



Social enterprises and their eco-systems: A European mapping report

Updated country report: Slovakia

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This report provides an overview of the social enterprise landscape in Slovakia based on available information as of July 2016. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014.

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LIST OF ACRONYMS

CA	Civic Association
COLSAF	Central Office for Labour, Social Affairs and Family
EEA	European Economic Area
EC	European Commission
ERDF	European Region Development Fund
ESF	European Social Fund
Ltd.	Private Company Limited by Shares/Limited company
NOPBS	Non-profit Organisations providing Public Benefit Services (known as Public Benefit Organisations)
WISE	Work Integration Social Enterprise

EXECUTIVE SUMMARY

The transition to a market economy stimulated the emergence of plurality within civil society initiatives that had been either dissolved or had become part of the Communist state system, and opened new pathways for entrepreneurial initiatives. The 1990s witnessed the flourishing of a significant number of non-profit organisations, including the pioneering establishment of the first social enterprises, which emerged bottom-up in a variety of fields of general interest.

Later on, when the Slovak Republic entered the European Union, the process of legal institutionalisation of social enterprises started to be discussed and has taken place in general through two distinct strategies. First, through the reform in social services, which followed the transformation of the public-sector-driven institutional care model into a community-based service system that allows for participation of non-state actors on the provision of a variety of social services. Second, through the introduction of a general legal framework, which is specifically designed to regulate enterprises integrating disadvantaged workers (WISEs).

Concept, legal evolution and fiscal framework

Slovakia is one of those EU Member States where the social enterprise sector is still in a nascent stage and the operational framework, either in terms of legal framework, financial support or the theoretical definition, is still not well framed. The term 'social enterprise' is very often narrowly associated with work integration structures supported by the active labour market policies. This notwithstanding, a variety of other social enterprises exist in Slovakia: they operate in a wide range of fields of general interest and they use a variety of legal forms. The constellation of social enterprises in Slovakia consists, amongst other types of work integration structures such as sheltered workshops, of civic associations, public benefit organisations, Ltd companies, allowance organisations and certain types of cooperatives. Additional forms of social enterprise have emerged that are typical of Slovakia, one of them being known as municipality social enterprise. In terms of fiscal framework, in the case of social enterprises registered under the Commercial Code (most often as Ltd companies), there are no significant differences in the taxation of social enterprises compared to other companies. Separate taxation can only be applied if the social enterprise has a legal form of a non-profit organisation such as civic association, public benefit organisation or allowance organisation. It is acknowledged that, due to the lack of public financial resources, a thorough analysis or any substantial discussion on these topics is not yet possible. However, those social enterprises registered as non-profit organisations may apply for additional support from public funds or using a system of tax assignment, which is considered to be one of the most significant tools contributing to the financial stability of **non-profit organisations**.

Mapping

To provide exhaustive mapping and a statistical evaluation of social enterprises in Slovakia is a complex and challenging task. One should ideally account for enterprises that do not yet have an official status and are therefore excluded from official statistics. When estimating the size of the sector it is necessary to look at both the universe of non-profit organisations and those fulfilling the criteria of social enterprises according to the Act 5/2004. Indeed, most social enterprises in Slovakia use the legal forms that regulate non-profit organisations. The overall number of registered non-profit organisations in Slovakia in 2014 was 37 541⁽¹⁾. As appears from additional estimates provided, these numbers have increased over recent years. However, it is extremely difficult to estimate the proportion of organisations that could be classified as social enterprises. The main reason is the fact that national legislation does not explicitly require registration of trade

⁽¹⁾ Civic associations accounted for 90 % of all non-profit organisations (33 894), followed by public benefit organisations representing 7 % (2 707), and foundations accounting for approximately 1 % (497) of all non-profit organisations in Slovakia.

licence or any other permission to perform activities that are specific to social enterprises.

The only precise statistics are those in relation to social enterprises registered according to Act No 5/2004 Coll. on Employment Services, which acknowledges exclusively work integration social enterprises (WISEs). These social enterprises are the only legally and officially recognised social enterprises within the national legislation. The register of WISEs is administered by the Central Office for Labour, Social Affairs and Family. By March 2014 it counted 94 organisations, out of which only 44 were active. Unfortunately, the register is not regularly updated and it is merely indicative, as not all of the registered organisations are active and not all social enterprises are registered, as the registration is mandatory only for those organisations which are interested in applying for funding, the volume of which is not always very attractive.

The economic activities of social enterprises in Slovakia are quite diverse. WISEs are engaged in a variety of areas (e.g. provision of administrative and support services, manufacturing, construction, accommodations, food services etc.). The remaining social enterprises are mainly engaged in the provision of social, health, social work, regional development, education services etc.

Eco-system

The number and scope of activities carried out by the organisations that are part of the Slovak social enterprise eco-system is relatively small. There is no such thing as an official network of social enterprise organisations in Slovakia as of June 2016. The non-public infrastructure available to social enterprises in the country is only slightly more developed than the public one. On the positive side, academic institutions are viewed as important actors in the support of social enterprises.

In terms of policy schemes and support structures, there is no specific institution, department or governmental body that would have the specific purpose of dealing with social enterprises in Slovakia. The Ministry which is thematically closest to the aspects directly connected to social enterprises is the Ministry of Labour, Family and Social Affairs. The Ministry also initiated the establishment of a small unit focused on the advocacy and mainstreaming of social enterprises as a powerful tool for employment support of those marginalised on the labour market. This initiative is generally well supported, although there is a risk that the prevalence of the WISE-type of social enterprises comes at the expense of the other types. According to the plan, the unit should go into full operation in September 2016.

When considering finance, it still seems too early to talk about a social investment market *per se* in Slovakia. A few socially-oriented investors can be identified, but their support remains at an early developmental stage. Furthermore, despite initial attempts, the participation of conventional banks through loans to social enterprises is almost non-existent. Despite a few exceptions, the attention of the traditional banking sector to the sector as a potential market is very low. The study team did not identify the existence of any new forms of social financing such as crowdfunding. The most significant role in financing social enterprises in Slovakia is still played by job subsidies paid through public resources.

Perspectives

Current debates on social enterprises focus mostly on the persistent challenges social enterprise and their stakeholders have to face. In general, it seems that barriers to development are more pronounced than potential opportunities. The main barriers include poor understanding of the concept of 'social enterprise'; limited stakeholder participation and engagement; unclear legislative framework and persisting controversies. However, on the positive side, opportunities for the emergence and consolidation of social enterprises include a substantial demand for social services by citizens generated by an ageing population, persistently high unemployment in many regions of the country and problems of poverty. On the other hand, the need for

economically viable social enterprises emerged in line with initiatives that are expected to improve the legal environment for social enterprises. This need is more often articulated by politicians and experts.

All in all, Slovakia is slowly moving forward in the establishment of a network of social enterprises. There also appears to be a trend towards better recognition of the social and economic contribution of social enterprises.

In essence, the role of social enterprises is expected to grow in importance over the coming years in Slovakia. Important areas for the further development of social enterprises are in the fields of housing policies, social and employment policies and educational and environmental policies at both national and regional level, as well as the promotion of regional socio-economic development initiatives.

1. BACKGROUND

1.1. Social enterprises roots and drivers

To begin with, understanding social enterprises calls for some historical contextualisation and a note on the types of traditions that paved the way for their development.

Slovakia has a long tradition of civic engagement that deserves to be properly recognised. The first examples of organised forms of civil society engagement were the so-called 'brotherhoods', namely the forms of corporations of religious background based on self-help, protection of social rights and voluntary education. Voluntarism, a principle that is still present in Slovak non-profit organisations, saw its biggest expansion here at the turn of the 19th and the 20th centuries, when various clubs and associations were established to deal with problems that were not of interest to the government. These included social health institutions for the poor, the so-called 'field hospitals' and charities.

Furthermore, the cooperative movement has historically been an important economic actor. The first cooperative in Slovakia was established in 1845. In the second half of the 19th Century, cooperative societies started to play a central role in stimulating rural self-governance and constituted an alternative model to existing companies. At the turn of the 19th and 20th centuries and in particular after World War I, not only an increasing number of consumer, manufacturing, agricultural, processing, purchasing and marketing cooperatives was registered, but credit unions, cultural and housing cooperatives emerged as well.

The development of cooperatives was interrupted first by the outbreak of World War II, and then by massive nationalisation of cooperatives, a process that was launched in 1948. Despite the preservation of some elements of democratic self-governance, cooperatives were incorporated into the state-controlled planned economy system. With the rise of communism, most of the cooperatives and non-profit organisations were either dissolved or became part of the state system, meaning that only a small number of them managed to remain active (including the Slovak Red Cross and the Academy of Education).

Although the economy in Central and Eastern Europe was based on central planning and the state was omnipresent, some cooperatives served as positive exceptions: they continued to perform an important social role despite not implementing the principles of democratic governance and voluntary and open membership. For instance, the employment of disabled people in cooperatives during the 1980s was significant: the Slovak Union of Producer Cooperatives comprised at that time 17 cooperative societies and employed more than 7 000 disabled persons.

The Velvet Revolution of November 1989 meant the collapse of the Communist system. Similarly, as in other countries in the region, the transition to a market economy and the political conditions that allowed for the emergence of the middle class opened new paths for entrepreneurial activities (thanks also to the initiatives of dissidents and participation of the younger generation) and encouraged a more active public involvement in different spheres of social affairs. While the cooperative movement had to undergo a process of transformation, unprecedented opportunities for new actors emerged as well. The beginning of the 1990s can be regarded as a genuine turning point for the reestablishment of civic society initiatives and the pioneering emergence of the very first social enterprises. The 1990s saw strong growth and development of non-profit organisations; foundations, self-help organisations and associations in particular benefited from substantial funding from international donors.

Conceptual discussion about the framework of social enterprises emerged at the end of the 1990s when international donors started to withdraw funding from Slovakia, leaving a number of registered non-profit organisations heavily dependent on them. Cuts in foreign aid forced some of these organisations to diversify and search for new sources of revenue. Non-profit organisations have thus increasingly turned towards alternative forms of funding such as state and local government funding, EU funds or corporate

funding. At the same time, some of them have increasingly engaged in entrepreneurial activities to generate revenue.

Although there have been mixed results, the overall landscape of social enterprises in Slovakia has been largely influenced by state policy through two main strategies:

- a) **Reform of social service delivery:** namely, the transformation of the state or public-sector-driven institutional care model into a system of community-based care services delivery. This implied a shift of competencies and responsibilities to local governments, known as decentralisation (both in terms of powers and partly in terms of funding), with the intended goal of bringing decision-making processes closer to the citizens. This process also introduced non-state actors such as non-profit organisations into the provision of social services. Over the years, the role of such organisations as welfare providers has been formalised through contractual relations with the Ministry of Labour, Social Affairs and Family, which developed a special scheme for financial support of non-state social service providers. A number of local authorities also established their own organisations, which have been providing social services. Despite several attempts, Slovakia is still failing to establish a proper model of social services provision based on the key principle of equality between public and non-public providers, and would thus encourage the non-public and non-profit providers to apply for the contracts.

It must be stressed that the institutionalisation of non-profit organisations as social service providers in Slovakia has not been completely smooth. The Act No. 448/2008 on social services implemented the delegation of new competencies, including the delivery of new types of social services to local and regional governments. However, some organisations lamented the unequal access to funding when compared to public authorities (e.g. some were open exclusively to public authorities).

- b) **Introduction of a general legal framework regulating social enterprise:** the persistently high level of unemployment in the country prompted the government to search for alternative tools and gave rise to new legislation which was adopted in 2008 with a view to acknowledging social enterprises that are specifically aimed at facilitating work integration of disadvantaged people and vulnerable social groups (WISEs). The legal framework is based on Act No. 5/2004 of the Employment Services. Social enterprises are not conceived of by reference to any other legislation, and this also causes a certain limitation in the social enterprises perception in Slovakia to the WISE type and entities facilitating the entrance of marginalised and disadvantaged groups to the labour market.

The emergence of social enterprises was also triggered by the need to diversify the revenue of non-profit organisations in Slovakia after the withdrawal of foreign donors from the country in the late 1990s. This was done through their engagement in entrepreneurial activities, including the management of commercial activities not directly related to the social activity (e.g. restaurants) and the direct delivery of social services (elderly care, community services for the Roma). These activities are carried out by relying on different models, including the establishment of corporate partnerships by conventional and non-profit organisations, the direct involvement of the community and citizens (via donations or local foundations), and cooperation between non-profit organisations and local municipalities (social service facilities, crisis centres for families, day-care centres for the elderly, maternal centres). The latter is not uncommon, although there is still a very limited number of municipalities that purchase services from these organisations.

Later on, significant support for the development of social enterprise came along with the EU pre-accession funds EU community initiative, EQUAL.

As in other countries that underwent the transition to a market economy, Slovak society is currently characterised by relative public atomisation, limited public trust in political institutions and fairly low levels of participation in democratic processes. The lack of general trust and solidarity have weakened the tradition of mutuality and self-help, thus jeopardising the development of social enterprises.

