

# Economic Impact of Social Enterprises in the Republic of Serbia





ISBN 978-86-6161-114-8

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Belgrade 2014

Published by: Statistical Office of the Republic of Serbia

For publisher: Prof. Dragan Vukmirović, PhD, Director

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The European Commission support for the production of this publication does not constitute endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein

## FOREWORD

The Statistical Office of the Republic of Serbia in cooperation with the Group for Development Initiative SeConS and non-governmental organization Group 484 has carried out the project “Economic Impact of Social Enterprises” which is financed by the European Commission. The Republic of Serbia is one of the five selected countries, among 27 that competed, in which this project has been implemented.

This publication, which is the result of the project, shows the data which is required for establishing the economic and social significance of social enterprises in the Republic of Serbia. The economic impact of social enterprises is observed for the first time in accordance with the conceptual framework of national accounts as the generally accepted international standard in the evaluation of the economic activity at the national level. The general methodological framework is based on the principles and definitions of the System of National Accounts 2008 – SNA2008 and the European System of Accounts 2010 – ESA2010.

The publication consists of five chapters: the first one deals with the development of social entrepreneurship; the second one provides the definition of social entrepreneurship and basic macro-economic aggregates that are used for observing their economic significance; the third chapter is dedicated to the analysis of the most important indicators of the business operations of social enterprises in the Republic of Serbia; the fourth chapter deals with the requirements for business operations of social enterprises in the Republic of Serbia and their social function; and the fifth chapter shows examples of business operations of selected social enterprises.

We are convinced that the diversity of the presented data will enable a comprehensive monitoring of the activities of the social enterprises sector and provide important information to a broad circle of users. We hope that the results of this publication will also represent a basis for creating development policies in this field.

Belgrade, June 2014

Director

Prof. Dragan Vukmirović, PhD





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## 1. Development of social entrepreneurship

### 1.1 Development of social entrepreneurship in Europe

According to the estimates of the researchers, the social entrepreneurship sector in the world currently employs around 40 million people and engages over 200 million volunteers. More than 30 universities in the world have social entrepreneurship curricula, including: Columbia, Harvard, Stanford and Oxford. (Leadbeater, 1997). In the European Union, various forms of social entrepreneurship (such as cooperatives, civil society organizations, foundations and social enterprises) account for two million companies, which is 10% (CIRIEC, 2007). The latest estimates say that today in the EU 14.5 million people, which is around 6.5% of the working age population of the EU, are employed through social economy. This percentage is even higher, 7.4%, in the old EU member states, while in the countries such as Sweden, Belgium, Italy, France and the Netherlands, this percentage of employees goes to as much as 9% or 11.5% of the working age population (Monzon, 2012:46).

The notion of “social entrepreneurship”<sup>1</sup> is not new in literature and practice. It appeared in Italy at the end of 1980’s, as well as in other European countries. Its purpose was to depict a broad diversity of manufacturing and business organizations

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<sup>1</sup> The notions of (social) entrepreneurship, entrepreneurs and enterprises are used in this publication in a broader theoretic context in order to represent an endeavour that combines different resources and strategies aimed at achieving business and social objectives. These notions do not necessarily coincide with the definitions of entrepreneurs and enterprises that are used in the legislation and official statistics in Serbia.





whose founding, in the years of a growing crisis of theory and practice of the “welfare state,” was not based on profit, but rather on social motivation. This is a part of a broader context of “social economy” (SE). Social economy is a part of economic reality in which the issues of social inclusion, wellbeing, social care and social capital mutually intertwine with an accent on a developmental perspective (Defourny, 1999). Social economy is closely linked and sometimes even identified with the concepts such as the third sector or the non-profit sector (in Serbia and Eastern Europe, it is frequently called the non-governmental sector), which includes both associations of citizens and non-profit organizations/initiatives. Although the differences in the concepts are significant, what is characteristic of them and what they have in common is that they are guided by the general social values and objectives which are social, ecological, cultural, etc. (Shrestha, 2013).

Social enterprises differ from traditional organizations of the third sector by more accentuated economic activities along with the readiness to enter a risky economic project. At the same time, they differ from profit enterprises and traditional cooperatives by a stronger orientation towards broader social objectives and interests of the community. Social enterprises are either by the law prohibited to distribute profit or they are structured and founded in such a way that they exclude profit as the main objective (Cvejic, Babovic, Vukovic, 2008). The most frequently used definition of social enterprises is the one created under the auspices of EMES (European research network of social economy): “Social enterprises are non-profit private organizations dealing with producing of goods and rendering of services, which is directly linked with their clear objective that the community should benefit from their activity. They rely on collective dynamics, while involving different types of stakeholders into their management bodies; they highly value their autonomy and take the economic risk associated with their activities.” (Defourny and Nyssens, 2008: 5). Social enterprises contribute to the community in several ways: they provide goods and services (social protection, education, health, etc.) to the local communities and people who cannot afford them; they contribute to the economic development of deprived communities; they create new job opportunities; and they enable work integration of disadvantaged people who stand poor chances of finding jobs in the “open” market. They in fact use the assets which otherwise would not be allocated in such a way that they respond to the needs of the community for wellbeing and development. Consequently, they contribute to the social cohesion, accumulation of social capital and to a more even economic development (Cvejic, Babovic, Vukovic, 2008).

The beginnings of social entrepreneurship are linked with the development of capitalism in 18th and 19th centuries. When the drastic impoverishment of the working class occurred on account of the industrial revolution in Europe, new initiatives for mitigating the consequences of the poverty were encouraged. Self-help groups and other associations led by the principles of philanthropy and compassion started to be founded. These initiatives were most visible in France and Italy where the process of industrialization was slower and where working-manufacturing cooperatives took root

(Anheir, 2005). The working class started to spontaneously express its need for overcoming difficult living conditions, as well as for finding an alternative to market economy which would be based on the principles of solidarity. This entailed founding of hospitals for the poor, as well as supporting many other activities that were not included in the then social policy (Parun Kolin, Petrusic, 2008). The development of the situation in this direction led to the founding of the first functional cooperatives, as the most predominant form of social enterprises, primarily in the United Kingdom at the end of 18th and the beginning of 19th century.

When talking about the modern period, we come to an increase in the number of factors that have led to the development of social entrepreneurship. The European societies face extensive growth and diversification of needs based on changed patterns of life styles, and social and economic behaviours of different social groups. At the same time, the impossibility to ensure the former level of security through guaranteed employment, age pensions, free health care and other services, led to unemployment and reduced scope of services of the general interest, particularly for those who cannot afford them (Borzaga, Galera, Nogales, 2008). The civil societies in the European countries reacted to the lack of social services and the inability of the states of plenty to provide employment by the grass-root initiatives for the founding of organizations that are simultaneously socially oriented and more and more involved in the economic activities. Associations of citizens and foundations that used to be traditionally focused on advocacy started to be engaged in economic activities with a stronger entrepreneurial orientation, while cooperatives (of farmers, consumers, manufacturers/producers) that used to be more oriented towards their own interests and income, have now expanded their functions to broader social objectives (Cvejic, Babovic, Vukovic, 2008).

The first formal social enterprises on the European soil were founded and introduced in Italy, in a cooperative form and they were called social cooperatives (*cooperative sociali*). Since 1991, their formal status has been regulated by the law. These entities are based on cooperative principles and they deal with care activities, such as co-managing of social and health care and education services, provision of home care and finding placement for vulnerable categories of the population, looking after and care of children, cultural activities and initiatives related to the environmental protection. They also deal with training activities, such as introducing people who are disadvantaged in the society and who cannot get included in the “normal” production circles into business and employment activities. (Thomas, 2004: 248). From then to 2003, 6,500 – 7,000 social cooperatives were founded in Italy and they employ around 200,000 workers which is benefited by 1.5 million people (Borzaga, Galera, Nogales, 2008). Very soon after these “innovations” many other countries started to follow the Italian example. In Portugal, for instance, “social solidarity cooperatives” (*cooperativas de solidariedade social*) have been founded. In France, “cooperative societies of collective interest” (*societe cooperative d’interet collectif – SCIC*) have been introduced

and in 2005 in England a new legal form “*community interest company*” – which provides services mostly at the local level, in the fields such as transportation in the local community, social housing, child care, etc., entered the stage (Velev, 2011). Taking into consideration this contextual development, over time, social enterprises have started to be defined as non-profit “endeavours” designed in such a way as to achieve not only social and public, but also commercial objectives (Moizer, Tracey, 2010). Social enterprises, generally defined in this manner, can very easily be linked with the local context, with a clear objective to be beneficial for the communities. In this way, social enterprises ensure multiple effect: a) work integration of “difficult to employ” categories; b) social inclusion of vulnerable groups; c) reduction of the allocations from the national budget for the system of wellbeing. (Cvejic et al., 2011).

## 1.2. Development of social entrepreneurship in Serbia

The need for an affirmation of the role of social enterprises in the Serbian economy has grown for the same reasons for which this idea first occurred in the West-European capitalism in the context of a broader concept of the 19th century social economy and then also in concrete forms of social entrepreneurship, adjusted to the modern capitalism of the second half of 20th century. These reasons are linked with the negative effects of the market economy and socially unsustainable model of economic growth. When the number of those who cannot join the free market competition becomes too big and all the weight of the loser comes crashing down on the public budget, the support to entrepreneurial efforts under less accentuated market conditions, which social entrepreneurship is by its definition, represents a good tool for increasing the number of citizens who will join the society autonomously and, consequently, for increasing the social cohesion.

Social entrepreneurship is the mirror of the social policy transformation in Serbia. A support to the development of the sector that can employ a large number of socially and economically excluded citizens represents, in fact, a support to the entire economy. The idea of modern social entrepreneurship has appeared in Serbia through the process of cultural and political approximation to the European Union. In order to grow into a sustainable sector, some specificities which make the context of social entrepreneurship in Serbia different from the models recognized in the European setting and yet similar to other East-European countries must be accepted. These are: exceptionally high unemployment, dominance of the state over the economy and insufficient separation between the public and the private sectors, proneness to state paternalism inherited from the socialism and crooked comprehension of the idea of social economy related to this inheritance which entails passivity and dependency, etc.

As the result of the lack of understanding of the meaning and importance of social entrepreneurship, social enterprises and entrepreneurs in Serbia face not fully built institutional framework. However, even with the unfavourable legal, economic and institutional framework, social entrepreneurship does exist in Serbia. It currently appears in Serbia in the form of individual initiatives or relatively organized sub-sectors (e.g., enterprises for professional rehabilitation and employment of persons with disability) which solve the problems of unemployment and social exclusion. According to the results of mapping social enterprises in Serbia which was done in 2007 (Cvejic, Babovic, Vukovic, 2008), there were 1,160 of these enterprises in total and they employed around 0.5% of the total number of employees in Serbia. The dominant form of social enterprises in Serbia were cooperatives, with agricultural cooperatives being the most frequent in that category. The number of associations of citizens that could be considered as social enterprises was very small, to a large degree owing to the difficulties stemming from the inadequate legal framework, i.e., from the fact that the law that was in force at the time did not allow NGOs to acquire earnings through performing activities. New markets for social enterprises were in their development phase back in 2007 although – especially in the sphere of social services, agriculture and rural development – they were of a rather limited scope.

The vitality of the social entrepreneurship sector is reflected in the fact that, since there is a lack of an existing institutional support, the players in this sector (social enterprises, civil society organizations that promote them, institutions that support them) continuously establish networks and coalitions that facilitate their mutual linking, exchange of experience, learning and business operations. This will be important at the moment when Serbia will face a situation in which new possibilities open for financing social entrepreneurship in the process of the EU accession.

The Coalition for the Development of Social Entrepreneurship was founded in 2010. The coalition consists of six prominent civil society organizations and its main objective is to create a stimulating environment for the development of social entrepreneurship. Its role is significant because of the strategic approach to the development of social entrepreneurship and because of the synergic action of all of its members.

The first network of social enterprises, SENS (Social Economy Network Serbia) was founded in 2011. The SENS has been established with the aim to provide space for social enterprises to learn one from another, to stimulate cooperation among social enterprises, as well as with other players, to ensure that social enterprises' products/services are found in one place so that they are easily browsed and accessible to potential buyers and partners for cooperation.

There are also other networks of mixed character. For instance, Sustainable Development Network is a network organization that provides active support (primarily the expert, organizational, mediation, education and information support) to the strategies, programmes and projects for sustainable development. The Sustainable Development Network acts in cooperation with citizens, volunteers, associations, local self-governments, businesses, media, experts, scientific and research institutions, regional and local communities, social enterprises, development agencies, competent institutions and other relevant partners.

The partnership between social enterprises and local institutions may be identified, not only in the sphere of providing services, but also in many others. Several local self-governments in Serbia have assisted initiatives in the sphere of social entrepreneurship by relinquishing business premises or arable land for use.

The partnership between social enterprises and the business sector is also on the rise. There are more frequent cases in which enterprises from the business sector buy products or services from social enterprises or assist them by monetary donations and promotion. (Shrestha, 2013: 50-51).

A major role in the promotion of social entrepreneurship, as well as in the creation of a favourable environment for business operations and survival of social enterprises is played by the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia (SIPRU). The team deserves the credit for bringing the idea of social entrepreneurship closer to the Government's bodies, for setting off initiatives for amendments and supplements to the laws that relate to social entrepreneurship and for linking together different sectors in the Government of the Republic of Serbia when it comes to the issues related to the development of social entrepreneurship. At the same time, the SIPRU has a very good cooperation with the Coalition for the Development of Social Entrepreneurship and with players from this sector in Serbia, region and the EU.

### 1.3. Legislative framework for social entrepreneurship in Serbia

As it has already been mentioned, there are several legal forms in Europe through which most of the subjects whose characteristics or the way in which they perform activities classify them as social enterprises function. These legal forms are defined by the laws on cooperatives, laws on associations of citizens or laws on social enterprises. In those countries in which the provisions of the law on associations allows that associations of citizens deal with production, sale of goods or rendering of services in the market, these subjects are most often registered in the form of associations, while in other countries, in which the legal system does not allow that or allows it only in a limited scope, they are founded on the basis of the law on cooperatives or law on social enterprises. In addition to these traditional legal solutions, in many countries additional legislative solutions have been adopted and they serve as the basis for stimulating the founding of innovative, modern forms of social entrepreneurship.

