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Danube4SEecosystem

Enhancing the development of Social Economy by engaging Local Public Authorities in the Social Enterprises supporting Ecosystem for a more inclusive Labor Market in the Danube Region

Country reports on SEs in Slovak Republic

Due date of deliverable:	**Actual submission date:**
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Danube4SEecosystem

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1 Introduction

This report has the following key objectives:

- Provide an assessment of the current landscape of Austria's Social Economy (SE) ecosystem, emphasizing the major challenges for the sector due to COVID-19, war in Ukraine, economic crisis.
- Evaluate the current state of the SEs active in DR, including the number, type, and scope of social enterprises.
- Map existing policy framework, support measures and local / regional ecosystem for SEs and collaboration models between LPAs and SEs.
- Identify the specific skills gaps that hinder effective collaboration between social entrepreneurs and public authorities.

This report aims to answer the following research questions.

Current State and characteristics of SE:

- What is the current state of social entrepreneurship in Austria?
- What are the main characteristics of social enterprises in Austria (e.g., sectors, size, business models)?

Challenges and Barriers:

- What are the key challenges and barriers faced by social entrepreneurs in each partner country?
- How do regulatory, financial, and political conditions affect social enterprises?

Policy framework, support measures, collaboration models:

- What existing national and regional policies govern social entrepreneurship in Austria?
- What types of financial and non-financial support measures are available for social enterprises from local, regional, and national authorities?
- What existing models of collaboration between social enterprises and local public authorities can be identified?

Identify Skills Gaps:

- What specific skills gaps exist among social entrepreneurs that hinder their ability to collaborate with local public authorities?
- What skills gaps are present within local public authorities that affect their ability to engage with social entrepreneurs?

Sources and types of data and information used in the report

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To ensure a comprehensive and accurate analysis, a variety of sources and types of data and information were utilized.

Sources of data and information include government publications and reports, academic papers, journal articles, and theses on social entrepreneurship and public sector collaboration, research reports and studies conducted by universities and research institutes, survey conducted with social entrepreneurs and representatives of local public authorities.

Types of data and information used includes quantitative data (such as statistical data on the number, size, and types of social enterprises), qualitative data (for example, texts of laws, regulations, and policies relevant to social entrepreneurship, open-ended survey responses, document analysis), and data collected from questionnaires.

Methods and tools for data collection, validation, and quality control

Methods and tools used for data collection were document analysis (review of relevant documents, publications, and reports) and questionnaire (more specifically, online survey tool: Google Forms). To help validate the data, multiple data sources (checking information from various sources) and different methods to collect data were used. Relating to quality control, clear guidelines for entering and managing data, as well as regularly reviewing data collection progress and quality, were provided.

Methods and tools for data analysis, synthesis, and interpretation

To analyze, synthesize, and interpret data effectively we employed a combination of qualitative and quantitative methods and tools. Regarding the quantitative data, we are going to use descriptive statistics, data will be processed in Excel and calculation of frequencies will be conducted to summarize data. Furthermore, report patterns (themes) within qualitative data were identified and analysed.

Methods and tools for data visualization, and presentation

For data visualization charts, graphs, and tables were used (Microsoft Excel). Microsoft PowerPoint will be utilised for creating slide presentations.

Ethical and legal considerations and limitations of the report

Participants were fully informed about the purpose, methods, and potential uses of the report. Participation throughout the project is going to be voluntary, personal information will be anonymized to protect the identity of participants. Regarding the data protection we are going to ensure secure handling and storage of data to prevent unauthorized access and breaches. All participants will be treated with dignity and respect. Findings will be reported truthfully and accurately.

Compliance with data protection laws is going to be ensured and we are also going to acknowledge and cite all sources of information and data used in the report.

Some of the limitations that might occur are difficulty in accessing or recruiting a representative sample of participants and response or recall bias. Furthermore, small sample sizes can limit the ability to generalize findings. We can also find difficulties in accessing relevant data or information.

2 Short review of COVID-19, wars, economic crisis, and impact on SEs

The social economy sector in Slovakia is strictly divided into a group of social enterprises that have the status of a registered social enterprise (see below for more details), social enterprises that meet all the characteristics of a social enterprise, but are not formally registered (hereinafter referred to as de-facto social enterprises) and other social economy entities.

These three groups differ not only in size and resilience but especially in their access to support schemes and the range of information available about them.

While the group of registered social enterprises, which consisted of 554 entities as of 31.12.2023[1], is well mapped and there is a sound range of administrative data, including information on the size of individual registered social enterprises, their focus, activities, etc., the situation is the opposite for the other two groups.

The least described is the group of so-called de-facto social enterprises, i.e. social enterprises that fulfil all the characteristics of a social enterprise, but for various reasons they are not registered and operate in the mode of either an ordinary non-profit organisation providing public benefit services or an ordinary company with limited liability, i.e. in the mode of a commercial entity. According to other estimates (EURISCE, 2024), the size of this group is estimated at 800 organisations, most of which are non-public social service providers and centres of non-established culture.

A third group, made up of organisations referred to as social economy entities whose economic performance and market presence are not entirely and always clear, is mentioned because in several countries they are perceived as part of social entrepreneurship. In this case, the size of the group in Slovakia is estimated at about 56,000 entities, whose nature is extremely heterogeneous and includes a wide range of societies, associations, non-profit organizations and other entities carrying out a wide range of activities, most of which are more related to charities and interest groups than social enterprises

The crisis periods caused by the COVID 19 pandemic and the war in Ukraine have affected each of the above groups differently. While in the case of the group of registered social enterprises, the impact was not significant, in the case of the other two groups the above-mentioned crises brought about major and dramatic changes.

