



# NORTH MACEDONIA

## COUNTRY SCENARIO

### 1. Main definitions and concepts used

In North Macedonia, social enterprise and social entrepreneurship emerged in the third sector discourse during 2009-2010. The concept of “social enterprise” was introduced by the third sector to refer to the work integration social enterprises which emerged from: i) associations providing work engagement for disadvantaged people (mostly for Roma and persons living with addictions) and ii) associations working on deinstitutionalisation of persons with disabilities or providing day care services for the same target group. As a result, the general understanding of the concept of social enterprise among policy makers, the donor community, civil society and social enterprises remains limited to work integration social enterprises. The rise of the concept is mainly attributable to some recent developments. These include limited public support for the services provided to associations and the decentralisation of social welfare. At the same time, attention from a foreign donor community, especially the European Commission, continues to increase.

**On national level, there is no agreed definition of social enterprise, social entrepreneurship and social economy among stakeholders or within the Government.** The social enterprise concept modestly appears in part of

the public policy, but the political recognition of the sector is far from adequate, strategic and visionary. The government introduced social entrepreneurship in its work program for the first time (2017-2020), envisaging the adoption of a law on social entrepreneurship, which would facilitate access to the labor market for socially disadvantaged groups of citizens. It is stipulated that disadvantaged groups will be able to manage the enterprise, to make decisions for managing the realized revenues and investing them in social purposes. In the official government strategies, however, the concept of a social enterprise was for first introduced in broader strategies for cooperation with the civil society sector (2012- 2017), where a more general measure for the development of a wider concept is foreseen: social economy. The measure envisages activities that explicitly target CSOs with economic activities, leaving aside other models that form the spectrum of social enterprises. The same vision is also present within the current strategy (2018-2020) in which social enterprises are seen only as a mechanism for ensuring financial sustainability for the civil sector.

Taking into consideration this gap, the first National Strategy on Social Enterprises which is expected at the end of December, 2019 recognizes and builds upon



the following definitions on social enterprise, social entrepreneurship and social economy:

- According to the European Commission's Social Business Initiative (SEC(2011)1278), 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.
- The term "**social entrepreneurship**" emerged in the 1990s in Anglo-Saxon countries. It covers a broad range of activities and initiatives, including social initiatives occurring in profit-seeking businesses, institutionalised entities explicitly pursuing a social goal, relations and practices that yield social benefits, entrepreneurial trends in non-profit organisations, and ventures developed within the public sector. Such initiatives can be undertaken by individuals, non-profit organisations, public agencies or non-profit organisations in partnership with for-profit enterprises in an attempt to balance corporate profit with a commitment to social responsibility.
- The term "**social economy**" first appeared in France at the beginning of the 19th century. This approach indicates that the major goal of the belonging organisations is to serve members of the community rather than to seek profit. Moreover, the social economy relies on democratic decision-making processes, which represent a structural procedure to control the actual pursuit of the organisation's goals. Among the organisations belonging to the social economy one can find associations, cooperatives and mutual organisations and, more recently, also foundations and social enterprises.

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

The history of social enterprise practice in North Macedonia is closely linked to the socialist self-management nurtured at the time of Yugoslav Federation and the appearance of different forms of economic cooperation promoting solidarity and mutual self-help. Initiatives identified during the socialist era (cooperatives, sheltered workspaces, and social organisations and associations) can be seen as a positive legacy that paved the way for the emergence of today's social enterprises.

North Macedonia has a constitutional and legal basis for developing the concept of social enterprise. On the level of governmental strategies, the concept is usually introduced through broader strategies for cooperation with the civil society sector, recognising social enterprises as facilitators of the transition of disadvantaged people from social exclusion to the open labour market.

Social enterprises constitute an emerging sector, without significant repercussions on the Macedonian economy yet. Their potential in terms of increasing social inclusion, boosting local socio-economic development and opening decent workplaces for marginalised groups has not been fully harnessed yet. These entities operate in a challenging ecosystem with a lack of capacity and knowledge at the institutional level and an absence of a favourable fiscal framework. On the other hand, the key factor supporting social enterprise development in North Macedonia is the presence of strong social enterprise leaders, who promote and raise awareness of the concept and motivate the development of other social enterprises through individual mentoring, conferences, roundtables, media appearances, meetings, etc. Moreover, continuous cooperation among all stakeholders who are part of the ecosystem occurs.

