	0.622
GENDER INEQUALITY	0.164 (33 out of 155 countries)
MULTI-DIMENSIONAL POVERTY (2006)	1.7 percent of the population

FREEDOM HOUSE (2016)

FREEDOM STATUS	Partly Free
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TRANSPARENCY INTERNATIONAL (2015)

CORRUPTION PERCEPTIONS INDEX	2 (66 out of 168)
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WORLD BANK GOVERNANCE INDICATORS (2015)

VOICE AND ACCOUNTABILITY	- 0.18
POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM	- 0.20
GOVERNMENT EFFECTIVENESS	0.13
REGULATORY QUALITY	0.45
RULE OF LAW	-0.17
CONTROL OF CORRUPTION	-0.13

OECD SME POLICY INDEX

ENTREPRENEURIAL LEARNING&WOMEN'S ENTREPRENEURSHIP	2.46/5
BANKRUPTCY AND SECOND CHANCE FOR SMES	3.38/5
REGULATORY FRAMEWORK FOR SME POLICY MAKING	3.67/5
OPERATIONAL ENVIRONMENT FOR SMES	4.38/5
SUPPORT SERVICES FOR SMES AND START-UPS	2.94/5
PUBLIC PROCUREMENT	3.95/5
ACCESS TO FINANCE FOR SMES	3.46/5
STANDARDS AND TECHNICAL REGULATIONS	4.02/5
ENTERPRISE SKILLS	2.89/5
INNOVATION	3.63/5
SMES IN A GREEN ECONOMY	2.80/5
INTERNATIONALISATION OF SMES	3.43/5

MONTENEGRO

In Montenegro, there is no law that regulates social enterprises and no strategy on social entrepreneurship, but they exist in practice. According to the existing framework, any NGO can form a company and function like any other SME, however there is no special status for commercial businesses if they invest in social benefits, or have a social purpose, except for limited tax reduction for certain philanthropic activities.⁵⁸ According to the Law, NGOs cannot perform economic activity if revenues from economic activity exceed the amount of 4,000 EUR in the previous calendar year or if such revenues exceed the amount of 20% of the total annual revenues in the previous calendar year. In this case, they are obliged to register with the Central Register of the Commercial Court in Podgorica as conducting economic activity. According to the Law, NGOs are to perform economic activity in accordance with special regulations. The transfer of services to CSOs is regulated by the Law on the State Administration through the provision of “transfer or delegation of state administration services.”⁵⁹

The Law on NGOs adopted in August 2011 introduced a major change in terms of financing of civil society organisations from the state budget. Cross-sectional Commission for the Allocation of Funds is established by the Law and 21 areas were identified as areas which NGOs can get public support, including social and health care, poverty reduction, protection of persons with disabilities, social care for children and young people, help for the elderly, protection and promotion of human and minority rights, rule of law, development of civil society and volunteerism, the Euro-Atlantic and European integration of Montenegro, institutional and non-institutional education, science, art, culture, technical culture, environmental protection, agriculture and rural development, sustainable development, consumer protection, gender equality, fight against corruption and organised crime, fight against addiction, as well as other areas of public interest to be determined by special law.⁶⁰ However, this funding mechanisms has not been put into practice; the system is not working transparently, the allocated funds have been upheld by the Administrative Court of Montenegro, while those allocation provided funds for only five areas, while the Law cited twenty.⁶¹

To ensure transparency and accountability of NGOs, the Law stipulates NGOs accruing revenues higher than EUR 10,000.00 during a calendar year to publish their financial reports within ten days after it is approved by the managing body of the NGO.

We should also note that, as in other Western Balkan countries, cooperatives also exist as a possible legal form for social en-

terprises in Montenegro. Cooperatives are still regulated by the Federal Law on Cooperatives, while there is attempt for adopting a new Law on Agricultural Cooperatives.

While social entrepreneurship has not been regulated by a specific Law, nevertheless, it has been cited in important strategy documents of the Government. For example, the National Strategy for Human Resources and Development for the period 2012-2015 states that the “concept of social entrepreneurship may contribute to the creation of alternative new jobs, in particular for those who are members of the most vulnerable groups of population.” and it can help “reducing poverty through the exploitation of the activity potential”. Under the strategic objective “Increasing Self-Employment. Stimulating Entrepreneurship, particularly in the Underdeveloped Areas of Montenegro”, the Strategy points out the need for a national model for social entrepreneurship, “implementation of which would contribute to better social inclusion and economic emancipation of disadvantaged groups”. In that respect, the Strategy targets to complete an analysis of the current state and the conditions to apply the concept of social entrepreneurship, as well as of the initiatives that may be developed as models for social economy, the implementation of pilot projects, especially in the North [of the country] and for the most disadvantaged groups, then by increasing the level of knowledge of social partners on the concept of social entrepreneurship, the creation of legal framework for the development of this concept, as well as through the implementation of programmes and projects intending to start initiatives for development of social entrepreneurship projects by the end of 2015. Strategy for development of NGOs in Montenegro, on the other hand, states that “in the broadest sense, social entrepreneurship is considered for the use of innovative practices in the sale of goods and services on the market, to generate income to be used for the realisation of some commonly beneficial interest”.⁶²

As in other Western Balkan countries, the main source of financial support for social entrepreneurship is grants provided by international organisations. The main stakeholders in the social business sector are listed as (i) NGOs and Networks (Juventas, Center for development of NGOs, TACSO, Local Agency for Democracy Niksic, Coalition for Social Changes; Montenegrin Employers Federation); (ii) State authorities (Ministry of Labour and social welfare, Ministry for Sustainable Development and tourism, Chamber of Economy, Office for cooperation with CSOs). Public Relations Center of the Foundation for Promotion of Civil Society, CRNVO, the Mosaic Foundation, Employment Agency of Montenegro, along with 2 general business incubators are the main providers of capacity building support.⁶³

⁵⁸ Phillips et. al., 2016, p. 14-15.

⁵⁹ European Movement Serbia, 2015, p. 104.

⁶⁰ TACSO, 2013.

⁶¹ European Movement Serbia, 2015, 107.

⁶² Phillips et. al., 2016, p. 14-15.

⁶³ *ibid.*

As of 2015, there are 410 CSOs in Montenegro registered for business activity, while the number of active civil society social enterprises is estimated to be between 30 and 50. Most of the CSOs registered for business activity works for marginalised groups, disabled people, Roma population, and victims of domestic violence.⁶⁴ There is no comprehensive study mapping those CSOs, however a recent needs analysis conducted by Vuković, and Bulatović covering active 16 social enterprises underlines the following outcomes:

- > Among 16 social enterprises, 14 are NGOs, while one is a limited liability company and another one is a sheltered workshop.
- > Those social enterprises generally focus on the production of souvenirs and other decorative items, garments, items for home and office promotional materials.
- > 11 organisations were working with people with disabilities, 2 with women victims of domestic violence, and 2 with elderly women, while the target of the remaining social enterprise is the Roma population.
- > Among those organisations, only one has a feasibility study, while majority of them have business plans.
- > The organisations mostly rely on voluntary work, while a few of them can provide salaries to its staff.
- > The organisations are financially vulnerable and dependent on donor support. Generated income levels are not sufficient to cover the costs.
- > Employees of those organisations have received several training, yet business management, product placing, and accounting are listed as topics where there is a need for additional capacity building.
- > The organisations mostly secure necessary equipment through donations, while the need for special retail spaces emerges as the most important problem.
- > The level of networking and experience exchange between social enterprises is quite limited.

2015 TACSO Report on Development of Social Entrepreneurship in Montenegro makes the following recommendations for boosting social entrepreneurship in Montenegro:

- > mapping out social enterprises and promoting good practices in this area;
- > making available the start-up funds and business incubators for small and medium
- > size enterprises to social entrepreneurs;
- > development of strategic documents, at local level particularly;
- > strengthening cooperation between public, private and civil sector on these issues, including the promotion of public-private partnership;
- > nurturing volunteer cultures, incorporating social entrepreneurship into the universities' curricula, etc.

ABOUT THE CSOs*

- > CSOs by the legal status: 97% Association, 3% Foundation, 0 Cooperatives
- > Level of operation: The number of CSOs operates at the national level (66%) is higher than the average of the five countries (39%). CSOs active in more than one city is 9%. One city-based organizations consist 14% while international organizations 11%.
- > Top 5 activity categories best fit to organizations' mission: Social Services (46%), Educational activities (41%), Capacity building (34%), Awareness raising (36%), Aid activities (15%), Socialization activities (15%)
- > Top 5 field of work of the CSOs: Human rights (46%), Civil society (38%), Disability (36%), Youth (26%), Women (23%)
- > Top 3 organizations cooperate with: Local government / Municipalities (77%), International organizations (69%), National CSOs (67%)
- > Employment and Outsourcing:
 - > %70 of the CSOs have employees working on salaries
 - > Top 3 outsourced staff: Project implementation experts (56%), Communication (54%), Project development experts (46%)
- > Commercial entity: Only 11% have a commercial entity, 3% used to have one
- > Business and Finance:
 - > 75% have a long-term, 64% have a short-term business plan.
 - > 39% have a long-term, 67% have a short-term financial plan.
 - > Of the 67% organization is financially sustainable.
 - > Of the 39% funding sources are shrinking.
- > Internet visibility: 78% has a website, 90% has a Facebook account

ABOUT THE SOCIAL ENTERPRISES

- > Social Enterprise experience: 86% never had a social enterprise, 14% currently has one
- > Plan for establishing a social enterprise: 74% have an idea but not a business plan, 13% states it not possible for their organization, 4% have interest but do not have an idea

*49 CSOs participated in survey, 39 included into analysis.

64 ibid.

MONTENEGRO COUNTRY PROFILE

DEMOGRAPHY

POPULATION	622,388 (2015)
YOUTH POPULATION (AGES 15-24)	85.620 (2015)
MEDIAN AGE OF POPULATION	37.56 years (2015)
POPULATION GROWTH	0.12% (2015)
PALIFE EXPECTANCY AT BIRTH	76.40 years

ECONOMY

GDP PER CAPITA	\$ 6,415 (2015)
GDP GROWTH	3.2 % (2015)
GINI INDEX	31.93 (2014)
EASE OF DOING BUSINESS RANK	51 (2017)
INFLATION - CPI	0.5 % (2016)
GOVERNMENT DEBT (% OF GDP)	75.5 % (2016)
CURRENT ACCOUNT BALANCE (% OF GDP)	-13.4 % (2015)
UNEMPLOYMENT RATE	17.6 % (2015)
UNEMPLOYMENT RATE (AGES 15-29)	39.5 % (2014)

EDUCATION

GROSS ENROLMENT RATIO (PRE-PRIMARY EDUCATION)	59.7 % (2012)
GROSS ENROLMENT RATIO (PRIMARY EDUCATION)	95.3 % (2012)
GROSS ENROLMENT RATIO (SECONDARY EDUCATION)	91.4 % (2012)
GROSS ENROLMENT RATIO (TERTIARY EDUCATION)	55.3 % (2012)
ADULT LITERACY RATE	98.5 % (2014)
PUBLIC SPENDING ON EDUCATION (% OF GDP)	n.a.

POVERTY

POVERTY HEADCOUNT RATIO AT NATIONAL POVERTY LINE	9.3 % (2011)
GINI INDEX	32.18 (2012)
INCOME SHARE HELD BY LOWEST 20%:	7.76 % (2012)

UN HUMAN DEVELOPMENT INDEX (2012)

HUMAN DEVELOPMENT	0.791 (52 out of 187 countries)
INEQUALITY ADJUSTED HUMAN DEVELOPMENT	0.733
GENDER INEQUALITY	n.a.
MULTI-DIMENSIONAL POVERTY (2006)	1.5 percent of the population

FREEDOM HOUSE (2016)

FREEDOM STATUS	Partly Free
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TRANSPARENCY INTERNATIONAL (2015)

CORRUPTION PERCEPTIONS INDEX	44 (61 out of 168)
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WORLD BANK GOVERNANCE INDICATORS (2015)

VOICE AND ACCOUNTABILITY	0.156
POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM	0.13
GOVERNMENT EFFECTIVENESS	0.16
REGULATORY QUALITY	0.23
RULE OF LAW	-0.03
CONTROL OF CORRUPTION	-0.09

OECD SME POLICY INDEX

ENTREPRENEURIAL LEARNING & WOMEN'S ENTREPRENEURSHIP	2.70/5
BANKRUPTCY AND SECOND CHANCE FOR SMES	3.465
REGULATORY FRAMEWORK FOR SME POLICY MAKING	3.93/5
OPERATIONAL ENVIRONMENT FOR SMES	3.56/5
SUPPORT SERVICES FOR SMES AND START-UPS	2.95/5
PUBLIC PROCUREMENT	3.73/5
ACCESS TO FINANCE FOR SMES	3.25/5
STANDARDS AND TECHNICAL REGULATIONS	4.01/5
ENTERPRISE SKILLS	2.78/5
INNOVATION	2.62/5
SMES IN A GREEN ECONOMY	2.10/5
INTERNATIONALISATION OF SMES	3.18/5

SERBIA

There is no official definition of social entrepreneurship and no specific legal framework for social enterprises in Serbia. Though no specific legal form defined for social enterprises in Serbia, several Laws and Government Strategies contain provisions that may constitute the basis and support to the development of social entrepreneurship.

The recent Law on Associations (adopted in 2009) has improved some of the issues, by establishing a legislative framework closer to international standards and regional best practices yet the proportion of associations engaged in social entrepreneurial activities is quite small in Serbia.⁶⁵ The Law allow associations to perform income-generating activities in commercial terms and bans distribution of profits. The associations may establish their own companies for commercial activities, but the relations between the founding association and the spin-off company are not clearly defined within the Law. The Law on Professional Rehabilitation and Employment of Persons with Disabilities, in its In Article 34 includes social enterprises among organisation types that can engage in “for professional rehabilitation and employment of PWDs and, job centers”. However, the Law only covers organisations intending to employ people with disabilities and sets additional conditions. Those organisations also can access financial support through The Budget Fund, Public Works, and the Lottery Fund. The Law on Cooperatives dates from the mid-1990s and the cooperatives are subject to a 10% corporation tax. The Law on Endowments and Foundations is quite restrictive and therefore in Serbia, foundations are not suitable organisational types for social enterprises. 55 stipulates much tighter control the founders may exercise over assets of this type of organizations. This type is not presently seen as a model for social enterprises in Serbia, but they can be founders and sponsors of social enterprises. Development Fund and till 2010 Social Innovation fund have been other sources of public funding for social enterprises. Also, the establishment of a Social Inclusion Fund is also under consideration.⁶⁶

Grants are the most common tool for financial support and USAID, Erste Bank, UniCredit Bank and Foundation, Rockefeller Brothers’ Fund, Norwegian Ministry of Foreign Affairs, British Council and Delta Foundation (Serbian owned company that has given capacity building and grants for social entrepreneurs over last 2 years) emerge as the main grant providers. A plot loan program is run by UniCredit Foundation, UniCredit Bank, and Erste Bank on a small scale, providing loans up to 10.000 EUR, with no collateral for loans up to 15.000 EUR, and subsidised interest rates of 5-7% over 5-year repayment period. Smart Kolektiv has been one of the key organisation acting as a financial intermediary engaged in the whole process, providing non-financial support, monitoring, and evaluation of the loan process to boost investment readiness and success. Smart Kolektiv and Erste Bank plan to scale up this process by launching the first formal loan product for social entrepreneurship in Serbia by the end of 2016.⁶⁷

Two previous attempts to adopt a law on social enterprises, failed since they were regarded restrictive as they recognised social enterprises as employers of people with disabilities, rather than taking account of all forms of social enterprises (including cooperatives, CSOs, limited liability companies, foundations, and spin-off companies) and other characteristics of those types of organisations.