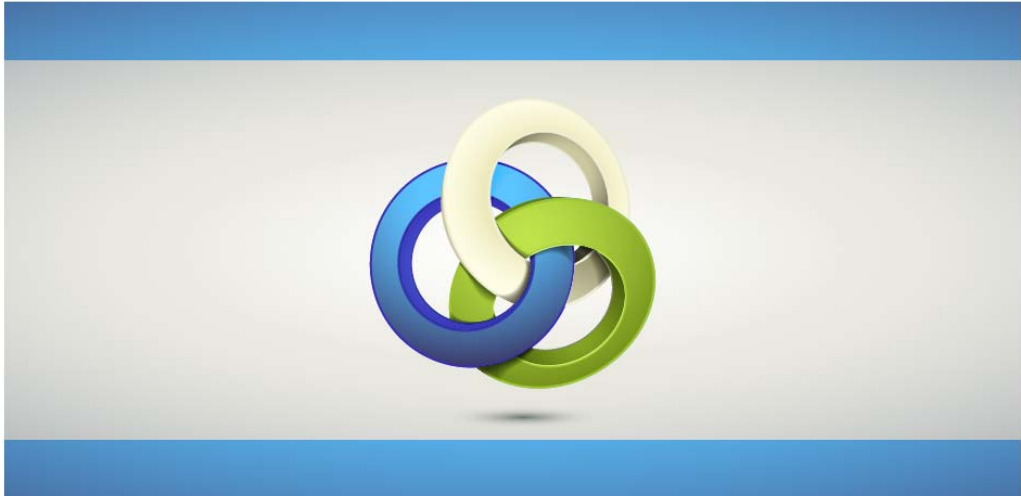
During the analysis of social enterprises in Serbia, it is important to keep in mind the problem of the adequate term that will be used in the legal system for depicting the notion of social enterprises. The business operations of enterprises as economic and legal subjects are regulated by the Companies Law, according to which an enterprise is not a legal notion and cannot be a legal subject, but rather a legal subject may be only a company that is the carrier of some enterprise or entrepreneurship. In the same spirit and for the purpose of terminological harmonization, the name – Law on the Tax on Profit of Enterprises has been changed by the latest amendments into the Law on the Tax on Profit of Legal Entities which represents a more adequate term if we take into account this interpretation of the Companies Law, as well as the fact that its provisions do not refer only to companies, but also to other legal entities that function within the legal system of the Republic of Serbia (Velev, 2011).

The concept of “social entrepreneurship” is not recognized in an adequate manner within the legal system in Serbia, although the importance of the concept and its positive effects have been recognized in the civil sector and among the expert public. Not a single legal regulation in our country regulates this matter in a comprehensive manner. However, several laws and strategies contain provisions that may constitute the basis and support to the development of social entrepreneurship. The relevant laws that determine the development of social entrepreneurship in Serbia currently regulate the possible field of action of social enterprises, the way in which they are constituted and in which they act, as well as the way in which they are taxed. These are: Social Protection Law, Law on Professional Rehabilitation and Employment of Persons with Disability, Associations Law, Law on Endowments and Foundations, Companies Law, Cooperatives Law, Law on Volunteering, Profit Tax Law and Value Added Tax Law (Cvejic et al 2011).

The new legal solutions have recognized the concept of social entrepreneurship and they have opened new possibilities for their founding and business operations.



Now the notion of social enterprise is mentioned in the Law on Social Protection and Provision of Social Security of the Citizens and the Law on Professional Rehabilitation and Employment of Persons with Disability, while the new Bill on Cooperatives stipulates founding and business operations of a special form – social cooperative. In addition, the new law on associations gives these legal subjects a possibility to earn income from performing activities, which in fact enables them to operate as social enterprises. However, the conditions for financing and financial operations of social enterprises are unfavourable, except for the enterprises for professional rehabilitation and employment of persons with disability. The main problem is the lack of micro-financing and facilities in the process of public procurement. Existence of these elements in the legal and business environment would enable easier founding and business operations of social enterprises, which would lead to the final shaping up of this sector in Serbia.



## 2. Survey methodology

### 2.1. Importance of collecting data on social enterprises

Providing reliable, timely, comparable and systematic data and indicators of the size and the contribution of social enterprises to the overall economic activity of a country should enable a more efficient monitoring of the impact they have on the public and private sectors, the economic growth, labour force mobility and socio-economic disparities. Taking into consideration the ability of the sector to instigate collective action and to diminish the existing differences in the society, as well as its impact on the formal and informal financial systems of the country, the basic idea is that this capital should be used as an asset for reducing economic inequalities. Systematic collection of relevant data within the national statistics contributes to a better understanding, recognition and visibility of the social enterprises sector, both among the policy-creators and among the public at large.

On the other hand, it is necessary to continuously monitor diverse needs of social enterprises within different forms of organization, as well as the manner in which they can be more efficiently integrated within the socio-economic policy at the level of the country, as well as at the local and the community levels. As a matter of fact, a good quality *ex ante* assessment of the policies and support measures for social enterprises is not possible without providing the relevant data. Ultimately, all the actors and primarily the creators of the socio-economic policy need to look at the growth and the value creation from a broader perspective by taking into account, in their analyses and



reports on the social and economic progress, social indicators as well and showing positive social effects.

In the current system of the official statistics, economic activity of social enterprises is covered in various sectors and as such it is invisible, not only for the policy-creators, but also for the broader scientific and professional public, as well as for the society at large. In connection with that, according to the conceptual framework of the national accounts and in compliance with the adopted international standards, the collection of reliable, comparable and systematized data on the economic impact of social enterprises in the Republic of Serbia ought to contribute to the decision-making processes, assessment of the economic and social policies, scientific researches and promotion of social economy by policy-creators, representatives of the social economy, researchers and other stakeholders. Also, the measuring of social enterprises ought to ensure improvement of the international comparability of statistical data on social enterprises, as well as the methodological and conceptual harmonization of the statistics with the European statistical standards in this field.

## 2.2. Defining of social enterprises

The most important strategic document of the European Commission in this area, *The Social Business Initiative*, lists the following characteristics of a social enterprise:

“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 European Commission uses the term “social enterprise” to cover the following types of businesses:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

Thus, social enterprises are:

- businesses providing social services and/or goods and services to vulnerable categories of the population (access to housing, health care, assistance for

elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, etc.); and/or

- businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalization), but whose activity need not provide social goods or services.

In order to assess objectively the importance of social enterprises, it is necessary that this segment of the economy is clearly separated from a broader field of the social economy which may include different forms of humanitarian and socially responsible activities. When there is no precise and unique legal form of regulating the founding and operations of social enterprises, it is of utmost importance to provide clear criteria under which these enterprises can be unambiguously separated from other similar businesses. In the case of associations of citizens, it is necessary to separate those that are classified into the category of social enterprises on the basis of performing the registered activities, just as in the case of companies with limited liability it is necessary to separate those that earn profit in order to reinvest it into the solving of social issues.

### **2.3. Selection of the legal forms with the characteristics of social enterprises**

In the broader context of the previously stated approach of *The Social Business Initiative*, the main approach to social enterprises in the continental European tradition is summarised through the researches and methodology of the EMES network (European research network for social economy) which sees social enterprises as a result of collective entrepreneurship in the area of social economy and defined through three groups of indicators (in the economic, social and management dimension). In line with that, seven basic EMES criteria that correspond to the definition of social enterprises have been applied in this survey.

The selection of social enterprises has been made on the basis of the following economic and social criteria:

- income from the sale of products, goods or services;
- high level of the degree of autonomy;
- taking economic risk in business operations;
- tendency towards paid work;
- benefit of the community or a certain group of people as a clearly defined goal;
- power of the decision-making is not based on the ownership of the capital, and
- profit organizations that are focused on maximizing profit are excluded.

There are seven legal forms of businesses that have been recognized in Serbia as those that fully or approximately correspond to the social enterprise concept:

- associations of citizens;
- cooperatives;
- enterprises for employment and professional training of persons with disabilities;
- spin-off enterprises (most frequently in the form of a company with limited liability and a joint-stock company);
- foundations;
- business incubators; and
- development agencies.

Most of the stated legal forms correspond to the category of social enterprises by their basic status. But, although the act of registration may meet some of the stated criteria, in order to establish if the enterprise really belongs to this sector it is necessary to carry out additional verifications. E.g., an association of citizens, even when having the word “humanitarian” in its title, may actually deal only with the traditional civic activism without creating any value or employing vulnerable categories of the population. Also, a cooperative may be based on some property which has the status of the state-owned, etc.

In line with that, in this survey, the **associations of citizens and foundations** are treated as social enterprises if their respective statutes have defined social objectives<sup>2</sup> and:

- if it earns at least 25% of its income by performing an activity aimed at social objectives (primarily social services) and has at least one person employed under an employment contract;
- if it earns at least 25% of its income by performing any activity and has at least 50% of employees from among the vulnerable categories<sup>3</sup> hired under an employment contract or under a contract that does not involve employment (service contract, contract on temporary and occasional engagements, author’s contract, etc.);
- if it earns at least 25% of its income by performing any activity and spends more than 50% of the earned income on social objectives.

**Cooperatives** are social enterprises by the definition laid down in the Law on Cooperatives, since they entail free association, solidarity-based business operations and decision-making based on equal rights. However, the practice shows that the principles of founding and business operations that classify them as social enterprises are frequently just formally abided by and that they actually serve the interests of the

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<sup>2</sup> Social objectives are: economic empowerment and social inclusion of marginalized groups and individuals, support to sustainable development, environmental protection, improvement of access to social services (education, social protection, employment...), etc.

<sup>3</sup> Vulnerable categories include: persons with disability, refugees and internally displaced persons, women victims of violence, single parents, Roma, former prisoners, former addicts, persons aged over 50 that have been laid off as “technological surplus labor,” persons with mild disability (but with preserved working abilities), persons without finished primary school, financial social assistance, etc.

management and employees, and not those of the members of the cooperative, or that their business operations are directed solely at gaining profits. For this reason, the category of social enterprises in this survey excludes:

- construction cooperatives - most frequently founded with the goal to earn profit;
- housing cooperatives - not aimed towards broader social objectives;
- youth and student cooperatives - they provide stable income only for the employees at the cooperatives; they lack democratic management since the young and the students only formally hold the membership at the cooperatives, and
- health and consumer cooperatives - they are not focused on manufacturing of goods or rendering of services, but primarily on consumption under the most favourable commercial conditions possible.

Social enterprises include the following:

- agricultural cooperatives – if they do not dispose with state-owned property;
- craft cooperatives – if among the founders they have at least ten craftsmen who are not at the same time registered as independent entrepreneurs, and
- other types of cooperatives – if they meet the criteria for the defining of social enterprises.

**Enterprises for employment and professional training of persons with disability** are by definition treated as social enterprises, since the Law on Professional Rehabilitation and Employment of Persons with Disability defines them as a form of employment and professional training for persons that are difficult to employ and which entails participation of the employees in the decision-making. This category also includes those enterprises that are not registered under this Law, but that employ at least 30% of persons with disability and they are treated as social enterprises if they are mostly privately owned and if they have defined procedures for participation in the decision-making that render managerial authorities to the employees (possibility to influence appointment and replacement of the management, to decide on the business strategy of the enterprise and to influence the way of disbursing the income).

**Limited liability companies and joint-stock companies** are treated as social enterprises if they meet one of the following requirements:

- the founder or one of the founders is an association of citizens or other legal units that have defined social objectives and manufactures products or renders services that support social inclusion. In addition, such enterprise must direct over 50% of its profit, if it earns it, to social objectives;
- the founder or one of the founders is an association of citizens or other legal units that have defined social objectives and such enterprise engages at least 30% of its employees from vulnerable categories;
- they are founded in the form of **business incubators or development agencies**, and they direct all their profit, if they earn it, to the development of entrepreneurship and employment; in the case when their founder is a public

institution, the requirement is that they are registered as limited liability companies.

## 2.4. Indicators of economic significance

The economic significance of the social enterprises in Serbia is established on the basis of:

- level of the gross value added of this sector and its contribution to the GDP of the Republic of Serbia;
- value of the gross fixed capital formation of this sector and its contribution to the gross fixed capital formation at the national level;
- number, age and sex structure of the employees in this sector.

### 2.4.1. Basic macroeconomic aggregates

#### *Gross value added*

The national accounts represent the informational and analytical potential of the statistical system. They are used in order to observe, connect and unify different sources of data, generally accepted and applied methods of calculation, procedures, rules, definitions and classifications, and to provide a comprehensive picture of the economic activity.

The national accounts have multiple use. First of all, they represent an unavoidable basis for the leading of the economic policy and the decision-making at all levels since they enable measuring of the level of the economic development, the economic growth rate, changes in the manufacturing, consumption, savings, gross fixed capital formations, import and export, deficit and wealth, not only for the economy as a whole, but also at the level of its institutional sectors (non-financial sector, the government and its sub-sectors, financial sector, households and non-profit institutional units that provide services to the households), at the level of the regions and for specific sectors of the economy (agriculture, tourism, health care, environmental protection, etc.). They can be used for forecasting future trends and for considering possibilities of the long-term development and economic growth, as well as for assessing and studying the impact of the economic policy measures on the trends of short-term, structural, regional and macroeconomic indicators.

The gross value added represents the balancing item of the production account and is obtained as the difference between the output and the intermediate consumption.

The output represents the value of all goods and services produced over a certain period of time. There are three types of the output: market output, output for own final use and non-market output. The market output includes: goods and services sold at

economically significant prices<sup>4</sup>; goods and services exchanged through barter; goods and services used for the payment in kind; and goods added to the stocks of finished products or unfinished production. The output for own final use consists of the goods or services that are kept for own final use by the owners of the business entities at which they have been produced. The non-market output is the output that is provided to the other units for free or at the prices that are not economically significant. The difference between these types of outputs is important because of the different way in which they are valued. The market output and the output for own final use are valued in base prices<sup>5</sup>, while the non-market output is valued by adding together the production costs.

The intermediate consumption consists of the values of all goods and services consumed as inputs during the production process (regardless of whether they are transformed or entirely consumed), excluding the fixed assets whose consumption is treated as the consumption of the fixed capital. It is valued in purchase prices<sup>6</sup>.

The business accounting data are used as the initial base for the calculation of the output, the intermediate consumption and the gross value added. When they are calculated it is not possible to do a simple adding up of the business accounting data and the data from individual financial statements, but rather it is necessary to perform additionally calculations on the basis of other administrative data, as well as the data from the statistical system. The business accounting and financial statements are primarily focused on establishing the business results of the enterprise, while the national accounting is focused on the production capacity of the national economy. Thus, for instance, a business does not need to produce a single new product over the observed period and yet it can generate a turnover by selling stocks of its products created in the previous accounting period. Also, the value of the products manufactured in the same accounting period may be higher than the generated turnover which can also hypothetically equal zero although the enterprise has manufactured a certain quantity of products and created a certain value added. It is precisely for this reason that, when calculating the gross value added, the value of the generated turnover is adjusted by the changes in the values of the stock of the finished products and the unfinished production.

It is necessary to point out the difference between profit and value added. The difference is not only in the way of calculation, but also in the essence and components

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<sup>4</sup> Economically significant prices are the prices that are determined by the supply and demand in the market. They need to meet the following two requirements: 1) the producer needs to adjust its supply of goods and services with the aim to earn profit in the long run or to cover the costs of the capital and other costs, and 2) the buyer has the freedom to purchase or not to purchase goods and services, as well as to make a choice when purchasing on the basis of the prices.

<sup>5</sup> The base price is the amount which the producer receives from the buyer for a unit of produced goods or services minus any due tax and plus any subsidy received for that unit which is the consequence of production or sale. All transportation costs are excluded and they are invoiced separately by the producer.

<sup>6</sup> The purchase price, at the moment of acquisition, is the amount which the buyer actually pays for the acquired products and which includes all the taxes minus the subsidies on products (except for that part of the tax on products which is deductible, as is the case with the deductible VAT), as well as the amount for the transportation costs which the buyer separately pays for the taking over of the delivered goods at the required place and at the agreed time.

of these two indicators. The value added represents a value which the enterprise adds to the value of the inputs it uses in the manufacturing of its products and rendering of its services. In line with that, the value added represents what the owners of the production factors engaged in the production process add to the mentioned inputs – salaries, entrepreneurial profit of the owners working at their own enterprises and fees on the basis of using the capital of other entities (rents for leased land, interests for borrowed capital and investors' dividends).