However, recent challenges generated by the economic crisis (e.g. increased need for welfare services and social exclusion of vulnerable groups of the population) seem to have acted as a driver for new social enterprise initiatives started primarily by the Ministry of Labour, Social Affairs and Family and financed through EU funds. These challenges, coupled with a rapidly ageing population and the need for environmental protection, have triggered new forms of activities and innovative solutions by a variety of organisational structures, operating mostly at local level.

New grassroots actions initiated by citizens, often relying on voluntary work and local partnerships, have been set up with a view to improving the quality of life in local communities. This trend may play an important role in contributing to raising local public awareness of the potential of social enterprises for local communities and societies.

2. CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

2.1. Defining social enterprise borders

2.1.1. The EU Operational Definition of Social Enterprise

This report draws on the organisational definition as included in the Social Business Initiative of 2011, further operationalised by the Mapping Study (European Commission, 2014).

As defined by the Social Business Initiative of 2011, social enterprise is 'an undertaking:

- whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- which uses its surpluses mainly to achieve these social goals;
- which is managed by social entrepreneurs in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity'.

This definition arranges social enterprise key features along three dimensions:

- the entrepreneurial dimension;
- the social dimension;
- the one relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can be combined in different ways. It is their balanced combination which matters when identifying the borders of the social enterprise.

Building upon this definition, a set of operational criteria have been identified by the Commission during a previous step of this study (see Annex 1 for more details).

2.1.2. The debate on social enterprise in Slovakia

Despite the nascent stage of the social enterprise sector and the difficulty in both defining and classifying social enterprises, several important changes are gradually taking place in Slovakia. This implies that, first of all, the ways in which the concept of 'social enterprise' is being used need to be properly explained and framed. The term 'social enterprise' in Slovakia is, typically, narrowly associated with the work integration structures that are regulated by law (social enterprises as regulated by law Act No. 5/2004). It is also used occasionally to refer to non-profit organisations, which can be conceived as *de facto* social enterprises.

Arguably, the current use of the concept of 'social enterprise' is somehow affected by the common use of the word 'social'. The quote from Mészáros (2012) on the connotation of the word 'social' in Slovak context is very relevant and may also imply a narrower meaning which can somehow affect the perception of the term 'social enterprise'. For details, see Box 1 below.

Box 1. Semantics of 'social'

'... Generally, in the case of social economy and social enterprise, the term social is supposed to denote mainly societal aspects of specific economic activities. However, in Slovak language and environment, the adjective 'social' has a more specific or narrower meaning, and we usually use it in relation to social policy, social services, or social care. This eventually leads to an erroneous understanding of social economy activities, or of the social entrepreneurship itself, as being those which are primarily oriented at solving social issues and providing social services. Thus, 'social entrepreneurship' is not understood correctly as a business activity with a 'societally beneficial goal', i.e. one which can, along with solving social problems, also focus on dealing with, for instance, environmental issues or community development. It is exactly because the term 'social'

(as in 'socially beneficent') evokes associations of socially excluded groups that the majority of society in Slovakia does not identify positively with the concept of social entrepreneurship'

(P. Mészáros, *Social Economy: Innovative model of economic and social development in Slovakia*, UNDP, 2012.)

In reality, as argued by Strečanský and Stolárikova (2012), even prior to the amendment of the law (Act No. 5/2004 on Employment Services) in 2008 that defined social enterprises in Slovakia, there were entities that could be conceived of as social enterprises. They primarily include civic associations and public benefit organisations that are engaged in economic activity and pursue social goals at the same time, however not always with the main (or exclusive) purpose of creating job opportunities for marginalised groups. This seems to suggest that many enterprises that have the characteristics of social enterprises are widespread in Slovakia, although they are not officially classified as such.

Significantly, there is an ongoing debate on social enterprises in Slovakia, particularly with respect to their classification and the ways in which they are being regulated. The fact that the actual legal framework (resulting from Act No. 5/2004) focuses exclusively on the integration of long-term unemployed and disadvantaged persons in the labour market is increasingly perceived as a shortcoming, in that it limits the possibilities of creating different types of social enterprises (e.g. in the field of public services).

With a view to capturing the full potential of the social enterprise, this report has identified a wide range of organisations that could be potentially regarded as *de facto* social enterprises.

Below are different types of organisations, not necessarily legal forms, which have been subject to closer analysis in order to distinguish those forms that would potentially meet the operational definition described above to the largest extent.

- **WISEs** (as defined by the Employment Services Act No. 5/2004) – are the labour integration structures, which operate with the objective of (re)introducing disadvantaged⁽²⁾ people to the labour market. Social enterprises can operate under any type of legal form (e.g. cooperative, civic association, limited liability company, public benefit organisation, allowance organisations etc.).
- **Sheltered workshops/sheltered workplace** – also focus on work integration. Yet, unlike social enterprises (as defined by the Employment Services Act No. 5/2004), the target group here is individuals with disabilities. Sheltered workshops can operate under any type of legal form (e.g. cooperative, civic association, limited liability company, public benefit organisation, allowance organisations etc.).
- **Municipal social enterprises** – are traditional WISEs established by municipalities. This type reflects the specific situation in Slovakia, which has a rural population and a number of regions suffering from a marked absence of human and social capital, as well as of non-profit organisations or business entities. In such regions municipality is the strongest and most sustainable actor. Hence even the activities that are driven by other actors in other regions are facilitated here by municipalities. In comparison with traditional social enterprises, municipal social enterprises require slight changes in the governance structure model, as the highest governing body consists of members of the local council. Municipal social enterprise is not a legal form in itself; however, in Slovakia it may be considered a specific phenomenon which should be taken into consideration. Although as in the case of a traditional WISE it can operate under any type of legal form, quite often the municipality social enterprise is registered as a Ltd company.
- **Cooperatives** – whilst most cooperatives are member-oriented, there are a few examples of cooperatives in the field of regional development or entrepreneurship of disadvantaged groups, which can be regarded as social enterprises.

⁽²⁾ This category includes the long-term unemployed, ex-prisoners and drug and alcohol abusers.

- **Traditional non-profit organisations with revenue-generating activities** – include four main types of non-profit organisations in Slovakia: Non-profit Organisations providing Public Benefit Services (NOPBS or Public Benefit Organisations), Foundations, Non-Investment Funds and Civic Associations. The latter are the most numerous. However, the legislation does not allow engagement in revenue-generating activities in the case of foundations and non-investment funds.

2.1.3. Application of the operational definition in Slovakia

This subsection analyses to what extent the above-mentioned forms fulfil the three dimensions of the EU operational definition; namely the social, governance, and entrepreneurial dimensions.

Social dimension

Sheltered workshops, by definition, deliver social benefits, supporting disabled people by providing them with employment opportunities. In fact, many view sheltered workshops as an explicit public policy tool to support people with disabilities who often constitute more than 50 % of the total headcount. The social dimension is therefore very clear and not contested. The employees' workload must be reduced by 40 %. If the total working ability of the employee is reduced by more than 70 %, it is possible to apply for partial refunding of the labour costs of the work assistants for these employees. In the Slovak legislation, sheltered workshops are supported by the Act No. 5/2004 on Employment Services.

The municipality social enterprises are established with the purpose of achieving the goals typical for a social enterprise such as employment of long-term unemployed, service delivery to vulnerable groups or communal service provision. Such companies existed in Slovakia already before November 1989 in the form of what were known as 'Technical Services' and municipality associations. For the municipalities, the activities performed by these enterprises represented a source of income from their own business. An example of an enterprise providing support in the area of municipality social business is provided below in annexes.

Much more ambiguous is the situation with cooperatives in Slovakia. The primary purpose of most of them is the fulfilment of the collective interest of its members. Yet this does not necessarily imply the social externalities. For instance, farmer cooperatives which operate as a platform for distribution of its members' agricultural products may not differ significantly from for-profit companies operating in the food industry, with the exception of the different ownership structure. Here, it is plausible to assume that only a small number of cooperatives would have a sufficiently strong social dimension, although it is not unusual for some cooperatives to employ disabled people, but they do not necessarily provide communal services.

A priori, a very significant number of non-profit organisations operate to achieve mutually or socially beneficial goals and do not distribute profit among their members or founders. It is therefore plausible to assume that most non-profit organisations would have a considerably strong social orientation. In relation to specific forms, they are also controlled by the law and registration office.

For instance, in the example of non-profit organisations providing Public Benefit Services, the law specifically defines the areas of activity, and these are potentially fertile territory for any socially beneficial activity. These include: (i) provision of healthcare, (ii) provision of social assistance, (iii) design, development, protection, restoration and presentation of spiritual and cultural values, (iv) protection of human rights and fundamental freedoms, (v) education, training and development of physical culture, (vi) research and development, scientific and technical services and information services, (vii) the creation and protection of the environment and the protection of health of the population, (viii) services to promote regional development and employment and (ix) provision of housing, management, maintenance and renewal of housing stock.

There may also be a considerable number of civic associations which have explicit social objectives; however, their definition is quite voluntary and less specified by law than in the case of the other three legal forms.

Governance dimension

There are no formal requirements regarding the governance mode in sheltered workshops. *De facto*, these are small entities, so a collegial decision-making process is not unlikely. Sheltered workshops typically depended heavily on public funding, but this has not seemed to affect their governance process.

With respect to municipality social enterprises, independence from the authorities is limited as they are established by municipalities and governed and controlled by the municipality and the local council. The question of membership is not relevant in relation to these entities, as most of them are registered as Ltd companies or allowance organisations. In addition, their income and expenditure are linked to the state/municipality budget as a vital source of revenue. And even though there is law to stipulate that these are directly governed by the founder, there is a substantial probability that municipalities will have a certain degree of leverage over these types of organisations.

With respect to cooperatives, the criterion of the independence/governance dimension does not raise any controversies.

With respect to non-profit organisations, their independence is not problematic. In the case of civic associations, the statute typically indicates the General Assembly as a main decision-making body. In the case of non-profit organisations providing Public Benefit Services, staff participation is limited.

Entrepreneurial dimension

There is no precise data on the extent to which sheltered workshops developed activities allowing them to generate revenue from the market. Nevertheless, it was emphasised by the representatives of various organisations that, in general, their business models are weak and '... only a few may have viable strategies and stable revenue stream from the market'. Sheltered workshops have been typically heavily dependent on state subsidies, although this has also changed after a recent amendment of the law which lowered the maximum threshold of subsidies. To qualify for the label of 'sheltered workshop', a given entity must employ at least 50 % of disadvantaged workers.

On the other hand, it can be observed (although not statistically proven) that the entrepreneurial dimension of many sheltered workshops has strengthened during previous years. One of the reasons is to be found in significant cuts to public subsidies allocated for sheltered workshops introduced in 2013. The second reason is provided by the quota disability employment model which is applied in Slovakia, which imposes an obligation on those employers not employing people with disabilities to perform 'facultative compensation', thus purchasing goods and services from sheltered workshops. After several years of awareness-raising activities addressed to employers, the purchasing from sheltered workshops has slowly increased.

Municipality social enterprises have a clear entrepreneurial dimension. It should be noted, however, that their clients are predominantly municipalities themselves and hence their exposure to private sector clients may be often very limited.

Those few cooperatives operating in Slovakia both in theory and in practice have a clear entrepreneurial dimension. Many of them operate in the agricultural sector, regional development, services or retail.

In terms of non-profit organisations, due to unclear legislative framework which is very often interpreted arbitrarily, it is likely that this criterion may turn out to be a problematic issue. Neither civic associations nor public benefit organisations are established in order to carry out business activities; however, they are not forbidden from performing their activities in an entrepreneurial fashion and running the business

alongside their main activity in order to obtain the resources to finance the main purposes for which they were established. Interestingly, civic associations are also allowed to establish a limited liability company, trade licence or joint stock company without any restriction as to the sole shareholder (founder) and conduct commercial activities through this special purpose form. It is, however, unknown how frequently they benefit from this opportunity due to the lack of available data to make precise and replicable assessments.

With respect to public benefit organisations, these are not allowed to be established as commercial entities; however, they may apply the entrepreneurial dimension directly to their core activities. The scope and the frequency of the performed entrepreneurial dimension is not known due to lack of relevant data; nevertheless, based on expert assessment, a significant number of public benefit organisations active in the field of education, sports, regional development or social services strongly apply the entrepreneurial dimension to their activities and the portfolio of their income also includes income from their business revenues. Unfortunately, the percentage is also unknown due to the obligation of public benefit organisations to reinvest their full income originating in the business revenue to their main, non-profit goals.

2.2. Legal evolution

In Slovakia, social enterprises can use a variety of legal forms, which are made available by the legal system. As illustrated by

Table 2, the most widespread legal forms covered by social enterprise are the following: Ltd, civic association, public benefit organisation, cooperative and allowance organisation. These legal forms were not specifically designed to regulate social enterprises.

