

## REPORT – THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

### 1. Institutional and legal framework

Since 1990, many changes have been made in Macedonia's legislation relevant for the social economy (SE). As a consequence, there has been a significant increase in the number of foundations, associations and other civil society organizations (CSOs). The concept of the SE is more intensely promoted and developed by CSOs than the government, and it still needs to penetrate into the mainstream policy.

There is no specialized institution or government body in FYR Macedonia in charge for development and promotion of the SE sector. The Ministry of Economy started with the affirmation of the South East Europe (SEE) Strategy 2020 which emphasizes social economy as a separate area, but it cannot be said that there has been significant success in its implementation.<sup>1</sup> The Ministry of Labour and Social Policy (MLSP) plays an important role in the field of the SE. According to MLSP, around 50 CSOs collaborate together in creating their social programmes and strategies. There is still no department specialized for SE sector, but there have been plans to create a Unit for social entrepreneurship in the imminent future. The Employment Agency is among the main institutions authorized to develop and manage programmes and strategies for greater employability. The Agency was completely restructured and reorganized in 2006 and now operates according to modern procedures of registration of the unemployed.

Associations and foundations are the most widespread organizational form recognized in the legislation. Given the fact that there are a significant number of registered and active CSOs, certain institutions have been created purely for developing collaboration between governmental institutions and CSOs. Among the first to be created was the Unit for Cooperation with CSOs acting within the framework of the General Secretariat of the Government established in 2004 to prepare and maintain a Strategy for cooperation with CSOs, to prepare a review of the legislation on CSOs, to propose initiatives in order to initiate changes in legislation related to the civil society sector, to allocate financial resources, to administrate and evaluate project proposals submitted by CSOs. *The Strategy for Cooperation of the Government with Civil Society 2012-2017*<sup>2</sup> highlights among its objectives the need for stronger participation of CSOs in economic and social development, as well as social cohesion, civil activism and community support. This strategy is considered as being very ambitious, requiring serious commitment from the government and considerable resources. The commission for organizations of public interest was established by the Unit for Cooperation with CSOs in March 2012 (including representatives from relevant ministries and two CSO representatives) and strictly targeted to regulate the activities of public interest organizations.<sup>3</sup> In November 2014, the General Secretariat of the Government announced a Proposal to establish the *Council for the promotion of cooperation with the CSOs*. The dialogue with the CSOs was relayed by online consultations. However, the main complains of CSOs concerns the manner of recruitment of the Council's members, who were appointed by a Government Commission. This has shown tendency of government to influence and to control the decision making process in civil society sector (TACSO, 2014).

There are currently many debates underway among CSOs. The public debate concerning the draft of *Law on Social Entrepreneurship* is important. The analysis has shown that this law would encourage the development of social entrepreneurship; the status of the organizations would be regulated, as well as the governance and the status of the persons who run them. However, some felt that the Law would not respond to the needs of the vulnerable groups and would be misused by profit entities because of

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<sup>1</sup> There are many institutions which collaborate in this area: the Agency for Promoting Entrepreneurship in Macedonia, the National Council for Entrepreneurship and Competitiveness and SMEs, and many local agencies and entrepreneurs centres for promoting entrepreneurship and innovation at universities and economic chambers.

<sup>2</sup> This is a second strategy which follows the Strategy for Cooperation of the Government with the Civil Society Sector (2007-2011)

<sup>3</sup> The initiation of their creation is in the Law on Citizens' Associations and Foundations (2010)

the fiscal benefits offered. There has already been negative experience with the misuse of the Employability Law for PWDs<sup>4</sup>.

The Law on Citizens' Associations and Foundations (LCAF) simplifies the creation of CSOs and offers the possibility for CSOs to conduct income generating activities (production, social services and other types of service), to hire employees, to have revenue, and to turn a profit (Art. 12). However, it is explicitly stated that profit should be reinvested in the social mission and used for the sustainability of the organization. According to this Law, political parties should not influence the activities of citizens' associations, but the opposite has been observed in practice.