Everything that has been stated constitutes value added, as opposed to profit which in its essence constitutes the yield of the enterprise's own capital. Profit as the income of the owner of the institutional units represents the difference between all the expenditures (including the salaries) on the one hand and all types of revenues on the other. Therefore the national accounts keep in focus not the capital of the enterprise, but the production process of the national economy which creates income not only for the owners of the business entities, but also for the employees and other participants in the production, as well as for the state in the form of taxes and contributions. The sum of all the mentioned income created within the national economy, which is called the primary income in the terminology of the national accounts, makes for the value of the gross domestic product (GDP).

In addition to the above-said, various types of non-business and extraordinary revenues and expenditures, which are from the aspect of the tax and accounting regulations recognized as components of profit, are not considered in the system of national accounts as a part of the output or intermediate consumption. It is important to point out in connection with this that the costs of land leasing or rent do not have the same treatment from the point of view of the calculation of the value added as they do in business accounting where they together with the other costs of lease represent current expenditures that are balanced against the turnover and other revenues of the enterprise. Taking into account that this concerns the leasing of non-produced capital goods, it is considered that rent does not create additional output for the national economy nor is it, on the other hand, an element of intermediate consumption of the user of the land. The rent, in line with that, represents an income from property of the owner of the land and as such it makes a part of the value added.

There is yet another difference between business accounting and national accounts that refers to the treatment of tax obligations of institutional units<sup>7</sup>. Accounting is oriented towards establishing the results of the business operations of an enterprise and it treats all types of taxes (except the profit tax) as regular expenditures of the businesses which they must compensate from their revenues. However, the national accounts system treats tax obligations in a different manner and it makes a clear distinction between the tax on products, tax on production and other taxes. When calculating value added, national accounts take into consideration only those taxes that

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<sup>7</sup> An institutional unit may be defined as an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. It should be able to take economic decision and engage in economic activities for which it is itself held to be directly responsible and accountable at law.

are directly linked with the production process, i.e., those that are charged in accordance with the quantity or the value of produced goods or services (VAT, excise duties and customs duties). Other taxes, such as property tax, various levies and fees, are not directly connected with the production process and it is considered that they are compensated from value added.

The difference is made also in the case of subsidies which business accounting registers in exactly the same manner, regardless of the intention and purpose of the assistance which an enterprise receives from the government. However, only those subsidies that are directly linked to the production process go into the calculation of value added within the national accounts system. For instance, the government aid for the acquisition of capital goods has a different treatment and is not considered as subsidy for products or production, but rather it represents a capital transfer from the government to the enterprise and it will appear in the national accounts system in the capital account which shows the sources of financing the growth of the national economy's capital goods.

The difference as regards the valuation of the funds between business accounting and national accounts is yet another task that is placed before statisticians within the national accounts system. The problem refers to the value of the stocks of current assets and capital goods that are shown by the accounting, as well as the relevant calculation of the stocks output and use of the capital goods. The business accounting values and shows institutional units' funds by historic, acquisition prices, i.e., by the cost price in the case of finished products. However, the changes in the level of prices during the accounting period lead to a situation where the prices of individual elements of funds differ at the end of an accounting period from those at the beginning which is particularly prominent in inflation economies. This leads to the creation of the so-called holding losses or gains, disturbing the calculation of the output and the intermediate consumption, which requires their elimination, since they do not constitute a result of a production activity.

#### *Gross fixed capital formation*

In addition to the value added, gross fixed capital formation is also of importance for getting the picture of the economic significance of social enterprises. The gross fixed capital formation represents acquisitions of fixed assets by business entities in the country aimed at obtaining new, as well as increasing the value or replacement of the existing capacities, reduced by disinvestment, that is, alienation of investment goods (sale, investment goods given in barter and capital transfers in kind). The fixed assets represents all tangible and intangible assets used in the production process over a longer period of time (for at least a year), whereby, without changing their original form, they are gradually used transferring their value onto new products and services. They can be bought in the country or abroad, acquired through barter, received as capital transfers in kind, produced and kept for own use or acquired through financial leasing. As opposed to investment goods acquired through financial leasing on the basis of which the lessee acquires the rights similar to those of the





owner of those goods, the fixed assets provided through operating leasing (leasing of equipment and property) is not considered an investment. A decrease in the value of the fixed assets created as a result of its consumption and aging (depreciation), as well as of extraordinary (catastrophic) losses on account of extreme weather conditions (fires, droughts, epidemics among bred animals, war destructions, etc.), is not considered as a decrease of investments. Investments are used to keep the continuity of production, as well as to impact an expansion and enhancement of the capacities with the aim to improve and increase production.

According to the technical structure of the fixed assets that is invested into, investments are divided into:

- investments in dwellings,
- investments in other buildings and structures,
- investments in machinery and equipment,
- investments in cultivated biological resources,
- investments in intellectual property products.

This breakdown is very important from the aspect of the economic policy creation and deciding on the direction of development. Investments in machinery, equipment, software, etc., increase production capabilities, while investments in traffic and transportation infrastructure, dwellings and other buildings, etc., increase wealth and create the precondition for an efficiency of all other investment categories.

In addition to the investments in buildings intended for residential and other purposes, railways, roads, bridges, airport strips, ports, pipelines, complex industrial buildings, etc., the investments in dwellings and other buildings and structures also include significant land improvement, as well as all the costs related to the transfer of the land ownership.

Investments in machinery and equipment include acquisitions of domestic and imported transport equipment, ICT equipment, as well as acquisition of all other types of machinery including the assembly costs.

Investments in cultivated biological resources refer to permanent crops (fruit plantations, vineyards etc.), as well as breeding animals for reproduction, draught and production of milk, wool or some other products over a period longer than a year. The trees intended for cutting, annual crops and animals bred solely for slaughter do not represent fixed assets.

Investments in intellectual property products are investments in development and acquisition of computer programs (software) and large databases that are used in the production process for more than a year, R&D, mineral explorations, literary and artistic originals, and other intellectual property products. The use of intellectual property assets is limited by the legal or some other form of protection, which enables the creator or the owner of the author's right or the industrial property right (patents, useful models, new plant varieties, the know-how, etc.) to enjoy of the benefits from the put-in work and the investment in the long run.

The fixed assets that are invested into may be either new or previously used. The investments in new fixed assets refer to the acquisition of investment goods that have still not been the subject of sale or exchange between direct users of these goods (acquisitions made directly from construction work contractors or equipment manufacturers, or the fixed assets produced by the enterprise itself). Also, they include investments in more significant improvements in the existing fixed assets, investments in more significant land improvements, ownership transfer costs of land and other non-produced assets (the costs of brokerage, appraisers, lawyers, engineers, auction costs, taxes, etc.), previously used equipment acquired abroad, as well as previously used passenger vehicles acquired from physical persons. More significant improvements in the existing fixed assets include renovation, reconstruction or expansion of fixed assets, by which the production capacity is increased and/or the working life of an investment good is significantly extended. More significant improvements in the existing fixed assets ought to be differentiated from regular maintenance and repairs which are not considered investments.

Investments in the previously used fixed assets refer to the fixed assets not acquired directly from construction work contractors or equipment manufacturers, or produced by the enterprise itself. They also include the value of the acquired land, while the ownership transfer costs for that land are considered investments in new fixed assets.

Concerning the valuation of investments, a term of fixed assets investments made is introduced and it represents the value of effected construction, creation or acquisition of facilities, equipment and other investment goods, regardless of whether they are completed and whether the payment for them has been executed. The value of investments made includes: producer's price, trade margin, transport costs, assembly costs, preparation of studies, research and expertises, technical check-up, transfer of ownership, as well as all indirect taxes, duties and fees (without the revaluation of the investments made). The value added tax is included only in the case when the business has no right to a tax return. If fixed assets are produced, i.e., created by the enterprise itself, and used for own needs, they are valued at production costs. The decline in the value of fixed assets created as a result of sale is shown as per the value in the sales agreement, reduced by the ownership transfer costs.

#### **2.4.2. Number of employees**

Information about the total number of employees, their sex, age and education structure is very important when observing the economy as a whole or just some of its segments. In addition to the economic significance, the data on employment are important for explaining certain demographic trends and sociological phenomena. The data on employment describe the size, structure, characteristics and contributions of the participants in the labour market and the changes over time. From the economic point of view, this statistics is useful for analyzing, valuating and monitoring the way in which the economy functions and the effectiveness of the current and long-term

economic policies. From the social point of view, it is useful in order to see more clearly the requirements for productive work with adequate income and working conditions, including also social protection of the family, better outlook for personal development and social integration.

The term workforce includes all persons who have a labour relationship with an employer for either definite or indefinite period of time (regardless of whether they work full time or part time), persons who have a contract on temporary and occasional engagements (seasonal workers, workers engaged due to currently increased volumes of work, etc.), as well as persons with service contract.

## 2.5. Data sources

The basic source of data for establishing the economic significance of social enterprises in Serbia are the data from the annual financial statements – balance sheet, profit and loss account and statistical annex, as well as other data from the statistical system. Balance sheet provides information on the property from the aspect of the form in which they are (assets) and from the aspect of the source of financing (liabilities). Profit and loss account includes the income and expenditures of the accounting period in a way which enables clear observation of the kind, amount and sources of the operating results (profit or loss). A specificity of the annual financial statements in the Republic of Serbia is existence of a very detailed statistical annex with additional information on certain categories in the accounts that refer to capital, fixed assets, stocks, structure of income and expenditures, etc. In compliance with the Law of Accounting and Audit, business entities are under obligation to keep business records and prepare and submit financial statements in the manner regulated by the relevant legal acts.

The use of business bookkeeping and bookkeeping records in macroeconomic analyses and calculations is particularly present in the countries of the so-called Franco-German accounting tradition, including Serbia as well. The methodological solutions and practice of this tradition, as opposed to the Anglo-Saxon tradition, is characterized by a higher degree of standardization in financial reporting, existence of chart of accounts, as well as the establishing of the results for tax purposes. The advantages of using accounting in the national accounts are various. First, financial statements contain already prepared individual elements necessary for the calculation of the gross value added and the gross domestic product, and for the compilation of the national accounts. Applying a unique chart of accounts represents a great help in macroeconomic calculations, primarily in terms of the uniformity of recording business transactions and the data consistency.

In addition to the above-said, financial statements enable an almost complete coverage of all businesses, while the controls that are implemented, as well as the

mandatory audits for individual businesses, enable a higher degree of reliability with regards to the validity of the data in comparison to statistical surveys. Also, financial statements can be used for assessment of basic indicators for those units not covered by statistical surveys or for those for which the data are not available.

The data required for establishing the economic and social significance of the social enterprises sectors, not available in financial statements and in the statistical system, have been collected by a survey. Three types of questionnaires were used in the survey, depending on the legal form of the reporting units:

- SOP1 – for associations of citizens and foundations;
- SOP2 – for cooperatives;
- SOP3 – for business incubators, development agencies, enterprises for professional rehabilitation and employment of persons with disability and other businesses.

Basically, all three types of questionnaires consist of the same questions, while the only difference refers to the identification part which contains specific questions depending on the legal form of the reporting unit.<sup>8</sup>

## 2.6. Survey coverage

The starting point for establishing the group of business entities covered by the survey on the social enterprises sector in Serbia were the data from the statistical business register, as well as the annual financial statements. The basic criteria in this phase of the analysis referred to the earning of income from a business activity in the reference period (the year 2012) and the social aspect of the purpose of existence.

When it comes to associations of citizens and foundations, a group containing more than 21000 registered units was analyzed. Those units which, according to their annual financial statements, did not make operating income in the market or made operating income, but not to the degree that would ensure sustainable business operations were excluded from that group. These are the businesses which, according to the data from the annual financial statements, base their operations and survival on non-market income (subsidies, donations, membership fees, etc.) and, in line with that, do not have “entrepreneurial spirit” to such a degree that would qualify them for the social enterprises sector. In compliance with the social objective criterion, those subjects for which it can be established from their name that there is an absence of unquestionable focus on social objectives (sport associations, political parties, auto-motor clubs, radio clubs, professional organizations, folk dancing associations, dancing clubs, hunters’ associations, associations of dog fancier or pigeon fancier, etc.) were also excluded. In this way, the initial cluster of associations of citizens and foundations

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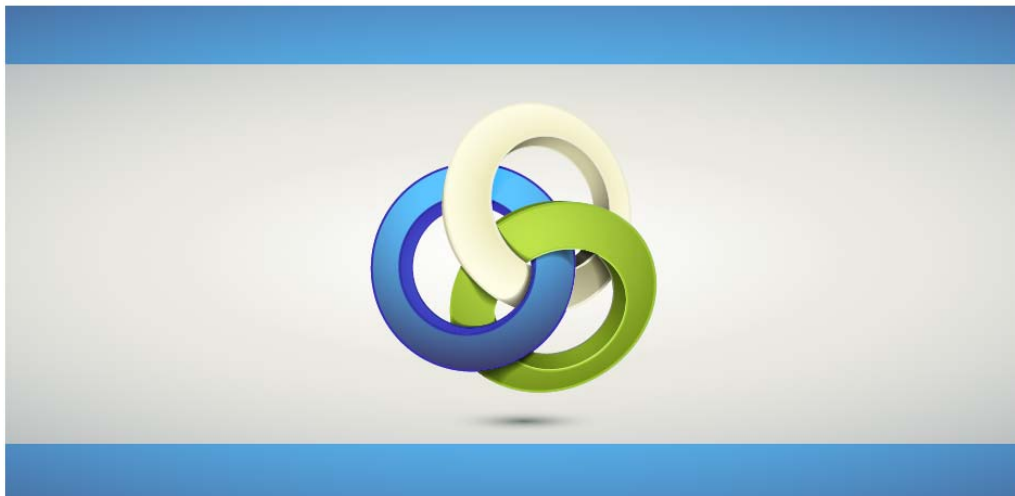
<sup>8</sup> All three types of the questionnaires are provided in annex Questionnaires.

was reduced to 748 businesses covered by the survey which, thus, became the subject of further analysis.

The initial group of cooperatives, as a form of organization, consisted of around 1750 units. In compliance with the methodology, the housing, youth, student, health and consumer cooperatives were excluded from the category of social enterprises. When it comes to other types of cooperatives that meet the stated criteria for belonging to social enterprises (agricultural, craftsmen, etc.) on the basis of an analysis of their annual financial statements, those that were inactive in 2012 according to the financial indicators were excluded. Eventually, 918 cooperatives were identified and they were covered by the survey.

All units operating as enterprises for employment and rehabilitation of persons with disability, business incubators and development agencies were covered by the survey, taking into account the social aspect of these forms of organization.