In 2014, the Statistical Office published a report on the “Economic Impact of Social Enterprises in the Republic of Serbia”. This report notes that the idea of modern social entrepreneurship entered the Serbian Agenda via the EU accession process. However, the report also points out that “some specificities make the context of social entrepreneurship in Serbia different from the models recognised in the European setting and yet similar to other East-European countries”. Those specialities are listed exceptionally high unemployment, dominance of the state over the economy and insufficient separation between the public and the private sectors, proneness to state paternalism inherited from the socialism and crooked comprehension of the idea of social economy related to this inheritance which entails passivity and dependency, etc. The Economic Impact Study involved a survey among social enterprises, which, in accordance with the EMES definition, identified associations of citizens and foundations if their respective statutes have defined social objectives and:

- > if it earns at least 25% of its income by performing an activity aimed at social objectives (primarily social services) and has at least one person employed under an employment contract;
- > if it earns at least 25% of its income by performing any activity and has at least 50% of employees from among the vulnerable categories hired under an employment contract or under a contract that does not involve employment (service contract, contract on temporary and occasional engagements, author’s contract, etc.);
- > if it earns at least 25% of its income by performing any activity and spends more than 50% of the earned income on social objectives.

⁶⁵ Spear et. al., 2013, p. 28.

⁶⁶ European Movement Serbia, 2015, p9. 124-130..

⁶⁷ Phillips et. al., 2016, p. 16-17.

Though cooperatives by their definition are social enterprises, the Report underlines that as in practice there are many examples of cooperatives operating for-profit purposes and serving the interests of their management, rather than members and the community. Therefore, the impact study only included agricultural and craft cooperatives, as well as cooperatives working in other sectors as long as they fit to the criteria of social enterprises set by EMES. Enterprises for employment and professional training of persons with disability also included the survey, while, limited liability companies and joint-stock companies were treated as social enterprise, if they met one of the following requirements:

- > the founder or one of the founders is an association of citizens or other legal units that have defined social objectives and the company manufactures products or renders services that support social inclusion. In addition, such enterprise must direct over 50% of its profit, if it earns it, to social objectives;
- > the founder or one of the founders is an association of citizens or other legal units that have defined social objectives and such enterprise engages at least 30% of its employees from vulnerable categories;
- > they are founded in the form of business incubators or development agencies, and they direct all their profit, if they earn it, to the development of entrepreneurship and employment; in the case when their founder is a public institution, the requirement is that they are registered as limited liability companies.

According to the results of Statistical Office of the Republic of Serbia conducted in 2012, there are 1,196 social enterprises of different types (785 cooperatives, 283 associations, 45 enterprises for employment of persons with disability, 32 development agencies, 23 foundations, 18 business incubators, 8 spin off enterprises and 2 other) operating in the country. Majority of these organisations are cooperatives (65.6%) and associations of citizens (23.7%). According to the same survey, those organisations generate an income equal to the 0.2% of the Serbia's GDP in 2012, employing a total of 10,326 employees. Social enterprises mainly operate in education and training, social services, tourism, and agriculture.

In 2012, social enterprises in Serbia achieved gross value added of 6819.2 million dinars, which accounted for 0.2% of the Republic of Serbia's GDP in that year. The biggest share of this value added was generated by cooperatives with 80.2%. Those social enterprises had 10,326 employees, which was equal to 0.6% of the total number of employees in Serbia. The employees of social enterprises are mostly secondary school graduates, except for development agencies and incubators. A half of the total number of employees in social enterprises consisted of the "population more difficult to employ" category. 85.7% of the total number of employees in social enterprises had permanent employment, while the share of occasionally employed. In 2012, the number of volunteers working in social enterprises was 23,836 and 91.1% of those volunteers worked in associations.

The survey conducted by the Office later shows that 61 % of the organisation participated to the survey work for economic

empowerment and employment. Socio humanitarian assistance and education courses and information sharing are the other two areas where social enterprises are active. Moreover, the social objectives of social enterprises also varies according to legal form; associations of citizens and foundations are primarily focused on socio-humanitarian objectives and education courses, promotions and information-sharing, while cooperatives mostly concentrate on economic empowerment of cooperative members and generating new jobs. Only 184 respondents report employing members of vulnerable groups, and the total number of such employees is 1,736, corresponding an average value of 9.4 per enterprise. On the other hand, social enterprises Serbia earn their income from different activities, which may change according to organisational type. When it comes to associations and foundations, three of the most frequent fields of business activities are: Education and training (31.0%), Tourism, accommodation, food-related services and catering¹³ (18.0%), and Culture and arts (11.8%). Cooperatives have most frequently earned their income from buying up and sale of agricultural commodities (61.9%); production of agricultural commodities (36.8%), and wholesale and retail sale (23.8%). Enterprises for professional rehabilitation and employment of persons with disability have operated most frequently in the following areas: Printing and copying (28.9%), Manufacturing of clothes and footwear (20.0%) and Manufacturing of furniture (17.8%). Other types of social enterprises (agencies, incubators, spin-offs) have most frequently earned their income from Education and training (58.3%), and from Administrative services, bookkeeping and accounting (13.3%). The biggest problems of the social enterprises in Serbia are the lack of the sources of financing, then low prices of products and services, outstanding receivables, as well as the lack of care for the sector on the part of the state. This is followed by other problems such as inadequate legal regulations, disloyal competitiveness, etc.⁶⁸

There are also important networks in Serbia working for supporting and promoting social entrepreneurship and social enterprises. Coalition for Development of Social Enterprise (CDSE) providing advocacy, promotion, financial and non-financial support initiatives, training, etc.. The Coalition for the Development of Social Entrepreneurship, founded in 2010, consists of six prominent civil society organisations. The objective of the coalition is to create a stimulating environment for the development of social entrepreneurship. SENS (Social Economy Network Serbia) was founded in 2011 with the aim to provide knowledge and experience sharing between social enterprises and to encourage cooperation with other actors.

⁶⁸ Statistical Office of the Republic of Serbia, 2014.

The Report prepared for the Local Economic and Employment Development Programme of OECD suggests the following recommendations for social entrepreneurship and social enterprises in Serbia. This detailed list may be used as a guide for further reforms to enhance social entrepreneurship in countries included in this study:

Recommendations to Improve Preconditions:

Develop a public relations strategy for social entrepreneurship, which could include:

- > promoting models of good practices;
- > attracting public figures and celebrities to social entrepreneurship, including via corporate social responsibility;
- > competitions for best social enterprise and best social entrepreneurs of the year;
- > the use of online media
- > strengthening research/policy/media networking so that sympathetic journalists are properly briefed;
- > raising the profile of social entrepreneurship in corporate social responsibility programmes; and,
- > a few sector strategies be developed as exemplars of effective social enterprise approaches to the informal economy, for example, in recycling, homecare, childcare, local food markets.

Recommendations to Improve Legal Frameworks

Foundations:

- > examine the potential of the foundation as a model for social entrepreneurship, especially the issue around relatedness to mission – registered activity;
- > clarify how to specify related economic activity in order to comply with the law, and the extent of economic activity, given it may only be a non-core activity;
- > explore the extent to which Guidance Notes by registrars could be produced for public official and social entrepreneurs; and,
- > allow flexibility in the choice of economic activities and potentially link the issue of mission versus non-mission relatedness to different fiscal regimes.

NGOs/associations:

- > clarify the permissible limit of “small-scale” economic activity, such as through guidance
- > notes, to facilitate flexible and larger scale entrepreneurial activity; and,
- > encourage them to engage in entrepreneurial activity up to this limit;
- > consider inclusion of asset locks³ for both NGOs/associations and foundations;
- > using company law develop model constitutions and bye-laws, but limit their access to public funds;
- > develop a sector body to introduce and oversee a social enterprise marque renewable annually, with quality checks (partly to guard against opportunism by limited companies); this might best be undertaken by an independent member-based trade association.

Co-operatives:

- > press for resolution to the social/public property issue and the adoption of new draft legislation on co-operatives and the inclusion of articles or separate law for social co-operatives;

- > consideration could be given to ensuring these articles/laws are relevant to both work integration and welfare service operatives, and that they function as non-profit organisations and that they allow multi-stakeholder structures;
- > press for a change in the law allowing a reduction in the numbers required to form a co-operative (to the same number as for associations (3) – to equalise the incentives for formation in two comparable member-based organisations; and in line with recent legislative trends: Italian social co-ops/enterprise, Finnish co-ops/social enterprise, Belgium co-ops/social enterprise, Spain, France; but not Poland/Portugal (5 minimum); and
- > press for a change in the law to allow secondary co-operatives to be formed;
- > support the development of a network assisting new socially entrepreneurial co-operative could also be provided.
- > as a medium-term goal, develop legislation for social enterprise (which develops a broad inclusive definition of the field); and,
- > examine increased incentivised fiscal measures linked to each legal structure as a way of improving the chances of sustainability.

Recommendations to Improve Institutional Capabilities (Governmental, Donor Community): Gradually reshape each of the relevant government programmes, by:

- > taking forward the proposals in this document with relevant local/national government and sector stakeholders to establish a strategy for social entrepreneurship;
- > establishing a new social entrepreneurship coordinative function to negotiate with relevant responsible bodies and ensure the strategy is supported and implemented; such a function would need to operate at the inter-ministerial level and could be located in existing bodies such as SIPRU or OCCS;
- > developing a work integration social enterprise strategy (with appropriate models and mechanisms, and a protected budget) linked both to the National Employment Service, and to the Public Works Programme, and other relevant programmes;
- > capacity building of NGOs for social enterprise activity financed by the Lottery Fund;
- > developing a social enterprise strategy for welfare service provision with Local Governments, alongside developing a social clause niche/quota social enterprise in procurement contracts;
- > developing a coherent framework and strategy for integrating the diversity of support measures and potential support; and,
- > co-ordinating donor communities (international and private sector) in a strategy to support social entrepreneurship, and capacity building of NGOs towards social enterprise, through co-ordinated action of relevant Sector Working Groups.

Recommendations to Improve the Institutionalisation of the New Social Enterprise Sector

- > for the emerging networks of social entrepreneurship, help develop governance structures that give a prominent place to new social enterprise; and,
- > strengthen the relationship between the new and the established social enterprise sectors, for example through a chamber of commerce type model.

Recommendations to Improve the Development of the Institutions of the Established Social Enterprise Sector

- > develop the capacity of NGOs, particularly of medium and large NGOs, to generate income streams and engage in welfare service provision and procurement contracts (such as the UK Futurebuilders programme mentioned below);
- > explore the extent to which foundations could be a useful interim structure for social enterprise, and, support medium and large foundations to develop brands and donation potential – possibly through partnership with international charitable organisations;
- > build the entrepreneurial capacity of new co-operatives, such as through development bodies; and federal structures (also to promote good practices in governance, etc.); and,
- > with regard to companies for the disabled, address the issue of delayed payments and, at the same time, undertake a review of their performance with regard to the effective integration of disabled people into work.

Recommendations to Improve Business Support Infrastructure

- > ensure that social enterprises have full access to SME programmes of support at national and local levels;
- > develop the capacity for “braided”⁴ support of social enterprise, for example by developing a network of social enterprise trainers; and,
- > make full use of available EU funding streams to establish projects for the development of social enterprise (including training/education at various levels).

Recommendations to Improve Governance

- > develop good practice partnership projects between municipalities and social enterprise, such as with EU funding for developing good practice in the use of social clauses for social entrepreneurship in welfare provision;
- > consider support for the development of a social economy coalition that brings together NGOs, foundations and co-operatives, initially at the municipal level through the development of horizontal networks across these pillars of the social economy with EU programme funding; and,
- > improve vertical and horizontal policy integration for social entrepreneurship through briefing documents and administrative guidelines;
- > capacity building, communication, education and training of relevant administrative officials about relevant policy frameworks; and,
- > gradually develop a system of co-governance with municipal and regional bodies together with social economy organisations.

Recommendations to Improve Finance: Design a comprehensive framework of financial institutions and instruments to support the different phases of social enterprise development, including:

- > link activities/support from Budget and Lottery Funds enabling access for NGOs, social enterprises and companies for the disabled;
- > measures to address the conservative attitude of banks, possibly through government-sponsored loan guarantee systems;
- > promote legislation to establish a comprehensive framework for micro-finance, so that it does not need to be channelled

through the banks and is appropriately regulated in line with international experience;

- > develop a comprehensive framework to support the financial needs of social entrepreneurs during start-up, development and growth of social enterprise;
- > design a system of grants for feasibility studies and the development of business plans, low cost rents in incubators for the first 18 months of business development, loan guarantee systems, and specialist financial institutions to act in a venture capitalist type role supporting growth of the social enterprise;
- > consider programmes to support social entrepreneurs, such as funding through a foundation; (with a possible endowment through international donor/CSR partnership);
- > consider the development of community development finance initiatives (supported through fiscal measures); and,
- > examine asset transfer policies by municipalities and other public bodies to provide buildings for low rent incubators.

Recommendations to Improve Skills

- > ensure that social entrepreneurs have full access to SME training and mentoring programmes;
- > ensure that SME related legislation and policy is inclusive of social enterprise;
- > explore the development of specialist training programmes specifically for social enterprise needs;
- > examine the policy of picking winners, that is of identifying high growth social enterprise “gazelles”;
- > develop capacity building agreements between public bodies and social enterprise for medium sized social enterprise;
- > examine the potential to develop scaling models such as social franchising;
- > explore project funding for skills aimed at meeting regulatory, reporting requirements, advocacy, and negotiating with bureaucracy – such as through available EU programmes; and,
- > explore project funding for skills aimed at social enterprise development workers, for example through available EU funding.

