Legal framework for social entrepreneurship and related challenges of the SEs in North Macedonia

Project: Innoventer – Innovative Vocational Social Entrepreneurial Training

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Background

- Social entrepreneurship is largely considered a new development in North Macedonia.

- However, the concept of social economy has roots and historical legacy in the country. In Yugoslavia, social enterprise practice was closely linked to the social self-management in form of cooperatives (youth and agriculture), sheltered workplaces and associations.

- In recent years, civil society and non-profit organizations have been the main actors and promoters in the development of social economy concept in North Macedonia.

Concept and legal evolution

- The national strategic documents (government strategies 2012-2017 and 2018- 2023 and action plans) envisaged adoption of targeted legislation of social entrepreneurship.

- Namely, in the Strategy for Cooperation of the Government with the Civil Society Sector (2012-2017) the development of social economy is one of the aims under the strategic priority: “Economic development and social cohesion”. The measures defined under “promotion and awareness raising about the concept of social entrepreneurship”.

Concept and legal evolution

- Working groups formed 2012
- After several modification of the draft law Ministry of Labour and Social Policies, 2015 released it on 28.07.2015
- 2017 – new government, new modifications
- To date, six draft version of the law have been provided, but the law on Social Entrepreneurship has not been submitted as an official bill in parliamentary procedure yet.

Concept and legal evolution EU vs North Macedonia

- Social enterprises combine societal goals with an entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives.

- A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.

Concept and legal evolution EU vs North Macedonia

Despite their diversity, social enterprises mainly operate in the following 4 fields:

- **Work integration** - training and integration of people with disabilities and unemployed people
- **Personal social services** - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people
- **Local development of disadvantaged areas** - social enterprises in remote rural areas, neighborhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries
- **Other** - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports

Concept and legal evolution EU vs North Macedonia

- Law on Social Entrepreneurship will ease the access of **socially marginalized groups** of citizens to the labor market. Social enterprises will give marginalized groups the possibility to run the enterprises, bring independent decisions on managing the revenues and their reinvestment in social purposes.
- The draft law is concentrated exclusively on the capacities of social enterprises for **employment** of marginalized groups.

Concept and legal evolution EU vs North Macedonia

- The draft law is concentrated exclusively on the capacities of social enterprises for **employment** of marginalized groups.
- At least five persons must be employed and at least 50% f the workforce must be from marginalized groups
- In a case of individual social entrepreneur, that person must be a beneficiary under the provisions of the Law and employ another marginalized person
- Employed marginalized persons' salaries must not exceed the amount of the average salary per employee according to the State Statistical Office

Existing legislation that enables functioning of the SEs

- Law on Associations and Foundations
- Law on Cooperatives
- Law on Employment of persons with Disabilities.

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Existing legislation that enables functioning of the SEs

- Law on Public Procurement (No. 24/2019), the legal framework of the country for the first time regulates the possibility of introducing reserved procurement. It entered into force on 1 April 2019.

- The law promotes the concept of social procurement, which enables the contracting authority to reserve the right to participate in a public procurement procedure of economic operators whose main goal is the social and professional integration of persons with disabilities or persons from socially disadvantaged groups, that reinvest the profits for that purpose.

- Main requirement is, at least 30 percent of the employees in the economic operator are people with disabilities or persons from socially disadvantaged/excluded groups.

Constraints of the law

The law stipulates that the economic operator must fulfill the following conditions:

- provision of public services only in the field **of health, social and cultural services;**
- the profit is reinvested for the purpose of achieving the goals of the organization in accordance with the law;
- the management or ownership structure of the organization is based on employee ownership, i.e. it requires active participation of employees, users or stakeholders.

Main constraining factors

- There is no uniform understanding of the concept of social entrepreneurship
- SE must be registered as NGOs, which means they can not make any profit.
- As a result existing SE are not self sustainable
- Very limited or no financing (at the moment only EU funds)
- No register on SE
- No government support