

# Slovak Republic: Catching-up Regions Initiative 4

## SUPPORTING INCLUSIVE GROWTH THROUGH SOCIAL ECONOMY IN THE BANSKÁ BYSTRICA REGION



September 2023



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## Acknowledgements

This report was prepared by a core World Bank team carrying out work under the Marginalized Roma Communities (MRC) component, led by Yondela Silimela, Senior Infrastructure Economist SCAUR and Vladimír Benč, Urban Specialist SCAUR-Catching-up Regions Initiative 4 (CuRI 4) local coordinator, and specifically, the Social Economy activity led by Alina Nona Petric, Social Protection Specialist HECSF, as well as Experts Zuzana Polačková, Denisa Meirosu, and Samuel Arbe. Support was provided by Experts Veronika Zimanova and Andrea Millington. The team is grateful for the guidance provided by Ellen Hamilton, Lead Urban Specialist SCAUR throughout the implementation. The work was carried out under the supervision of Christoph Pusch, Practice Manager SCAUR and Cem Mete, Practice Manager HSASF (former HECSF).

The team extends its gratitude to the Banská Bystrica Self-governing Region (BBSK) team led by Milan Vaňo, Lenka Bírešová, and Kornélia Kubizniaková for their valuable cooperation and contribution in carrying out the social economy activity and deliverables. The team would like to thank all stakeholder participants in the focus groups and surveys carried out throughout implementation of the activity. The work was carried out under the supervision of Ondrej Lunter, President of the BBSK, and Mariana Badínská, BBSK project coordinator.

The team would also like to thank the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) team for their outstanding engagement and support, especially Pascal Boijmans, Head of the Unit for the Czech Republic and Slovakia, and the following Program Managers: Kateřina Kapounová, Eva Wenigová, Katarína Prokopič, and Andrej Mikyška.

The team is also indebted to all SK CuRI counterparts for the support offered and the excellent collaboration throughout, and their passion for developing the three participating self-governing regions, their institutions and for providing better living conditions for marginalized communities, especially the following:

- Ministry of Investment, Regional Development and Informatization of the Slovak Republic—Peter Balík, Dominika Forgáčová, Karol Schmuck, Ján Stano, Ľubica Hamárová, and others
- Ministry of Labour, Social Affairs and Family of the Slovak Republic—Ingrid Ujváriová, Viliam Michalovič, Jana Hložková, Michal Klučiarovský, Monika Jakubecová, Dana Fritz, and others
- Office of the Plenipotentiary of the Government of the Slovak Republic for Roma Communities—Ján Hero, Marek Chomanič, Eduard Čonka, and many others

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## Abbreviations and Acronyms

ALMP	Active Labor Market Policy
BBSK	Banská Bystrica Self-governing Region (Banskobystrický samosprávny kraj)
COLSAF	Centre of Labour, Social Affairs and Family
CuRI	Catching-up Regions Initiative
EC	European Commission
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
HOLSAF	Head Office of Labor, Social Affairs and Family
IA	Implementation Agency
ISC	Integrated Service Center
M&E	Monitoring and Evaluation
MoLSAF	Ministry of Labor, Social Affairs and Family
NGO	Nongovernmental Organization
NOPAT	Net Operating Profit After Tax
NPO	Nonprofit Organization
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Services
PP	Public Procurement
RSE	Registered Social Enterprise
SE/s	Social Enterprise/s
SEaSEs	Social Economy and Social Enterprises
SECoP	Social Economy Community of Practice
SK, SR	Slovak Republic
VAT	Value Added Tax
WISE	Work Integration Social Enterprise
WB	World Bank

## Executive Summary

**One of the key goals of the European Union (EU) has been to reduce disparities in the economic growth structure and the level of socioeconomic development across European regions.** The Catching-up Regions Initiative (CuRI), formerly known as the Lagging Regions Initiative, was launched by the European Commission (EC) through the Directorate-General for Regional and Urban Policy (DG REGIO) in 2015 to identify and assist EU regions whose level of development was significantly lower than the EU average. Among the priorities of the initiative is to support the regions addressing the structural deficiencies that limit their growth potential and to build their capacities to absorb and make the most of available financial tools (EU funds). This support is directed, among others, to the development of local infrastructure, housing, and services to the most vulnerable population, as well for the enhancement of the economic dynamism of these regions. Social Economy is one area included in the program.

**The Banská Bystrica Self-governing Region (BBSK, or ‘BBSK Region’) is one of three regions in the Slovak Republic included in the CuRI initiative<sup>1</sup>.** As part of the CuRI action plan, the BBSK expressed the need to gain insights on the local social economy ecosystem in order to address the needs of the region, support social enterprises (SEs), and identify actions to operationalize support. One such action identified the need for the development of an Integrated Support Center (ISC) that would provide coordinated support services to existing and future SEs.

**The objective of this report is to present the desk research and the quantitative and qualitative analysis carried out on the social economy ecosystem in the BBSK Region by highlighting insights that can act as considerations for the process of operationalizing the ISC.** The analysis contained in this report is based on desk research, data collection, surveys, and focus group discussions which were conducted with the following aims: i) to map existing registered and nonregistered enterprises in the BBSK; ii) to analyze the existing entrepreneurship ecosystem; iii) to identify the main opportunities and obstacles to its consolidation and upgrading; and iv) to propose a framework for the establishment and operationalizing of the envisaged ISC. The methodology combined both quantitative and qualitative methods and covered both registered and nonregistered social enterprises. Some important methodological limitations concerned the quality, coverage, and completeness of available data are set out in the methodology section of the report.

**The quantitative and qualitative surveys of registered social enterprises (RSEs) in the BBSK Region revealed key features:**

- i. As of June 30, 2022, a total of 83 social enterprises were registered in the BBSK, corresponding to 15.9% of the national SEs. The number of SEs has increased since the act on social economy and social enterprises (SEaSEs) was issued and *ad hoc* incentives came into effect. There is a dominance of RSEs in the food production sector (18 SEs representing 14.94%) and in the manufacturing sector (17 SEs representing 14.11%). Construction works also play a significant role in the business activities of RSEs and constitutes one of the sectors through which social entrepreneurship has often been introduced in the Slovak Republic. These works concerned mainly municipal social enterprises that carried out construction in municipalities

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<sup>1</sup> The other two are the Košice and Prešov self-governing regions.

that focused on regional development and the promotion of local employment (not necessarily work that had a work-integration component). Compared to other regions (for example, Prešov), the structure of RSEs in the BBSK that are active in the construction sector is slightly different, not being dominated by the presence of municipal social enterprises.<sup>2</sup> Moreover, there is no observed trend in the construction segment where traditional construction enterprises transform into registered social enterprises. The BBSK has been instrumental in supporting the emergence of SEs in new areas such as a social agriculture, and it is exploring others, such as social services; however, these are hampered in part by legislative limitations (enterprises that provide social services are not able to register as social enterprises). The expansion of SEs into new sectors is deemed as critical to the emergence of a dynamic SE ecosystem in the BBSK Region.

- ii. There is uneven geographical distribution, with most RSEs located in the districts of Veľký Krtíš (20), Banská Bystrica (14), and Rimavská Sobota (10), while the districts of Lučenec and Žiar nad Hronom are the least represented with only one RSE each.
- iii. The average age of new registered entities is 47.5 months, or almost four years, varying between less than one month and up to 25 years. The highest number of RSEs were less than six months old at the time of obtaining the status (37 entities), while the second highest number were entities older than five years (22 entities). This is relevant, especially where the age of SEs is a requirement for eligibility (for example, in accessing EU funds).
- iv. The survey findings indicate that the majority of respondents (68%) consider business relationships with other business enterprises and the business-to-business (B2B) approach to be an important segment of their activities, with the business sector representing the dominant customer segment for 28% of respondents. About the same group of RSEs (27%) reported that they do not offer goods and services to other businesses. These are mainly RSEs active in services provided by municipalities or construction work, and it can be assumed that they are mainly municipal social enterprises.
- v. An analysis of the economic performance of RSEs based in the BBSK reveals a progressive trend, as the cumulative revenue of the RSEs established before December 31, 2020 amounted to € 9,844,264 in 2020, and to € 11,400,683 in 2021, showing an increase of almost 16%, while the cumulative revenue of all RSEs in 2021 amounted to € 12,253,185. The RSEs are also found to invest an above-average share of their added value in personnel costs, which is arguably expectable, in particular for the type 'work integration social enterprise' (WISE). This is due to the lower productivity of disadvantaged employees that BBSK RSEs tend to hire—population shares significantly exceed the statutory minimum of 30% (this can also be seen as a clearly progressive trend).

**As of June 30, 2022, there were approximately 130 organizations that, although showing all the characteristics of a social enterprise, were not registered as such, and can therefore be considered as *de facto* social enterprises. These organizations represent an outreach opportunity for the BBSK local**

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<sup>2</sup> Only one out of a total of seven is established and controlled by a local government—in this case, a regional one. One RSE is not of the work-integration type, so it does not take a wage subsidy for its employees. It is also interesting to note that the RSEs active in the construction sector in the BBSK are usually young entities, all of which were established only a few months before obtaining the status of RSE (a maximum of five months).

**administration (hereinafter called 'BBSK Office').** Due to inconsistent reporting, there is limited information on this segment of SEs with specific regard to their financial statements, number of employees, or their participation in the use of public resources. Qualitative and quantitative surveys revealed a generally low level of identification with the social economy sector, particularly among nonprofit organizations and among those entities that are not active in the field of social services, social assistance, or social inclusion. This includes a diversity of organizations active in the fields of sports, independent culture, and regional development (mainly through the promotion of tourism), as well as of the 'sheltered workshops' typology.

Concerning the potential functions and activities of the ISC, it is possible to break them down in the following way: (i) activities aimed at supporting the BBSK social economy and social enterprise ecosystem; ii) activities aimed at supporting the capacity of social enterprises; and iii) activities aimed at the sustainability of the ISC. The evidence collected in this report is meant to capture the available opportunities existing at the moment of drafting the report. However, to adapt to potential changes together with the BBSK Office, the Bank team in consultation with the DG REGIO team, will modify or further add to the list of considerations to be evaluated in establishing of the ISC in order to identify the appropriate approach to support the regional ecosystem of the social economy.

**It is recommended that the BBSK Office adopt an incremental approach in establishing the ISC.** This approach would have many benefits: to ensure institutional anchoring and ownership, while preserving the independence of the center through a balanced stakeholders' representation and relations with political power; to shape the role of the ISC in a way that helps expanding the number of entities that operate as SEs, easing the transition from *de facto* to *de jure* SEs; to expand the analysis and support functions beyond WISE to the different typologies and areas of activity of social enterprises and other social economy entities; to promote the establishment and support the functioning of an effective monitoring and evaluation (M&E) system to track the impact of SEs in the BBSK; and, to conceive the role of the ISC as an entity aimed at connecting different actors' functions, resources, and capacities, with emphasis on avoiding duplications and catalysing synergies and complementarities, in collaboration with other public entities that provide similar support functions.

**Potential risks associated with the establishment and operationalization of the ISC concern mainly its financial and institutional sustainability.** Suggested mitigation measures include the following: the diversification of income sources; complementing the envisaged receipt of European Structural and Investment Funds (ESIF) through a remunerated services provision; and the preservation of some degree of autonomy from direct (and potentially shifting) political control.

**The report is structured into six chapters.** The report begins with an introductory chapter, framing the context, nature, and focus of this report, followed by a chapter illustrating the methodology and sources of data applied to the research, including subheadings on the quantitative analysis of registered social enterprises, quantitative analysis of nonregistered social enterprises, and qualitative analysis of the social economy sector in the BBSK. A chapter follows to provide insights into the social economy ecosystem (including subheadings on legislation and the administrative context), definitions of social economy, social enterprises and registered social enterprises, financial resources needed to support social enterprises and their accessibility, and other support tools and institutions. Highlights on the profile of social economy and social enterprises in the BBSK include subheadings on the sector in the region, active social enterprises, and an assessment of the capacity of active RSEs. The considerations for determining the operationalization of the ISC follow to include subheadings on the rationale: the

need and opportunities to strengthen the regional ecosystem; inputs from international best practices; the scope and options for defining ISC functions, activities, and services; and its institutional and organizational set up. The report concludes with key recommendations to consider going forward in operationalizing the ISC and tailoring its actions to regional needs.

## 1. Introduction

**Within the European Union (EU) there are 2.8 million social economy enterprises, representing 10% of all businesses in the EU.** More than 13 million people—about 6.3% of the EU’s employees—work for social economy enterprises<sup>3</sup>. Social economy and social enterprises contribute to job creation, inclusion, facilitate access to equal opportunities, foster sustainability, and promote civic participation. Increased attention from policymakers and key organizations is driving data collection and knowledge exchanges to address some of the key challenges in maximizing the potential of social economy and social enterprises (SEaSE).

**The European Commission (EC) presented the Social Economy Action Plan (COM(2021) 778) in December 2021.** With this action plan, the EC proposed a coherent set of measures aimed at creating enabling conditions for social economy to fulfil its potential to contribute to fair, sustainable, and inclusive growth. In 2020, the Organisation for Economic Co-operation and Development (OECD) launched the Global Action “Promoting Social and Solidarity Economy Ecosystems”<sup>4</sup>, funded by the European Union’s Foreign Partnership Instrument, that has covered more than 30 countries—including the Slovak Republic—over a period of three years.

**The Slovak Republic is making efforts to support the social economy and social enterprises; however, further support measures—especially in regard to data collection—are required to maximize the potential of the sector.** Collecting evidence and raising awareness of the role and nature of social economy as the driver of a more balanced and inclusive socioeconomic development should be the basis of further sectoral actions. Data collection from the sector is also required to accurately quantify the economic and social benefits of social enterprises, whether at the national or subnational level. There are partial data, some of which are presented in this report, which demonstrate the capacity and potential of social enterprises to address several societal challenges.

**In 2018, comprehensive legislation on social economy and social enterprises<sup>5</sup>, Act 112/2018 Coll., (hereinafter referred to as the ‘Act on SEaSEs’) was introduced at the national level.** The law considers social enterprises as part of the social economy, which is defined under Section 3 of the Act on SEaSEs as “the sum of productive, distributive or consumer activities carried out through economic or non-economic activities independently of public authorities, the main objective of which is to achieve a positive social impact”. As further detailed in the next chapters, the classification of social enterprises includes ‘*de jure*’ (or registered) and ‘*de facto*’ social enterprises. Following the adoption of the legislative framework, dedicated financial and nonfinancial support instruments were created, and attention was also focused on building a support ecosystem. The promotion of social enterprises and the support of social entrepreneurship are also among the priorities of the EU’s European Social Fund Plus (ESF+) in the Slovak Republic in the period up to 2030.

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<sup>3</sup> Source: COM(2021) 778.

<sup>4</sup> For more information, see [OECD Global Action on Promoting Social and Solidarity Economy Ecosystems](#) (Accessed on 2.1.2023).

<sup>5</sup> Act 112/2018 Coll. [On Social Economy and Social Enterprises](#) (amended on 2.1.2023).

One of the main challenges in the development of the social economy in the Slovak Republic is the need to expand the scope and perception of social enterprises, which is predominantly focused on work integration social enterprises (WISE)<sup>6</sup>, and to take the principles of social entrepreneurship further into currently underserved areas, such as housing, energy, education, social services, and culture, as well as new areas, such as green and circular economy, digitalization, and others. All these areas are important for the inclusive and sustainable development of the regions.

The Banská Bystrica Self-governing Region (BBSK) is included in the joint European Commission and World Bank initiative, called the Catching-up Regions Initiative (CuRI), with the broad aim of addressing the region's socioeconomic challenges, among which is social economy. As part of the CuRI action plan<sup>7</sup>, the BBSK has expressed the need to support SEs in the region by establishing an Integrated Support Center (ISC) under the leadership of the Development Agency of the BBSK (Rozvojová agentúra BBSK) which aims to provide coordinated support services to existing and future SEs.

To inform the establishment of the ISC, an analysis was carried out on the local ecosystem to identify challenges and bottlenecks to maximizing the potential of the social economy sector in the BBSK. This report summarizes the results of the research conducted: it maps the existing registered and nonregistered regional enterprises (it is to be noted here that despite the existence of specific targeted legislation aimed at primarily supporting registered social enterprises, many companies or organizations that would fulfil the criteria of SE fail to register as such<sup>8</sup>); it analyzes the existing entrepreneurship ecosystem; it identifies the main opportunities and obstacles to its consolidation and upgrading; and it proposes a framework for the establishment and operation of the envisaged ISC.

More specifically, this report is structured as follows:

- **A chapter illustrates the methodology and sources of data that have been used in the analysis.** The content includes the following: a quantitative analysis of the registered and nonregistered social enterprises, with related limitation factors; a qualitative analysis of the social economy sector; and a mapping of the ecosystem of social enterprises in the BBSK. The chapter discusses the size and main characteristics of the social economy sector. Through the identification of the development trends, it identifies the main stakeholders of the regional social economy sector, as well as the social economy operations that although delivering *de facto* such activities, have not applied for the status of a registered social enterprise for a variety of reasons.

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<sup>6</sup> Mainly due to the supply-driven approach *via* EU funding for projects aimed at establishing social enterprises.

<sup>7</sup> <https://old.bbsk.sk/%C3%A9Arad/Organiza%C4%8Dn%C3%A9jednotky%C3%A9AraduBBSK/OddelenieCatching-UpRegions/3etapaCatching-UpRegionsvBanskobystrickomsamospr%C3%A1vnomkraji/Komponent2.aspx>

<sup>8</sup> The motivation for (non-)registration is not the object of this report. However, the research conducted suggests that nonregistration is anchored in a restricted perception of social entrepreneurship being associated predominantly with work integration, and the absence of nonrepayable financial support instruments for types of social enterprises other than WISEs. This results in a situation where in parallel with the group of so-called registered social enterprises (registered according to the current legislation on social economy and social enterprises) there exists and operates a group of other organizations, which act as *de facto* social enterprises in the sense of the international classification, but do not identify themselves as such. The development of this segment of social enterprises is equally important and should be encouraged.

- **A chapter maps and profiles the types of social enterprises in the broader social economy ecosystem**—including the size and main characteristics of the sector, development trends, and the main typologies and categories of stakeholders.<sup>9</sup>
- **A chapter outlines the social entrepreneurship ecosystem in the region**—as defined by the political and legal frameworks, and by the financial and nonfinancial support instruments (also, their accessibility and use). The chapter presents other support institutions (for instance, those providing education or research services on social entrepreneurship).
- **Two separate chapters focus on the proposed design of the ISC as part of an enhanced ecosystem for social entrepreneurship**—they include (i) potential functional areas in which the ISC could concentrate its actions and services, also in collaboration with other actors and organizations, and (ii) options for its institutional structuring and anchoring.

## 2. Methodology and Sources of Data

The research that forms the basis for the findings presented in this document was conducted combining quantitative and qualitative methods. Different objectives and indicators were pursued in the case of registered social enterprises and nonregistered social enterprises. While in the case of registered social enterprises it was possible to monitor indicators related to their financial situation, employment, and participation in public procurement, methodological challenges arose in identifying and quantifying social enterprises that have the characteristics of a social enterprise but do not have the status of a registered social enterprise.

### 2.1 Sources of Data for Registered Social Enterprises

The aim of the quantitative analysis was to review the current state of social enterprises operating in the BBSK Region, based on an analysis of administrative data collected by several central government organizations. Priority was given to publicly available databases<sup>10</sup>, such as the Register of Social Enterprises<sup>11</sup>, as sources of basic information. The register is maintained by the Department of Social Economy of the Ministry of Labor, Social Affairs and Family (MoLSAF) of the Slovak Republic and is accessible on its web page. Regularly updated, the register provides access to a list of social enterprises in the BBSK Region registered up to June 30, 2022 (as consulted for the drafting of this report). However, the Register of Social Enterprises is not a complete source of information on the size of the social economy sector in the Slovak Republic, since not all entities involved in social economy are obliged to register. Registered social enterprises (RSEs) represent a category of social enterprises along with nonregistered entities that, in fact, operate similarly to RSEs, contributing to the social economy.

Data on the business activity of social enterprises is drawn from the yearly financial statements of individual RSEs published in the [Register of Financial Statements](#), maintained by the Ministry of Finance of the Slovak Republic. In these, an organization may list a maximum of two activities. Where possible,

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<sup>9</sup> This includes ‘*de facto*’ social enterprises, that is, those organizations that, although exhibiting all the characteristics of a social enterprise, have not applied for the status of a registered social enterprise for a variety of reasons.

<sup>10</sup> In one case, a database obtained through a request for information disclosure, made under Act 211/2000 Coll. on free access to information, was used.

<sup>11</sup> <https://www.employment.gov.sk/sk/praca-zamestnanost/socialna-ekonomika/>

this information has been verified through the organization's website, the [Catalogue of Social Enterprises](#) designed by the Implementation agency of MoLSAF, or through other available information. Selected information published in more user-friendly formats and the processing of individual indicators can also be obtained through [FinStat](#) subscription products. Information on business activity can also be obtained from other sources, such as the [Commercial Register](#), [Non-governmental and non-profit organizations Register](#), [Trade Register](#) and annual reports of individual social enterprises<sup>12</sup> that have not been considered for the purposes of the analysis.

**The dominant legal form among RSEs is that of limited liability companies (LLCs).** Others have adopted a legal form of not-for-profit or civil associations, for which information based on economic indicators is missing.<sup>13</sup> The quality of the data presented fully replicates the quality of the annual accounts submitted, offering an accurate indication of the economic situation and resilience of the entity presented. A source of data and information on the number and structure of employees is the Social Insurance Company, however this report does not include it<sup>14</sup>.

**Regarding employment data, the sources of information on the number of RSE employees are the annual reports of the individual RSEs and the survey carried out by MoLSAF<sup>15</sup>.** The survey is conducted monthly; however, the response rate by the consulted RSEs is low, and is not provided on a regular basis, which likely suggests incomplete data.

**Information on the participation of RSEs in public procurement processes was drawn from the [Central Register of Contracts](#),** where all contracts concluded with public and state administration bodies are obligatorily published. Relevant and complete information in relation to public procurement is summarized by the Public Procurement Office. However, these data sets are not very precise; therefore, they were only used to a limited extent for this analysis<sup>16</sup>.

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<sup>12</sup> These sources provide a complete list of the trades that the RSE has registered in its founding documents, that is, also the activities in which it is not engaged, but is entitled to provide. It is not uncommon for the list of authorized activities to routinely include over 20 different trades, in which, in the vast majority of cases, social enterprise is not engaged.

<sup>13</sup> Out of a total of 83 RSEs registered in the BBSK as of June 30, 2022, seven have the legal form of a nonprofit organization. However, two out of these seven organizations returned to their RSE status earlier in 2022. In fact there are only five RSEs representing the legal form of a nonprofit organization out of 80 active RSEs. There were 83 RSEs registered in the BBSK Region in the monitored period. However, three RSEs (two of them have the legal form of NGOs) returned the status of RSE. Thus, it can be stated that although 83 RSEs were registered in the BBSK, only 80 are active.

<sup>14</sup> The Social Insurance Company, in accordance with Act 461/2003 Coll. on social insurance, did not provide information at the level of individual social enterprises, as the legislation in force allows the Social Insurance Company to provide this data only in the case of the consent of the employer concerned. Such consent does not exist for individual registered social enterprises; therefore, the information on the number of employees collected by the Social Insurance Company is unavailable for this analysis.

<sup>15</sup> It would be expected that information on the number of disadvantaged and vulnerable employees for whom RSEs draw job subsidies from the active labor market policy could be obtained from MoLSAF. However, the scope and level of detail of the data collected do not allow their application for the purpose of the analysis.

<sup>16</sup> Given the volume of data collected by the Public Procurement Office and the number of procurement procedures carried out in the country, this office does not extract from existing databases specific information related to registered social enterprises (as these would have to be identified by individual identification).

**For the analysis of trends in registered social enterprises, the use of public funds was also taken into consideration.** Public funding includes the following categories: the “compensatory subsidy” (*vyrovnávací príspevok*), intended exclusively for the needs of registered WISEs and other active labor market measures; the nonrepayable component of the so-called investment aid, which is intended exclusively for the needs of social economy entities (as a broader category than social enterprise); and other public funds distributed through a spectrum of grant schemes and calls for projects. As in the case of data on the participation on public procurement, the presented data come from the [Central Register of Contracts](#), where all contracts concluded with public and state authorities are compulsorily published<sup>17</sup>.

**Data on support to RSEs from the European Structural and Investment Funds (ESIF) was taken from the [ITMS2014+ portal](#).** Information on the use of support aimed at mitigating the negative impacts of the COVID-19 pandemic was drawn from the database of [Transparency International](#), which has been analyzing the use of 'corona grants' in the long-term perspective.

**All collected data are processed into an Excel database—and shared with the BBSK Office—which constitutes an integral part of this document.** Where available, the information is presented in a time series to illustrate the year-to-year evolution of an entity since its registration as a social enterprise<sup>18</sup>.

## 2.2 Quantitative Analysis of Non-registered Social Enterprises

**Data on nonregistered social economy entities** was drawn from several databases. These include the following:

- The [Register of Not-for-profit Organizations](#) maintained by the Ministry of the Interior
- The [list of sheltered workshops and sheltered workplaces](#) maintained by the Centre of Labour, Social Affairs and Family (COLSAF)
- The [Central Register of Social Service Providers](#) maintained by MoLSAF

**According to Act 112/2018 Coll. on social economy and social enterprises (Act on SEaSEs), social economy entities that fulfill different conditions can adopt a relatively wide range of legal forms, both of a for-profit and non-profit nature.** While for-profit entities were not considered for the analysis (due to the already large number of registered business companies and individual entrepreneurs), entities of a nonprofit character were taken into account. The nonprofit category includes different legal forms of civil associations, foundations, noninvestment funds, and nonprofit organizations providing generally beneficial services or special-purpose organizations of the church.

**Based on the data of the Register of Non-profit Organizations maintained by the Ministry of the Interior of the Slovak Republic, there are 10,010 such organizations on the territory of the BBSK as of June 30, 2022.** A large proportion of these are organizations that show little or no signs of active existence or have, for various reasons, ceased their activity. Not-for-profit organizations in the process

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<sup>17</sup> As in the case of information presented in the context of public procurement, indicated values refer to the contracted amount and not to the amount actually spent.

<sup>18</sup> The length of the time series varies from case to case and is determined by the age of the particular social enterprise. The information is collected from the year in which the social enterprise was registered as a legal entity; for older entities, the information is collected from 2015 onward. The database also visually differentiates the period from when the entity obtained the status of a registered social enterprise.

of liquidation, bankruptcy, or closure (832 organizations), and those that did not submit their financial statements for 2021 were excluded from the analysis<sup>19</sup>.

**Registration in the registers of tax assignees maintained by the Chamber of Notaries of the Slovak Republic is generally considered to be a manifestation of activity of a nonprofit organization.** Tax assignation is a method of direct support to nonprofit organizations by income tax payers<sup>20</sup>. Eligibility for tax assignation is limited to registered and active organizations. The number of recipients of tax assignation varies from year to year; in 2021, there were 1,067 nonprofit organizations registered in the BBSK Region that were entitled to receive tax assignation. However, a large number of organizations in this group were established mainly for collecting tax assignation and supporting a specific entity and/or purpose (for example, civic associations of parents operating alongside a specific school, which use the collected amount to support a specific school or civic associations whose aim is to support the treatment of a seriously ill specific patient, or the support of a specific hospital).

**Another qualifying attribute of nonprofit organizations is the use of funds from public sources.** Eligibility for the use of public funds is limited to active organizations and excludes organizations whose main purpose is to collect tax assignation to benefit one particular institution or person (see text above), and to fulfil only fundraising objectives. The use of public funds has been verified through the Central Register of Contracts, in which every contract signed by any public or state institution must be listed by law.

**Summarized in the following table is the list of social economy organizations—a total of 457 entities—that were eventually retained for the analysis, based on the Register of Non-profit Organizations.**

**Table 1. Method for Determining which Group of NGOs are Considered as Social Economy Actors**

Number of Organizations Listed in the Register of Non-profit Organizations Operating in the BBSK	10,010
- Of which are organizations that are in the process of liquidation, bankruptcy, or closure	- 832
- Of which are organizations that have not filed a financial closure for 2021	- 5,914
- Of which are organizations are established/controlled by the state	- 6
- Of which are political parties	- 29
- Of which are organizations that are not recipients of tax assimilation for the year 2021	- 2,197
- Of which are organizations not listed in the Central Register of Contracts	- 575
<b>Number of entities retained for the analysis: TOTAL</b>	<b>457</b>

Source: Authors' calculation, based on publicly accessible databases.

**The second database through which social economy entities were identified, some of which may be de-facto social enterprises, is the register of sheltered workshops and sheltered workplaces.** This is

<sup>19</sup> In several cases, however, nonprofit organizations, in particular civil associations, are not obliged to submit financial statements, but the preparation and submission of financial statements is considered by consensus to be a sign that the organization is active and has financial resources, even if limited, at its disposal. Organizations that did not submit financial statements for 2021 numbered 5,914.