The stability of registered social enterprises is mainly due to their high use of wage subsidies for disadvantaged workers. In the period of the COVID 19 pandemic, the wage subsidy for disadvantaged

[1] See the Register of Social Enterprises maintained by the Ministry of Labour, Social Affairs and Family

employees of work integration social enterprises (hereinafter as WISE) was one of the few active labour market policy measures in Slovakia whose disbursement was continuous also during the pandemic time. However, a survey of social enterprises carried out in spring 2024 for the Danube4SEecosystem project showed that social enterprises would welcome a wider range of support designed specifically for social enterprises, and the processes for obtaining support from existing support schemes focused on pandemic impact mitigation were perceived by the social enterprises surveyed as very bureaucratically difficult. Another problem declared by social enterprises in the context of the pandemic was the shortage of labour force, which had a significant impact on the activities of social enterprises.

On the other hand, the pandemic year 2020 even showed the fastest growth in the number of registered social enterprises, which was in significant contradiction to development expectations (see Figure 1). Based on the results of the survey conducted in 2021, the majority of registered social enterprises also declared that they were operating as normal during the first wave of the pandemic (see Figure 2) (Polačková, 2022)

Similarly, there were no significant fluctuations in registered social enterprises in the context of the outbreak of war in Ukraine. Perhaps the most significant impact was that the list of disadvantaged and vulnerable employees of social enterprises of labour integration was expanded to include people from Ukraine. However, we do not know the exact number of employees from Ukraine and the existing information is only anecdotal.

Figure 1: Number of newly registered social enterprises per year

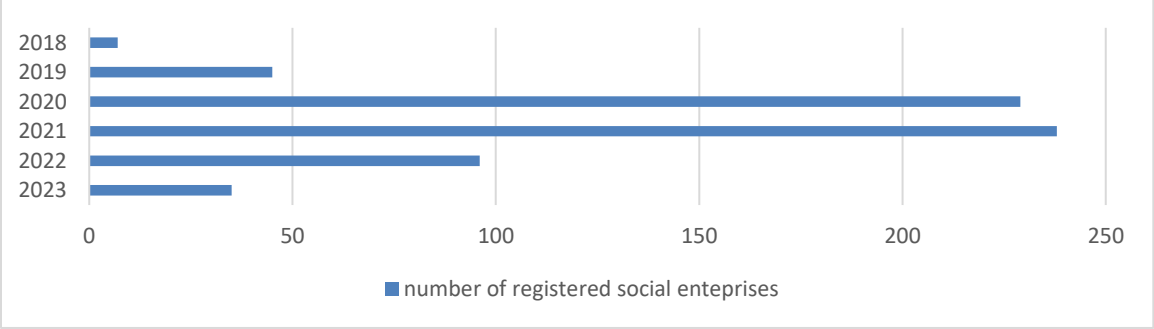
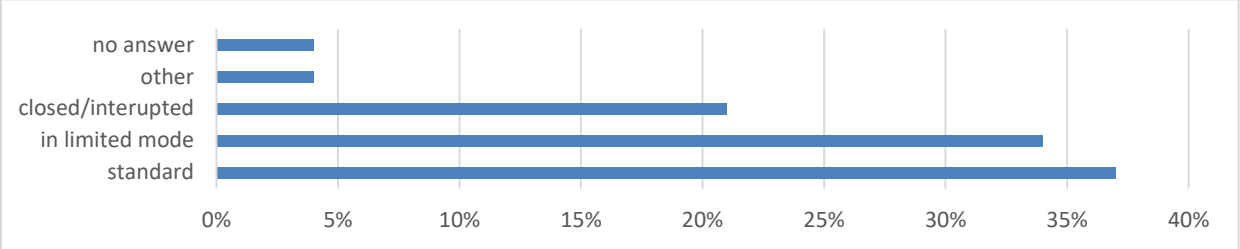


Figure 2: the operation of the registered social enterprises during the first wave of the pandemic



For the other two groups of social enterprises/social economy entities, the situation was significantly different and the poly-crisis, which has become a major characteristic of recent years, had dramatic, even fatal, consequences for a number of de-facto social enterprises and a number of social economy entities. These were not only in terms of reduced income but also in terms of a substantial increase in the burden, since in many cases these were organisations that were “on the front line”.

In the context of the crisis caused by the pandemic, several de-facto social enterprises were on the verge of collapse, as strict anti-pandemic measures and a long-lasting ban on group events eliminated their activities, ergo their income, while anti-pandemic aid from the state was slow in coming and bypassed many sectors. However, there is no factual evidence and statistical data; the information available is only anecdotal.

In the context of the crisis caused by the war in Ukraine, a large group of social economy entities performed beyond any measure. These were stimulated not only by the personal commitment of these organisations, but also by the strong wave of solidarity with refugees that spread through Slovakia, which made possible also a number of very successful financial collections to help people from Ukraine.

The period of the first months after the beginning of the war, for several social economy entities, also marked a rapid growth in terms of the number of new employees and collaborators. However, the high level of support, including financial, from the public waned after a few months and several organisations were forced to reduce staffing levels. The war in Ukraine thus meant rapid growth but consequently also a rapid decline in the organisations involved in aid.

For the group of organisations collectively referred to as 'social economy entities', however, one of the most significant problems of recent times has been the negative rhetoric of government representatives. They have long been opposed to NGOs, which they often label as enemies of Slovakia, etc. Pre-election slogans such as 'not a cent for NGOs' are not uncommon and the NGO sector, which is the main breeding ground for social economy entities, is often faced with efforts to minimise and restrict the sector.

However, given the heterogeneity of the social economy in Slovakia demonstrated above, the following text will focus mainly on the group of registered social enterprises.

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3 Analysis of the progress of SEs in the past 5 years in Slovak Republic

In the last five years, the topic of social entrepreneurship in Slovakia has received unprecedented attention. This was due to the adoption of a separate Act on Social Economy and Social Enterprises from May 2018 and the subsequent establishment and operation of the support structure.

The topic began to be more strongly communicated, both by the experts, political representation and social enterprises themselves, which naturally raised (often inadequately) high levels of expectations and social entrepreneurship began to be often perceived by public policy makers as a solution to a wide range of societal problems.

