Social Enterprise, Social Innovation and Social Entrepreneurship in Serbia: A National Report

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1. Current situation and early experiences

1.1 Current situation

Similar to other transition economies, social entrepreneurship is a relatively new phenomenon in Serbia as compared to developed countries. The year 2000 is often considered as the year when social entrepreneurship started in Serbia. The social economy sector is still in its infancy and this is supported by the data, which suggests that in 2012 only 0.2% of the GDP in Serbia was produced by social enterprises (Statistical Office of the Republic of Serbia, 2014). However, some very interesting initiatives have emerged over the last years, which could spur the growth of the sector. For instance, the Social Economy Network (SENS), which brings together a number of social entrepreneurs, was established in 2011. Their goal is to make the social economy stronger, more visible and influential through networking, knowledge and experience sharing. A number of organisations, experienced in providing various types of support for the social economy sector, got together and founded a network called KorSP. The goal of KorSP is to use their experience and knowledge to help to develop the sector. In 2014 a large number of civil society organisations signed the so-called Belgrade Declaration on the development of social entrepreneurship in the Western Balkans and Turkey.¹ This declaration asks the European Union as well as other institutions in the participating countries “to take responsibility and actively engage in the development of social entrepreneurship”.² Aside from initiatives from the civil sector and social economy sector, the Serbian government started to show interest and has expressed its intention to support the social economy. The government is trying to improve the legal framework and it has recently amended important laws such as Law on Associations (2009), Law on Co-operatives (2006) and Law

¹Belgrade Declaration has been inspired by the Strasbourg declaration, which asks European institutions for a more decisive and strong support of the social economy.

²The full Belgrade Declaration is available at http://belgradedeclaration.net/ (retrieved on 21/8/2014).
on Endowments and Foundations (2011). There was an attempt to write a law regulating social enterprises, but this initiative has come to a halt. The high unemployment rate in Serbia is a big problem for the country and the government and especially the Ministry of Labour, Employment, Veteran and Social Policy have expressed their intention to support the development of the social economy hoping that it will absorb a proportion of unemployed people.

A very recent study of the Statistical Office of the Republic of Serbia (2014) was conducted with the goal to estimate the economic impact of social enterprises in the Republic of Serbia. The authors follow the widely known EMES definition of social enterprises, which sees social enterprises as a result of collective entrepreneurship in the area of social economy and is defined by economic, social and management indicators. The study provides many valuable insights about the current state of the social economy sector in Serbia. This study counted 1.196 social enterprises. Among these, the most numerous were co-operatives (65,6%) and associations of citizens (23,7%); other less prominent legal forms under which social enterprises operate are enterprises for employment of persons with disability (3,8%), development agencies (2,7%), foundations (1,9%), business incubators (1,5%) and spin-off enterprises (0,7%). This study reports that 10.326 employees are working in the social economy sector, which corresponds to 0,6% of employees. Being the most frequent form under which social enterprises operate, co-operatives employ the highest number of workers (6.048) and are followed by enterprises for employment of persons with disability (2.081) and associations of citizens (1.450). The rest is distributed among the remaining forms. An additional 23.836 volunteers were

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3EMES is a prominent research network of university research centers and individual researchers who conduct research on the social economy.
4This is actually already the second time that social enterprises were counted in Serbia. First mapping of social enterprises was conducted in 2008. For these results please see Cvejic et al. (2008).
working for social enterprises, mainly in associations of citizens (91.1%). Foundations absorbed 7.4% of volunteers. The social economy sector employs 1.736 persons with disabilities, which amounts to 16.8% of all employees in this sector. Most of them are employed in Enterprises for employment of persons with disability.

In order to understand better the mission of social enterprises, the survey asked social entrepreneurs about the main objective of the enterprise. Most frequent objectives were economic empowerment and employment (61.5%) and socio-economic assistance (15.4%). Significant differences appear between the different legal forms. While the main objective of co-operatives is mostly economic empowerment and employment, in the case of associations, socio-economic assistance prevails. Local development and educational courses are other common objectives of social enterprises in Serbia. Interestingly, relatively few enterprises are operating in the environmental sector.

An additional insight about the social economy sector in Serbia can be gained from another study, which surveyed all social enterprises in 2008 and asked social entrepreneurs when their enterprise was established (Cvejic et al., 2008). According to their findings, most of the enterprises (41.4%) were established after 2000, another 31.9% were established between 1990 and 1999 and 23.3% were established in the period of communism 1945 - 1989. This points to the fact that many enterprises were indeed established only after 2000.

1.2 Main social, labour and political issues

Serbia entered the transition process after the democratic change in 2000. Since then it has made important steps towards democracy and market economy in terms of

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5It is important to note that the study from 2008 cannot be compared with the study from 2012 to infer changes over time, because these two studies use different definitions of social enterprises.
economic and political reforms. The country experienced a steady growth rate until the financial crisis in 2008. Since then it is struggling to recover fully and start growing again. The largest problem of the Serbian economy is the high unemployment rate, which amounted to 23% for 15-64 year olds in 2013. The difficult situation on the labour market is also reflected in the activity rate (61.1% in 2013), which is among the lowest in Europe. Other problems related to the labour market include: a high hidden unemployment rate, low employment rate in the private sector and low labour market mobility (Mijatovic et al., 2008).