<sup>20</sup> Tax assignation is a mechanism for direct support to NGOs and the nonprofit sector. Taxpayers can direct 2% or 3% of their taxes to the nonprofit sector, subject to a minimum amount of € 3. Persons who have carried out volunteering of at least 40 hours *per* year may allocate 3%. Legal entities may allocate 2% or 1% of the tax, subject to a minimum allocation of € 8. Two percent can be allocated by an entity that has donated funds of at least 0.5% of the tax paid.

maintained by MoLSAF. ‘Sheltered workshops’ or ‘sheltered workplaces’ are two active labor market policy measures implemented under Act 5/2004 Coll. on employment services, with the aim of promoting the employment of people with disabilities. A sheltered workplace is a subsidized workplace for a specific person with a disability, which is created by a regular employer or by the person with a disability themselves. In terms of examining *de facto* social enterprises, sheltered workplaces are not taken into account for the purpose of this analysis.

**Sheltered workshops are aligned through their objectives to WISE operations.** However, in their case, potential profits can be used for the benefit of shareholders, and unlike WISEs, there is no participatory governance obligation. It is possible that a large proportion of sheltered workshops have all the attributes of a social enterprise. The database of sheltered workshops is therefore seen as a relevant source of information for the identification of *de facto* social enterprises.

**The list of sheltered workshops and sheltered workplaces operating in the territory of the BBSK included 574 entities as of June 30, 2022.** After removing sheltered workplaces and sheltered workshops established by state institutions, the final number of sheltered workshops accounted for as part of *de facto* social enterprises is 118, presented in the table below.

**Table 2. Method of Determining the Number of Sheltered Workshops as *de facto* Social Enterprises**

Number of Organizations Listed in the Registers of Sheltered Workshops and Sheltered Workplaces	574
- Of which are sheltered workplaces	- 442
- Of which are sheltered workshops set up by government organizations	- 14
<b>Number of entities taken into account: TOTAL</b>	<b>118</b>

Source: Authors’ calculation, based on publicly accessible databases.

**Another relevant source for the identification and quantification of social economy entities operating as *de facto* social enterprises is the Central Register of Social Service Providers.** This is maintained by MoLSAF and contains information on organizations that are authorized to provide social services under Act 448/2008 Coll. on social services. According to this database, 124 nonpublic entities have been identified in the territory of the BBSK, which together provide 729 types of social services. According to the Social Services Act, these must have a nonprofit character and have a public benefit objective. When the condition of participatory governance is fulfilled, these organizations can be considered as *de facto* social enterprises.

**In compiling this report, attention was given to avoid overlaps between various databases.** For instance, entities registered as nonprofit organizations in the Register of Non-profit Organizations can also appear in the registers of sheltered workshops. In going through the registers, five organizations were registered in both the sheltered workshops and nonprofit registers and 50 appeared in both the social service providers and nonprofit registers.

**Combining the three databases as relevant sources for the identification of *de facto* social enterprises operating in the BBSK Region, the research identified a total of 644 social economy entities.**

**Table 3. Number of Identified Social Economy Entities Active in the BBSK , Based on Three Databases**

Number of nonprofit organizations taken into account	457
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Number of sheltered workshops taken into account	118
Number of social service providers taken into account	124
Overlap of sheltered workshops and social service providers with nonprofit organizations	55
<b>Total number of entities taken into account</b>	<b>644</b>

Source: Authors' calculation, based on publicly accessible databases.

**Quantitative analysis was carried out through an online questionnaire survey of *de facto* social enterprises.** This built on the results of pre-research conducted in August 2022, using semi-structured interviews with seven social entrepreneurship actors in the BBSK, and focused mainly on the issues of self-identification with the principles of social entrepreneurship and self-perception in the role of social enterprises. From the group of identified social economy actors, 200 were selected to be included in the online questionnaire survey, combining results of all three databases, and considering the size of individual groups. The return rate of the questionnaire, despite the issuance of several reminders, was only 12%, with the largest group of respondents being social service providers. This was expected and confirms the experience of several entities (for example, the Office of the Government Plenipotentiary for Civil Society) on the relatively low responsiveness of consulted NGOs.

### 2.3 Qualitative Analysis of the Social Economy Sector in the BBSK

**To complement the quantitative analysis, a qualitative analysis was carried out through questionnaires, interviews, and focus group discussions.** The objective was to obtain additional information, perceptions, and experiences of the registered social enterprises in relation to their participation in regional supply-chain networks and public procurement processes and formulate recommendations on support needed by RSEs that could be provided by the envisioned ISC. For this purpose, a questionnaire was distributed to a sample of registered social enterprises active in the BBSK Region as of June 30, 2022. The questionnaire received 40 responses from RSEs, out of a total of 83 contacted entities, for a return rate of 48%.

**The results of the quantitative research were validated through a series of semi-structured interviews with key social economy stakeholders.** A total of seven interviews were conducted during the pre-survey phase and another eight were conducted to assess the status and development of BBSK social enterprises.

**Three thematic focus groups were also conducted: the first one was focused on the role of social enterprises in the agricultural sector; the second with financial intermediaries providing support to social economy entities; and the third focus group covered the awareness, inclusion, and sustainability of the social economy sector.** Discussion guides for the three focus groups are included in Annex 1. The discussions around the role of SEs in agriculture were structured around two main points: (1) to understand the ecosystem of social agriculture and farming in order to maximize its potential for operators; and (2) to provide insights into establishing social economy operations in agriculture or scaling up existing operations, with the aim to provide employment to disadvantaged and vulnerable groups, including Roma. Insights from participants pointed to significant challenges in skill matching of especially young people who, additionally, have limited knowledge of both agriculture and social economy. This is why having a local/regional organization to support their efforts within the labor market (especially for the new entrants) would be beneficial for the region and for the social economy ecosystem. While there would be local entrepreneurs willing to start up social economy operations in

agriculture, the local businesses, especially small ones, cannot compete with large producers or producers from abroad; these limitations also impact participation in public procurement.

Concerning public procurement, increasing the knowledge of social enterprises would be instrumental to contribute to social impact. The discussion with financial service providers and other relevant stakeholders providing financial support to social economy entities had the broad aim to understand the dimension of the ecosystem pertaining to the access to finance, and the identification of challenges and opportunities for social economy, for both registered and nonregistered operators. Human capacity was considered a bottleneck on both sides (supply and demand); on one hand, there is the feeling that there are not enough resources, while on the other hand, financial institutions are complaining about the low absorption capacity. Regional Offices in the Slovak Republic, and other stakeholders, often have limited knowledge on social economy and about the aid for which SEs are eligible. The high percentage of co-financing is a big problem for SEs—they cannot afford it when it comes to the “investment help for SEs” project. There is a high administrative burden for the financial institutions, as they have to do their own ‘background checks’ on SEs. Having an improved system in terms of monitoring the social impact of SEs would help both the SEs and financial institutions.

Discussions on inclusion and sustainability with policymakers and academia had the broad aim to understand the ecosystem of the social economy in order to maximize its potential for operators, including to grow the sector and the number of registered social economy entities. Awareness and understanding of the social economy and its benefits were highlighted as a main challenge. Having platforms that bring together SEs and the public administration, the private sector, and other entities would greatly help in promoting the sector. Including social economy in university programs would contribute to the education of young people and young entrepreneurs. Discussions overall were candid, with a depth and richness of ideas—many contributed to developing the recommendations in operationalizing the ISC in this report and establishing the Social Economy Community of Practice (SECoP).

**In addition, desk research and a review of secondary data were carried out.** Examples are the examination of previously conducted analyses of the social entrepreneurship situation in the Slovak Republic, and the development of the legislative framework or trends in the development and support of social enterprises abroad.

**The working arrangement allowed for sharing partial findings on a regular basis with representatives of the BBSK Office.** This allowed for the opportunity to comment and orient the next steps of the research, thus better reflecting the objectives of the region in the social economy area.

## 2.4 Methodological and Data Collection Limitations

**In the context of the quantitative analysis of RSEs, several limitations apply to the available data sets**—including data quality and consistency. More specifically, the limitations relate in particular to the following aspects:

- **The comparability of data** between social enterprises registered under different legal forms
- **The absence of data specific to social enterprises**, which is perhaps most acute in the context of public procurement, or when monitoring the use of various indirect forms of support, such as reduced VAT rate

- **The comparability of financial statements for RSEs representing non-profit legal forms**—the format of financial statements presented by non-profit organizations or civil associations is hardly comparable with the RSEs registered as limited liability companies, which represent the dominant legal form among RSEs.
- **The accessibility and availability of data for some years<sup>21</sup> and the inconsistent format of annual reports<sup>22</sup>**—for example, there are differences between contracted and spent amounts, and even instances where the contracted amount is significantly higher than annual revenues or sales; these anomalies are not always fully explained.
- **The return rate of surveys was significantly low and therefore cannot be seen as representative**—however, this does not detract from the valuable data collected.
- **The particularity of data derived from focus group discussions and semi-structured interviews**—while opinions were invaluable in highlighting the challenges experienced by the operating RSEs, some RSEs operate in such niche sectors, such that the experiences may not be universally relatable. Nonetheless, the views and opinions of operators provided important recommendations for consideration by the BBSK in the establishment of the ISC.

### 3. Social Economy Ecosystem in the BBSK

**When assessing the social economy ecosystem, there are dimensions taken into account to provide insights on the operating ecosystem.** In addition to contextual, historical, and cultural aspects, the analysis takes into consideration the following:

- i. The legislative and administrative framework
- ii. The main definitions and types of social economy entities
- iii. The financial resources and their accessibility
- iv. Other enabling/support organizations aimed at investigating/framing and promoting the role/position of social economy entities in the broader socioeconomic context

#### 3.1. Legislative and Administrative Framework

**The overall administrative and legal framework for social economy and social entrepreneurship in the BBSK Region functions as regulated from the central level; it is regionally applied similarly across the Slovak Republic's other regions<sup>23</sup>.** The Slovak Republic, like the other EU Member States, respects the principle of subsidiarity, which respects the decision-making rights of local and regional self-government

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<sup>21</sup> Given that the annual reports for 2021 were not available at the time of completing this report, the information on the number of employees shown for 2021 and 2022 comes from a survey carried out by MoLSAF. For the years 2021 and 2022 in the database, we show the values reported as of June 30 of the year in question. Data relating to the years before 2019, if listed, are drawn from the annual financial statements, which in the earlier period also provided data on the number of employees. However, these data are only indicative.

<sup>22</sup> Some annual reports report the average number of <sup>staff</sup> during the year under review, others report the absolute number of staff at the end of the calendar year. Although the reporting category is not identical, the information sufficiently and reliably illustrates the structure of the RSEs' staff in a particular year, and the information can be considered relevant.

<sup>23</sup> As a large part of the support instruments is financed by ESIF in view of the rules of the EU Cohesion Policy, a different system is applied in the case of organizations active in the Bratislava Region compared to the rest of the country.

and recognizes local/regional government initiatives aimed at supporting development initiatives. This includes specific efforts led by the BBSK Region to promote and support social enterprises in full compliance with national legislation.

**While the Act on SEaSEs represents the main legal framework on social economy<sup>24</sup>, Act 366/2015 Coll. on Support to the Least Developed Districts has implications for the sector at the regional level.** It was intended as one of the main instruments for balancing regional disparities and offers ways to channel national funds for the implementation of development projects in districts that have been economically lagging for a long time<sup>25</sup>. Through this act, social enterprises located in the least developed districts have the opportunity to apply for additional financial support through dedicated calls. The act can be considered an affirmative action aimed at improving the conditions of lagging districts<sup>26</sup>.

**In addition to legislative support, which is required for the functioning of social enterprises, administrative support also plays a major role.** At the regional level, successive political leaderships in the BBSK Region have expressed and shown recognition of the potential of social economy as a tool for reducing unemployment and reducing poverty<sup>27</sup>. Evidence of the regional authority's aims demonstrates the inclusion of the social economy and social enterprises support among the key activities of the regional development agency in the BBSK. Moreover, the BBSK Office is the founder of three social enterprises, two of which have the status of registered social enterprises<sup>28</sup>.

### 3.2. Definitions and Types of Social Economy Entities

**From a legislative perspective, social enterprises are considered part of the social economy and fall under the broader term 'social economy entities'.** These are defined in Section 4 of the Act on SEaSEs as civic associations, foundations, noninvestment funds, nonprofit organizations, special-purpose organizations of a church, commercial company, cooperative, or entrepreneur who is an employer, if the following criteria are met:

- a) They are not majority-controlled by a public authority, they are not largely financed by a public authority, they do not appoint or elect the statutory body or more than half of its members, and they do not appoint or elect more than half of the members of the management or supervisory body

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<sup>24</sup> The Act on SEaSEs brings a comprehensive legislative regulation for the functioning of social enterprises. The adoption of the act was perceived at the time of its drafting as one of the three pillars of comprehensive support for social economy and social enterprises, the second pillar being the provision of access to financial resources, and the third being the provision of supporting infrastructure in the form of administrative support, technical assistance, education, and capacity-building. The Act on SEaSEs also sets the regulatory foundation for the other two pillars.

<sup>25</sup> The least developed districts are identified based on the registered unemployment rate and out of a total of 20 least developed districts, four (Lučenec, Poltár, Revúca, and Rimavská Sobota districts) are located in the BBSK.

<sup>26</sup> In the overall context of social economy support, this act is not a key piece of legislation, but in the context of the BBSK Region, as well as other regional municipalities with a high representation of lagging districts, it is nevertheless significant.

<sup>27</sup> No less important are the statements and personal attitudes of the region's leaders, who repeatedly declare their willingness to cooperate with NGOs and other social economy entities.

<sup>28</sup> The third one is not registered because it is a nonpublic provider of employment services, and the legislation does not allow the parallel status of registered SE and employment agency.

- b) They carry out an economic activity or a noneconomic activity in the framework of social economy activities
- c) They carry on business or other gainful activities under special regulations, they do not carry them out solely for the purpose of making a profit, or they use the profit therefrom in a manner provided for in the Act on SEaSEs

**Accordingly, all entities carrying out a wide range of public benefit activities can be considered as social economy entities.** However, this does not mean that there is an automatic correspondence between social economy entities and social enterprises. More specifically, a social economy entity becomes a social enterprise if the following criteria are met:

- a) It carries out economic activity on a continuous basis, independently, in its own name and on its own responsibility
- b) It has as its primary objective the achievement of a measurable positive social impact
- c) The goods or services it produces, supplies, provides, or distributes, or the way in which they are produced or provided, contribute to the achievement of a positive social impact
- d) It makes a profit from its activities, uses more than 50% of the profit after tax to achieve the main objective referred to in point (b)
- e) It involves interested persons in the management of its economic activity

**The conditions mentioned above for the recognition of a social enterprise are defined in Section 5 of the Act on SEaSEs.** However, their definition is based on the international qualifications of a social enterprise and is fully compatible with the definition of a social enterprise as set out in the EaSI Regulation<sup>29</sup>, and is also consistent in principle with the definition used by the EC's Social Business Initiative. Social entrepreneurship is a specific way of doing business, characterized by its public benefit objectives, positive social impact orientation, rules for redistributing potential profits and stakeholder participation in decision-making. Social enterprises are therefore not to be confused with other entities that do not apply any of the principles listed above. The adoption of the Act on SEaSEs, in addition to establishing the definition of a social enterprise in the Slovak legislative environment, also introduced the term "registered social enterprise" (RSE). This is a status that can be applied for by any subject of the social economy that has fulfilled the principles of a social enterprise. By obtaining the RSE status, the entity gains access to specific financial and nonfinancial support instruments designed specifically for the needs of registered social enterprises<sup>30</sup>.

### 3.3. Financial Resources and Their Accessibility

**One of the conditions for effective operation and growth of the social economy and social enterprises, that is commonly examined when assessing the functionality of the support ecosystem, is the availability of financial resources and their accessibility.** In addition to repayable financial resources, which can include a wide range of financial instruments, nonrepayable resources, distributed in the form of grants and subsidies, are also important, as these are necessary to foster positive social impacts. The

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<sup>29</sup> Regulation (EU) No 1296/2013 of the European Parliament and of the Council of December 11, 2013 on a European Union Programme for Employment and Social Innovation (EaSI) and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion.

<sup>30</sup> Social enterprises that have obtained the status of RSE are automatically entered in the Register of Social Enterprises, which is maintained by MoLSAF.

Act on SEaSEs divides financial support measures in regard to i) repayment terms (repayable and non-repayable), and ii) investment objectives, which are in turn differentiated between investment aid (which mainly concerns the establishment and growth of SEs) and compensatory aid (which is intended to compensate for the competitive disadvantage that social enterprises face in relation to commercial enterprises because of the predominance of societal objectives in their activities).

**The Act on SEaSEs sets the conditions for the redistribution of financial support without funds directly linked to this specific law.** It is therefore up to the line ministries and other public and governmental organizations to create and implement financial support instruments for the benefit of social enterprises. Current practice suggests that apart from MoLSAF, which has created a financial support scheme for registered WISEs, and partially the Ministry of Investment, Regional Development and Informatization (MIRDI), which implements, albeit to a limited extent, support for social enterprises active in the least developed districts, no other ministry is dedicated to the support of social enterprises.

**The structure of support instruments, dominated by support for WISEs, determines to a large extent, the structure and typology of active social enterprises.** The absence of financial support instruments, especially of a nonreimbursable nature, for other than WISEs, is one of the most frequent reasons given by *de facto* social enterprises for their lack of interest in obtaining the status of registered social enterprise.

### 3.3.1. Support Scheme Implemented by MoLSAF

**RSEs, as well as other employers, have the possibility to apply for job subsidies aimed to support employment** distributed by the local Labor, Social Affairs and Family Offices, based on active labor market policy (ALMP) programs. However, in the case of WISEs, the possibilities are broader, as by obtaining the status of WISE RSEs, they are eligible to apply for a specialized contribution, the so-called compensatory subsidy (§53g of the Employment Services Act), through which the WISE is subsidized for the employment of disadvantaged or vulnerable employees; only WISE RSEs can benefit from the subsidy<sup>31</sup>. The intensity and duration of the support depends on the type and extent of the individual employee's vulnerability and/or belonging to a disadvantaged group<sup>32</sup>. By accepting the subsidy, the RSE does not lose the option of applying for other ALMP programs or measures, but the double financing of a single activity must be avoided. However, the structure of public financial support is clearly labelled as support obtained through the 'compensatory subsidy'.

**Based on administrative data, as of June 30, 2022, there were 72 WISEs out of a total of 82 WISEs operating in the BBSK Region that signed a contract with the local labor office for the allocation of the compensatory subsidy<sup>33</sup>.** The total amount of support implemented under the compensatory subsidy in

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<sup>31</sup> A subsidy offers support up to 75% of the disadvantaged employee's total labor cost, with a maximum of 75% of the total labor cost, calculated on the average wage of the employee in the economy of the Slovak Republic—the maximum financial support for 2022 is therefore € 1,186.37 *per month per* employee from a disadvantaged group.

<sup>32</sup> Financial support varies between 25%–75% of the total labor cost within the limits set; its duration ranges from six months up to a longer term; support ends only when the supported person retires, with the most favorable conditions concerning the wage subsidy for disabled employees.

<sup>33</sup> In the case of the ten that do not benefit from the 'compensatory subsidy' support, it is not clear, on the basis of the available administrative data, why the support contract was not signed. However, as in most cases, these are entities that have obtained the status of RSE only in 2022, so it can be assumed that the signing of the contract will take place in the near future.

2021 amounted to € 4,904,284, averaging € 68,115 per one WISE RSE<sup>34</sup>. It can therefore be summarized that the ‘compensatory subsidy’ paid under §53g of Act 5/2004 on Employment Services in favor of WISEs in 2021, represents almost 30% of the RSE’s revenue in that year<sup>35</sup>.

**Support received in the context of other ALMP measures<sup>36</sup>, as well as through other sources was rather marginal<sup>37</sup>.** Other sources consist of demand-driven ESIF-funded project calls announced by individual operational programs. A further 16 RSEs registered in the BBSK Region were involved in aid programs aimed at mitigating the negative impact of the COVID-19 pandemic on employment.<sup>38</sup> Apart from the nonrepayable financial support schemes implemented by MoLSAF and COLSAF, no other support schemes distributed at the national level have a significant financial impact.

### 3.3.2. Support Schemes Implemented by the BBSK Regional Development Agency

**In the context of supporting the social economy at the local level, subsidy schemes financed from the regional or local government’s own resources play an important role.** These are financial schemes with a rather limited significance in terms of the support provided (the amount of support received does not usually exceed € 5,000), but is still significant as part of the broader ecosystem for the development of the social economy at the local level. The BBSK Office provides a subsidy scheme aimed at supporting activities/camps for children and young people from the BBSK Region. The approved budget for 2022 amounted to € 300,000, allowing for the yearly support of dozens of small local initiatives implemented mainly by social economy entities, such as local sports clubs.

### 3.3.3. Repayable Financial Assistance

**Repayable financial assistance plays an important role in the system of financial support for social enterprises.** However, this type of support is still not sufficiently applied in the Slovak Republic’s regions and organizations still prefer the nonrepayable form of aid distributed in the form of grants or subsidies. Following international trends and pressure from European funds (in particular the ESF and the European Regional Development Fund [ERDF]) through which the call for result-oriented funding is

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<sup>34</sup> In the case of WISEs that obtained the status of RSE before December 31, 2020, the amount redistributed in 2021 reached € 3,009,012, which is almost three times the amount distributed in favor of the same group of WISEs in 2020, when € 1,076,882 was distributed.

<sup>35</sup> The above percentage is only indicative, as a comparison of annual revenues, sales, and the amount of the contribution may give the impression that the amount of the subsidy has not been included in the revenues in the case of several RSEs. Such situations may be due to both miscounting and underspending of the allocated subsidy. As in the case of contracts signed following the outcome of a public procurement procedure (subchapter above), the administrative data analyzed does not provide information on the actual amount of resources committed; the information available relates only to the amount contracted.

<sup>36</sup> Several RSEs engaged in the employment of people with disabilities have benefited from the allowance for a job assistant (§59 of Act 5/2004 on Employment Services); others have received subsidy for employment support redistributed through other ALMP measures (in particular §54 of Act 5/2004 on Employment Services). In 2020, support amounted to € 78,838, and in 2021, to € 148,080.

<sup>37</sup> In the period 2019–2022, according to ITMS2014+ portal and the Central Register of Contracts data, only 15 contracts on nonrepayable financial contribution were signed, of which seven were related to the so-called nonrepayable component of the so-called investment aid intended for the benefit of social enterprises.

<sup>38</sup> The subsidy was available for the periods 2020 and 2021, but available information on the amount of support is not broken down by year, so the amount of aid is published in cumulative amounts for both years.

constantly intensifying, the spread of repayable forms of aid is growing. The repayable aid environment in the Slovak Republic is currently shaped by three main stakeholders, which are [Slovenská Sporiteľňa, a.s.](#) (ERSTE group), [CB ESPRI](#), and Social Innovators.<sup>39</sup>

**However, as representatives of the above three entities have noted, the market currently suffers more from a lack of sustainable projects and business plans than from a shortage of funds.** They clearly stated that social enterprises are only gradually getting used to the repayable component. Projects submitted for funding are often of inadequate quality and financially unsustainable, and therefore hardly eligible for support by the organizations acting as intermediaries of repayable financial assistance.

### 3.4. Other Support Tools and Institutions

**As part of the international debate on the promotion of social enterprises, the incorporation of social aspects in public procurement is considered one of the most promising practices.** Both the European and the Slovak legislations strongly support the consideration of social aspects in public procurement. With the adoption of the Act on SEaSEs, the Act 343/2015 Coll. On Public Procurement was also amended, further strengthening the various instruments for the application of social aspects in public procurement in the Slovak Republic.<sup>40</sup>

**Navigating public procurement (PP) in the Slovak Republic by social enterprises and other social economy entities poses challenges, mainly due to insufficient capacity and knowledge.** The findings of the questionnaire survey indicate that, although the participation of RSEs in PPs is increasing, most RSEs (80% of those surveyed) lack the internal capacity to engage in a procurement process.<sup>41</sup> The number of contracts concluded can be interpreted as a proxy indicator of the internal capacity of RSEs to get involved in the procurement processes, even though not all of them offer goods and services that are eligible for public procurement.

**Administrative data show an encouraging trend of increasing involvement of RSEs in public procurement.** In 2021, at the regional level, RSEs registered before December 31, 2020 were successful in a total of 46 public procurement contracts, and in the first half of 2022, they had secured 31 contracts, indicating a growing trend. A total of 22 RSEs based in the BBSK Region have experience of supplying goods and services through a public procurement contract<sup>42</sup>. The total number of public procurement contracts won by RSEs established in the BBSK (regardless of the date in which they

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<sup>39</sup> Slovenská Sporiteľňa, through its so-called the Social Bank, has a long-standing profile in supporting the social economy. When providing funds to social economy entities, it uses the so-called EaSI guarantee, thanks to which it can also support projects that are considered to have a higher level of risk compared to ordinary business entities. In the case of the other two entities, they intermediate assistance co-financed by the European Social Fund in a form of equity funding. Both are contracted by Slovak Invest Holding. The role of other entities in the distribution of repayable aid is marginal.

<sup>40</sup> For example, the act sets a minimum 6% quota for the application of social aspects in public procurement for contracting authorities that have launched at least 10 specific public procurements in a given calendar year.

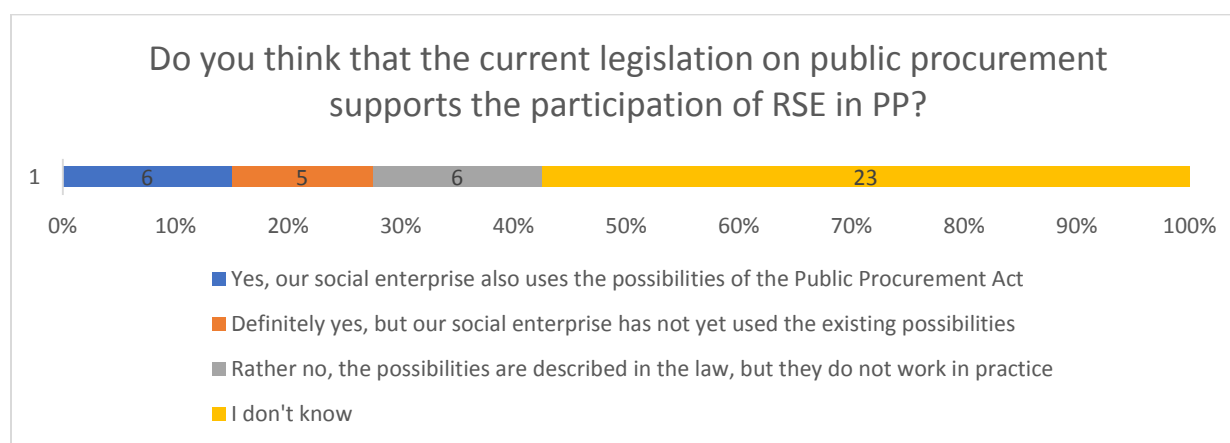
<sup>41</sup> Some of them purchase public procurement expertise externally (11% of RSEs surveyed) and only a small proportion of RSEs employ in-house staff with a specialization in PP (9% of RSEs surveyed, or three RSEs surveyed.)

<sup>42</sup> Results of qualitative surveys with social enterprises in the BBSK Region undertaken as part of this project.

obtained the status) in 2021 reached 48<sup>43</sup>, while in the first half of 2022, 126 public procurement contracts were awarded for a total value of € 3,393,090<sup>44</sup>.

**In the case of older organizations, it can be observed that a number of entities were comparatively heavily involved in procurement processes prior to obtaining the RSE status.** On the other hand, the results of the questionnaire survey among RSEs indicate that almost 60% of respondents<sup>45</sup> have no experience with PPs and cannot assess whether the current legislation is sufficiently supportive. Findings also show that two-thirds of the RSEs involved in PP are open to any kind of bidding, not being exclusively tied to bids with a social aspect or reserved contracts. The prevailing area of goods and services supplied by RSEs through public procurement contracts cannot be determined, as they cover a variety of activities and sectors ranging from construction to food processing, cleaning, printing, technical production, or health care services.

**Figure 1. Assessment of Supportive Public Procurement Legislation**



Source: Authors, results of the questionnaire survey, 2023.

**As for other support measures and tools, we can mention the possibility to apply a reduced value added tax (VAT) rate on goods and services supplied by registered social enterprises or the so-called ‘service vouchers’ designed to stimulate the market for registered social enterprises<sup>46</sup>.** For example, service vouchers can be used to purchase home care services. However, cumbersome administrative requirements do heavily constrain their use. As one research respondent noted, “service vouchers remain an untapped opportunity for the development of social enterprises and the provision of services to households in the Slovak Republic as well as in the BBSK Region.”

<sup>43</sup> For a total value of € 2,640,454.

<sup>44</sup> Administrative data do not allow to determine the proportion of successful bidders (that is, comparing contracts with the number of applications), nor do the data offer clear information on the extent to which these RSEs have benefited from their status when bidding, that is, whether these tenders were carried out as reserved contracts for RSEs, or whether the winning RSEs competed with ordinary enterprises in the open tendering process.