Recommendations to Improve Access to Markets

- > examining the potential of using the 2008 Law on Public Procurement (the new draft law discussed in 2012 could enhance this possibility) as a framework for designing social clauses in public procurement markets, by initiating some pilot projects in key areas such as homecare or eldercare (for example, meals on wheels)
- > build partnerships with international organisations operating in ethical markets;
- > build capacity of large NGOs for acquisition of donations and legacies;
- > consider increasing tax breaks for donations;
- > consider give-as-you-earn charitable donation systems through payroll deductions; and,
- > strengthen relationships between social enterprise and corporate social responsibility institutions.

ABOUT THE CSOs*

- > CSOs by the legal status: 100% Association, 0% Foundation, 0% Cooperatives
- > Level of operation: The number of CSOs operates at the national level is 33%. CSOs active in more than one city is 20%. One city-based organizations consist 33% while international organizations 13%.
- > Top 5 activity categories best fit to organizations' mission: Awareness raising (41%), Capacity building (41%), Aid activities (24%), Social Services (24%), Educational activities (24%),
- > Top 5 field of work of the CSOs: Civil society (47%), Environment / Nature Conservation (47%), Youth (26%), Economic development (29%), Education (24%)
- > Top 3 organizations cooperate with: Local government / Municipalities (82%), Private sector (76%), National CSOs (76%)
- > Employment and Outsourcing:
 - > %24 of the CSOs have employees working on salaries
 - > Top 3 outsourced staff: Project implementation experts (41%), Communication (41%), Project development experts (41%), Administrators (41%)
- > Commercial entity: Only 6% have a commercial entity
- > Business and Finance:
 - > 35% have a long-term, 77% have a short-term business plan.
 - > 6% have a long-term, 77% have a short-term financial plan.
 - > Of the 18% organization is financially sustainable.
 - > Of the 77% funding sources are shrinking.
- > Internet visibility: 71% has a website, 88% has a Facebook account

ABOUT THE SOCIAL ENTERPRISES

- > Social Enterprise experience: 77% never had a social enterprise, 18% currently has one
- > Plan for establishing a social enterprise: 42% have an idea but not a business plan, 33% have interest but do not have an idea.

**19 CSOs participated in survey, 17 included into analysis. Results are statistically not meaningful.*

SERBIA COUNTRY PROFILE

DEMOGRAPHY

POPULATION	8,850.980 (2015)
YOUTH POPULATION (AGES 15-24)	1,118.040 (2015)
MEDIAN AGE OF POPULATION	40.58 years (2015)
POPULATION GROWTH	-0.47% (2015)
PA LIFE EXPECTANCY AT BIRTH	75.05 years

ECONOMY

GDP PER CAPITA	\$ 5,294 (2015)
GDP GROWTH	0.8 % (2015)
EASE OF DOING BUSINESS RANK	47 (2017)
INFLATION - CPI	1.4 % (2016)
GOVERNMENT DEBT (% OF GDP)	76.8 % (2016)
CURRENT ACCOUNT BALANCE (% OF GDP)	-13.4 % (2015)
UNEMPLOYMENT RATE	19.7 % (2016)
UNEMPLOYMENT RATE (AGES 15-29)	44.2 % (2016)

EDUCATION

GROSS ENROLMENT RATIO (PRE-PRIMARY EDUCATION)	59.2 % (2012)
GROSS ENROLMENT RATIO (PRIMARY EDUCATION)	101.1 % (2012)
GROSS ENROLMENT RATIO (SECONDARY EDUCATION)	94.3 % (2012)
GROSS ENROLMENT RATIO (TERTIARY EDUCATION)	58.1 % (2012)
ADULT LITERACY RATE	98.0 % (2014)
PUBLIC SPENDING ON EDUCATION (% OF GDP)	4.4 % (2012)

POVERTY

POVERTY HEADCOUNT RATIO AT NATIONAL POVERTY LINE	25.4 % (2011)
GINI INDEX	29.65 (2012)
INCOME SHARE HELD BY LOWEST 20%:	8.37 % (2012)

UN HUMAN DEVELOPMENT INDEX (2012)

HUMAN DEVELOPMENT	0.769 (64 out of 187 countries)
INEQUALITY ADJUSTED HUMAN DEVELOPMENT	0.696
GENDER INEQUALITY	n.a.
MULTI-DIMENSIONAL POVERTY (2006)	0.8 percent of the population

FREEDOM HOUSE (2016)

FREEDOM STATUS	Free
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TRANSPARENCY INTERNATIONAL (2015)

CORRUPTION PERCEPTIONS INDEX	40 (71 out of 168)
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WORLD BANK GOVERNANCE INDICATORS (2015)

VOICE AND ACCOUNTABILITY	0.23
POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM	0.23
GOVERNMENT EFFECTIVENESS	0.11
REGULATORY QUALITY	0.14
RULE OF LAW	-0.09
CONTROL OF CORRUPTION	-0.24

OECD SME POLICY INDEX

ENTREPRENEURIAL LEARNING & WOMEN'S ENTREPRENEURSHIP	2.71/5
BANKRUPTCY AND SECOND CHANCE FOR SMES	2.62/5
REGULATORY FRAMEWORK FOR SME POLICY MAKING	4.15/5
OPERATIONAL ENVIRONMENT FOR SMES	3.55/5
SUPPORT SERVICES FOR SMES AND START-UPS	3.85/5
PUBLIC PROCUREMENT	3.96/5
ACCESS TO FINANCE FOR SMES	3.62/5
STANDARDS AND TECHNICAL REGULATIONS	4.33/5
ENTERPRISE SKILLS	3.11/5
INNOVATION	3.51/5
SMES IN A GREEN ECONOMY	2.08/5
INTERNATIONALISATION OF SMES	3.70/5

TURKEY

Compared to Western Balkan countries, it may be plausible to say that Turkey has different characteristics. Though social enterprise is not defined as a legal form and social entrepreneurship is a relatively new concept for the civil society in Turkey, there are civil society organisations who have established successful income generating models before the concept was imported to the country, such as Buğday Association for Supporting Ecological Living, Support to Women Foundation, Turkish Philanthropy Funds, etc.

Turkey does not have an adequate legal structure for social entrepreneurship and social enterprises. Many social enterprises are established as economic entities or companies of associations/foundations, while other common forms are social cooperatives (mostly women's cooperatives and cooperatives founded by disabled people) or companies. There are no special legal or financial regulations targeting social enterprises and no tax exemption is available for economic enterprises and companies of associations/foundations, cooperatives and CSOs.⁶⁹ In Turkey the legislative framework for associations and foundation is quite similar to other countries examined so far; however, the available statuses of public benefit for associations and tax exemption foundations are more contentious subjects. The process of being entitled to those statuses is perceived by the civil society as highly difficult and politicised. The problems regarding the public benefit status is also an issue that are various times mentioned in EU's Progress Reports on Turkey. Tax exemptions and financial support to foundations and associations working for public benefit are also insufficient. Organisations having this status have no exemption in their economic activities and can benefit only from some limited arrangements for encouraging donations. In Turkey, the 5% tax deduction (10% in development priority regions) for the donations of legal entities is only applicable for foundations with tax exemption status and associations with public benefit status.⁷⁰

In a presentation made for ILO, Huseyin Polat also lists mutual assistance funds and trade union's socio-economic establishment among organisation types of social economy in Turkey. Those organisations are primary source of funding in agriculture, SMEs, health care for disabled. However, in various studies on social entrepreneurship in Turkey, only cooperatives are included among different legal forms of social enterprises, along with associations and foundations. As of 2014, in Turkey there are 8.723 active cooperatives in 26 different types, with 1.709.073 members. The Cooperatives Law regulates cooperatives, while there are two additional laws for agricultural credit cooperatives and unions and agricultural credit cooperatives and unions. According to the Law, cooperatives "are bodies with variable members, variable capital, and legal identity that are established by natural and public legal entities and private administrations, municipalities, villages, societies and associations to ensure and maintain certain economic interests and especially the needs of their members toward pro-

fessional life and living standards by means of mutual assistance, solidarity and service as trustees to each other". The Law does not include social cooperatives as a special type, however solidarity cooperatives and training cooperatives exist in Turkey, though limited in number. On the other hand, the most dominant type of cooperatives in the country is consumer cooperatives. Though the Turkish Cooperatives Strategy and Action Plan covering the period 2012-2016 does not specifically refer to social entrepreneurship, its strategic objective include a list of changes to be made in the legislation to ensure harmonisation with EU member countries.⁷¹

In Turkey, the relations of civil society organisations with governments and state institutions have always been problematic. As a result, the cooperation and dialogue between civil society and the public sector is quite limited and vulnerable to political instabilities in the country. This situation is also reflected in the lack of adequate tools for providing financial support to CSOs through public funds. A very small number of CSOs may access to state resources, usually by means of project partnerships, rather than grant allocations or service contracts. Access to those resources does not have a clear or uniform procedure. Ministry of Development Social Support Program, Ministry of Internal Affairs, Department of Associations (DoA) Project Support for Associations, Prime Ministry-Presidency for Turks Abroad and Related Communities – Civil Society Organisations (CSO) Capacity Building and Financial Support Programme, and Ministry of Youth and Sports – Programme for Supporting Youth Projects are among limited opportunities available for civil society organisations to access public funding. CSOs can also apply for grant opportunities provided by 26 Development Agencies in Turkey. However, a recent study by the Turkey-Europe Foundation reveals that, except the case of Istanbul Development Foundation, the number of CSOs led projects carried out by the grants provided by Development Agencies is quite low.

In 2010, TÜSEV published a needs analysis report on social enterprises⁷² in Turkey. Though the report is relatively dated compared to more recent studies covering the situation in Western Balkan countries, its results is still relevant, as the environment for social enterprises have remained similar since its publication. The report notes that in Turkey social entrepreneurship is a more widely known concept, compared to social enterprises. As two terms have become more popular in the field of civic activism, the debates on those created ambiguities within the civil society, as different definitions of those terms make it difficult to determine the boundaries of social entrepreneurship and social enterprises.⁷³ In Turkey, commercial enterprises established under associations and foundations are mainly used to generate additional income to support the missions of those organisations. Commercial activities of associations and foundations exists in a wide range of areas, from publishing to running restaurants.

69 TACSO, 2014, p. 28.

70 TACSO, 2014, p. 18.

71 Republic of Turkey Ministry of Customs and Trade Directorate General of Cooperatives, 2012.

72 Ersen et. al., 2010.

73 *ibid*, p. 14.

In most cases, the commercial activities of associations and foundations are parallel to their mission, while in rare instances, they operate in profoundly different areas.⁷⁴

In addition to the entitlements of the public benefit status, there are also companies that are established to generate income for associations and foundations. Those companies are subject to same legal obligations as other companies, while their profits (or a share of their profits) are allocated to specific CSOs.

Non-profit companies are also types of organisations that exist within the social economy in Turkey. The legislative framework does not recognise a special legal status as non-profit companies; however, there are a few number of non-profit companies established in Turkey.⁷⁵ Among those few examples, Anadolu Kültür defines itself as a “not-for-profit cultural institution, founded in 2002, when individuals from various fields of the art world, the business world and civil society came together to support the production and sharing of culture and art in cities across Turkey and abroad”. The company aims to encourage cultural and artistic exchange to develop mutual understanding and dialogue and to overcome regional differences and prejudices.⁷⁶ Another example, Mikado Consulting is a social enterprise working in sustainable development, aiming to create social impact through crafting innovative models and solutions. Mikado sees itself as catalyst, strengthening organisations’ capacities and mobilising their resources efficiently so that they can fulfil their responsibilities and contribute to sustainable development.⁷⁷ While Anadolu Kültür and Mikado are initially established as non-profit companies, Ka-mer, a well-known women’s foundation in Turkey, also has a non-profit company mainly aiming to generate income for women the Foundation helps through its various activities as well as or the activities of the Foundation itself. Today Kamer operates in 23 provinces in Turkey and provides services like restaurants, kindergartens, legal and psychological counselling, and human rights training. On the other hand, Flying Broom, another well-known women’s organisation working for the improvement of democracy and civil society was initially founded as a company working in tourism and event organisation.

In addition to problems related to contradictions regarding the definition of social entrepreneurship and inadequate legislative framework, TUSEV’s needs assessment also mentions restrictive financial regulation and lack of a specific unit within the public sector to address social entrepreneurship as other problems related to social economy in Turkey. Based on its needs analysis, TUSEV recommends the promotion of social entrepreneurship especially through universities, tax exemptions and subsidies, a more flexible definition of public benefit within the Law, and a more enabling environment for dialogue and cooperation between the civil society and the public sector as effective tools to support social enterprises in the short run.⁷⁸

Though neither the legislative framework nor the financial support mechanisms available for CSOs has altered much since the

publication of the report, one important step should be noted. In Turkey, Small and Medium Sized Industry Development Organisation affiliated with Ministry of Industry and Trade of Turkish Republic is the main institution that provides financial support to start up SMEs, as well as training and other opportunities. KOSGEB is also responsible of the development of Turkey’s entrepreneurship policy, which in recent periods is regarded by both the government and the main opposition party as an effective tool for growth and development in Turkey. Turkey’s Entrepreneurship Strategy and Action Plan covering the period between 2015 and 2018 was prepared in accordance with the recent National Development in Turkey. Under its strategic objective three, the Strategy lists social entrepreneurship alongside with women entrepreneurship, youth entrepreneurship, ecological entrepreneurship, and global entrepreneurship, as one of the areas for which a continuous support system will be established during that period. The actions under this strategic objective include conducting a study for defining social entrepreneurship and determining its scope, as well as organising award competitions in universities to promote social entrepreneurship.

TUSEV is one of the leading institutions in Turkey promoting social entrepreneurship and social enterprises. As a prominent civil society organisation working on different dimensions of the third sector, TUSEV is now implementing the third phase of its Social Entrepreneurship Project. In 2014, TUSEV organised a conference on “Social Entrepreneurship: Opportunities for Social Inclusion and Sustainable Social Developments”. The conference brought representatives of social enterprises from EU member and other candidate countries, as well as Turkey. TUSEV also is one of the leading signatories of the Belgrade Declaration, which calls for EU institutions as well as national governments to take more effective steps in promoting and supporting social entrepreneurship and social enterprises.

Ashoka Turkey is active since 2000 and is one of the organisations that introduced the concept of social entrepreneurship in Turkey. Ashoka has provided support to various fellows since it has become active in Turkey. As an example of those fellows, Abdülhalim Demir, the 2016 fellow, works for building a coalition to expose and prevent unfavorable health and safety conditions, occupational diseases, and child labor in the Turkish textile sector by aligning interests of key stakeholders to cooperate in entrepreneurial advocacy efforts and by developing win-win solutions that make it possible to strike a balance between livelihoods and workers’ health and safety. 2015 fellow Bural Ülman and Another School is Possible Association are building a civic participation movement of parents, educators, students, activists and entrepreneurs who are for the first time, building their own solutions to the seemingly intractable problems of the Turkish education system. 2014 fellow Yaşar Adanalı, founder of Beyond İstanbul, centre for spatial justice, which reverses the currently negative eco-political, dynamics behind Turkey’s destructive urban development through knowledge production, awareness raising, and creating participatory models for different stakeholders.⁷⁹

⁷⁴ *ibid.*, p. 17.