An underestimated externality of recent developments is the gradual separation of social enterprises from the social economy sector which has been traditionally associated with the not-for-profit sector. Social enterprises in Slovakia, which are registered under the Social Economy and Social Enterprises Act, are only weakly anchored in the social economy and civic sector environment. A significant majority have the legal form of a commercial entity (most often Ltd.) and base their legitimacy, albeit unconsciously, mainly on the tradition of sheltered workshops, i.e. the tradition of financially subsidised employment of people with disabilities. This claim is based on the fact that 99% of registered social enterprises focus on work integration and 83% of the disadvantaged employees of these social enterprises are people disadvantaged by disability (ÚPSVaR, 2023).

a) description of the SE Ecosystem

The Social Economy and Social Enterprises Act itself, passed in 2018, explicitly talks about the need for supportive infrastructure and technical assistance provided to the emerging sector of social entrepreneurship.

This is mainly implemented in the form of the so-called Institute of Social Economy, which is part of the Ministry of Labour, Social Affairs and Family of the Slovak Republic. The Social Economy Institute has been operating since 2019 thanks to funding from the European Social Fund and its role is to disseminate information on the principles of social entrepreneurship, provide assistance to emerging and existing social enterprises, and ensure the correct application of the Social Economy and Social Enterprises Act. This is done through a network of eight regional offices located in each regional city and through a central unit that, among other things, produces a number of methodological materials on various topics related to the development of social entrepreneurship in Slovakia.

Under the Social Economy and Social Enterprises Act, it is also possible to register a social enterprise umbrella organisation, which role is to bring together social enterprises and represent their interests. There is currently one umbrella organisations the Association of Social Economy of Slovakia (ASES), which was established in 2020. It is also active internationally and joined Social Economy Europe in March 2024. In the past there was also the Association of Social Economy Entities (ASSE), which was registered in 2019, however due to inability to cover necessary percentage of all registered social enterprises has lost its status as an umbrella organisation.

The overall quality of the support system also depends on access to financial resources, whether repayable or non-repayable. The availability of repayable finance for social enterprises has improved substantially over the last three years. In addition to Slovenská sporiteľna, a commercial bank which is part of the Erste Group and which has long been committed to supporting social entrepreneurship through its Social Bank initiative, two other major players - the CB ESPRI Fund and the Social Innovators Fund - have emerged on the market in 2021. In addition to their private resources, each of these funds managed a sum of EUR 10 000 0000 from the European Social Fund. Both of these funds have supported dozens of investments and the creation of several regional funds that are active at the regional level and concentrate their support on smaller, local investments.

However, the situation is not satisfactory in terms of access to non-repayable resources (more details in following section). Despite the efforts of the Ministry of Labour, Social Affairs and Family of the Slovak Republic to create a scheme of non-repayable aid for the development of investments, these efforts can be considered unsuccessful so far, as the aid distributed so far has been associated with a high level of administrative burden, legal uncertainty and very long reaction times, which has left the allocated funds unspent and social enterprises uninterested in this type of support. The only financial assistance that works well are job subsidies for disadvantaged employees, which are distributed under active labour market policies.

Academic and research organisations working on the topic are undoubtedly part of the support ecosystem. Here, in addition to research projects led mainly by the University of Economics in Bratislava (Faculty of National Economy), Comenius University in Bratislava (Faculty of Management), the Slovak Academy of Sciences (Forecasting Institute) and Matej Bel University in Banská Bystrica, separate courses on the functioning of the social economy and even a separate bachelor's programme specialising in social economy and social entrepreneurship have recently started to emerge.

Other organisations, such as the Slovak Business Agency, the Centre for Scientific and Technical Information or several coworking associations, also play a visible role in supporting social entrepreneurship. These sporadically organise mentoring/incubation/acceleration programmes specifically for social enterprises. However, due to the limited publicity towards potential participants from the social economy sector and the general focus of the programmes, the participation of social enterprises in these programmes is not high.

Even traditionally strong players in the field of capacity building of social enterprises such as Social Impact Award or Ashoka CZ-SK have not been able to remedy the limited supply of educational opportunities for social enterprises. The main reasons for this certainly include the absence of financial support to enable the development of non-academic institutions providing quality education and capacity support on the topic of social economy and social entrepreneurship. Another problem is certainly the tradition of low participation of adults in education programmes, which is inherent to

Slovakia and ranks Slovakia among the countries with the lowest participation of adults in education programmes among all EU Member States[2].

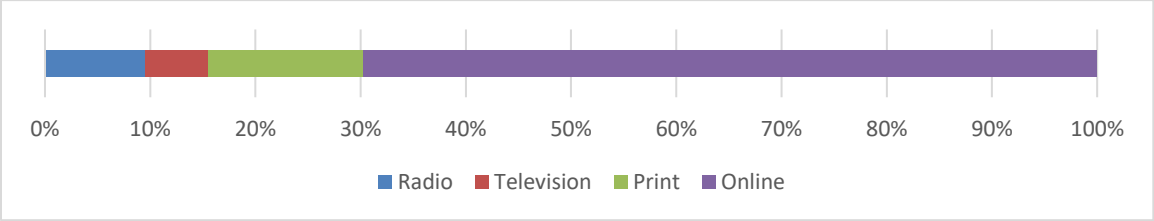
On the other hand, the not-for profit sector initiatives targeting young people, as e.g. Social Innovation Relay initiative is a source of optimism. This is designed for secondary and primary school students, who are motivated to generate ideas and solutions to social and societal needs. The initiative is implemented in Slovakia by JA Slovakia and is part of an international initiative, so the winners of the Slovak round go on to the international competition. Part of the preparation includes participation in a series of educational events in the field of social entrepreneurship and social impact and participation in the "Innovation Camp" event.

The nature and quality of the support ecosystem is undoubtedly influenced by the level of awareness and the public discourse about the social enterprises, which are also strongly shaped also by the media.