<sup>45</sup> 40 RSEs participated in the questionnaire survey, which represents 48% of all RSEs registered in the BBSK Region.

<sup>46</sup> For every € 10 of income paid through the service voucher, MoLSAF adds another € 2. In the case of a service provided to a client with a disability, through the service voucher, the client receives a 50% discount on the purchase of services from the RSE, while the remaining 50% is paid for by MoLSAF.

**The effective enabling ecosystem for SEs in the BBSK Region engages both administration and social economy entities.** The open and supportive attitude of the regional government toward nonpublic social service providers and cooperation with social economy entities constitutes an important basis for the following benefits: establishing linkages and synergies with regional government bodies; addressing the connectivity gap between institutions and SEs, as well as among SEs; bridging toward the private sector; supporting the strengthening of the client base; as well as access to supply chains and markets. The expertise of social economy actors is often used by the BBSK Regional Development Agency in promoting projects and initiatives in support to children and youth or employment development. As one of the key representatives of the Regional Development Agency of the BBSK noted, "of course, we cooperate with social economy entities, they are something like a laboratory for us for the development of new services, and they also provide us with enormous expertise".

## 4. Profile of Social Economy and Social Enterprises in the BBSK Region

### 4.1. The Social Economy Sector in the BBSK Region

**Based on the data of the Register of Non-Profit Organizations, as of June 30, 2022 there were 10,010 registered nonprofit organizations in the BBSK Region.** On the basis of the analysis of the financial statements, the Register of Tax Assignee Beneficiaries, the Central Register of Contracts, and the ownership structure of individual organizations (detailed in the section "Methodology"), 457 of them can be considered as active social economy entities.

**The regional representation of active NGOs is not regionally balanced.** The absolute number of active NGOs is the highest in the Banská Bystrica District (132 organizations), but in terms of the ratio between the number of NGOs and the number of the district population, the ranking is led by Banská Štiavnica District (1.72 organizations *per* 1,000 inhabitants) as presented in Figure 2 and Figure 3.

#### Box 1. RSE Distribution at the District Level

The higher number of NGOs in the districts of Banská Bystrica and Zvolen can be interpreted by the higher concentration of human capital in larger centers.<sup>47</sup> In the 1990s, the town of Banská Bystrica was generally regarded as a leader in the development of the civic sector through a number of initiatives that gained visibility also at the national level.<sup>48</sup>

In the BBSK Region, the Banská Štiavnica<sup>49</sup> District stands out as the smallest district of the region with relatively complicated accessibility. However, the high concentration of active NGOs on the territory of this district may

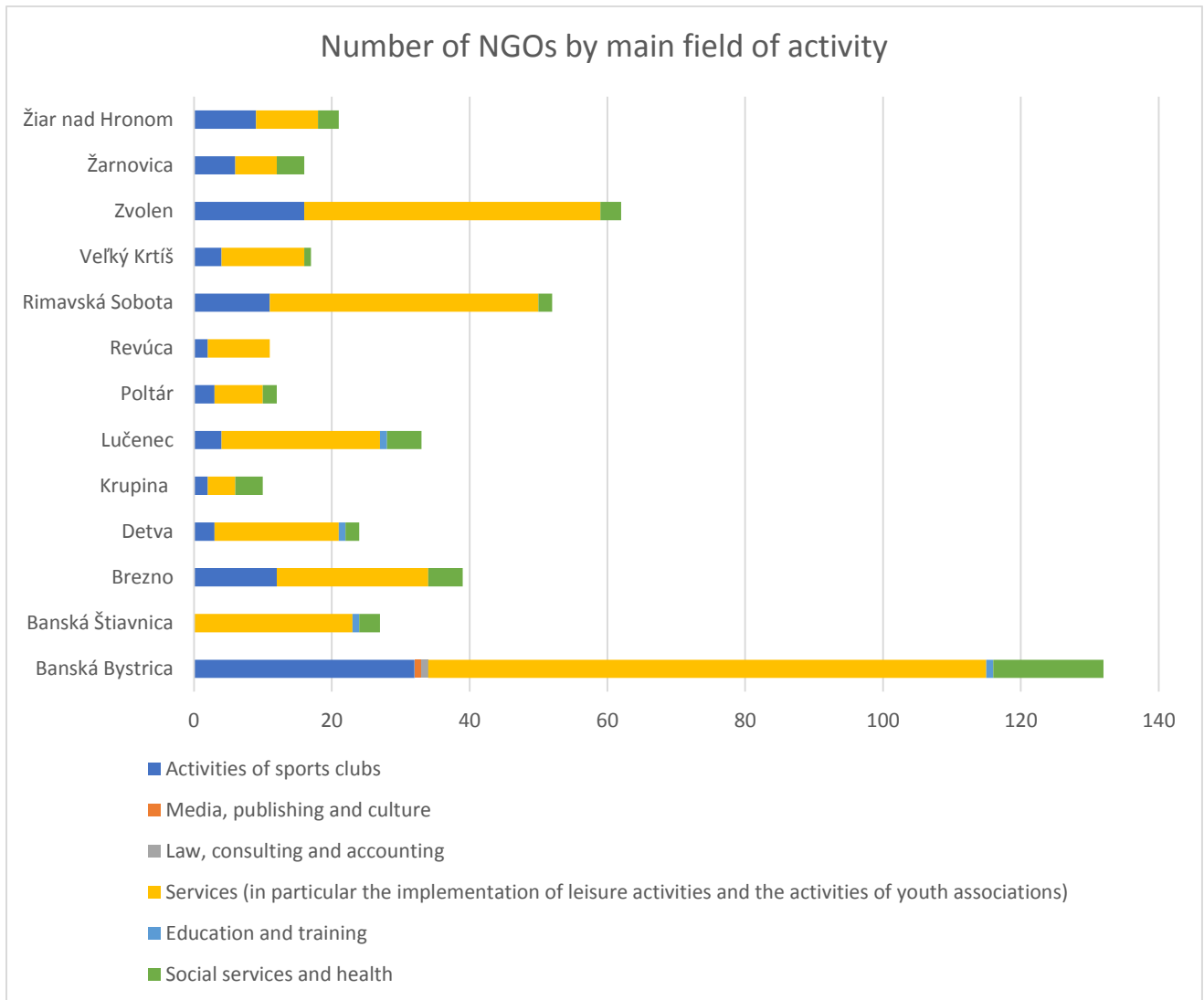
<sup>47</sup> The theoretical framework for this interpretation is offered by the theory of growth poles (by Francois Perroux). This is based on the assertion that uneven development is a given, and that development cannot occur in all areas equally, with the fastest development being realized where capital (either financial, human, or any other type) is concentrated (Blažek, 2011).

<sup>48</sup> One of the first community foundations in the Slovak Republic was established in Banská Bystrica, co-financed from the city budget and supporting the civic activities of citizens. Banská Bystrica was the seat of one of the strongest educational institutions aimed at supporting the capacities of NGOs (Centre for Education of Non-Profit Organizations); the EKOPOLIS Foundation was also established in Banská Bystrica, as one of the most active and largest grant-making foundations to this day in the whole country. Also, thanks to the Centre for Community Organization, the first programs for public participation in municipal decision-making were implemented here.

<sup>49</sup> The city and surroundings are also a UNESCO World Heritage area, attracting a number of visitors. NGOs are helping to preserve the sites and organize many festivals during the year. <https://whc.unesco.org/en/list/618/>

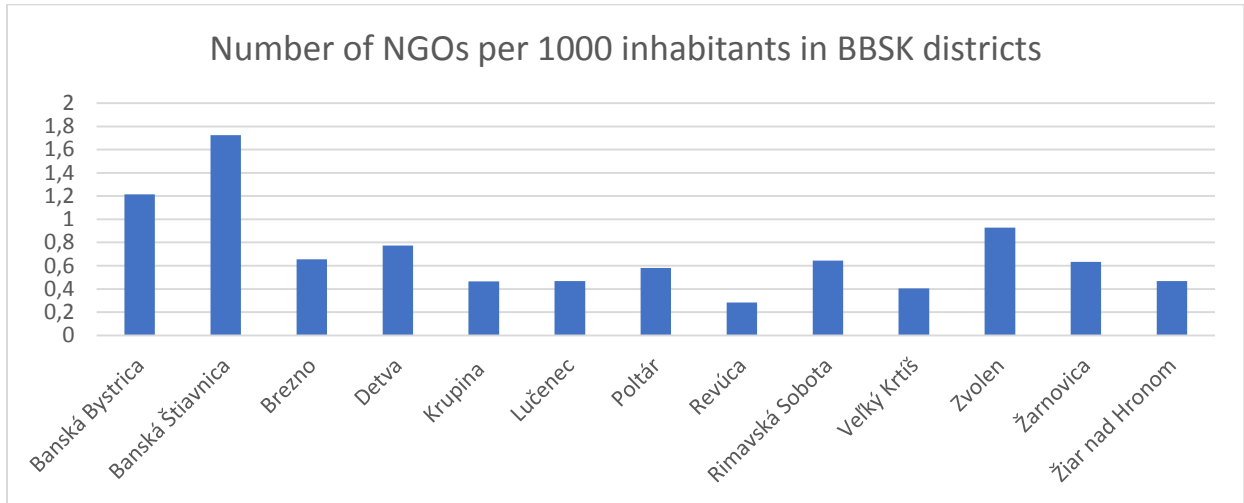
be interpreted as evidence of its creative potential and attractiveness associated with the history of mining and the medieval trade in precious metals.

**Figure 2: Absolute Number of Active NGOs by Sector and per District in the BBSK**



Source: Authors' calculation, based on publicly accessible databases.

**Figure 3. Number of NGOs per 1,000 Inhabitants in BBSK Districts**



Source: Authors' calculation, based on publicly accessible databases.

**Figure 2 provides basic information on the prevailing sectors of activity of active NGOs in the regions, showing that the largest group of NGOs is active in the field of leisure activities, youth clubs, professional associations, and sports.** However, available data are not sufficiently illustrative to be a basis for a deeper analysis. A large proportion of the organizations identified as active NGOs (96 in total) are those registered in the 1990s<sup>50</sup>. From a historical perspective, this period can be seen as a turning point in many aspects, including the development of the NGO sector. It is the first decade after the change of the political and societal system, the decade of the split of Czechoslovakia and the establishment of the Slovak Republic as a democratic country, in which the civil and nonprofit sector played a key role. The change of the societal system opened up opportunities for free association of citizens and the emergence of a large number of nonprofit organizations, the functioning of which was mainly supported by financial resources coming from abroad.

**It is also worth mentioning that the precursors of social entrepreneurship—which at the time was not referred to by the term 'social enterprises', but rather seen as an effort to diversify the income bases of organizations—engaged in different activities.** These include the Centre for Education of Non-Profit Organizations, but also other organizations from the region, such as the nonprofit organization Vydra (Rural Development Activity) from Čierny Balog, which was also one of the first Slovak winners of the award for social entrepreneurship given by the international nonprofit organization NeSsT.

**The 1990s were also characterized by the rapid growth of associations aimed at promoting sport or leisure activities (such as traditional culture ensembles)<sup>51</sup>.** A number of organizations, still strong today,

<sup>50</sup> Interestingly, among the identified organizations there are five organizations (four local Red Cross branches and the Slovak Astronomical Society) that were registered before 1989, which confirms the willingness of the local people to associate and engage in public benefit activities, even in the time of state socialism.

<sup>51</sup> However, in many cases, these were not new initiatives, but the formalization of existing ones, which was conditioned by the collapse of the umbrella structures operating under state socialism (for example, the collapse of the so-called "Zväzarm"—the association for cooperation with the army in communist Czechoslovakia—which brought together a large number of sports clubs or other clubs of various types of interest and leisure time activities).

began to position themselves in the field of environmental protection and environmental rights. For example, Slatinka focuses on the protection of local biodiversity. Organizations such as Friends of the Earth-CEPA, were among the first to draw attention to the issue of energy sustainability/energy poverty. The Zaježová association focuses on reviving the traditional way of life in the isolated mountain areas (in Kopanice) near Zvolen.

**The millennium decade (2000–2009) also marked a period of transformation in terms of the development and professionalization of nonprofit organizations and the sector that we now refer to as the social economy sector.** This was influenced by the accession of the Slovak Republic to the European Union, which resulted in the possibility of using pre-accession assistance funds and subsequently, Cohesion Policy funds.

**Nonprofit organizations, especially those active in the social development field, were able to obtain the highest amounts of financial assistance.** However, compared to previous support schemes, these required an incomparably higher level of administrative complexity, and the unpreparedness to use these funds, both on the part of the NGOs and intermediary bodies, as well as the gradual withdrawal of foreign donors from the country, caused the collapse of a number of well-established organizations. On the other hand, changes in the availability of financial resources and the dominant orientation of NGOs toward the use of European funds, as well as the adoption of new legislative regulations, resulting from the accession process and the transposition of European directives, have enabled the gradual emergence and professionalization of organizations, especially in the social field.

**The millennium period also marked the emergence of the concept of the corporate social responsibility (CSR) of companies.** Along with the CRS, the creation of several corporate foundations that also act as grant foundations occurred, as well as the adoption of legislation on tax assignment, which still represents one of the strongest instruments of direct support for nonprofit organizations by taxpayers. The millennium years are also important because of the first ever mention of social enterprises in the Slovak legislation (amendment to Act 5/2004 Coll. on employment services from 2008, which introduced the definition of WISE)<sup>52</sup>.

**During the 2010s and ongoing into the 2020s, further professionalization of the non-profit sector, especially in the social sector, took place.** Along with this, the emergence of new forms of civic activism, organized mainly through social media, can be observed. The nonprofit sector began to suffer from a more pronounced lack of financial resources, which resulted in greater competition for nonrepayable funds (grants) and a lower willingness to cooperate and share knowledge and good practices. In the same period, moreover, a new generation of results-oriented managers coming from the private sector and seeking to reorient their career in socially sensitive ventures has begun to emerge, bringing a significant contribution to the development of social enterprises established by NGOs.

**The interlinking of business and civic sectors has also been constantly growing.** Coworking spaces emerged in smaller centers in the BBSK Region (for example, Lučenec), and in centers of independent

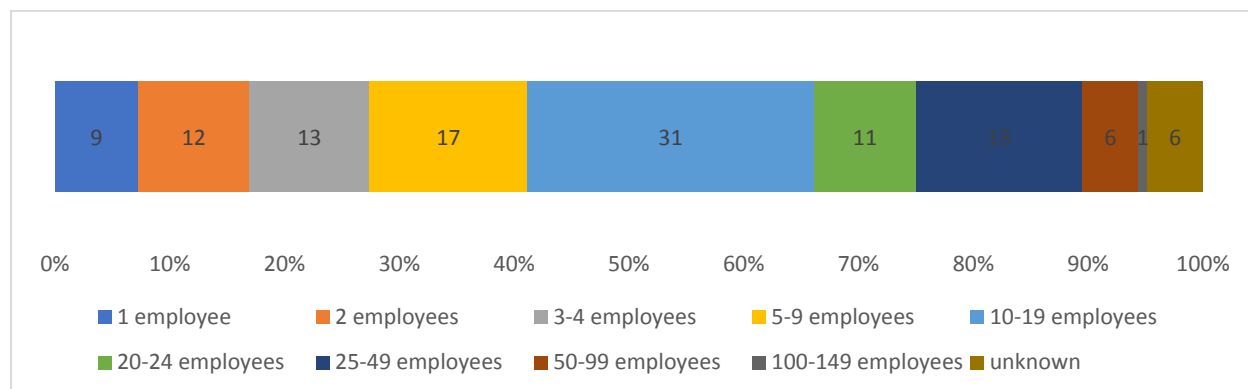
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<sup>52</sup> On the other hand, the years 2008–2010 are marked by the scandal of a huge misuse of financial resources in favor of eight purpose-built social enterprises, one of which was located in the BBSK. This fraud, which was massively communicated in the media, has been constantly resonating in society and still today negatively influences the perception of the social entrepreneurship ethos in the Slovak Republic. Read more, for example, here: (chapter 3, p.41): [http://konzervativizmus.sk/wp-content/upload/pdf/Studia\\_KI\\_eurofondy\\_SK.pdf](http://konzervativizmus.sk/wp-content/upload/pdf/Studia_KI_eurofondy_SK.pdf)

culture associated in the Anténa network; but there were also several individual initiatives aimed at supporting lagging regions (for example, building eco-camping sites, supporting eco-tourism, or supporting agriculture).

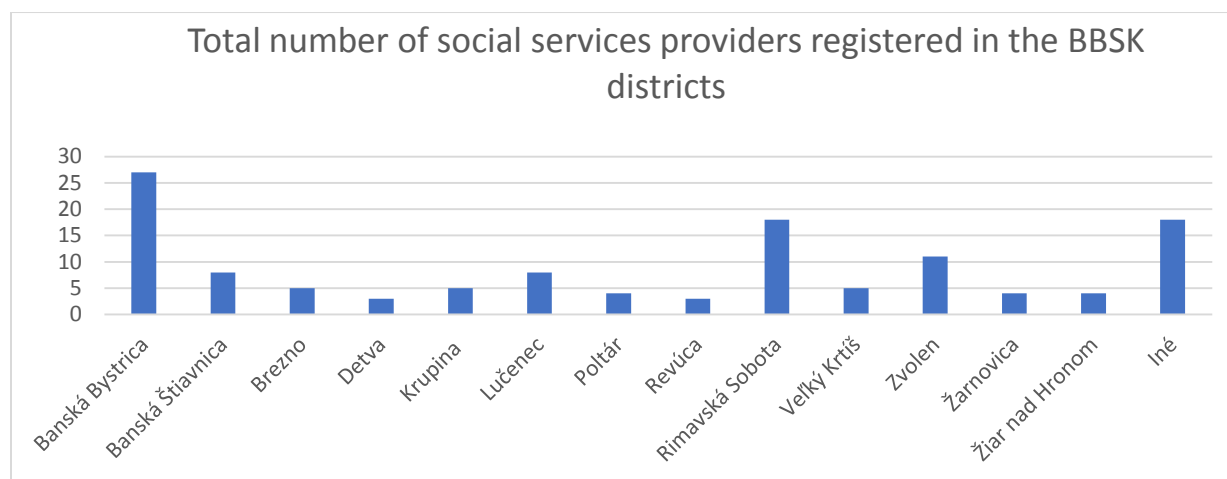
**When assessing the state of the social economy in the BBSK Region, it is necessary to mention the subcategory of nonprofit organizations that have obtained the status of social service providers under Act 448/2008 Coll. on Social Services.** Their size as well as regional distribution varies, with the largest group (31 entities in total) consisting of entities with 10–19 employees.

**Figure 4.** Size of Social Service Providers Active in the BBSK Region



Source: Authors' calculation, based on the Central Register of Social Services Providers.

**Figure 5.** Total Number of Social Service Providers Registered in BBSK Districts



Source: Authors' calculation, based on the Central Register of Social Services Providers.

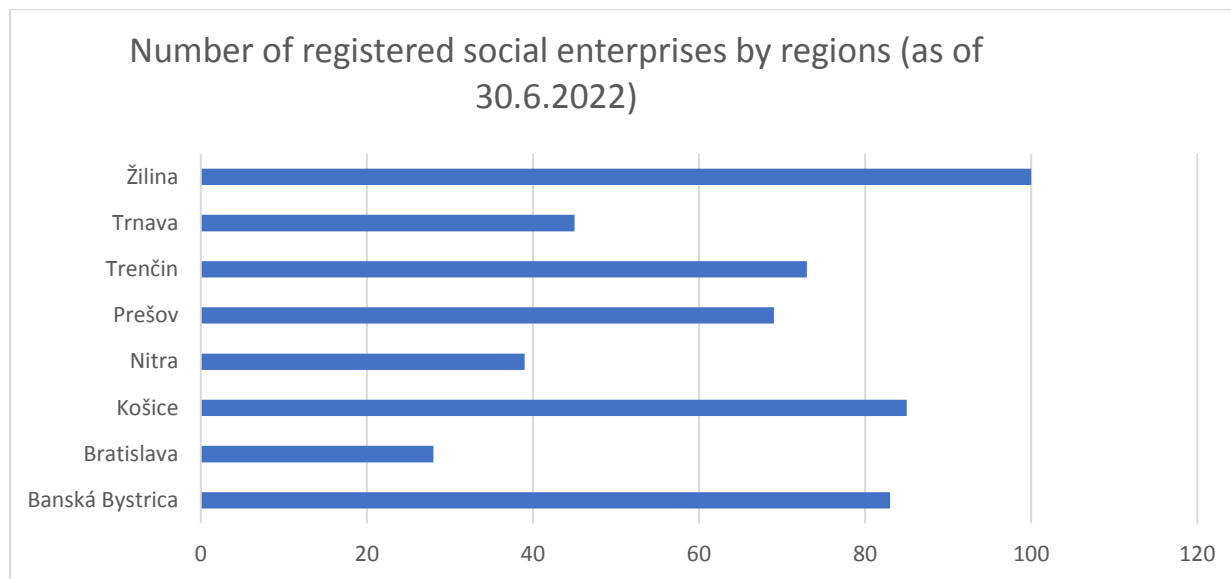
**According to the definition, social economy actors are not only nonprofit organizations but also companies, cooperatives, or natural persons/individual entrepreneurs.** According to the data of the Statistical Office of the Slovak Republic, there were almost 58,000 of them in the BBSK Region as of December 31, 2021. However, due to the high number and the low visibility of this type of entities in social economy activities implemented outside the category of registered social enterprises, they are not given any separate attention when assessing the state of the social economy in the BBSK Region.

The only exceptions are entrepreneurial entities, which, within the meaning of Act 5/2004 Coll. on Employment Services operate so-called ‘sheltered workshops’. There are 118 such entities in the BBSK Region as of December 30, 2022, and as of that date they employed 391 persons with disabilities.

## 4.2. Social enterprises active on the territory of the BBSK

As of June 30, 2022, there were 83 social enterprises in the BBSK Region—representing 15.9% of the national figure—and 522 social enterprises in the Slovak Republic registered under the Act on SEaSEs.

Figure 6. Number of Registered Social Enterprises by Slovak Regions (as of June 30, 2022)



Source: Authors' calculation, based on the Register of Social Enterprises, maintained by MoLSAF.

### 4.2.1. Mapping Nonregistered Social Economy Entities

**The number of organizations and entities carrying out social economy activity in the BBSK Region—and in the Slovak Republic—cannot be presented accurately.** There are NGOs that do not report or communicate regarding their business activity, and there are cases where the social focus is rather residual and overshadowed by a number of other activities carried out by the organization. Frequently, social activities are mainly carried out to diversify the organization's income basis or to access funds that help sustain its core business. These organizations usually do not see these activities as social entrepreneurship, but rather as a mere collection of admission or service provision fees. A whole group of independent cultural centers or social service providers can be included in this category.

**The recognition of carrying out social economy activity is low in the region.** Organizations struggle to identify that they carry out a social economy activity, and in some cases, even oppose the label. This is linked, among other reasons, to the perception of social enterprises as entities prevailing, if not exclusively, focused on poverty reduction through work integration of excluded individuals and groups. The results of the online survey among organizations carrying out social economy activities confirmed the low levels of recognition. Out of a total of 24 respondents, only 14 perceive their organization as part of the social economy. The majority (12) of these entities are aware of the Act on SEaSEs and the

possibility to obtain the status of a registered social enterprise, yet they are not interested in obtaining the status<sup>53</sup>.

Interestingly, those most strongly identified with the social economy sector were entities in the category of social service providers<sup>54</sup>.

**Nonprofit organizations also demonstrated a low level of identification with the social economy sector.** This is indicated by the results of the questionnaire survey and the semi-structured interviews that were conducted. Research pointed further to the low representation of organizations established in one of the legal forms of a nonprofit organization in the group of registered social enterprises. In the total number of 83 RSEs registered in the BBSK Region, only five had a legal form other than a limited liability company or a cooperative.

**Apart from the unattractive scheme of support instruments for other types of social enterprises such as WISEs, the reasons for this can be attributed more to terminology than to more substantive issues.** The concept of social economy is relatively new in the Slovak Republic and is not sufficiently established among organizations that have been, and still are, cumulatively referred to as 'nonprofit' or 'civil sector'. The term 'social economy' is also often and incorrectly confused with the term 'social enterprise', which is almost exclusively associated with the employment of disadvantaged groups or with social assistance services. The term 'social' itself is also problematic, as in the Slovak language it is mainly perceived in the context of social services or social assistance, rather than in the broader sense of 'societal'.

**Organizations that are not active in the field of social services, social assistance, or social inclusion therefore avoid the term 'social enterprise', as they are often afraid of being associated with social services.** This is evidenced especially among organizations active in the field of sports, independent culture, or regional development (mainly through the promotion of tourism) which are present and active in the BBSK and show all the characteristics of a social enterprise, yet struggle to perceive themselves as such.<sup>55</sup>

**In the field of independent culture, most organizations are united in the Anténa network of cultural centers and organizations.** Out of a total of 29 members, eight are located in the BBSK Region. These organizations carry out activities for a public benefit purpose on a regular basis and for remuneration; they reinvest the income from these activities back into their primary purpose and have the legal form

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<sup>53</sup> Reasons for not being interested in registration are varied and include the following: lack of time and capacity required for registration, concerns about implementing a financially sustainable business plan, and/or the administrative burden that registration requires from the respondents' perspective.

<sup>54</sup> The reasons for nonregistration in this group were mainly related to the unclear procedures of the registration authority, which is MoLSAF, on the registration of social service providers as social enterprises. The findings of the questionnaire survey indicate that if MoLSAF's procedures were simplified, they would be interested in registering, as they are considered themselves as active members of the social economy.

<sup>55</sup> This group includes a number of sports clubs which, in addition to their club activities, carry out sports activities for children and young people for a fee. Many of them also involve children and young people from socially disadvantaged backgrounds in their activities, to whom they provide services free of charge. Based on the analysis of social economy entities, 104 active nonprofit organizations were identified in the BBSK Region, which listed the implementation of sports activities as one of their priority areas of action. Based on the interviews conducted, it can be assumed that approximately 30% of these entities show all the characteristics of a social enterprise, but certainly do not identify with the term 'social enterprise'.

of a nonprofit organization ensuring participatory governance modalities. Each of these entities can thus be fully considered a social enterprise.

**The situation is rather fragmented with regards to organizations active in the field of regional development, as different organizations approach the subject from different angles.** It is worth mentioning activities in the field of tourism, where organizations such as Amber Route or Gothic Route support initiatives aimed at certifying local accommodation and restaurant facilities as ‘cyclo-friendly’, or others that are making local attractions more accessible (that is, the Čierny Balog railway) by promoting cycling tracks in the region. It can be estimated that there are approximately 10 organizations in the BBSK Region active in the field of tourism, which can be considered as social enterprises.

**When mapping *de facto* social enterprises, social service providers should not be omitted.** There are 124 social service providers active in the BBSK Region, but 105 of them are based in Banská Bystrica. Not all of them can be automatically considered to be social enterprises, as some provide services free of charge (for example, community centers or crisis response services)<sup>56</sup>. It can be estimated that 50% of nonpublic social service providers can be considered as social enterprises, which corresponds to 53 organizations.

**Another important segment to consider in mapping *de facto* social enterprises are sheltered workshops<sup>57</sup>.** Based on estimates, the share of social enterprises in sheltered workshops is at the threshold of 15%, which means about 27 organizations within a total number of 118 organizations. In addition, at least five other nonprofit organizations of various orientations, which fully meet the characteristics of a social enterprise, should be considered as well.

**Based on the quantitative analysis and desk research carried out, we can conclude that in the BBSK Region, as of June 30, 2022, there were approximately 130 organizations that carry out social economy activities.** Although demonstrating all the characteristics of a social enterprise, these were not registered as social enterprises. Information and data are scarce regarding their financial statements, number of employees, or their participation in the use of public resources. Also, most of them cannot be precisely located.