⁷⁵ *ibid.*

⁷⁶ <http://www.anadolukultur.org/en/about/general-information/3232>.

⁷⁷ <http://www.mikadoconsulting.com/en/sayfa/9/biz-kimiz?>

⁷⁸ Ersen et. al., 2010, p. 28-29.

Istanbul Bilgi University's Social Incubator, on the other hand, provides a co-working space as well as opportunities like mentorship, trainings, workshops, study visits and horizontal learning environments to provide support to the institutional development of non-profit, grassroots civic initiatives, and civil society organizations. Since its foundation three years ago, the Social Incubator has provided mentorship and office space, as well as opportunities for event organisation to more than 100 organisations. As a similar initiative, in 2013, Community Volunteers Foundation and Özyeğin University started the Social Change Lab99 project with the financial support of JPMorgan. In the spring 2013 term, Social Change Lab accepted applications by CSOs as well as individual applications.

ABOUT THE CSOs*

- > CSOs by the legal status: 88% Association, 9% Foundation, 3% Cooperatives
- > Level of operation: The number of CSOs operates at the national level is 28%. CSOs active in more than one city is 10%. One city-based organizations consist 14% and higher than the average of the five countries (22%). International organizations 20%.
- > Top 5 activity categories best fit to organizations' mission: Educational activities (55%), Awareness raising (50%), Advocacy (36%), Capacity building (25%), Arts and Sports (19%), Aid activities (17%),
- > Top 5 field of work of the CSOs: Civil society (38%), Education (%34), Youth (23%), Environment / Nature Conservation (20%), Culture (19%), Human rights (19%),
- > Top 3 organizations cooperate with: Local government / Municipalities (72%), Universities and Institutions (52%), Private sector (50%)
- > Employment and Outsourcing:
 - > %28 of the CSOs have employees working on salaries
 - > Top 3 outsourced staff: Administrators (58%), Project implementation experts (48%), Project development experts (42%)
- > Commercial entity: 16% have a commercial entity, 2% used to have one
- > Business and Finance:
 - > 67% have a long-term, 65% have a short-term business plan.
 - > 47% have a long-term, 63% have a short-term financial plan.
 - > Of the 66% organization is financially sustainable.
 - > Of the 66% funding sources are shrinking.
- > Internet visibility: 80% has a website, 98% has a Facebook account

ABOUT THE SOCIAL ENTERPRISES

- > Social Enterprise experience: 50% never had a social enterprise, 42% currently has one, 8% used to have one.
- > Plan for establishing a social enterprise: 52% have an idea but not a business plan, 11% states it not possible for their organization, 33% have interest but do not have an idea

*97 CSOs participated in survey, 64 included into analysis.

79 <http://turkey.ashoka.org/en>

80 <http://www.sosyalkulucka.bilgi.edu.tr/paydaslar>.

TURKEY COUNTRY PROFILE

DEMOGRAPHY

POPULATION	78,665.830 (2015)
YOUTH POPULATION (AGES 15-24)	13,050.710 (2015)
MEDIAN AGE OF POPULATION	29.77 years (2015)
POPULATION GROWTH	1.69% (2015)
PA LIFE EXPECTANCY AT BIRTH	75.53 years

ECONOMY

GDP PER CAPITA	\$ 9,317 (2016)
GDP GROWTH	3.3 % (2016)
EASE OF DOING BUSINESS RANK	69 (2017)
INFLATION - CPI	8.4 % (2016)
GOVERNMENT DEBT (% OF GDP)	31.7 % (2016)
CURRENT ACCOUNT BALANCE (% OF GDP)	-4.5 % (2015)
UNEMPLOYMENT RATE	10.3 % (2015)

EDUCATION

GROSS ENROLMENT RATIO (PRE-PRIMARY EDUCATION)	27.6 % (2013)
GROSS ENROLMENT RATIO (PRIMARY EDUCATION)	106.9 % (2013)
GROSS ENROLMENT RATIO (SECONDARY EDUCATION)	100.3 % (2013)
GROSS ENROLMENT RATIO (TERTIARY EDUCATION)	79.0 % (2013)
ADULT LITERACY RATE	94.1 % (2014)
PUBLIC SPENDING ON EDUCATION (% OF GDP)	4.6 % (2015)

POVERTY

POVERTY HEADCOUNT RATIO AT NATIONAL POVERTY LINE	2.8 % (2011)
GINI INDEX	40.17 (2012)
INCOME SHARE HELD BY LOWEST 20%:	5.80 % (2012)

UN HUMAN DEVELOPMENT INDEX (2012)

HUMAN DEVELOPMENT	0.761 (72 out of 188 countries)
INEQUALITY ADJUSTED HUMAN DEVELOPMENT	0.641
GENDER INEQUALITY	0.359 (71 out of 155 countries)
MULTI-DIMENSIONAL POVERTY (2006)	n.a.

FREEDOM HOUSE (2016)

FREEDOM STATUS	Partly Free
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TRANSPARENCY INTERNATIONAL (2015)

CORRUPTION PERCEPTIONS INDEX	42 (66 out of 168)
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WORLD BANK GOVERNANCE INDICATORS (2015)

VOICE AND ACCOUNTABILITY	- 0.37
POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM	- 1.28
GOVERNMENT EFFECTIVENESS	0.23
REGULATORY QUALITY	0.33
RULE OF LAW	-0.06
CONTROL OF CORRUPTION	-0.03

OECD SME POLICY INDEX

ENTREPRENEURIAL LEARNING & WOMEN'S ENTREPRENEURSHIP	2.82/5
BANKRUPTCY AND SECOND CHANCE FOR SMES	2.85/5
REGULATORY FRAMEWORK FOR SME POLICY MAKING	4.26/5
OPERATIONAL ENVIRONMENT FOR SMES	3.24/5
SUPPORT SERVICES FOR SMES AND START-UPS	4.26/5
PUBLIC PROCUREMENT	3.19/5
ACCESS TO FINANCE FOR SMES	3.89/5
STANDARDS AND TECHNICAL REGULATIONS	4.87/5
ENTERPRISE SKILLS	3.22/5
INNOVATION	4.14/5
SMES IN A GREEN ECONOMY	3.72/5
INTERNATIONALISATION OF SMES	3.73/5

Annex 1

Quantitative Data Analysis: Self-Financing and Social Enterprise Among Civil Society Organizations

An online survey was conducted with 284 participants from the five partner countries. The survey served to gather information about CSOs and social enterprises and to provide a current picture of the situation of CSO and their perceptions of social enterprise of CSOs operating in Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Turkey. The distribution of the number of participants from the five partner countries is shared below:

COUNTRY	BOSNIA AND HERZEGOVINA	MACEDONIA	MONTENEGRO	SERBIA	TURKEY	TOTAL	VALID %
Association	38	65	38	17	56	214	95%
Foundation	1	0	1	0	6	8	4%
Cooperative	1	0	0	0	2	3	1%
Non CSO Entity	12	2	10	2	33	59	-
Total	52	67	49	19	97	284	100,00%

Data analysis is done by SPSS 22 statistics package program. The results are gathered by including completed and valid 225 cases after omitting the Non-CSOs and uncompleted surveys. The participation level of foundations and cooperatives are much lower than associations, for this reason all entities will be analyzed under the category of "CSOs" for the rest of the report.

RESULTS - NUMBER OF THE PARTICIPANT CSOS BY COUNTRY

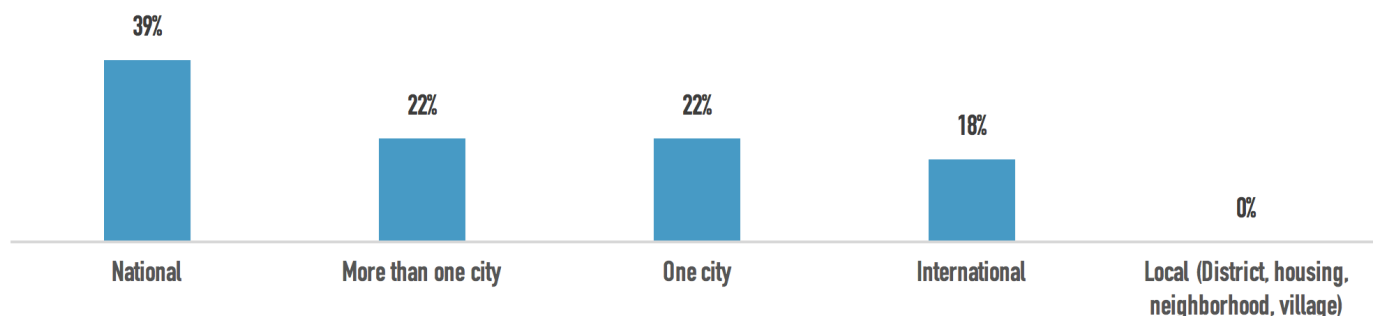
COUNTRY	COUNT	VALID %
Macedonia	65	29%
Turkey	64	28%
Bosnia and Herzegovina	40	18%
Montenegro	39	17%
Serbia	17	8%
Total	225	100%

Number of CSOs by country is listed above. More than half of the applications are from Macedonia and Turkey. Participation rate from Serbia is at the lowest.

1. GENERAL INFORMATION ABOUT THE CSOS

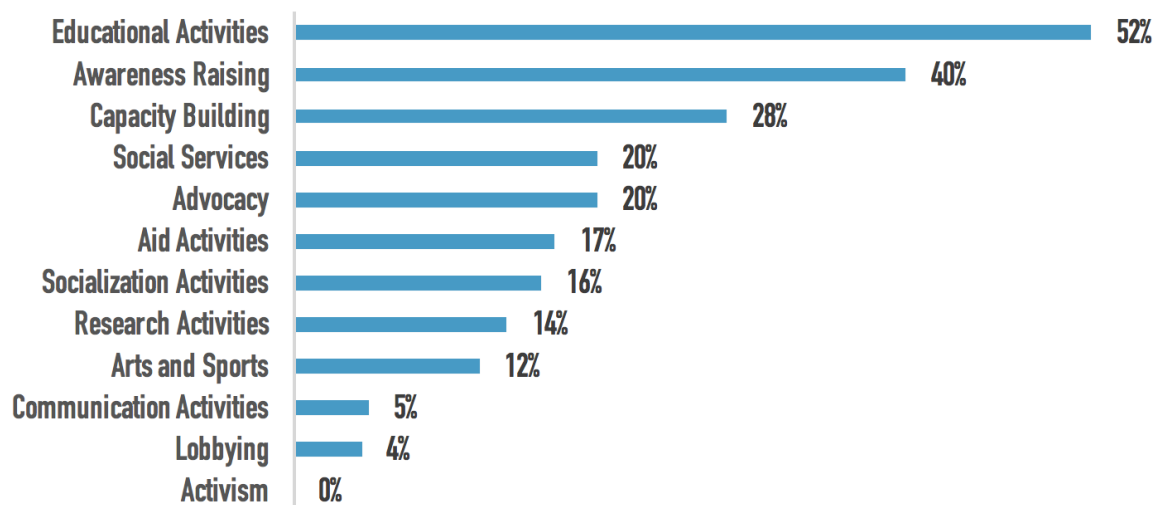
The questionnaire of the survey investigated basic information about CSOs, such as the scale of operation, the areas fits best to explain the main missions, the main working are-as, human resources capacity, financial resources, perceptions on financial issues, common partners, experiences and perceptions about social enterprises.

WHERE DOES YOUR ORGANIZATION OPERATE?



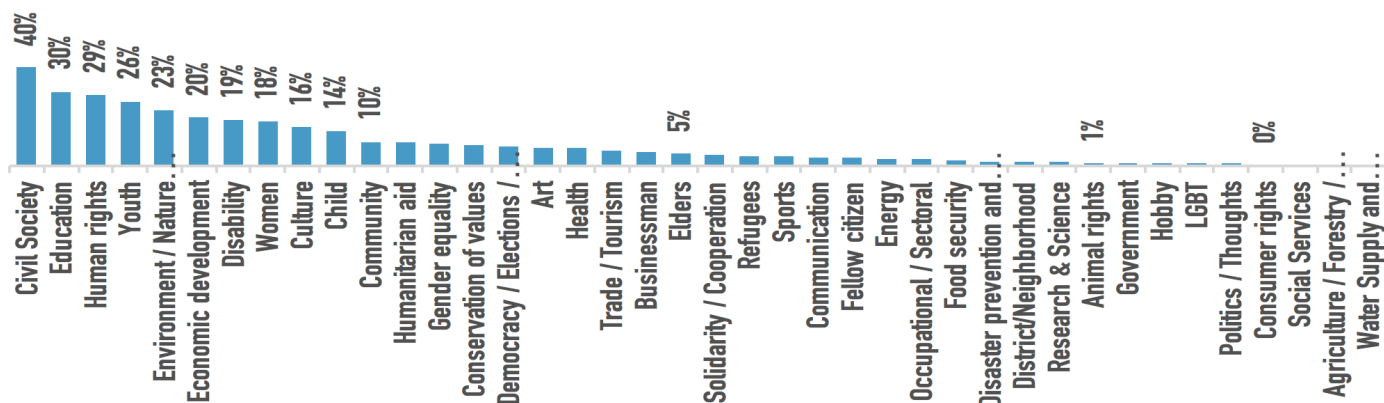
The majority (39%) of the CSOs works at the national level whereas 43% operates in at least one city. There is no participation of the local CSOs. International CSOs participation level is relatively lower than the others.

WHICH ACTIVITY CATEGORIES BEST FIT YOUR ORGANIZATIONS' MISSION?



The missions of organizations vary among the CSOs but the top-five come to the front as the fields of Education, Awareness raising, Capacity building, Advocacy and Social services. Participation of the organizations who adopt missions like lobbying and activism are non-or at the very low rate.