Table 1. Legal forms that can be adopted by social enterprises

Type	Legal act
Ltd	Act no. 513/1991 Coll. Commercial Code as further amended Act no. 530/2003 Coll. on the Commercial Register as further amended Act no. 455/1991 Coll. on small business as further amended
Trade licence	Act no. 455/1991 Coll. on small business as further amended
Non-profit Organisations providing Public Benefit Services (Public Benefit Organisation)	Act. No. 213/1997 Coll. on non-profit organisations as further amended
Civic association	Act No. 83/1990 Coll. on public association as further amended
Cooperatives	Act. No. 513/1991 Coll. Commercial Code as further amended
Allowance organisations	Act. No. 523/2004 Coll. on budgetary rules as further amended

Besides the above mentioned types of *de facto* social enterprises, Act No. 5/2004 introduced a specific legal qualification for social enterprises with a view to furthering their development. Act No. 5/2004, which was amended in April 2008 and came into use in September 2008, has a strong focus on work integration. It should be noted that the Act was further amended in May 2013 within the measures undertaken by the Slovak Republic to improve labour market policies. The improvements introduced include the reduction of some administrative burdens for social enterprises; increased focus on regional labour markets; and an enhanced focus on target groups, particularly disadvantaged jobseekers⁽³⁾.

The narrow focus of the law was criticised by some stakeholders. There were also some critical remarks that the 2013 amendment of the Act on employment services was not accompanied by any awareness-raising campaign and professional discussion that would familiarise and sensitise public officials, professional circles, the public and the media with respect to the principles of social enterprises and their key characteristics.

It is important to note that the embeddedness of the concept of social enterprise in the law has had a critical impact on how the term is perceived today: by increasing the visibility exclusively of this legally recognised type, the law has overshadowed all those entities that are *de facto* social enterprises.

Box 2 below provides an in-depth overview of the key elements of the Act and its main outcomes from subsequent amendments.

Box 2. Social enterprise – legal framework

The definition of social enterprise was introduced into the Slovak legislative framework on 1 September 2008⁽⁴⁾ by an amendment of the Act No. 5/2004 on employment services. Social enterprise is defined as a physical or legal entity, with the following characteristics:

- It employs staff who were disadvantaged jobseekers prior to their employment. At least 30 % of the workforce must constitute disadvantaged jobseekers (namely: school graduates below the age of 26 without stable job experience; Slovak nationals above 50 years of age; Slovak nationals listed for more than 12 months in the unemployment

⁽³⁾ As in the 2014 National Social Report of the Slovak Republic prepared by the Ministry of Labour, Social Affairs and Family (June 2014).

⁽⁴⁾ Web portal www.zakonypreludi.sk, (2014). Act No.5/2004 about Employment services in its later versions (§ 50b). Available at: <http://www.zakonypreludi.sk/zz/2004-5/info>.

registry; those with educational attainment below upper secondary education; foreign nationals who have been granted asylum; adults who live alone with one or more dependent persons or who take care of at least one child in obligatory education; citizens with health disabilities).

- It supports employed disadvantaged jobseekers in finding employment on the open labour market.
- It reinvests at least 30 % of the financial resources generated by its own activities which remain after having paid all dues associated with its own activities into the creation of new jobs or improvement of working conditions.
- It is listed in the register of social enterprises.

A social enterprise which does not satisfy these conditions for at least twelve consecutive months will lose its status.

Originally, the Act No. 5/2004 defined a contribution for social enterprises. A social enterprise could receive a contribution of up to 50 % of the Slovak average wage for each disadvantaged jobseeker in their first year of employment. If the disadvantaged jobseeker did not find a job on the open labour market during this period, the social enterprise could receive a contribution of 40 % of the average wage in the second year of employment of such person. Afterwards, no further support was possible.

This contribution specifically targeted social enterprises and could not be combined with any other contribution to support employment of disadvantaged jobseekers. The government abolished it by another amendment of the Act No. 45/2004 in May 2013⁽⁵⁾. It has been replaced by a general contribution to employment of disadvantaged jobseekers that is no longer specific to social enterprises.

The general framework tends to support employers who create job positions for disadvantaged jobseekers who have been unemployed at least for three months. It amounts to:

- up to 25 % of the average Slovak wage in Bratislava region;
- up to 30 % of the average Slovak wage in other regions with an unemployment rate below or equal to the national average; and
- up to 40 % of the average Slovak wage in other regions with an unemployment rate higher than the national average.

The contribution is provided for a maximum of one year. In the case of disadvantaged jobseekers who have been unemployed for more than 24 months, the contribution can be extended to up to two years.

The legal framework for social enterprises is currently under discussion as the definition of a new piece of legislation, specifically focusing on social enterprises, is being considered. The aim is to overcome the narrow definition and limit as much as possible the negative attitudes of Slovak society towards social enterprises, resulting, for instance, from the failure of pilot schemes for social enterprise development in the past massively supported by the Ministry of Labour, Social Affairs and Family through the European Social Fund⁽⁶⁾.

Changes brought by this initiative are expected to also include the establishment of a platform of new enterprises providing services (e.g. social and community services) and

⁽⁵⁾ *Ibid.* [Web portal www.zakonypreludi.sk, (2014). Act No.5/2004 about Employment services in its later versions (§ 50b). Available at: <http://www.zakonypreludi.sk/zz/2004-5/info>].

⁽⁶⁾ A corruption affair with government support to eight social enterprises occurred in 2008. The enterprises concerned received start-up contributions in average of EUR 3 million each. However, these funds were used not only for the development of the enterprises, but also for capital expenditure including purchase of equipment, training of employees, etc. (for more, refer to Strečanský and Stoláriková, 2012). In order to alleviate the negative connotations of the term 'social enterprise', since 2012 the term 'subject of social economy', replacing the generally-used 'social enterprise', has been gradually adopted in specialist discussions.

other socially relevant activities of the private, public and non-profit sector (e.g. in the field of environmental protection, digitalisation of education and work, etc.). The new framework is also supposed to further simplify the administrative burdens, especially the registration process for social enterprises, provide massive technical assistance to newly-established social enterprises, support the creation of a national umbrella organisation and thus promote the development and networking of social enterprises.

At the moment, the Act on Employment Services does not impose any limits on the legal form of organisations that would wish to apply for the status of social enterprises; whether it is an individual, civic association, cooperative or corporate entity, they all can apply. The fulfilment of a set of criteria specified by the legislation regarding the portion of disadvantaged employees and reinvestment of the income is crucial. In comparison with the criteria set by the Social Business Initiative of the European Commission, the Slovak legal framework does not require a participatory character of the social enterprise. Stated otherwise, the governing structure of social enterprises in Slovakia does not need to be based on democratic management or stakeholders' engagement and participation.

Changes to the existing legal framework are expected to be introduced with a view to aligning the definition of social enterprise provided to criteria defined in the Social Business Initiative of the European Commission ⁽⁷⁾.

Neither a labelling or a certification system relevant to social enterprises and their products, nor a discussion on these issues, are currently in place in Slovakia.

2.3. Fiscal framework

The topic of the fiscal framework under which social enterprises operate is of potential relevance for the assessment of social enterprises, although a lack of sources and an absence of discussion in this context ought to be acknowledged.

Some points regarding the fiscal framework of social enterprises can be nevertheless mentioned, albeit acknowledging that they need to be better developed in the future according to some expected changes foreseen in the next months or years:

- To start with, at the time of the publication of this report, there are no significant differences in taxation of social enterprises when compared to other companies. Separate taxation can only be applied if the social enterprise has a legal form of non-profit organisation or civic association - there are at the moment few exceptions; e.g. in a case where the profit-making activity performed by specific non-profit activity is assessed as the core activity of the non-profit organisation, it does not need to be taxed. On the other hand, the list of the recognised non-profit activities which may be considered as a core activity of the non-profit organisation is restricted by the legislation ⁽⁸⁾. In the past, non-profit organisations had some tax benefits including relief on property taxes, value-added tax, income tax and road tax. Also, income from profit-generating activities was exempted up to 300 000 Slovak Crown (approximately EUR 10 000), whilst income over this amount was taxed (a practice abolished in 2006). Amendments to the Act on Income Tax from 2001 to 2006 annulled most tax benefits of this type ⁽⁹⁾.
- Second, there are currently no particular tax cuts envisaged for social enterprise investors. In the new fiscal framework on social enterprises which is being drafted, tax cuts for investors are expected to be promoted based on good practice from abroad. Even though the initiative is under preparation, the precise timing of the legislation plan remains unknown.

⁽⁷⁾ For a brief overview of the legal frameworks according to which social enterprises operate in Slovakia, see Annex 6.4.2 to this report, table Comparative overview of the legislative framework for Civic Associations, Limited Liability Companies and Non-profit organisations providing Public Benefit Services.

⁽⁸⁾ For more details about the list of eligible core activities see chapter 2.2.2. of this report.

⁽⁹⁾ Svidronova, M., 2013. *Sustainability strategy of non-government organisations in Slovakia*.

- Finally, donors, as yet, enjoy no tax relief or other types of benefits, although changes here are also expected to take place in the future ⁽¹⁰⁾.

Social enterprises registered under the legal form of civic association or public benefit organisation may benefit from the tax assignation system. Tax assignation is a mechanism which allows individuals and corporations to assign to a selected non-profit organisation a proportion of the due income tax. The proportion is a matter of substantial discussion; currently business entities may assign 1.5 % of their income tax. In the case of individuals the proportion depends on their voluntary activities. Those who have served as volunteers and dedicated a certain number of voluntary work hours to an NGO of their choice may assign 3 %, whereas those who did not engage in volunteer work may assign 2 %.

In the case of the WISE type of social enterprise and employment of long term-unemployed, the organisation may apply for a reduction of social security and compulsory health insurance contributions. The reduction lasts 12 months from the start of the employment contract. The scope of the reduction depends on the specific situation of the employee concerned. The rules are embedded in the Act No. 461/2003 Coll. on social insurance as amended and in force since 1 November 2013. Similar reductions regarding social security and compulsory health insurance dues may also be applied in the case of employees with health disabilities. The scope of the reduction is determined by the extent of the disability. However, the above reductions are not exclusive to social enterprises and may be applied in relation to any type of employers hiring disadvantaged people.

Social enterprises registered as non-profit organisation may also enjoy public contributions based on a competitive procedure related to specific calls for proposals. These contributions are not taxable.

⁽¹⁰⁾ Tax reliefs were available for donors who supported NGOs until 2003. Amendments to the Act on Income Tax in 2003 voided tax relief and the possibility of tax assignation to NGOs took effect.

Table 2. Fiscal framework for social enterprises in Slovakia

Reduced social security contributions/costs	Tax exemptions and lower rates	Tax reductions to private and/or institutional donors
<p>WISEs in the case of specific employees (long-term unemployed or employees with a health disability) may apply for an exemption from the payment of social insurance contributions for the integrated disadvantaged staff.</p>	<p>Compared to other enterprises there are no significant differences. In specific cases, when the profit-making activity performed by specific non-profit activity is assessed as the core activity of the non-profit organisation, it does not need to be taxed. However, the list of the recognised non-profit activities which may be considered as a core activity of the non-profit organisation is restricted by the legislation. In the past non-profits had some tax benefits abolished in 2006.</p>	<p>Donors have no tax relief or other types of benefits, although changes are expected to be introduced.</p>

3. MAPPING

This section measures the scale and outlines the characteristics of social enterprises in Slovakia.

To provide a mapping and statistical evaluation of social enterprises is a complex task to achieve, since one should ideally account for enterprises that do not yet have any official status and are therefore excluded from official statistics. Furthermore, there is only limited debate about the specific definition of social enterprise in Slovakia and a lack of relevant data. Some possible reasons may include limited awareness about the reach of the social enterprise concept beyond the legal definition of the WISE type of social enterprise which somehow grounded the way in which social enterprise is understood. Typically, there is a quite common perception that there is an equality sign between the social enterprises label and work integration structures.

For a brief overview of the situation-related map of the social enterprise 'universe' in Slovakia, see Annex 6.4.3. of this report.

3.1. Measuring social enterprises

In 2011 the United Nations Development Programme (UNDP) initiated research financed partly by the Slovak government and EU funds which aimed to map social enterprises. However, the project was prematurely ended because of drastic budget cuts, and comprehensive mapping of Slovak social enterprises never materialised. In general, very little research has been done so far in Slovakia to estimate the size of the social enterprise sector in the country. Up until now (June 2016), there was no research initiative undertaken/envisaged which would address this gap. Any comprehensive data, especially quantitative, is notoriously absent.

The holders of social enterprise status focusing on employment of disadvantaged groups are listed in the Register of Social Enterprises maintained by the Central Office for Labour, Social Affairs and Family and have the right to approach the Local Office of Labour, Social Affairs and Family with a request for contributions to support the creation and retention of jobs in social enterprises. A significant number of legally recognised social enterprises operate under the status of private limited company or allowance organisation established by the municipality⁽¹¹⁾. As at March 2014, the register contained 94 enterprises⁽¹²⁾. Since the 2013 amendment of the Employment Act leading to the reduction of subsidies, the register ceased to be updated and no new social enterprise has been added to it. It is also unknown how many work integration structures fall out of the register because they have failed to apply for the status of social enterprise (as defined by the Act on Employment Service).