Serbia inherited from Yugoslavia a centralised welfare system based on principles of universal coverage and mutual solidarity. In 2003 the government of Serbia adopted a Poverty Reduction Strategy (PRS), which set medium term goals aiming at reducing poverty. The PRS contains an in depth analysis about poverty and its causes in Serbia. It recognised that unemployment can lead to poverty and social exclusion. The subgroups of the population mostly at risk of poverty are low-educated people, elderly, children, people in numerous households and people in rural households. A very high poverty and deprivation rate is found among the Roma population, refugees and internally displaced people.

As part of the PRS, in 2004 a team was established, which became responsible for the implementation of PRS. In 2009 this team was renamed to Social Inclusion and Poverty Reduction Unit (SIPRU). The SIPRU is mandated to strengthen government capacities and to develop and implement social inclusion policies based on good practices in Europe.

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6Labour Force Survey.
Aiming at social inclusion and poverty reduction, the government has reformed in 2004 the social protection system in two areas: cash benefits and social protection services. A unique poverty line and new criteria for claiming cash benefits were introduced. The right to two main programmes – social assistance benefits and child benefits – became conditional on household income. Centres of Social Work (CSW), which were established during communism, still exist and can be viewed as field offices of the Ministry of Employment and Social Affairs. Their main goal is to ensure the implementation of the Law on Social Protection and to advise potential beneficiaries (Mijatovic et al., 2008).

An important impetus for reforms in Serbia is provided through the process of accession to the European Union. In March 2012 Serbia was granted EU candidate status and the Stabilisation and Association Agreement (SAA) between the EU and Serbia entered into force in September 2013. On 21 January 2014, the first Intergovernmental Conference took place, signalling the formal start of Serbia's accession negotiations.

Overall, it is believed that the social economy sector has the potential to dampen the negative effects of the transition and the difficult economic situation. The opportunities of the sector are especially seen in the possibility to include vulnerable groups in the labour market. Another opportunity for social enterprises is seen in the provision of social service at the local level. Social enterprises are often providing better services than the traditional state institutions.
1.3 Legal framework

In 2013 the Ministry of Labour, Employment, Veteran and Social policy drafted a new law on social enterprises. According to the drafted law, a social enterprise could take any legal form. The enterprise had to employ a certain share of people who are considered to be part of a hard-to-employ group (such as long-term unemployed people older than 50 years, disabled, refugees and internally displaced people, etc.). The law foresaw that workers would be granted decision-making power. It was postulated that a half of firms’ profits should be invested in the enterprise, and the other half should go to a Fund for Development of Social Enterprises. On the other hand, these enterprises would benefit from a preferential treatment at tenders, preferential tax rates, etc. The law was not well received by social entrepreneurs and the NGO sector and after the public discussion its making was deferred (KorSP, 2013). The law was especially criticised because of its narrow definition of social entrepreneurship. Social enterprises were defined as enterprises, which employ at least a predefined share of people coming from vulnerable groups. A second major concern was that social enterprises would not be allowed to freely use their profits. After the public discussion in 2013 this initiative was stopped. However, the new government - established in April 2014 - decided to form a new working group which will write a new law on social entrepreneurship.

The Law on Social Protection from 2011 regulates the domain of social services as well as which services can be offered by licensed external providers. The licence is not yet a stringent requirement, instead providers have been given time until May 2016 to obtain a license. Some services cannot be outsourced to external providers and this is the case

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for (1) services of assessment and planning, (2) services of urgent intervention, (3) services provided by institutions for the education of children and young people and (4) services of family accommodation. External service providers can only offer social services if there is need for such services and if the public social welfare institutions do not have the capacity to offer them. In this case, the provider is determined through a public procurement.

At present, social enterprises operate in Serbia within different legal frameworks such as companies for the disabled, co-operatives, association/NGOs, endowments and foundations and limited liability companies.

**Companies for the disabled**

Companies for the disabled have their origin in the communist period and are nowadays regulated by the Law on Professional Rehabilitation and Employment of Persons with Disabilities passed in 2009. To be considered a company for employment of disabled persons, the law requires that such an enterprise employs at least five people with disabilities and that the share of people with disability is at least 50% including 10% with special employment needs. These enterprises enjoy a series of tax benefits (European Movement in Serbia, 2010). Local authorities can decide to grant additional fiscal advantages to these companies (such as communal services and electricity). If they fulfil certain conditions, for instance regular payment of contributions for employees and guaranteed quality of their products, they have priority over other enterprises when
bidding for certain types of contracts. This is currently the only enacted law, which explicitly mentions social enterprises.\textsuperscript{8}

**Co-operatives**

The law on co-operatives dates back to 1996 and was amended in 2006. A new law was prepared in 2010 and a public discussion followed. A study by Spear et al. (2013) speculates that the reason for postponing the law adoption is due to the issue of restitution of social property. The authors suggest that before this law can be adopted, it is necessary to resolve the problem of restitution of socially owned assets to members, co-operatives and the state. According to the current law, ten people are required to form a co-operative, but this number will be likely reduced to five if the new legislation is passed (Spear et al., 2013). The law recognises the following types of co-operatives: agricultural, housing, consumer, artisan, health care, savings and loans, youth, students, pupils and other types of co-operatives for the production and turnover of goods and services. Co-operatives enjoy the same tax regime as associations (10\% corporate tax), which is the same as that for private businesses. The proposed new law lacks some important features such as asset lock or limited distribution constraints, which are common in other countries (Group 484, 2011).