FIELDS OF WORK OF THE CSOS

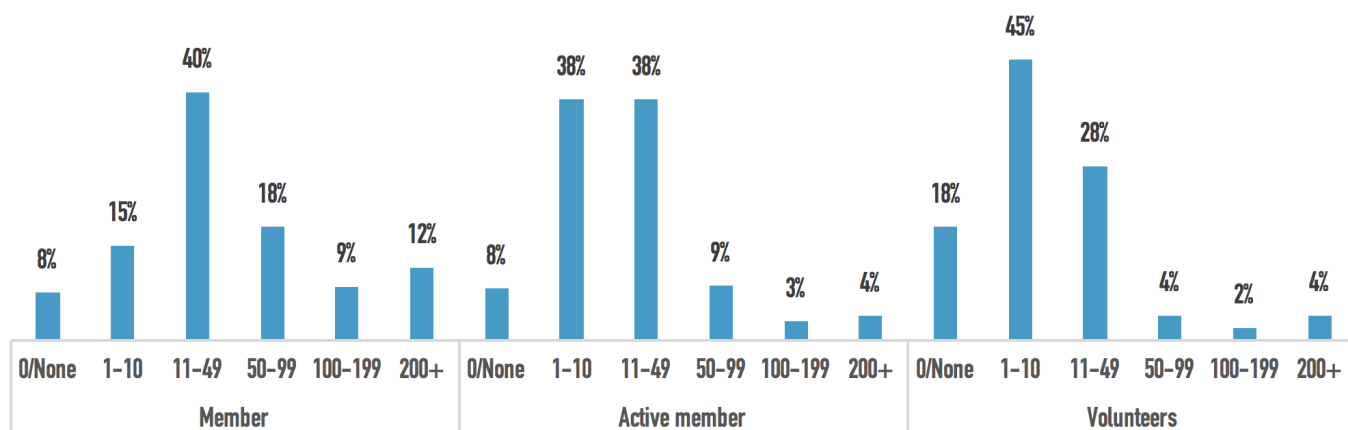


On the survey, CSOs selected the fields of work of their organizations from a given list and they were allowed to answer more than one choice. Based on the findings, %40 of the CSOs indicates that their major field of work is civil society. Following this field, education, human rights, youth and environment are the major fields CSOs work on.

2. HUMAN RESOURCE PROFILE OF THE CSOS

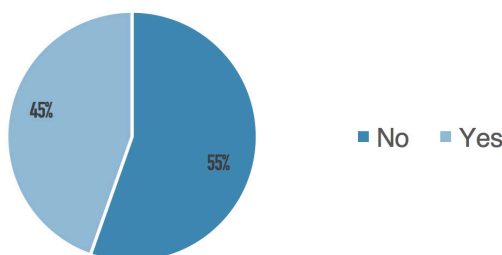
The level of membership and volunteering is low in the five partner countries.

NUMBER OF MEMBERS AND VOLUNTEERS



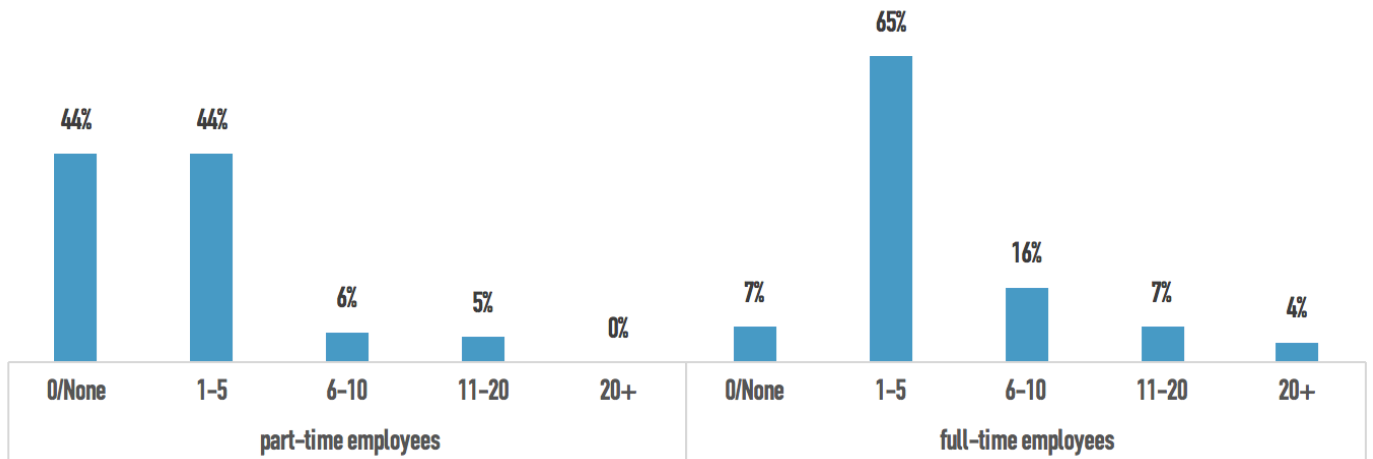
Of the CSOs surveyed, 39% have more than 50 members, whereas almost 55% have between 1 to 50 members. The number of active members are even less. In the five country 18% of the CSOs have no volunteers.

DOES YOUR ORGANIZATION HAVE EMPLOYEES WORKING ON SALARIES?



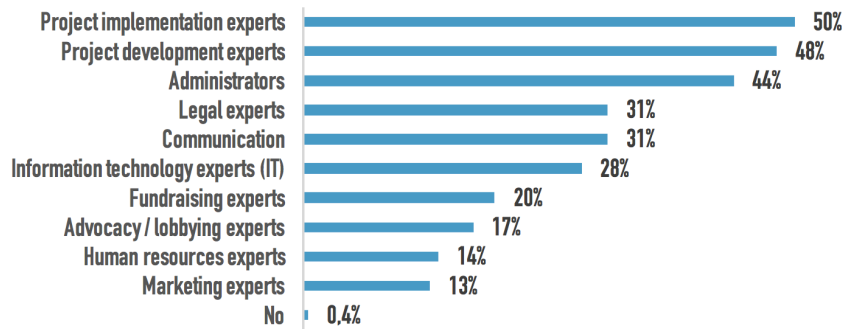
55% of the CSOs do not have salaried employees. However, outsourcing of professionals is a main strategy for the management of human resources. At least one professional is outsourced in 87% of the CSOs in the study.

NUMBER OF EMPLOYEES



Majority of the organizations (65%) have 1 to 5 full-time workers. 44% of the CSOs employ no part-time employees.

OUTSOURCED PROFESSIONALS HIRING RATES

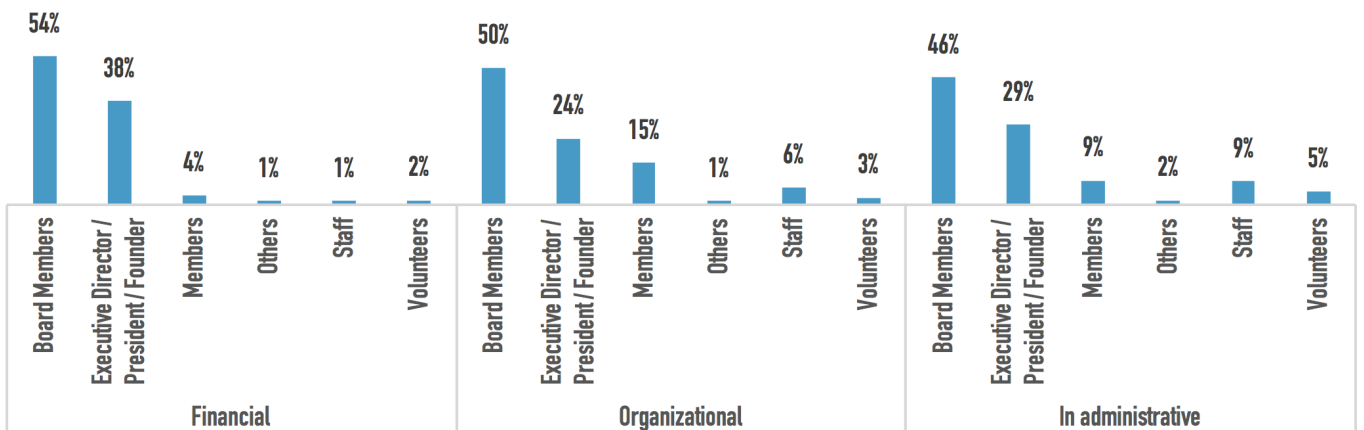


Half of the organizations outsource project implementation and project development experts. Outsourcing administrative professionals is also very common. 44% of the CSOs stated that their organizations have to outsource these professionals at some point. Lobbying, human resources and marketing experts are the ones who are least likely professionals to be outsource.

3. DECISION-MAKING PROCESSES OF CSOS

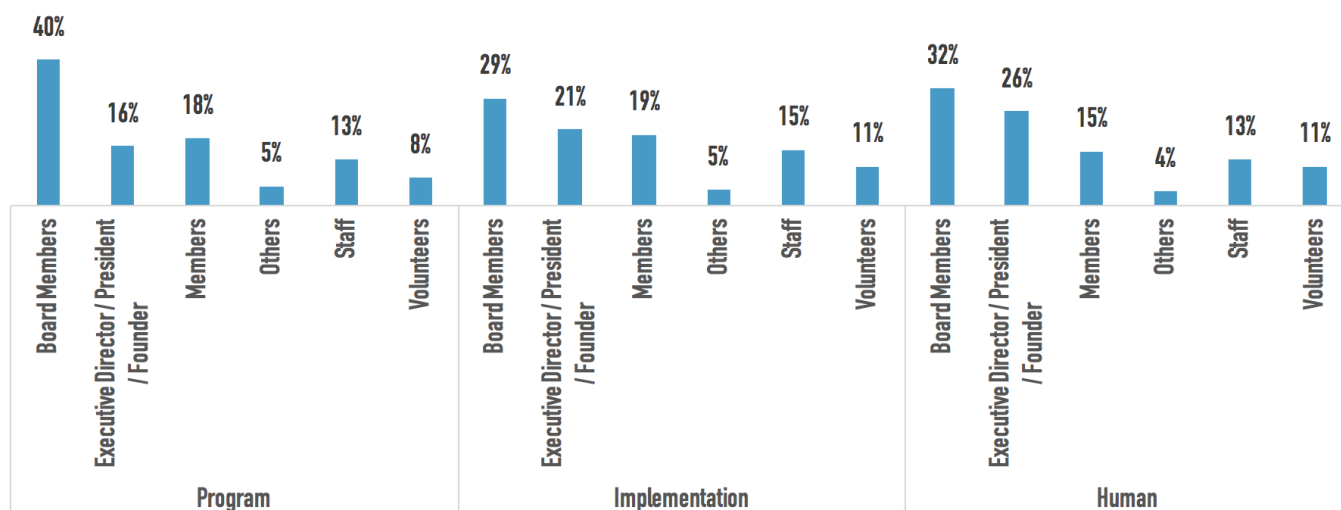
Participant organizations were questioned about their decision-making processes.

KEY DECISION MAKERS IN DIFFERENT AREAS-I



Board-members come to the front as the main decision maker for all financial, organiza-tional, administrative, program, implementa-tion, human resources issues. Following board members, executive directors/presidents are the second decision makers. Espe-cially financial matters are left to the board members or the executive directors. The influ-ence of the staff and the CSOs' members are very low in these key issues.

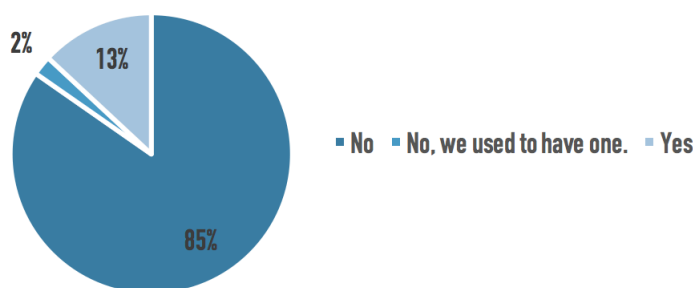
KEY DECISION MAKERS IN DIFFERENT AREAS-II



Staff mainly takes the responsibilities on the program making, implementation and hu-man resources. Members are more involved in the organizational decisions making pro-cess compare to the staff. Volunteers are only effective in decisions related to human manage-ment and resources.

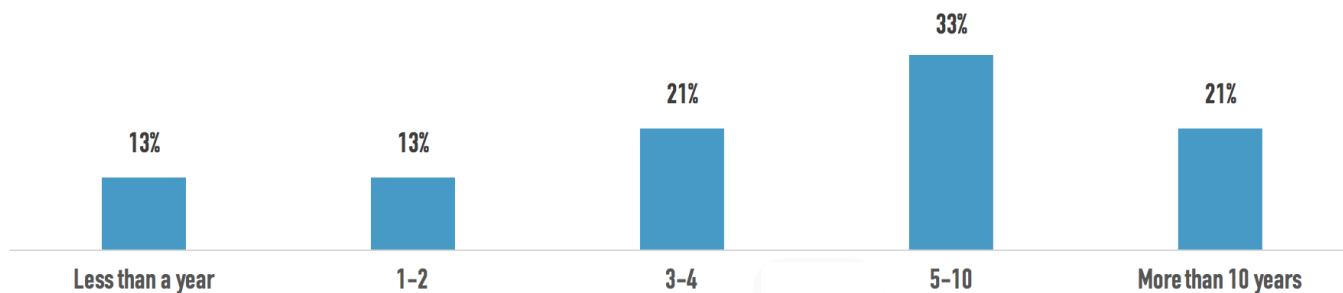
4. FINANCING & THE PARTNERSHIPS

DOES YOUR ORGANIZATION HAVE A COMMERCIAL ENTITY?



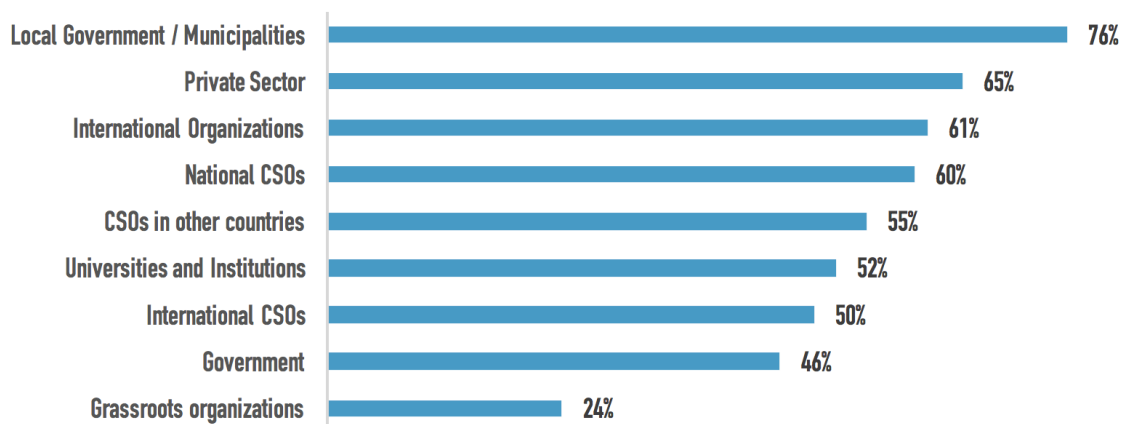
Currently, only 13% of the CSOs have a commercial entity and, 15% of the CSOs have/had a commercial entity running experience. The majority (85%) of the CSOs in the five countries covered in the survey do not have any commercial entity yet.

HOW MANY YEARS YOUR ORGANIZATION HAS HAD/HAD A COMMERCIAL ENTITY FOR?