In order to improve the environment for social enterprises, the Ministry of Labour and Social Policies has **drafted an Act on Social Entrepreneurship**, which was released in July 2015. Despite its formal name (Act on Social Entrepreneurship) this law is however aimed at the regulation of entities that can be regarded as work integration social enterprises. Within the framework of the draft Act, social enterprise is defined as any legal



entity operating in the social economy whose primary objective is to exert social influence. Such enterprises provide goods and services on the market in an innovative and entrepreneurial manner and use their profits primarily to achieve social objectives. In order to improve the environment for social enterprises, the Ministry of Labour and Social Policy released an Act on Social Entrepreneurship released in 2015. The objective of this Act was to create a clear segment of regulation concerning the social enterprises. According to the opinions of social entrepreneurs, the Act was very restrictive, especially in terms of the requirements and obligations envisaged for use of the special fund for employment of marginalised groups. After five versions of the draft Act, the idea for regulation of social enterprises was withdrawn under the pressure of existing social enterprises. In the next period there will be a focus on the development of a strategy for social enterprises based on research evidence.

However, the new Law by existing social enterprises was evaluated as a very restrictive in terms of the requirements and obligations envisaged for use of the special fund for employment of marginalised groups. After five versions of the draft Act, the idea for regulation of social enterprises was withdrawn under the pressure of existing social enterprises. In the next period there will be a focus on the development of a strategy for social enterprises based on research evidence. In November, 2018 the Ministry of Labour and Social Policy in partnership with the Association for research, communications and development "PUBLIC" started to develop the first **national strategy on social enterprises** in the country. The main objective of the Strategy is to establish a nurturing eco-system for social enterprises. In other words, the Strategy foresees measures and activities for a period of three years, aimed at: 1) political recognition of social enterprises and their integration in the ongoing reforms; 2) provide access to markets; 3) fiscal framework; 4) establish public schemes for support of social enterprises; 5) access to finance; 6) growth and development of the national Network of Social Enterprises; and 7) Access to education.

The Strategy is based around 3 priorities:

1. Building a social enterprise culture;

2. Growing and strengthening social enterprises and the actors in the social enterprise eco-system;
3. Ensuring access to markets.

The adoption of the strategy is expected at the end of 2019, and its implementation will start at the beginning of 2020.

As a parallel activity, in February 2019 the **national Network of social enterprises**<sup>1</sup> was established. The network was initiated by a group of five leading social entrepreneurs with main goal to unite social enterprises, increase their cooperation and advocate jointly for improved policies and measures. Today, the network counts in total 24 members' social enterprises and additional 20 organizations that represent actors from the eco-system. In May, 2019 the Network was leading the event, where 40 stakeholders, including public institutions signed the National declaration on social enterprises. With this approach all relevant stakeholders committed to shared values and principles of work, including shared objectives and vision to develop and transform the society<sup>2</sup>.

The ongoing EU integration process played a key role in boosting the development of social enterprises in North Macedonia. This process resulted in two key reforms that encouraged the rise of social enterprises, namely in the sector of market-oriented associations and in the social welfare system with the adoption of a decentralised approach. **During 2018/2019, the Government of the Republic of North Macedonia worked on reforms in the public procurement and social protection system, which provide a stimulating legal framework for the development of social enterprises.** With the new Law on Public Procurement (Official Gazette of the Republic of North Macedonia, 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 for the first time, 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

1 [www.sen.mk](http://www.sen.mk)

2 More information on the declaration can be found on the following link:  
<https://sen.mk/koj-moze-da-bide-clen-na-mrezata>



for that purpose, in accordance with the law. In this case, at least 30 percent of the employees in the economic operator are people with disabilities or persons from socially disadvantaged/excluded groups. The law stipulates that the economic operator must fulfill the following conditions: 1) provision of public services only in the field of health, social and cultural services; 2) the profit is reinvested for the purpose of achieving the goals of the organization in accordance with the law; 3) the management or ownership structure of the organization is based on employee ownership, i.e. it requires active participation of employees, users or stakeholders. **The new Law on Social Protection**, adopted on the 21<sup>st</sup> May, 2019, envisages greater engagement of the local self-government units in the social mapping of the needs of the citizens at the local level. The reformed social protection system envisages the promotion and development of social services that will be provided in the home of the user, in the community and in the family, as well as innovative and interventional social services. Regarding the provision of social services, involvement of the local self-government, as well as the associations of citizens, natural persons and the private sector in the provision and delivery of services in the community is enabled. In fact, all these services represent an opportunity for the development of new social enterprises, which would satisfy the demand for services at the local level.