As has been already mentioned in previous chapters, the significant trigger of the social enterprises movement in Slovakia is represented by non-profit organisations. Charitable foundations actively support the foundation and operation of social enterprises and their projects in an entrepreneurial and innovative fashion (e.g. Foundation Provida, Foundation Ekopolis, Centre for Philanthropy Support). A number of civic association and public benefit organisations are paying close attention to the diversification of their income; social enterprise is considered to be an integral part of their daily operation, although a number of them do not classify those activities as social enterprise. Table 3.1 below shows how the non-profit sector expanded over the years. By 1998, less than ten years after the socio-economic transition, there were 17 149 non-profit organisations. In the subsequent decade the number more than doubled. The most up-to-date data are available for 2014 and show an increase in the number of non-profit organisations, although some legal forms have decreased (foundations and non-investment funds). The most common legal form is that of a civic association, with numbers increasing (based on

⁽¹¹⁾ Strečanský, B. and Stolarikova, K., 2012. Social Economy and Social Enterprises in Slovakia. *Civil Szemle*. Available at: http://www.cpf.sk/files/files/Pages%20from%20CivSzle_2012_4_web.pdf.

⁽¹²⁾ However, in the case of 42 out of the total number, their operation was cancelled, and in the case of eight, suspended.

a conversation with a registrar in the Evidence of Civic Associations in 2015, there are 20 applications for the civic association registry per day).

Table 3. Development of the non-profit sector in Slovakia from 2009 to 2014

Legal form/year	2009	2010	2011	2012	2013	2014
Civic associations	25 460	26 991	28 648	28 205	31 989	33 894
Non-profit organisations providing public benefit services	1 869	2 101	2 302	2 111	1 827	2 707
Foundations	412	426	439	416	328	443
Non-investment funds	470	484	504	483	344	497
Total	28 211	30 002	31 893	31 215	34 488	37 541

Source: Authors, based on Slovstat database, 2016.

Furthermore, when considering the high number of civic associations, one should use some caution, since a significant proportion of them are sports clubs, parents and friends of school associations or recreation associations⁽¹³⁾. As such, they cannot be considered social enterprises. In general, the authors, based on their experience as well as the field of activities of non-profit organisations, estimate that approximately 3 % of non-profit organisations can be considered as social enterprises *de facto*.

As of 2014, there were 1 556 active cooperatives, among which roughly 50 % had between 1 and 9 employees⁽¹⁴⁾. The most numerous ones are agricultural cooperatives, accounting for 47 % of all cooperatives and employing over 30 000 people. Housing and consumer cooperatives are also common⁽¹⁵⁾. Nonetheless, it is plausible to assume that most cooperatives would not meet the operational criterion related to social dimension: experts estimate that only 1 % of the cooperatives can be considered *de facto* social enterprises.

With respect to sheltered workshops, there were 7 243 registered sheltered workshops and sheltered workplaces employing 12 790 people with disabilities at the end of 2015⁽¹⁶⁾. According to statistics from the Central Office for Labour, Social Affairs and Family, by the end of 2014 out of the total number of these entities, 2 571 were granted the status of sheltered workshop⁽¹⁷⁾. After the amendment of the Employment Act in 2013, the majority of sheltered workshops could be considered *de facto* social enterprises.

Today, there are approximately 2 700 municipalities varying in size from the largest ones in Bratislava to those counting less than a hundred people in the countryside. It is impossible at the moment to guess how many of them are established municipal social enterprises⁽¹⁸⁾.

⁽¹³⁾ Mészáros, P., *Social Economy: Innovative model of economic and social development in Slovakia*, UNDP, 2012.

⁽¹⁴⁾ National Statistical Office in Slovakia, 2016. Available at: <http://portal.statistics.sk/showdoc.do?docid=41870>.

⁽¹⁵⁾ Mészáros, P., *Social Economy: Innovative model of economic and social development in Slovakia*, UNDP, 2012.

⁽¹⁶⁾ *Quantitative Evaluation of the Active Labour Market Policies for 2015*, Central Office for Labour, Social Affairs and Family, 2016.

⁽¹⁷⁾ The main difference between sheltered workshop and sheltered workplace is the primary motivation of the entity. A sheltered workshop is established with the aim of employing people with disabilities; however, a sheltered workplace may be a separate workplace established by a standard employer.

⁽¹⁸⁾ Confirmed by the studies carried out by Comenius University and Provida Foundation.

Table 4. Estimated scale of social enterprise in Slovakia (2014)

	Registered (2014)	Estimated proportion at least partially meeting EU definition of social enterprise ⁽¹⁹⁾	Estimated number of social enterprises
Social Enterprises (Law 5/2004 amended in 2013)	94	100 %	52
Sheltered workshops (Law 5/2004 amended in 2013) – form of WISE	2 571	100 %	2 571
Non-profit Organisations*	36 601**	3 %	1 098
Municipal social enterprises	n/a ⁽²⁰⁾	n/a	n/a
Cooperatives	1 556	1 %	16
Total	~40 822		~3 737

**Note: the data should be treated as indicative and based on authors' own estimates and assumptions. They are based on indicative (and often subjective) assessments of the proportion of social enterprises among particular groups of entities and other assumptions. The reference periods for which data is available differ and are not available on a regular basis as a time series. 2014 has been marked as a reference year given the availability of data on different types or organisations either for 2014 or after.*

***Note: The total number of non-profit organisations indicated in the table does not include those registered as foundations and non-investment funds as they, according to the legislation, are not allowed to engage in entrepreneurial activities.*

In Slovakia, it is not possible to identify the employment in social enterprises *ex lege*, nor social enterprises *de facto*.

3.2. Social enterprise characteristics

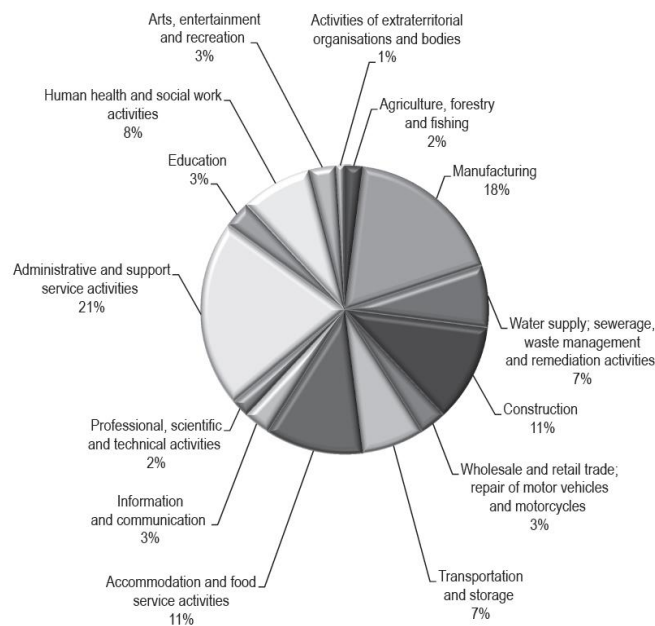
The publicly available register of social enterprises administered by the Central Office for Labour, Social Affairs and Family focuses exclusively on the WISE type of social enterprise: it presents a basic overview of the characteristics of the organisations registered in Slovakia. It includes characteristics such as legal forms, economic activities within the social business, addresses, etc. The register of social enterprises is maintained by the Central Office for Labour, Social Affairs and Family; the most recent data are from March 2014. At that time, it contained 44 active social enterprises, eight suspended social enterprises and 42 closed social enterprises.

Based on the analysis of the register of social enterprises *ex lege* and on the available information, the biggest proportion of social enterprises took the form of a limited liability company (LLC), with 23 enterprises (52 %). The second largest group included social enterprises established by municipalities at local government level as council enterprises (10.23 %). Civic associations and public benefit organisations were not frequently used as a legal form.

The prevalent activities of social enterprises registered by the Central Office for Labour, Social Affairs and Family are administrative and support services, manufacturing, construction, accommodations, food services, human health services and social work services.

⁽¹⁹⁾ As mentioned in the previous chapters, the definition of social enterprise in Slovakia does not require democratic governance structure and formal staff participation in the governance. In the case of enterprises employing more than three employees, staff participation may be ensured through trade unions, whereas in the case of other enterprises (e.g. sheltered workshops), democratic governance may be informally ensured through intense collegial relationships.

⁽²⁰⁾ Because of the lack of statistical data it is impossible to identify the number of municipal social enterprises registered under different legal form (e.g. as Ltd or allowance company).

Figure 1. Overview of economic activity of the active *ex lege* social enterprises in Slovakia in 2014

Source: Vaceková, Murray Svidroňová, 2016.

In relation to non-profit organisations providing public benefit services (public benefit organisations), the sectoral breakdown is shown in the table below. The total of organisations introduced in the table is significantly higher than the total number of the registered public benefit organisation, which represented 2 707 organisations by the end of 2014. This results from the fact that a public benefit organisation is allowed to cumulate its goals and focus on more than one area of activities.

Table 5. Sectoral breakdown of non-profit organisations providing public benefit services in Slovakia

Area of activity	Number of organisations focused on the specific area of activity by the end of 2015
• provision of healthcare	337
• provision of social assistance	978
• design, development, protection, restoration and presentation of spiritual and cultural values	783
• protection of human rights and fundamental freedoms	296
• education, training and development of physical culture	755
• research and development, scientific and technical services and information services	484
• development and protection of the environment and the protection of the health of the population	304
• services to promote regional development and employment	513
• provision of housing, management, maintenance and renewal of housing stock	104

Source: Register of non-profit organisations maintained by the Ministry of interior of Slovak Republic

Despite the relatively accurate data on the sectoral breakdown related to public benefit organisations, precise data on the proportion of the organisations which perform their activities in an entrepreneurial manner are not available. However, those public benefit organisations that provide services of general interest ought to be regarded as organisations that are distinguished by an entrepreneurial dimension⁽²¹⁾ and are hence in the line with the operational definition.

Civic associations operate in a wide range of areas (education, social services and welfare, healthcare, fair trade and environmental protection). Nonetheless, no precise data on sectoral breakdown is currently available.

As for municipal social enterprises, limited information is available about their sectors of engagement. It is interesting to mention one of its most successful examples, namely the municipal social enterprise that was established by Spišský Hrhov, a small village located in the Spiš region (eastern Slovakia). The municipal social enterprise was established in 2003: it currently employs some 40 full-time staff and the annual revenue in 2013 was EUR 500 000. In addition to running the social enterprise itself, Spišský Hrhov is also very active in the fields of public information, education and networking.

⁽²¹⁾ A market is created whenever potential sellers of goods and services enter into contact with potential buyers and there is a possibility of exchange through a contractual agreement.

4. ECO-SYSTEM OF SOCIAL ENTERPRISES IN SLOVAKIA

Eco-system is a term used to describe the environment within which social enterprises operate. It helps in accounting for the fact that social enterprises develop in relation to their users or beneficiaries, lead producers, suppliers, stakeholders etc. This section firstly lists the key actors participating in or affecting social enterprises and their activities. Then it discusses policy schemes and support structures. Next, it outlines networks of social enterprises (or the lack of them) and it describes the domain of social enterprise research, education and skills development in Slovakia. Finally, the demand/supply of social finance is briefly investigated.

4.1. Key actors

The number and scope of activities carried out by the organisations which could be seen as a part of the social enterprise eco-system in Slovakia is relatively small. As far as the authors of this report are aware, as are the interviewed stakeholders, there is no official network of social enterprise organisations in Slovakia as of June 2016. There is also scarce information available on specific government structures that are in charge of supporting the sector (the Ministry of competence is the Ministry of Labour, Social Affairs and Family), which may signal the need for better communication at institutional level.

The table below provides a more detailed overview. Generally speaking, infrastructure available to social enterprises in Slovakia is not well-developed with respect to either the public or the non-public sector.

Table 5. Key institutions/organisations of the Slovak social enterprise eco-system

Type of institution/organisation	Name of institution/organisation
Policy-makers - governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures	<ul style="list-style-type: none"> There are no governmental structures that have been specifically set up to deal with social enterprises so far. However, there is a recent initiative at the Ministry of Labour, Social Affairs and Family to establish a small unit to specialise in social enterprises. According to the plan, it should be in full force from September 2016
Customers – authorities and traditional businesses contracting social enterprises	<ul style="list-style-type: none"> Central, regional and local authorities; Commercial organisations; Legal entities applying the principles of socially responsible public procurement (recently enforced in Slovakia as well)
Organisations promoting, certifying and awarding social enterprise labels	<ul style="list-style-type: none"> No such label exists in Slovakia

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Type of institution/organisation	Name of institution/organisation
Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models	<ul style="list-style-type: none"> • The Matej Bel University in Banská Bystrica (Faculty of Economics; Faculty of Education); • Comenius University in Bratislava (Faculty of Philosophy); • University of Economics in Bratislava (Faculty of National Economy); • Catholic University in Ružomberok (Faculty of Education); • Municipality of Spišský Hrhov • Public benefit organisation EPIC
Organisations that have the capacity to act as an observer and to monitor the development and to assess the needs and opportunities of social enterprises	<ul style="list-style-type: none"> • NESsT⁽²²⁾, non-public organisation operating for social enterprises in emerging markets • Ashoka, regional office in Vienna
Providers of social enterprise start-ups and development support services and facilities (such as incubators)	<ul style="list-style-type: none"> • NESsT; • Provida Foundation⁽²³⁾, a support organisation for social enterprises and projects with social impact; • Ekopolis Foundation • commercial banks (Slovak Savings Bank, Postal Bank); • The Fund of Social Funds of Development Capital (FOSFOR) in Slovakia⁽²⁴⁾
Business support providers	<ul style="list-style-type: none"> • NESsT; • Provida Foundation • commercial banks (Slovak Savings Bank, Postal Bank) • The Fund of Social Funds of Development Capital (FOSFOR) in Slovakia
Facilitators of learning and exchange platforms for social enterprises	<ul style="list-style-type: none"> • Municipality of Spišský Hrhov; • public benefit organisation EPIC; • Occasional ad hoc projects may occur, but no permanent platform exists
Social enterprise (support) networks, associations	<ul style="list-style-type: none"> • No network of social enterprises as such exists in Slovakia
Key providers of finance	<ul style="list-style-type: none"> • Government funds for work integration organisations; • Tax assignation by individuals and legal persons; • ESF and ERDF funding; • commercial banks (Slovak Savings Bank, Postal Bank); • Provida Foundation; • Ekopolis Foundation; • The Fund of Social Funds of Development Capital (FOSFOR) in Slovakia

⁽²²⁾ NESsT (Non-profit Enterprise and Self-Sustainability Team) is an international organisation that works to develop sustainable social enterprises solving critical social problems in emerging market economies. More at <http://www.nesst.org/mission/>.