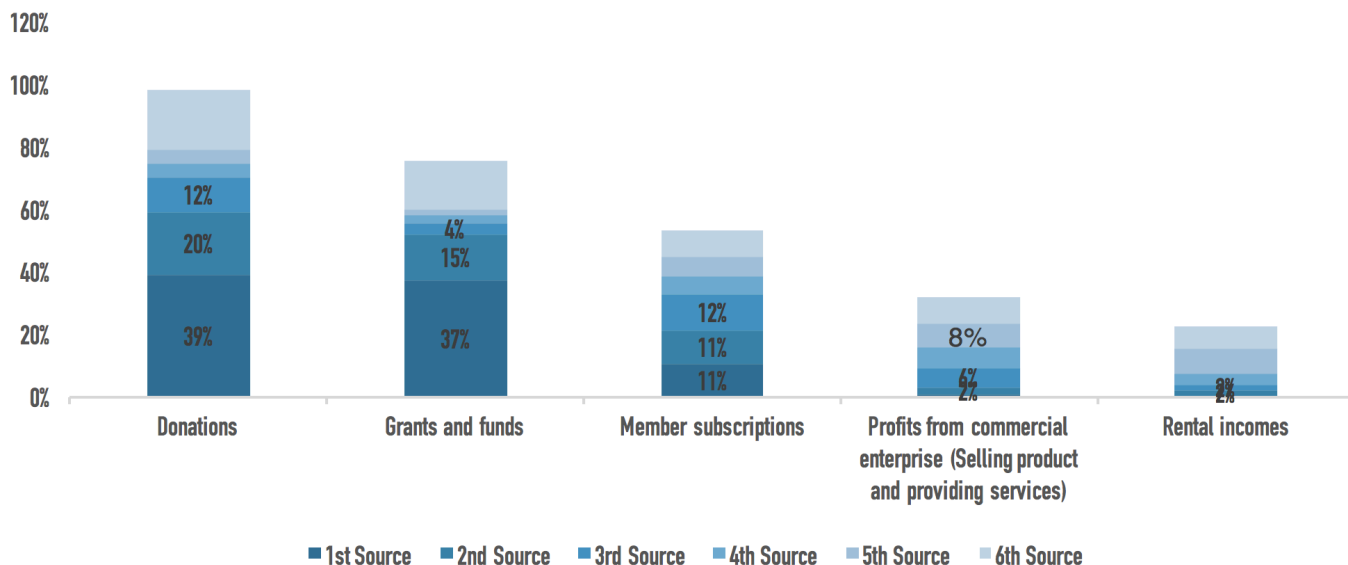
Among the CSOs with commercial entity (13%) one fourth of them established their CEs within the last 2 years whereas 54% of them have been running these entities for more than 5 years.

THE ORGANIZATIONS WHOM CSOS COOPERATE WITH



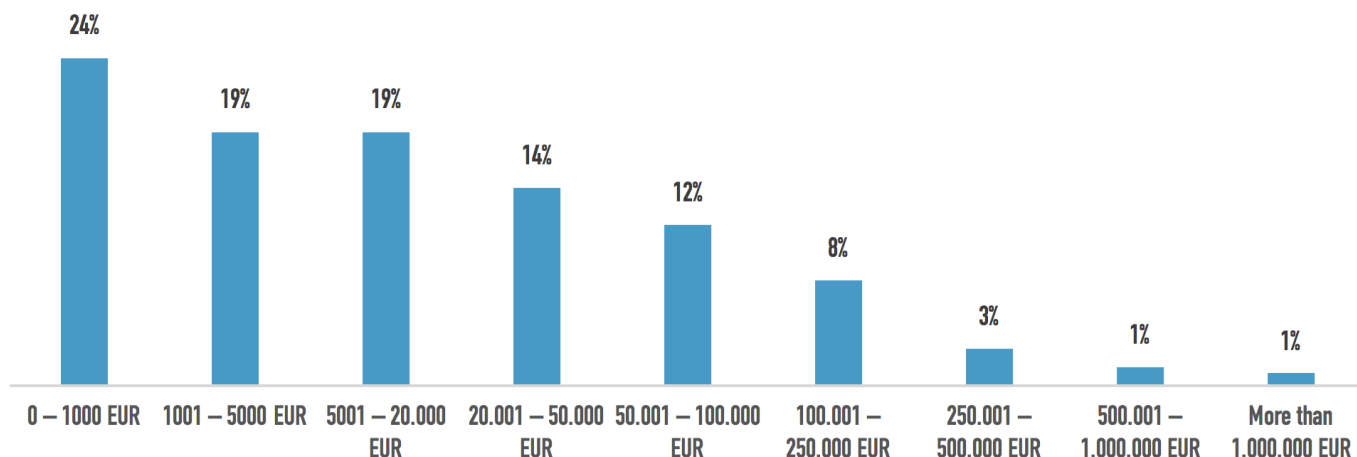
The majority of CSOs have cooperated with local governments/municipalities in their own countries, with 76% of them partnering with municipalities. Following municipalities, the private sector partnerships are also very common (65%) and INGOs takes the third place together with other CSOs operating at the national level. University partnerships is an-other strong partner for half of the CSOs. Partnerships with grassroots organizations are rare compare to the partnerships with other actors.

THE MAJOR SOURCES OF YOUR ORGANIZATION’S TOTAL INCOME



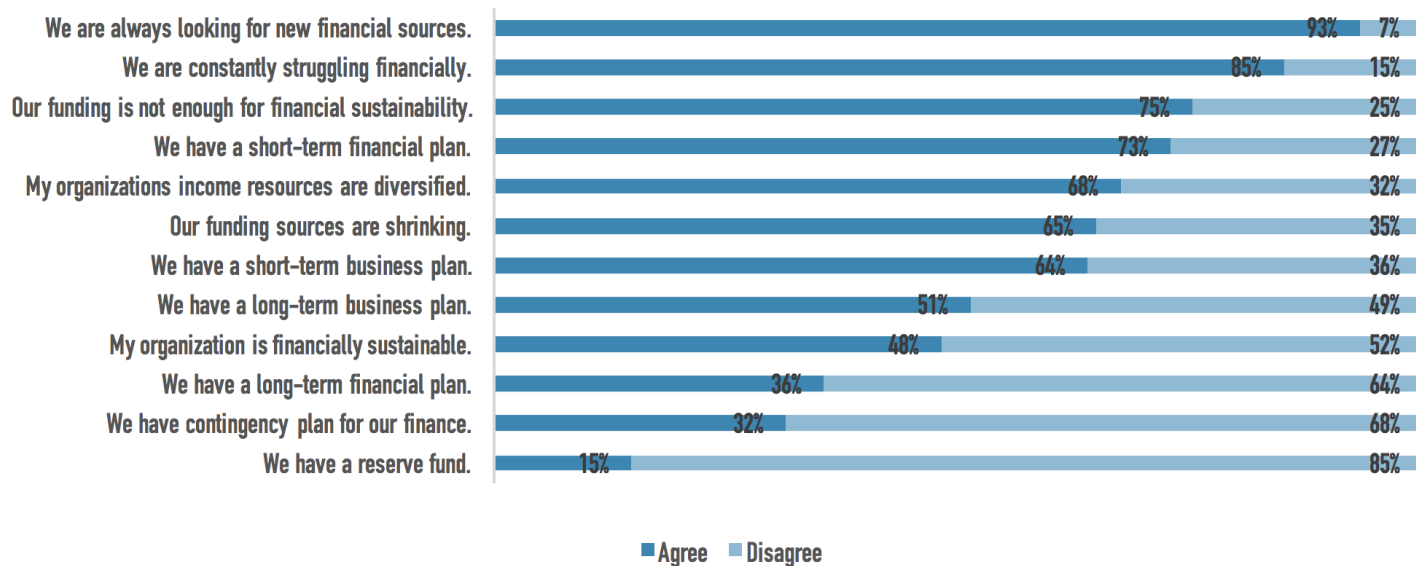
The primary source of income for the CSOs is donations, 39% of the participant organizations stated that donations are the 1st source of income for their entity. Grants and funds make the secondary source of income. Profits from commercial enterprises is relatively low. The number of CSOs is low within the sample, so only 8% of the CSOs indicated this revenue as the 1st or 2nd source for their institutions. Rental income make up very little of the total income.

WHAT WAS THE TOTAL INCOME OF YOUR ORGANIZATION FOR YOUR LAST FINANCIAL YEAR?



Almost two thirds of the CSOs had less than 20.000 EUR as the previous year annual income. One third of the CSOs (24%) indicated that their organizations had only less than 1000 EUR for the last financial year.

PERCEPTIONS ABOUT FINANCIAL ISSUES



One of the common tendencies among the five countries of CSOs is to constantly seek new financial sources, 93% of the CSOs indicated that their organizations are always looking for new financial sources. Moreover, 85% of the organizations states that they are experiencing financial difficulties; and 75% of the CSOs do not see their current funding sources enough for their financial stability. Income resources of two third of the organizations are not diversified and the existing income resources are shrinking.

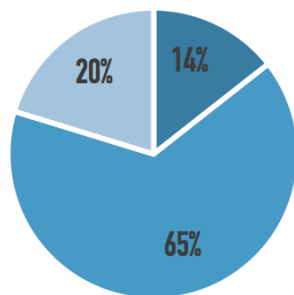
Although short-term business plans (64%) are more common among the CSOs compare to the long-term programs (51%), more than half of the organizations do have a long-term business plan and see their organization as financially sustainable (48%).

The statements of the CSOs, financial plans about the future, shows us a different pattern. While 73% of the CSOs signify that they do have a short-term financial plan, only 36% of them have a chance of making a long-term plan for their finance. 68% of the CSOs do not have contingency plan for their plan either. Lastly, 85% of the CSOs states that their entities do not have a reserve fund.

5. THE SOCIAL-ENTERPRISES EXPERIENCES

Participant organizations were questioned whether they have or ever had a social enterprise. In this part of the report, findings will be presented under three sections. Firstly, the experiences of CSOs with social enterprises will be summed up. At the second section the reasons of the CSOs without social enterprises will be detailed. At the third part perceptions of all participant CSOs about the social enterprises and their evaluations on the positions of the society, government, other CSOs and country-based legal frameworks towards the social enterprises in general will be elaborated by country.

DO YOUR ORGANIZATION HAVE A SOCIAL ENTERPRISE? (BASE=222)



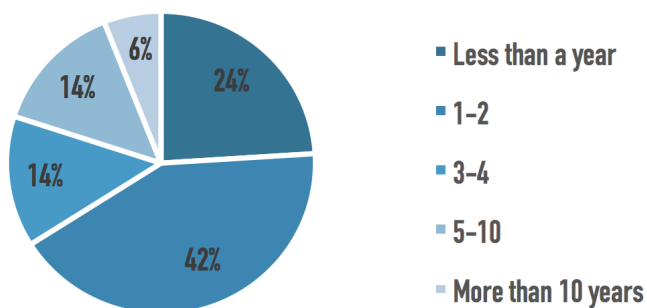
- No, but our organization used to have a social enterprise
- No, our organization never had a social enterprise
- Yes, our organization currently has a social enterprise

Of the participant CSOs in the five-partner country, 65% have never had a social enterprise before. Only 14% used to have one and do not have one now. Only 2 out of 10 CSOs have a social enterprise in the five countries. This rate is low when we see the need for CSOs sustainability above.

5.1. ABOUT THE CSOS WITH EXPERIENCE OF A SOCIAL ENTERPRISE

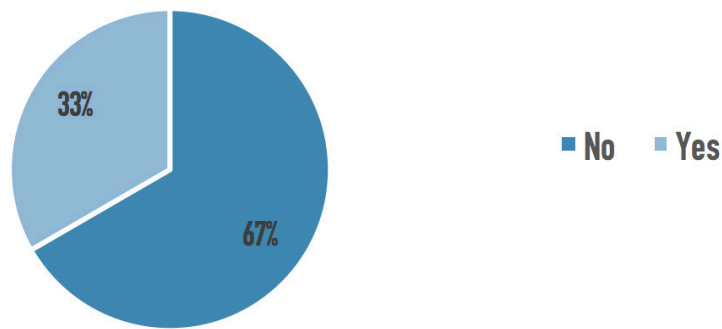
When looking in detail at the experiences of the CSOs with social enterprises (SEs), 66% (two third of them) established these entities within the last 2 years. CSOs who had founded a SE more than 10 years ago is really rare.

HOW MANY YEARS YOUR ORGANIZATION HAS HAD/HAD A SOCIAL ENTERPRISE FOR? (BASE=77)



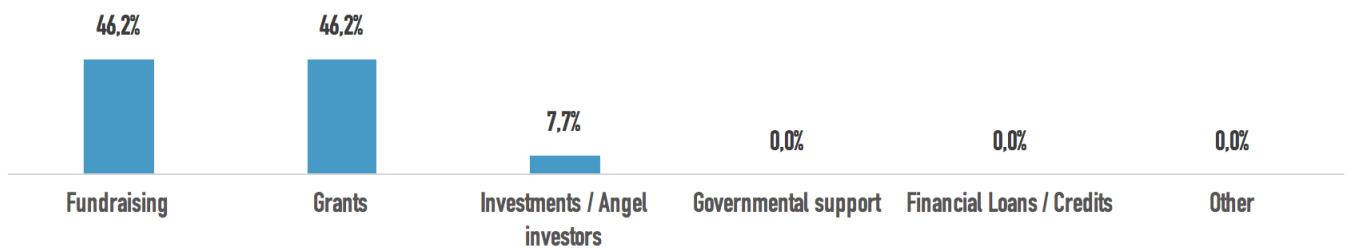
- Less than a year
- 1-2
- 3-4
- 5-10
- More than 10 years

DID YOU RECEIVE ANY FINANCIAL SUPPORT FOR STARTING UP WITH YOUR SOCIAL ENTERPRISE?



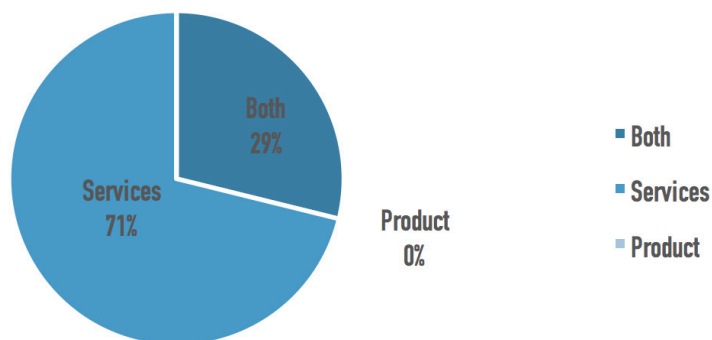
Majority of the CSOs who acquire SEs states that they established these entities without financial supports. Only one third of the participants with SEs indicated that they had financial support for starting up.

WHAT KIND OF STARTUP SUPPORT DID YOU RECEIVE FOR YOUR SOCIAL ENTERPRISE?