#### 4.2.2. Mapping and the Intra-regional Distribution of RSEs

**When analyzing the geographic distribution of registered social enterprises, it is possible to observe significant regional differences in relation to the spatial distribution of RSEs.** There are a total of 13

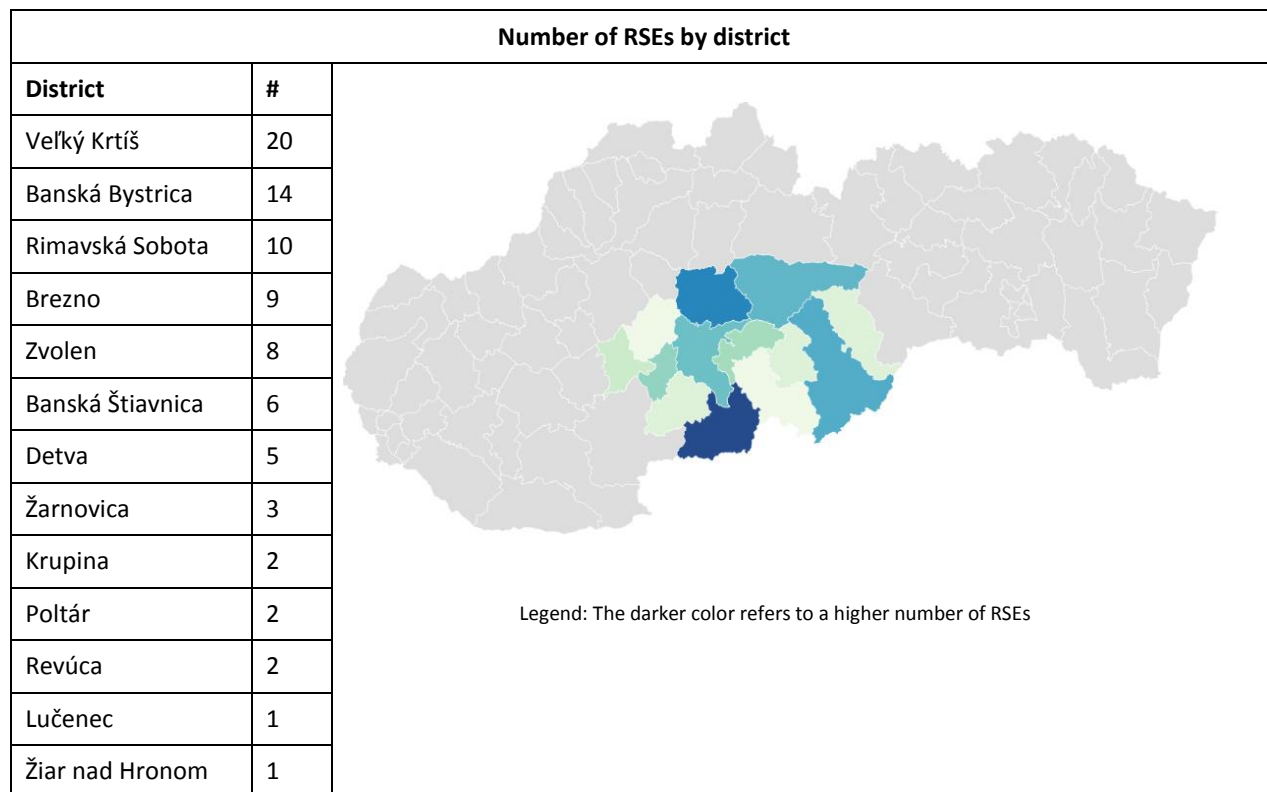
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<sup>56</sup> However, the results of the questionnaire survey, indicate that up to 70% of the respondents provide their services in exchange for a remuneration, and on a regular basis. There is no need to doubt the public benefit in the case of social service providers; moreover, as a large part of these organizations have the legal form of a nonprofit organization, a participatory form of governance is also ensured. However, the sample of survey respondents is too small to generalize and claim that 70% of all nonpublic social service providers can automatically be considered as social enterprises. Due to this fact, the proportion has been reduced to 50%, based on expert estimation.

<sup>57</sup> While the respondents to the online questionnaire conducted with the group of sheltered workshops fully considered themselves to be subject to social economy, the sample of respondents was too small (less than 2%) to be considered significant. In the context of sheltered workshops, it should also be noted that a number of them have already applied for the status of registered social enterprise and have transformed the status of a sheltered workshop into that of a registered social enterprise. The share of *de facto* social enterprises in the group of sheltered workshops is therefore lower than that estimated in previous research, which was around 25% (EC, 2019, Implementation Agency (IA) of MoLSAF 2020).

districts in the BBSK Region, four of which are currently included in the list of least developed districts maintained in accordance with Act 336/2015 Coll. on the support to the least developed districts (Lučenec, Poltár, Revúca, and Rimavská Sobota). Until recently, the district of Veľký Krtíš was also included in the list of least developed districts. In terms of absolute numbers, most RSEs are located in the districts of Veľký Krtíš (20), Banská Bystrica (14), and Rimavská Sobota (10). On the other side of the spectrum are the districts of Lučenec and Žiar nad Hronom, each of which has one RSE, and the districts of Krupina, Poltár, and Revúca, each of which has two RSEs.

**Figure 7. Number of RSEs by District in the BBSK Region**

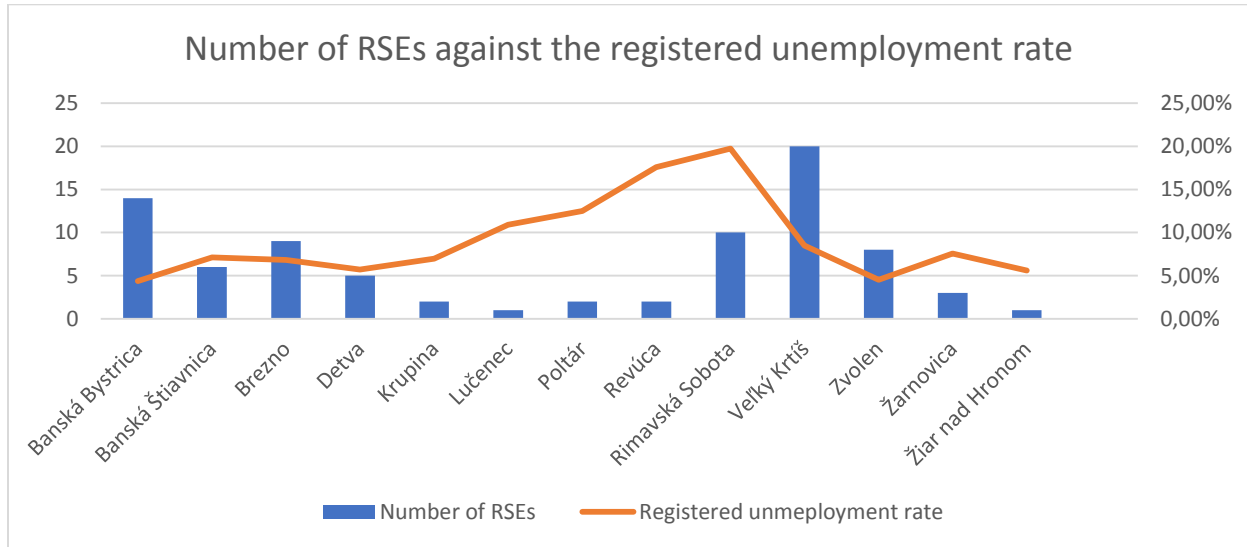


Source: Register of Social Enterprises, maintained by MoLSAF.

**There is an unbalanced regional distribution of RSEs in the BBSK Region.** However, the lack of substantive data makes it challenging to draw conclusive interpretations of the relationship between RSEs and key variables, such as employment, age, and disability profile. Moreover, publicly available information does not provide sufficient insights that would further explain the uneven geographic distribution.

**Analyzing the rate of unemployment in the districts, we can note there is an opportunity for social economy entities to address job creation and the labor market integration of marginalized groups.** With regard to the registered unemployment rate, while some districts with high registered unemployment rates also have fewer RSEs, there are also exceptions, such as Rimavská Sobota with nine RSEs, but the highest unemployment rate in the region. Similarly, Veľký Krtíš with the greatest number of RSEs does not have the lowest unemployment rates (see Figure 8 below.)

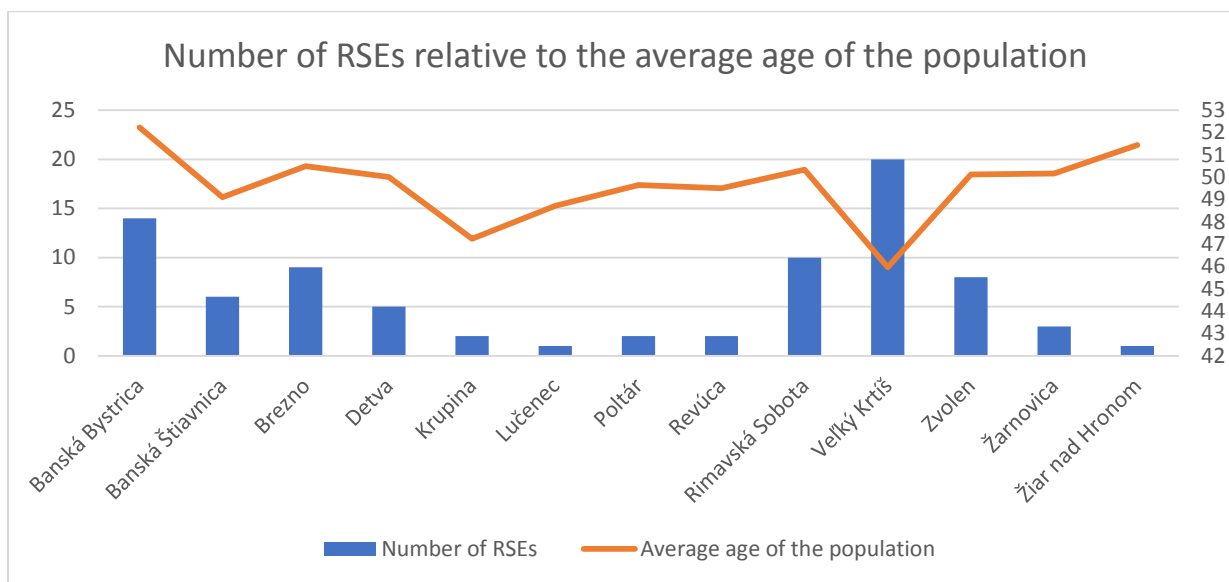
**Figure 8. Number of RSEs Against the Registered Unemployment Rate**



Source: Register of Social Enterprises, maintained by MoLSAF; and statistics of registered unemployment, maintained by COLSAF

**Districts that have a younger population provide the opportunity for social economy entities to activate younger generations in the labor market, who have an acknowledged ‘appetite’ to contribute to social goals.** While there are both the ‘oldest’ districts (Banská Bystrica with an average age of 52.23 years, and Žiar nad Hronom with an average age of 51.44 years) as well as the ‘youngest’ districts (Veľký Krtíš with an average age of 45.97 years, and Krupina with an average age of 47.24 years), further analysis to be carried out can draw inputs and recommendations on establishing social economy operations and initiatives. Figure 9 highlights the presence of RSEs relative to the age of the population in the BBSK districts.

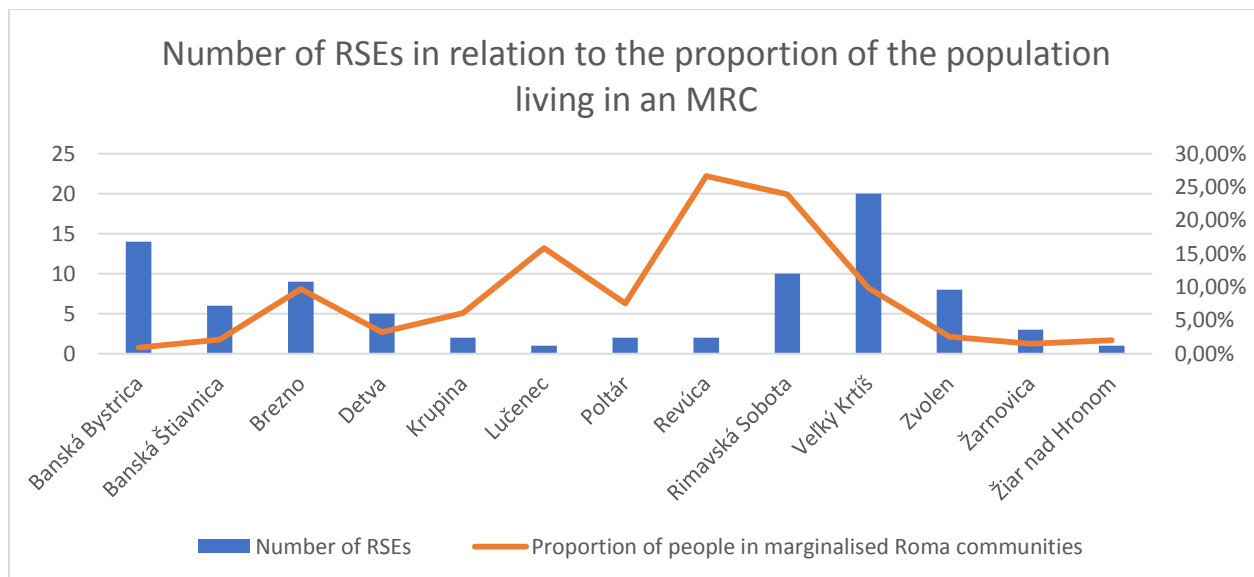
**Figure 9.** Number of RSEs Relative to the Average Age of the Population



Source: Register of Social Enterprises, maintained by MoLSAF; and the Statistical Office of the Slovak Republic.

**Analyzing the needs of Marginalized Roma Communities (MRC) in the BBSK Region, we can observe there is high potential to address inclusion and activation in the labor market through establishing new operations or scaling up social economy entities.** For example, in Brezno, the number of RSEs addresses the needs of the MRC and their exclusion, while in at least five other districts, social economy can represent an instrument that can contribute to inclusive growth and activation in the labor market of Roma ethnics. Figure 10 illustrates the RSEs in relation to the proportion of the population living in an MRC.

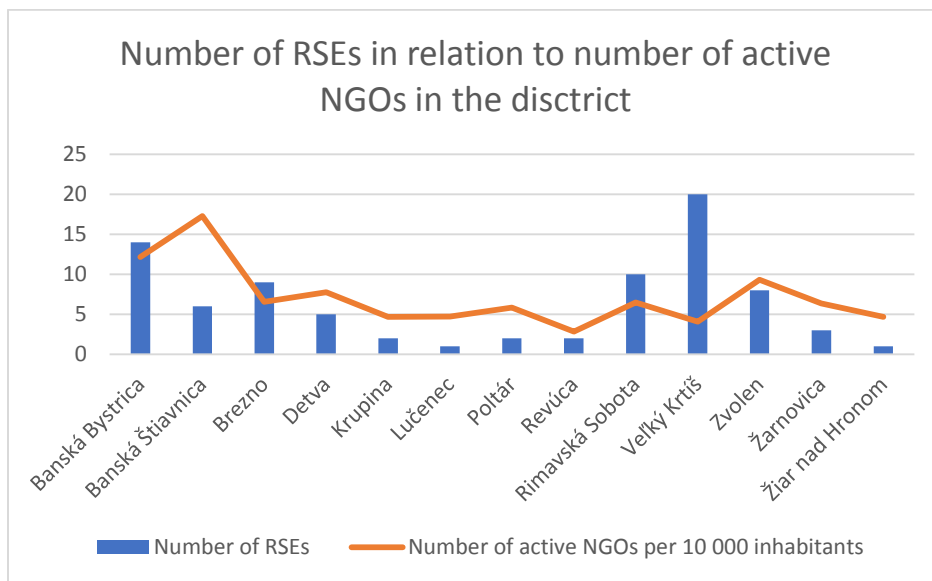
**Figure 10.** Number of RSEs in Relation to the Proportion of the Population Living in an MRC



Source: Register of Social Enterprises, maintained by MoLSAF; and the “Atlas of Roma Communities 2019”.

The number of active nongovernmental organizations (NGOs) operating in the BBSK Region provides an additional opportunity for the sector to address regional societal needs. Social entrepreneurship and NGOs have the potential to help solve social and environmental problems, contribute to economic and social growth, and complement or add to the ways that social and environmental problems are usually solved. In regard to existing NGOs, one approach is to encourage registration where NGOs carry out social economy activities, or the broader gain, in the complementarity of actions to improve the livelihood of communities. Figure 11 points to the presence of NGOs in the region in relation to RSEs.

Figure 11. Number of RSEs in Relation to the Number of Active NGOs per 10,000 Inhabitants

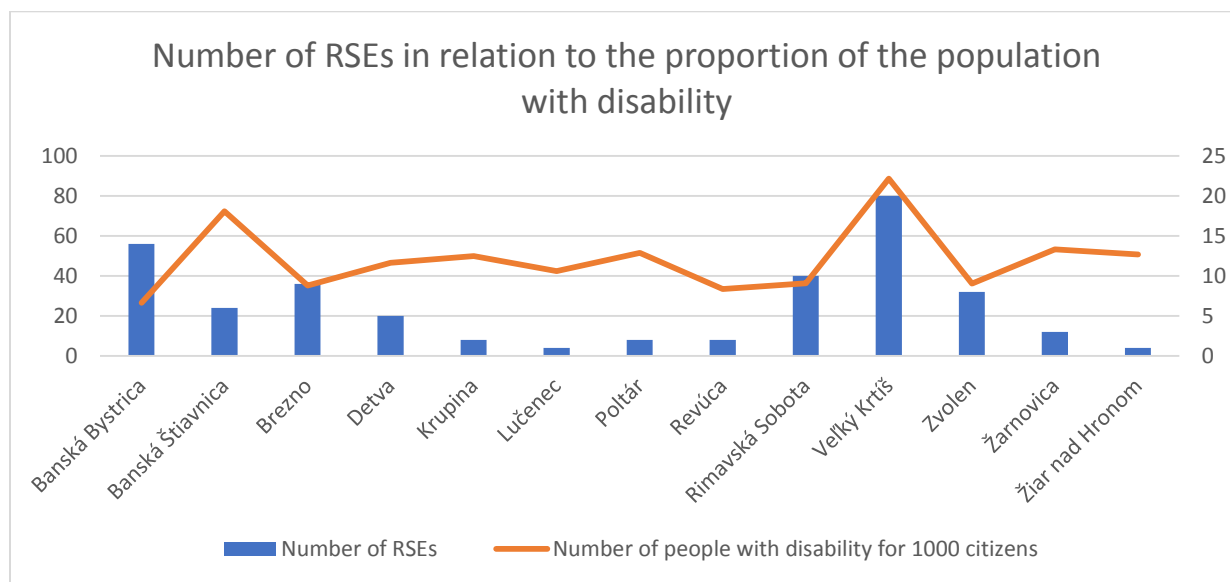


Source: Register of Social Enterprises; and the Register of Not-for-profit Organizations.

**A question to be explored arose regarding RSEs and the social inclusion of people with disabilities: whether a higher number of people with disabilities in a district may indicate a higher presence of RSEs.** The hypothesis of a correlation between the number of people with disabilities and the number of registered social enterprises—illustrated in Figure 12—is also based on previous observations regarding the relationship between the number of registered social enterprises and the number of sheltered workshops. It can be observed that districts with a higher number of sheltered workshops usually also show a higher number of registered enterprises<sup>58</sup>. Also, the proportion of disadvantaged employees is lower in the case of social enterprises for work integration (30% of the total number of employees) than in the case of sheltered workshops (50% of the total number of employees).

<sup>58</sup> Although this relationship has not been studied in detail, it can be assumed that sheltered workshops often tend to be replaced with WISE RSEs, as the support provided to registered social enterprises is more generous than for sheltered workshops (IA MoLSA, 2020).

**Figure 12.** Number of RSEs in Relation to the Proportion of the Population with Disability



Source: Register of Social Enterprises, maintained by MoLSAF; and information on the number of invalidity pension recipients provided by the Social Insurance Institution.

### 4.3. Assessment of the Capacity of Active RSEs in the BBSK Region

**The assessment of the capacity of registered social enterprises can be approached from several perspectives.** It is quite common to illustrate this by, for example, quantifying the contribution of RSEs to gross domestic product (GDP) generation in a region, or to its employment rate. This can also be attempted in the case of RSEs operating in the BBSK Region. However, given the ratio between the number of registered social enterprises (83) and the total number of business entities active in the BBSK region (22,497)<sup>59</sup>, such an illustration does not provide much information. It is therefore more explanatory to focus on year-to-year comparisons of individual variables and participation rate in processes that require a certain level of expertise, such as public procurement processes. Other comparable variables include various financial indicators, the number of employees, and the rate of the use of public resources. A further significant variable that has an incidence on the other ones, is the age of the organization at the time of its registration as a social enterprise.

#### 4.3.1. Age of RSEs

**The Act on SEaSEs introduced the possibility to apply for the status of registered social enterprise and be subsequently automatically inscribed in the register maintained by MoLSAF.** The registration of the first social enterprise from the BBSK Region took place in May 2019, that is, a year after the possibility arose. In 2019, four entities were registered; in 2020, 32; in 2021, 35; and in the period between January 1, 2022, and June 30, 2022, 12 social enterprises were registered.

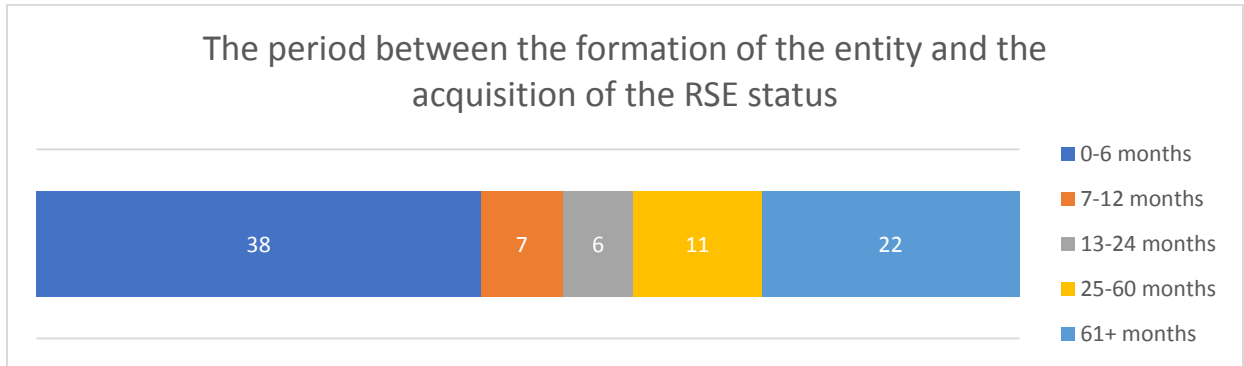
**The average age of new registered entities is 47.5 months, or almost four years, varying between less than one month and up to 25 years.** The highest number of RSEs was for those less than six months old

<sup>59</sup> Statistical Office of the Slovak Republic, year 2021, DATAcube, dataset vbd\_dem:om7001rr.

at the time of obtaining the status (37 entities), while the second highest number were for entities older than five years (22 entities) as presented in Figure 13.

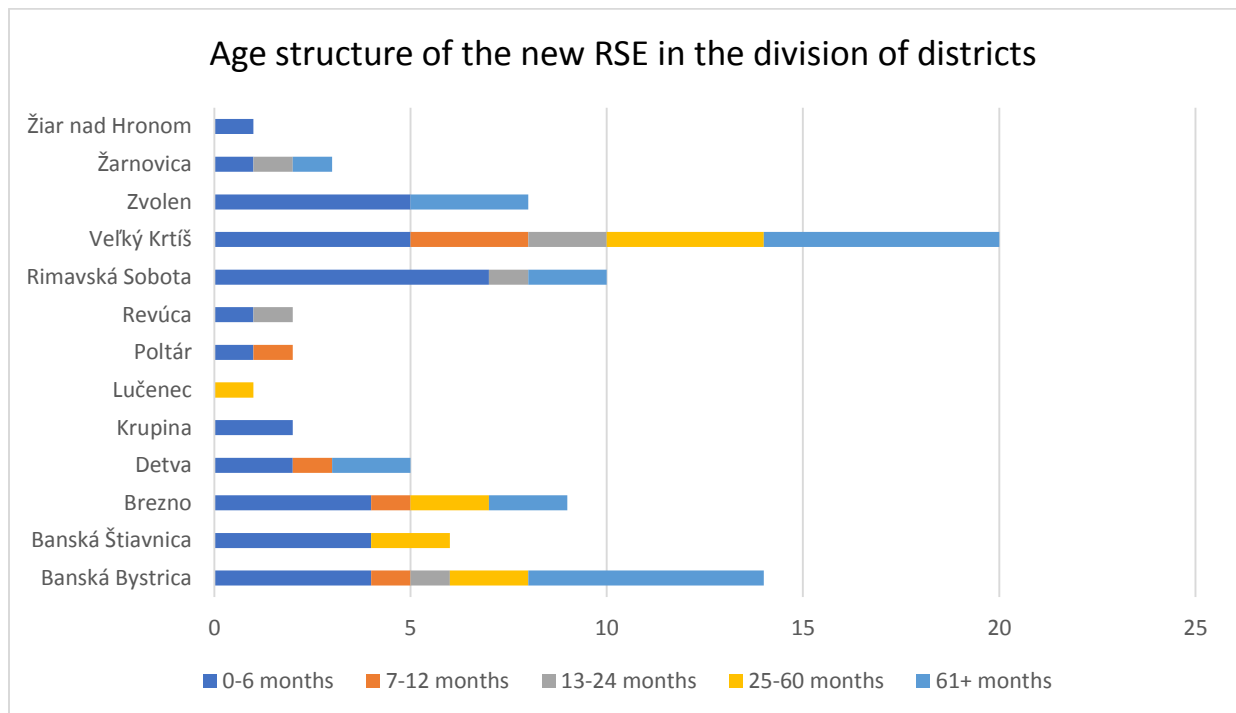
**The age of the entities that obtain the status of RSE is important, as it constitutes an eligibility criterion for access to the different state aid schemes.** It also illustrates the readiness and capacity of ordinary business entities to adopt the principles of social entrepreneurship in their activities, which seems to be significantly high<sup>60</sup>, and the overall trends in the development of social enterprises in the Slovak Republic.

**Figure 13.** Age of Entities Acquiring RSE Status



Source: Authors' calculation, based on the Business Register of the Slovak Republic.

**Figure 14.** Age Structure of the New RSE in the Division of Districts



<sup>60</sup> Pilková and Mikuš, 2019.

Source: Authors' calculation, based on the Business Register of the Slovak Republic.

#### 4.3.2. Business Activity of RSEs

**Determining the business activity of an RSE based on administrative data alone may face several limitations.** The main one is the identification of the dominant activity of the RSE. Information published in the various sources list a wide range of activities, not all of which are actually undertaken by the organization. For the purpose of this analysis, the information provided in the yearly financial statement of each organization has been used, as this allows the selection of a maximum of two most relevant activities. This information was then triangulated with the information provided in the Register of Social Enterprises and, where possible, in the Catalogue of Social Enterprises, on the websites of each RSE, and it was cross-checked with other existing sources (press and internet).

**In the case of several RSEs, the information provided by the different sources varied significantly.**<sup>61</sup> In these cases, the information provided in the financial statements has been prioritized. Given the high number of activities identified, these were subsequently clustered into larger categories. These categories do not reflect any pre-existing classification but were created for the purpose of this analysis and reflect the most common areas of activity of the RSEs. A list of the categories as well as the activities of the RSEs by district is provided in the table below.

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<sup>61</sup> For instance, an organization that lists cleaning services as its main activity in its financial statements is presented as a bee seller on its website, or an organization that lists food production in its financial statement, presents transport services in the Catalogue of Social Enterprises.

**Table 4. Business Plan Orientation of RSEs**

District→ Number↘ The dominant focus of the RSEs' activities ↓	TOTAL	Ban. Bystr.	Ban. Štiav.	Brezno	Detva	Krupina	Lučenec	Poltár	Revúca	Rim. Sob.	Veľký Krt.	Zvolen	Žarnovica	Žiar / Hr.
Administration	2	-	-	1	-	-	-	-	-	-	1	-	-	-
After-school activities	1	-	1	-	-	-	-	-	-	-	-	-	-	-
Animal breeding	1	-	1	-	-	-	-	-	-	-	-	-	-	-
Catering	4	-	-	-	-	-	-	-	-	1	3	-	-	-
Cleaning (including cleaning of buildings)	3	-	-	-	-	-	-	-	-	-	2	1	-	-
Construction work	7	1	1	1	-	1	1	-	-	1	-	1	-	-
Creative industry	2	-	1	-	-	-	-	-	-	-	1	-	-	-
Dry cleaning	6	-	-	2	1	-	-	-	-	-	-	2	1	-
Food processing	18	3	-	1	2	-	-	1	-	6	4	1	-	-
Gardening	1	-	-	1	-	-	-	-	-	-	-	-	-	-
IT services	2	1	-	-	-	-	-	-	-	1	-	-	-	-
Landscaping	5	-	-	1	-	1	-	-	-	-	1	1	1	-
Maintenance of public spaces	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	17	4	2	1	2	-	-	1	-	1	4	1	-	1
Non-specified	1	-	-	1	-	-	-	-	-	-	-	-	-	-
Packaging	1	-	-	-	-	-	-	-	-	-	1	-	-	-
Private security services, building management	2	-	-	-	-	-	-	-	-	-	-	2	-	-
Regional development	1	-	-	-	-	-	-	-	1	-	-	-	-	-
Sales	5	2	-	-	-	-	-	-	-	-	2	1	-	-
Storage	1	-	-	-	-	-	-	-	-	1	-	-	-	-
Tourism	1	-	1	-	-	-	-	-	-	-	-	-	-	-
Wood processing	1	-	-	-	-	-	-	-	1	-	-	-	-	-
Waste processing	2	1	-	-	-	-	-	-	-	-	1	-	-	-

Source: Authors' analysis, based on publicly accessible data.