The Law on Donations and Sponsorships for Public Activities (April 2006)<sup>5</sup> provides incentives for companies and individuals that support CSOs promoting the public interest. The Law prescribes harmonization between domestic and foreign donors with respect to eligibility for Value Added Tax (VAT) exemption. However, a small number of companies cooperate with CSOs under the provisions of this Law.

The Law on Volunteering, adopted in 2007, recognizes volunteer practice as valid work experience within the paid employment sector, personal tax exemption for the costs related to volunteering, and the continuance of unemployment rights for unemployed persons who volunteer. The government created the new legal framework to create a favorable environment for volunteering. This is part of the Strategy for Promotion and Development of Volunteering (2010), the National Council for Development of Volunteering (2011) and the Strategy for Cooperation of the Government with Civil Society 2012-2017.<sup>6</sup>

The Law on Local Self-Government<sup>7</sup> envisages civil initiatives, citizens' assemblies and other forms of civic activism, but the Law has no provisions specifically for the SE. Financial support from local government for the social activities of CSOs is negligible. There are some cases where the local community has supported risk groups (long-term unemployed, women, the Roma, the elderly, etc.). The Ministry of Local Government has decided to co-finance projects for Cross Border Cooperation (CBC) with Greece and Albania. However, good practices for the accomplishment of long-term projects are still insignificant.

Another law that is relevant to the SE is the Social Welfare Law that allows associations (but not foundations) to provide certain social protection services, if they are registered to provide a service of a social nature (for individuals, families and groups of citizens at social risk) and for the development and promotion of volunteering in the community.<sup>8</sup>

The Law on Agricultural Cooperatives<sup>9</sup> has undergone changes over time in terms of the objectives of cooperation, the rights and obligations of members and in the understanding of the basic function. In the original version of the Act<sup>10</sup> a cooperative was defined as an association of persons with the aim of facilitating agricultural production and establishing better conditions for carrying out the work. The new amendments of 2013 expanded and qualitatively (essentially evolutionarily) enriched this definition. The first change is in the perception of the cooperative - it is defined as a voluntary association of agricultural holdings for the realization of their economic, social, cultural and other interests and needs while performing agricultural work. Further amendments define rights and obligations under the principle of one member one vote and introduce principles that define "good business rules" at work: openness, transparency, regular information and training of members, collaboration with other groups and sustainable development.

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<sup>4</sup> Official Gazette of the Republic of Macedonia, 44/2000

<sup>5</sup> Law on Donations and Sponsorships for Public Activities, Official Gazette of the Republic of Macedonia No. 47/2006, 86/2008, 51/2011

<sup>6</sup> Official Gazette of the Republic of Macedonia No. 85/07, 161/08

<sup>7</sup> Official Gazette of the Republic of Macedonia, No. 54/02

<sup>8</sup> Official Gazette of the Republic of Macedonia, No. 79/09

<sup>9</sup> Official Gazette of the Republic of Macedonia No. 116/2010 and 2/2013, (Amendments)

<sup>10</sup> Official Gazette of the Republic of Macedonia, No. 11/2002

As mentioned earlier, there are no documents that directly refer to the SE. However, a number of strategies, programmes and measures are certainly related to it. The National Strategy for Poverty Reduction and Social Exclusion 2010-2014 (revised 2010-2020) includes elements of an SE by recognizing social groups at high risk of poverty, and enumerating factors that influence poverty and social exclusion. Also, some measures mentioned in the Strategy could provide favourable conditions for SE: boosting entrepreneurship through the creation of employment zones such as incubators, local and regional development agencies which facilitate access to material resources for economic activities and advisory services to CSOs as tentative service providers in the field of social inclusion.<sup>11</sup> Other documents that are relevant for the development of the SE are: the National Agenda for Social Responsibility of Enterprises in FYR Macedonia, issued by the Coordinating Body for Social Responsibility of Enterprises, the National Employment Strategy (2015).