The last representative survey aimed at measuring awareness of the social enterprises was conducted in 2019. According to this, just under 5% of the population can name a social enterprise (Polackova, 2020). While a similar survey has not been conducted since this time, it is likely that recognition of social enterprise among the general public has increased due to increased media interest in social enterprises. For example, in the year 2022, there were 2,411 media articles that together contained the keyword 'social enterprise'. In terms of media type, online articles (70%) and print (15%) were the most common (see Figure 3) (Strečanský, 2023).

In online articles, which represent the strongest medium for social entreprises, the topic was mentioned most frequently in the politics (636) and regional news (392) sections; in print media, it was mainly in the regional news (228) and politics (83) sections (Strečanský, 2023).

Figure 3: Distribution of media outputs containing the keyword "social enterprise" by media type in 2022



b) definition and characteristics of the SE

The social economy and social enterprises are defined in Slovakia by Act 112/2018 on the Social Economy and Social Enterprises.

[2] According to EUROSTAT statistics, participation of adults aged 25-64 in education in the last 4 weeks in 2020 was the third worst in Slovakia (Bulgaria and Romania ranked behind Slovakia)

This defines the social economy as "the sum of productive, distributive or consumer activities carried out through economic activity or non-economic activity independently of state authorities, the main objective of which is to achieve a positive social impact."

According to the above-mentioned law, the social economy is implemented by social economy entities, which are "a civil association, foundation, non-investment fund, non-profit organization, special purpose organisations of a church, commercial company, cooperative or natural person - entrepreneur who is an employer, who

a) are not majority-controlled and financed by a public authority, a public authority does not appoint or elect a statutory body or more than half of its members, and does not appoint or elect more than half of the members of a management or supervisory body,
b) they carry out an economic activity or a non-economic activity in the framework of social economy activities, and
c) if they carry on business or other gainful activities under special regulations, they do not carry them out solely for the purpose of making a profit.

A social economy entity may become a social enterprise after fulfilling the following characteristics. A social enterprise is a social economy entity

a) which carries out an economic activity on a continuous, independent basis, in its own name and on its own responsibility,
b) whose main objective is to achieve a measurable positive social impact,
c) in which the goods or services it produces, supplies, provides or distributes, or the way in which they are produced or provided, contribute to the achievement of a positive social impact
d) which, if it makes a profit from its activities, uses more than 50 % of the profit after tax within one year of the date of approval of the annual accounts showing a positive economic result for the accounting period concerned to achieve its main objective
e) which involves interested parties in the management of its economic activities.

A social enterprise which fulfils the above criteria may apply for the status of “registered social enterprise”. The granting of the status opens the door to several types of support, the details of which are described below.

A social enterprise in Slovakia is certainly not defined by its legal form but by the characteristics that the entity fulfils. The definition is fully compatible with and largely inspired by the definition of social enterprise that Social Business Initiative works with.

c) types of SEs and number of SEs according to the types of SE *(legal forms = type of SEs)*

Analysis of administrative data of registered social enterprises (Baláž et al, 2023) shows that up to 2/3 of registered social enterprises are micro-enterprises with 1 to 9 employees.

Registered social enterprises operate in all sectors of the national economy. Most of them are active in industry, construction, trade, and administration and support services.

In terms of economic and financial indicators, there were no significant differences between registered social enterprises in the individual regions.

In terms of legal form, the legal form of a limited liability company is significantly more prevalent at the expense of any other legal forms, especially those typical of the non-profit sector.

In terms of achieving a positive social impact, 99% of registered social are work integration social enterprises.

In terms of ownership structure, social enterprises are predominantly established and owned by the private sector (whether profit or non-profit sector organisations). A specific feature of the social enterprises in Slovakia is the existence of social enterprises owned and controlled by local or regional municipality. The wide acceptance of this type of social enterprises is conditioned by the situation from the time before the adoption of the current legislation, when social enterprises established and controlled by local municipality were the most visible advocates and promoters of social entrepreneurship as such.

The main difference between social enterprises established and controlled by local/regional municipality compared to other social enterprises is mainly related to their focus (production programme), as social enterprises established by local government are mainly oriented towards the provision of activities related to the competence of the local municipality and the provision of investment activities of the local government. A number of municipal social enterprises are therefore active in the construction sector.

Key characteristics and differences between municipality owned and private owned registered social enterprises is linted in the table below (Baláž et al, 2023).

Table 1: Characteristics of registered social enterprises

	municipality ownership					***private ownership***				
Indicator	*mean*	*median*	*st dev*	*min*	*max*	*mean*	*median*	*st dev*	*min*	*max*
Assets	222	67	656	-3	6077	267	88	579	-1	5294
Equity	42	9	128	-187	929	75	13	227	-177	3303
Sales	235	76	447	0	2663	228	61	726	0	11208
Pers costs	163	93	208	0	1573	151	82	233	223	2298
Profit	129	57	223	-90	1557	103	39	233	-66	2540
Value added	222	67	656	-3	6077	267	88	579	-1	5294
Age	5.42	3.00	5.92	1	31	7.58	4.00	7.25	1	32
Employee	5.45	5.00	2.22	1	12	5.40	5.00	2.58	1	22
	municipality ownership					***private ownership***				
	industry	*construction*	*services*	*total*		*industry*	*construction*	*services*	*Total*	
%	15.5	21.4	63.1	100.0		33.1	8.5	58.4	100.0	
	municipality ownership					***private ownership***				
NUTS2	*Brati-slava*	*Western Slovakia*	*Central Slovakia*	*Eastern Slovakia*	*total*	*Brati-slava*	*Western Slovakia*	*Central Slovakia*	*Eastern Slovakia*	*total*
%	3.6	22.6	32.1	41.7	100	6.3	32.5	37.7	23.4	100

Source: central registry of annual accounts, and authors' computations. Notes: public ownership, N = 167, private ownership, N = 354. All data refer to 31.12.2022. All financial indicators are in thousand euros.

d) specific focus on selected SEs that involve disadvantaged people in the labour market

The social entrepreneurship in Slovakia is communicated mainly through labour integration and the segment of work integration social enterprises is dominant. A very limited perception of social entrepreneurship prevails among the public as well as among potential social enterprises, and social enterprises is often and incorrectly synonymously confused with the topic of labour integration.