In this way, the survey covered 1785 businesses that potentially belong to the social enterprises sector in Serbia. The survey was conducted on the basis of complete coverage during October and November 2013. In the conduction of the survey, the SORS used the reporting method and where it was necessary the survey was also conducted by a direct visit of the reporting unit by a statistician, i.e., using the classic interviewing method. 1567 units, i.e., 87.8% answered the questionnaire, 80 reporting units, i.e., 4.5%, did not answer the questionnaire since they went bankrupt, were liquidated or inactive, it was impossible to contact 131 reporting units (e.g., there was nobody at the address of the reporting unit, etc.) while only 7 reporting units, i.e., 0.4% refused to take part in the survey. The analysis of the results obtained through the survey established that 1196 businesses fully meet the stated criteria for belonging to the social enterprises sector.



### 3. Economic effects of the business operations of the social enterprises sector in the Republic of Serbia in 2012

#### 3.1. Number and types of social enterprises

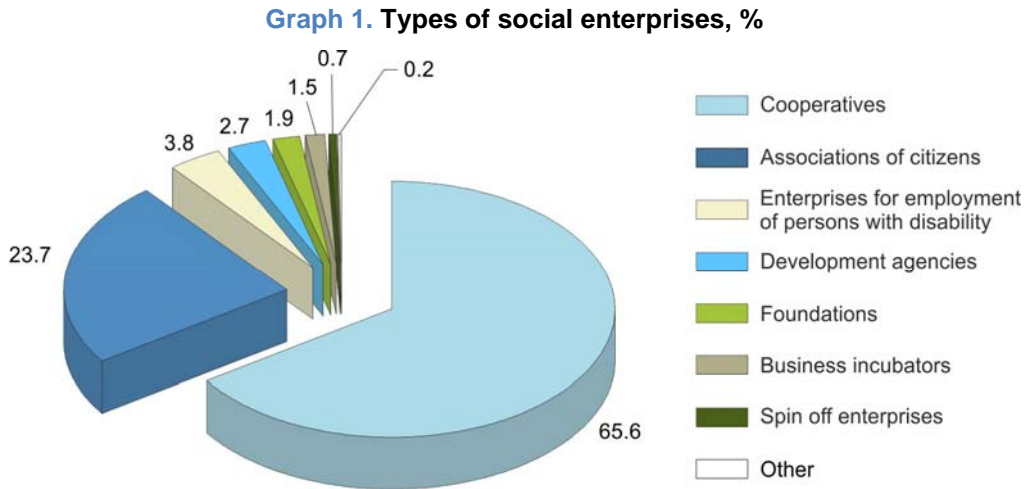
In 2012, 1196 social enterprises of different types operated in the Republic of Serbia.

**Table 1. Number and types of social enterprises**

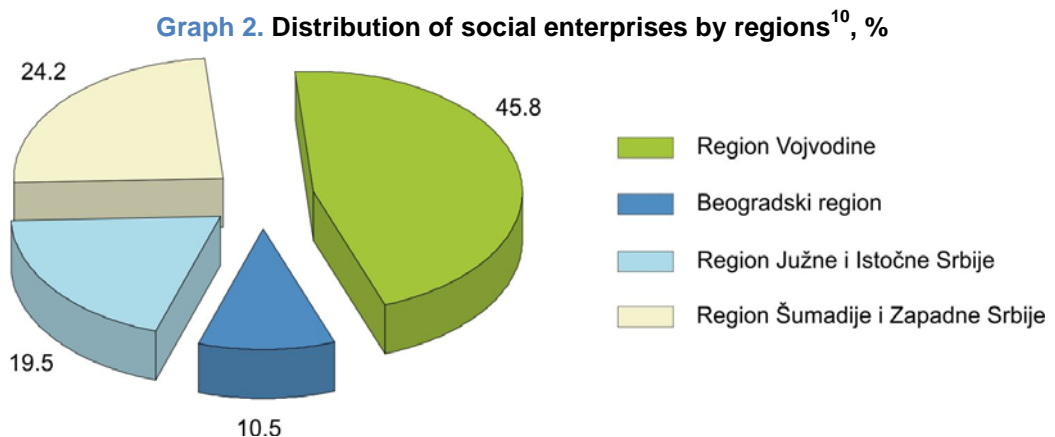
Type of social enterprise	No.
Cooperatives	785
Associations of citizens	283
Enterprises for employment of persons with disability	45
Development agencies	32
Foundations	23
Business incubators	18
Spin off enterprises	8
Other	2 <sup>9</sup>
<b>Total</b>	<b>1196</b>

<sup>9</sup> Taking into account that these types of enterprises have low level of significance, they will not be separately analyzed.

The biggest share in the total number of social enterprises was taken by cooperatives (65.6%) and associations of citizens (23.7%). Enterprises for employment of persons with disability accounted for 3.8% and development agencies for 2.7%. All other types of social enterprises (foundations, business incubators, spin off enterprises and other) accounted for 4.3% of the total number.



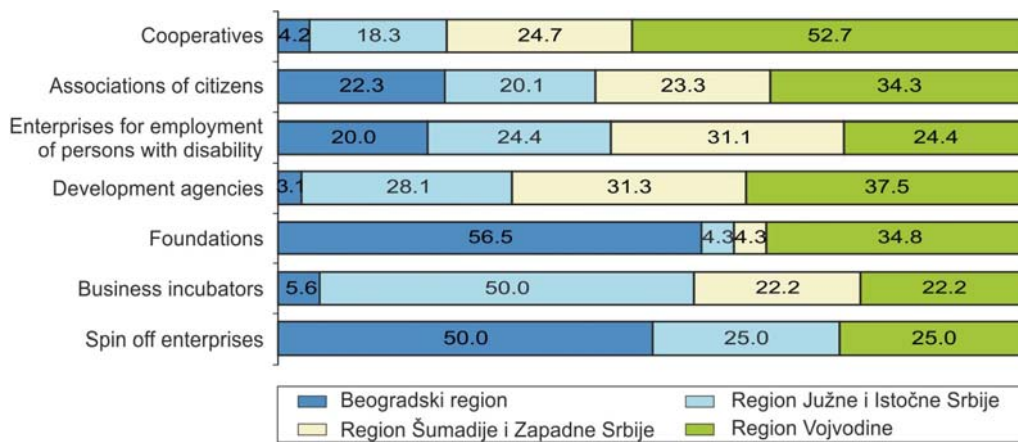
Observed by the regions, the biggest number of social enterprises was located in the Region Vojvodine – 45.8%, and the smallest in the Beogradski region – 10.5%.



<sup>10</sup> Starting from 1999 the Statistical Office of the Republic of Serbia has not at disposal and may not provide available certain data relative to AP Kosovo and Metohia and therefore these data are not included in the coverage for the Republic of Serbia (total).

If the distribution of the types of social enterprises by regions is observed (graph 3), it can be seen that more than a half of the total number of cooperatives in the Republic of Serbia that have characteristics of social enterprises were located in the Region Vojvodine. The biggest share of associations of citizens (34.3%) was also in the Region Vojvodine. Enterprises for employment of persons with disability were most numerous in the Region Šumadije i Zapadne Srbije (31.1%), while foundations were most numerous in the Beogradski region.

**Graph 3. Distribution of the types of social enterprises by regions**



### 3.2. Macroeconomic aggregates

In 2012, social enterprises in the Republic of Serbia achieved gross value added (GVA) in the amount of 6819.2 million dinars, which accounted for 0.2% of the Republic of Serbia's GDP in that year.

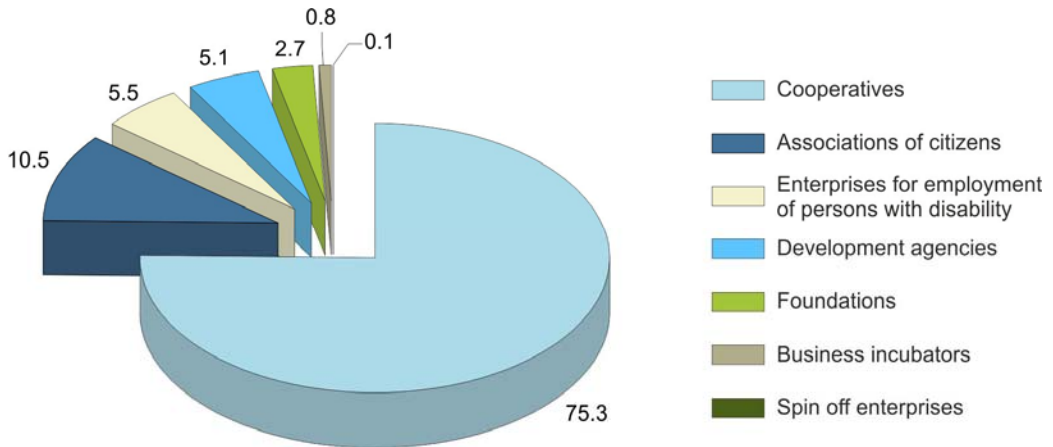
**Table 2. Gross value added of social enterprises, mill. RSD**

Type of social enterprises	Gross value added
Cooperatives	5132.7
Associations of citizens	717.1
Enterprises for employment of persons with disability	377.1
Development agencies	347.3
Foundations	182.4
Business incubators	54.3
Spin off enterprises	6.7
Other	1.7
<b>Total</b>	<b>6819.2</b>



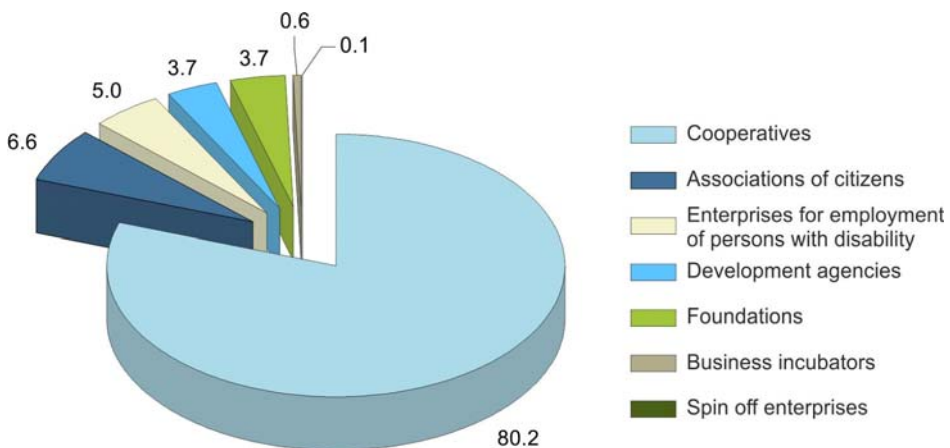
The gross value added of the social enterprises sector was mostly contributed to by cooperatives (75.3%), associations of citizens (10.5%) and enterprises for employment of persons with disability (5.5%). All other types of social enterprises (development agencies, foundations, business incubators, *spin off* enterprises and other) produced 8.7% of the gross value added of the social enterprises sector.

**Graph 4. Structure of the gross value added by the types of social enterprises, %**



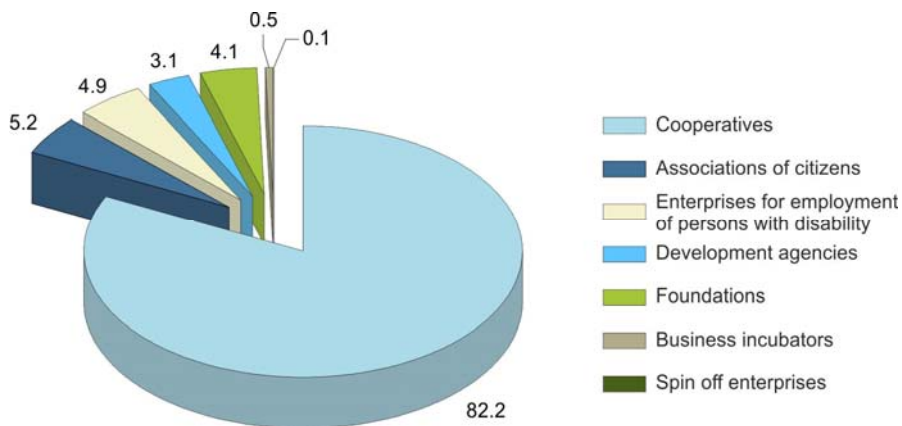
When it comes to the value of the output of the social enterprises sector, the biggest share in its generating was taken by cooperatives (80.2%), associations of citizens (6.6%) and enterprises for employment of persons with disability (5.0%). All other types of social enterprises (development agencies, foundations, business incubators, *spin off* enterprises and other) participated with 8.1% in the value of the social enterprises sector's output.

**Graph 5. Output structure by the types of social enterprises, %**



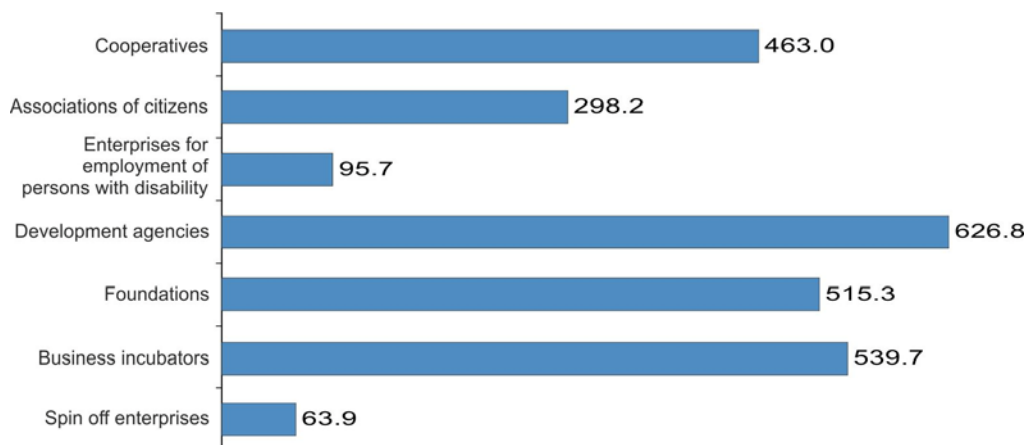
In the structure of the intermediate consumption, cooperatives participated with 82.2%, associations of citizens with 5.2%, enterprises for employment of persons with disability with 4.9%, while all other types of social enterprises had a share of 7.8%.

**Graph 6. Intermediate consumption structure by the types of social enterprises, %**



Looking at the ratio between the gross value added and the hours worked is of importance for an analysis of the productivity of the business operations both for social enterprises as a whole and for individual types of these enterprises. In the social enterprises sector, an average of 367.6 dinars of gross value added was produced during one hour of work. Development agencies, business incubators and foundations had the highest productivity, while the productivity of spin off enterprises and enterprises for employment of persons with disability was the lowest.