Concerning the institutional framework, the conclusion is that the government continues with the creation of legislature mainly in the domain of professional relations and employment, in particular with the National Employment Strategy 2016-2020, the National Programme for Descent Work (2015-2018), as well as with the Action Plan to Reduce the Informal Economy for 2015. The key role in putting emphasis on the informal economy is played by the Centre for Research and Policy Making (CRPM) with its research and relevant analyses. The second Action Plan (2015) against the informal economy includes new measures (compared with the previous based on the governmental inspections)<sup>12</sup>, in which the accent is placed on the education and socialization of people. The Strategy for Enterprise Learning in the Republic of Macedonia (2014-2020)<sup>13</sup> which is expected to increase public awareness for entrepreneurship and to increase the number of newly established innovative enterprises was created for the aims of this framework.<sup>14</sup>

From the civil society sector comes the document: *The pathway towards EU<sup>15</sup> – the contribution of civil society for creating the policy for social inclusion - Republic of Macedonia*, which gives an opportunity for CSOs to be involved in the process of resolving the social problems related to marginalized groups. At present, FYR Macedonia is faced with the migrant crisis and it has invited the CSOs to be more involved in the search for a solution for this urgent situation.

## 2. Analysis of financial incentives and support mechanisms

SE organizations still face many challenges pertinent to the financial aspects of their sustainability where foreign donors are the predominant source of funding, income generating activities and local social enterprise initiatives are lacking, and the mechanism for government support remains underdeveloped. Generally, there are four main sources of income available to SE organizations in FYR Macedonia: government funding (central and local level), income generating activities (fees from services, sales, membership fees, rents, investments, SE ventures etc.), international donors (European Union (EU) funds in particular) and philanthropy (financial donations and in-kind support from volunteers).<sup>16</sup>

There are significant problems with data related to financial incentives and support mechanisms. Generally, this type of data is unavailable or not systematized in order to define the financial

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<sup>11</sup> Available at: [http://mtsp.gov.mk/WBStorage/Files/revidirana\\_str\\_siromastija.pdf](http://mtsp.gov.mk/WBStorage/Files/revidirana_str_siromastija.pdf), accessed on November 17, 2015.

<sup>12</sup> For increasing the state control over the informal work, 28 departments of inspectors have been created. Ministry of Labour and Social Policy of the Republic of Macedonia, <http://www.mtsp.gov.mk/dokumenti.nspix>, 2015;

<sup>13</sup> Available at: [http://www.mon.gov.mk/Strategija\\_za\\_pretpriemacko\\_ucenje\\_2014-2020.pdf](http://www.mon.gov.mk/Strategija_za_pretpriemacko_ucenje_2014-2020.pdf), accessed on November 17, 2015.

<sup>14</sup> In the Introduction of this strategy it is emphasized that “entrepreneurship can be applied in many different economic contexts such as social entrepreneurship, public sector entrepreneurship, entrepreneurship in the creative industries, and many other contexts. Entrepreneurial Learning could increase teachers’ competences at all levels of education and equip all educational institutions with state-of-the-art technologies”.

<sup>15</sup> Ministry of Labour and Social Policy [http://mtsp.gov.mk/WBStorage/Files/Final\\_Reports\\_MAK.pdf](http://mtsp.gov.mk/WBStorage/Files/Final_Reports_MAK.pdf)

<sup>16</sup> Data from research performed by CIRa (2011) shows that 77.5% of the funds in the NGO sector are funded from international development programmes. Only 1 % is donated by individuals (5% in 2007) and 2.2 from the business sector (7% in 2007). Local Government funds have also declined at 3.9 % (8%, in 2007) and the central government contributes with 5.9% (4.5% in 2007). Economic activities contributed with 6.4% in 2011, membership with 1.1% and other sources of funding with 2.1 %.

constraints of SE organizations in FYR Macedonia. The LCAF provides opportunities to gain revenue from the donations of individuals and businesses, and also provides tax exemption for donations designated for projects of public interest. According to the World Index Donations scale (2012) FYR Macedonia is ranked 72<sup>nd</sup> (out of 146 countries). Regarding donations, there are administrative procedures that the private sector finds difficult to follow and that can therefore be seen as one of the barriers to the realization of donations.