**Associations/NGOs**

Associations are democratic member-based structures. The new Law on Associations passed in 2009 made registration of associations easier. They no longer have

\textsuperscript{8} The draft law on social enterprises also mentions this term, but this law has not been enacted.
to register with the ministries, now they register with the Serbian Business Registers Agency. According to the law, at least three people are needed to form an association. The goals of the association should be general interest and not for profit. Associations can engage in economic activity as long as this activity is “small-scale” and related to the “purpose” of the organisation. However, associations can establish and own companies, which are pursuing commercial activities. The new law has several shortcomings, which have been pointed out. There are considerable fines (EUR 500-5,000 for Associations and EUR 50-500 for directors) if the conditions “small-scale” and “purpose” (relatedness) are violated, but these two conditions are not clearly defined (Spear et al., 2013). In their analysis of the legal framework for social enterprise, the Group 484 (2011) questions that this legal framework is suitable for economic activity for two reasons. First, problems with the access to banking could arise due to the unfamiliarity with this legal form. Second, the law limits the scale of the economic activity.

Endowments and Foundations

These are non-profit NGOs, but the legal structure allows greater control by the founding members as compared to the associations. A new Law on Endowments and Foundations was adopted in 2011. A foundation can pursue economic activity as long as it is related to the goals and not its core activity, but a registered activity. A foundation is allowed to establish and own a company that conducts economic activities. Similar to associations, there are fines (EUR 3,000 to 6,000) if the economic activity differs from the goals of the foundations and is not registered. An advantage of foundations is that their economic activity is not limited to “small-scale” as is the case for associations (Spear et al., 2013).
**Limited Liability Company**

The Limited Liability Company framework has a flexible and well-recognised structure, but is neither member-based, nor non-profit, nor profit limited. This form could, nevertheless, be used for social enterprise if model constitutions and bylaws approximating these conditions were adopted.

**1.4 Early experiences**

The origins of co-operatives in Serbia date back to the middle of the 19th century when first collective farms and credit unions were founded. At that time, co-operatives engaged in organising the production activity of farmers, supplying tools and equipment, processing agricultural products and selling them to domestic and foreign markets. The agricultural co-operatives were predominantly organised in the form of credit and purchasing co-operatives. There is also evidence that specialised co-operatives existed focusing on the production of certain goods (such as grain, dairy products, wine fruit or agricultural products) (Kolin, 2004). In 1895 the Association of Co-operative Farms of Serbia was established and it counted 995 co-operative farms. The first Law on Agricultural and Handicrafts collectives was passed in 1898. In the Kingdom of Yugoslavia (1918-1941) collective farms made up 82.7% of the total number of co-operatives (European Movement in Serbia, 2010). On the other hand, philanthropic activities reached their peak in Serbia at the beginning of the twentieth century (Borzaga et al., 2008).

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9In the first eleven years of its existence the kingdom was officially called Kingdom of Serbs, Croats and Slovenians.
After the Second World War Serbia became part of the newly founded country Yugoslavia. The state of Yugoslavia was a communist state with a centrally planned economy. With the introduction of communism, all property was nationalised and became “social ownership” and as such belonged to the society as a whole. A specific feature of the Yugoslav communist model - self-management of enterprises- was adopted after the break with the Soviet Union in the early 50s. According to this concept, ownership over enterprises was defined as social ownership. Within their companies, workers had a proclaimed autonomy in the decision-making process, profit distribution and management selection, but were supervised by the politicians. According to Lydall (1989, p. 104) an inherent flaw of the self-management mechanisms was the assumption that workers would be able to exercise their rights and protect the interest of the society. In fact, workers were excluded from significant decisions, which were taken by the politicians (Lydall, 1989, p. 105). Liotta (2001) notes that the absence of ownership rights of workers made it impossible for them to really influence decisions on investments, technology or management appointments. In the 80s the inherent economic problems became evident and were reflected in a contracting economy, rising unemployment, high inflation rates and increasing regional disparities. In the 90s Yugoslavia entered a very turbulent period in which the country dissolved and several new countries were founded.

Similar to other enterprises, during communism co-operatives became an integral part of the political system and planned economy and as such were controlled by the state. Important legacies of the communist period are the companies for disabled, which were an important mechanism to integrate the disabled population into work and society. Borzaga et al. (2008) suggest that these enterprises had the closest concept to social enterprises in the communist period. These enterprises provided jobs to disabled in subsidised factories, they benefitted from a guaranteed market and had autonomy in decision-making processes. With all the property being nationalised, philanthropic
tradition was interrupted during the communist period and endowments and foundations seized to exist.