**Graph 7. Productivity by the types of social enterprises**



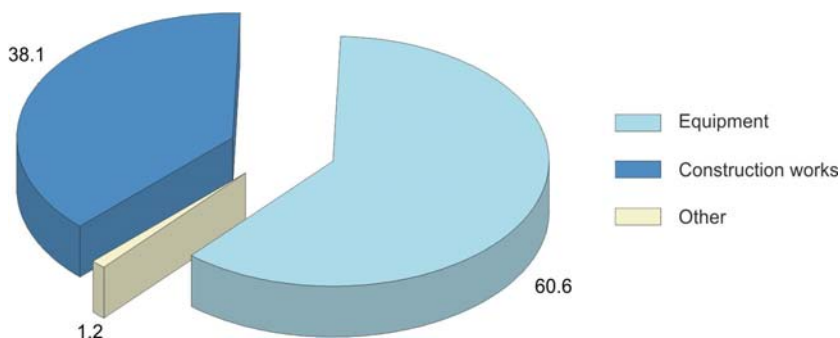
In 2012, the gross fixed capital formation in the social enterprises sector amounted to 1555.9 million dinars, that is, 0.2% of the total gross fixed capital formation in the Republic of Serbia. If observed by the types of social enterprises (table 3), cooperatives had the biggest gross fixed capital formation – 1123.4 million dinars, which accounted for 72.2% of gross fixed capital formation of the social enterprises sector, then enterprises for employment of persons with disability – 316.2 million dinars (20.3%) and development agencies – 85.9 million dinars (5.5%). All other types of social enterprises (associations of citizens, foundations, business incubators, *spin off* enterprises and other) participated with 2.0% in the total gross fixed capital formation in the social enterprises sector.

**Table 3. Gross fixed capital formation by the types of social enterprises, mill. RSD**

Type of social enterprise	Value
Cooperatives	1123.4
Associations of citizens	23.5
Enterprises for employment of persons with disability	316.2
Development agencies	85.9
Foundations	1.1
Business incubators	4.0
Spin off enterprises	1.8
Other	0.0
<b>Total</b>	<b>1555.9</b>

If observed by the technical structure of the gross fixed capital formation it may be seen on the basis of graph 8 that social enterprises invested the most in equipment – 60.6% of the total gross fixed capital formation of the social enterprises sector, then in construction works – 38.1%, and in other 1.2%.

**Graph 8. Technical structure of the gross fixed capital formation in the social enterprises sector, %**



### 3.3. Employees

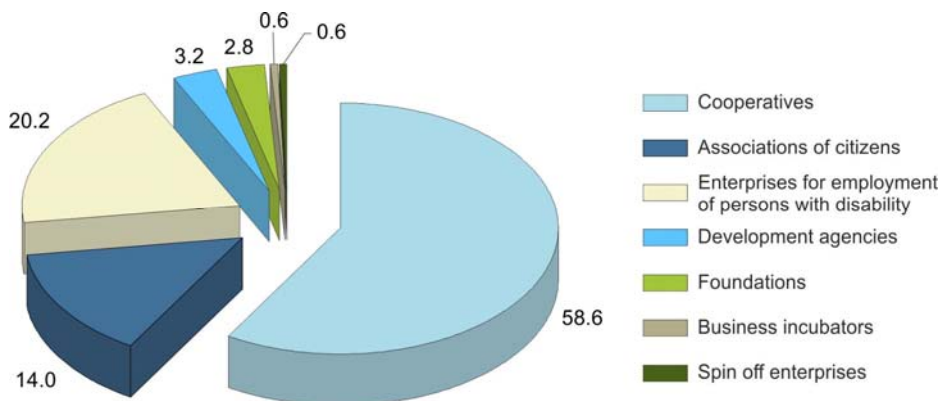
In 2012, there were 10326 employees in the social enterprises sector, which was 0.6% of the total number of employees in the Republic of Serbia.

**Table 4. Number of employees by the types of social enterprises**

Type of social enterprise	Number of employees
Cooperatives	6048
Associations of citizens	1450
Enterprises for employment of persons with disability	2081
Development agencies	335
Foundations	288
Business incubators	57
Spin off enterprises	62
Other	5
<b>Total</b>	<b>10326</b>

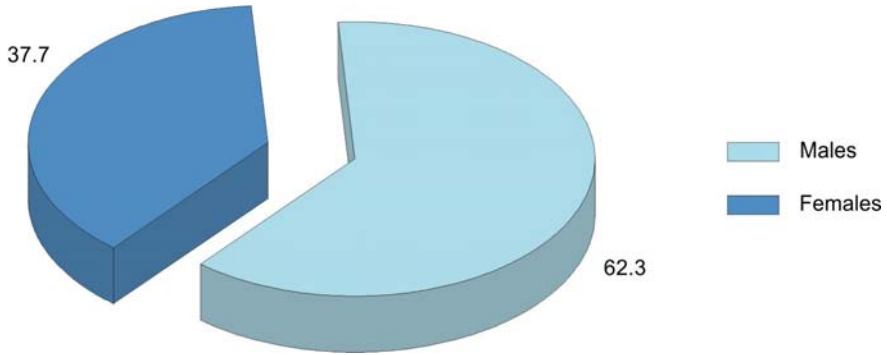
Out of the total number of employees in the social enterprises sector, more than a half (58.6%) was employed in cooperatives. Enterprises for employment of persons with disability employed 20.2% and associations of citizens 14.0%. All other types of social enterprises employed 7.2% of the total number of employees in the social enterprises sector.

**Graph 9. Structure of employees by the types of social enterprises, %**



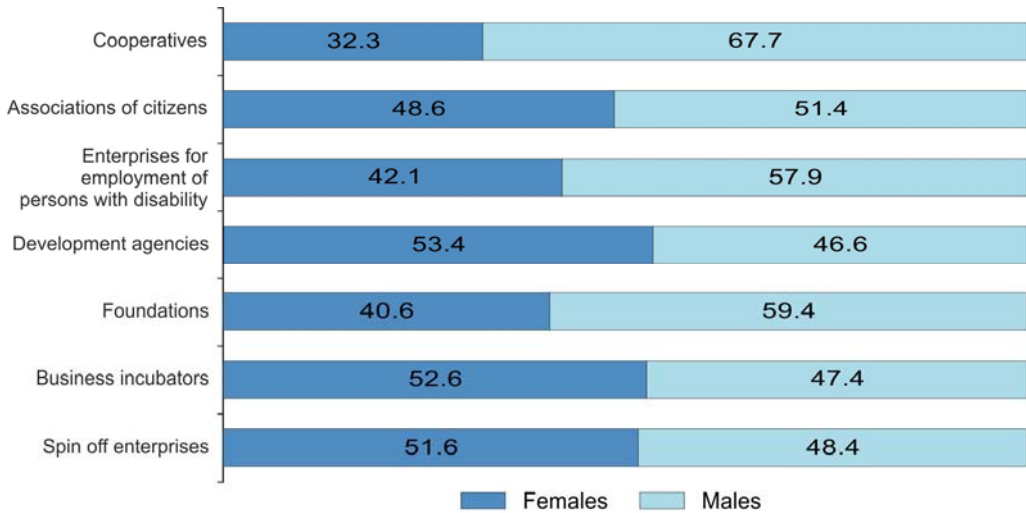
Male workers constituted the majority of employees in social enterprises (62.3%), while female workers accounted for 37.7% of the total number of employees.

**Graph 10. Sex structure of employees in social enterprises, %**



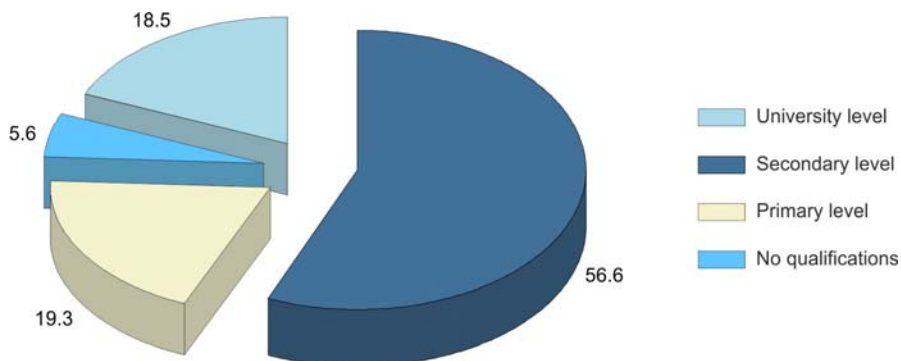
If the sex structure of employees is observed by the types of social enterprises, it may be concluded that cooperatives, associations of citizens, enterprises for employment of persons with disability and foundations employed more men than women. On the other hand, development agencies, business incubators, spin off enterprises and other types of social enterprises employed more women than men.

**Graph 11. Sex structure of employees by the types of social enterprises, %**



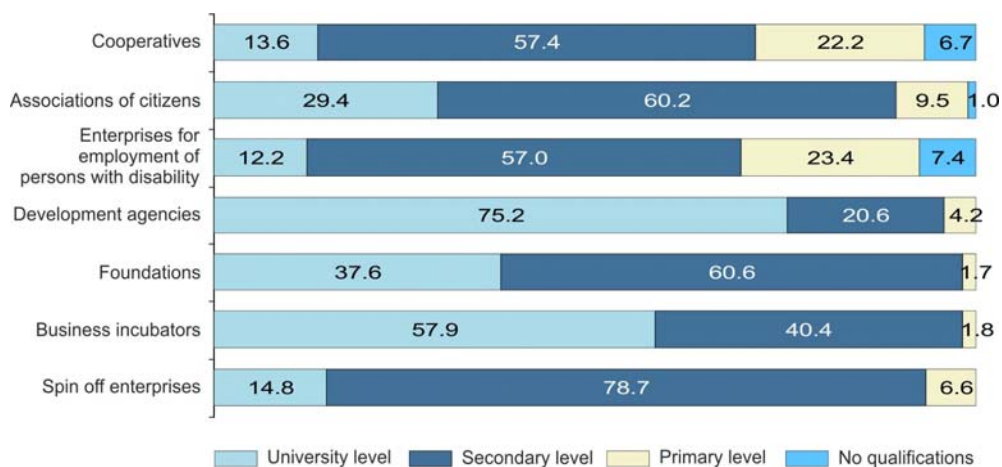
If observed by the degree of school attainment, the biggest number of employees in social enterprises had secondary-school education (56.6%), while 19.3% had primary-school education. There were 18.5% of employees with college- and university-level education, while 5.6% had no qualifications.

**Graph 12. Employees by the degree of school attainment, %**



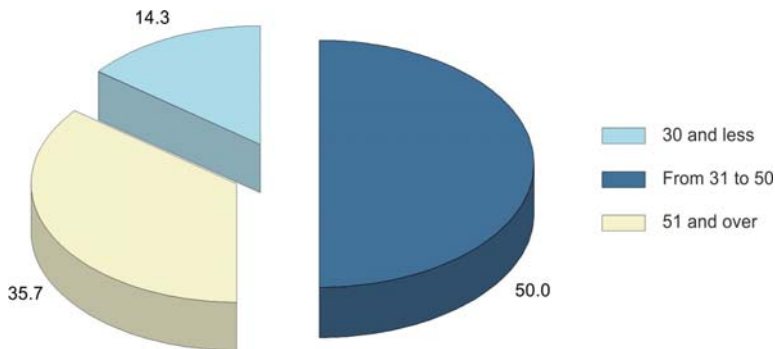
On the basis of graph 13, which shows employees by the degree of school attainment and types of social enterprises, it can be seen that employees with secondary-school education accounted for the biggest share in all the types, except in development agencies and business incubators where the biggest share was taken by employees with university-level education. Employees with primary-school education or with no qualifications were most numerous in the enterprises for employment of persons with disability (23.4% and 7.4%, respectively) and in cooperatives (22.2% and 6.7%, respectively).

**Graph 13. Employees by the degree of school attainment by the types of social enterprises, %**



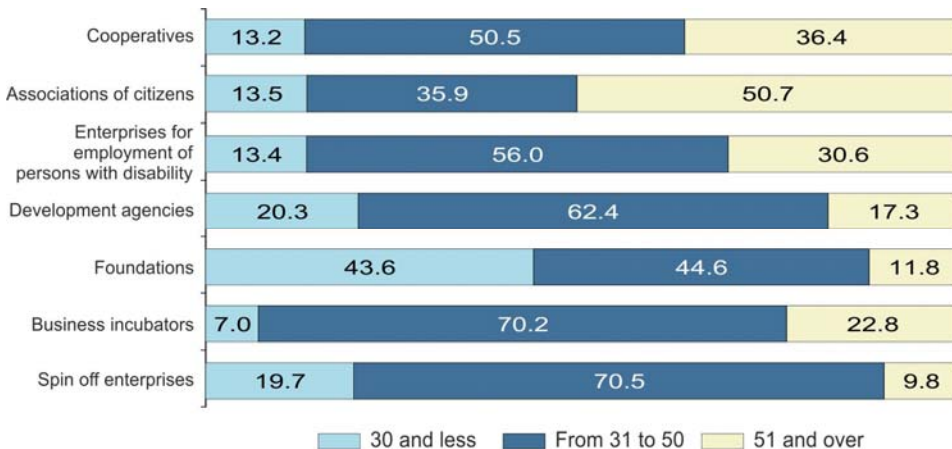
When it comes to the age structure of the employees, a half of the total number of employees in social enterprises consisted of the “population more difficult to employ” category – 51 and over (35.7%) and 30 and less (14.3%).

**Graph 14. Age structure of the employees in social enterprises, %**



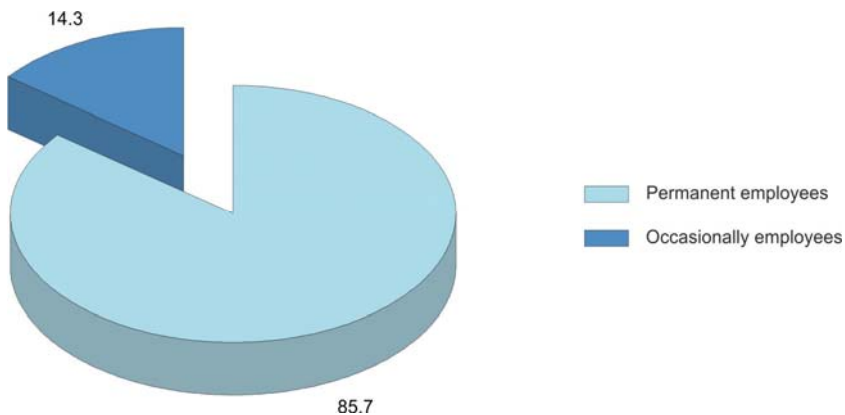
If the employees by age structure and types of social enterprises are observed (graph 15), it can be seen that employees aged 51 and over had the biggest share in the associations of citizens (50.7%) and cooperatives (36.4%). The share of employees 30 and less years of age was the biggest in foundations (43.6%) and development agencies (20.3%).

**Graph 15. Employees by the age structure and types of social enterprises, %**



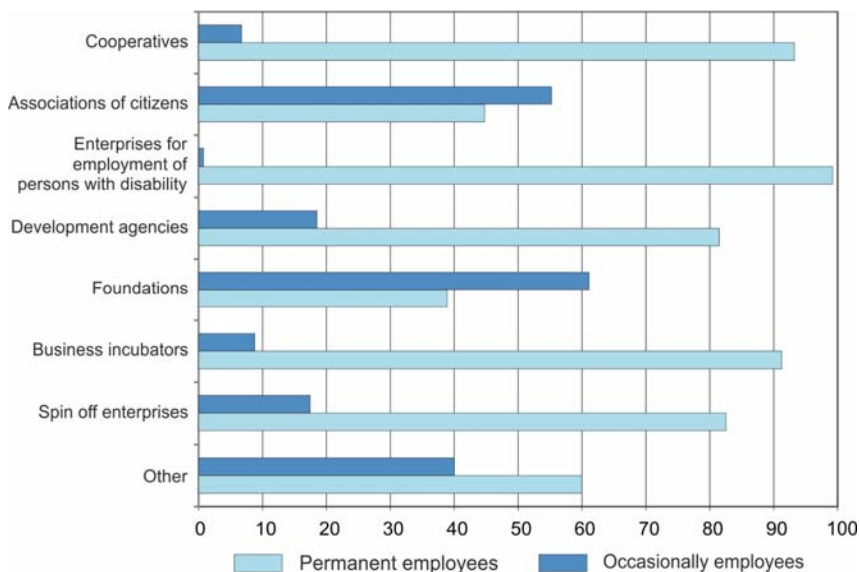
If observed by the type of employment, 85.7% of the total number of employees in social enterprises had permanent employment, while the share of occasionally employed (contract on temporary and occasional assignments, service contract, etc.) amounted to 14.3%.