A low presence of the SE financial schemes is observed in municipalities. Financial support from the local government for the social activities of CSOs is negligible. Despite *the Law on Units of Local Self-Government* which envisage the allocation of the municipal budget for the support of CSOs, in most cases the amount is not more than 1% of the municipal budget. A small number of municipalities have developed support for CSOs providing social services. Also, there is no significant support to provide working conditions (technical equipment, office space or human resources). The “Centar” Municipality of Skopje is the first organization that provided a grant for establishing a social enterprise to support the elderly. The Local Economic and Social Council of Skopje City has developed a project for increasing awareness about social entrepreneurship among the youth.

The financing of CSOs from the state budget is still not sufficiently developed, in comparison with other sources of funding. It is perceived that the distribution of the state budget to CSOs in FYR Macedonia requires more transparency.<sup>17</sup> There is noticeable discrimination here based on affiliation to political parties. In general, the actual statements were found to show the lack of funds for institutional support to CSOs.<sup>18</sup>

There are many tax laws that directly or indirectly deal with the activities of civil sector organizations. A recent analysis has highlighted the need for changes in the tax system. The tax system is not harmonized. For example, the Law on Trade Societies and the Law on Profit Tax treat enterprises and CSOs equally, although the Law on Donations and Sponsorships for public activities includes financial exceptions. The administrative procedure for securing tax incentives is complicated, long and is charged to the donors, as is highlighted in the analysis (MCIS, 2014). The CSOs face situations when personal income tax needs to be paid on different types of expenditures (catering services, accommodation, and travel costs) for volunteers and for the beneficiaries of their services. This creates an additional financial burden because it is difficult to justify these expenditures to foreign donors, and some donors do not even recognize these costs as eligible. A total of 43% of the CSOs’ activities are associated with companies, but it is not known whether they have requested refunds.

The first yearly programme for financing the activities of associations and foundations started in 2009. Every year the Unit for cooperation with CSOs announces project grants to citizens’ associations. The total amount per year is 195,000 EUR (MCIS, 2014). Although the instruments are developed (the institutional and legal framework) the distribution of the budget funds should clearly refer to the proposed measures. In terms of objectives, special importance is not given to the promotion of the SE.

European funds are the most important source of support for CSOs. The EU grants for which CSOs may apply are: the Instrument for Pre-accession Assistance (IPA), the European Instrument for Democracy and Human Rights (EIDHR), Cross-Border Cooperation (IPA 2,), IPA Civil Society Facility, Progress Programme, Europe for Citizens 2014-2020, Competitiveness and Innovation Framework Programme. In terms of the SE and social entrepreneurship, of particular importance are the grants provided by the Swiss Agency for Development and Cooperation through the Civil Society Support Facility – CIVICA Mobilitas. The second phase is in the beginning stage (2014 -2018) with a total budget of 6.5 million EUR. The programme is focused on social changes.

Value Added Tax (VAT) Exemption Procedures are applicable only for EU Funded Projects, especially for IPA-projects (February 2015), pursuant to the Agreement between the Government of

<sup>17</sup> Available at: [http://www.tacso.org/doc/mk\\_v2\\_newsletter8en.pdf](http://www.tacso.org/doc/mk_v2_newsletter8en.pdf), accessed on November 21, 2015.

<sup>18</sup> Available at: [http://www.tacso.org/doc/mk\\_v2\\_newsletter8en.pdf](http://www.tacso.org/doc/mk_v2_newsletter8en.pdf), accessed on November 21, 2015.

the Republic of Macedonia and the European Commission dated 26.07.1996. There has been a change in the VAT exemption procedure which came into force on 1 July 2014 (The Law on Value Added Tax - Consolidated text).<sup>19</sup> However, current EU funding opportunities are relatively difficult to be accessed by the majority of the CSOs. The major reasons for this are relatively high thresholds of the available grants, which require proof of high financial management capacities, as well as a specific level of co-financing that should be provided. In addition, the European Commission (EC) application process is complicated technically and imposes many financial and administrative conditions on organizations and so effectively excludes the greater majority of the CSOs.