The communist welfare system was centralised during this historical period and the state planned, financed and provided social welfare services. The welfare services were delivered through state institutions and organisations, state enterprises, unions and other stakeholders. The system was a mixed social insurance and social protection model. The social insurance part comprised pension and disability insurance, health insurance, social insurance in case of temporary unemployment, and others (Stambolieva, 2013). The social protection was designed to help most vulnerable groups and it was based on a network of residential institutions and Centres of Social Work (CSW). CSWs covered large geographical areas and specialised in diverse practices - from social security provision to counselling services. Traditionally, the main purpose of the CSW existence was distribution of cash-based assistance.

In the 90s, Serbia experienced an extensive political, social and economic crisis. It was politically isolated, it suffered from EU/US economic sanctions and it participated in a series of wars. In October 2000, the Milosevic regime in Serbia was overthrown and this year marks the beginning of a democratic political system.

Despite the absence of a democratic environment and favourable legal conditions, the EU and US donors helped to develop a third sector in Serbia during the 90s prior to democratic changes. In fact, the third sector was a contributing factor in bringing the political change in 2000 (Babovic et al., 2008).

Although Serbia has a long-standing tradition of co-operatives dating back to the 19th century, this tradition was interrupted in the communist period. Co-operatives in the
communist period were controlled by the state and cannot be considered social enterprises. For this reason and also because during communism the only type of enterprise resembling social enterprises were companies for the disabled, the phenomenon of social economy is considered to be a recent issue.

2. Main steps, changes and evolution

The initial emergence of social enterprises in Serbia has been predominantly driven by the willingness of donors to fund such enterprises. The interviewees have pointed out that the development of the social economy sector was largely influenced by the historical inheritance of communism. By nationalising all property and making citizens employees of the state, socialism did not support citizen initiative and entrepreneurial spirit. The education system does not educate and prepare pupils and students sufficiently to start a business and become economic actors on the market. As a result, people in Serbia still expect the state to solve their problems and do not have a habit of taking matters into their hands. The entrepreneurial spirit and taking initiatives is still something people in Serbia are learning. Spear et al. (2013) notes an additional problem related to the Yugoslav legacy namely “a public distrust of forms of social ownership [...], which has hampered both the acceptance of recognition of new forms of social entrepreneurship, and the capacity building of entrepreneurial forms of non-profit structures, as well as the reform of other existing social enterprise, in particular co-operatives.”

An important impulse for the creation of social enterprises at the local level was given through the Social Innovation Fund (SIF) established in 2003 by the Ministry of Social Affairs. The SIF operated for seven years and in this period absorbed slightly more than EUR 7 million for local projects and was financially supported by the Serbian
government, EU, UNDP, the Norwegian Ministry of Foreign Affairs and the United Kingdom Department for International Development (Golicin and Ognjanov, 2010). Prior to 2000, social services at the local level were underdeveloped; the main goal of the SIF was to allocate funds and support capacity building of reform-oriented social services designed at the local level. SIF supported 298 projects with the average value of EUR 23,716 (ranging between EUR 8,700 and EUR 45,000) and started community based care in over 100 municipalities in Serbia. The interviews with the stakeholders have confirmed that the SIF was very important in establishing new social services at the local level. Examples of projects initiated by SIF include day care centres, home care for the elderly, pensioners’ clubs, programs for disabled, etc. Another fund for financing associations of handicapped people was set up around the same period. Both funds helped to institute non-government organisations, which provide social services. Beneficiaries of these services are mainly older people, children and people with disabilities. Some of these enterprises have become self-sustainable and are financed by the local governments.

Overall, it appears that in the more recent years the progress of the social economy sector has been driven by local NGOs among which Group 484, European Movement in Serbia, TRAG foundation and Smart Kolektiv were the most active ones in promoting social entrepreneurship and helping to advance the social economy. A key development in the sector has been the establishment of several networks of NGOs and social entrepreneurs like the KorSP, SENS and Social Entrepreneurship Forum. These networks bring together local NGOs and social entrepreneurs and are a platform to jointly tackle and resolve the problems of the sector and to lobby and promote the concept of social entrepreneurship in the public.
The KorSP was established in 2010 by TRAG foundation,10 European Movement in Serbia, Group 484, Initiative for Development and Cooperation and Smart Kolektiv.11 All network members have contributed to the development of social entrepreneurship by focusing on different areas and the network offers the possibility to bring together these actors with diverse backgrounds. TRAG foundation offers grants to social enterprises; European Movement in Serbia educates local government officials and proposes policies; Group 484 supports the network of social entrepreneurs SENS, provides financial and advisory support to social enterprises and conducts analysis of the legal framework; Initiative for Development and Cooperation participates actively in discussions on the legal framework and brings the experience on provision of social services from its partner organisation Samaritan International; Smart Kolektiv has experience in starting up social enterprises and creates education and mentoring programmes; SeConS conducts research on social issues including social entrepreneurship.