⁽²³⁾ Provida foundation is an incubator of ideas, investor in social enterprises and trustee of the foundation. They implement their own projects but also help to implement the projects of other non-profit organisations whose values and visions are close to the foundation's ideas. More at <http://www.provida.sk/en/about-us/>.

⁽²⁴⁾ FOSFOR is a proposed Social Venture Capital (SVC) fund in Slovakia, conceived as a financial instrument financed primarily but not exclusively by the EU Structural Funds, with the intention of supporting enterprises in the social economy sector. FOSFOR is to be a part of an umbrella company, the Slovak Investment Holding (SIH), which will include Financial Instruments under several of the Operating Programmes for the 2014-20 programming period in Slovakia. The scope of activities and the types of social economy enterprises to be supported by FOSFOR may be fairly extensive. FOSFOR is an initiative of the Slovak Ministry of Finance.

Type of institution/organisation	Name of institution/organisation
Research institutions	<ul style="list-style-type: none"> • The Matej Bel University in Banská Bystrica (Faculty of Economics); • Comenius University in Bratislava (Faculty of Philosophy); • University of Economics in Bratislava (Faculty of National Economy).

4.2. Policy schemes and support structures

Based on the positive experiences and overall context in the Slovak Republic, the development programme for municipal social enterprises has been of major concern to the national government. Currently, these enterprises are to be integrated into the Action Plan for the development of less-developed districts, promoted by the government since 2015 and introducing it as the main framework for affirmative action to improve the quality of life and employment rate in these districts. Action Plans are prepared for 12 ⁽²⁵⁾ of the 79 districts in Slovakia.

The Ministry of Labour, Social Affairs and Family also plays an important role in the eco-system of newly-founded social enterprises. The Ministry placed social enterprises among the key priorities of European Social Fund support distributed during the programme period 2014-20 in Slovakia. Social enterprise support is furthermore listed among the key topics of the Slovak Presidency of the Council of the EU 2016. The Ministry also offered to create a small unit specialising in social enterprises, which, according to the plan, should be fully operational from September 2016.

4.2.1. Support measures addressed to all enterprises that meet specific criteria

All enterprises, including social enterprises, that create jobs for disadvantaged jobseekers ⁽²⁶⁾ can apply for a public subsidy supporting the newly created or sustained job. The financial support is accessible through local labour offices and is financed through the budget allocated for active labour policy based on the Act No. 5/2004 Coll. on Employment Services.

In order to support more jobs for marginalised people created specifically through social enterprises, a specific call for project proposals financed through the ESF and ERDF and open to a range of enterprises is expected to be published during the 2014-20 programme period. *De jure*, social enterprises are allowed to apply for financial support from most of the calls for project proposals issued either by the ESF or ERDF. Yet, *de facto*, various obstacles prevent non-profit organisations from benefiting from these resources. These include, for instance, the required co-financing volume or administrative capacities necessary for successful implementation.

In addition to direct financial assistance, the enterprise employing a disadvantaged employee may apply for a reduction of the obligatory contribution to the social and health insurance companies.

4.2.2. Support measures addressed to social economy/non-profit organisations

Funding, if any, to non-profit organisations is project-based and opportunities for institutional support are scarce. The opportunities for non-profit organisations to provide public services funded from public sources are quite limited as well. The trend among donors to focus primarily on project funding channelled to non-profit organisations

⁽²⁵⁾ Districts of Lučenec, Poltár, Revúca, Rimavská Sobota, Veľký Krtíš, Kežmarok, Sabinov, Svidník, Vranov and Topľou, Rožňava, Sobrance, Trebišov; the list is provided by the Central Office of Labour, Social Affairs and Family.

⁽²⁶⁾ Eligible groups of disadvantaged jobseekers are defined in Act No 5/2004.

results in high competitiveness between non-profit organisations, and in a lack of capacity to build sustainable non-profit organisations in terms of funding and human resources. Hence non-profit organisations are under-resourced.

A significant measure which finances non-profit organisations is the system of income tax assignation. This represents a significant income for a number of non-profit organisations ⁽²⁷⁾.

4.2.3. Support measures specifically addressed to social enterprises

As has already been highlighted, the amendment of the Act No. 5/2004 on employment services in May 2013 led to a reduction in the available amount of state funding. It is likely that this has affected some social enterprises (work integration structures), though no assessment is currently available.

Slovakia has limited volume and scope for contracting to social enterprises ⁽²⁸⁾. The EU public procurement directives have been transposed into Slovak law through a new Act on Public Procurement, adopted on 18 November 2015 and effective as of 18 April 2016 ⁽²⁹⁾. The Act sets out the rules and manner of awarding public contracts and it offers favourable conditions related to social enterprise contracting and support of socially responsible contracting. The newly-adopted legislation specifies several methods of applying socially responsible contracting in relation to social enterprises (either social enterprises providing social care, healthcare or cultural services or social enterprises focusing on provision of job opportunities for those marginalised on the open labour market). It also sets specific financial thresholds under which the social enterprise may be subject to what are known as reserved contracts. However, despite their great potential in relation to the support of social enterprises, these measures are still fairly unknown and their full application will require quite an effort in education and public information. Currently, there are only a few specific institutions, departments or governmental body in Slovakia entrusted with specific responsibility for working with social enterprises.

Apart from public financing covering a certain proportion of salaries of personnel hired under the reintegration contract in social enterprises (known here as work integration structures), the research team did not identify any other specific public support schemes targeting social enterprises and organisations ⁽³⁰⁾.

In the past there were several *ad hoc* projects co-funded by the PHARE programme and the European Social Fund, for instance those co-managed by the UNDP Slovakia (United Nations Development Programme), although they did not have a continuous character.

The aforementioned eight regional centres for social enterprises, which are being initiated and prepared by the Ministry of Labour, Social Affairs and Family, are expected to support social enterprises with funds from the European Social Fund. The main role of these centres should be focused on the systematic provision of methodological and technical assistance to emerging, as well as already operating, social enterprises. This assistance should be focused on the financial/budgetary, legislative and operational aspects of social enterprises. An equally important goal of these centres is to support the local clusters of a social enterprise, which may positively impact on the development of the supportive eco-system needed for social enterprises' operation in the regions.

It should be noted that under the recent operational programme of human resources (co-financed through European Social Funds for the programme period 2014 to 2020), the Ministry of Labour, Social Affairs and Family of the Slovak Republic included the support of social enterprises among the key priorities supporting employment and social

⁽²⁷⁾ For more details, see the next Section 4.5.2. Supply of Finance.

⁽²⁸⁾ Mészáros, P., *Social Economy: Innovative model of economic and social development in Slovakia*, UNDP, 2012.

⁽²⁹⁾ Act No. 343/2015 on public procurement as amended.

⁽³⁰⁾ The lack of any other instruments was mentioned by some of the stakeholders interviewed.

inclusion. According to the definition of this priority, a number of calls to support further development of social enterprises will open over the next few years.

Table 7 summarises the main support measures social enterprises can benefit from, depending upon whether they address all enterprises, non-profit organisations or specifically social enterprises.

Table 6. Typology of public support measures

Provided to all enterprises that fulfil specific criteria	Provided to non-profits	Provided to social enterprises
<p>All enterprises that create jobs for disadvantaged jobseekers⁽³¹⁾ can receive public contribution⁽³²⁾.</p> <p>ESF and ERDF calls for proposals open to a range of enterprises are expected to be published during the 2014–20 programme period.</p>	Tax assignment system	<p>Favourable conditions in public procurement provided to social enterprises as for Act No. 343/2015.</p> <p>Public financing covers a certain proportion of salaries of personnel hired under a reintegration contract in the <i>ex lege</i> social enterprises.</p> <p>Support of social enterprises among the key priorities supporting employment and social inclusion under the recent operational Programme of Human Resources co-financed through European Social Funds for the programme period 2014–20).</p>

4.3. Networks

Currently, there is no formally recognised network for social enterprises in Slovakia. There may exist, however, some networks which, although they do not label themselves as social enterprise networks, may gather some actors within these movements⁽³³⁾.

Unfortunately, during recent years no national umbrella body for social enterprises has been formally created. The establishment of such an umbrella for social enterprises, in collaboration with the Ministry of Labour, Social Affairs and Family of the Slovak Republic, is being planned in the coming months or next year.

Some structures, which have the potential to become key players in establishing such an umbrella, already exist. One of them is the Centre for Research of Social Economy and Business located at the Faculty of Economics, the Matej Bel University, which has been in operation since 2007⁽³⁴⁾. This and other similar research centres could provide some of the services generally available to social enterprises via networks.

4.4. Research, education and skills development

Academic institutions are important actors in providing support to social enterprises. In the past, the perception was that, in general, no degree in social entrepreneurship was offered. Substantial changes have occurred concerning university programmes over the past few years. Since 2011, the Faculty of National Economy of the University of Economics in Bratislava provides several courses in social entrepreneurship. Faculty

⁽³¹⁾ The eligible groups of disadvantaged jobseekers are defined in the Act No. 5/2004.

⁽³²⁾ Provided for one/two years and ranging from 25 % to 40 % of the average Slovak wage.

⁽³³⁾ For example, as in the neighbouring countries such as the Czech Republic, where certain types of self-help kindergartens operate under an efficient and informal umbrella, some social enterprises in Slovakia may operate also under their own, specific networks which are not formalised.

⁽³⁴⁾ www.ef.umb.sk/projectse

members have also published several publications and textbooks on relevant subjects. From the academic year 2016/2017, further education in areas related to social entrepreneurship will be offered for representatives of local governments in Slovakia. This programme was initiated in close partnership with the public benefit organisation EPIC. The Comenius University in Bratislava and the Catholic University in Ružomberok also offer several courses on social enterprise-related subjects for students attending their programmes. Finally, the Faculty of Economics of the Matej Bel University in Banská Bystrica offers a range of courses in social entrepreneurship. All of these universities have Masters and PhD graduates in this field of research (assuming approximately 20 graduated students per year). This should help both in the employability of these students in top positions of social enterprises in Slovakia and in significantly affecting public perception of social entrepreneurship in Slovakia.

In addition to the above, since 2007 the Social Economy Research Centre has been operating at the Faculty of Economics of the Matej Bel University in Banská Bystrica⁽³⁵⁾. This and other similar research institutions may provide some of the services generally available to social enterprises via networks, etc.

4.5. Financing

This section presents a summary of findings on the demand and supply side of finance for social enterprises in Slovakia. It outlines the existing landscape of institutions and schemes that constitute the source of finance for such enterprises. Finally, the section also attempts to answer the question as to whether there is a gap between demand and supply of finance. Regrettably, the possibilities for discussion of new instruments such as crowdfunding for social enterprises remain limited, as it is not possible to access relevant data systematically and thus provide reliable estimates.

4.5.1. Demand for finance

A general problem with social enterprises in Slovakia is that they are often under-financed. Finance is needed for both operational and administrative costs on the one hand, and for investments on the other. Operational costs are unarguably the most substantial part, given the specific purpose of social enterprises in Slovakia of providing work opportunities for disadvantaged people. Finance is thus required first and foremost to cover personnel costs along with other operational and administrative costs, which are also relevant. Other types of costs would normally include those for equipment and machinery, depending mostly on the activity or area in which the enterprise operates, or in some cases to acquire premises to house the activities. The demand for finance, primarily to cover operational costs, appears to be higher compared to the availability of funds on the supply side.

On the other hand, evidence suggests that a considerable level of unmatched demand for finance can be in part explained by the low attractiveness of social enterprises to potential investors. The Euclid Network, an organisation gathering experts from non-profit sector indicates, for instance, the inability of many non-profit organisations, often relying solely on one donor, to diversify their funding sources⁽³⁶⁾. This is matched by the limited entrepreneurial capacities of certain potential beneficiaries who are sometimes discouraged from looking for traditional, not to say alternative and innovative, sources of capital and finance.