**Graph 16. Structure of employees by the type of employment, %**



If the employees are observed by the type of employment and types of social enterprises (graph 17), it can be seen that the occasionally employed were dominant with associations of citizens and foundations – 55.2% and 61.1%, respectively, while the permanently employed had the dominant share in all other types.

**Graph 17. Employees by the type of employment and the types of social enterprises, %**

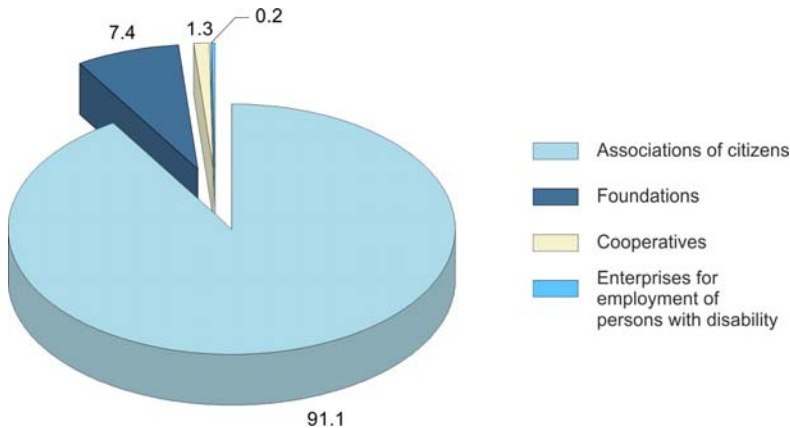




### 3.4. Volunteers

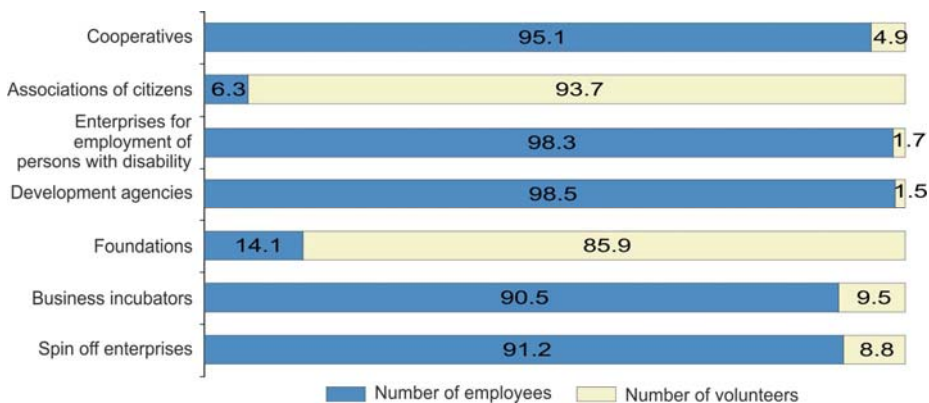
In addition to the persons paid for their work, the social enterprises sector in the Republic of Serbia also engaged 23836 volunteers. The biggest number of volunteers (91.1% of the total number of volunteers in the social enterprises sector) was engaged in associations of citizens. Foundations engaged 7.4% of volunteers, cooperatives 1.3%, and enterprises for employment of persons with disability 0.2% of the total number of volunteers in the social enterprises sector. In all other types of social enterprises (business incubators, development agencies, spin off enterprises and other) the number of engaged volunteers was negligible (individually observed, less than 0.03%).

**Graph 18. Volunteers by the types of social enterprises, %**



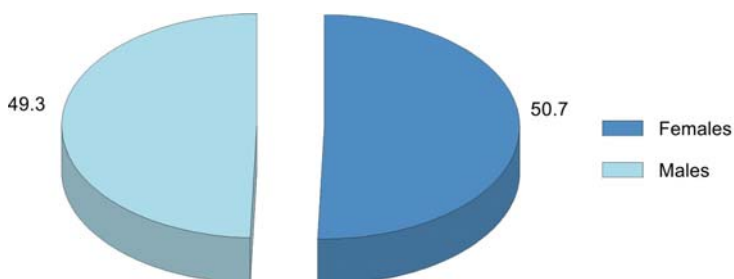
If the structure of engaged persons is analyzed by the types of social enterprises, it can be concluded that associations of citizens and foundations predominantly engaged volunteers, while in all other types, the number of employees was significantly higher than that of volunteers.

**Graph 19. Structure of engaged persons by the types of social enterprises, %**



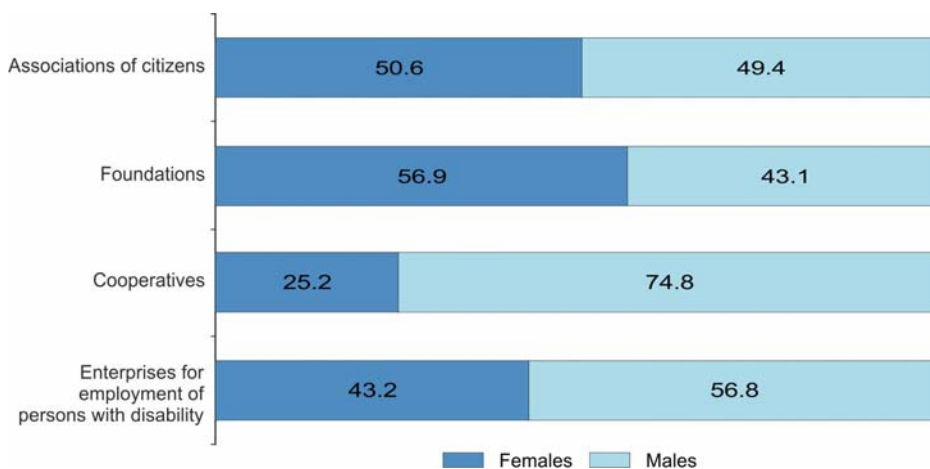
When it comes to the sex structure of volunteers, women were present with 50.7%, and men with 49.3%.

**Graph 20. Sex structure of volunteers, %**



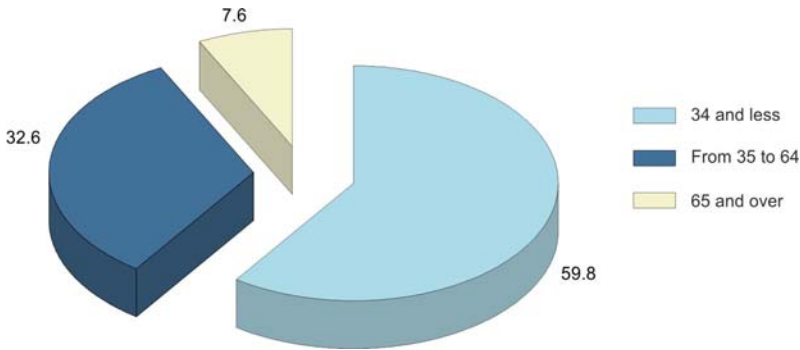
On the basis of graph 21, which shows the sex structure of volunteers by the types of social enterprises, it can be seen that there was higher predominance of women in foundations (56.9%) and associations of citizens (50.6%), while the share of men was higher in cooperatives (74.8%) and enterprises for employment of persons with disability (56.8%).

**Graph 21. Sex structure of volunteers by the types of social enterprises, %**



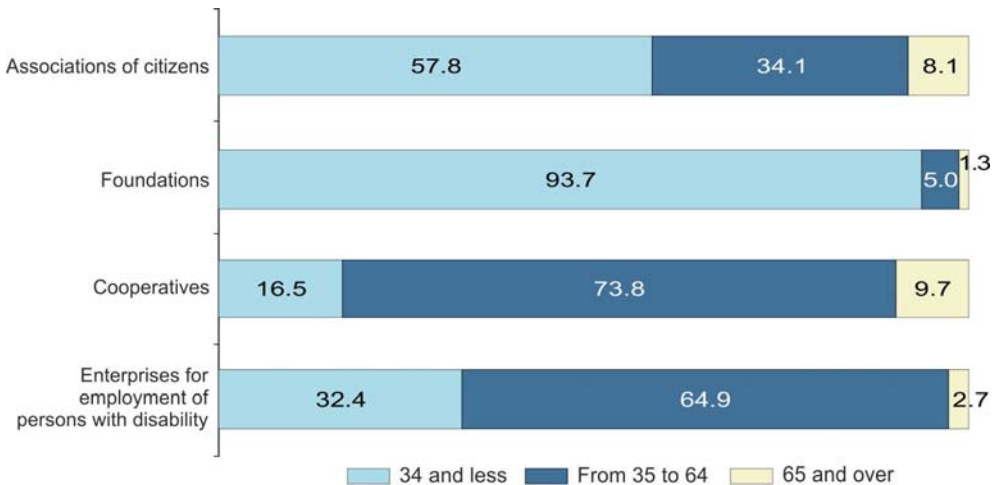
If the age structure of engaged volunteers is observed, the biggest number of volunteers was aged 34 and less (59.8%), while the fewest volunteers were from the category of persons aged 65 and over.

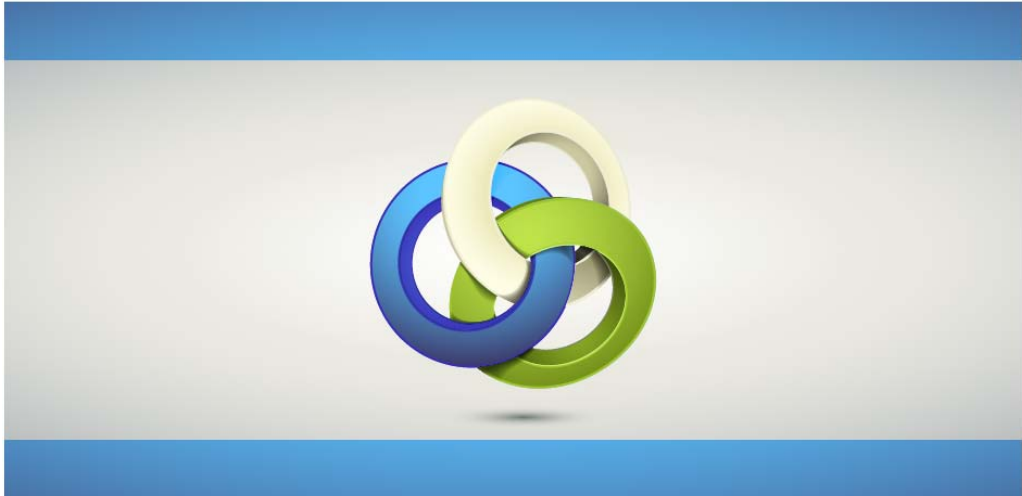
**Graph 22. Age structure of volunteers in social enterprises, %**



If the age structure of volunteers is observed by the types of social enterprises (graph 23), it can be seen that the share of volunteers aged 34 and less was the biggest in foundations (93.7%) and associations of citizens (57.8%). The share of volunteers aged 65 and over was the biggest in cooperatives (9.7%) and associations of citizens (8.1%).

**Graph 23. Volunteers by the age structure and the type of social enterprises, %**





## 4. Social effects of the business operations of the social enterprises sector in the Republic of Serbia in 2012

### 4.1. Social function

As it has already been pointed out, founding of social enterprises is commonly not based on an aspiration towards profit, but rather on social motivation. These enterprises fulfil their social function through various activities, such as stimulating employment and work integrations of people who stand poor chances in an “open” labour market, provision of goods and services (social, educational, health, etc.) to the local communities and people who cannot afford them, contributing to the economic development of deprived communities, and taking care of environmental protection and sustainable development.

For the purpose of a clear overview of the analysis, the types of social enterprises have been classified into 4 groups on the basis of their legal form and the law that regulates their founding and operations:

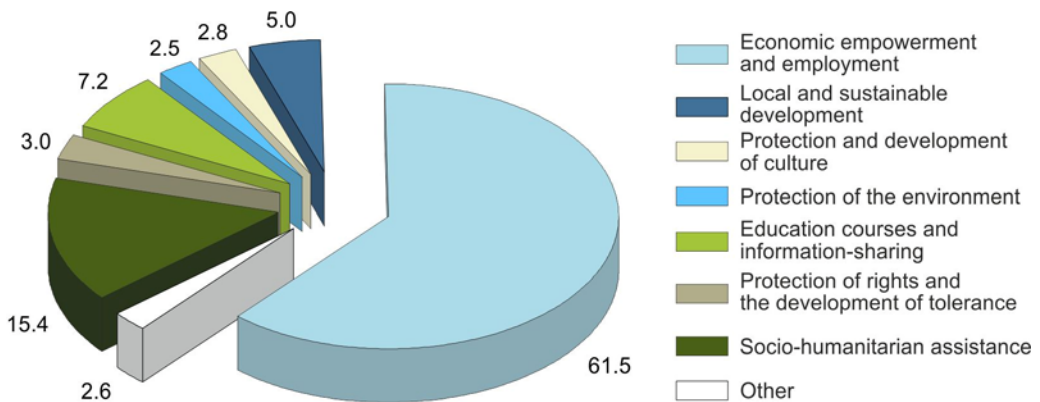
1. Associations of citizens and foundations
2. Cooperatives
3. Enterprises for professional rehabilitation and employment of persons with disability
4. Other enterprises registered as limited liability companies (development agencies, business incubators, *spin off* enterprises and other types)

In this survey, the social functions of social enterprises have been established and analyzed through the following questions:

- Which are the most important objectives of the organization?
- Is more than 50% of the income earmarked for social purposes?
- Does the organization employ members of socially vulnerable groups?<sup>11</sup>

In answering the “open” question on the objectives of the organization, all interviewed organizations stated at least one social objective as the guideline of their activity. The obtained answers were classified into 8 groups of objectives and at the level of the enumerated population of social enterprises they have the distribution shown in graph 24.

**Graph 24. Distribution of the most important objectives of social enterprises, %**



Such structure of the objectives and the dominance of economic empowerment and employment as an objective of social entrepreneurship can be explained by the fact that almost 2/3 of the sector consist of cooperatives among which there are as much as 88.7% of those that put this objective among the three most important ones.

The structure of the objectives by different types of social enterprises is shown in the next table.