**Presented data confirm that the business activities among RSEs from the BBSK Region—similarly to the RSEs registered in other parts of the Slovak Republic—are quite broad.** It is possible to observe a recent increase in social enterprises active in the field of food production<sup>62</sup>. The growth of the food production segment in the RSE family has been particularly evident since the second half of 2021, as 13 out of a total of 18 RSEs active have been registered. The second biggest segment is the area of manufacturing, which includes a wide variety of activities—for example, clothing production, or the production of metal components. In this case, it is possible to observe that a number of organizations in this segment were established long before the adoption of the Act on SEaSEs and were probably operating as traditional business entities or former sheltered workshops that have been transformed into social enterprises.

**In the group of the five most frequent RSE business activities, the activity of dry cleaning also appears, which is carried out by six RSEs in the BBSK<sup>63</sup>.** Construction works also play a significant role in business activities of the RSEs and constitute one of the sectors through which social entrepreneurship has often been introduced in the Slovak Republic. These were mainly stories of municipal social enterprises that carried out construction in a municipality with a focus on regional development and the promotion of local employment (not necessarily work integration). Compared to other regions (for example, Prešov), the structure of the RSEs from the BBSK Region active in the construction sector is slightly different, not being dominated by the presence of municipal social enterprises<sup>64</sup>. Moreover, there is no observed trend in the construction segment of the BBSK to transform a traditional enterprise into a registered social enterprise.

**The dominant area of RSEs' business is related to landscaping—this category includes social enterprises that are engaged in the landscaping and maintenance of public spaces.** However, these RSEs often also carry out the land adjustments that are made prior to the commencement of various constructions works. All RSEs active in this business in the BBSK Region are so-called 'municipal social enterprises', that is, social enterprises established and controlled by the municipality as a tool to implement their developmental role and vision. Other areas of business activities appear rather marginally in the portfolio of the RSEs active in the BBSK Region, and relate to one or two social enterprises. On the basis of available data, we were unable to identify clear lines of distinction between the business activities of the RSEs and the prevailing business/development initiatives implemented in the BBSK Region. However, these can be better identified and analyzed through qualitative research that builds on the data analysis undertaken.

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<sup>62</sup> This likely is the result of an initiative of the BBSK Office, known as "The Farmer", which aims to promote regional food production and to motivate food producing enterprises to apply for the status of registered social enterprise, and subsequently to join regional supply networks where the role of buyer is played by organizations established by the BBSK Office, and the role of supplier is played by registered social enterprises.

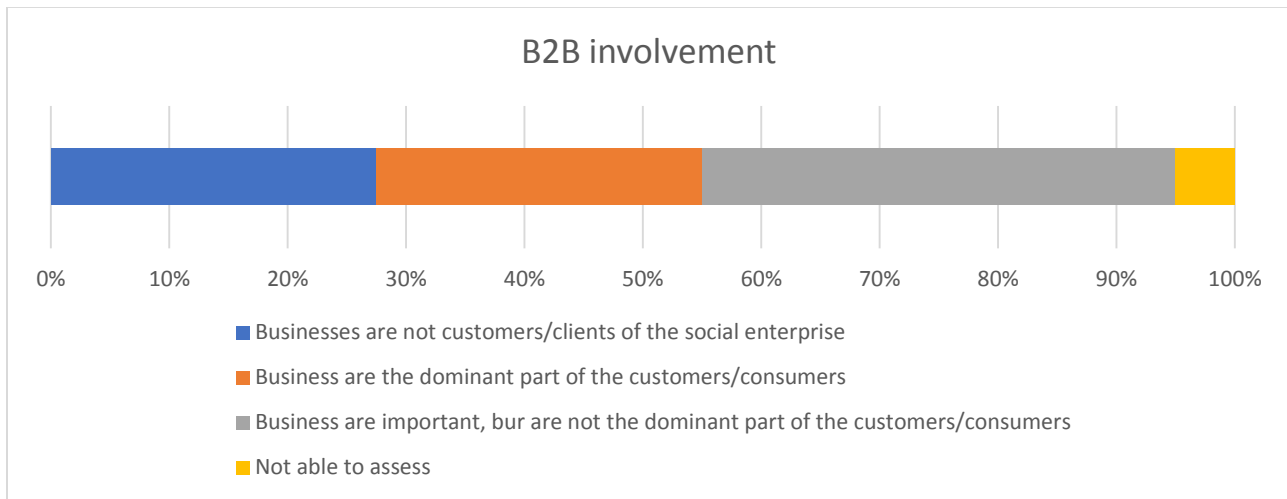
<sup>63</sup> For five of them, dry cleaning is one of several activities, while in one case it constitutes the main and unambiguously core activity. This is the social enterprise WASCO, which is one of the oldest, most efficient, and well-known enterprises in the Slovak Republic; the merits of social entrepreneurship in the Slovak Republic are often presented using this example as a model, so that it can be an inspiration for others.

<sup>64</sup> Only one out of a total of seven is established and controlled by local government, in this case a regional one. One RSE is not even of the work-integration type, so it does not take a wage subsidy for its employees. It is also interesting to note that the RSEs active in the construction sector in the BBSK Region are usually young entities, all of which were established only a few months before obtaining the status of RSE (the maximum was five months).

### 4.3.3. RSEs' Part of Local Supply Chains

**One part of the questionnaire survey conducted among RSEs collected data on their involvement in local supplier-consumer networks.** The survey findings indicate that the majority of respondents (68%) consider business relationships with other business enterprises and the business-to-business (B2B) approach to be an important segment of their business activities, with the business sector representing the dominant customer segment for 28% of respondents—a finding illustrated by Figure 15. About the same group of RSEs (27%) reported that they do not offer goods and services to other businesses. These are mainly RSEs active in services provided by municipalities or construction work, and it can be assumed that they are mainly municipal social enterprises.

**Figure 15. B2B Involvement Among RSEs**

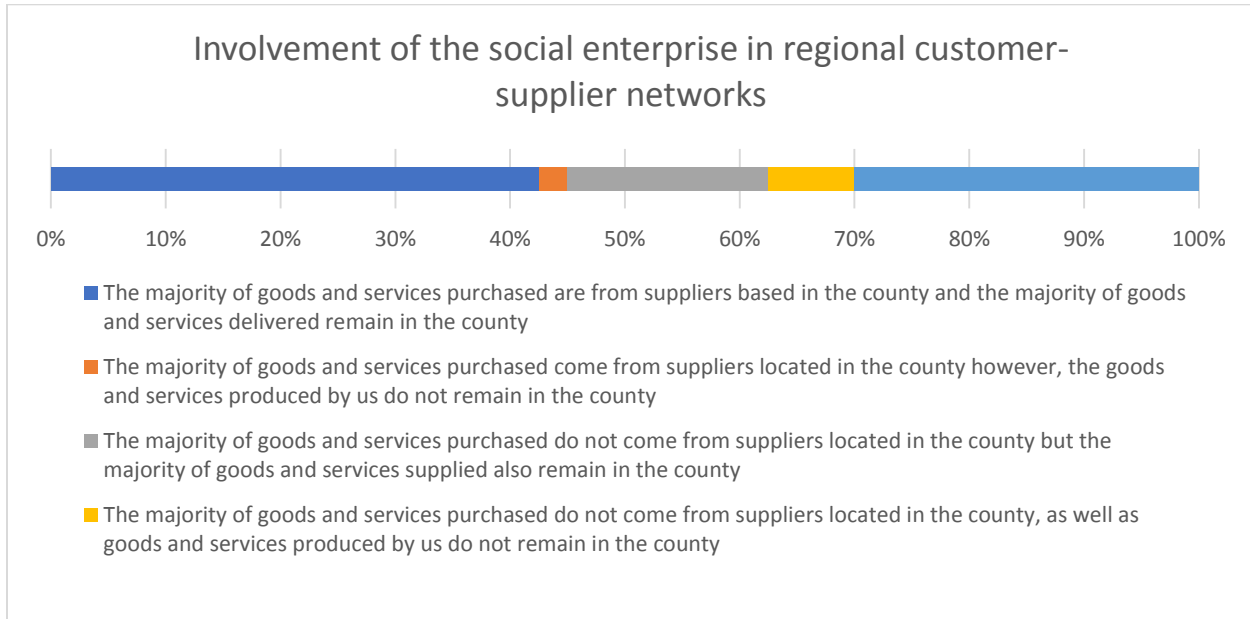


Source: Authors, findings of the online survey.

**The RSEs that mentioned other businesses as an important segment of their customers most often deal with micro-enterprises of up to nine employees (52%) or small enterprises (36%)<sup>65</sup>.** Business relationships with medium or large-sized businesses tend to be the exception in the RSE environment. Based on the survey results, it is evident that a large group of RSEs (42% of respondents) are focused on conducting business in the region (see Figure 16). A large proportion of the RSEs (44%) try to source the inputs needed for their business primarily in the BBSK Region, and the majority (60%) also sell most of their products and services in the BBSK Region. Only about a quarter of the respondents (26%) purchase their inputs (in the form of goods and services) primarily from outside the BBSK Region, and an even smaller proportion (10%) sell their goods and services outside the BBSK Region. Based on the above, it can be observed that the RSEs are mainly active in the BBSK regional environment and that their business activities outside the region are limited. This makes the targeted support by regional authorities and the strengthening of the regional ecosystem through a local economic development approach all the more important.

<sup>65</sup> Having between 10 and 49 employees.

**Figure 16. Involvement of the Social Enterprise in Regional Customer-supplier Networks**



Source: Authors, findings of the online survey.

**Municipal social enterprises are recognized by the Act on SEaSEs as a specific form of social enterprise.** Their importance for local development is also recognized in international debates on the conceptualization of social entrepreneurship. In the BBSK Region, nine such municipal social enterprises are registered as of June 30, 2022. While this is not a high number in regard to the region, the fact that these enterprises have just a single customer could potentially pose challenges to their sustainability in the long term.

#### *Economic Indicators of RSEs*

**The economic performance of RSEs is illustrated in the data analysis through seven different variables.** These are the following: (i) total RSE revenue; (ii) sales<sup>66</sup> (iii) net operating profit after tax (NOPAT)<sup>67</sup>; (iv) gross margin<sup>68</sup>; (v) asset turnover<sup>69</sup>; (vi) selling, general, and administrative expenses gross profit<sup>70</sup>; and

<sup>66</sup> In the case of the 'sales' category, income from the potential sale of fixed assets and securities are also included. This is the sum of sales from the main activity (that is, sales of goods, own products, and services), sale of fixed assets and materials, and sales of securities and shares. Therefore, the amounts in the table do not necessarily reflect only sales of goods, own products, and services; possible significant year-on-year differences do not necessarily imply a decrease or increase in sales from the RSE's core business.

<sup>67</sup> Net operating profit after tax ('NOPAT') refers to the taxed operating profit, which is used as an accurate basic measure of profitability to compare the company's financial performance throughout its history and against its competitors.

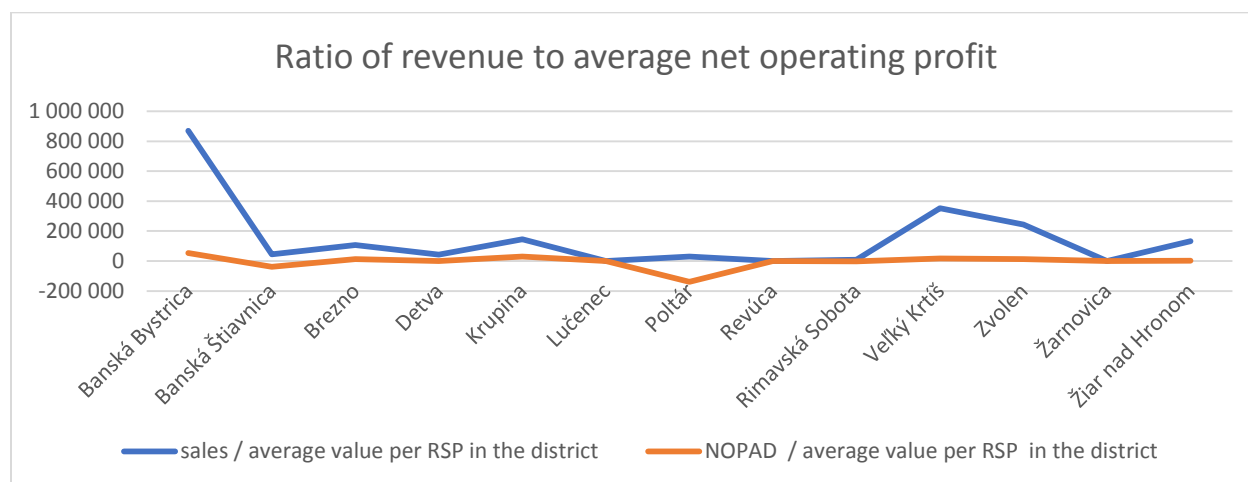
<sup>68</sup> The gross margin category measures what percentage of a company's revenue is left after costs are paid. The higher the percentage, the better the result. However, the values can be manipulated by the repayment of significant investments.

<sup>69</sup> Asset turnover illustrates the activity of the RSE. It is a measure of how many euros of revenue a company generates from one euro of assets, that is, how many times the total assets are turned over in one year. Asset turnover should be at least at the value of '1'. Higher values are preferred.

(vii) tax paid. These variables are not specific to RSEs, as they are standardly reported by any commercial company. They are presented in a time series from the entity's inception or, in the case of older companies, from 2015. A year-on-year comparison of individual indicators can illustrate the development trend, resilience, and stability of a particular RSE.

**In 2020, the cumulative amount of revenues of RSEs based in the BBSK Region, which obtained the status of RSE before December 31, 2020, amounted to € 9,844,264.**

**Figure 17. Ratio of Revenue to Net Operating Profit**



The cumulative amount of revenues of the same group of RSEs in 2021 increased by almost 16%, compared to the previous year and reached a total amount of € 11,400,683. The cumulative amount of revenues of all RSEs based in the BBSK Region in 2021 amounted to € 12,253,185 and the cumulative amount of corporate income tax for 2021 paid by RSEs amounted to € 47,212. In terms of net operating profit after tax (NOPAT), RSEs based in the BBSK Region in 2021 reached a cumulative amount of € 792,708, which represents an average amount of € 16,178 *per* RSE—this is the data of RSEs whose financial statements for 2021 were published by the deadline of June 30, 2020, thus a total of 64 RSEs. Following the current legislation, at least 50% of this amount should be used to fulfill the RSE’s social impacts. If consideration is only given to RSEs that have obtained RSE status before December 31, 2020 and have a legal form of a limited liability company (LLC), which represents 34 RSEs, the cumulative amount of NOPAT for 2021 is € 621,891 which represents an increase of almost 71% from the previous year, when the cumulative amount of NOPAT for the same group of RSEs amounted to € 364,602. If consideration is only given to the 34 RSEs that have obtained RSE status before December 31, 2020, and have a legal form of an LLC, the cumulative amount of NOPAT for 2021 is € 621,891. This represents an increase of almost 71% from the previous year, when the cumulative amount of NOPAT for the same group of RSEs amounted to € 364,602.

**The faster year-on-year growth of the NOPAT (71%) compared to the year-to-year growth of sales (16%) can be interpreted also by the stronger presence of the financial support of WISEs by the active labor market policy through the so-called “compensatory subsidy”.** The uptake of the subsidy among

<sup>70</sup> This indicator expresses the euro amount of a company's revenue generated from one euro of its assets, that is, how many times the total assets are turned over in one year. Asset turnover should be at least at the level of ‘1’. Higher values are preferred.

social enterprises that have obtained the WISE status before December 31, 2020, has increased year-on-year from € 1,076,882 in 2020 to € 3,231,236 in 2021 (300%). The gross margin of entities that obtained the RSE status before December 31, 2020, reached in 2021 an average value of 48.4%, which is 11.5% more than in 2020, when it reached 36.9%.

**In terms of district breakdown and taking into account the same group of RSEs, the highest average gross margin in 2021 was achieved by the RSEs based in districts with the lowest number of RSEs— Detva (73%), and Krupina (72%).** In the case of districts with a higher number of RSEs, lower values were achieved (Banská Bystrica—32.7%, and Veľký Krtíš—41.04%). For comparison, the average gross margin value of the 15 best-performing companies<sup>71</sup> with the highest annual sales value operating in the Slovak Republic in 2021 was 15.3%<sup>72</sup>.

**RSEs turn over their assets more slowly compared to the best performing companies, but their performance can be considered standard.** The activity of RSEs illustrated by the indicator ‘asset turnover’ among the entities based in the BBSK, which obtained the status of RSE before December 31, 2020, in 2021 reached the value of 1.6. For comparison, the average value of the 15 best-performing companies based in the Slovak Republic reached 2.23. Compared to the best-performing companies in the Slovak Republic, RSEs operating in the BBSK Region lag significantly behind in relation to the indicator that illustrates what part of the added value the entity has to pay in personnel costs. While the average value of the 15 best-performing companies is 0.48, in the case of RSEs it is as high as 3.11. However, the significant disproportion is expected, since in the case of RSEs of the work-integration type (which account for almost 100% of the RSEs surveyed), higher expenditures in favor of personnel costs resulting from the lower labor productivity of RSE employees are common.

#### 4.3.4. RSEs as Employers

**Data from the last population census indicates that as of January 1, 2021, 215,057 people from the BBSK Region have employee status—about 77.2% of the people who are active in the labor market.** Based on the total number of employees reported by each RSE in their individual annual reports for 2020 (that is, as of December 31, 2020), it can be assumed that 365 people were employed by RSEs. In terms of the total number of employees in the region’s districts, this is a marginal share (see Table 5). However, it is important to note that almost 69% of the employees are disadvantaged or vulnerable people in the labor market. Thus, it can be argued that the RSEs active in the BBSK Region tend to significantly exceed the statutory minimum threshold of 30% of the population share of disadvantaged or vulnerable employees in the total number of RSE employees, which can be assessed as a clearly positive fact.

**Table 5. Ratio Between the Number of RSE Employees and the Total Number of Employees in a District (as of December 31, 2020)**

<p><b>Ratio between the number of RSE employees and the total number of employees in a district as of 31.12.2020</b></p>
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<sup>71</sup> It is a list of best-performing companies created by the Financial Administration of the Slovak Republic; it includes companies in the automotive industry, retail companies, and companies doing business in the energy sector.

<sup>72</sup> Finstat, 2021.

Name of the district	Total number of employees (in persons)	RSE employees (in persons)	Share of RSE employees in the total number of employees
Banská Bystrica	45,245	160	0.35%
Banská Štiavnica	5,331	31	0.58%
Brezno	20,232	38	0.19%
Detva	11,212	28	0.25%
Krupina	7,819	5	0.06%
Lučenec	21,184	0	0.00%
Poltár	6,275	10	0.16%
Revúca	10,079	2	0.02%
Rimavská Sobota	21,453	0	0.00%
Veľký Krtíš	13,303	78	0.59%
Zvolen	27,064	4	0.01%
Žarnovica	8,794	3	0.03%
Žiar nad Hronom	17,066	6	0.04%

Source: Authors' calculation, based on the [Census 2021](#); and [individual RSE annual reports for 2022](#).

## 5. Considerations for Determining the Operationalization of the Integrated Services Center (ISC)

### 5.1. Priorities to Strengthen the Regional Social Economy Ecosystem

The regional BBSK Office, through its various entities, such as the Regional Development Agency (RDA) plays a key role in the development of the regional social economy ecosystem. Based on the qualitative and quantitative analyses presented in this report, for the ecosystem to thrive and maximize the potential of the sector in the region, evidence points to key areas that need further efforts to be addressed:

- Awareness on social economy—for the wide public, policymakers, stakeholders, and among social enterprises
- Capacity-building for SEs—provision of training on entrepreneurship; monitoring and reporting; measuring social impact; building skills of disadvantaged employees and accompaniment employment support for employees with disabilities
- Entrepreneurial ecosystem—addressing the connectivity gap between institutions and SEs as well as among SEs; bridging toward the private sector; support with client base, and supply chains and markets
- Access to finance—provision of small grants to de-risk the business establishment (investment aid) and facilitation to access, including dedicated and new instruments; and access to EU funds

**One envisaged approach by the BBSK Office to address these areas would be through the establishment of an entity—provisionally titled, the “Integrated Service Center (ISC)”.** The evidence collected in this report is meant to capture the available opportunities existing at the moment of drafting this report. However, to adapt to potential changes, together with the BBSK Office, the Bank team, in consultation with the DG REGIO team, will further add to the considerations in the establishment of the ISC, in order to identify the adequate approach in supporting the regional ecosystem of social economy.

**In considering the establishment of the envisaged ISC, the institutional and operational setup is based on the Slovak legal and policy frameworks and adaptation of international best practice tailored to the BBSK regional specific context.** Choices should be made on key ISC functions and institutional settings so that the dictum of “form follows function” can be observed. Considering the analysis carried out and the key functionalities that it would be crucial to focus on and strengthen, the next sections of this report provide a detailed overview of available options, both in relation to the (i) specific functions, services and activities on which the ISC could concentrate in responding to the needs and challenge of building an effective ecosystem for the social economy and social enterprises, and (ii) the possible operational and institutional forms through which it would best perform them.

**The BBSK Office could adopt a progressive and incremental approach to establishing the ISC.** This could start off as a dedicated unit/team within the BBSK Office, and over time, as it matures and more resources become available, could evolve into a standalone entity/agency. The standalone entity could take any one of the three forms detailed in the upcoming sections. To strategically position itself in the region, the BBSK Office could also take on a convener role for creating networks to support the social economy ecosystem in the region—such as a social economy community of practice (SECoP).

## **5.2. Inputs From International Best Practice**

**Illustrative examples from international case studies and good practices in establishing ISCs for social economy, with potential replicability in the BBSK Region are presented in Annex 2.** The case studies showcase examples—from Europe and beyond, specifically Poland, Spain, Denmark, and South Korea—on how governments and other stakeholders at different levels can join forces through dedicated tools and services, to support the efforts of social entrepreneurs and widen the space in which social innovation and the social economy can thrive, provide sustainable jobs, incomes, and services to the disadvantaged.

**The key recommendations deriving from the case studies are aligned to the areas identified to be further addressed in this report.** The following actions are highlighted: applying or scaling up the provisions of social responsible public procurement (SRPP) to promote the access to markets for social economy enterprises and organizations; using reserved contracts for social economy structures under the EU procurement law; linking social economy with a citizen-led 'green transition' to implement the EU's European Green Deal; ensuring funding by proposing the complementarity mix between subsidy and investment (public funding, philanthropic funding, and social finance for investment); introducing a national credit guarantee; supporting social economy financiers; mobilizing citizens' support (for example *via* equity crowd-funding); supporting social economy actors through capacity-building activities; promoting knowledge exchange through communities of practice for social economy and business incubators; and raising the visibility of the social economy for the general public.

The following analysis—focussing on the scope and options for defining ISC functions, activities, and services, as well as institutional and organizational arrangements—draws extensively on the findings of the international case studies review.

### 5.3. Scope and Options for Defining ISC Functions, Activities, and Services

As experience suggests, the portfolio of activities of ISCs can be quite broad. In the case of the BBSK Office, the provision of financial services for social enterprises is currently not envisaged, as the size of the country and the need and scale of support does not require the creation of regionally differentiated financial support facilities that can be effectively channeled from the central level. This does not exclude intensive cooperation of the ISC with financial assistance intermediaries and significant participation in the implementation of programs aimed at preparing SEs to attract, receive, and manage investments.

Based on the results of the research carried out, it is possible to propose a breakdown of possible ISC activities in three basic pillars:

- Activities aimed at supporting the social economy ecosystem and SEs in the BBSK Region
- Activities aimed at supporting the capacity of SEs
- Activities aimed at the sustainability of the ISC

#### 5.3.1. Activities and Services in Support to the Social Economy Ecosystem and SEs in the BBSK Region

The social economy ecosystem and SEs, as defined by the EC, is the result of the following: a) a culture of association, cooperation, mutual self-help, and solidarity in a country; b) political and legislative support; c) the resources needed to support social entrepreneurship; and d) the promotion of skills in social entrepreneurship, conditioned by insightful research and its findings<sup>73</sup>. In some areas, such as policy support for the social economy and SEs, the BBSK Office is playing a leading role. In others, such as the development of legislation or dedicated resources and support instruments, the BBSK Office has limited capacity to influence decisions that are mainly taken at the national level. Further areas—including knowledge, awareness, and capacity-building on the social economy and the SEs—offer opportunities for the systematic implementation of activities.

The following areas are considered relevant in framing the role and scope of activity of the ISC in the BBSK Region:

#### *Proactive Networking of Social Economy Actors in the Region*

National level activities aimed at networking social economy actors are not well publicized or widely known. There are no specific platform/facilities where social enterprises can meet regularly and exchange experiences. Representatives of social enterprises do not know each other and usually do not cooperate. They are also often not familiar with the social economy environment and do not know the range of support instruments and supporting institutions available to them. Networking can be enabled through different types of informal events, presentations, fairs, and so on. A specifically relevant tool is the promotion and establishment of a dedicated ‘community of practice’ (CoP) focusing on different areas of social entrepreneurship.

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<sup>73</sup> EC, 2020.

**Further networking support can concern the promotion of dialogue and concrete synergies in relation to specific functions and/or areas of activity of social enterprises.** This can be facilitated through the organization of coworking spaces, where joint activities can be focused thematically (with an emphasis on social enterprises active in one area of business), or geographically (with an emphasis on horizontal dialogue and synergy between social enterprises operating in the same district).

#### *Youth Sensitization and Capacity-building for Social Economy and Social Entrepreneurship*

**A major gap in the support of SEs in the BBSK Region, and also in the Slovak Republic, is the absence of initiatives aimed at systematically exposing, sensitizing, and involving young people in social economy.** A number of activities already exist, but their scope and visibility are relatively narrow, and they often focus on engaging young people who already have a business idea. At lower education levels, the topic of social economy and social enterprises is not included in formal curricula. However, several faculties of Matej Bel University include the topic in their educational programs. This offers opportunities for wider dissemination among young people in the region, and for the implementation of mentoring and other educational programs carried out by university students at lower levels of education. There is also an opportunity for the implementation of specialized events aimed at engaging young people, such as hackathons, summer residential programs, and mentoring programs. Opportunities for the dissemination of the topic among young people are also offered by the SPACE youth work centers implemented directly by the BBSK Office through the RDA, or by the organization CEEV Živica, through the EU's SOCRATES program, which is implemented directly in the region.

**A separate topic is the implementation of dual education in SEs and the involvement of young people from disadvantaged backgrounds in the activities of specific SEs.** According to Act 61/2015 Coll. on Vocational Education and Training, social enterprises can be an ideal platform for the implementation of individually tailored dual education programs for young people at risk of dropping out of education, and can act as (remunerated) providers of vocational training<sup>74</sup>.

#### *Visibility and Partnership with the Business Sector*

**Surveys conducted indicate that only five percent of the population in the Slovak Republic can recognize a social enterprise<sup>75</sup>.** It can be assumed that the level of awareness of social enterprises will not be substantially higher in the business sector. It is therefore necessary to focus on systematically building partnerships with the business sector represented by local chambers of commerce, entrepreneurs and their consortia, and sectoral associations. This requires raising the visibility and profile<sup>76</sup> of the SEs in the region, through participation in specialized fairs and other events where the ISC should always have an active presence. Equally important is publishing and targeting entrepreneurs on social networks and in the online space. To ensure this function, it is essential that the ISC has a detailed overview of the activities and capacities of the different SEs active in the region and can present these adequately as needed. It is also important to establish and formalize cooperation with entities

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<sup>74</sup> This constitutes a win-win cooperation practice, offering social enterprises an opportunity to develop their workforce, while achieving their social and labor inclusion objectives. As very few social enterprises are aware yet of this opportunity, further efforts are needed to spread information about it.

<sup>75</sup> Pontis, 2019.

<sup>76</sup> This also requires overcoming stereotypes associated with social enterprises—such as a lower quality of goods and services provided, their narrow supply basis, or poor flexibility in responding to the needs of business partners.

specialized in business support, such as the Slovak Business Agency and its National Business Centre, and to ensure that the ISC website is linked to these organizations.

#### *Visibility and Partnership with the Public Administration*

**There is limited knowledge about social enterprises among the public sector.** Addressing this is highly relevant, as public administrations are major significant investors, currently accounting for more than 14% of the EU's gross domestic product<sup>77</sup>. By making informed purchases, public authorities are able to influence the market in a meaningful direction and use resources in such a way that, in addition to providing the necessary goods or services, they bring an added value and ensure a positive impact in addressing current societal challenges. European, as well as national legislation encourages such practices. In the current legislation in the Slovak Republic, there are two basic tools for the implementation of public procurement with social impact. This is the possibility of implementing a so-called reserved contract implemented in accordance with §36a of the currently valid version of Act 343/2015 Coll. on Public Procurement, which means targeting opportunity to a group of registered social enterprises. The second basic option, described in §10 (7) of the same act, is the obligation to uphold the social aspect in at least six percent of all public procurement<sup>78</sup>.