A number of other financial institutions are active in financing SMEs and other small ventures. The “Horizons” Programme of the Catholic Relief Services targets potential entrepreneurs and those operating in the informal sector, enabling them to gradually formalize their activities. The programme also provides microfinance through group loans (up to 2,500 EUR, repayment in 6-9 months). Around 10,000 loans have been issued thus far. The Commercial Financial Fund for SMEs, financed by USAID, has a capital of 1.5 million USD. The CFF finances short-term working capital for SMEs. Also, the savings bank “Moznosti” has branch offices in 6 cities (Kocani, Kicevo, Kumanovo, Strumica, Bitola and Ohrid). This micro-finance institution is a savings bank originating from the United States Agency for International Development (USAID) funded “Opportunity International” programme. The savings bank “FULM” has branch offices in Skopje, Tetovo, Strumica, Kavadarci and Bitola. This former USAID programme was established through the World Council of Credit Unions and provides micro-loans to its clients. The initiative “Business Angels” invests directly into enterprises in their personal capacity. A conference on the Business Angels concept was organized by the SME Forum in November 2006 and the SME Programme 2007–2010 envisages the creation of a Business Angels Network (located in a Business Chamber) matching potential investors with enterprises. The Fund for Innovation and Technological Development in Macedonia started to work in 2015 with several grant opportunities. Its mission is to encourage and support innovation activities in micro, small and medium-sized enterprises (MSMEs) in order to achieve more dynamic technological development based on knowledge transfer, development research and on innovations that contribute to job creation, and to economic growth and development, while simultaneously improving the business environment for the development of competitive capabilities of companies.

Many enterprises donate ad-hoc upon a specific request for donations. Usually, donations are made in the areas of health, disabled persons (16%) and child protection (14%). Although enterprises declare that they are open to providing donations, only a small percentage of enterprises (14%) are prepared to ensure long-term support (TACSO, 2014). In small and medium-sized businesses there is no sensitivity to the social dimension. Perhaps this can be attributed to a general lack of liquidity among the small and medium-sized enterprises.

### **3. Analysis of the current situation within the sector**

The social economy is a relatively new concept in FYR Macedonia, although it has been heard of frequently over the last two years. The most prominent topics related to the SE are “social entrepreneurship” and “social responsibility” (corporate responsibility). Social entrepreneurship has been the subject of many systematic studies and debates that explain the legal and organizational forms it can take (CIRA, 2011).

The Law on Social Entrepreneurship is currently in the enactment procedure. The draft Law has been prepared as the result of a partnership project between the Centre for Institutional Cooperation – CIRA as consultant and the Ministry of Labour and Social Policy as beneficiary, with financial support from the British Embassy in Skopje. The latest version emphasized few main goals: to establish a new legal model for organisations and entities that function in the area of social entrepreneurship; to define the responsibilities of founders and beneficiaries; to motivate positive growth and development of the social enterprise; to decrease unemployment; to foster social cohesion; to fight against poverty and to decrease the volume of costs in the budget for social purposes. This

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<sup>19</sup> Official Gazette of the Republic of Macedonia No. 44/99 ...,129/15, *The Law on value added tax*://www.ujp.gov.mk/e/regulativa/opis/17

Law proposal is posted on the Single National Electronic Registry of Regulations (SNERR) allowing public input and comments. The main comments have been that there is a need to broaden the definition and the focus of the social entrepreneurship (law recognize only Work Integration Social Enterprises (WISEs) in order to secure the employment of marginalized groups). Other types of social enterprises that contribute to the well-being of the community through organic agriculture, green technologies or other developmental mission are not in the focus of the law. Also there have been comments related to an article that defines that social enterprise can be established in any area of interest, provided they follow requirements to employ at least one person that is part of the beneficiaries/users as defined in the Law. In order to prevent the establishing of social enterprises in areas like gambling, the tobacco industry, non-clean industries, requirements have been set to define areas of public interest in which the social enterprise might be established, as it is regulated in many European countries. In the process of securing public input for the draft law, it was mentioned that some marginalized groups are not on the list, such as: people with the status of homeless people or people that live in economically deprived and rural areas.