Of the 554 registered social enterprises active as of 31.12.2023, only 17 have also different status than work integration social enterprise[3]. Thus, any data regarding registered social enterprises (e.g. table 1) can be seen as information on work integration social enterprises.

As of the same date, these social enterprises employed XXX of which up to XXX were in the category of disadvantaged and vulnerable employees.

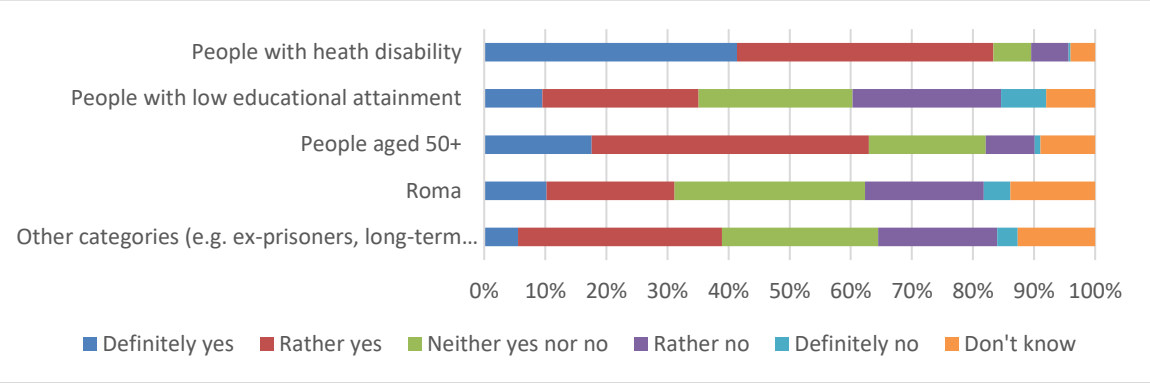
Under the Social Economy and Social Enterprises Act, the basic categories of disadvantaged employees are defined mainly by long-term absence from the labour market in combination with other disadvantages or health handicaps.

The number of employees of social enterprises disadvantaged by disability is in principle dominated by the number of employees disadvantaged for other reasons.

[3] for 15 of them the social enterprise also had the status of a work integration social enterprise, only 2 of the total number of registered social enterprises are not engaged in labour integration.

The dominance of employees disadvantaged by disability is also indicated by a survey of registered social enterprises in May 2023, which asked whether they planned to employ more people from disadvantaged/vulnerable groups in the next twelve months. The highest level of openness was declared towards employing people with disabilities (see Figure 4) (Baláž and Jeck, 2023).

Figure 4:Answer: Are you thinking of employing more people from disadvantaged and vulnerable groups in the next 12 months?



e) collaborative models of SEs and their ecosystem with consideration of the LPA (local public authority)

The potential of social entrepreneurship is recognized among local public authorities, primarily those in the category of local and regional municipalities. Moreover, the promotion of the social economy and social enterprises is also mentioned in the key strategic documents of the many municipalities (e.g. the strategic document named Economic and Social Development Plan which is compulsory for each municipality).

However, support for social enterprises is often reduced for the operation of the social enterprise itself, as evidenced by the high number of registered social enterprises established and controlled by local and regional municipalities (see table 1). This model of cooperation is legitimate in Slovakia, however the challenge with this type of support is its weak anchoring in the wider social enterprise ecosystem and the significantly unequal distribution of power between the public administration and the social enterprise. The motivation of local municipality to establish and support the operation of a social enterprise often has a utilitarian background and the main motivation is the saturation of the needs of the local government and the possibility of obtaining financial support from external sources.

The models of equal partnership cooperation between municipality and social enterprise are relatively rare in Slovakia and are still poorly described. In the case of small municipalities, cooperation is mainly implemented on an ad hoc level and is mainly conditioned by the personal relationships of the individual actors. Structured cooperation can only be observed in the case of a few, mainly regional, municipalities. These tend to create support structures, which they implement through dedicated staff or separate strategies. This is particularly the case in the regional governments of Banská Bystrica, Prešov and Košice.

An increasingly common way for local public authorities to cooperate with and support social enterprises is to build business relationships, with public authorities increasingly purchasing goods and services from social enterprises and increasingly applying social considerations in public procurement, which strengthens the business position of social enterprises.

4 Existing policies and strategies in Slovak Republic

The key framework determining the scope and methods of support for social enterprises in Slovakia is the Act 112/2018 on Social Economy and Social Enterprises. Due to the complexity of this law, no other relevant strategies have been adopted so far that would bring about activities implemented beyond the scope of this law.

Considering European trends and the existence of Social Economy Action Plan adopted at European level, the Department of Social Economy at the Ministry of Labour, Social Affairs and Family of the Slovak Republic initiated the creation of a national version of the Social Economy Action Plan. However, this has remained unnoticed and has not yet been adopted at the level of the Government of the Slovak Republic.

4.1 Supporting measures in Slovakia

Support for social enterprises in Slovakia is mainly implemented in favour of registered social enterprises, which can use several instruments of non-financial and financial (direct or indirect) assistance.

Within the non-financial assistance, the following can be mentioned:

- The Institute of Social Economy

The Social Economy Institute (hereinafter as ISE) represents the most stable and visible platform for supporting social enterprises in Slovakia. The role of the Institute is to disseminate information about the existence of the law on social economy and social enterprises and about their principles.

It provides basic technical assistance to social enterprises and aims to raise awareness about social enterprises as such. The Institute of Social Economy is not a separate legal entity, it is currently part of the Ministry of Labour, Social Affairs and Family of the Slovak Republic and its functioning is largely dependent on support from the European Social Fund (hereinafter as ESF). However, ESF funding and national interpretation of its rules is a major obstacle to providing wider technical assistance to existing social enterprises, in terms of incubation, mentoring and training programmes, as these are considered as state aid in the strict interpretation of the Slovak authorities.