**Given the opportunities offered by the Public Procurement Act and the capacity of public administrations in social procurement, it is more than necessary to pay close attention to awareness-raising activities on SEs among public administration entities.** As in the case of the business sector, it is necessary to create appropriate tools to ensure the presentation of the offer and capacities of social enterprises in the region and to motivate public administration entities to proactively apply the legislation in the field of public procurement. Attention should also be paid to overcoming the prejudices and fears of the contracting authorities; it is not uncommon to encounter the opinion that the application of social considerations in public procurement aspects is not legal or will not deliver quality services and goods.

#### *Building Strategic Business Partnerships and Products to Levy the Potential of Social Enterprises as Drivers for Local and Regional Economic Development*

**Compared to other regions in the Slovak Republic, the BBSK Region has a relatively high profile in the promotion of social entrepreneurship, particularly in the area of local food production.** This is the result of a very targeted intervention implemented by the BBSK Office, which has created a purchasing system linking suppliers and buyers of local food. The implemented experience proves that the development of social enterprises in strategic economic sectors or areas of activity can be actively influenced. It is therefore advisable to consider designing and implementing similar interventions and 'products' targeting other sectors. Significant opportunities exist in several areas, like the sustainable redevelopment of disused industrial sites or in social services, the promotion of tourism or the development of an independent and robust arts and culture sector.

**For the development of social economy and SEs in the BBSK Region, it is required to abandon the narrow perception of SEs as only a tool for labor market integration of disadvantaged people.** SEs

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<sup>77</sup> EC, 2021.

<sup>78</sup> This applies to contracting authorities that have carried out at least ten public procurement processes in a calendar year, except for low-value contracts. However, a limitation of this norm is that social enterprises are not the only eligible interlocutor to deal with the social aspect in such procedures.

should be considered as strategic drivers of broader local and regional economic development processes.

#### *Awareness-Raising and Responsive Consumers Behavior*

**The development of the social economy and SEs can be considered directly proportional to the level of their acceptance by the general public.** If the public does not understand the principles and objectives of social economy and the added value that SEs bring, their existence and sustainability are at risk. ISC activities should focus not only on raising awareness but also on influencing the consumer behavior of the general public. There is a need for the public to make more use of support tools, such as service vouchers, and to favor purchasing from value-added entities. This can be done through systematic and well-thought-out information campaigns targeting different segments of society, both online and offline, presenting the activities, products, and added value of social enterprises, showcasing positive cases, and cooperating with the regional press and broadcasting media. It is particularly important to encourage SEs to present their products and services under the label of social economy to make it more widely known.

#### *International Cooperation*

**The internationalization of social entrepreneurship is almost nonexistent in the BBSK Region.** This does not exclusively refer to the access of SEs into foreign markets, which in most cases is not even a realistic option, given the character of most social enterprises active in the region, but mainly about the reflection of international trends in the promotion and regulation of their activity. Reflecting the broad and diverse focus and perspectives of the BBSK Office toward social economy, it is possible to consider membership in several international structures. With emphasis on sustainable regional development, it is possible to consider cooperation with Local Governments for Sustainability (ICLEI), or the European Association for Innovation in Local Development (AEIDL), or the EUCLID network, which implements the European Social Enterprise Monitor. With emphasis on the work integration element, it may be appropriate to consider working with the European Network for Social Integration Enterprises ([ENSIE](#)), or the European Association of Service Providers for People with Disabilities ([EASPD](#)). With an emphasis on strengthening social enterprises in the field of social services, the European Social Network ([ESN](#)) is certainly worth mentioning. [Social Economy Europe](#), a network dedicated to the generic promotion of the social economy and social entrepreneurship in Europe can be considered, as can the EMES research network, within which there is an affinity group for the promotion of SEaSEs in the CEE, or an affinity group focused on measuring the social impact of SEs. It would also be useful to strengthen participation in European legislation through active participation in the EC's Expert Group on social economy and social enterprises (GECES), or the [Proximity and Social Economy Industrial Ecosystem](#) working group.

#### *Advocacy and Methodological Support*

**Through daily contact with SEs in the region, the ISC would have a real opportunity to effectively reflect on the quality of the legislative environment enabling the development of the SEaSE sector.** In addition to identifying obstacles and gaps, the ISC could offer cooperation to organizations operating at the national level in the development of conducive legislations and support tools. In this respect, the ISC could aim to establish itself as a respected partner that is invited to participate in the development of legislative and other support frameworks on the SEaSEs, acting as an intermediary between the authorities in charge and the SEs, to allow for a better expression of their needs and expectations.

**The ISC could also focus on measuring the impact of the social economy at the regional level and related data collection.** This requires identifying an impact measurement methodology as a basis for

tracking evolution trends over time. The methodology could be further adapted to different areas and sectors (for instance, employment development), and broken down by target group<sup>79</sup>. In order to ensure a better comprehensive outlook on the sector, it is also advisable to develop a coherent and unified methodological framework for annual reporting.

### 5.3.2. Activities and Services Supporting the Capacity of Social Enterprises

**In addition to creating a supportive ecosystem for SEaSEs, the ISC can provide targeted assistance to directly build the capacity of SEs and social entrepreneurs.** Aid must be implemented in full observance of the rules of state aid, in a transparent manner, and not creating conditions that favor one subject over another. Based on the research findings, activities could focus on the following aspects:

#### *Identification, Sensitization, and Support to Potential SEs*

**The ISC can contribute to increase the number of RSEs and to educate on the types of social economy activities.** As noted in the previous chapters of this report, awareness of the existence of SEs is consistently low in the Slovak Republic, with the consequence that a number of organizations belonging to the category are arguably unaware that they carry out a social economy activity. The ISC could aim at identifying these organizations and stimulate them to become confident members of the social enterprise family, whether registered or unregistered. Social entrepreneurship needs to be effectively promoted and communicated through specific examples of organizations that are successfully active in a wide variety of areas of public benefit. ISC activities can include individual support to organizations with the potential to transform themselves into social enterprises<sup>80</sup>. This requires a capacity to monitor the activities of a wide range of organizations active in the social economy sector in the region and engage with them when an opportunity for upgrading and synergy arises. The ISC should also seek to integrate the notion and activities of social enterprise in the work of different administrative offices and departments of the BBSK Region.

#### *Identification and Preparation of Business Opportunities*

**Some organizations are running social businesses without knowing it, and others are carrying out activities that could be further developed through accurate business plans.** Various types of incubation and mentoring programs exist that target these organizations through sensitization and capacity-building, support to business plan elaboration and testing, and other activities. A missing segment in supporting social enterprises is preparing them for investment readiness through the elaboration of realistic and financially viable business plans, effective communication with investors, and capacity to face investment assessment processes. Currently, there are several products on the Slovak financial market specifically aimed at supporting social enterprises. However, all investors unanimously speak of the sector's limited capacity to absorb these funds. Most social entrepreneurs have never undergone a business plan sustainability assessment process before and are therefore often discouraged by the demands of investors. On the other hand, investors do not have the capacity needed to guide each client individually. Consequently, this gap ends with the demise of many promising projects that fail to take advantage of the financial assistance offered.

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<sup>79</sup> Data is currently collected in a rather unsystematic way and presented by several organizations in a rather nonhomogeneous manner.

<sup>80</sup> This includes engaging them in the implementation of targeted support projects and products, such as the aforementioned Farmer initiative, for which it was necessary to identify a group of potential local food suppliers, who were subsequently accompanied until they obtained the status of RSEs.

**The ISC could consider focusing on the provision of dedicated services that address the gap by strengthening the investment readiness of the SEs.** This in turn would concur to substantially increase the level of investment, and ultimately, the scope and quality of the work and services that social enterprises guarantee in the region.

#### *Building the SE Coalitions and Joint Provision Capacity*

**A large part of the social enterprises active in the BBSK Region are micro and small enterprises (MSEs) with limited production capacities due to their size.** However, public authorities as well as several bigger companies are in favor of cooperation with SEs but face the constraint of their capacity to consistently provide goods and services of the required quality and quantity. The mismatch between the capacity of SEs and the potential demand for their services is, therefore, a frequent obstacle to cooperation. A solution to the problem could be to bring the SEs together and form coalitions that can jointly respond to larger-scale contract requirements. To date, in the Slovak Republic there are no known cases where a large enterprise or a public procurer has negotiated a contract with similar groups/consortia of associated suppliers or providers from the social economy. In order to link individual SEs, it is key to build trust among them—as a prerequisite for successful cooperation—and to know in detail their production and/or services provision capacity. In parallel, the ISC could support the visibility, recognition, and negotiation capacity of social enterprises' coalitions *vis-à-vis* potential partners as larger companies and public procurers.

#### *Information Brokering Toward to Social Enterprises*

**The primary concern of most social entrepreneurs is related to ensuring their day-to-day operation capacity and business activities.** Information—such as on legislative changes, public procurement, and other opportunities for financial and marketing support—are often neglected, as social enterprises do not have the capacity to follow the public procurement database or the websites of individual organizations where such opportunities are compulsorily published. The ISC could therefore play a key role acting as a systematic information broker in these areas. The research carried out has shown that social entrepreneurs would greatly appreciate a support in monitoring and searching the public procurement database, and a regular (for example, on a weekly basis) sharing of information on announced tenders broken down in clear categories. Targeted information would also need to be disseminated through different, especially online, channels such as newsletters, podcasts, email alerts, or the targeted use of social networks.

#### *Information, Training, and Educational Programs Addressing the Needs of Social Enterprises*

**Lack of training and educational opportunities in the field of SEaSEs remains a challenge for the social economy ecosystem.** Information seminars and other public educational events are very rarely carried out. The ISC should respond to this gap and concentrate on creating and publicizing a structured offer of educational events, including a combination of short-term information seminars, specialized events, and long-term training programs. Informational events could focus on providing news and updates on relevant day-to-day topics, such as legislative changes, financing opportunities, projects, and others. They could take the form of short (for example, one-hour lunch seminars) in hybrid format. Specialized educational events can last a few hours and focus on topics that may not be directly related to entrepreneurship, but which can influence the quality of the social enterprises' work and their ability to

achieve positive social impacts<sup>81</sup>. Longer-term training programs could be designed and implemented in partnership with national and local universities and other research centers.

## 5.4. Institutional and Organizational Setup

### 5.4.1. ISC as Part of the Organizational Structure of the BBSK Office

**The integration of the ISC into the organizational structure of the BBSK Office demonstrates support for the social economy—especially from the perspective of a bottom-up approach, within the primary competencies of the regional government.** Establishing a dedicated expert team on social economy areas—and nesting it within the BBSK administration—allows to create an enabling environment for social economy, connecting the ISC to the regional administration policy agenda and implementation processes. This option can also give the ISC team easier access to other competencies and resources within the administration. However, in order to enhance its operational capacity and efficiency, and avoid overlapping and duplications, the unit would have to be entrusted with a clear mandate, well defined functions, and adequate operational resources to provide the identified services. Reporting and accounting procedures should also be well defined to ensure mutual accountability and the sharing of information as a basis for effective cooperation.

### 5.4.2. ISC as a Standalone Entity Established and Led by the BBSK

**With a view of establishing (or enabling the gradual evolution of) the ISC as an independent entity, the BBSK management can consider four possible legal forms<sup>82</sup>:**

- I. Budgetary organization of the BBSK (Rozpočtová organizácia BBSK)
- II. Contributory organization of the BBSK (Príspevková organizácia BBSK)
- III. Interest association of legal entities (Záujmové združenie právnických osôb)
- IV. Nonprofit organization providing public-benefit services (Nezisková organizácia poskytujúca všeobecne prospešné služby)

#### *i. Budgetary Organizations*

**A budgetary organization<sup>83</sup> manages its budget independently in the framework of the general approved budget and of the funds assigned to it by the founder.** Its programs and operations are guided and bound by the budget figures set for the concerned financial year and are subject to the supervision and instructions of the authorizing officer. The establishment of the ISC as a budgetary organization can be considered a natural option for the institutional anchoring of a program or service in a public administration sector. The organization would be set up under Act 523/2004 Coll. on budgetary rules of public administration. The functions of such an organization, deriving from the powers and functions of the founder, and stated more explicitly in its charter of incorporation, may include the

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<sup>81</sup> For example, this could include issues of cooperation with the long-term unemployed, the New European Bauhaus initiative and social entrepreneurship, linking the circular and social economy, social innovation in social entrepreneurship, and others.

<sup>82</sup> From a statutory point of view, a commercial company established in the form of a limited liability company (LLC) is not excluded from being considered; however, given the focus, financing, and objectives that the ISC wants to achieve, this type of legal form is not considered as a viable option.

<sup>83</sup> Examples of budgetary organizations include secondary schools, social service homes, dormitories, and others.

implementation of programs aimed at supporting social economy and social enterprises in the BBSK Region.

**In addition to the founder's resources, the organization's budget may consist of nonrepayable financial contributions from ESIF resources intended for the implementation of projects and programs in the organization's portfolio.** However, the option for the budgetary organization to accept contributions, even in the form of donations from other entities, is limited. Budgetary organizations are precluded from charging for services they provide. However, some payments may be received from end users (such as fees for use of dormitories) but these are not classified as income of the business. From an accounting point of view, the specificity of this form is that there is no transfer of funds and all financial matters for a budgetary organization are handled within the founder's budget system. The organization has a cost center/budget allocation held by the founder. When implementing expenditures, the budgetary organizations can incur expenditure up to the authorized limit and charge these against the budget allocation provided for by the founder.

**Employees of the budgetary organization are considered as employees in the performance of public benefit under Act 552/2003 Coll. on the performance of work in the public interest,** as amended, and perform their work in accordance with Act 311/2001 Coll. on the Labor Code, as amended. Salaries are regulated by the rules laid down in Act 553/2003 Coll. on the remuneration of employees in the performance of work in the public interest. The specific salary scale is the result of the classification of a specific job position in a specific grade, combined with the salary step of a specific employee, which is in turn conditional on the nature and length of its qualification and experience.

#### *ii. Contributory Organizations*

**The institutional form of a contributory organization is broadly similar to that of a budgetary organization as described above.** The main difference is the way in which the organization is linked to the budget of the founder and the definition of the rights and obligations of the organization. According to publicly available data, there are 45 contributory organizations in the BBSK Region, and these include galleries, museums, libraries, secondary schools, and others. While budgetary organizations pass all their revenue to the budget of the founder and their expenditure is fully covered by the founder's budget, contributory organizations are slightly different as multisource financing is envisaged, including revenues from economic activities or other entities. However, it is assumed that revenues from own activities are inadequate to cover the total running costs of the organization; therefore, the difference is financed by a contribution from the founder. According to §21 of Act 523/2004 Coll. on budgetary rules of public administration, the maximum income from own activities usually does not exceed 50% of the total costs<sup>84</sup>. On the other hand, the law does not set a maximum rate of the founder's contribution to the overall budget of a state contributory organization, so it can be assumed that the founder's contribution can cover up to 100% of the entire budget of the organization.

**Contributory organizations are linked to the budget of the founder and their budget includes a contribution from the founder.** However, part of the organization's expenditure is covered by its own resources to ensure that priority activities are not discontinued in the event of shortfalls in the founder's contribution. The role of the founder's contribution is to balance the budget; the amount of the contribution is therefore conditional on the amount of the total budget of the contributory organization,

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<sup>84</sup> This limit is variable and serves to make sure the organization does not become entirely commercial-/revenue-driven.

as approved by the founder. The contributory organization is obliged to generate the revenue determined in its budget. The contributory organization shall, in principle, concentrate all revenue and implement all expenditure through accounts held with the treasury of the founder (that is, the BBSK Office).

**As in the case of a budgetary organization, a contributory organization is governed by Act 523/2004 Coll. on budgetary rules of the public administration.** Its employees are also considered as employees in the performance of work in the public interest under Act 552/2003 Coll. on the performance of work in the public interest, as amended. Employment relations and remuneration of employees are governed by the same rules as for budgetary organizations. The principles for setting up a contributory organization are identical to those for a budgetary organization. Its founder may be a higher territorial unit and the performance of activities is specified in the organization's constitution. It is important to note that a contributory organization may not carry out functions that are beyond the remit of the founder organization. To summarize, the main difference between a budgetary organization and a contributory organization is that a contributory organization has a better chance of obtaining financial resources from entities other than its founder and can charge end users for some of the services it provides.

### *iii. Interest Association of Legal Entities*

**An 'interest association of legal entities' (hereinafter referred to as 'Association') is more freely governed than the previous two legal forms, as the rules of operation are determined by the founding contract concluded between its founding organization.** One distinguishing feature is that an Association is established by more (at least two) founding members. Only legal persons, irrespective of their nature, may be founding members of an Association. The conditions under which associations may be founded are regulated by Section 10 of paragraph 21 of Act No. 523/2004 Coll. on budgetary rules of public administration. According to the above rules, the founder of the association cannot be a budgetary or contributory organization. The only exception to this is if the founding budgetary organization is a Ministry<sup>85</sup>.

**Legal persons may establish an Associations to protect their interests or for other purposes, but these must be in accordance with the law and good ethics.** The objective of an Association should, in particular, be to satisfy the interests and needs of its founders/members. If the institutional anchorage of the ISC program were to be provided by the Association co-founded by the BBSK Office, the latter would have to declare that the promotion of social economy and social enterprises is one of the interests and needs of the BBSK Region. The registration address of an Association shall be the district office in the seat of the Association. Upon formation, the association is entered in the register of interest associations of legal entities maintained by the Ministry of the Interior. The formation, legal status, and termination of the Association are regulated by section 20f-j and section 21 of Act 40/1964 Coll. Civil Code. The law does not specify the obligation or the amount of the financial contribution of the individual founding members. This, as well as questions concerning the governance model, the

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<sup>85</sup> For example, the Institute of Social Economy Implementation Agency of the Ministry of Labor and Social Affairs, is a budgetary organization of MoLSAF, and an implementer of the national support scheme called, so it could, theoretically, be among the potential founders of the Association; however, it cannot act as a founder of a legal persons' interest association within the meaning of the law.

representation of governing bodies, or the implementation of other processes, is the subject of the founding documents of the Association and the agreement between its founding members.

**The institutional anchoring of the ISC through the legal form of the Association can be considered appropriate if the objective is the pursuit of a multisectoral approach toward the promotion of social economy and social enterprises.** The Association model offers an opportunity for the involvement of key organizations both vertically—for example, SK8, individual regional municipalities, and SE umbrella organizations—and horizontally—line ministries. In terms of the legal and administrative classification, the Association is considered as a private sector organization. Therefore, considering the current Cohesion Policy Funds co-financing rules, in the case of the implementation of a project co-financed by ESIF, the financial participation by the Association would be obligatory. The financial remuneration of the Association's employees is subject to an internal decision of the organization.

*iv. The Nonprofit Organization (NPO) Providing Public Benefit Services*

**None of the analyzed laws excludes the establishment of an NPO providing public benefit services.** In this scenario, the ISC would be established under Act 213/1997 Coll. on nonprofit organizations providing public benefit services. Paragraph 1 of Section 5 of the act in question even states that an NPO "may be established by a natural person, a legal person or the State". The situation where the founder of a nonprofit organization is a local authority is envisaged by the act in question. If the founder of the nonprofit organization were a regional authority, the functioning of the NPO could be comparable to a budgetary or contributory organization. The main differences between these legal forms are in the possibilities for self-governing, decision-making, and the implementation of processes.

**An NPO is not governed by Act 523/2004 Coll. on budgetary rules of public administration.** Thus, its employees do not have to be remunerated in accordance with Act 552/2003 Coll. on the performance of work in the public interest. Labor relations and remuneration of employees are governed only by the Labor Code in force; the remuneration levels for individual employees are determined by the provisions and rules of the particular nonprofit organization.

**Although the highest authority of the NPO is the board of directors, which appoints the director, the functioning of the organization would be subject to an auditor.** When exceeding the statutory limits<sup>86</sup> in relation to income, an NPO would be subject to the obligations of an external audit. However, the founder has legitimate instruments to influence the management and composition of the organization's bodies, so it is unlikely that, if an NPO is established by a regional authority, the management of the organization would be fully autonomous from its founder. This applies especially in cases where the founder also makes financial contributions to fund operations and programs. NPOs established by regional governments are a common form, and the legal form of an NPO is used for the implementation of public benefit activities. This may be because it simultaneously offers relatively flexible management processes as well as possibilities for maintaining control over the functioning of the organization. An important example of an NPO established by the regional municipality is the Regional Development Agency of the BBSK (Regionálna rozvojová agentúra Dobrý kraj, n.o.).

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<sup>86</sup> If any of the following apply, then an NPO will have to undergo an external audit:

- If their income from tax assignment (2%) for a given year exceeds € 35,000 (within the meaning of the Accounting Act).
- If their income from public sources for the year exceeds € 200,000 (Law on Non-Profit Organizations).
- If all income exceeds € 500,000 per year (Act on Non-Profit Organizations).

**As an argument in favor of this option, the legal form of NPOs providing public benefit services is among those that are most commonly associated with social economy entities.** If the ISC were set up under this legal form, it would automatically be considered a social economy entity and could therefore apply for the status of an RSE, with a focus on providing social entrepreneurship services. Registering the ISC as a social enterprise would also serve a pragmatic purpose of having it navigate the same environment and ecosystem as the other SEs that it would have the mandate to support. This would provide the ISC direct exposure to hands-on experience of the operational, regulatory, and financial challenges faced by its clients.

**Table 6 presents a comparative snapshot of the legal forms detailed above.**

**Table 6. Comparison of Optional Legal Forms for Establishing an Integrated Service Center (ISC)**

LEGAL FORM	PROS	CONS
Budgetary organization of the BBSK Office	Traditional form of organization based in a public administration, offering a high degree of predictability and transparency	Rigid alternative in terms of administrative, personnel, or procedural issues
		Limited possibilities of receiving funding from third parties (for example, private or corporate foundations)
		No opportunities for income generation
		Limited possibilities for involvement of/synergy with, third parties (e.g., umbrella organizations)
Contributory organization of the BBSK Office	A respected and well-known legal form in the public administration sector	Lower flexibility compared to a nonprofit organization or an interest association of legal entities
		Wage policy regulated by law
		Limited possibilities for year-to-year carryover of financial resources
Interest association of legal entities (or 'Association')	Implementation of programs outside the strict rules of public administration	A budgetary and contributory organization may not be a founder or ordinary member of an Association.
	Opportunities for cross-sectoral implementation of support programs	Lack of clarity on the founding members' nature and identity.
	Pluralistic governance ensured by the founding members	Unclear governance and implementation arrangements (need to develop a detailed Association agreement)
NPO providing public benefit services.	Implementation of programs outside the strict rules of public administration	A legal form not necessarily common in a public administration sector.
	Opportunities for additional income generation through economic activity or receipt of financial resources from third	NPOs established by a public administration are subject to different rules for receiving public support

LEGAL FORM	PROS	CONS
	parties.	(grants) than ordinary nonprofit organizations.
	Flexible processes	
	Well-recognized legal form	
	Opportunity to apply for registered social enterprise status	

#### 5.4.3. ISC as Convener and Member of a Cooperating Organizations Network

**In recent years, the Slovak Republic’s regions have been impacted by human capacity and skilled labor force shortages.** The reasons for this can be found in negative demographic trends and the negative migration balance<sup>87</sup>, as well as in the frequent departure of talented young people to study abroad, from where they rarely return. The salaries in the public sector and outflow of skilled labor from the labor market are causing difficulties in filling expert positions. Furthermore, there are tensions between nonprofit and public sector organizations, whereby organizations outcompete each other for skilled and competent staff, thus undermining other projects which are perceived as unwanted competition, rather than opportunities for cooperation and synergies. The high number of national projects compete for clients in trying to meet respective targets and outcome indicators. This causes further dispersion and fragmentation of the local offers for services.

**There is therefore a strong need for collaboration between different entities that are present in the BBSK Region and which share a common interest, including in regard to the social economy ecosystem.** This presents an opportunity for the ISC to assume a crucial catalytical role in strengthening the local support system for the social economy, convening, and enabling synergies between different relevant actors and organizations. Table 7 presents the key organizations that are active in the BBSK Region in supporting the social economy and that can be mobilized to partner with the ISC.

**Table 7. Key Organisations Active in the Social Economy in the BBSK**

<b>Matej Bel University</b>	It is a university located directly in the city of Banská Bystrica that has a well-established interest in issues related to the social economy and social enterprises in its academic programs. Social Economy lectures are offered at the Faculty of Economics and the research conducted at the Faculty of Education has long been devoted to the issues of social economy, philanthropy, and voluntarism, and is one of the most visible in the Slovak Republic. The involvement of the university may be particularly important from the perspective of educating young people on the topic of social entrepreneurship, and from the perspective of research and impact measurement.
<b>Public Procurement</b>	From January 2020, the Public Procurement Office is also present in Banská Bystrica through its regional permanent office. Given the office’s unique competencies in the

<sup>87</sup> Outward migration increased by 3.6% to almost 116,000 in 2022, compared to the previous year. [https://eures.ec.europa.eu/living-and-working/labour-market-information/labour-market-information-slovakia\\_en](https://eures.ec.europa.eu/living-and-working/labour-market-information/labour-market-information-slovakia_en)

<b>Office</b>	field of public procurement, it would be advisable to further involve the office in the activities of the forthcoming ISC, and to focus on capacity support in the area of strengthening the social aspects in public procurement.
<b>Slovak Business Agency (hereinafter, 'SBA')</b>	It is the oldest and the key organization in the field of small and medium enterprise (SME) support in the Slovak Republic. The SBA is an interest association of legal entities established by the Ministry of Economy of the Slovak Republic, the Association of Slovak Entrepreneurs, and the Slovak Trade Union. Through the National Entrepreneurship Centre, the SBA is also present in the regions, where it provides a range of training and support events for SMEs, which also include social enterprises. The specific designation of social enterprises in the SME support programs can make a major contribution to the recognition of social enterprises as an integral part of the business environment. The SBA, through its National Entrepreneurship Centre, runs a program of incubation and mentoring services and provides coworking spaces, in addition to a spectrum of training and support program.
<b>Center for Nonprofit Education</b>	The organization was among the pioneers of nonprofit education in the 1990s and millennium years. It currently operates more as a group of experts specializing in education and project management. The involvement of the center can be particularly important for the implementation of educational and training events.
<b>CEEV Živica</b>	It specializes mainly in working with young people and teachers. However, it also organizes training events for companies. It is the implementer of the EU's SOCRATES program, which has produced a number of outstanding initiatives in the field of social economy. CEEV Živica may also be of interest to the ISC, due to its strong social network through which it has a capacity to reach out and engage a large number of individuals, which would be very valuable and useful for the development of the social economy and linking the social enterprises with the commercial sphere. The involvement of CEEV Živica can be of great benefit in terms of the implementation of specialized education and training programs, mentoring programs, and awareness-raising on social economy and social enterprises.
<b>Coworking Spaces</b>	<p>Coworking spaces are gaining popularity in the Slovak Republic and in the BBSK Region, as well. In addition, a number of them are also being profiled as community centers aimed at supporting the development of the region and promoting entrepreneurship in the field of public benefiting services. Examples include 365.labb in Banská Bystrica and Coworking Priestor in Lučenec<sup>88</sup>.</p> <p>The opportunity is to network these regional initiatives and strengthen their sustainability by involving them in the in ISC activities. The potential benefits of their involvement are in the opportunity to spread awareness on social enterprises, and the implementation of specialized training and information sessions. Coworking spaces also offer great networking opportunities for the community of local entrepreneurs.</p>
<b>Regional Social Economy Centre</b>	This is being realized as part of the national Social Economy Institute, a MoLSAF implementation agency. As the first generation of the national Social Economy Institute project is in its final phase and the setup of the ongoing project is not yet precisely determined, it is not clear at the time of preparing this report what role

<sup>88</sup> In the past, there have been more coworking spaces in the region, and it is worth mentioning the Luft Coworking space in Banská Štiavnica, which brought together mainly social entrepreneurs in its spaces. However, due to the lack of external support, it eventually disappeared.

	<p>the Social Economy Institute will play in the BBSK Region in the coming period. However, regardless of the exact allocation of tasks, it is clear that the Regional Social Economy Centre will be one of the stakeholders for the ISC as both entities can boost the social economy local ecosystem.</p>
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**In addition to the entities and organizations mentioned, it is advisable to look for synergies also with other projects and development initiatives implemented in the BBSK Region.** One example is the SPACE youth work centers, which have been established in seven district towns of the BBSK Region, and offer a unique opportunity to involve young people in social economy activities and, consequently, in social enterprises. Cooperation can take several forms, from informal coordination to sharing responsibilities in jointly implemented projects. One formal approach could be to define the terms of cooperation through memorandum(s) of cooperation or partnership frameworks. The fact that ISC's activities should be financed through ESF support, offers an opportunity to involve other organizations as partners. This form of cooperation offers organizations the financial means necessary for the implementation of activities, while the ISC would take on a convener role, planning and coordinating support, and deploying shared competencies and tools for the development of the social economy and social enterprises in the region.