The most important form of social economy in FYR Macedonia are citizens' association. In practice, different terms are used in this domain relating to CSOs. Under the law of 2010, CSOs are called citizens' associations. Political parties, trade unions and economic chambers are excluded from this definition. According to statistical data obtained since 1991, more than 13,000 of such organizations have been registered, however, the number of those which were active was 2,500. The main problem that citizens' associations face is their sustainability, since their activities depend on donations. The number of citizens' associations providing social services in FYR Macedonia is estimated at one hundred.<sup>20</sup>

According to data from the surveys conducted in this domain only 24% of citizens' associations perform an economic activity (MCIC, 2014). Economic activities that are often undertaken by citizens' associations are: research activities, training, consultations, preparation of documents, renting of equipment, renting of working space, and other services. Income generating activities such as production and sales are lacking.

The activities of citizens' associations are beginning to assume an economic dimension thanks to the revision and broadening of the Law on Civic Associations and Foundations. In this regard, the quintessential publication was prepared by the Macedonian Centre for International Cooperation (MCIC), titled: *Economic Activity: Acting as a Civic Organization*. This text refers to the basic regulations regarding economic activities of CSOs. The handbook gives an overview of the legal framework which differentiates the economic activities of CSOs and those of private and public companies (income, taxation, the type of economic activity). It also gives examples of what could be considered a service provided by an organization, for every economic field in the marketplace.

Certain CSOs in FYR Macedonia are real representatives acting in the field of the SE. For example, the Centre for Institutional Cooperation (CIRA) has built a systematic approach to introducing the concept of social entrepreneurship. Since 2010, CIRA has conducted workshops, debates, conferences, and trainings for social entrepreneurship. However, in 2015 CIRA ended its work because of some internal reasons. Major power is still maintained by the MCIC, considered as a large CSO in the national context and influential in the SE in FYR Macedonia, but also in a regional context, being part of a wider network of organizations. The MCIC strongly influences the working environment of CSOs with its involvement in the preparation of legislation related to this domain, the research it conducts, the data it generates and the funds it makes available for the support of other organizations. A serious problem of CSOs is the lack of information concerning founding resources and information about project calls. This is particularly a problem for small CSOs. There is no centralized database of open calls for CSOs for funds from the state budget.

A systematic approach towards social entrepreneurship has been developed through the activities undertaken by TACSO. In the beginning of 2014, this organization held the workshop "Social

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<sup>20</sup>According to the National Strategy for Poverty Reduction and Social Exclusion 2010-2020

Entrepreneurship – New Perspective for CSOs”. The CSOs which promote and develop the concept of the social entrepreneurship, often mentioned as pioneers in the affirmation of this practice, are: Izbor, CIRA, ORT, Mladi-info, SD Peoni, RBC, Hera, Konekt, Open Society Institute Macedonia and several others. The analysis of the sector singled out as remarkable the project "Pokrov" – realized by the citizens' association "Izbor", as a good model to be followed by others.

With respect to social entrepreneurship, it is important to mention the role of Business incubators (BIs) which inspire social innovation and provide other forms of support towards the establishing and developing of small firms (the use of working space and equipment personnel training). At this moment there are eight active incubators. The first BI was created in 1997 and it was initiated and supported by the World Bank.

Although the unemployment rate in FYR Macedonia is very high, CSOs have no advantages in terms of employment, compared to other employers. In the national unemployment policies, CSOs are not perceived as a potential source of employment, and should be more integrated into related government measures. In 2013, the total number of employees in the civil sector in FYR Macedonia was 1,839 people.<sup>21</sup> However, for young people, the CSOs are still not an attractive sector for employment.