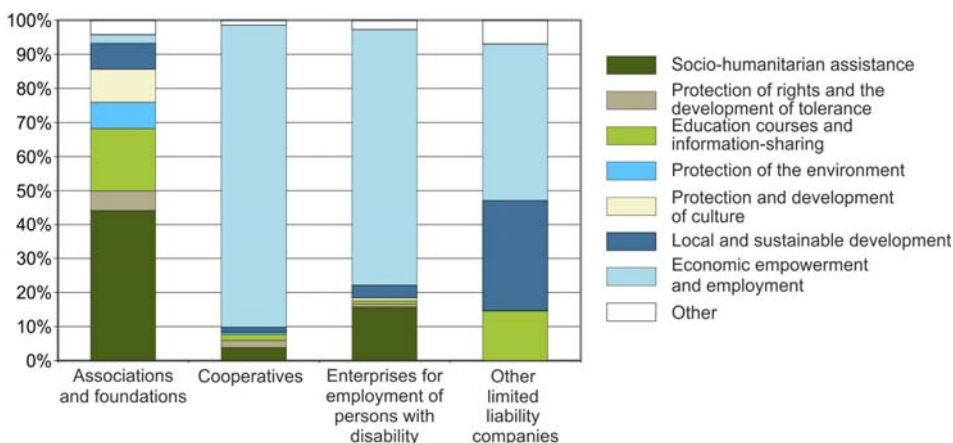
<sup>11</sup> It was through these questions that the definition of social enterprises was made operational for various legal forms.

**Table 5. Structure of the objectives by the types of social enterprises, %**

	Associations and foundations	Cooperatives	Enterprises for employment of persons with disability	Other limited liability companies
Socio-humanitarian assistance	44.1	3.8	15.7	0.0
Protection of rights and the development of tolerance	5.7	2.1	0.9	0.0
Education courses and information sharing	18.3	1.8	0.9	14.6
Protection of the environment	7.7	0.6	0.0	0.0
Protection and development of culture	9.7	0.1	0.9	0.0
Local and sustainable development	7.6	1.4	3.7	32.5
Economic empowerment and employment	2.5	88.7	75.0	45.9
Other	4.3	1.5	2.8	7.0

The obtained results show that different types of social enterprises emphasize different objectives. Associations of citizens and foundations are primarily focused on socio-humanitarian objectives and education courses, promotions and information-sharing on the key values they advocate. Cooperatives are dominantly focused, as has already been said, on economic empowerment of cooperative members and on generating new jobs. Enterprises for employment of persons with disability are also focused primarily on employment and economic empowerment (in this case of the persons with disability as the more difficult to employ category of the population), and as their second important objective they underline their focus on socio-humanitarian assistance to these persons. Development agencies, business incubators and spin off enterprises are almost equally focused on economic empowerment and local and sustainable development, in addition to which they also emphasize education courses and information-sharing.

**Graph 25. Social objectives by the types of social enterprises, %**



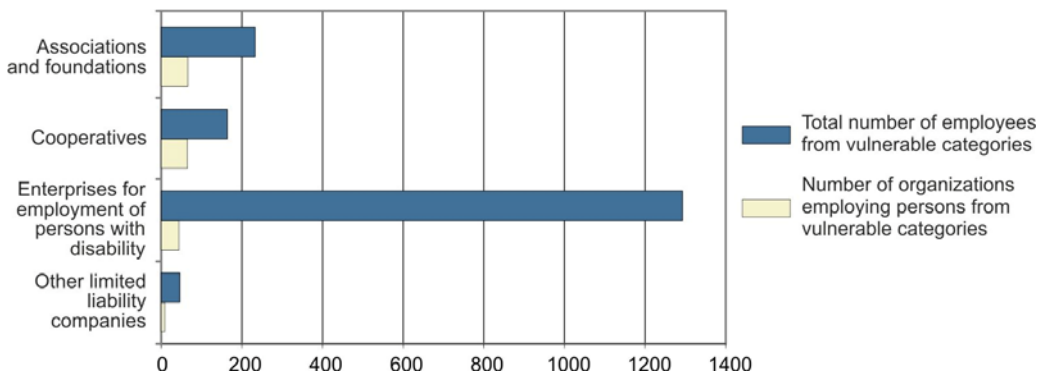
Taking these findings into consideration, it could be said that the social enterprises sector in the Republic of Serbia is focused on the most important social objectives such as employment, socio-humanitarian assistance, local development and education courses. On the other hand, it is interesting to observe that the focus on environmental protection is very poor, which is not to be expected in the case where agricultural cooperatives dominate the sector. The same may also be said for local and sustainable development which is a notable (programme) priority only for the agencies that have been founded specifically for that objective. The underlining focus of associations of citizens on socio-humanitarian objectives is the result of a significant share of associations of pensioners in this type of social enterprises.

Employment, particularly the employment of the population categories that are more difficult to employ, is one of the more important functions of social enterprises. It may be seen from the analysis of the economic effects of the business operations of the social enterprises sector in the Republic of Serbia that this sector did not have a significant number of employees in 2012.

The situation is similar with employment of vulnerable categories of the population – out of 1196 social enterprises in the sector, only 184 reported employing members of vulnerable groups. The total number of these employees is 1736 which results in the average value of 9.4 per enterprise. Out of a total of 10326 employees in the social enterprises sector, 16.8% are employees from vulnerable categories of the population which certainly represents a higher share than at the national level, but it is significantly less than expected for this sector.

The next graph shows which type of social enterprise in Serbia has the greatest capacity for generating employment.

**Graph 26. Employing vulnerable categories of the population by the types of social enterprises**

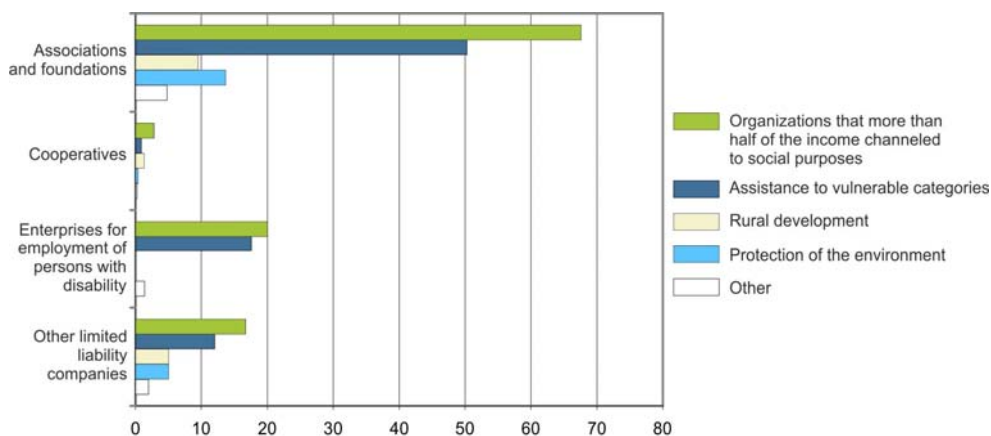


Associations of citizens and foundations, with only a quarter of the organizations that employ vulnerable categories of population and the average number of these employees of 3.5, did not represent a generator for employment of this segment of population in 2012. This claim also applies to cooperatives, but in their case it is important to take into account that cooperative-based business provides for the maintaining of (self)employment of a large number of members and associates who

do not have a work contract at the cooperative itself. If enterprises for employment of persons with disability that are fully focused only on one vulnerable category of population are put aside, the potential for employment could lie in spin off enterprises where the average number of employees from vulnerable groups was 5.1. There were few such organizations in the social enterprises sector in 2012 (eight) and this could be the direction in which the efforts should be made in order to reform and enhance the entire sector.

The question “Is more than 50% of the income earmarked for social purposes?” was answered affirmatively by 20.7% of the organizations and in line with the declared objectives this social function is mostly fulfilled by associations of citizens and foundations, and least by cooperatives.

**Graph 27. Allocation of more than 50% of the income from activities for social purposes by the types of social enterprises, %**



\* \* \*

The presented findings show that the social function of social enterprises in Serbia in 2012 was rather weak which is in line with their economic capacity. The sector combines employment of vulnerable categories of population and allocation of a part of the income for social purposes. But, these functions are very much determined by the type of the enterprise – enterprises for employment of persons with disability that received significant subsidies from the state were also the biggest generator of employment. Enterprises founded by associations of citizens with a social mission (*spin off*) could play a different role, with more entrepreneurial initiative, but their number is far too small to have any significant effect. On the other hand, associations of citizens are more focused on transferring a part of the earned income to social purposes, but they are a very weak employer. Cooperatives, as the most numerous type of social enterprises, exhibit a very feeble social function. They do not generate more significant employment and neither a prominent number of them earmark more than half of the income for solving problems of the local community or vulnerable categories of population.



## 4.2. Operating conditions for social enterprises

It is frequently pointed out in literature that social enterprises are characterized by great innovativeness and ability to combine diverse resources in order to successfully perform their activity and meet social mission of the enterprise. On the other hand, it is to be expected that other players within an economic system, primarily the decision-makers and public institutions, but also private enterprises focused on earning profit, recognize the specific role of social enterprises and assist in their survival and functioning. A favourable legislative framework, an advantage in public procurements, socially-responsible business operations, accessibility of micro-financing are but few of the options that open up a broader space for social entrepreneurship.

Social enterprises Serbia earn income from performing different activities<sup>12</sup>. When it comes to associations and foundations, three of the most frequent fields of business activities are: Education and training (31.0%), Tourism, accommodation, food-related services and catering<sup>13</sup> (18.0%), and Culture and arts (11.8%). Cooperatives have most frequently earned their income from: Buying up and sale of agricultural commodities (61.9%), Production of agricultural commodities (36.8%), and Wholesale and retail sale (23.8%). Enterprises for professional rehabilitation and employment of persons with disability have operated most frequently in the following areas: Printing and copying (28.9%), Manufacturing of clothes and footwear (20.0%) and Manufacturing of furniture (17.8%). Other types of social enterprises (agencies, incubators, spin-offs) have most frequently earned their income from Education and training (58.3%), and from Administrative services, bookkeeping and accounting (13.,3%).

It may be concluded that these types of social enterprises are not only different by their objectives, but also by the fields of business activities. Agricultural cooperatives are dominant both within the cluster of cooperatives and in the total number of social enterprises, and they are focused on the production and trade of agricultural commodities and products. An increase in the number of craftsmen and work cooperatives would expand the focus onto the sectors of crafts production and services. As for enterprises for employment of persons with disability, they are traditionally dealing with the manufacturing of goods. Associations and foundations are, on the other hand, primarily focused on service activities for two reasons: 1) they choose activities that require less investment and are easier to start up and adjust to the available resources; and 2) they are predominantly turned towards their membership and the target group whose interests they advocate.

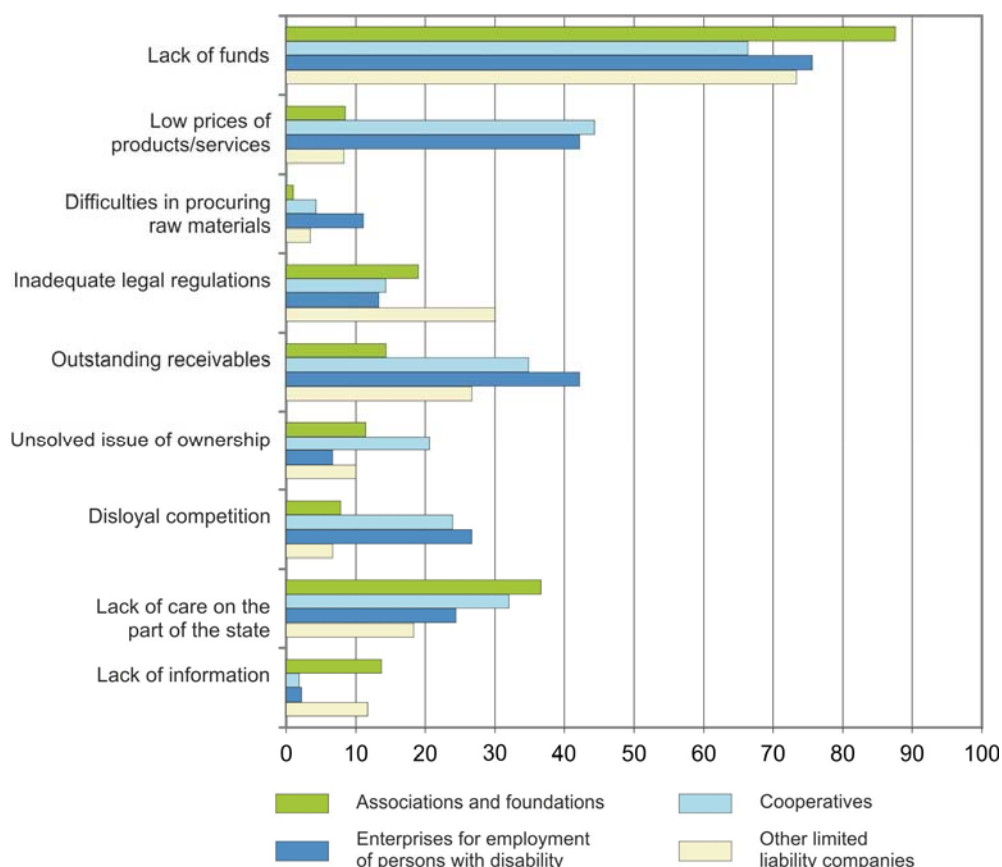
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<sup>12</sup> The sum of percentage share may be higher than 100 on account of the possibility to select several of the provided answers.

<sup>13</sup> These are most often pensioner clubs.

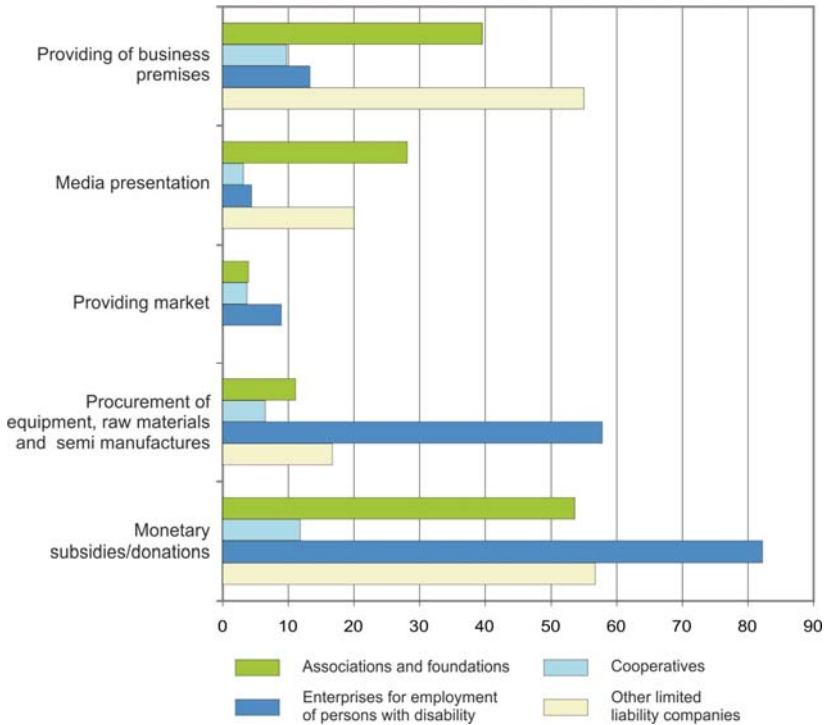
In Serbia, in their business operations, social enterprises meet significantly more obstacles than incentives. The biggest problems of the social enterprises sector (graph 28) are the lack of the sources of financing, then low prices of products and services, outstanding receivables, as well as the lack of care for the sector on the part of the state. This is followed by other problems such as: inadequate legal regulations, disloyal competitiveness, etc. The biggest problem for all types of social enterprises is the lack of financing, but for associations of citizens and foundations the next most important problems are the lack of care on the part of the state (36.6%) and inadequate legal regulations (19.0%), for ltd companies these are inadequate legal regulations (30.0%) and outstanding receivables (26.7%), while cooperatives and enterprises for employment of persons with disability point out similar problems: low prices of products/services (44.3% and 42.2%, respectively) and outstanding receivables (34.8% and 42.2%, respectively).