## 6. Conclusions

### 6.1. Risks and Mitigation Measures for the Sustainability of the Integrated Service Center (ISC)

**A major risk is associated with the sustainability of the ISC, mainly from a financial perspective; thus, mitigation measures must be put in place during the planning phase.** Despite the repeatedly declared commitment of the BBSK Office leadership to create supportive conditions for SEaSE development through the establishment and operation of the ISC, it is unlikely to expect that budgetary support allocated by the BBSK Office will be able to cover all operational costs in the long term. An envisaged mitigation measure is to lobby for the ISC to be a recipient of ESF and ERDF funds, lasting until the end of the new programming period (2030), and through specific modalities that would depend on the legal form adopted by the center. However, the dependence on one single or dominant—and time-bound—source of funding is certainly not recommendable nor *per se* a guarantee of long-term sustainability.

**This is also related to a further risk that administrative (and consequent financial) support may be discontinued in subsequent changes in regional administrations—even though until present, successive BBSK leaderships have consistently maintained commitment to support social economy.** To mitigate this risk, the ISC will need to embed itself in the administration and have a clear administrative home, but more importantly, they will need to have early demonstrable 'wins'. This could be achieved, for example, by appointing independent representatives of the private, academic, and civil society sectors to sit on its board and exert a function of balance and control, as well as by being selective in the initial roles and responsibilities that the ISC takes on.

**The ISC should deliberately seek opportunities for the diversification of its income, through its own economic activities and the provision of specialized social enterprise management services<sup>89</sup>.**

<sup>89</sup> Examples of such services are accounting, procurement tax issues, and project management,

Experience suggests that management services are in high demand, and it is therefore appropriate to consider the possibility of providing them for financial remuneration<sup>90</sup>. However, these are services which, under the current state aid rules, are very complicated to provide to specific enterprises by support organizations whose activities are co-financed from public funds, in particular ESF+ resources. Therefore, these organizations provide services in the above areas only in the form of general information and orientation<sup>91</sup>. In consultation with the appropriate bodies such as MoLSAF and the Institute of Social Economy, the ISC could explore the possibility of delivering services with the aim of recovering costs.

**In order to eliminate the risk of unlawful state aid, the provision of specific management and administrative support services to a particular social enterprise should be strictly separated from activities that are carried out with the support of public funds.** For example, this could be done through a network of experts who would not be directly employed by the ISC but serve as external collaborators assigned to specific tasks in the various areas of management and administration of social enterprises. In such a case, the ISC would act as an intermediary between the experts and the social enterprises seeking the services.

## **6.2. Recommendations Toward Designing and Implementing the ISC in the BBSK**

**Considering that the decision to establish the ISC is linked to BBSK Office's administrative and funding constraints, a set of broad recommendations can be formulated at the moment of drafting this report.**

The envisaged options for establishing and operationalizing an ISC in the BBSK Region are based on the results of the qualitative and quantitative research on the sector, analysis of the regional ecosystem, as well as international best practices. The following key principles would apply as recommendations in framing and fine-tuning the design and implementation of the ISC once a decision to operationalize it is taken by the competent BBSK authorities:

- **Adopt a progressive and incremental approach** aiming at the gradual consolidation and expansion of the ISC role, based on emerging evidence of its relevance, potential, and capacity to address and support the needs of social economy entities
- **Seek to ensure institutional anchoring and ownership while preserving the independence** of the center through a balanced stakeholders' representation and relations with administrative leadership
- Shape the **role of the ISC in a way that helps increase the number of entities that operate as SEs**, easing the transition from *de facto* SEs to *de jure* SEs
- **Expand the analysis and support functions beyond WISE** to the different typologies and areas of activity of social enterprises and other social economy entities

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<sup>90</sup> The need for this provision is also supported by the respondents of the surveys carried out; respondents often say, not only that the BBSK Office should give them information, but that social enterprises would be happy to pay for services (for example, handle public procurement processes or communicate with the tax office on their behalf).

<sup>91</sup> Solving a specific problem, preparing documents for a specific call for proposals, or preparing a tax return projection for a specific organization could be classified as the provision of unlawful state aid in the case of support organizations financed from public funds.

- **Promote the establishment and support the functioning of an effective, tailored M&E system** at the regional level, to track the impact of SEs in the BBSK, consolidating existing datasets and enhancing data production and visibility on specific variables (for example, employment created *via* RSEs, share of reinvestment in RSE operations like training, staff skills development, and others)
- Conceive the role of the **ISC as an entity aimed at connecting different actors' functions, resources, and capacities**, with emphasis on **avoiding duplications and catalysing synergies and complementarities**, in collaboration with other public entities that provide similar support functions

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- Population Census <https://www.scitanie.sk/>

## Annexes

### Annex 1: Focus Group Guides

#### 1. SOCIAL AGRICULTURE AND SOCIAL FARMING

##### 1.1. Context

###### **Methodological background:**

Focus group (FG) discussion is frequently used as a qualitative approach to gain an in-depth understanding of social issues. The method aims to obtain data from a purposely selected group of individuals, rather than from a statistically representative sample of a broader population.

###### **Scope:**

To carry out the FG discussion with social economy entities operating in the agriculture sector with the broad dual aim: (1) to understand the ecosystem of social agriculture and farming, in order to maximize its potential for operators; and (2) to provide insights into establishing social economy operations in agriculture, or scaling up existing operations with the aim to provide employment to disadvantaged and vulnerable groups, including Roma

###### **Overarching agenda:**

European policy objectives for the 2021–2027 period include the EU Green Deal, the European Pillar of Social Rights, and the Digital Agenda for Europe. These all highlight the role of the social economy and of social enterprises in the EU.

###### **Field-social agriculture:**

Social economy operators active in agriculture utilize agricultural resources—both plant and animal—and aim to have a social impact (benefit), including by employing disadvantaged and vulnerable groups, including Roma. Social agriculture therefore offers and creates services, new jobs, educational activities, and reaches out to people with specific needs. The added value of social farming is the possibility for disadvantaged people of being integrated in a living context, where their personal capabilities may be valued and enhanced. Social agriculture and/or farming is also known under the terms ‘green care’, ‘care agriculture’ and/or ‘care farming’.

###### **Participants:**

Social economy entities, both registered and nonregistered, and social economy operators active in the agriculture sector

## 1.2. Guide

### Introduction

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The moderator introduces himself and provides background for the discussion, project title, and scope. He briefly introduces participants, mentioning all are from the same region (BBSK).

### Getting started

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The overarching general question to start the discussion:

#### Opening the Discussion

How can the Slovak Republic maximize the potential of agriculture to grow (registered) social economy operators operating in the green care area (social agriculture and social farming) and provide employment to disadvantaged and vulnerable groups, including Roma?

### Suggested themes for discussion:

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#### (1) Aim: Understanding the ecosystem of social agriculture to maximize its potential for operators

##### Ecosystem: Legal frameworks and access to funding

- Can you share the form of your social economy entity? For example, is it a cooperative, a social enterprise, or another form? (Once identified, please use that instead of 'entity'.)
- What was the basis of establishing your entity to operate in agriculture (or farming)?
- What was the funding source? Was it difficult to secure funding?
- Was the establishment process easy to navigate and the legislation clear? Were you provided support in understanding the procedures to establish the entity? (If 'yes'— what type of support? If 'no'—what support would be useful to have in place?)
- How do you consider the income from your activity?

##### Ecosystem: Capacity of operators and availability of support measures

- What is your main production or livestock?
- What is the management structure of your entity? How many members does your entity have and what are their roles?
- Do you employ vulnerable group members (people with disabilities, elderly, other) and/or Roma in your entity/farm?
- Do you work with seasonal or temporary workers?
- Do you participate in any training programs (to operate machinery, knowledge on ecological farming, or others) ? Are you invited to events in your area of work? Would it be useful to participate in trainings and other programs to build/strengthen professional skills?

- Are you a member in any professional associations/networks?
- How would you describe your relationship with the buyers of your products?

### Ecosystem: Challenges to registering social economy entities as social agriculture operators—and potential approaches to address these challenges

- Is your entity registered or nonregistered? (If 'no'—why is that? Are there plans to register?)
- Are you aware of benefits in registering your entity as a social economy operator?
- What would motivate you/your entity to register?

### Sharing knowledge: Raising awareness on results of various projects relevant to agriculture (for example, Social Entrepreneurship in Sparsely Populated Areas (SOCENT SPAs) project, and others) and best practices

- Are you aware of similar operators/entities in this area/BBSK or in other regions of the Slovak Republic? How about in neighboring countries?
- Are you familiar with their work and results? (If 'yes'—are there lessons that can be helpful to your activity? If 'no'—would it be helpful to have such resources/examples?)

## **(2) Aim: Providing insights into establishing social economy operations in agriculture or scaling up existing operations with the aim to provide employment to disadvantaged and vulnerable groups, including Roma**

### Supporting job creation beyond WISEs and addressing long-term unemployment

- Is your entity planning to increase production/livestock? Are there plans to increase the number of employees or members? (If 'no'—what is hampering growth and what would be needed to overcome these challenges? If 'yes'—what are the plans? How many new jobs will be created? How many of the new jobs will be for people from vulnerable groups and Roma?)
- How are new jobs advertised? Are they communicated to the local public employment service?
- Do you work closely with the local public employment service and take advantage of mediation or mentoring services? (If 'yes'—what services did you use in the past 3 years? If 'no'—why not? What services would be helpful to be provided?)
- What support do people ask for in order to join your activity? Do they ask for transport stipends, food vouchers, or other support? Do you provide any special benefits?

### Linking education programs to labor market demand: Addressing the skills and competencies challenge

- What school level have your employees or members graduated from?
- Is it easy to find qualified people to work in your entity? (If 'yes'—how many new people joined your entity, and what work are they carrying out now? If 'no'—why not, and what bottlenecks exist?)

- Are there training programs (such as second-chance programs) from which your employees or members have benefitted?
- Does your entity encourage workers to join training programs or skill building, and does it inform about their availability? Is such information about training programs easy to find/come across?
- Do you have volunteers joining activities who can transfer knowledge or mentor your employees or members?

#### Utilizing the potential of disadvantaged and vulnerable groups (including Roma and elderly)

- How are employees or members of your entity from disadvantaged and vulnerable groups (including Roma, the disabled, and the elderly, and others) treated by their peers?
- How is social cohesion and inclusion promoted within your entity? How about the relationship with the community?
- Is sharing knowledge and communication encouraged overall in your entity? (If 'yes' what type of activities are promoted?)
- Does your entity organize events where your employees or members interact with the community? (If 'yes'— can you share some examples of activities carried out?)
- What products or services are most successful/appreciated in your entity? Who contributes to their production?

## 2. FINANCIAL SUPPORT FOR SOCIAL ECONOMY ENTITIES

### 2.1. Context

#### **Methodological background:**

Focus group (FG) discussion is frequently used as a qualitative approach to gain an in-depth understanding of social issues. The method aims to obtain data from a purposely selected group of individuals rather than from a statistically representative sample of a broader population.

#### **Scope:**

To carry out the FG discussion with financial service providers and other relevant stakeholders providing financial support to social economy entities with the broad aim to understand the dimension of the ecosystem pertaining to access to finance, and to identify challenges and opportunities for social economy registered and nonregistered operators

#### **Overarching agenda:**

European policy objectives for the 2021–2027 period include the EU Green Deal, the European Pillar of Social Rights, and the Digital Agenda for Europe. These all highlight the role of the social economy and of social enterprises in the EU. Funding support for the social economy under EU funds in the 2021–2027 period is increased with new financial products under the InvestEU Programme aimed at mobilizing private financing. Other EU programs that offer dedicated or indirect support for the social economy include the Employment and Social Innovation strand of the European Social Fund Plus, Horizon Europe, the Single Market Programme, Erasmus+, and the LIFE Programme. At the national level, EU funding will be available for example *via* the Cohesion Policy Funds, and national recovery and resilience plans, where applicable.

#### **Participants:**

Financial service providers and other relevant stakeholders providing financial support to social economy entities

## 2.2. Guide

### Introduction

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An analysis of social enterprise finance markets revealed a persisting mismatch between the demand and supply of repayable finance for social enterprises in Europe, both in terms of access to debt and to equity. In the field of social enterprise finance, the funding gap was estimated at almost € 1 billion *per* year across Europe, while in the field of microfinance, the gap was estimated at € 12.9 billion *per* year across the EU.

### Getting started

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The overarching general question to start the discussion:

#### Opening the Discussion

How can the Slovak Republic maximize the potential of the social economy sector in order to support its growth and encourage registration of social economy operators? How can financial measures/instruments and policy support be strengthened?

### Suggested themes for discussion:

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**(1) Aim: Understanding the social economy ecosystem pertaining to its access to finance dimension in order to maximize its potential for operators**

Ecosystem: Financial legal frameworks and access to finance

- Public financial support plays an important role in enabling the start-up and development of social economy actors. One issue often raised is that public authorities and recipients often do not fully utilize existing forms of state aid—such as regional aid, risk-finance aid, or aid in the recruitment of disadvantaged workers—and direct to social economy entities. How does your organization channel these types of funding? Is information provided to operators sufficient/easily accessible?
- How can aid/support for access to finance and subsidies for the recruitment of disadvantaged workers be strengthened?
- What funding instruments or products does your institution/organization offer to support social economy entities? Is there a differentiation of the product portfolio for social economy entities according to their legal form and the way they are managed?
- What other financing tools or products do you think would be useful or necessary to support social economy entities? Are you following developments of the sector or EU-related guidance on financial support?
- What would be the most appropriate public policy measures to stimulate access to finance for social economy entities?

Ecosystem: Capacity of operators and availability of support measures

- What are the main obstacles you encounter in offering/creating financial instruments/products dedicated to social economy entities? How would you characterize the capacity of operators in accessing and having awareness of financial products and instruments?
- Could financial training be provided through regional centers to support operators? Would training programs tailored to the stage (seed, start-up, and/or scaling) provide a solid approach?

**(2) Aim: Gaining insights into measures and recommendations financially supporting the growth and sustainability of social economy entities (registered entities as well as nonregistered entities with social activity)**

**Ecosystem: Challenges in addressing the need for financial support for social economy entities**

- What do you consider to be the internal success factors for the creation of financial instruments/products dedicated to social economy entities? Which financial products— or type of products—would contribute to the sustainability of the sector?
- How can financial policy, instruments, and products encourage the registration of nonregistered social economy entities?
- How could commercial banks be encouraged to use the European funding instrument directly managed by the European Commission to support employment, social policy, and facilitate access to finance for social enterprises—the Employment and Social Innovation Programme (EaSI) (<https://ec.europa.eu/social/main.jsp?catId=1081>)?
- How can financial support provided by public and private institutions leverage the EU funding for the sector, and at the same time, detach itself from the supply-driven approach and be part of a sustainable approach?

**Opportunities for innovation and sustainability to support thriving local communities**

- Do you see a strong role for ethical banks through the provision of repayable finance and business development support?
- How about the microfinance sector—is it developed to support the social economy sector—and can their experience be leveraged? Consider their dedicated social mission to help individuals from vulnerable groups and with difficulties to access the traditional banking system to create businesses, thereby creating jobs for themselves and others—can this experience be leveraged also by the regional centers?
- Since guarantees have proved to be an effective way of mobilizing private finance for social enterprises from both mainstream and philanthropic investors, can their use be scaled up?
- What is required to successfully deliver financial products, such as guarantees to enable access to credit for social enterprises and microenterprises, equity and quasi-equity investments in social enterprises, and impact-driven enterprises, as well as capital investments in financial intermediaries?

## 3. INCLUSIVE AND SUSTAINABLE SOCIAL ECONOMY SECTOR

### 3.1. Context

#### **Methodological background:**

Focus group (FG) discussion is frequently used as a qualitative approach to gain an in-depth understanding of social issues. The method aims to obtain data from a purposely selected group of individuals rather than from a statistically representative sample of a broader population.

#### **Scope:**

To carry out the FG discussion with policymakers and academia, with the broad aim to understand the ecosystem of social economy to maximize its potential for operators, including to grow the sector and number of registered social economy entities

#### **Overarching agenda:**

European policy objectives for the 2021–2027 period include the EU Green Deal, the European Pillar of Social Rights, and the Digital Agenda for Europe. These all highlight the role of the social economy and of social enterprises in the EU. Funding support for the social economy under EU funds in the 2021–2027 period is increased with new financial products under the InvestEU Programme aimed at mobilizing private financing. Other EU programs that offer dedicated or indirect support for the social economy include the Employment and Social Innovation strand of the European Social Fund Plus, Horizon Europe, the Single Market Programme, Erasmus+, and the LIFE Programme. At the national level, EU funding will be available for example, *via* the Cohesion Policy Funds and national recovery and resilience plans where applicable.

#### **Participants:**

Policymakers with responsibilities under the social economy agenda/policy, and academia with expertise and research of the sector.

## 3.2. Guide

### Introduction

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### Getting started

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The overarching general question to start the discussion:

#### Opening the Discussion

How can the Slovak Republic maximize the potential of the social economy sector in order to support its growth and encourage the registration of social economy operators? What measures and policy support would be required?

#### Suggested themes for discussion:

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##### (1) Aim: Understanding the social economy ecosystem in order to maximize its potential for operators

Ecosystem: Legal frameworks, access to finance and markets

- Is the current legal framework enabling the establishment of social economy entities or the scaling up of existing entities? (If 'no'—what adjustments are required in order to close the existing gaps? Are there plans to update legislation? If 'yes'—what type of change is envisaged and what is the alignment to EU initiatives supporting social economy?)
- A key feature of social entrepreneurship is the dependence on access to funding. Besides the financial support allocated to work integration social enterprises (WISEs), what other funding sources through public programs are available to access?
- In the case of private funding, how can similar initiatives, such as provided through the 'social bank concept' by Slovenská Sporiteľňa (Erste Group) be scaled up or replicated? Are sufficient tax exemption measures in place to encourage the growth of the sector? How about any other measures encouraging social impact from the private sector operators?
- Are there intentions to complement the supply-driven model—being reliant exclusively on EU funds to establish or support social economy entities—in order to look toward innovative forms of social economy? (If 'yes'—to which areas should operators look (for example, the digital, circular economy, and others) and is there associated funding?)
- What measures could be considered to encourage registration of nonregistered social economy operators?

Ecosystem: Capacity of operators and availability of support measures

- One issue ‘flagged’ by various studies relates to the insufficient training opportunities and education of social entrepreneurs and future managers of social enterprises. What training or other support programs should be put into place to better benefit entrepreneurs?
- What expectations exist from the side of policymakers regarding social economy operators? Is the sector of social economy understood enough? Or does the main perspective comes from the WISE type of entities? What efforts can be done in this regard—can locally tailored measures—for example, those delivered by regional centers—support this effort?

Social economy, its potential in creating jobs and addressing labor market challenges: Long-term unemployment; the integration of the elderly work force; the participation of new retirees; the utilization of the potential of disadvantaged and vulnerable groups, including Roma; and activating youth

- Of all social economy forms, WISEs are recognized due to their contribution to job creation and social inclusion of vulnerable persons. What instruments can be put in place (financial and nonfinancial) to fully take advantage of the potential of the sector to address labor market challenges, such as long-term unemployment, integration of the elderly workforce (taking into account the demographic statistics), the participation of early retirees, the activation of Roma ethnics in the labor market, opportunities for ‘not in education, employment, or training’ (NEETs) and others?
- How can academia support the recognition of social enterprises for welfare and general interest? Would cooperation with regional centers foster the the raising of awareness of the benefits of social economy for job creation and social inclusion?
- Are there efforts to address the gap between the demand and the supply of social finance for both operations of social enterprises, and for investment purposes? (If ‘yes’—what type of actions have been taken? If ‘no’—could a collaborative approach reuniting key stakeholders around the National Strategy for Social Economy Development with a cohesive action plan be taken into consideration?)

**(2) Aim: Gaining insights into measures and recommendations supporting the growth and sustainability of social economy for registered entities as well as encouraging registration of nonregistered entities with social activity**

Ecosystem: Challenges to registering social economy entities—and potential approaches in addressing these challenges

- How can coordination at the policy level be strengthened to contribute to raising awareness, establishing partnerships, access to finance, or provision of technical assistance?
- How can academia support the recognition of social enterprises for welfare and general interest? Would cooperation with regional centers foster the raising of awareness of the benefits of social economy for job creation and social inclusion?

- Have (new) funding and support schemes for social enterprise growth increased following the adoption of the Act on SEaSEs? (If 'yes'—did this result in encouraging unregistered SEs to register? If 'no'—what efforts should be made in encouraging registration?)

#### Capacity of operators: Monitoring and evaluation and reporting

- Data collection and quality of data remain a priority in understanding the sector and its potential. What efforts can be made/programs be made available—for the public sector staff and SE operators—to strengthen their data skills to contribute to reporting and monitoring the sector? Are there plans to improve and standardize reporting from the SEs and collect data beyond WISE-related data?

#### Opportunities for innovation and sustainability to support thriving local communities

- Given the transversal nature of the social economy, programs addressing innovation, investment readiness, business internationalisation, rural development, and circular economy are relevant to social economy entities, but not easily available. Ensuring access to programs and dissemination among networks could fall under the expertise of regional centers. What other areas related to innovation would support the sustainability of the sector, including in the purview of regional centers?
- The diversity of tools and resources available on impact measurement can be daunting and difficult to navigate, especially for smaller or less experienced entities. Could a standardized approach to social impact act to support operators depending on regional context (or tailored to local context)?
- Social economy entities seeking to achieve both social and environmental impacts, report the need for support to identify and adopt greener practices, build capacity and knowledge, including about funding opportunities for environmental goals. What type of measures and policy actions would best support this need?
- Enabling the social economy business models (regardless of type) as agents of the green transition, and addressing their needs in terms of digital uptake, inclusive technology solutions and data access, will be key for their long-term resilience (especially post-COVID-19). What partnerships could best initiate this process and which public stakeholders would drive this approach?

## Annex 2: International Best Practices

### INTRODUCTION

**The purpose of this report is to support policymakers in the Slovak Republic develop an Integrated Support Center for Social Economy** in the Banská Bystrica Self-governing Region (BBSK), based on the experience of other countries with similar undertakings.

The report draws on desk research findings reflected in four international case studies. It presents models implemented by key stakeholders with the purpose of delivering integrated social economy services at the local level and which have the potential of transferability in the context of the Slovak Republic.

The report consists of five sections, including the introduction: the second section presents the main coordinates of the SE sector in the Slovak Republic; the third section describes the methodology employed for the selection of the case studies; the fourth section presents the case studies; and section five supplies concluding remarks.

### SOCIAL ECONOMY COUNTRY CONTEXT

**In the Slovak Republic, the social economy gains momentum in a national context where objectives, such as the reduction of unemployment and long-term unemployment, make the headlines of the political agenda.** The current situation of the labor market in the Slovak Republic creates natural preconditions for the development of social economy. Long-term unemployment was already a serious problem for development, especially at the local level, which was worsened by the pandemic. According to OECD data in 2017, long-term unemployment in the Slovak Republic was 58.79% of total unemployment, and the Slovak Republic is the second country from the EU-28 with the highest long-term unemployment. It means that more than half of Slovak unemployed people are unemployed for a long period—more than one year. For this group of people in particular, social economy could be the solution to return into the labor market; it could play the facilitator role for some of them (who have lost work habits and skills, or have suffered from the social and psychological effects of unemployment), or be the labor market (for example, protective units).

**The recent adoption of a comprehensive legal framework in the Slovak Republic, as well as the complementary policy initiatives, and the subsequent sector's dynamic, reflect the long-term interest of policymakers and society at large to reach the country's social objectives with the support of social economy.** Among the initiatives proposed by the sector, the adoption of the SeaSEs Act no. 112/2018 Coll. is perhaps the most important as it recognizes and regulates the sector. The new Act no. 118/2018 Coll. on Social Economy and Social Enterprises defines the social economy, the subject of social economy, the social enterprise, the enterprise with social impact, and the conditions for registration in the Register of Social Enterprises in the Slovak Republic. The novelty that the law of 2018 brings, is that it defines the social economy more broadly and provides more freestanding conditions for the operation of the social economy in the Slovak Republic.

**Another important development is the amendment of the Act no.343/2015 Coll. on Public Procurement,** which enables the direct award of a contract of a certain value to a registered social

enterprise and which, as of January 1st, 2020 imposes a quota system (a minimum six percent for socially responsible procurement) for each contracting authority conducting more than 10 public procurements annually.

**The implementation of the new legal framework was followed by the establishment of the Institute of Social Economy (ISE) and the subordinated eight regional centers of social economy under the European Platform of Integrating Cities (EPIC) project.** The setting up of the institute and its regional centers was carried out under the national project, Institute of Social Economy<sup>92</sup>, funded by the ESF/ERDF programs and implemented by the Ministry of Labor, Social Affairs and Family (MoLSAF). The project aimed at implementing a series of measures in order to advance the social economy agenda as per the new legal provisions and to contribute to employment, social cohesion, and regional development. Both the institute and the regional centers are organized under the coordination of the Ministry of Labor, Social Affairs and Family.

**The eight regional centers of social economy (see Table 8) under MoLSAF are set up and operational.** Their aim is to provide free support and assistance to all those interested in social entrepreneurship in each regional capital city<sup>93</sup>. Some of the centers are functional since 2019 (for example, Žilina), offering assistance for all those interested in the financial/budgetary, legislative, and operational aspects of social enterprises (setting up social enterprises, accessing financial support, training for those interested to become social entrepreneurs, and raising awareness of the general public on social economy).

**Table 8. The Eight Regional Centers of Social Economy**

Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Košice	Prešov
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**Moreover, through the enactment of a series of local and regional policy measures on social economy, the concept of social economy is gaining ground at the local level.** The creation of a department of social economy in some local and regional governments, and the creation of political networks for the social economy, could further those actions.

**Advancing the agenda for the development of social economy at the subnational level and fighting long-term unemployment and social exclusion require an integrated place-based approach, where local and regional self-governments are key players.** Complementary regional approaches and strategies for developing social economy at the subnational level are thus key drivers for advancing the country's social economy agenda. In this respect, an example is the BBSK, which embraced social enterprises as a tool for regional development. Several social enterprises have been established (for example, Dobry kraj), to build a network between the abovementioned entities and the other social enterprises for the creation of their own supply and demand chains and to support the sustainability of their operations.

**While this dynamic is currently taking shape in the Banská Bystrica Region, innovative approaches to address the local needs through social economy initiatives can be further taken.** The Banská Bystrica Region is the largest of the eight regional municipalities of the Slovak Republic, with six districts out of 13 listed among the lagging regions suffering from various challenges, such as a high level of

<sup>92</sup> <https://socialnaekonomika.sk>

<sup>93</sup> <https://socialnaekonomika.sk/regionalne-centra-socialnej-ekonomiky/index.html?undefined=undefined>

unemployment (20.5% unemployed were registered in Rimavská Sobota in 2022<sup>94</sup>). Despite notable progress on the social economy front, also stemming from the regional development strategy, a more articulated and integrated approach is needed to speed up the pace of addressing the identified social needs.

**The provision of integrated support services for social economy can take various forms.** Various ways such an initiative could be set up are possible. From the experience of other states, practices where such an approach was undertaken range from public-private partnerships (**PPPs**) under the umbrella of social economy clusters (see Box 2), or hubs, or public-public partnerships (**PuPs**) where public authorities partner with other public authorities or not-for-profit organizations. This reinforces the idea that all approaches are complex enough to require knowhow to experiment and innovate, while ensuring strong commitment from a wide range of stakeholders with various competencies, yet shared aspirations.

### Box 2. Social Economy Clusters

**Social economy clusters are emerging as powerful tools to activate social economy at the subnational level.** Social economy clusters are “open, flexible and community-rooted, consisting of a concentration of entities representing non-governmental organisations, traditional and socially-oriented enterprises and other institutions. Its benefits correspond to the benefits of traditional forms of networks and clusters, such as exchange of experience, mix of skills and innovation”<sup>95</sup>.

As Matray and Poisat (2015) expressed it, “social economy clusters could be understood as mostly emerging and developing by the engagement of public authorities”<sup>96</sup>.

Source: European Commission, 2021; Matray and Poisat, 2015.

**Their characteristics, as well as their advantages and challenges are showcased below by the four case studies selected.** By presenting these case studies, we aim to distill the following questions: what way are they set up, what way do they function, and how do they ensure sustainability.

## METHODOLOGICAL APPROACH

**In order to select the four case studies, the following steps were taken:** (i) the identification and selection of practices; (ii) research on selected practices; and (iii) the presentation of practices. These are outlined briefly below.

**The case studies presented are based on desk research only (literature review and websites).** In-depth interviews with representatives of the case studies selected could be carried out at a later stage. The interviews could validate the findings of the desk research, add to/complement the information

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<sup>94</sup> <https://www.iz.sk/en/projects/eu-regions/SK032>, last accessed on November 25, 2022.

<sup>95</sup> European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Clusters of social and ecological innovation in the European Union, perspectives and experiences : the role of clusters and similar forms of business cooperation in fostering the development of social economy, Publications Office of the European Union, 2021, <https://data.europa.eu/doi/10.2873/07591>

<sup>96</sup> Territorial clusters of economic cooperation: a new attempt to build entrepreneurial and institutional partnerships within a social economy? Matray and Poisat, 2015.

collected, and provide deeper insights into the potential of the approaches presented to solve a variety of societal challenges, in particular unemployment.