The main aim of KorSP is to be actively involved in the creation of “a functional framework for social entrepreneurship in Serbia through advocacy, rising awareness, capacity building of social enterprises and proposing practical legislation and other government measures”. The coalition recognises the importance to establish partnerships with other relevant stakeholders in the society both in the private and public sector. An important contribution of KorSP is the introduction of a newsletter on the social economy and social entrepreneurship in Serbia. The newsletter has several goals (1) it informs its readers about successful social enterprises and in this way hopes to motivate socio-entrepreneurial initiative, (2) it follows and informs the readers about the development of the legal framework concerning social enterprises, (3) monitors the development of the

10Formerly called Balkan Community Initiative Fund.
11SeCons development initiative group joined the coalition in 2013.
sector in the European Union and (4) it proposes measures for social entrepreneurship through examples of financial, mentoring and other forms of support to individuals and groups who want to get involved in social entrepreneurship.

Group 484 with the Support of the UniCredit Foundation founded SENS in 2011. SENS currently has 31 members from all over Serbia, including citizens associations, enterprises for vocational rehabilitation of persons with disabilities, limited liability companies and co-operatives. There are several goals, which SENS aims to achieve. First, it aims to connect Serbian enterprises with enterprises from neighbouring countries. Second, it promotes social enterprises in the public and lobbies for social enterprises. Third, a very important service, which SENS offers is education. Fourth, they give advice on available financing. Lastly, they organise meetings, conferences and lectures.

Aside from national networks, a regional network called Social Entrepreneurship Forum was established in March 2014. The network includes social enterprises from Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia and Turkey. The founding members of the network have committed to the following goals (1) advocacy for social entrepreneurship in the areas of taxation system, finance, capacity building and networking, (2) sharing and learning through networking, exchange of experience, learning and study visits and (3) promotion of social entrepreneurship across the region.

The 2008 economic crisis hit Serbia very hard and the resulting deteriorating economic conditions, especially the high unemployment rate and the high poverty rate, have induced the policy makers to look for new solutions to mitigate economic problems. As a result the political decision makers have started to recognise the potential of social enterprises especially in the provision of jobs for vulnerable groups. As an attempt to support the local economy, the government has exercised effort to improve the legal
framework. As discussed in section 1.3 on the legal framework, a new Law on Associations and Law on Endowments and Foundations were adopted in 2009 and 2011. New laws on co-operatives and social entrepreneurship were prepared and publicly discussed, but their adoption was postponed.\(^\text{12}\) Despite the fact that the Law on Social Entrepreneurship and Employment in Social Enterprises was not well received by the third sector, the government has invested an effort to improve the legal framework in the sense that other relevant laws have been amended. Spear et al. (2013) praise the efforts of the Serbian government as "an impressive number of measures to establish a modern legal framework for the development of social entrepreneurship".

The main policy measures relevant for the social economy in Serbia can be summarised as follows (Spear et al., 2013):

1. National Action Employment Plan 2011-2020: includes a training programme for social entrepreneurs and is implemented through the National Employment Services measures for vulnerable groups.

2. Special budget fund enhancing employment and professional rehabilitation of persons with disabilities.

3. Ministry of Economy programmes for SMEs and co-operatives

4. Training held by National Agency for Regional Development and regional development agencies.

\(^{12}\)A study by Spear et al. (2013) put forward that the reason for postponing the adoption of the law on co-operatives is due to the issue of restitution of social property. The law on social entrepreneurship was not well received by the third sector (KorSP, 2013) and it is unlikely that the ministry will go forward with this law. A study by group 484 explores in depth legal grounds and possibilities for social enterprises in the Republic of Serbia (Group, 484).
5. “Youth, Employment and Migration” UN joint project financed by the MDG-F and led locally by the Ministry of Economy and Regional Development, with several other ministries and government bodies involved. This focused on youth employment and migration, and included support for social entrepreneurship.\(^{13}\)

6. The Ministry of Labour and Social Policy uses the Lottery Fund for a support programme for more than 500 NGOs supporting people with disabilities. Priorities are determined jointly with the Serbian National Organisation of People with Disabilities.

In the first years following the democratic change of 2000 the third sector received large funding from international donors, but in the mid 2000 the donors turned to other countries, which were more in need of financial support. With limited resources NGOs started to search for ways to finance at least a part of their expenses from income on the market. Moreover, due to the global financial crisis the overall donations to NGOs dried out and this gave an additional push to the third sector to turn to more market oriented business models.

3. **Influence of the EU and other international organisations**

Among international organisations, the UNDP has been the most active actor in recognising and supporting the potential of the social economy sector. It was involved in the implementation of the Social Innovation Fund. It further financed the study Mapping of Social Enterprises in Serbia and in the region. As part of its project “Youth, Employment and Migration” the UNDP provided support for social entrepreneurship. The EU or other international organisations have mainly contributed to the development of

\(^{13}\)According to Spear et al. (2013) the project supported capacity building of 12 social enterprises.
social enterprises through funding of government programmes or funding of NGOs. For instance, the EU has given financial support to the Social Innovation Fund. Most of the NGO projects had a local character and were initiated by NGOs themselves and received financial support from international donors. Through their projects these international organisations have provided not only financial support for social enterprises, but also training and mentoring for starting and running such businesses. Most of the academic studies on social entrepreneurship in Serbia have been conducted with the financial support of international donors.