Among the CSOs with SEs, fundraising activities and grants constitute the major supports for the startups. While investments and angel investors had a little contribution for these startups, the role of government supports and financial loans or credits are non-existent for the studies scope but it can be interpreted that their influence is very low for these kinds of startup projects.

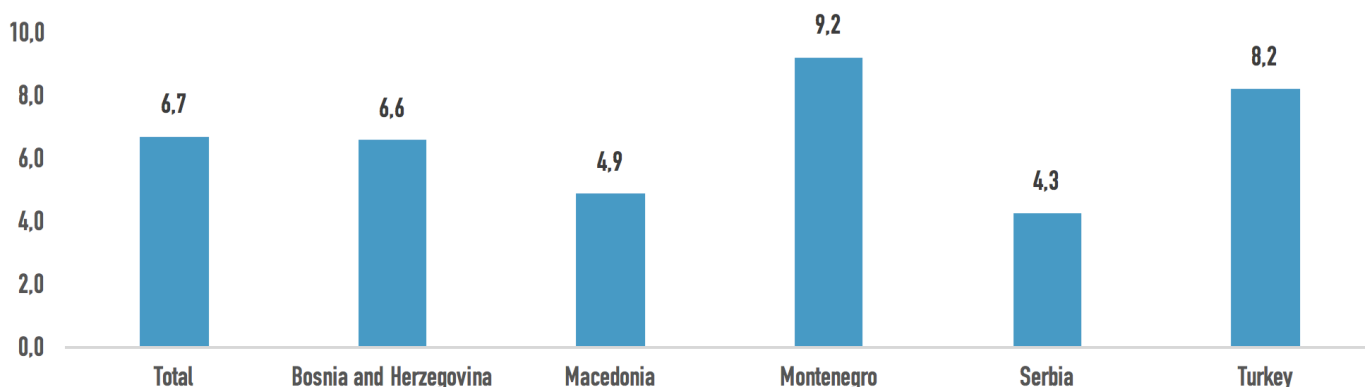
WHICH CATEGORY DESCRIBES BEST YOUR PROFIT-MAKING ACTIVITIES?



Among the profit-making activities of CSOs with SEs, services takes the main place. Even though these social enterprises provides services and only few of them produce products besides these services. Products do not maintain a major role in profit-making activities.

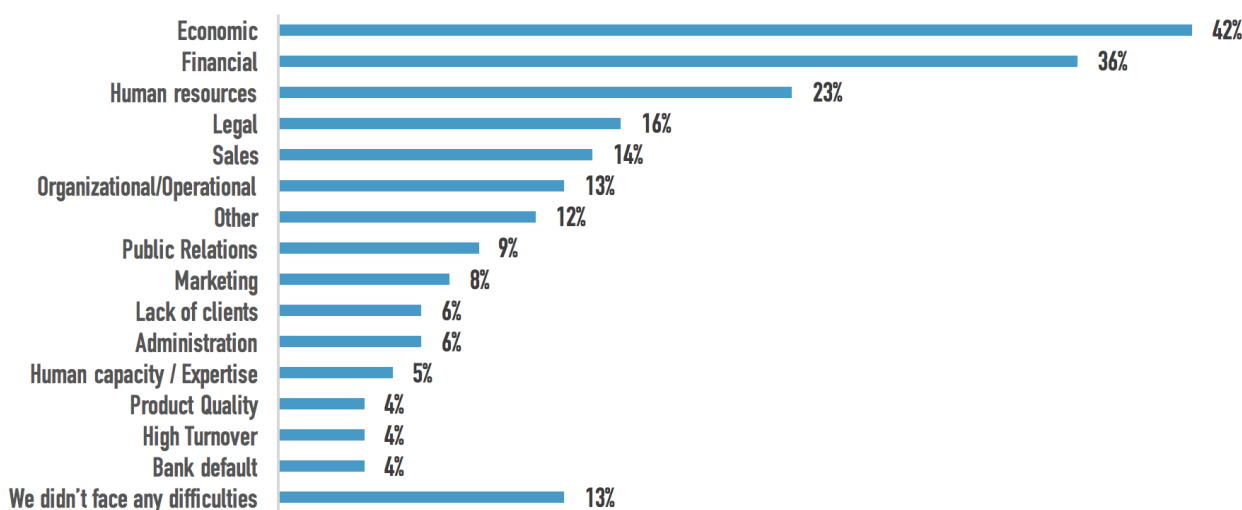
Participant CSOs were requested to rate the success of their own social enterprises on a scale in which 1 was the lowest and 10 is the highest rate.

PLEASE RATE THE SUCCESS OF YOUR SOCIAL ENTERPRISE? (HIGHEST RATE=10)



The five-partner country average is 6.7 out of 10 points which can be interpreted as CSOs with SEs evaluate their units as fairly successful. CSOs from Montenegro gave the highest score to the success of the social enterprises. Following Montenegro, the tendency to find their SEs as successful among the CSOs in Turkey is higher than the average of the other partner countries as well. Despite the fair participation of the CSOs from Macedonia in online survey, the success rate of the SEs is lower than the average. Similar tendency is observed for Serbia as well, but, the low level of Serbian participants to the survey may affect these findings. CSOs of Bosnia and Herzegovina rates the success of the SEs at the average rate.

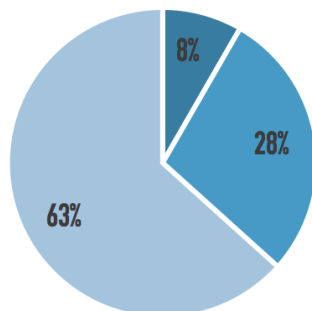
DIFFICULTIES THE ORGANIZATIONS FACED WHILE RUNNING SOCIAL ENTERPRISE



The CSOs who run social enterprises were asked about the difficulties they faced. The major difficulties in running a social enterprise are experienced in economic and financial issues. Following the financial problems, managements of human resources and legal issues come to the front as the other common difficulties. Sales of the SEs and organizational/operational problems are also mentioned by the CSOs.

Participants with SEs also questioned about whether they have any plan for expanding their business.

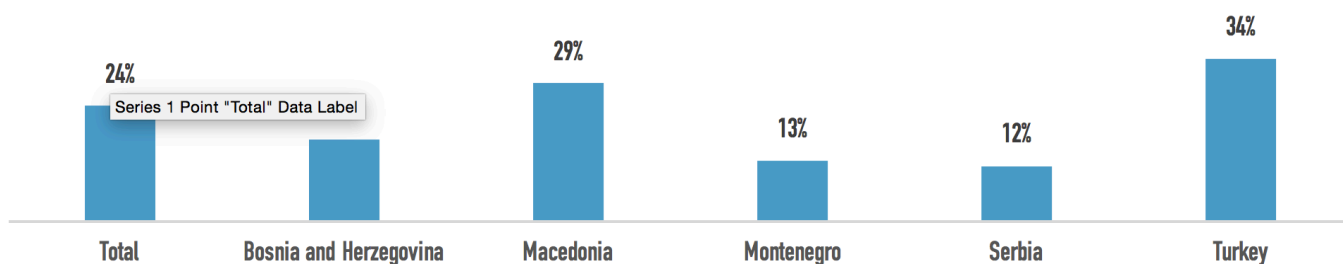
IS YOUR ORGANIZATION PLANNING TO EXPAND BUSINESS? (BASE=60)



- No, we have no plan to expand.
- Yes, but we have no business plan yet.
- Yes. We have a long-term plan.

Only 8% of the CSOs with SEs do not have any plan to expand their businesses (number of 5). 28% stated that they have intention to expand their businesses but do not have a plan yet. 63% of the CSOs (number of 37) who run social enterprises mentions that they do have a long-term plan to expand business.

PERCENTAGE OF CSOS PLANNING TO EXPAND BUSINESS BY COUNTRY (BASE=55)



Based on the calculations among the CSOs with SEs a comparable data by country is shared above. CSOs from Turkey have the highest intention to expand their businesses of SEs. Organizations from Macedonia also have higher intention for planning to expand business compare to average.

CURRENT ISSUES ABOUT THE SOCIAL ENTERPRISE (BASE=77)



Based on the valid findings, 61% of the CSOs with SEs do not have a staff exclusively for their SE. It can be interpreted that in most of these institutions staff is responsible for the organizational, administrative, financial and other tasks within the SE and the CSOs other programs. This can be validated through the answers given to another statement: 73% of the organizations emphasized that their staff find themselves spending too much time for the needs of SEs. On the other hand 83% of the organizations says the social enterprises they have hinder the work of the organization.

WHICH OF THE FOLLOWING DIFFICULTIES YOUR ORGANIZATION FACED WHILE WRITING THE BUSINESS PLAN FOR YOUR SOCIAL ENTERPRISE? (BASE=71)

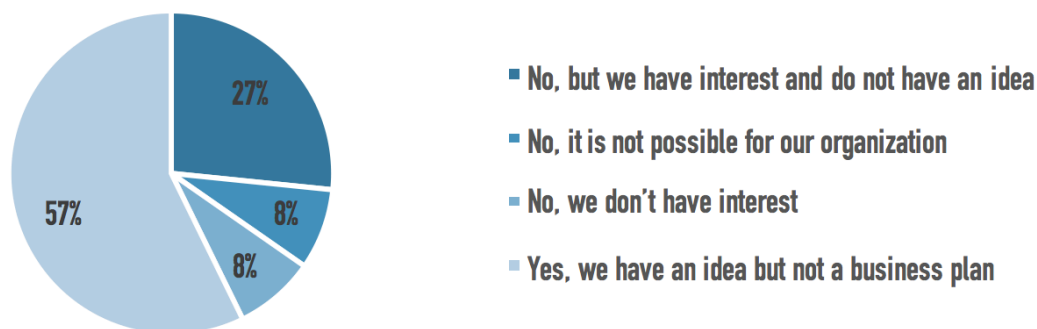


Human resources and the human capacity/ expertise are the major difficulties for organizations while writing their business plans for the SEs, follow by the financial and economic problems, 18% of the CSOs mentions that they face these problems in those processes.

5.2. CSOS WITHOUT A SOCIAL ENTERPRISE

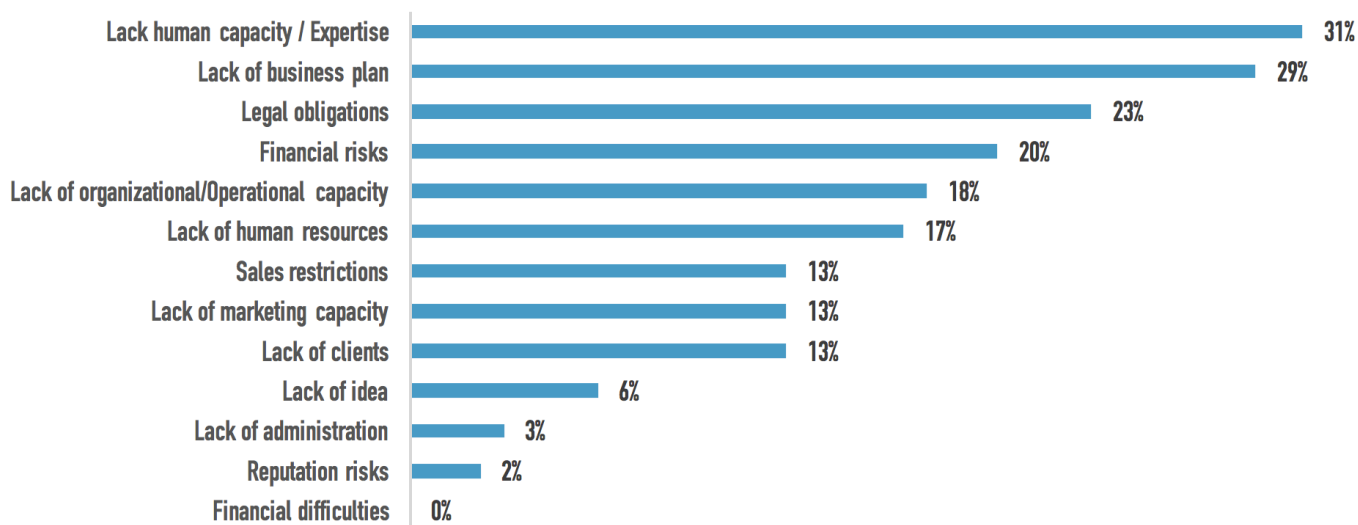
In the survey, CSOs without social enterprises are also examined in terms of issues such as plans for establishing one, major factors hinder them from pursuing a social enterprise and perceptions on the need of support amount to establish one.

DO YOU HAVE A PLAN FOR ESTABLISHING A SOCIAL ENTERPRISE?



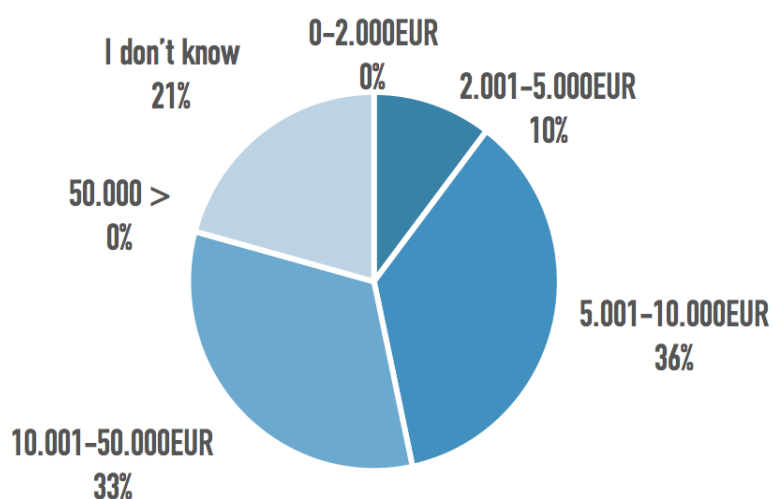
Majority of the survey participant organizations do have an idea or an interest for establishing a social enterprise, 57% do have an idea but not a business plan, meanwhile 27% have interest but without an idea. Only 8% states that it is not possible to build a SE in their organizations and the rest 8% do not have an interest to build one.

WHAT ARE THE MAJOR FACTORS FOR YOUR ORGANIZATION NOT TO PURSUE A SOCIAL ENTERPRISE? (BASE=124)



Not pursuing a social enterprise is majorly a lack of expertise problem. One third of the organizations see this decision as a lack of human capacity problem. Secondly, lack of business plan also hinders organizations from establishing a social enterprise. Thirdly, legal obligations and obstacles are seen as another factor. Lack of organizational and operational capacities of CSOs is another important factor against SE building process.

IF YOUR ORGANIZATION NEEDS SEED MONEY (MONEY TO INITIATE A BUSINESS) FOR A SOCIAL ENTERPRISE, WHAT WOULD BE THE AMOUNT NEEDED?