Based on the authors' experience and the comments obtained from stakeholders, traditional financial intermediaries such as banks are *not* considered as the primary source for finance in Slovakia: banks and social enterprises seem to be mutually quite separate⁽³⁷⁾. A representative of the Erste Group Bank AG pointed out the lack of

⁽³⁵⁾ www.ef.umb.sk/projectse

⁽³⁶⁾ Euclid Network, 2014. *Slovakia*. Available at: <http://www.euclidnetwork.eu/programme-areas/geographical-areas-in-which-we-work/civil-society-in-europe-country-profiles/slovakia.html>.

⁽³⁷⁾ Such conclusion is also supported by outcomes from analysis available at: <https://www.statista.com/outlook/297/151/business-finance/slovakia#>.

sufficient cashflow from commercial activities of social enterprises, the limited business acumen of management and a lack of sufficient assets that could be used as collateral. In other words, when submitting their application for loans to banks, managers or representatives of social enterprises do not seem to satisfy the criteria to become eligible for loans. It is not surprising, then, that a substantial part of the demand for financial instruments and services that could be offered by banks remains largely unmatched.

4.5.2. Supply of finance

The traditional banking sector currently does not seem to be able to adequately provide funds and financial schemes to social enterprises. There are a few and rather exceptional examples of banks showing interest in social enterprise activities. For instance, the Slovak Savings Bank (member of Erste Group Bank) or the Postal Bank are interested in investing more in the non-profit sector and supporting social enterprises in particular. As at June 2016, internal discussions about the specific design of the programmes is ongoing. Erste Group also organises a competition for social enterprise start-ups driven by non-profit organisations, called Uni2010. The winners of the Social Impact Award competition receive funds in the amount of EUR 3 000 to 5 000 and a mentoring scheme to further develop their activities (<http://socialimpactaward.sk/vitazi/>). In the past, other commercial banks (e.g. CitiBank) have also provided limited support to social enterprises within the framework of their CSR activities.

These types of activities support the development of social enterprises and start-ups in Slovakia. They also receive some media coverage. Nevertheless, it can be argued that, all in all, standard banks are not very active in supplying finance to social enterprises.

As at 2016, only one bank in Slovakia, the OTP Bank, has started to issue loans tailored to the non-profit sector for various investment purposes. It is nonetheless the first step for the promotion of social enterprises through services that could be defined as an embryonic form of 'ethical' or 'social' banking.

Problems are further exacerbated by the absence of a model of community-based local banks in Slovakia (e.g. cooperative banks) or any type of special-purpose banks that could provide tailor-made financial instruments to social enterprises. From this point of view, it can be concluded that Slovak social enterprises are relatively disadvantaged compared to those operating in Western Europe, where cooperative and mutual banks are there to provide such instruments and services⁽³⁸⁾. Finally, there are no specific social/ethical banks comparable to those operating in Western Europe.

That being said, for most social enterprises, the following possibilities for financing are available:

- public funds (state budget or European structural and investment funds);
- private funds (as resources from commercial foundations redistributed based on their CSR strategy; however, applicable only in the case of those linked to specific non-profit organisations);
- income from the tax assignation scheme (in the case of those linked to the non-profit organisation);
- income from entrepreneurial activities.

In terms of the near future, it may be presumed that the role of EU funds will increase and EU funding will become the main driver leading to the founding of new social enterprises and maintaining those already in place.

In general, funding for projects leading to the development of new social enterprises either from the EU or from state funding are the most common instrument. They thus help to overcome the lack of commercial bank loans. It is thus essential to provide an in-depth overview of them in the next paragraphs.

⁽³⁸⁾ For example, the fact that no bank from Slovakia is listed as a member or representative in the European Association of Cooperative Banks – the leading association of cooperative banks in Europe – is quite telling.

Available data from 2015 show that the financial support from state budget provided to social enterprises (those registered by the Central Office of Labour, Social Affairs and Family) during 2008 and 2013 within the active labour market policy (job subsidies) to co-finance the integration workers amounted to EUR 7.05 million. An interesting trend can also be noted in the overall reduction of the subsidies in the annual comparison from the total of EUR 2.73 million in 2009 to EUR 0.32 million in 2013⁽³⁹⁾. In 2014 this specific measure was replaced by a different type of subsidy. It is thus impossible to track the amount of money directed to registered social enterprises.

Additionally, Slovakia enjoys quite a unique model for non-profit organisation support whereby not only individuals but also legal entities (corporations) can assign some percentage of their income tax to some non-profit organisations⁽⁴⁰⁾. In the case of non-profit organisations running social enterprises, this budget may be used for the social enterprise. Tax assignment has been a substantial source of revenue for non-profit organisations and in particular for some social enterprises. Tax assignment can be viewed as a mixed source of funding: it has both the characteristics of public funding (state foregoes a part of the income tax, hence it is a public resource) and private funding (free private choice of individuals or corporations that decide whether to assign a proportion of the income tax due to a social enterprise). If they do not allocate it to any particular NGO, the entire amount of the paid income tax remains within the state budget.

The table below shows approximate levels of resources from tax assignment channelled to non-profit organisations (potentially some social enterprises) between 2002 and 2012.

Table 7. Income tax assignment from individuals and corporations from 2002-12

Year	Number of recipients (non-profit organisations)*	Number of participating individuals	Number of participating legal entities (corporations)	Personal income tax assignment (EUR thousands)	Corporate income tax assignment EUR (thousands)	Total amount of income tax assignment (EUR thousands)
2002	4 042	341 776	-	3 382	-	3 382
2003	3 398	286 164	-	3 222	-	3 222
2004	3 829	402 057	8 364	9 159	19 792	28 951
2005	5 746	418 241	14 063	10 371	20 525	30 896
2006	7 100	446 973	17 740	11 713	25 629	37 342
2007	7 662	408 277	21 632	12 819	29 306	42 125
2008	7 759	449 909	26 691	15 036	34 144	49 180
2009	9 098	503 253	30 078	17 684	37 496	55 180
2010	9 585	467 983	26 172	15 553	28 592	44 145
2011	10 049	475 843	25 427	16 526	25 444	41 970
2012	10 565	n/a	n/a	18 548	26 146	44 694

Source: Authors – based on data from the Tax Authority of the Slovak Republic – Annual reports on activities of tax authorities for 2004–11(www.drslr.sk)

Note: The possibility of receiving funding from the tax assignment model is not automatic; a non-profit organisation interested in this source of income needs a special registration, renewable annually.

According to the interviewed stakeholders, EU funding is considered an equally important source of financing for social enterprises in Slovakia (particularly considering the gradual

⁽³⁹⁾ Source: Statistics of Central Office of Labour, Social Affairs and Family.

⁽⁴⁰⁾ The law stipulates that an individual can assign between 2-3 % of his/her income tax, while a legal entity can assign up to 1.5 %.

decline in state support). In the past, state budget funding was in some circumstances bridged by funding from the Employment and Social Inclusion Operational Programme (2007–13) ⁽⁴¹⁾. Although certain social enterprises relied on EU funding opportunities, there were no specific schemes under the European Social Fund specifically aimed at social enterprises in 2007–13 – a problem that limited access to funding opportunities. As noted by some scholars, things have started to improve only recently thanks to the new programming period (2014–20), with better funding options at the disposal of social enterprises ⁽⁴²⁾. The budget allocated in support of new or already existing social enterprises within the operational programme Human Resources 2014–2020 represents an amount of EUR 90 million, which needs to be spent by 2023 ⁽⁴³⁾.

Additional instruments for financing purposes that can match the requirements of social enterprises include, for instance:

- competitions for awards, e.g. NESST, Provida, Uni2010, which support social enterprises and ideas with social impact;
- donations and sponsorships;
- grants (e.g. from the EEA grants provided by the governments of Norway, Iceland and Liechtenstein).

4.5.3. Market gaps and deficiencies

There has been no research focusing on the estimation of the gap between the demand and supply of social finance in Slovakia for both operations of social enterprises and for investment purposes. Having said that, it is plausible to assume that such a gap exists, as confirmed by the representative of the Ministry of Labour, Social Affairs and Family of the Slovak Republic, Erste Group Bank AG, and some other stakeholders.

One element is worth considering when focusing on market deficiency. As indicated by some stakeholders, social enterprises are perceived as risky investments because of the relatively weak business models, comparatively low management standards, a lack of sufficient assets to function as collaterals, and so on. With respect to the weaknesses of their business models, it should be remembered that this results primarily from the limited ability of these enterprises to generate income themselves, the comparatively low productivity of employees and what is often perceived as the limited motivation of staff in accomplishing their tasks. In the past, several work integration social enterprises had to close down shortly after starting their business, and this has been a trend that distinguished them negatively from other models of social enterprises in the West, where productivity per employee appears to be higher ⁽⁴⁴⁾.

⁽⁴¹⁾ Sociálna Implementačná Agentúra, *Employment and Social Inclusion Operational Programme*, 2014. Available at: <http://www.sia.gov.sk/index.php?siteid=44>.

⁽⁴²⁾ Majerčáková, D., *Social and Sustainable Finance in Visegrad Countries*, 2016.

⁽⁴³⁾ Source: Operational programme Human Resource 2014–20.

⁽⁴⁴⁾ Korimová, G., *Social economics and entrepreneurship*, Banská Bystrica, 2014.

5. PERSPECTIVES

This section focuses on debates surrounding social enterprises and barriers and opportunities to their development, as well as on the trends, challenges and main perceptions with respect to the role of social enterprises in the provision of general-interest services and products.

5.1. An overview of the social enterprise debate at national level

Despite the level of consideration of social enterprises, which is still to be improved, some positive changes in their acceptance by both public actors and the public have been observed lately. A number of activities focusing on social enterprises, including academic conferences, publishing activities, educational activities, initiatives from the financial sector and the promotion of objectives pursued by social enterprises have contributed positively towards a general attitude of acceptance of non-profit organisations and local social enterprises. The relevance of their social contribution is now better understood by the public than in the past.

A review of the major debates in Slovakia clearly shows that the main focus of these debates is on the persistent challenges for social enterprises. The kind of infrastructure essential to adequately support social enterprises is still largely missing. There are no networks for supporting them at a national or regional level. The present report shed some light on a municipal social enterprise creation and introduced some actors which could be classified as *de facto* social enterprises, for example those operating in the area of sheltered workshops and social services. It has been noted that, currently, many of them are operating despite lacking an official status of social enterprise due to the narrow legal definition limited to the WISE type of social enterprise. It may also be the case that there are some grassroots initiatives in the field of social entrepreneurship and local organisations with their own, local networks, which, however, currently lack visibility and are often absent from discussions at research and policy level. Some effort is needed to recognise them and include them in relevant debates on social enterprises.

Hence it can be suggested that several topics concerning social enterprises have to be addressed by policy-makers in Slovakia in order to strengthen the role that social enterprises are expected to play in the welfare system and unleash their true potential for the benefit of the public and economic development in Slovakia. Furthermore, it is sensible to suggest potential benefits resulting from the adoption of complementary, non-mainstream approaches in the discussion of social enterprises.

5.2. Constraining factors and opportunities

As a result of the research conducted in the preparation of the present report and of a series of interviews with stakeholders, it was possible to assess the barriers and opportunities for the development of social enterprises. The list of **barriers** includes the following:

- **Low level of social capital** – the vibrant non-profit sector requires a high level of social capital which, despite significant changes since the transformation, is still inadequate in Slovakia⁽⁴⁵⁾. This is also reflected in the relatively low awareness and understanding of the concept of a social enterprise, although things are expected to gradually improve.
- **Weak managerial skills** – training and education of future managers of social enterprises is lacking.
- **A lack of coordination among stakeholders** – this problem is further exacerbated by the fact that they often operate without adequate networking facilities (thus they don't seem to relate to each other, which is essential for the success of social enterprises).
- **Importance attached to the sector by the authorities** seems to be rather limited and the state, an actor that has capacities to galvanise the sector, is still somewhat passive at

⁽⁴⁵⁾ Strečanský, B. and Stoláriková, K., Social Economy and Social Enterprises in Slovakia. *Civil Szemle*, 2012. Available at: http://www.cpf.sk/files/files/Pages%20from%20CivSzle_2012_4_web.pdf.

present⁽⁴⁶⁾. The state considers social enterprises principally as work integration structures; this limited view should be broadened to better support enterprises with social responsibility and enterprises active in different social areas (e.g. social services and healthcare provisions).

- **Controversies and negative connotations of the term 'social enterprise'** – persist as a result of the misuse of public funds during the implementation of the pilot stage of social enterprise in 2008. This negative impact is experienced by some Slovak social enterprises at present.
- **Insufficient amount and form of finance for both operational and investment activities** – there is only a very limited number of financial instruments adapted to the needs of social enterprises, and funding (also from the EU), although instrumental in the first stage, may turn out to be inadequate to stimulate the development of a more entrepreneurial dimension and a more rigorous approach to the social business. In this respect, lowering the level of the maximum co-financing of the wages for employees who are employed under the work integration contracts may be differently interpreted. On the one hand, it can result in the closure of some of the organisations that will be unable to find substitute funding instead of public support. On the other hand, it constitutes a stimulus for the development of more viable business models by social entrepreneurs.