The Institute of Social Economy has established a strong regional structure, and a regional office of the Institute of Social Economy operates in each of the NUTS3 regions.

- Social public procurement and exemptions for social enterprises under the Public Procurement Act

Information on the application of social aspects in public procurement is elaborated in the following sections.

However, it should be mentioned that to stimulate the purchase of goods and services provided by social enterprises, Institute of Social Economy maintains an 'online catalogue of social enterprises'. It presents in one place the goods and services offered by social enterprises, thus facilitating the selection of possible social economy suppliers and the wider application of the exemptions from the Public Procurement Act. The catalogue of registered social enterprises can be accessible at www.katalogrp.sk or www.nakupujmesrdcom.sk and as of 31.12.2022 contained 348 RSPs.

- Sale/lease of property at a lower price

The availability of this tool is limited by state aid rules. The use is conditional on the experience and willingness of property owners, thus public and government entities to provide state aid under separately approved state aid schemes. The potential of this instrument can be positively reflected in the development and construction of rental housing. In 2022, only four registered social enterprises have used this tool (IAMPSVaR, 2023). The data for 2023 are not available at the time of preparation of this report.

Existing financial assistance instruments can be broadly divided into direct and indirect financial assistance instruments. Indirect financial assistance measures are sometimes also presented as non-financial assistance instruments, so we present them as a separate category. This category in Slovakia includes:

- Reduced rate of value added tax

Registered social enterprises that fulfil the conditions set by law (e.g. 100% reinvestment of possible profits) can apply a reduced VAT rate of 10% (compared to the standard rate of 20%). This type of indirect financial support is used by those enterprises that register so called “eligible persons”[4] among their customers. These are mainly registered social enterprises (hereinafter as RSEs) established by the municipality and for the purpose of providing services to their founder or to the municipalities of the micro-region where they provide their services. This instrument is also used by RSEs supplying their goods or services to the final consumer, who is a non-business entity (e.g. public institution or NGO). In 2022, legal uncertainty persisted among RSEs in the application of this measure; due to the inconsistent interpretation of the law in practice, some RSEs are concerned about the application of this reduced rate and thus prefer to apply the standard VAT rate. In 2022, 135 RSEs applied the reduced VAT rate (IAMPSVaR, 2023).

[4] eligible persons is different category than taxable persons and is defined by legislation

- Income tax relief

This is another type of indirect form of financial support implemented on the national level, that is addressed exclusively to registered social enterprises. With effect from 1 January 2019, the Income Tax Act has been supplemented by an option of tax relief for registered social enterprises. The intention of this measure is to allow the taxpayers who are registered social enterprises to claim a tax relief on income from economic activities up to a percentage of the profit share that the enterprise has committed to reinvest to socially benefiting activities[5]. The income tax relief was used by 209 entities in 2022 (IAMPSVaR, 2023).

- Service vouchers

The aim of service vouchers is to stimulate the market for social enterprises in the field of household services. There are currently two types of service vouchers: a.) EUR 10, which are intended for any household, b) EUR 5, which are intended for persons who are assessed under the Social Services Act as being dependent on the assistance of another person due to their age or health condition.

One voucher is not equivalent to any time period or service; the price of services for which the voucher can be used to pay is determined by the specific registered social enterprise.

Per each received service voucher, the registered social enterprise may claim addition support from the Ministry of Labour, Social Affairs and Family. In the case of a service voucher in amount of 10 Euro it is additional 2 Euro, in the case of vouchers in amount of 5 Euro, it is an additional 5 Euro.

Despite the high expectations, service vouchers are currently used by only a few registered social enterprises (12 RSEs in 2022). This is due to the administrative complexity of reimbursing vouchers, the low level of awareness of the existence of this instrument on the part of potential users as well as service vouchers are the subject of the state aid, the de-minimis scheme.

Direct financial measures include in particular

- Compensatory allowances for wages (job subsidy for disadvantaged employees of registered work integration social enterprises)

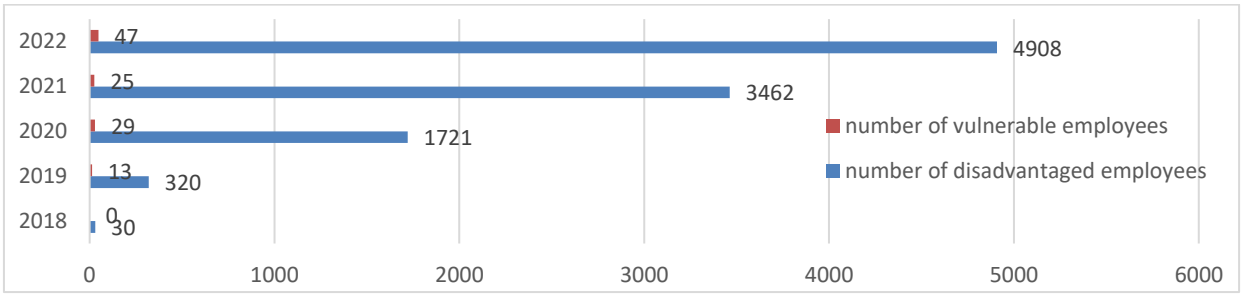
Compensatory allowances are intended to compensate for the lower performance of disadvantaged and vulnerable employees of social enterprises of work integration. Compensatory allowances are distributed by the local labour, social and family offices and registered social enterprises of work integration are automatically entitled to this type of assistance.

This type of direct financial support is clearly the most widely used financial support instrument among registered social enterprises in the Slovak Republic.