Information elicited from the desk research aimed to cover the following descriptive and analytical dimensions of the four cases (see Table 9); however, at times, the information available was not sufficiently detailed to answer specific questions of interest (for example, number of staff); when such situations occurred, they were marked as not applicable (NA) in the presentation table of the case studies.

**Table 9. Descriptive and Analytical Dimensions of the Case Studies**

<b>Identification</b>	<b>Name; country; website; contacts.</b>
<b>Description</b>	Year of creation; geographical scope and reasons to develop; implementation actions; development stage; responsibility of the initiative; type and number of members; types of social economy actors engaged; sectors of activity; priorities and desired social impact
<b>Implementation</b>	Mission and objectives; promoter; stakeholders involved; services provided; resources and budget; member fees
<b>Governance</b>	Type of governance; cluster manager and staff; forms of public support; legal nature; label obtained; policies and legal framework
<b>Evaluation</b>	Innovative aspects; impact measurable; main successes; main failure issues
<b>Transferability</b>	Experience of dissemination; model dissemination potential; membership of international networks

### Identification and Selection

**Considering the current Slovak SE institutional setup, as well as the regional advances displayed by the BBSK with respect to social economy, we argue that both PPPs and PuPs have the potential for replication.** On one hand, the setting up of social economy clusters or hubs requiring a coordinated and responsible action between the public administration, the business sector, and the local community under the BBSK’s leadership, could be one path for development. On the other hand, developing protocols of collaboration with other public authorities, regional structures, or NGOs of public utility (such as, the regional structures of the Institute of Social Economy [ISE]), could be also a possibility for reflection, especially when the complementarity of services is ensured.

**Several examples have been identified to illustrate both paths.** In order to select suitable models for the needs of the BBSK, the criteria used were the following: i) representation of the four European social economy models which are embedded in the social welfare models (see Box 2); ii) linkages of social economy with subnational development strategies; iii) place-based approaches to address local needs—social clusters or other similar initiatives operating in specific geographical areas.

**i) The following list presents the four EU social welfare models<sup>97</sup>** influencing the social economy policies and governance, and which were classified as such, according to the connection between the

<sup>97</sup> Catherine Mathieu, Henri Sterdyniak. European Social Model(s) and Social Europe. 2008.

various systems of social protection and the policies of active integration through social economy:

- The Anglo-Saxon model
- The Scandinavian model
- The Continental European model
- The Southern European model

Hence, from a policy perspective viewpoint, stemming from ideology, the EU social welfare models display the following characteristics (see Box 3):

### Box 3. EU Social Welfare Models

- **The Scandinavian** (or Nordic or social-democratic) model is the most comprehensive one, with a high degree of emphasis on redistribution, social inclusion, and universality. All citizens are entitled to a uniform and relatively high level of social protection, meaning that the dependence of the individual on the labor market and on his work is lowest. They are complemented by occupational benefits agreed to by social partners, covering almost all the labor force. A generous infrastructure of social services is designed to be both affordable and of high quality. High replacement rates of unemployment benefits and the health system are financed through the tax system. Taxation is very progressive, while business taxes are rather low. Job protection is rather low, but unemployment allowances are high, with an active policy of reintegration in employment. Trade unions are strongly involved in the administration of unemployment insurance and training. The Scandinavian countries have been successful in generating high employment rates, especially for female and older workers, and in reducing gender inequalities in the labor market, especially for female and older workers. A strong social dialogue and close cooperation of the social partners with the government characterize the countries that can be subsumed under this ideal type (Denmark, Finland, and Sweden).
- **The liberal (or Anglo-Saxon) model** emphasizes the responsibility of individuals for themselves. Minimal social protection is afforded to the poor, and it is complemented by one's work company or by private insurance. Social transfers are smaller than in the other models, more targeted, and 'means tested'. Accordingly, social policies usually cater to a clientele consisting of low-income groups. The state encourages market actors to co-provide services, and leaves recipients with the choice to opt between public and private providers. Private insurance and savings schemes are frequently supported by complementary state policies (for example, tax credits, and tax shelters). The labor market is not regulated; labor relations are decentralized, and bargaining takes place primarily at the company level. Unemployment allowances are low, and only slightly over the subsistence minimum. Employment rates are high. Taxation is relatively low. The Anglo-Saxon model is typified in Europe by the United Kingdom and Ireland.
- **In the Continental European model** of social insurance, social protection is organized on an occupational basis and aims at guaranteeing wage incomes. Accordingly, transfers are financed through employers' and employees' contributions. The redistributive efforts of the fiscal system are less pronounced than in Scandinavian countries. Social partners play an important role in industrial relations, and wage bargaining is centralized. The model includes strong job protection and generous unemployment allowances. The employment rate is relatively low. The tax-to-GDP ratio is high. This is the model in Germany, France, Belgium, the Netherlands, and Austria.
- **In the Mediterranean model**, the low level of social transfers is partly counterbalanced by the strong supportive role of family networks. Families still play a significant role in the provision of security and

shelter; these countries maintain some aspects of a paternalistic society, especially their pronounced gender inequalities. If old-age benefits are high, family and anti-poverty benefits are low. Female employment rates are very low, and the total employment rate is low. Job protection is very high, but unemployment allowances are low. The Mediterranean group of countries includes Spain, Italy, Portugal, and Greece.

Source: Catherine Mathieu, Henri Sterdyniak. "European Social Model(s) and Social Europe". 2008.

**The breakdown into the four models should not be viewed as clear cut:** Differences between countries grouped in the same model are natural; moreover, systems have changed over time. Yet, the breakdown is helpful in understanding that the predominant social protection model in each category is underpinned by socioeconomic ideologies, related policy choices, and institutional arrangements, which are further reflected in the way the social economy has been conceptualized and practically dealt with at the local level (see Box 4).

#### Box 4. Social Economy Models

In the Scandinavian model, social enterprises initially only emerged in niche sectors, such as the management of child services (Sweden) and work integration (Sweden, Finland, and Denmark), to later move into other general interest services, in particular, since the recent economic and financial crisis.

The Continental model is particularly interested in addressing social needs by creating a suitable framework *via* the support of the central government. The space for action by social enterprises is limited by the presence of traditional and powerful religious associations such as Caritas and Diakonie, which have strong relationships with the public sector and guarantee the provision of social welfare and social health care services within a regime of heavy dependence on the state. In both countries, social enterprises have emerged only recently, and are mostly present in sectors other than welfare, as well as in highly innovative areas, such as the production of renewable energy.

In the Anglo-Saxon system, social enterprises are fully recognized as producers of welfare services, and they are moving away from traditional sectors—such as work integration and the production of social services—and toward new activities of community interest, some of which compete to satisfy a paying private demand. Among the new areas of expansion for social enterprises are social housing, the production and consumption of renewable energy, and a range of environmental, cultural, and recreational services.

The Southern European model (in particular, Spain) is focusing on combatting social exclusion, in particular, on reducing unemployment for the most vulnerable.

**(ii) The Identification of case studies where social economy subnational strategies are in place** was based on the literature review of the OECD's Local Employment and Economic Development (LEED) Papers, in particular, Regional Strategies for the Social Economy<sup>98</sup>.

**Table 10. Case Study Regions and Countries**

Scandinavian Europe	Sweden
Southern Europe	Spain
Continental Europe	Poland

**(iii) Moreover, the final selection of relevant practices took into account the number of clusters per**

<sup>98</sup> Regional Strategies for the Social Economy. Examples from France, Spain, Sweden, and Poland.

**model selected.** The following is the list of social economy clusters drawn up by the European Commission’s GECES Working Group in the report “Clusters of Social and Ecological Innovation in the EU”, 2021 (see the complete list in Annex 1):

**Table 11. Social Economy Clusters Drawn up by the European Commission’s GECES Working Group**

Country	No.	Country	No.
Belgium	3	Italy	3
Croatia	1	Luxembourg	1
Denmark	2	Spain	10
Finland	1	Sweden	1
France	3	The Netherlands	1
Germany	1	United Kingdom	1
Ireland	2		

Clusters whose main priority was the pursuing of job creation to address unemployment through the creation of local public-private partnerships were finally selected. These are usually government-led project initiatives but can also lead to the creation of a private cluster through long-term and intensive cooperation between companies and service providers.

**Table 12. Social Economy Clusters According to Regional Strategies for Social Economy and Social Models**

(i) Social Models	(ii) Regional Strategies for Social Economy	(iii) No. of Clusters for Social Economy
Scandinavian Model	Sweden	NA; replaced by Denmark (2)
Southern Model	Spain	Spain (10)
Continental Model	Poland	NA
Anglo-Saxon Model	NA	UK (1) — insufficient information, removed from the list. In exchange, an international model (South Korean) was added.

The final selection of the case studies is the following:

**Table 13. Final Selection of Case Studies.**

Country	Practice to be documented
Denmark	Recruitment From the Edge of Lolland-Falster
Poland	OWES
Spain	InnoBA
South Korea	Social Economy HUB
<b>Total</b>	<b>4</b>

## Presentation of Case Studies

The way that the case studies were presented was for the following reasons:

- To give adequate and detailed information about the main characteristics of each case in a common format, aiming to enable specific searches and comparisons
- To allow the user to understand the practice in its specific context
- For ease of comprehension and replicability

## CASE STUDIES

### POLAND

**Table 14.** Poland Case Study

CASE STUDY: RDA & OWES—ROPS	
CHARACTERISTICS	
Short description of the model	<p><b>OWES</b> is the Social Economy Support Center providing support services for social enterprises at the local level. They are providing diversified support services for emerging and operating social enterprises.</p> <p><b>ROPS</b>—regional centers for social policy— are the coordinators of the activities related to the area of social economy at the regional level.</p> <p><b>RDA</b> Regional Development Agency SA is an institution conducting activities serving the comprehensive development of Podkarpackie Voivodeship (Province). Among other functions, the agency manages the Rzeszow Social Economy Support Center (<b>ROWES</b>).</p>
Information and data for the model identification	<a href="https://rarr.rzeszow.pl/">https://rarr.rzeszow.pl/</a>
Phase of development	Emerging
Leader of the initiative	Public entity. The Regional Development Agency has created an organizational unit, OWES, to support the development of social economy in the region (Podkarpackie Voivodeship).
Geographical scope (subnational/national)	Subnational
Members and sectoral composition	NA
Activities / services (provided by <b>OWES</b> )	
Animation	Aimed at supporting people and institutions intending to start up in the form of social enterprises or to encourage groups and environments to take up activities aimed at developing the social economy

Incubation	<p>Incubation, carried out by key advisers whose activities focus on supporting the NGOs recommended by animators and initiative groups (natural persons or representatives of legal entities) intending to set up a social enterprise or a social economy entity</p> <p>There is the provision of space which might be used by people, communities, and NGOs that create initiatives intended to set up social enterprises. The support also includes the use of the technical and infrastructure facilities of these incubators. The space can be used free of charge.</p>
Business service	<p>The business services support the identification of the following: current needs; assistance in diagnosing the client's needs and the expected impact; assistance in the preparation of an action plan, tailored to the specific needs of clients; implementing an action plan (training, consulting, financial support, and so on), involving the organization and the coordination of support; monitoring the implementation of the action plan; and evaluating the results of the planned activities.</p>
Trainings	<p>Trainings in the field of social economy are conducted to prepare participants for setting up and running social enterprises.</p> <p>The School of Leaders provides free training for leaders, members, employees, and volunteers of social economy entities. In the school, the participants gain skills related to running social economy enterprises and managing their potential.</p> <p>Study visits for the exchange of experiences, as well as the analysis of the applied solutions and the possibility of transferring them to the ground of their own social enterprise</p>
Specialized consultancy	<p>Marketing, personal, financial, tax and accounting, legal aid, and audit of a social enterprise</p>
Financial support	<p>Subsidies: provision of funding for establishing a social enterprise and creating jobs</p>
<b>Activities / services (provided by ROPS)</b>	
Policy advice	<p>The unit supports the regional council office (RDA) in the following ways: setting up and implementing social policies; coordinating the activities of the public authorities in the implementation of the regional programs; and defining the directions, preferences, and procedures for supporting the social economy and social enterprises.</p>

Visibility actions	Organizes social economy fairs twice a year where social enterprises can promote and sell their products and services; facilitates networking among social economy structures to enable the exchange of information, good practices, mutual support; and develops solutions and takes joint actions and initiatives Organizes thematic conferences
Consultative body / Advocacy	A special committee for the development of social economy was set up to lobby for favorable legal solutions for the social economy sector and monitor the implementation of regional strategies.
Number of staff	NA
Financial model	Funded almost exclusively by the European Funds
Fees paid by members	NA
Innovation aspects	<ul style="list-style-type: none"> <li>The three-party governance system (PuP)</li> </ul>
Lessons learned	<ul style="list-style-type: none"> <li>The categories of services provided by the three institutions are complementary. It is not clear whether this is a direct result of the fact that both the OWES and the ROPS are under the coordination of the RDA.</li> <li>Dependence on EU funding impacts sustainability</li> </ul>
Challenges	NA

## SPAIN

**Table 15. Spain Case Study**

CASE STUDY: INNOBA—SOCIAL & SOLIDARITY ECONOMY CENTER	
CHARACTERISTICS	
Short description of the model	
<p>InnoBA (2018) is the municipal Reference Centre for Socio-economic Innovation, based in Barcelona. It is supported within the public structure of Barcelona Activa, <b>the Economic Development Agency</b> of Barcelona City Council. The aim of this facility is to offer activities, specialized services, research and training, as well as experimentation and incubation spaces for the social and solidarity economy (SSE) and socioeconomic innovation. This benchmark center is addressed to people and organizations who wish to have a first contact with the SSE, as well as those who already have projects in progress. InnoBA helps promote and consolidate cooperatives, community-based, and transformational projects by providing <b>support</b> and <b>training</b> to achieve</p>	

sustainable local development. It also raises awareness of the SSE, helping to implement it, and ensuring that the projects promoted have an <b>impact on the economy as a whole</b> .	
Information and data for the model identification	<a href="https://www.barcelona.cat/infobarcelona/en/tema/city-council/innoba-the-new-centre-for-the-social-economy_742213.html">https://www.barcelona.cat/infobarcelona/en/tema/city-council/innoba-the-new-centre-for-the-social-economy_742213.html</a> <a href="https://www.barcelonactiva.cat/en/social-and-solidarity-economy">https://www.barcelonactiva.cat/en/social-and-solidarity-economy</a> <a href="https://empreses.barcelonactiva.cat/web/es/programa-d-activitats-innoba">https://empreses.barcelonactiva.cat/web/es/programa-d-activitats-innoba</a> <a href="https://ajuntament.barcelona.cat/economia-social-solidaria/ca/impulsem-less-piess/projectes/subvencions">https://ajuntament.barcelona.cat/economia-social-solidaria/ca/impulsem-less-piess/projectes/subvencions</a> <a href="https://directorieconomiasocial.barcelonactiva.cat/">https://directorieconomiasocial.barcelonactiva.cat/</a>
Phase of development	Emerging
Leader of the initiative	Public entity, the Economic Development Agency
Geographical scope (subnational/national)	Subnational
Members and sectoral composition	NA
Activities / services provided	
<b>Financial support</b>	<p>InnoBA offers grants to initiatives and projects that promote <b>social development and the collaborative economy</b> through annual calls for proposals.</p> <p>InnoBA collaborates with <b>ethical and cooperative banking</b> institutions to improve credit access and financing for social <b>entrepreneurship projects</b> and contributes to the <b>consolidation and financial stability of existing social and solidarity economy entities</b>.</p>
<b>Training and skills</b>	Free training activities (courses, workshops, and seminars) aimed at <b>entrepreneurs who want to promote a social and solidarity economy project, and also aimed at organizations, companies and work cooperatives</b> that want to improve and/or consolidate their management: for example, training on tendering, public procurement, and the SSE
<b>Information and guidance</b>	The <b>Reception and Guidance Point (PAO)</b> is an <b>information and guidance service for citizens interested in learning more about the social and solidarity economy and socioeconomic innovation. It also acts as the gateway to InnoBA's SSE services and activities</b> .
Special programs	
Marketing services	An online directory of SES companies that can advertise their services and products
Advisory services	<p><b>Specifically intended for socio-business initiatives</b>, whether already up and running or in the project phase, that form part of the social and solidarity economy and are committed to sustainable development</p> <p>InnoBA has played a particularly active role over the past 3 years in the</p>

	municipal Horizon 2030 strategy formulation.
Communication and visibility	<b>Presentations, including ESS trends, activities on strategic sectors, internal organization, other events organized free of charge for all citizens</b>
Provision of facilities	InnoBA provides facilities for social and solidarity economy initiatives and projects so that they can access information, advice and training, and outreach activities.
Collaboration spaces Incubators	<b>InnoBAdora</b> is an <b>incubation community that welcomes and accompanies initiatives with a social impact and a transformative vocation</b> , emphasizing the dynamics of collaborative growth and the practices and values of the social and solidarity economy. It is located in <b>InnoBA</b> , the socioeconomic innovation center of Barcelona Activa in Can Jaumandreu.
Number of staff	NA
Financial model	Public funding
Fees paid by members	NA
Innovation aspects	<ul style="list-style-type: none"> <li>• Organization of annual calls for proposals for future social entrepreneurs</li> <li>• Visibility and engagement of the general public <i>via</i> the events organized</li> <li>• The reception and guidance point (which refers the interested parties to specialized services)</li> </ul>
Lessons learned	
Challenges	NA

## DENMARK

**Table 16.** Denmark Case Study

CASE STUDY: RECRUITMENT FROM THE EDGE OF LOLLAND-FALSTER	
CHARACTERISTICS	
Short description of the model	
<p>There has been a loss of jobs in the southeastern part of Denmark for a number of years, resulting in high unemployment. The population has a low level of education and there is a need for support for people with other challenges of both a physical and mental nature. The authorities had planned for the 2020 establishment of the Fehmarnbelt connection (which is a fixed link between Denmark and Germany), which would provide new opportunities for this area. This connection is expected to attract many jobs to the area (6,000 employees in construction and services), especially in construction, as well as secondary created jobs, for example, in the hotel and restaurant, and cleaning and service industries. In order to mitigate the expected lack of manpower, an ambitious project was launched under the name ‘Recruitment From the Edge of Lolland-Falster’. Here, the two municipalities have teamed up with, among others, the local business community and the knowledge and network house Cabi, with the goal of connecting for 850 vulnerable citizens to the labor market, through concrete courses in the companies.</p>	

Information and data for the model identification	<a href="https://www.cabiweb.dk/om-cabi/cabis-projekter/rekruttering-fra-kanten-paa-lolland-falster/">https://www.cabiweb.dk/om-cabi/cabis-projekter/rekruttering-fra-kanten-paa-lolland-falster/</a>
Phase of development	Project-based initiative. Project period: January 1st, 2018– December 31, 2021. The goal of Recruitment From the Edge of Lolland-Falster was that at least 850 citizens get connected to the labor market through concrete courses in companies. Out of these citizens, the aim was for 550 people to obtain employment during ordinary hours.
Leader of the initiative	Private—the effort is led by the knowledge and network house Cabi, in collaboration with the analysis company LG Insight
Geographical scope (subnational/national)	Subnational
Members and sectoral composition	Social enterprise Cabi (a nonprofit and independent organization) is in the lead of the project. They brought other partners on board, such as a private consultancy, the two municipalities of Lolland-Falster, 3F Lolland (local workers trade union), and Erhvervspark-Lolland (Business Park Lolland) for local enterprises, as well as Business Lolland-Falster (a private fund/business association, financed by membership from enterprises and the two municipalities).
Activities / services	
Training for key stakeholders	Specific training sessions were organized for business actors, job centers, and employment services.
On-the-job training for target group	As an ‘ambassador company’, one agrees to accept unemployed people from the ‘edge’ of the labor market, and to spread awareness of the initiative so that more companies sign up. On-the-job training is provided afterward, and the person is employed.
Partnerships between social/health/employment professionals	Many unemployed people do not feel ready to show up for work. Many have mental and physical challenges which prevent them from fully integrating in the workplace. One way to meet these challenges was to have social/health/employment professionals involved to support the process.
Number of staff	NA
Financial model	For example, DKK 21 million—private funding from AP Møller Foundation, cash benefits, public support for companies employing the vulnerable groups
Fees paid by members	NA

Innovation aspects	<ul style="list-style-type: none"> <li>• New collaboration across two municipalities, where companies, business organizations, and the trade union movement are part of the effort from the beginning</li> <li>• Companies are an active part of the employment effort at an earlier time than usual.</li> <li>• Cooperation across, for example, employment, social, and health administrations</li> <li>• Companies are required to have an ambassadorial role involving new companies in the collaboration</li> <li>• Use of a large infrastructure project as a starting point for creating derivative jobs for the vulnerable unemployed</li> </ul>
Results	During the project period, 1,300 citizens with severe physical, mental, or social challenges were part of the target group. Out of these, 170 have made such great progress that they have become self-sufficient, 122 have found employment, and 76 have found flexible jobs. At least 400 companies participated in the project.
Lessons learned	For it to succeed, it required the following: <ul style="list-style-type: none"> <li>• A joint effort and close cooperation between companies and the two municipalities' job centers, as well as the supportive efforts from the municipalities' health and social departments. In that effort, contact was established with more than 400 companies, which committed to engage in the employment of vulnerable people.</li> <li>• A lot of support from the local business community— in fulfilling this requirement, it has exceeded all expectations: so far, 51 local companies have signed up as ambassadors for the initiative. This is far above the expected target of 30 ambassador companies.</li> </ul>
Challenges	NA

**SOUTH KOREA**

**Table 17.** South Korea Case Study

<b>CASE STUDY: SEOUL SOCIAL ECONOMY CENTER (SSEC)</b>	
<b>CHARACTERISTICS</b>	
Short description of the model	

<p><b>First established in Seoul in January 2013</b> as an innovative model of public-private partnership, the SSEC has been functioning as an open platform that links different regions, groups, people and jobs, and social economy organizations and investors. The <b>SSEC</b> provides a comprehensive range of support for the creation and growth of a sustainable social economy ecosystem in Seoul, serving as a central hub for networking and collaboration between diverse actors. The <b>SSEC</b> brings together aspiring social entrepreneurs, social economy organizations, industry/sector/regional associations, intermediary support agencies, and other actors to devise and implement various projects of collaboration, while providing strategic and tailored forms of support for enterprises at different levels of growth.</p>	
Information and data for the model identification	<a href="https://sehub.net/multilingual?lang=en">https://sehub.net/multilingual?lang=en</a> <a href="https://sehub.net/">https://sehub.net/</a>
Phase of development	<b>In development</b>
Leader of the initiative	Seoul Metropolitan Government
Geographical scope (local / regional/national)	Subnational
Members and sectoral composition	Aspiring social entrepreneurs, social economy organizations, industry/sector/regional associations, intermediary support agencies and other actors
Activities / services provided	
Supporting development of social economy actors	The SSEC supports the development and training of these aspiring social economy actors and realization of their innovative ideas.
	These semi-annual public contests encourage citizens to put forward diverse new ideas for solving urban problems concerning care, the environment, and jobs, and to achieve social change through the social economy. <a href="http://www.wikiseoul.com">www.wikiseoul.com</a>
	The SSEC provides essential consultation, education, and training for aspiring organizations and entrepreneurs seeking to establish new community enterprises, cooperatives, social enterprises, and self-support groups, helping them develop effective business models and master related concepts and procedures.
Enhancing capabilities	<p>Human resource development: The center provides diverse programs on competency and skill development at multiple levels, including field trips to areas of the social economy and a training academy with a systematic curriculum.</p> <ul style="list-style-type: none"> <li>○ Social Economy Academy</li> <li>○ Supporting young innovators for the social economy</li> </ul>
	<p>Management support: The SSEC provides management support in various forms, tailored to the specific needs and concerns of social economy organizations toward ensuring their substantial growth. Expert consultants and advisors at the center provide a wide range of services that businesses need at different stages of growth, including management consulting, basic education and training, and assistance with legal, accounting, and technical matters, as well as IT support.</p>

	<p><i>Market support:</i> The SSEC provides marketing support that helps social economy organizations enhance their products and services and pioneer diverse channels of distribution, including the public procurement market. SSEC marketing support advertises the value and significance of social economy organization products and services, raising public awareness and promoting more ethical consumer behavior.</p> <ul style="list-style-type: none"> <li>• Enhancing the social value of public purchases</li> <li>• Distribution and marketing support</li> <li>• Hamkke Nuri, an online mall of social economy products (<a href="http://www.hknuri.co.kr">www.hknuri.co.kr</a>)</li> </ul>
Supporting growth	<p>Supporting collaboration: The SSEC fosters ecosystems for the social economy in Seoul by extending networks of collaboration across industries, areas, and sectors, and by organizing collaborative projects. The SSEC strengthens public-private partnerships on the social economy at the district level ('district' is "Gu" in Korean), presents new models of collaboration (including social economy spaces catering to local needs), and expands the scope and reach of solidarity worldwide.</p> <ul style="list-style-type: none"> <li>• Supporting collaboration for social economy</li> <li>• Supporting Gu borough-level ecosystems for the social economy</li> <li>• Providing working spaces</li> <li>• Providing coworking spaces</li> </ul> <p>Enlarging scale: The SSEC supports strategic and social economy-inspired approaches to solving daily life problems of immediate relevance to the people in Seoul. The center strives to spread and reproduce business models that run on the principles of social economy (collaboration, mutual benefit, and solidarity), enlarge the social economy, and maximize its relevance and value to citizens.</p> <ul style="list-style-type: none"> <li>• Fostering the growth of key social economy industries</li> <li>• Designating and supporting social economy zones</li> <li>• Supporting the overseas training of social economy actors</li> </ul>
Financial assistance	<p>Seoul Social Investment Fund/This first-ever public-private partnership on fundraising for the social economy in Asia makes social investment in diverse enterprises and projects that address urban issues (Korea Social Investment Fund, <a href="http://www.social-investment.kr">www.social-investment.kr</a>)</p> <p>The SSEC organizes competitive processes for discovering innovative business ideas and selecting prospective enterprises eligible for its financial support and referrals to greater policy funding and private capital. These forms of financial support provide nascent enterprises with a stable basis for growth and allow them to seize upon new business opportunities.</p> <p>Financial support for Seoul-style innovative businesses (organizing a public and competitive process for discovering and supporting innovative business models solving urban problems, including those related to child and elderly care, housing and urban renewal, and culture and education. The center also connects recipients with greater sources of funding, consulting, and investors.</p>

	Financial support for exemplary Seoul-style social economy businesses—prospective enterprises with proven potential for further growth are provided with support for expanding channels of marketing and distribution and other customized forms of support they need, so that they may grow into competitive ‘Hero Enterprises’ of Seoul.
Research and dissemination	<p>Research and Advertising Assistance—to support research on policymaking and the way the social economy transforms lives, by encouraging new approaches to social problems.</p> <p>The center also supports public dissemination of, and policymaking related to, the discovered potential and values of the social economy.</p>
International cooperation	<p>It support international cooperation and networking. It actively supports the Global Forum for Social and Solidarity Economy (GSEF) activities that share and spread examples of urban innovation and global crisis management through social economy solutions.</p> <p><a href="https://www.gsef-net.org/">https://www.gsef-net.org/</a></p>
Number of staff	NA
Sources of funding	Public and private
Fees paid by members	NA
Innovation aspects	<ul style="list-style-type: none"> <li>• Various contests for citizens on business models solving urban problems—networking with investors</li> <li>• Constant research on how social economy transforms lives and follow-up of policy proposals</li> <li>• Support of the social entrepreneurs with marketing services and distribution channels</li> <li>• Setting up of a social investment fund</li> </ul>
Results	Since 2015, the center has supported the following: 421 social enterprises, 2,200 cooperatives, 114 community enterprises, and 194 self-supporting enterprises.
Lessons learned	<p>The South Korean ‘meta-model’ of social economy describes a complex and dynamic phenomenon (encompassing civil society, public policies, and entrepreneurial spirit); it emerged and evolved from a combination of local specificities (for example, cultural values—such as volunteering).</p> <p>The voluntary involvement of the civil society and a strong presence of the private sector is an indicator of success for the social economy in South Korea (which received official recognition in 2006).</p>
Challenges	NA

## CONCLUSION

**The case studies showcased examples —from Europe and beyond—of social innovation providing sustainable jobs, incomes, and services to the disadvantaged.** They identified ways in which national governments and other stakeholders can support the efforts of social entrepreneurs to widen the space in which social innovation and sustainable development can flourish. Emergent or developing, all of the

models presented have been confronted with challenges, which they have managed to transform to lessons learned. Moreover, the examples provided show that policy frameworks are developing in different settings and responding to specific national contexts. However, that which is generally valid from these examples is that governments are demonstrating an increasing commitment to supporting the SSE sector; in doing so, they rely more and more on the wider society (the business community and civilians) to support social innovation and social enterprise.