Even though the above problems either remain unsolved or not properly addressed, a positive shift can be observed in the willingness, for example, to perceive social enterprises as an instrument for the creation of employment opportunities for disadvantaged citizens and for improving the lives of people who are unable to care for themselves. In summary, the list of potential **opportunities** for social enterprises, on which stakeholder-participants agreed, include the following:

- **Substantial demand for social services** – the demand for social services continues to be high in Slovakia. This clearly shows the strong potential for the development of this sector as some of the demands remain unmet. Specifically, with the ageing of the population in Slovakia, persistently high unemployment in many regions of the country and problems of poverty or unmet needs of a significant proportion of the people living in marginalised Roma communities, the demand for social services will continue to remain high⁽⁴⁷⁾.
- **Improvements in legal frameworks** – currently, a new law focusing on social enterprises is being discussed. Such law could, indeed, help to define a number of currently unclear issues such as structure of governance, taxation system, state aid rules, reporting issues etc. This improvement in the legal framework may also move social enterprises in the Slovak Republic closer to the international standards of the social enterprise movement.
- **Better communication** of the objectives and criteria of social enterprises by academics or experts to a large audience. During recent years, positive examples relating to the subject of social enterprise captured the attention of the media. This has been also supported by increased activity by the academic sector in this field, and thus the conditions for improved communication are becoming well established.
- **Better recognition of social enterprises for welfare and general interest services** – such recognition is also expected to have a positive impact on their acceptance and promotion.

5.3. Trends and future challenges

The general trend confirms that Slovakia is slowly moving forward in the establishment of an effective network of social enterprises. There appears to be a trend towards better recognition of social enterprises for their social and economic contribution. Nevertheless, at the moment many organisations which seem to meet the operational criteria of social enterprise still have somewhat weak business models, an overriding characteristic of the sector due to, for instance, limited capacity for generating income, limited

⁽⁴⁶⁾ Although the state is present and has been financing the work integration structures, there have been arguments that it should go much further.

⁽⁴⁷⁾ Strečanský, B. and Stoláriková, K., Social Economy and Social Enterprises in Slovakia. *Civil Szemle*, 2012. Available at: http://www.cpf.sk/files/files/Pages%20from%20CivSzle_2012_4_web.pdf.

entrepreneurial skills or access to markets (all problems that can be solved in the future). In recent debates, policy assessments and other discussions on how to improve the specifics of social enterprises in Slovakia, the following trends have been observed:

- in the case of Slovakia, the terminology on social enterprises seems to gradually approach that defined at the Commission level (e.g. in the Social Business Initiative);
- there is an expectation with respect to the acceptance/implementation of the new law on social entrepreneurship and social enterprises in the Slovak Republic;
- the recent initiative of the Ministry of Labour, Social Affairs and Family in relation to the new unit specialising in issues relating to social enterprises may bring improved conditions in the areas of coordination, networking, financial coverage and/or technical assistance;
- the fact that the concept of social enterprise is more often and more accurately used in the media is promising;
- projects in social entrepreneurship start to pay more attention to social inclusion of a variety of marginalised groups in Slovakia through the foundation of different social enterprises and social cooperatives;
- there is increasing awareness/attention given to the importance of public procurement and, specifically, to socially responsible public procurement for the success of social enterprises.

To conclude, a brief mention of some of the areas in which social enterprises can play a major role in the coming years. The areas that are particularly significant for the further development of social enterprises are in the fields of environmental policy at national and regional level and innovative and creative understanding of regional socio-economic development.

Housing policy suffers from a shortage of rental housing, social rental apartments, dormitories for the homeless, housing for single parents in housing and social distress, 'halfway' houses for children from orphanages, development of a network of community centres, facilities for social services, particularly facilities for the elderly with daily, weekly and year-round residency, etc. Housing development for all the above groups could be provided by construction social enterprises. There are already some examples of good practice in this field – something which can be considered as promising for the future.

6. ANNEXES

6.1. Operational social enterprise definition

The following table represents an attempt to operationalise the definition of social enterprise based on the Social Business Initiative promoted by the Commission.

Main dimension	General definition	Relevant indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Entrepreneurial/ economic dimension	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises ⁽⁴⁸⁾ .	<ul style="list-style-type: none"> - Whether the organisation is or is not incorporated (it is included in specific registers). - Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). - Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. - Whether there is an established procedure in case of SE bankruptcy. - Incidence of income generated by private demand, public contracting, 	SEs must be market-oriented (incidence of trading should ideally be above 25 %).	- We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).

⁽⁴⁸⁾ In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, 'an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities'.

Social enterprises and their eco-systems

Updated country report: Slovakia

Main dimension	General definition	Relevant indicators <i>(not exhaustive list)</i> (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
		<p>and grants (incidence over total sources of income).</p> <ul style="list-style-type: none"> - Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. - Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services. 		
Social dimension (social aim)	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. By promoting the general interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at integrating</p>	<ul style="list-style-type: none"> - Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members. - Whether the product/activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/constitutions. - Whether the SE's action has induced changes in legislation. - Whether the product delivered – while not 	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> - The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level. - In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. educational services up to water supply).

Social enterprises and their eco-systems

Updated country report: Slovakia

Main dimension	General definition	Relevant indicators <i>(not exhaustive list)</i> (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
	disadvantaged people to work, SEs must deliver goods/services that generate a beneficial societal impact.	contributing to fulfilling fundamental rights – contributes to improving societal wellbeing.		- What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what 'public benefit' means in her/his country.
Inclusive governance/ownership dimension (social means)	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require peculiar ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise.</p> <p>SEs often limit the distribution of profits. The non-profit distribution constraint is meant to ensure that the general interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.</p>	<ul style="list-style-type: none"> - Whether SEs are open to the participation and/or involvement of new stakeholders. - Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels - give voice to users and workers in special committees?). - Whether a multi-stakeholder ownership structure is imposed by law (e.g. France). - Whether SEs are required to adopt social accounting procedures by law or they do it in practice without 	SEs must ensure that the interests of relevant stake-holders are duly represented in the decision-making processes implemented.	<ul style="list-style-type: none"> - Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time – hence giving ground to a multi-stakeholder ownership asset. - SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency. - Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social

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Main dimension	General definition	Relevant indicators <i>(not exhaustive list)</i> (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
		<p>being obliged to.</p> <ul style="list-style-type: none"> - Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). - Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot be/are not distributed or they are capped) or long-term (asset lock); or both short and long-term. - Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. - Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits). 		coops, CIC, SCICs).

6.2. Illustrations

Illustration 1. Sheltered workplaces

Sheltered workshops/sheltered workplaces – while focusing on work integration, sheltered workplaces are designed primarily for individuals with disabilities. They can operate under any type of legal form (e.g. cooperative, civic association, limited company).

Sheltered workshops and sheltered job positions can be considered as social enterprises for specific groups of employees – that is, people with health disabilities. Their mutual financing is guaranteed by the Act on employment services. Recently, the conditions for conferring the status and granting the financial subsidy for a sheltered workshop has changed. The former obligatory (claimable) conferring of the status and accordingly the financial subsidy for a sheltered workshop is now optional. This means that each new project to create a sheltered workshop is assessed by a regional committee established at each district labour office. The aim of this change, which is subject to criticism, was that the committees should individually examine regional priorities and possibilities (the number of registered unemployed with disabilities) and directly decide on the number and types of activities of protected workshops.

Illustration 2. Municipality social enterprises

Municipality social enterprises – emerged as a response led by the Government and individual municipalities to the negative outcomes of the global economic crisis in Slovakia, with the aim of reducing unemployment through small local municipal services and manufacturing goods that municipalities could manage to produce themselves without major capital costs to implement and also to consume themselves. Examples of municipal social enterprises include: auxiliary jobs in construction (construction of rental and social housing); minor landscaping of roads and squares of municipalities; help in forestry and social services. Municipal social enterprises employ people who are registered as long-term unemployed in labour offices, so that they can acquire basic social skills, work experience and contacts. Indeed, many long-term unemployed have found permanent jobs in this way.

These entities are generally established and run by the local municipalities: a municipality operates either under its own name and own account, or it establishes a company that is connected to its assets by means of a budgetary organisation of the municipality, or acts through a separate legal entity.

Illustration 3. EPIC, non-profit organisation providing public benefit services, Bratislava

This is an example of a type of social enterprise which is particularly important in Slovakia. EPIC is based in Bratislava, where it has operated since 2012. It operates with the aim of supporting employment of people with health disabilities and other kinds of marginalisation on the open labour market and thereby providing support to newly-established municipality social business. By implementing networking of organisations and individuals, EPIC Slovakia aims to increase the employability of people with health disabilities. The main goals of this organisation include: influencing public policies on employment and social inclusion of marginalised groups; implementing programmes for increasing employment at a local level; providing specific employment opportunities and services for disadvantaged social groups.

Furthermore, by referring to best practices from Switzerland, EPIC Slovakia aims to pass on the Swiss experience in social entrepreneurship to Slovakia, thereby creating new job opportunities for people experiencing various forms of discrimination. EPIC also provides

internship opportunities to students (for instance work on project management and drafting of policy papers) so that they can gain relevant work experience before entering the job market.

Networking seems to play an essential role for EPIC Slovakia: its parent organisation, EPIC Assist, was established in Brisbane, Australia in 1990. This is particularly worth mentioning, since social enterprises in Slovakia often appear to operate without being formally included in networks. Currently, EPIC Slovakia is a member of the American Chamber of Commerce and Social Innovation Europe. Partners in projects of this non-profit organisation include, for instance, the Slovak Union of Supported Employment, the Institute for Research of Work and Family, the municipal company Hrhovske Sluzby, s.r.o., and the Roma Institute, n.o. On the other hand, important stakeholders for EPIC Slovakia are donors and organisations providing financial support, which include, amongst others, the Swiss-Slovak Cooperation Programme and the Open Society Foundation.

Source: <http://www.epic-org.eu/home-en/>

Illustration 4. CHRABYD civic association, sheltered workshops and sheltered housing, Banska Bystrica

CHRABYD was established in 2002 as a civic association of parents with children with disabilities. The Executive Committee of CHRABYD includes members – volunteers who are trained and capable of responding to legislative, financial and technical issues in the provision of social services and social entrepreneurship. Several of them hold lectures, publish, co-found or manage social service facilities or sheltered workshops.

Specifically, this organisation operates for the provision of social services to families with people with disabilities through social entrepreneurship, with the goal of maintaining as high a quality of life as possible for people who depend on the help of others. It operates according to the Act 448/2009 Coll. on social services. The geographic area in which CHRABYD operates is located in the Banska Bystrica region. There, the organisation attempts to build a network of facilities for people mainly dependent on the help of others. Related aims of this organisation include, amongst others, work on legislation drafting and supporting consideration of social service facilities as a social enterprise providing specific public services – the development and quality of life.

The financial structure of this civic association is as follows:

- subsidies for clients dependent on social services by type of service (Ministry of Labour, Social Affairs and Family or relevant regional and local authorities);
- payments from clients in the amount of economically justified costs;
- tax assignment (1.5 % for companies; 2 % or 3 % for individuals);
- sponsorship and donors;
- income from a variety of domestic and foreign projects.

It should also be noted that for more than 14 years CHRABYD has successfully provided free consultancy services for other entities and individuals who want to provide social services and employ people with disabilities. CHRABYD itself is a founder of a sheltered workshop and two low-capacity facilities of social services (Betonika Pstruša and Betonika Priechod). Recently, it contributed to finishing the building of a new house for retired people (Seniordom Betonika Banska Bystrica). This is a positive example of how a social enterprise can actively support the establishment of other non-profit entities.

Sources: <http://www.ozchrabyd.eu>

Illustration 5. BEEsnis, Zavada

This enterprise was established by a civic association, kRaj, in 2014, together with the Ekopolis Foundation and the Norwegian partner Bybi. Its core activities of beekeeping help in the creation of employment opportunities for marginalised groups. In the past few years, 20 new apiaries have been established thanks to the activities and programmes of BEEsnis. At the same time more than 40 people found employment (including members of the Roma community and people suffering from disabilities), 1 400 pupils and students participated in training programmes, and more than 700 people participated in one of their workshops. These data give us an idea of the success of BEEsnis. However, the enterprise is not officially registered as a social enterprise at the Ministry of Labour.

This enterprise recognises that most plant food must be pollinated by insects and that even farm animals are dependent on pollinated plants. Unfortunately, the number of pollinators is decreasing each year all over the world. It is therefore essential to make beekeeping popular again among people, to educate people in the field of pollination of the landscape and to show the importance of pollination for the survival of humankind and animal species. The region of Kokava was in the past very rich in apiaries, but the bee pest radically reduced the number of apiaries in the whole region.

Today, the tradition of beekeeping is in decline and the Poltár region is the one with the lowest number of apiaries and beekeepers in Slovakia and the highest rate of unemployment at the same time. Despite social and economic problems, the project aspires to solve environmental problems and at the same time create new jobs. The project BEEsnis aims to revive the tradition of beekeeping and to create new employment possibilities in beekeeping for the long-term unemployed and, in particular, for marginalised groups. The project has set an ambitious goal – that is, to solve environmental problems by improving the economic and social situation.

The education in beekeeping is realised in the educational apiary at Liešnica, where an experimental educational programme for visitors is tailored according to the visitors' requirements. The aim is immediate contact with the bees by the visitor, protected by beekeeping overalls, and to overcome the fear of bee stings. The programme is also present in schools, and at various markets and festivals.