As part of the OECD Local Economic and Employment Development programme, the OECD conducted a study on the current situation and potential of social entrepreneurship in Serbia (Spear et al., 2013). This report also suggests different policy options and gives targeted policy recommendation how to support social entrepreneurship in Serbia and boost its performance. The provided policy recommendations draw on a considerable and diverse international experience and are offered as a basis for discussion with the key stakeholders. They are structured along the improvement in the following areas: (1) pre-conditions, (2) legal and institutional infrastructure, (3) governance, (4) access to finance, (5) skills and (6) access to markets. If the policy maker were to adopt an action plan or a strategy how to develop social entrepreneurship, the policy recommendations from this report would be a good starting point for this discussion.

In early 2014 the European Commission, European Economic and Social Committee and the City of Strasbourg organised jointly a major event on the social economy and the outcome of this meeting was a joint declaration of stakeholders from the social enterprise sector. The so-called Strasbourg declaration emphasises the importance of social enterprises for Europe and asks institutions of the European Union to
engage stronger in the support and development of the social economy. Inspired by this initiative, at the First Forum of Social Innovations held in March 2014, the participating civil society organisations decided to write the Belgrade Declaration on the development of social entrepreneurship in the Western Balkans and Turkey. Similarly to the Strasbourg declaration, the Belgrade declaration asks both European Union and national governments to support the development of the social economy. More than 450 organisations signed this declaration. The interviewees believe that the Belgrade declaration can have an important positive effect for the development of the sector.

In 2011 the European Union launched the Social Business Initiative, which identifies three areas of action for European institution to support the social economy sector. These areas are improvement in the access to finance, giving more visibility to social enterprises and improving the legal environment. A contact person in the Ministry of Economy and Regional Development was originally assigned to follow this initiative of the EU. It would be beneficial if representatives from relevant Serbian government institutions could participate actively in this initiative.

Many interviewees have emphasised that aspiring entrepreneurs do not have the necessary skills to start and lead a business. KorSP is promoting the idea that the European Union finances an education centre which would educate people on social entrepreneurship. This centre would educate participants on social entrepreneurship, writing project proposals and business plans, how to manage an enterprise and how to access EU funds. As the lack of hard skills has been identified as one of the main barriers by the interviewees, such a centre could be truly beneficial for the development of the sector.
4. Role of institutions

The Ministry of Labour, Employment, Veteran and Social Policy is the most important actor for the social economy sector among the government institutions. Within this ministry and in the Department for Employment there is a specific Unit for Supporting the Development of Social Entrepreneurship, Professional Rehabilitation and Employment of Persons with Disabilities. This unit has taken a proactive approach and has attempted to legally regulate and define the social economy sector with the Law on Social Entrepreneurship and Employment in Social Enterprises (see section 1.3 for more details on the law). The draft of the law was not well received by social entrepreneurs. After the change of the government in 2014 a new working group was founded in June of the same year to write a new law which should regulate the social economy sector.

The Social Innovation Fund helped to start a series of welfare services at the local level and in this way paved the way for the provision of social services by non-governmental organisations. The system of social protection consists of CSWs, institutions for the placement of beneficiaries and other institutions (such as shelters, intake centres, and others) and NGOs offering social services. The main responsibilities of CSWs are administration of social benefits, coordination of services of social work and administration of legal rights in the field of social protection. As explained in the part on the legal framework (see section 1.3), a new Law on Social Protection was passed in 2011. According to the law, the financing of services is shared between the state, the province and the local government. However, with the new law, the local governments have more responsibility in both financing and provision (or outsourcing) of social services. It was expected that this law would help to decentralise social services, but the results so far are not satisfactory. SeConS (2013) suggest that municipalities were not successful in establishing a new service-based system because of a constant lack of financial resources.
and a lack of control of the implementation of the law that the local government is obliged to meet. In the interviews some problems of social service providers have been pointed out. Social service providers have to participate again in tenders after their contract with the local government expires and they are not granted any advantage with respect to other competitors. The Ministry of Labour, Employment, Veteran and Social Policy oversees the provision of social services at the local level and grants licences for services providers. The requirements to obtain a licence are perceived as stringent and there is a general concern that these high requirements might affect negatively the development of local social services. The licence will become compulsory only in May 2016. According to the data of the Republic Institute for Social Protection local self-government choose more often to provide services through public welfare institutions than through NGOs. Out of 445 local social services provided in 137 municipalities, centres for social work offered 202 services, social welfare institutions 113 and external providers the remaining 131 (SeConS, 2013).

Two to three times every year The Ministry of Labour, Employment, Veteran and Social Policy opens a competition for grants to fund projects in the field of social protection. The idea is to provide to local NGOS the initial funding to start the provision of local social services. The amount of money distributed in each competition amounts to approximately 2 million Euros. This year there was an incident with the results of one of these competitions because the civil sector claimed that the results of the competition favoured NGOs, which had links with the politicians. As a result, the whole competition was cancelled and the funds were diverted to other purposes. Although the Ministry recognises advantages of the NGO sector for the provision of social services, this incident puts into question the commitment of the Ministry to truly support and develop such services offered by the local NGOs.
The previously mentioned SIPRU (see section 1.2), established in 2009, remains an important actor in the field of social inclusion. In the recent years this unit started to openly support and promote social entrepreneurship. The SIPRU has contributed to raising awareness about social entrepreneurship among government institutions and their representatives. They have also actively participated in the discussions of laws relating to social entrepreneurship. The unit was effective in understanding the needs of the social economy by keeping regularly in touch with networks of social entrepreneurs and by following the developments of the social economy in Serbia and in Europe.