The negative image of cooperatives among the people in Macedonia is a result of the misuse of this form of work association by the communist state following the Second World War. The Law on Agricultural Cooperatives (2013) is concerned only with agricultural activities, although the Law on Cooperatives (2002) included all economic activities. In the current stage, the Government of FYR Macedonia is applying various measures to stimulate the creation of agricultural cooperation (financial, organizational, raising awareness). This constitutes powerful support to agricultural production and offers solutions to the problem of unemployment, particularly rural youth unemployment. In this economic sector there are a small number of legal subjects (farms, only 4% of all the legal entities) and ownership of the land is fragmented, with an average of 2 ha per agricultural subject. This is why agricultural cooperatives have the potential for SE development. Despite the efforts of the government to create a conducive environment for the creation of cooperatives, such as renting state land to individuals, providing funding for managers, and other benefits, to date only 15 cooperatives are operating in FYR Macedonia<sup>22</sup>. An interesting case is the newly created cooperative "New Earth", established in 2014, which main goal is to create a network of the supply and demand of organic food products. Also, this cooperative supplies the network with information about organic production (creating an organic products market). Reviewing the activities of agriculture cooperatives, it is evident that, regardless of their small number, there is increasing interest in them among the public.

Another area with potential for social economy are craft associations. In Macedonia there are 7,000 registered craft organizations, and the law governing their activities provides the possibility for the creating of cooperatives in this sector.

In conclusion, we can emphasize that in Macedonian society great importance is given to applying active measures toward reducing unemployment. All efforts are focused on the realization of different kinds of active measures that are very expensive. Draft of the Law on Social Entrepreneurship allows social enterprises to use existing active employment programmes and measures within the Operational Plan for Active Policies of the Government. These measures include: start-up incentives (including measures encouraging entrepreneurship; female entrepreneurship and micro credit schemes); hiring subsidies for persons at social risk; a special programme of hiring subsidies for most vulnerable groups 'Macedonia employs' (wage subsidies for employers that hire workers from the most vulnerable groups and hard-to-place workers); subsidized employment of young graduated workers' first opportunities; stimulating the employment of the beneficiaries of social financial assistance;

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<sup>21</sup> According to Central Registry of the Republic of Macedonia

<sup>22</sup> Information provided by the Macedonian Association of Cooperatives, URL: <http://www.mazz.mk/>, accessed on November 21, 2015.

policies for promoting youth self-employment and employment with start-up loans; jobs for children without parents or parental care up to 18 years of age, etc.

Concerning the social economy there are several bigger and smaller international projects in the stage of the realization of social entrepreneurship development: Regional Project E.L.B.A.- Social Economy in SEE (2015 - 2016) managed by Caritas Italiana, conducted in cooperation with the national Caritas organizations from 7 countries (Bosnia and Herzegovina, Serbia, Montenegro, Kosovo, Greece, Macedonia, Albania); the Regional Project “Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises” (2014-2016) supported by the Regional Research Promotion Programme. The project will map the social enterprise models in Macedonia, Albania and Kosovo by identifying, classifying and comparing them, as well as analysing the institutional processes that underlie them; the project “New Entrepreneurship Opportunities for People with Disabilities” (2015 - 2017) funded by the UNDP. The self-employment for people with disabilities measure will work to integrate unemployed people with disabilities into the labour market by providing them with the customized support they need to start up their own businesses. It is expected that from January 2016, the EU IPA project Fostering Social Entrepreneurship will start with its implementation. What is promising is that various donors (USAID, Global Fund for HIV/AIDS, etc), are starting to support the social enterprise sector in the country.

According to a study conducted in 2011, there are more than 100 different legal entities that function as social enterprise initiatives in various fields (employment, environment, agriculture, micro-financing, etc.).

Source:<sup>23</sup>

Type of Social Enterprise	Estimated number
CSO	100-150
Protective company	291
Cooperatives	20
Non-profit Companies	4
Micro-finance institutions	5
Total	420-470 Social Enterprises

The “St. Cyril and Methodius University” (Faculty of Philosophy) has become an important institution that promotes the concept of social economy. It has published the first university textbook for social entrepreneurship.<sup>24</sup> In 2015, they published the book “Sociology of Work”, which dedicated one chapter exclusively to social economy.<sup>25</sup> As part of a state project for the translation of 1,000 textbooks from the most relevant universities in the world, popular books concerning the topic of social economy have been translated.