Public policy reforms are expected to have an impact on the ecosystem in which social enterprises operate in the country. But, at present, they exist in an undeveloped ecosystem which does not have capacities to address the current challenges and obstacles to social enterprises. The conducted analysis of the capacities of the social enterprises provides a detailed insight into the existing capacities of the sector in terms of economic sustainability, contribution to society, communities and users (social dimension) and governing practice.



### 3. Data and figures

According to the mapping study on social enterprises and their ecosystems in Europe, the following estimations have been concluded on the number of entities that operate under different legal forms and can be considered as social enterprises<sup>3</sup> :

*Here are the statistics for the year 2015.*

Type of social enterprise	Estimated number of social enterprises	Number of employees
<b>Associations</b>	130	390-650
<b>Sheltered workspaces</b>	411	N/A
<b>Cooperatives</b>	~39	N/A

According to the official records and registry data, in 2018 in North Macedonia there were in total 15478 officially registered associations. However, it is not clear which entities represent de facto social enterprises. In general, associations do manage to generate income from goods and services. According to the latest available data, in 2014 they reported 5.2 million EUR (out of a total of 81 million EUR in income) as income from selling products, and another 4.7 million EUR from income from services. (BalkanCSD.net 2017). A more recent study states that about 22% of all NPOs develops some kind of economic activity (Macedonian Centre for International Cooperation 2018). Existing research findings on social enterprises registered as associations provide some evidence of the economic value of these entities: it concludes that the economic value of these entities is low, as the majority of the associations had annual revenues below 100,000 EUR (Ilijevski et al. 2019).

There are 411 registered sheltered workspaces in the country. However, no data is publicly available on the total number employed in the sector, nor on the annual turnover of these entities.

According to the register of the association of agricultural cooperatives, there are in total 39 registered agricultural cooperatives. The exact number of cooperatives registered under the Act on Cooperatives (Закон за задругите) is unknown, but stakeholders assume that their number is not higher than 10 entities. No data is available on the total number employed in the sector, nor on the annual turnover of these entities.

<sup>3</sup> The full study can be found on the following link: <https://public.org.mk/wp-content/uploads/2018/12/Social-enterprises-and-their-ecosystems-in-Europe.-Country-fiche.-Former-Yugoslav-Republic-of-Macedonia-1-1.pdf>



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

The existing legal system in North Macedonia does not recognise or regulate social enterprises, and there is yet no uniform understanding of this concept. Currently, the entities that comprise the social enterprise spectrum in North Macedonia are diverse. There are no specific institutional forms designed for social enterprises. Nevertheless, the absence of regulatory framework does not have negative impact nor prevents the development of the social enterprise practice in the country. They utilize diverse legal forms, which are regulated by specific legal acts within the Macedonian regulatory framework, such as:

1. Associations;
2. Sheltered workspaces, and
3. Cooperatives.

Yet, the predominant legal form of social enterprise is association. Some of the legal form hold the potential to develop as social enterprises, while others could easily diverge from the social enterprise practice in a different legal environment.

**The 2010 Act on Associations and Foundations** (Закон за здруженија и фондации) is the existing framework regulating the activity carried out by third sector organisations allowing them to perform economic activities (as outlined more in detail in Section 2.2). However, there are no data available on the amount of income generated by public contracting and/or private demand. Although in the policy discourse associations are recognised as the most common type of organisation covering the social enterprise spectrum in North Macedonia, not all associations can be considered as a social enterprise. This is due to the fact that not all associations develop economic activities and even in cases when they do, it is still not clear if they are on a continuous or occasional basis.