21% of the organizations have no idea about the seed money they need to build a social enterprise. 36% indicates a support between 5,000 to 10,000 EUR would be enough to establish one, while 33% think 10,000 to 50,000 EUR is needed. 10% needs less than 5000 but more than 2000 EUR to start a SE. No organization thinks that less than 2000 EUR will be enough to establish a SE. On the other hand, seeding money more than 50.000 EUR is also seen unnecessary by the organizations as no entity chose this option.

5.3. PERCEPTIONS ON CSOS AND SOCIAL ENTERPRISES

In order to understand the socio-cultural and political setting for social enterprises in each country through the eyes of the participant CSOs, several questions were directed.

Participants were asked to score some statements whether they agree or not on a scale where 1 means “Totally disagree” and 5 is “Totally agree”.

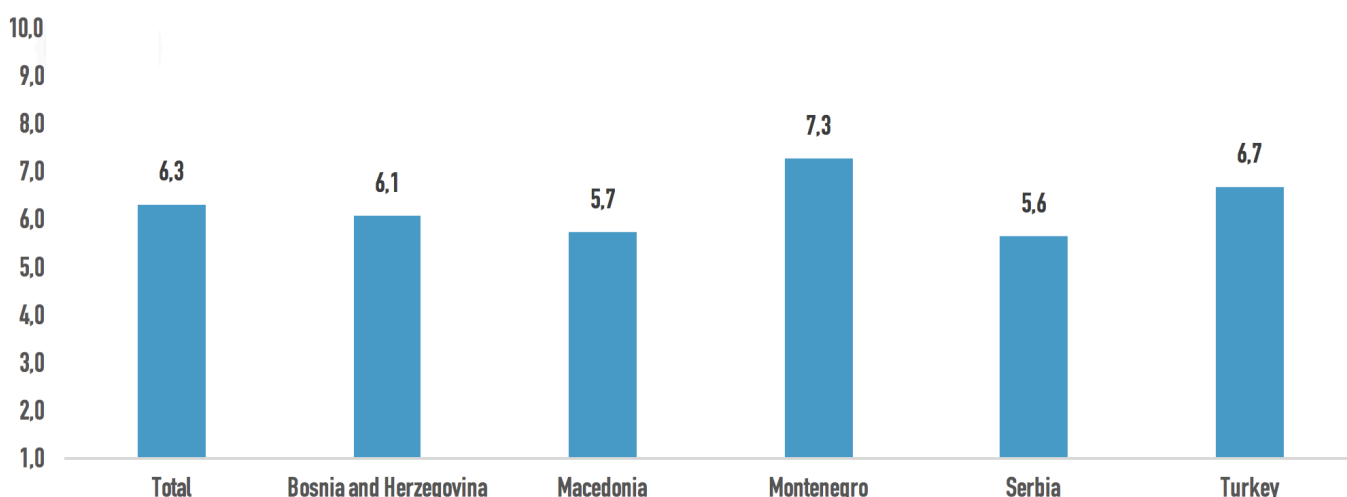
PERCEPTIONS ABOUT SOCIAL ENTERPRISES



On average, participants agree most with the statement that “CSOs should only perform economic activities regarding their missions”. Economic activities unrelated to the missions of the organizations seems less acceptable for the majority. Pursuing all types of fundraising and profit making activities are seem acceptable for the CSOs and the average score is almost 4 out of 5.

There is a tendency to disagree among all participations on the issues that can be considered as a challenge. First of all, social entrepreneurship is not seen as something for the CSOs (1.8) whereas there is a common belief that the CSOs do have a capacity to run a social enterprise (2.1) and taking financial risks of social enterprises seems acceptable (2.3). Participant organizations at average neither agree nor disagree to the statement “CSOs already do too much”.

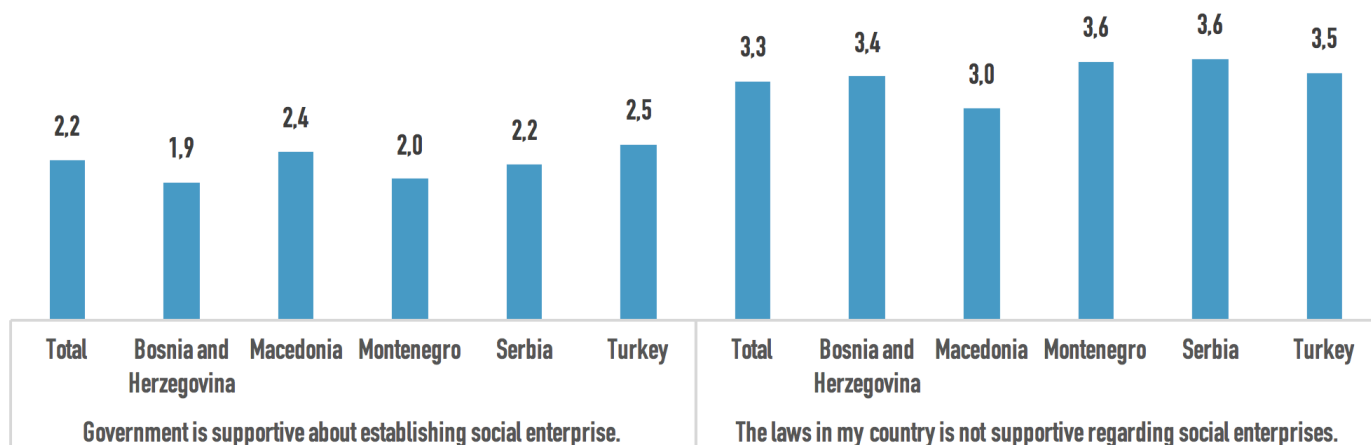
HOW FAMILIAR ARE YOU WITH SOCIAL ENTREPRENEURSHIP IN YOUR COUNTRY?



Participants also were asked to rate the familiarity with social entrepreneurship in their home countries from 1 to 10, where 10 is the highest score. The average familiarity rate with social entrepreneurship in the five-partner country is 6.3. Montenegro is far above the average with 7,3 points and Turkey is also a bit higher with 6,7 point. The familiarity with social entrepreneurship is lower than the average in Macedonia and Serbia. Bosnia and Herzegovina is close to the average.

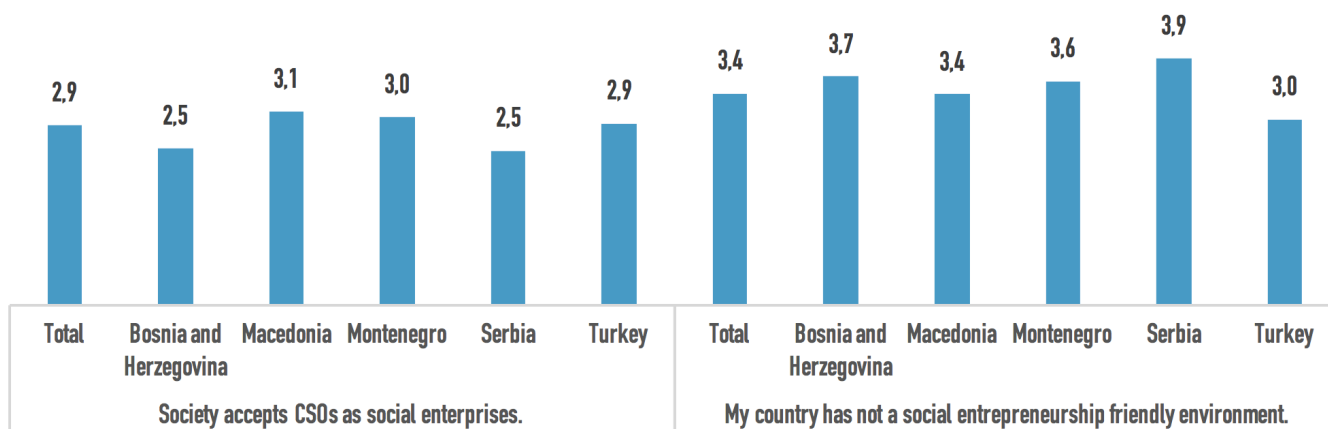
To understand the perceptions of the participant CSOs about the social, legal and political settings in their countries, some statements were asked to be rated on a scale where 1 means “Totally disagree” and 5 is “Totally agree”.

PERCEPTIONS ON THE ATTITUDE OF THE GOVERNMENTS AND LAWS ABOUT SOCIAL ENTERPRISES, BY COUNTRY



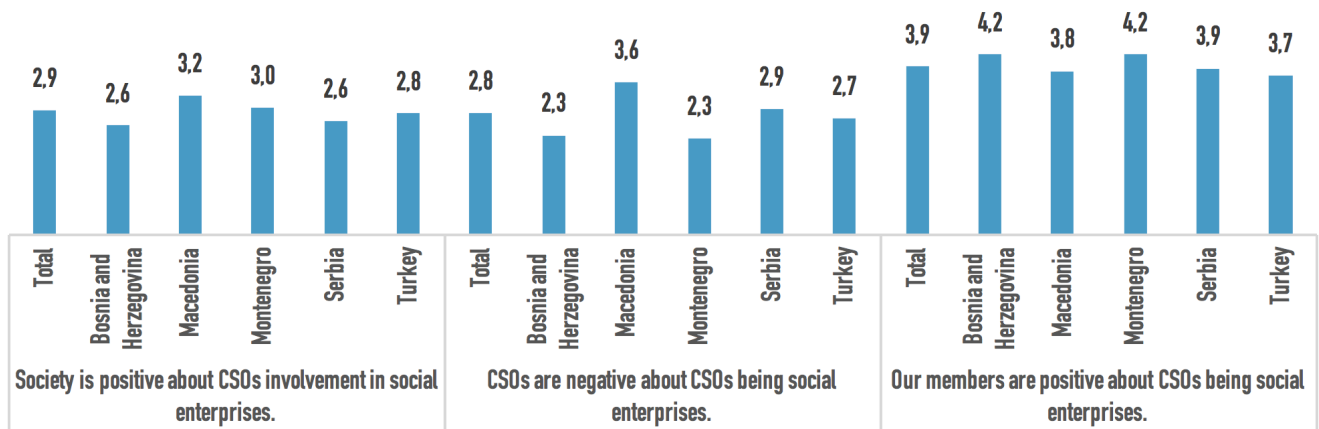
In general, the belief on the government’s support for establishing social enterprises is the lowest among all statements (2,2). In this sense, the lack of supportive environment by the government is one of the challenges according to the CSOs. On the other hand, the laws as well perceived as unsupportive at the average of five-partner countries. However, these rates are a bit higher in the Montenegro, Serbia and Turkey.

PERCEPTIONS ON THE SOCIAL TENDENCIES ABOUT SOCIAL ENTERPRISES, BY COUNTRY



Society is perceived as not supportive of CSOs social enterprise activities. The statement “society accepts CSOs as social enterprises” is neither agreed nor disagreed at the average level. In Bosnia and Serbia society support is a bit less. Similarly, CSOs evaluates the social environment as less friendly for SEs. Again, Bosnia and Serbia has the highest score for the unfriendly social environment while in Turkey it is a bit lower than the average. The most supportive actors in this framework come to the front as the members of the participant CSOs. In all countries the members are positive about CSOs being social enterprises.

PERCEPTIONS OF THE SOCIETY, CSOS AND THE MEMBERS' TENDENCIES ABOUT SOCIAL ENTERPRISES, BY COUNTRY



In average, societies in the 4 of the 5 partner countries seems neither positive nor negative towards CSOs social enterprises. CSOs perception on the matter, does not differ from the societies perception. Macedonia is different in its opinion of CSOs social enterprises. Macedonia is where CSOs are more negative about SEs of the CSOs compare to the average.

Annex 2: Interview Questions

- 1 What is the general situation regarding CSOs in your country?
- 2 What are the skills that are the most needed among CSOs in your country?
- 3 What are main sources of financing for CSOs in your country?
- 4 What are the attitudes towards entrepreneurship in your country?
- 5 Can you rate from 1-10 how much of entrepreneurial experience do CSOs have in your country?
- 6 How familiar are CSOs in your country with social entrepreneurship? Can you Rate it 1-10?
- 7 What is the overall perception of Social enterprise in the country? Does your country have a social entrepreneurship friendly environment?
- 8 Do CSOs conduct SE in your country?
- 9 What are the social entrepreneurship efforts in your country?
- 10 The main barriers for social entrepreneurship in your country are? And in relation to CSOs?
- 11 What are the impediments for Social Enterprises in your country?
- 12 How can social entrepreneurship be further encouraged in your country? And to encourage it among CSOs?
- 13 What activities are conducted to encourage SE in your country?
- 14 Government is supportive about establishing social enterprise?
- 15 Are there any models of SE in your country?
- 16 Is there any support for CSOs who want to start a SE?
- 17 What are the major difficulties while running social enterprise for CSOs in your country?
- 18 Is society positive about CSOs involvement in social enterprises?
- 19 Do the laws in your country supportive regarding social enterprises?
- 20 Would you encourage a CSO to start a SE?
- 21 Do you think that a CSO can have a successful SE in your country?
- 22 Do you think that SE and CSOs are a good match? Why?
- 23 Any other comment regarding CSOs and SE in your country?

INTERVIEW QUESTIONS FOR CSOS WITH A SE

- 24 Tell me a bit about your CSO and the SE you are running?
- 25 What made you develop this SE? What were the circumstances?
- 26 What steps did you need to take to establish it?
- 27 What challenges did you face? How were they overcome?
- 28 What did you not plan for?
- 29 Do you think you were well prepared for starting your SE?
- 30 What resources were available to you?
- 31 What are your key achievements as an SE so far? Your biggest failures?
- 32 Do you have any recommendations for CSOs or anyone wanting to start a SE in your country?
- 33 What is the general situation regarding CSOs in your country?
- 34 What are main sources of financing for CSOs in your country?
- 35 What are the attitudes towards entrepreneurship in your country?
- 36 How much entrepreneurial experience did you have before starting your SE?
- 37 How familiar is your country with SE? What is the overall perception of Social enterprise in the country? Does your country have a social entrepreneurship friendly environment?
- 38 Is SE a challenge to explain? Do you explain your business as an SE?
- 39 Is it common for CSOs to conduct SE in your country?
- 40 Once people understand the concept of SE and that is what you are doing, are they more friendly towards your business or more hostile?
- 41 What are the main barriers for social entrepreneurship in your country?
- 42 Are you happy/comfortable with the way SE is developing in your country?
- 43 How can social entrepreneurship be further encouraged in your country? And to encourage it among CSOs?
- 44 What activities are conducted to encourage SE in your country?
- 45 Government is supportive about establishing social enterprise?
- 46 Are there any models of SE in your country?
- 47 Does your country have a social entrepreneurship friendly environment?
- 48 Is there any support for CSOs who want to start a SE?
- 49 What are the major difficulties while running social enterprise in your country?
- 50 Do the laws in your country supportive regarding social enterprises?

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