



# SERBIA

## COUNTRY SCENARIO

### 1. Main definitions and concepts used

The term **social economy** is often defined as the third sector of the economy in addition to two obvious - private and state - which includes numerous economic activities with an emphasized social orientation, which means they are not purely commercial (otherwise they would belong to the private sector) nor are they carried out under the auspices of the state (in that case, it would belong to the state sector). These activities are carried out at the municipal / local level, are voluntary and / or non-profit. It is therefore often said that the social economy includes three subsystems: local community, voluntary work and social enterprises. According to the widely used European Union classification, the social enterprise sector consists of: cooperatives, mutual benefit societies, associations and foundations.

**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. A social enterprise operates differently than a typical company because profit-maximization is not the primary reason for existing. It is managed in an open and responsible manner and, in particular, involves

employees, consumers and stakeholders affected by its commercial activities.

Social enterprises operate in several specific areas, such as 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, neighbourhood 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.



## 2. Short history of the sector and its developments

The social entrepreneurship sector has been forming modestly in Serbia during the last decade. The international donor community, along with the domestic civil sector, was one of the most important promoters of this concept. The process of European integration has spurred a large number of initiatives in the sector of social entrepreneurship, primarily through financial support. Civil society organisations are main boosters of the sector development. So far, main actors for its promotion and its setting up have been organisations gathered in the Coalition for Social Entrepreneurship Development . As the most competent and relevant actor in the field in Serbia, the aim of the CoSED is active involvement in creating a functional framework for sustainability of social entrepreneurship sector. Social Entrepreneurship Network Serbia (SENS), is the only network of social entrepreneurs which is established with the aim to mainstream and promote social enterprises. It gathers more than 50 social enterprises.



### 3. Data and figures <sup>1</sup>

source: CIRIEC study or other national studies

The share of social enterprises in the Serbian economy is modest, as well as their impact on society. Gross domestic product, which social enterprises realised in 2012, amounted to 6,819.2 million dinars, which amounted to 0.2% of the GDP of the Republic of Serbia in that year. The economic impact of these companies is weak, not only in relation to other sectors in Serbia, but also in comparison with the contribution that these companies have in European countries. In the social enterprise sector, 10,326 persons were employed, which represented 0.6% of the total number of employees in Serbia, which means that this sector mobilises a small number of working-age population. In addition to persons paid for their work, the social enterprise sector hired 23,836 volunteers. The share of the vulnerable population in social enterprises is 16,8% which is, although higher than the national average, much lower than the anticipated figure.

Types of social enterprises present in Serbia are mainly citizens' associations and foundations (306), associations for professional rehabilitation and employment of persons with disabilities (45) and business associations (60) of total 411 social enterprises (data is from 2013). In Serbia, only 20,7% of existing social enterprises dedicates more than 50% of its income to fulfilment of specific social goals. Compared to the Great Britain, this share is much higher and amounts to 70% or 80% of the total social enterprises reinvests most of its profit.

Social enterprises in Serbia do business in one of the following activities:

- **associations and foundations** are engaged in education and trainings (31%), tourism and hospitality management (18%), culture and art (11,8%);
- **cooperatives** earn venture from purchase and sale of agricultural products (61,9%), production of agricultural products (36,8%), wholesale and retail (23,8%);
- **associations for professional rehabilitation and employment of persons with disabilities** do business in the fields of printing and copying (28,9%), production of clothes and footwear (20%) and production of furniture (17,8%);
- **other types of social enterprises (agencies, incubators, spin-off businesses)** earn venture mostly from education and trainings (58,3%) and administrative services, bookkeeping and accounting (13,3%).

Foundations and associations of citizens involved in social entrepreneurship tend to achieve its humanitarian goal (44,1%), while the cooperatives are eager to achieve economical strengthening and employment of its beneficiaries (88,7%), the same as associations for professional rehabilitation and employment of persons with disabilities, whereas the other types of social enterprises equally tend to achieve both types of social goals – economic strengthening and local and sustainable development. Education, promotion and informing are equally represented at foundations, associations and other types of social enterprises (18,3% and 14, 6%).

<sup>1</sup> CoSED is non-formal network of organisations, initiated in 2010 and founded by - Balkan Community Initiatives Fund (BCIF), the current TRAG Foundation, European Movement in Serbia (EMinS), Group 484, Initiative for Development and Cooperation and Smart Kolektiv determined the mission, goals and activities of the Coalition. From 2013 SeCons - Development Initiative Group is also member of the Coalition.



## 4. Legal framework and legal forms of social enterprises

short description of the specific legal forms or statutes for SEs or, if they do not exist, the legal forms that SEs usually take

Recognising the importance of social entrepreneurship in generating employment, providing various social services, but also, following the path of the EU in promotion of the sector, Serbian government-initiated process of legislation drafting. So far, each draft of the law did not reflect the needs of the existing sector, mainly due to the fact that the process has not been transparent and it hasn't involved practitioners and other relevant stakeholders.

Apart from legislation specifically designed for social enterprises, social enterprises and interested parties recognise other necessary interventions in the sector that could contribute to creation to more supportive environment for social entrepreneurship development in Serbia. Proposing strategy which could identify potentials and needs within the sector and within the ecosystem the holistic approach to the sector will be applied. In order to contribute to more enabling environment for social entrepreneurship development, existing networks of advocates and practitioners have to be strengthened and practice has to be promoted.

## 5. Participative and/or democratic governance

Legal provisions where existing or voluntary schemes (e.g. social accounting, societal balance) to inform, consult and involve workers and stakeholders

Social enterprises emerge as bottom-up initiatives in cases when social entrepreneur or group of founders sharing mutual goals find a way to transform the idea into the new organisation that can effectively combine economic and social component. Social enterprises are created on the basis of an autonomous project and they are governed by the group of people who founded it. These types of enterprises may depend on public subsidies but they are not managed, directly or indirectly, by public authorities or other organisations (federations, private firms, etc.). They have both the right to take up their own position as well as to terminate their activity.

Decision-making power is not based on capital ownership: this generally means using the principle of "one member, one vote" or at least a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Moreover, although the owners of the capital are important, the decision-making rights are generally shared with the other stakeholders. A participatory nature, which involves the various parties affected by the activity, such as representation and participation of users or customers, stakeholder influence on decision-making and a participative management are often important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

Social enterprises usually use the model of *multi-stakeholding governance*, i.e. a type of governance that offers a real possibility to participate to decisional process to everyone involved in relationships with the social enterprise or the NGO, that at the same time are influenced and/or influencing from/to the activities of the organisation – the so-called *stakeholders*.



## 6. Sources and bibliography

- Social, Useful, Sustainable – How to Establish a Social Enterprise in Serbia. Publication by the European Movement in Serbia, Belgrade 2016.
- Social Entrepreneurship in Serbia. Published by Center for liberal-democratic studies, Belgrade 2012.
- Social Enterprises as Democracy and Development Promoters – Comparing Danish and Italian Samples. Published by Center for Social Entrepreneurship, Roskilde 2009.