**The 2000 Act on employment of persons with disabilities** (Закон за вработување инвалидни лица) encouraged the establishment of sheltered workspaces, as entities with clear social mission: to provide training, work integration and employment for people with disabilities. Such workspaces can be established only if 40% of employees have a disability. Despite the legally defined social dimension of sheltered workspaces, the absence of strong monitoring mechanisms of their activity leads to an increasing number of examples of abuse to benefit from high fiscal benefits. Sheltered

workspaces receive multiple fiscal benefits in terms of financial support to: i) adapt the workspace; ii) cover all contributions related to the employment of people with disabilities such as pension, disability and health insurance and iii) pension and disability insurance for all employees in the sheltered workspace; and iv) procurement of equipment. In the ongoing policy debate, researchers recognise sheltered workspaces as a work integration social enterprise model. Moreover, the existing regulatory framework enables these entities to operate and develop as a social enterprise, although improvement in the governance structures is required. However, it is undisputable that sheltered workspaces are the major employer of persons with disabilities in the country. Yet, it remains debatable if all these entities can be considered as a social enterprise practice, as it is unclear how many of them are truly governed by their social mission to provide decent workplaces for people with disabilities.

In general, the **cooperative movement** in North Macedonia remains underdeveloped, although there is great potential for its expansion. Existing cooperatives can be registered as agricultural cooperatives or as general cooperatives, yet the agricultural ones are more widespread and more advanced in their development. It is debatable whether all cooperatives pursue an explicit social aim. Although their social mission is not always explicitly defined in their governing documents, it can be found in the economic empowerment of their members. When it comes to agricultural cooperatives, these organisations fulfil a very important social mission by ensuring income for their members. Even if traditional cooperatives (such as agricultural cooperatives) are not considered as social enterprises according to the EU definition, they should be regarded as social enterprises if one considers the particular context where they operate in North Macedonia. On the one hand, although they pursue the interest of the members and not the general interest agricultural cooperatives contribute to unemployment and poverty reduction in rural areas. The rural labour markets are characterised by high levels of unemployment, low rates of job creation, and a scarcity of human capital. On the other hand, agriculture is the main source of income for the small-scale farmers, which constitute around 90% of the rural population in the country. When it comes to the social mission of the cooperatives registered under the Act on cooperatives (Закон за задругите) available research evidence confirms that these cooperatives have an explicitly defined social mission.



## 5. Participative and/or democratic governance

The Association for research, communications and development “PUBLIC” conducted a research on a sample of 39 registered entities that operate as a social enterprise. This research provides evidence that researched entities fail to recognize good governance as a concept. The research confirms that good governance is formally practiced only when it is prescribed by the legal framework. Hence, good governance is not applied as an inseparable part of the quality of work and the provision of a service / product.

The principles of good governance, such as a defined management structure, the prohibition of transferring the property of the legal entity and the distribution of profits, are practiced only to the extent imposed by the legal framework under which the entity functions. However, the research confirms that even when good governance is imposed by the legal framework, it is not always put into practice, primarily because of the absence of human capacities and the management’s failure to recognize its value.

Legal form	Participative and/or democratic governance
<b>Act on Associations and Foundations (Закон за здруженија и фондации)</b>	<ul style="list-style-type: none"><li>• There is a legal obligation for associations to ensure that the interests of relevant stakeholders are duly represented in the decision-making processes. They are governed by the Assembly, which consists of representatives of various stakeholders.</li><li>• Associations are legally bound to maintaining a long-term asset lock. The non-profit distribution constraint is applied and the generated surplus income must be invested in the association and cannot be distributed to the founders, board members, members of other bodies, etc.</li></ul>
<b>Act on Associations and Foundations (Закон за здруженија и фондации)</b>	<ul style="list-style-type: none"><li>• There is no legal obligation for sheltered workspaces to ensure that the interests of relevant stakeholders are duly represented in the decision-making processes.</li><li>• The Act on Employment of Persons with Disabilities does not ensure democratic governance and it does not set any limits to profit distribution, meaning there is no obligation for sheltered workspaces to invest their profit in their social mission.</li></ul>
<b>Act on cooperatives (Закон за задругите)</b>	<ul style="list-style-type: none"><li>• Cooperatives are democratically owned and controlled by their members.</li><li>• The distribution of income among members is proportional to the level of the benefits that each member of the cooperative has used or depending on the dimension of the legal work that each of them has performed with the cooperative, except if not otherwise defined in the statute.</li><li>• Cooperatives may make profits, which can be shared among members after investing a minimum of 5% of the profit in a reserve fund for 20 years.</li></ul>



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