



**SOCIAL ENTREPRENEURSHIP
LAW IN SLOVENIA**

**Varna
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SOCIAL ENTREPRENEURSHIP LAW

Introduction

Slovenia was one of the first European member states that adopted the Law on social entrepreneurship in Europe.

In the preparation phase of the Law we mostly followed best practices already existing in Europe, especially from France and Italy, and other countries with well developed social entrepreneurship in Europe.

Adoption of the law was necessary step to enable and promote social entrepreneurship in Slovenia, **as a substational generator of jobs and employment**, mostly for disadvantaged groups of people.

After the Law was adopted, the **Strategy of social entrepreneurship and the Action Plan** for the implementation of the strategy were adopted for the period **2013 – 2016**.



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The **purpose of the Law** was to provide:

- a definition of social enterprises,
- objectives and principles of social entrepreneurship,
- the conditions under which social enterprises obtained the »social enterprise status«,
- the conditions of the termination of the social enterprise status
- terms and conditions for social enterprises on how to run the business and employ people,
- the planning of the development and possible forms of financing of social enterprises and
- the partnership cooperation between stakeholders relevant for social entrepreneurship (the role of civil society organizations, partners in social dialogue, municipalities)



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Main principles and requirements for social enterprises:

- non-profitability,
- sustainable running business with the focus on creating jobs for disadvantaged groups of people and therefore following the purpose of public interest,
- voluntary membership,
- market orientation,
- founders and/or owners acting in accordance with the principle »one member – one vote«,
- profit should be reinvested into the development and business,
- financial transparency and business control.



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Determination of the areas of running activities

Main areas where social enterprises should run activities were defined:

- social security, with the special attention on family care and care for disabled,
- research and education,
- youth work,
- health security,
- social inclusion and training for unemployed or people at risk of unemployment,
- eco food production, fair trade,
- activities in the area of protection of natural and cultural heritage, tourism,
- non-professional sport activities,
- development of local communities and
- supporting environment for social enterprises.



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Definition of tasks and responsibilities

With the Law, **Social entrepreneurship council** was established with the purpose **to define the policy of social entrepreneurship** and preparation of programming and strategic document, including the Strategy of social entrepreneurship and monitoring of the implementation of actions on different levels (local, regional, state level).

The **composition of the Council reflected the partnership** between the relevant ministries, social partners, representatives of social enterprises and municipalities and other representatives of civil society.



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Types of social enterprises

There were defined two types of social enterprises:

- »A« type (business oriented) and
- »B« type – more social oriented with the focus on employing disadvantaged groups of people.

There were strict employment conditions for both types of social enterprises and the »social enterprise status« depended on that conditions:

- in case of »A« type there was a requirement that at least one person shall be long-term employed in the first year and additional two in the further period,
- in case of »B« type there was a requirement that social enterprise shall provide long-term employment for at least 1/3 (one third) of employees of all employees in the enterprise.



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The establishment document and registration of a »social enterprise status«

The Law also prescribed the obligatory parts of the establishment document (Act) and the process and institutions where social enterprises could be registered and therefore obtain »social enterprise status«, what depends on the legal status of the organization obtaining the status (different for associations, foundations and »limited responsibility companies). A register was updated by the responsible ministry.

Reporting and other special requirements:

Special requirements were defined for yearly reports that social enterprises were obliged to provide to responsible ministry.



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Supporting environment:

Supporting environment was mostly defined

- through the measures and actions for social enterprises, implemented by various institutions, on the government level (ministries), municipalities and other supporting institutions,
- Financial measures were mostly through grants, but financial mechanism for repayable funding was planned as well – as »fund for social enterprises«.



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Implementation of the Law and lessons learned:

For the implementation of the Social entrepreneurship law in the period from 2011 – 2015 there were some important milestones that brought the legislation into practice:

- (1) Social entrepreneurship Strategy with the Action plan was adopted for the period 2013 – 2016. Measures were defined to support the social entrepreneurship policy and the main activities that should be implemented through the defined measures.
- (2) Two calls for projects were launched from European Social Fund, implemented by the ministry of Labour, for the programming period 2007 – 2013, covering startup phase of social enterprises and employment of disadvantaged groups of people. 68 social enterprises were selected and financed through this measure.
- (3) Additionally, a call for public works was launched, financed from the national budget and social enterprises mostly employed »public workers«, financed by the state.



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With the **new government** the social entrepreneurship became more important issue and it defined **»Development of social enterprises, cooperatives and economic democracy«** as **strategic government project** with strong potential for jobs and growth.

As social entrepreneurship was recognized as **one of the priorities of the government**, there were also practical findings that social enterprises shall not only employ disadvantaged group of people, but they have to run business to survive and be able to pay their employees from the income they earn on the market instead from the grants they received from the state.



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Some important steps were made:

- the **implementation structure** of the project was defined with the division of strategic and implementation functions between different actors;
- according to the identified need for improvement of the Social entrepreneurship Law the short term plan for **modification of the Law** was defined (and it is still in process);
- **financial and non-financial measures** to support social enterprises in all stages of their life cycle and development of the corresponding supporting environment for social enterprises were defined and already started with the implementation.



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The upgraded Social entrepreneurship Law (main improvements):

Definition of social enterprise

- Definition of **social enterprise** was modified in a way that enables wider range of activities to be implemented by social enterprises. There are not anymore listed areas where social enterprises can run the business. We also followed the for the »undertaking«, included in General Block Exemption Regulation, to be in compliance with State aid Rules if social enterprises receive financial support from EU Funds.

-Definition of the **enterprise with social content** – wider meaning: social enterprise, cooperative, enterprise for people with disabilities, center for employment of disadvantaged people and other legal persons developing social innovations

-**Social innovation** is an innovation which enables the solution to social challenge on more efficient, sustainable manner, with the primary objective to achieve social impact



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Types of social enterprises and employment

There is **no more the distinction between type »A« and type »B«** as social enterprises shall all implement economic activity and run the long run sustainable business.

Introduction of **Social Economy Council** and the definition of its composition: representatives of relevant ministries, 5 representatives of social economy enterprises, 3 representative associations of local communities, representatives of social partners and trade unions and precarious workers organizations. One of the main tasks besides the creation of the policy is to prepare a Strategy on social economy in Slovenia for the 10 years period.



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Reporting

The **requirements on reporting were also abandoned** with the modified Law. In case social enterprises apply for national or EU financing, they are obliged to report on the ongoing activities in any case. Therefore the additional reporting which was obligatory from the Social entrepreneurship Law, doubled their work and put the additional burden to their businesses. With the main focus of the Law to business orientation that was reasonable modification. Social impact measurement instead of reporting.

Register

Simplification is foreseen at the »registration« process as there is only one registration point on the national level. (AJ PES)

State of play

The Social entrepreneurship Law is still in the phase »modification in progress«. In accordance with the recent activities on the level of the Commission, GECES General report, possible introduction of measurement of social impacts through satellite accounts.



Thank you for your attention,

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