The National Agency for Regional Development (NARR) in the Ministry of Economy offers a wide range of services for small and medium enterprises and co-operatives. These services can be broadly grouped into four types of services: informational, educational, advisory and promotional. Although those services are not designed for the specific needs of social enterprises, these enterprises can benefit from the support offered by the NARR. Some interviewees have pointed out that it is not clear if social enterprises registered under the legal form of associations or foundations have the right to use these services.

The Serbian pre-tertiary education consists of primary education lasting eight years and secondary education lasting three to four years. Secondary education can be either general or vocational. In primary schools there is no education in entrepreneurship, however, the subject Entrepreneurship is compulsory for some vocational profiles at the last year of the secondary school cycle. It is estimated that 15 – 20% of all pupils from vocational schools who enrolled this year will attend the subject Entrepreneurship. All new vocational profiles will have the subject Entrepreneurship in their programme of study. Tertiary education institutions are autonomous and design their study programs on their own. University programs in economics do teach entrepreneurship, but other
universities do not offer this course. It is also worth mentioning that at the university of Novi Sad there is a Chair for Entrepreneurial studies. A constraint for the development of entrepreneurial skills is the teaching style at schools and universities in Serbia. Education at all levels is oriented towards teaching theoretical knowledge and facts, but very little towards providing practical and functional knowledge and skills. Overall, it is widely perceived that the educational system could do more to promote the entrepreneurial spirit and provide practical business knowledge to both school pupils and university students.

The previously mentioned NARR complements the formal education by offering various services including the training for entrepreneurs through its regional offices. Some non-governmental organisations are offering business education and training targeting specifically social entrepreneurs. The organisation Junior Achievement is educating pupils in entrepreneurship, economics and business.

The study “Comparative Analysis of the Role of Civil Society in Providing Social Welfare Services in the Western Balkans” (SeConS, 2013) provides an insightful analysis on the importance of the civil sector in the provision of welfare services in a range of Western Balkan countries including Serbia. This study provides an overview of the institutional and legal framework of the system of social protection, and then goes on to highlighting the role of the civil sector in social protection. According to the findings of SeConS (2013), the civil sector does not have adequate professional capacities for the field of social protection and thus relies on experts from centres and institutions. Over the recent years the state has increased the funding for NGOs, however, international donors are still the main source of funding for the civil sector. A report has recently mapped all social services and has gathered information on these (SIPRU and UNICEF, 2013). This
study counted 126 local services in the non-governmental sector 14 and these organisations mostly deal with the provision of services for disabled persons and for children and young persons with developmental disabilities and assistance at home for elderly. Overall, the legal and institutional framework is designed to integrate non-governmental organisation in the social services sector. The findings of both studies put forward that non-governmental organisations already play an important role in the provision of social services at the local level and that there is room for widening their services. One potential issue regards the licensing of social services (SeConS, 2013).

Although on a small-scale, some private banks supported the development of the social economy in Serbia by giving grants or start-up credits to social enterprises. The Unicredit Foundation together with the Unicredit Bank played an important role in the field of social economy. Together with the Group 484 the bank has developed a program to help a selected group of social entrepreneurs by providing them with advisory services and by giving them both a grant and a loan. Within another project “Idea for a Better Tomorrow” the foundation has provided grants in the overall amount of EUR 56,000 and support in the development of business plans for social enterprises. SENS, the network of social entrepreneurs, was founded with the support of the Unicredit Foundation. In 2011 Erste Bank gave ten start-up loans of up to 5,000 Euros to social enterprises (Mijatovic et al., 2012). Erste Bank is organising public discussions on social entrepreneurship and a competition for the best idea in the field of social entrepreneurship.

Aside from these minor initiatives by the Unicredit Bank and Erste Bank, the access to finance for entrepreneurs in Serbia is limited. The banking sector is generally recognised as conservative and risk averse. According to a report by Ministry of Economy

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14 This study registered in total 432 local services. Out of these 306 were governmental, while the other 126 were provided by the non-governmental sector.
the corporate loan portfolio is dominated by expensive short-term loans. The access to credit hinders the growth of the small and medium enterprise sector, and the social economy sector suffers from the same problem. In addition to that, the legal form of the social enterprises can be a further burden to getting access to credit due to banks unfamiliarity with unconventional legal forms for business (especially associations/non-governmental organisation) (Spear et al., 2013). A second problem is that the legal framework limits micro-finance and this sector is underdeveloped. The legal framework foresees that only banks can lend money and thus micro-finance institutions can operate only through conventional banks, which raises costs of such credits.