Source: www.kraj.sk/

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6.4. Comparative overview of the legislative framework for Civic Associations, Limited Liability Companies and Non-profit Organisations providing Public Benefit Services

Table 8. Comparative overview of the legislative framework for Civic Associations, Limited Liability Companies and Non-profit Organisations providing Public Benefit Services

Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
	<p>Non-profit Organisations providing Public Benefit Services ('NOPBS') are one of four main legal forms of NGOs in Slovakia (the rest are Civic Associations, Foundations and Non-investment Funds). NOPBSs are established to provide public benefit services (social care, healthcare, education).</p> <p>NOPBSs may obtain the legal status of 'Social Enterprise' if they meet the following requirements of the Act on Employment Services:</p> <ul style="list-style-type: none"> a) at least 30 % of employees of the organisation were considered as disadvantaged jobseekers before entering into the employment relationship; b) the organisation provides support and help to the employees, who were considered as disadvantaged jobseekers before entering into the employment relationship regarding finding a job on the open labour market; c) at least 30 % of financial funds obtained from the income of activities remaining after payment of all tax and expenses is used to create new jobs or to improve working conditions, 	<p>A civic association is an organisation made up of a group of at least three persons who have decided to come together for a particular purpose.</p> <p>Civic associations may obtain the legal status of 'Social Enterprise' if they meet the following requirements of the Act on Employment Services:</p> <ul style="list-style-type: none"> a) at least 30 % of employees of the organisation were considered as disadvantaged jobseekers before entering into the employment relationship; b) the organisation provides support and help to the employees, who were considered as disadvantaged jobseekers before entering into the employment relationship regarding finding of a job on the open labour market; c) at least 30 % of financial funds obtained from the income of activities remaining after payment of all tax and expenses is used to create new jobs or to improve working conditions, d) the organisation is registered in the Register of Social Enterprises. 	<p>Limited Liability Company (LLC) is the most commonly used legal form of for-profit entities in Slovakia. A limited liability company is typically established with commercial aims, to distribute profits to its members. A company established with solely commercial aims would not be considered a social enterprise. The shareholders are the owners of the company.</p> <p>LLCs may obtain the legal status of 'Social Enterprise' if they meet the following requirements of the Act on Employment Services:</p> <ul style="list-style-type: none"> a) at least 30 % of employees of the organisation were considered as disadvantaged jobseekers before entering into the employment relationship; b) the organisation provides support and help to the employees, who were considered as disadvantaged jobseekers before entering into the employment relationship regarding finding of a job on the open labour market; c) at least 30 % of financial funds obtained from the income of activities remaining after payment of all tax and expenses is used to create new jobs or to improve working conditions, d) the organisation is registered in the Register of Social Enterprises.

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Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
	d) the organisation is registered in the Register of Social Enterprises.		
	Act No. 213/1997 Coll. on non-profit organisations providing public benefit services as amended	Civic code (Act No. 40/1964 Coll.) Act on association of citizens (Act. No. 83/1990 Coll.)	Commercial Code (Act. N. 513/1991 Coll.) Trade Act (Act. No. 455/1991 Coll.)
	Not exclusively for social enterprise. NOPBSs can have one or more purpose, from: a) the provision of healthcare; b) provision of social assistance and humanitarian care; c) design, development, protection, restoration and presentation of spiritual and cultural values; d) protection of human rights and fundamental freedoms; e) education, training and development of physical culture; f) research and development, scientific and technical services and information services; g) the creation and protection of the environment and the protection of the health of the population; h) services to promote regional development and employment; i) provision of housing, management, maintenance and renewal of housing stock.	Not exclusively for social enterprise. Civic associations can have any purpose they choose, unless unlawful.	Not exclusively for social enterprise. A limited liability company can carry out any business purpose. The main aim of the company is to carry out systematic activities, which are independently conducted for the purpose of making a profit by an entrepreneur in his own name and at his own responsibility.
	An NOPBS is founded by an establishment charter signed by all the founders. The	To establish a civic association (CA), at least three people must prepare the application for	A company is established by a memorandum of association executed by every founder. The

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Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
	<p>authenticity of signatures of all founders must be officially certified. The Founder(s) then issue the Statute, which includes the details of the organisational structure, operation and management of NOPBS. The NOPBS comes into existence following registration with the District Office.</p>	<p>registration of C.A. and a Statute of C.A. in duplicate and send them together with the registration fee to the Ministry of Internal Affairs.</p>	<p>signature of the founders must be officially authenticated.</p> <p>Where the establishment of a company is done by one founder only, the memorandum of association shall be replaced by an establishment deed. The establishment deed must include the same essentials as the memorandum of association or the founders' deed.</p> <p>The company is incorporated on the date of its registration in the Companies Register. The request for registration in the Companies Register must be filed not later than 90 days after the company's establishment or after the receipt of a proof of existence of a trading licence or a similar authorisation.</p>
	<p>There is no set minimum required, but the 'source' capital is required.</p>	<p>There is no minimum required.</p>	<p>The minimum amount of the company's registered capital shall be EUR 5 000.</p>
	<p>An NOPBS needs to establish:</p> <ul style="list-style-type: none"> a) Administrative Board (Governing Board/Body) b) Director c) Supervisory Board (Inspector), d) Other authorities, if declared in the Statute. <p>The Administrative Board is the supreme body of NOPBS; the required minimum is three members, no limitation on maximum number.</p>	<p>Civic associations can establish their own boards, although in practice they usually establish The General Assembly, the Administrative Board and the Board of Supervisors/Auditor.</p> <p>The law sets no minimum number of board members. Members are appointed and removed following the provisions in the Civic Association's statutes.</p>	<p>The company is required to have a board of at least one executive director.</p> <p>The executive directors are responsible for the administration and management of the company and they must not engage in competitive conduct.</p> <p>Executive directors shall be appointed from among the company members or other individuals by the general meeting.</p> <p>A supervisory board shall only be established if the memorandum of association provides so.</p>

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	<p>First members of the Boards are appointed by founder(s). The next members are appointed/removed from their office by the Governing Body if the Statute does not provide otherwise.</p> <p>The Governing Body has ultimate control of the NOPBS. It:</p> <ul style="list-style-type: none"> a) approves the budget of NOPBS; b) approves the annual balance sheet report and the annual report on the activities and management (the 'Annual Report'); c) decides on the use of profits and cover for loss, including the intended settlement no later than the end of the next accounting period; d) decides on the dissolution, merger or division of NOPBS; e) makes suggestions for changes in the Statute (to the Register Office); f) appoints/removes the Director from his office and determines his remuneration; g) elects and removes members of the Administrative Board from their office, unless the Statute provides otherwise, and elects and removes members of the Supervisory Board (Inspector) from their office; h) approves legal acts relating to immovable property; i) decides on Statute changes with the exception of those reserved for a founder (written in the Establishment charter); j) decides on the restriction of the 		

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Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
	<p>director's right to act on behalf of NOPBS.</p> <p>The Directors manage the activities of NOPBS and act on its behalf.</p>		
	This legal form has no members	<p>The legal form has at least three members (the founders).</p> <p>The General Assembly of all members is usually the highest body of Civic Associations and therefore has the ultimate control of the civic association. The members have the right to participate and vote in the General Assembly, appoint and remove the board members and amend the Statute.</p>	<p>The legal form has members (in LLCs these are called associates, partners or stakeholders).</p> <p>Ultimate control of the LLC rests with the members because of their rights to attend, speak and vote at general meetings. They can approve and change the Articles of Association and can appoint and remove directors</p>
	Not applicable for legal form.	Members are represented according to the specific C.A.'s Statute – usually there is a meeting of The General Assembly at least once in a year (annual meeting), but it can be more or less often.	The general meeting (of all members) shall be the supreme body of the company. Unless the law, the memorandum of association, or the articles of association determine a shorter period, general meetings shall be convened by executive directors at least once a year.
	Legal form does not have shares.	Legal form does not have shares.	Legal form does have shares/stakes. The member's voting right is proportional to the number of shares they own.
	Not applicable to the legal forms.	Not applicable to the legal forms.	Dividends are distributed according to the stake a holder has in LLC. Dividends are paid from profit after taxes and reserve fund contribution.
	No legal provisions regarding reserves.	No legal provisions regarding reserves.	The use of the reserve fund shall be decided by the executive directors, in compliance with the provisions of the Commercial Act.

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Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
			The fund may only be used to cover the company's losses, unless a special act provides otherwise.
	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.	The company shall establish a reserve fund at the time and for the amount specified in the memorandum of association. Unless the reserve fund is established upon incorporation of the company, the company shall establish the same using net profit reported in the ordinary financial statements for the year, in which the first profit is booked. The reserve fund shall achieve not less than 5 % of the net profit; however not more than 10 % of the registered capital.
	Refunds not applicable to legal form.	Refunds not applicable to legal form.	Refunds not applicable to legal form.
	NOPBSs are not established to carry out business activities, but they are allowed to do so if they consider that it is a 'more effective' use of their own assets. Such for-profit activities must be subsidiary to the primary activities of NOPBS.	Civic associations are not established in order to carry out business activities; however, they are able to do so as a 'side' activity in order to finance their main purpose. For this part of its economic activity, the C.A. is considered and treated (i.e. taxed) the same way as for-profit companies.	There are no such limits.
	An NOPBS can seek donations or loans from its founders and it can issue bonds to its founders.	One of the most important sources of civic association revenues is membership fees. A civic association can also seek donations or loans from its members and it can issue bonds to its members.	The members (shareholders) of the company can invest in the company in various ways, e.g. by giving loans to the company (also in the form of loans substituting equity) or by payment of supplementary contributions to the company's capital.

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Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
16	An NOPBS cannot raise funds by way of equity investment. However, an NOPBS can obtain loans from banks or other financiers or it can issue bonds. It can also seek grants and donations.	A civic association can obtain loans from banks or other financiers or it can issue bonds. It can also seek grants and donations.	In general, different forms of external investment are possible, in particular by subscribing to member units/increasing the statutory capital. Investments can be structured in different ways. Typically, an investor will either be a creditor and/or a member.
	An NOPBS is required to prepare and send an annual report to the Registration Office. A tax return must be filed with the tax authority. The annual accounts must be audited if a) a subsidy from the state budget, from the State fund and the municipal budget that year exceeded EUR 33 193; b) all income of the non-profit organisation exceeds EUR 165 969; or c) the NOPBS has received more than EUR 33 193.92 from the 2 % assignation of taxes.	Civic associations are required to prepare tax returns and annual accounts. An external audit is only required depending on the size of turnover of the C.A or if the C.A received more than EUR 33 193.92 from the 2 % assignation of taxes.	An LLC is required to file its accounts in its Collection of documents at the Commercial Register. Publication of accounts in the official Commercial Bulletin only applies to LLCs, which are required to have audited financial statements. An audit will be required where an LLC meets at least two of the following conditions: 1. its total assets exceed EUR 1 m; 2. its net turnover exceeds EUR 2 m, 3. its average number of employees during the accounting period exceeded 30. A tax return must be filed with the tax authorities.
	Employees (other than the director) cannot participate in decision-making. Staff cannot take a share of the profits.	Decision-making procedures are provided for in the C.A's Statute. In Slovak practice, most C.A.s are small with 'mixed' roles of staff and members – they are often the same people. Staff cannot take a share of the profits.	Staff usually cannot participate in decision-making unless they are members. Employees can receive a portion of profit where it is agreed in the employment contract or collective agreement.
	The Administrative Board can decide on the	The C.A can be wound up in two ways:	A company can be wound up:

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Legal form	Non-profit Organisations providing Public Benefit Services	Civic Associations	Limited Liability Company
	<p>winding-up of an NOPBS whether it is solvent or insolvent.</p> <p>An NOPBS can be wound up:</p> <ul style="list-style-type: none"> a) upon expiration of the term for which it was established; b) on decision of the members; c) on decision of the court; d) after bankruptcy proceedings. <p>The main rescue procedures are:</p> <ul style="list-style-type: none"> 1. Increasing of the registered capital; 2. Use of reserve fund; and 3. Restructuring. 	<p>voluntary dissolution or merger with another association;</p> <p>or</p> <p>final decision of the Ministry of Internal Affairs on its dissolution (in the case of contravening a specific Act)</p>	<ul style="list-style-type: none"> a) upon expiration of the term for which it was established; b) on decision of the members; c) on decision of the court; d) after bankruptcy proceedings, <p>The main rescue procedures are:</p> <ul style="list-style-type: none"> 1. Increasing of the registered capital; 2. Use of reserve fund; and 3. Restructuring.
	<p>The remaining assets are required to be transferred to another non-profit organisation or foundation.</p>	<p>The surplus should be used as determined by the highest body of C.A or its Statute.</p> <p>Where the other legal forms of NGOs have clear rules regarding what to do with surplus, C.A. are not limited on this.</p>	<p>Assets can be distributed amongst the members in accordance with their shareholding.</p>
	<p>This legal form cannot convert.</p>	<p>This legal form cannot convert.</p>	<p>A company may change its corporate form and reorganise into another form of partnership, company or cooperative, unless the law provides otherwise.</p> <p>The partnership or the company shall not cease to exist as a legal entity due to change of its corporate form. The assets are not treated differently.</p>

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