Social Impact Award Macedonia is a new programme established in 2015. The Head Office in Vienna, Austria, has been working on promoting the knowledge and practice of social entrepreneurship among students in Europe since 2009. In Macedonia, it is co-organized as Mladi Info International<sup>26</sup>. ARNO is an organization for Social Innovation established (2013) in the Macedonian civil landscape with the special mission to develop and implement social innovation and promote new options and contemporary technological approaches for society changes. It has supported the establishment of SEs in the Skopje Area, and since 2015, it is a co-organizer of the RBF’s Balkan Green Business Awards for Macedonia.<sup>27</sup> The YES Foundation from Skopje serves as

<sup>23</sup> Development and implementation of the social enterprise concept in Macedonia, 2011 publication under the project “Piloting Social Enterprising Concept in Macedonia” implemented by the Centre for Institutional Development and Euclid Network funded by the British Embassy in Skopje

<sup>24</sup> Pejkovski Jovan, Faculty of Philosophy Skopje

<sup>25</sup> Gjurovska Mileva, Faculty of Philosophy Skopje

<sup>26</sup> Available at: [www.socialimpactaward.mk](http://www.socialimpactaward.mk), accessed on November 20, 2015.

<sup>27</sup> Available at: [www.arno.org.mk](http://www.arno.org.mk), accessed on November 20, 2015.

an incubator for SMEs, but it has been involved in several social enterprise development projects.<sup>28</sup> The Social Innovation Laboratory is a regional hybrid organization working in the area of social innovation in the Western Balkans. The mission is to provide a platform for social innovations where knowledge, ideas and practices meet to find solutions for development challenges in the regional socio-economic context<sup>29</sup>. The Yunus Social Business Balkans (YSB Balkans), located in Albania, has an on-the-ground presence in 7 countries (including Macedonia), where the local country teams spearhead two main initiatives: Entrepreneur Services and Financing. The YSB Balkans applies a business approach to the world of social development, bridging the gap between social businesses and philanthropic lenders and donors.

#### **4. Summary with recommendations**

To ensure the SE development in Macedonia it is important to provide an environment that enhances the role of SE organizations and encourages stronger links between these organizations, local authorities and other actors, while acknowledging the important role of the users of SE organizations.

Some recommendations for stimulating further development may be given:

- Public awareness of the SE and social entrepreneurship should be raised and introduced into a public debate about the role and importance of the SE in terms of addressing social and environmental problems;
- Existing legislation concerning various SE entities should be harmonized;
- The financial framework for SE support, including regular financial schemes and tax incentives should be more stimulating;
- A Strategy for Social Economy should be developed as a comprehensive approach to institutional support for the development of the social economy sector;
- Social economy organizations should be more integrated into major policy documents and activities, especially those concerning employment and the fight against poverty and social exclusion;
- Special funds that will provide financial support to social economy entities should be established;
- The role of local authorities to create special local financial schemes and build partnerships with local social economy organizations should be more encouraged;
- Education programmes, training and knowledge transfers, both in formal and informal education, should be developed in order to increase capacities for social economy activities;
- Regional cooperation should be promoted through the exchange of good practices and experiences;
- The development of an intermediary sector aimed at providing non-financial support to social economy organizations should be given greater support;
- Inter-sectoral partnerships are encouraged since they may bring together government institutions, the private sector, and social economy organizations;
- The including of good practices and relevant knowledge of the social economy into the education process;
- A full reform of the system of giving funds to CSOs from games of chance and lotteries;
- The undertaking of measures for better access to information on available funds and their utilization (web-site with open calls, register of CSOs);
- The establishment of non-financial support (office space, access to equipment);

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<sup>28</sup> Available at: <http://www.yes.org.mk>, accessed on November 20, 2015.

<sup>29</sup> Available at: [www.socinnovationlab.org](http://www.socinnovationlab.org), accessed on November 20, 2015.