[5] the minimum level is 50% and the level of the percentage is subject to the free decision of the founders of the registered social enterprise. However, the percentage must be specified in the constituent documents of the registered social enterprise

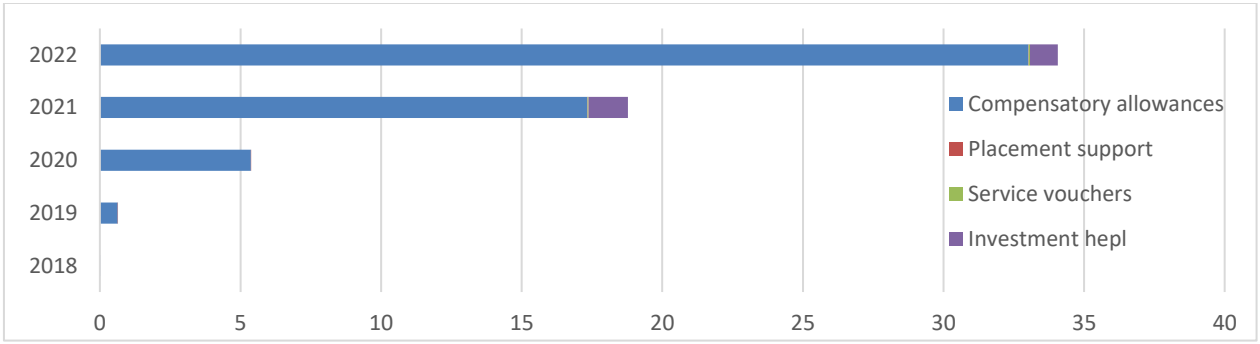
In 2022, the measure was used in connection with almost 5 000 disadvantaged and vulnerable employees of registered work integration social enterprises and the amount distributed exceeded EUR 35 million (see the Figures 5 and 6). The scope and duration of financial support is conditioned by the severity of the situation of the disadvantaged employee; however, the range varies between 25-75% of the total cost of the employee's labour cost with a maximum nominal value and the duration lasts between 3 months until the employee's retirement (in the case of people with disabilities).

Figure 5:Number of disadvantaged and vulnerable employees supported



Source: Central office of Labour, Social Affairs and Family

Figure 6: Cost of support implemented (in millions of euro), broken down by type of measure



Source: Central office of Labour, Social Affairs and Family and Ministry of Labour, Social Affairs and Family

- Placement allowances

This is an instrument designed to support the transition of a disadvantaged employee to the open labour market. However, this direct financial support instrument is only marginally used. In 2022, only 5 people were supported via this instrument (in 2021 it was 11 people) (ÚPSVaR, 2023). The low rate of use of this instrument is indicative of the fact that only few RSEs focus on supporting their disadvantaged employees' transition to the open labour market.

- Investment aid

Investment aid for social enterprises is one of the desired and expected aid instruments. The aim of the aid is to promote investment or to prepare investment projects. Investment costs are considered to be, in particular, the cost of acquiring tangible and intangible fixed assets, wage costs of jobs created

in direct connection with the investment project, operating costs, overheads and service costs incurred in direct connection with the investment project.

In the past (between October 2020 and November 2023), investment aid was implemented in the combined form of a repayable and non-repayable component, with the non-repayable part being implemented through the Central Office of Labour, Social Affairs and Family under a national project financed by the European Social Fund entitled 'Investment aid for social enterprises - non-repayable component'.

The investment aid was a long-awaited financial assistance from the RSEs, but the set-up of the national project encountered several constraints, which had a negative impact on the involvement of the entities in this measure. The application practice pointed to the administrative complexity of obtaining investment aid. The lack of clarity and the constantly changing conditions discouraged many entities from applying and some even returned the RSE status for this reason. The lengthy evaluation process and bank approval of the loan (it was the repayable component that was a condition for obtaining the non-repayable component) also negatively affected the interest and capacity of registered social enterprises to apply for assistance.

By the end of 2023, a total of 68 applications had been approved and supported. Currently, investment assistance is not implemented as the next support scheme is in the pipeline. The expected date for the re-launch of the investment aid is the second half of 2025.

The above-mentioned measures relate to registered social enterprises, while the compensation and placement allowances relate exclusively to registered work integration social enterprises.

The offer of support measures addressing non-registered social enterprises has recently been more than limited. In the last five years, support for non-registered social enterprises implemented at the national level from public sources has only been explicitly mentioned in the call for pandemic mitigation for NGOs launched by the Ministry of Investment, Regional Development and Informatisation in August 2020. 47 organisations were supported under the call. The title of several of the supported projects may indicate a link to social entrepreneurship, yet it is not clear in how many cases the support was actually in support of non-registered social enterprise. No other publicly funded financial assistance instruments explicitly or exclusively dedicated to the needs of social enterprises were identified.

Non-governmental sources, i.e. support from either private or corporate foundations or public collections, have also been rather limited over the last five years (we are not talking here about collections to help Ukraine) and if some existed those have tended to focus on supporting social enterprises operating outside the group of registered social enterprises. Perhaps the most prominent non-public entity supporting social enterprises in Slovakia is the Foundation of Slovenská sporiteľňa[6].

[6] Slovenska sporiteľňa is a commercial bank that is part of the Erste Group

4.2 Social public procurement measures in Slovak Republic

The consideration of social aspects in public procurement and the application of exemptions from public procurement in favour of registered social enterprises is a widely discussed topic in Slovakia and the area of public procurement is often considered one of the most effective tools for supporting social enterprises in Slovakia.

However, a limitation of this indirect support tool is the high degree of dependence on the motivations, courage and knowledge of the contracting authorities. Ergo, if the procuring entity (subject of public administration or subject handling public resources) is not aware of the possibilities of social procurement or is afraid to apply this principle, there are few tools to force it to do so.

For example, donor conditions or grant calls are considered to be instruments that force procurers to take social aspects into account. An example is the call for the expansion of kindergarten premises launched in 2013 and funded by the ERDF, where the application of the social aspect was mandatory. In this case, it was the first ever public administration initiative to take social aspects into account in public procurement.