Most of the stakeholders have stressed out in the interviews that social entrepreneurship is a cross-ministerial issue and that there should be more coordination between the governmental institutions working on this issue. Moreover, the Ministry of Economy and the Ministry of Finance could get more involved in this area. The Ministry of Finance, for instance, does not want to amend the law on banks and allow microfinance institutions to enter the credit market. Some interviewees suggested that it would be helpful to write a Strategy for the Development of Social Entrepreneurship as a first step towards establishing clear goals. In the course of the public discussion on the law on social enterprises it has become evident that the Ministry of Labour, Employment, Veteran and Social Policy sees social entrepreneurship very differently from the way social entrepreneurs see it. Thus this has complicated the relationship between the representatives of the ministry and representatives of social entrepreneurs.
5. Theoretical growth

As already described in detail in section 1.4, during the communist period the third sector was inexistente in Serbia as in other former communist countries and it started only to slowly emerge in the 90s. In the year 2000 the Milosevic regime was overthrown and this year marks the start of a new era in Serbia for the whole economy including the third sector.

As a consequence of its communist legacy, social entrepreneurship is a recent phenomenon in former communist countries including Serbia. Several legacies from the communist period had an adverse affect on the growth of social enterprise in transition countries. First, there was a general public distrust towards forms of social ownership, which reminds the public of the communist period and is therefore often initially not well received. Les, 2004, for instance, argues that although the co-operatives movement had a strong and long lasting tradition in Poland, the public view of the co-operatives was fully discredited after the fall of communism. Due to a negative view of the public, the development of the co-operatives sector was hindered severely. A second problem of the communist legacy is that most governments, including the Serbian, adopted a neo-liberal approach and thus preferred privatisation to other forms of ownership. In other words, the governments did not recognise the opportunities and advantages of such ownership forms due to historical reasons. And the third common problem in these countries is that people expect the state to solve their social and economic problems. There is a lack of initiative and it takes time to learn business and finance skills that are required for entrepreneurship.

The types of social enterprises that were founded in Serbia have gone through a change over the time. In the 90s the third sector was mainly concerned with the
promotion of human rights and it was thus in a conflict with the political regime. As a result in the 90s the cooperation between the third sector and the government was nonexistent. Also in that period there was a small number of NGOs concerned with problems of refugees, internally displaced and other vulnerable groups. Both co-operatives and companies for the disabled represent an inheritance from the communist period, but the first citizen associations were concerned with catering for the needs of vulnerable groups (refugees, internally displaced persons, etc.). After the political change in 2000 many of NGOs, which concentrated initially on human rights, shifted their core interest and activity towards the new societal challenges such as alleviating the burden of economic transition (e.g. poverty reduction) and catering to the vulnerable and at risk population groups. As a result, at the beginning of 2000 the sector shifted its focus towards alleviating transition costs resulting from poverty and unemployment on vulnerable groups and started to search for ways to satisfy their needs. However, as pointed out by one interviewee, people working in the NGO sector did not have business skills to lead enterprises and this slowed down the development of the sector.

The establishment of the aforementioned SIF (see section 2) in 2003 induced the creation of a number of social enterprises providing welfare services at the local level and as a result the social economy sector entered also this domain. Governmental institutions and non-governmental sector started cooperating and building partnerships and complementing each other in the provision of social services.

In the more recent years a number of innovative social entrepreneurs have established themselves on the market and are offering innovative and socially responsible products and/or services.
The companies for the disabled in the socialist period had a very similar concept to social enterprise and other forerunners of social enterprises were companies closely linked to vulnerable groups. For these reasons and due to the high unemployment rate, the policy makers perceive social enterprises mainly as a means to employment of vulnerable groups whereas other possible benefits of social entrepreneurship are somewhat neglected. However, the emergence of networks such as KorSP and SENS, which bring together a diverse group of social entrepreneurs and represent the needs of the social economy sector, has the potential to bring closer to the policy maker and to the public in general the benefits of social entrepreneurship in a broader sense.
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Interviewed stakeholders

Slobodan Cvejic, associate professor at Faculty of Philosophy, University of Belgrade
Marija Kolin, independent consultant/researcher
Neven Marinovic, Smart Kolektiv
Jelena Milovanovic, Coordinator for economic development and employment, Social Inclusion and Poverty Reduction Unit, Government of Serbia
Tatjana Prijic, Group for improving the protection of persons with disabilities, Ministry of Labour, Employment, Veteran and Social Policy
Jelena Vasic, Head of the group for active labour market policy measure and employment, Ministry of Labour, Employment, Veteran and Social Policy
Gordan Velev, Initiative for Development and Cooperation
Biljana Zekavica, Department for family care and social protection, Ministry of Labour, Employment, Veteran and Social Policy
Radovan Zivkovic, Ministry of Education, Science and Technological Progress
Zorica Zivojinovic, Group 484
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<tr>
<th>Abbreviation</th>
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<tr>
<td>CSW</td>
<td>Centres for Social Work</td>
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<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>KorSP</td>
<td>Coalition of Development for Social Enterprises</td>
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<tr>
<td>NARR</td>
<td>National Agency for Regional Development</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PRS</td>
<td>Poverty Reduction Strategy</td>
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<td>SAA</td>
<td>Stabilisation and Association Agreement</td>
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<td>SENS</td>
<td>Social Economy Network</td>
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<td>SIF</td>
<td>Social Innovation Fund</td>
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<td>SIPRU</td>
<td>Social Inclusion and Poverty Reduction Unit</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>VAT</td>
<td>Value added tax</td>
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