Another significant impetus for a wider application of social aspects in public procurement was the adoption of the Act on Social Economy and Social Enterprises, which resulted in significant amendments to the Public Procurement Act. This introduced several tools, for example, the adoption of quotas for the mandatory application of social aspects in public procurement in the case of large contracting authorities, which means the obligation for contracting authorities and contracting entities to apply the social aspect in at least 6 % of the procurements of under- and over-limit contracts, if in a given calendar year the contracting authority or contracting entity has proclaimed at least 10 under-limit and/or over-limit procurements

The topic of wider application of social aspects in public procurement and the implementation of reserved contracts in favour of social enterprises is widely addressed by the Institute of Social Economy as well as the Public Procurement Office, which, individually or jointly, carry out a range of training and information events, both towards public procurers and social enterprises themselves. Despite significant efforts, the application of social aspects is still not common practice and there is no effective tool for assessing its implementation.

On the other hand, social aspects in public procurement or reserved contracts are increasingly being used by local authorities, which, subject to cost-effectiveness, use the form of in-house contracts and implement the model of in-house contracts, where social enterprises established and controlled by the local authority are the contractors. As a rule, registered social enterprises have a lean apparatus, which is reflected in lower prices. In this case the contracting authority has also a much simpler enforcement process, especially on the quality of services delivered.

It is not possible to quantify the extent to which this instrument is being used at present, as there is no database that keeps information on the extent to which the social dimension is being applied in public

procurement. Information on use is therefore mainly anecdotal. However, this instrument is generally considered to be a tool with strong potential for the future development of the social economy in Slovakia.

4.3 Identified policy gaps

Social entrepreneurship in Slovakia is regulated by a separate legislation (Act 112/2018 on Social Economy and Social Enterprises), which is fully compatible with European legislation and is exceptional precisely because of its complexity and consideration of a wide range of aspects.

In the context of comparison with the situation in other countries and application practice, it can be argued that social enterprises in Slovakia as such do not encounter specific legislative obstacles.

However, the problem they struggle with on a daily basis is often an extremely rigid, conservative or improper interpretation of individual legal provisions at the side of relevant authorities. The biggest problem is probably the area of state aid, which, given that most of the aid is implemented from the European Structural Funds, is a major issue. However, the problem is often not the legal definition, but mainly conservative and often vague interpretations. The conservative interpretation often excludes the implementation of any innovations, and the state aid rules are applied preventively even in areas which, according to external discussion, are irrelevant to state aid (e.g. the application of state aid in the case of service vouchers).

Similarly, a conservative interpretation often limits or excludes the application of the social dimension in public procurement, which, although well described in the current legislation, is only applied to a limited extent and the application of the traditional criterion (lowest price) prevails.

5 Skills gaps analysis for resilient SEs & local public authorities

A survey on skills gaps, which was carried out in the framework of the project Danube4SEecosystem in May 2024 and which involved 71 social enterprises in Slovakia, pointed out that the list of most frequently used skills includes, in particular, financial management skills (i.e. tax knowledge; accounting knowledge and financial reporting). These are the skills that, based on the results of the survey, the majority of the participating social enterprises possess.

On the other hand, the skills that social enterprises consider important and perceive to be lacking relate mainly to strategy formulation and risk management, procurement procedures and orientation on the different funding options.

The reasons for these findings can be interpreted by the sectoral anchoring of most social enterprises in the business sector, where mastery of skills in the areas of financial reporting, tax management and accounting are considered to be an automatic component even for micro-enterprises. On the other hand, social enterprises, with an emphasis on micro-enterprises, do little strategic planning or use of

options that are not widespread in among micro and small enterprises (e.g. use of different financing modalities, which is more common in the non-profit sector), and decisions are made more intuitively and with an emphasis on achieving short- and medium-term goals.

Skills related to strategic planning and public procurement were also cited by social enterprises among most needed skills applied in the context of trying to enter new markets.

Perhaps the largest gaps between existing and needed skills were identified in relation to ESG (i.e. Environmental, Social, Governance), where the identified level of existing skills was lower than for other areas and the identified level of needed skills substantially exceeded the level observed in other themes[7]. In particular, the participating enterprises identified the highest need in relation to ESG reporting, environmental management, ecological management or environmental sustainability. It can be argued that the issue of environmental impacts resonates strongly among the participating social enterprises.

There is also a high level of demand for additional skills in the area of marketing, particularly in relation to finding new marketing/sales channels and the use of search engine marketing (SEM) or in the area of building a strong digital brand and social media presence.

A large part of the social enterprises involved declare cooperation with local or regional municipality. However, based on the findings from the local authorities´ environment, this is rather intuitive. The municipalities involved in the survey declared a lack of staff capacities dedicated to the development of cooperation with social enterprises and to the systematic support of social enterprises.

6 Conclusions

Social entrepreneurship in Slovakia has experienced unprecedented development in the last few years, which is mainly conditioned by the adoption of a separate legal regulation on the topic of social economy and social enterprises and the subsequent emergence of several instruments of financial and non-financial support.

The adoption of separate legislation has also brought a new category of social enterprises onto the scene, the so-called registered social enterprises. Given the fact that this group is the most described and the most structured, the group of registered social enterprises, especially those of work integration, clearly dominates the public debate.

Application practice suggests that the range of aid instruments predetermines the development of the social economy sector. This is evidenced by the dominance of work integration social enterprises in the list of registered social enterprises, which can be interpreted as a result of the absence of distinctive and easily accessible support instruments of assistance for other than registered work integration social enterprises.

[7] the results of the skills survey are the subject of a separate report published by the project Danube4SEecosystem

Work integration social enterprises make extensive use of financial assistance designed to support the employment of disadvantaged workers, the extent of which, in the case of several social enterprises, represents a significant part of the budget. This has been continuously disbursed during the COVID 19 pandemic and therefore this period has not had a fatal impact on the functioning of registered social enterprises.

Based on the results of the survey carried out among social enterprises, it can be concluded that social enterprises perceive the trends of twin transformation, as skills in the topic of environmental sustainability as well as the increased use of IT tools in the expansion of markets are among the areas with which there is the highest level of need for skills enhancement.

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