**Graph 28. Most frequent problems encountered by social enterprises by types of social enterprises, %**



The survey has shown that social enterprises encounter on an average a small number of facilities or subsidies in their business operations.

**Graph 29. Facilities in business operations by the types of social enterprises, %**



Other than cooperatives, other types of social enterprises receive monetary subsidy/donation in more than 50% of the cases. Considering that cooperatives, which account for two thirds of the sector, receive very few subsidies/donations (11.8% of the total number of cooperatives), this kind of support is below 50% at the level of the entire sector. If all kinds of facilities in business operations are observed, of all types of social enterprises cooperatives get fewest of them.

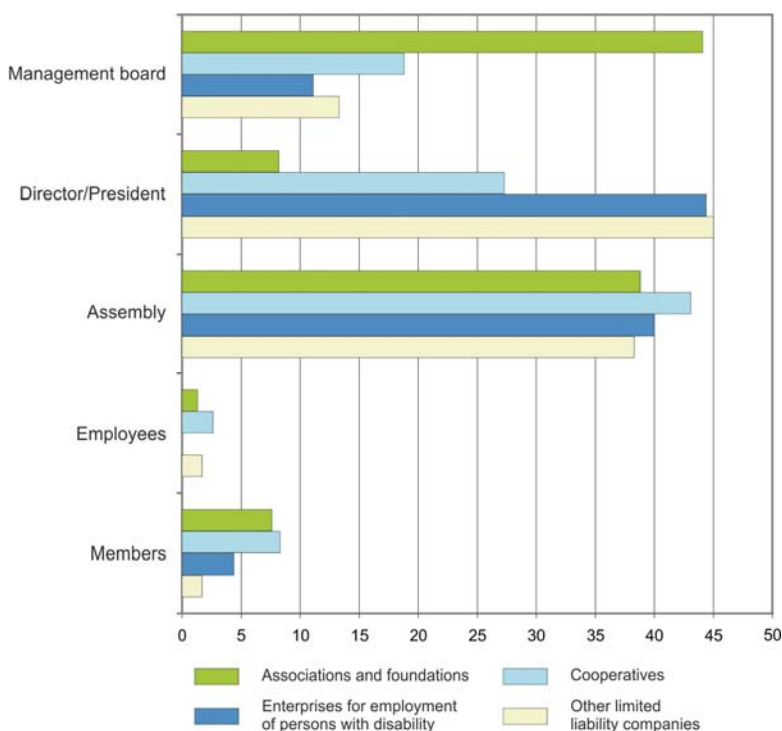
Associations and foundations, as well as the ltd companies (primarily development agencies and business incubators) stand out from the bad picture of the average, since a significant percentage of them get premises for use from the local self-governments. Enterprises for employment of persons with disability (57.8% of the total number of these enterprises) have significant facilities when acquiring equipment and raw materials and semi-manufactures, as stipulated by the law.

An important characteristic of the business operations of social enterprises is also a democratic approach in management and participation of employees and members in the decision-making. The study has shown that in almost three quarters of social enterprises employees and/or members take part in the decision-making. This proportion is smaller in enterprises for employment of persons with disability (53.3%)

than in the other types of social enterprises where this percentage is at the level of 72-75%.

Even with the making of important strategic decisions in the organization, there is a democratic approach, expressed primarily through the assembly as a representative body. However, there is also a significant number of cases where the final word in these decisions is given by the executive board or the director, mostly in the case of enterprises for employment of persons with disability, and associations and foundations.

**Graph 30. Makers of strategic decisions in social enterprises by the types of enterprises, %**

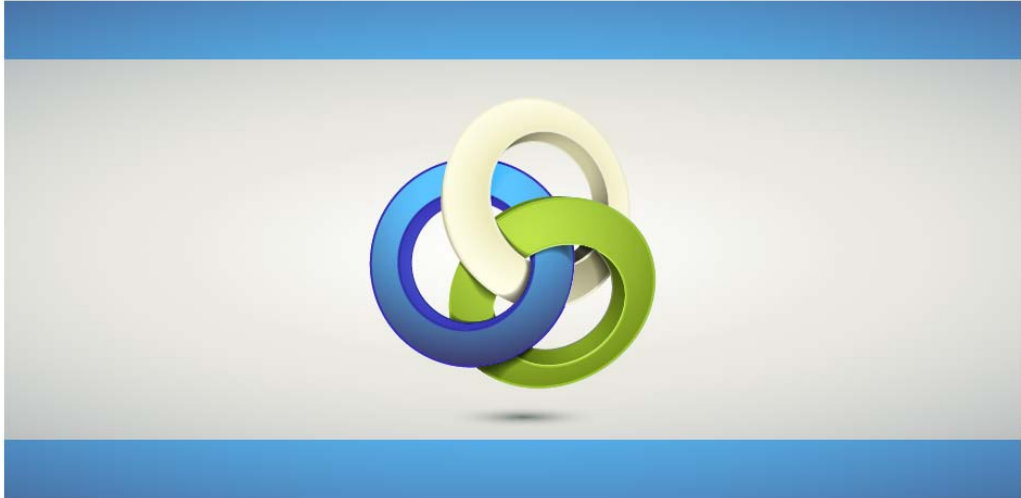


The generally favourable picture of democratic approach to management in social enterprises in Serbia is somewhat disturbed by two findings: emphasized role of executive boards in the decision-making in associations of citizens and exceptionally low direct participation of employees in the decision-making in enterprises for employment of persons with disability.



\* \* \*

From the results obtained through this survey it can be concluded that in their business operations social enterprises encounter numerous difficulties and modest incentives. The most important problem is the lack of sources of financing, particularly the lack of micro-financial instruments. Putting enterprises for employment of persons with disability aside, since they operate under conditions regulated by a special law, the most frequent incentives from the broader setting enjoyed by social enterprises are business premises put at their disposal by the local self-governments, as well as donations which are, more than by others, used by associations of citizens and foundations. The development of the social enterprises sector through the dominance of monetary subsidies and donations as a type of facility in business operations is short lived and it does not create favourable conditions for the sustainability of the sector. That is why it happens that socio-humanitarian objectives are almost made equal with economic empowerment and employment which represent the key proactive strategy for the development of the sector.



## 5. The examples of social enterprises in the Republic of Serbia

This chapter presents the examples on the business operations of seven social enterprises in the Republic of Serbia. The examples are the result of additional qualitative survey that was conducted in April 2014. In methodological terms, the survey was carried out using the semi-structured interview method. The managers (directors, chairpersons of assemblies, etc.) of each of the seven enterprises were interviewed on their premises.

The data obtained by the interviews have been verified and completed with the data from the database of the Business Registers Agency and other sources available on the internet. Despite the survey's efforts to provide all relevant information, it is important to highlight that such qualitative survey has its limitations and it is necessary to pay more attention to overcoming them.

The examples mostly show successful functioning of social enterprises in Serbia. In addition, they also point at various difficulties and serious challenges faced by the enterprises, particularly in the economic sphere of their business operations.

The previous chapters show the results for the year 2012, while the timeframes of the examples are clearly marked in each one of them.

## Social agricultural cooperative “Nova perspektiva” from Pirot

“*Nova perspektiva*” (“New Perspective”) was founded by 10 families in December 2010. Each of these families deals with some form of individual agricultural production and owns their own agricultural holding. In the very beginning, the cooperative had 50 ares under lease and today that area has grown to 10 hectares, which was accompanied by a remarkable growth in the business income ever since the first year (2011) which they also ended with surplus of income. Currently, the cooperative employs two persons, for a definite period of time and through the National Employment Service programmes. They share out the surplus of income which they earn by their agricultural activity on the cooperative land amongst them, in line with accurate records on the work engagement of each cooperative member. At the same time, a lot of attention is also paid to the quality of the job done: nobody has the right to produce junk. A part of the surplus is always left aside, in the cooperative fund, while all the decisions on the distribution of the income surplus and other key decisions are taken at the cooperative assembly.

The chairman of the cooperative assembly is a long-time trade union activist, so that this experience and the support of the farmers’ trade union played a significant role when *Nova perspektiva* was founded. In addition, the initiators of the founding of the cooperative were at the time already involved in some education activities and public events dedicated to the promotion of the social entrepreneurship concept and this made an impact on the defining of the name and the social mission. The cooperative has good cooperation with the municipality Pirot and with some local institutions and services; the municipal administration helps with their participation in fairs and seminars, and it has supported the implementation of a project. They also receive free advisory assistance from the Agricultural Expert Services. However, they are also very active in lobbying with the municipal authorities and they work very hard on reaching their goals which all brought them the nickname *the bulldozers*. In addition to the participation at trainings and in advocacy and promotional public events, the cooperation with the non-governmental sector has brought them a very important donation – a tractor which was given to the cooperative in March 2013 within a project financed from the EU pre-accession funds.

Among its founders, the cooperative also includes Roma, refugee and IDP families, and it highlights as its main objective the reduction of unemployment and poverty in the Pirot area. This is visibly confirmed in the activities of the cooperative that are broader than its core agricultural activity. Namely, the cooperative participates regularly (and successfully) in the public works programmes thus engaging unemployed persons from the National Employment Service records, mostly on the jobs related to the environmental protection, that is, cleaning and developing public areas. So far they have implemented four such projects. In addition, they have initiated the setting up of a local coalition for the fight against poverty and in the previous two

years they organized actions in municipality Pirot marking the International Day for the Eradication of Poverty. However, the business development and plans of the cooperative are firmly tied to the agricultural production and processing of agricultural commodities. Other than the land leased by the cooperative and the tractor they've received as a donation, the cooperative members own another 20 hectares of arable land and four more tractors. Some members of the cooperative and now the cooperative itself have useful contracts with some of the best domestic producers of seeds and fertilizers (and similar resources that are needed), including contracts on test fields.

During 2013, "*Nova perspektiva*" started with home-made fruit and vegetable processing in a completely traditional way. They developed sweet and salty programme, with the volume of 300-500 kilos per product. This proved to be very important for further development. In October 2013, they exhibited at the Pirot Fair of Goods and Services and won the highest prize (golden plaque) and then they also exhibited successfully at the ethno food and drinks fair in Belgrade. They've established significant contacts with the Serbian Chamber of Commerce and it was through them that they distributed a large part of their products from the processing segment. They also established two important sponsorships, so that one insurance company financed the production of their promotional materials, while a glass factory donated diverse glass packaging. The two exhibits at fairs and the established business contacts were a great incentive for them, so now they have a larger demand for their products than what their production capabilities are. For this reason, their first direct goal is to open a centre for food processing as soon as possible. Such plant would enable processing of significantly larger quantities and standardization of the quality. Despite the current business growth, they are still far from being able to achieve that from their own income. Therefore, they plan to apply with donors for the procurement of the necessary machines and they intend to reach an agreement with the municipal administration regarding the ceding of a building owned by the local self-government. They have a developed network of farmers and people picking wild fruits and berries, while they plan to hire people from the registers of the National Employment Service as the workers in the production and technologists who would manage the processing. They see their chance in organic production (the plan is to lease appropriate arable land and get certification), but in addition to this they also have plans in connection with cattle breeding and milk production. Nonetheless, they plan this development carefully and are not trying to expand abruptly, but rather they project a gradual growth and stable business operations based on the verified quality of their products.



## Social cooperative “Vivere” from Kragujevac

“Vivere” was founded in 2005, in a legal form of cooperative, and its name quite rightly suggests the outcome of that event. The cooperative was founded as the final product of a project by which the Italian donor intended to stimulate the development of social cooperatives in the region of Kragujevac and Nis. The project target group were unemployed women and for this reason three unemployed women from the records of the Kragujevac branch office of the National Employment Service were included in a series of trainings. Two of them, together with eight parents of grown-up children with intellectual disabilities, founded the cooperative and submitted a project proposal to the Kragujevac city administration. The project proposal included the establishment and development of a day care centre for persons with mild and more severe intellectual disabilities who were over 25. In July 2005, a four-year contract was signed with the local self-government and the day care centre was officially opened which marked the beginning of the functioning of the social cooperative Vivere – To Live. The establishment of this kind of cooperative was a consequence of an initiative which a group of parents, gathered around the trade union at Zastava (car factory), has already set off. The process was greatly facilitated by the fact that the city administration has recognized this initiative as an issue that needs to be tackled.

In addition to the fact that in the very beginning it enabled employment of six long-term unemployed persons, mostly women, including some that had been displaced from Kosovo and Metohia, as well as those that had become unemployed in the crippled Kragujevac industry, the cooperative fulfils its social mission primarily through the rendering of a form of social service which nobody else in the city provides. Today, Vivere has 14 members with capital share, while the day care centre employs four persons. Currently, another woman, a single mother, is engaged through the programme of public works. The capacities of the day care centre are full and the number of beneficiaries goes between 12 and 15. The activities are planned on a weekly and daily basis. Since last year, there is a branch of the cooperative at a school where another day care centre has also been founded. That day care centre currently has six beneficiaries and is intended for children with autism. After the expiry of the original contract, further functioning of the cooperative has been made possible through one-year contracts with the city administration on the basis of the public procurement of a social protection service provided by this cooperative. The value of this year’s contract is 4 million dinars<sup>14</sup>.

Under the public procurement contract, the city administration provides funds to the cooperative for its gross salaries (for four employees) and also the food for the beneficiaries (three meals a day). The city, however, has also provided the premises for the cooperative where the day care centre is located and it covers the electricity and all utility costs in connection with that space. The parents of the users of the day

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<sup>14</sup> Approximately 35,000 euros.

care centre pay a participation fee which is used to finance the costs of telephone and internet, sanitary and cleaning supplies, bookkeeping services and the employees' transportation costs. The financial statements are submitted to the competent office of the city administration each month. In addition to the above-said, smaller financial or material support also occasionally comes from private or non-governmental donors. One organization provides some funds each year which are used to finance picnics for the beneficiaries.

Vivere maintains good and regular cooperation with local social protection institutions and the day health care centre (including also the prevention centre for mental health). In addition, they also cooperate with humanitarian and non-governmental organizations that work with related issues. The day care centre is promoted by a brochure and through local media.

The cooperative functions thanks to the financial support allocated in the budget of the City of Kragujevac and without that support its functioning would not be possible at this moment. It is quite uncertain if the cooperative could provide some alternative source of (donor) financing. Vivere has not started with the licensing procedure, but in the near future it will be its key challenge, while the employees at the cooperative will have to ensure the necessary requirements for the licensing process by an adequate reorganization of their work activities and the material resources.

### **Association for support to persons with disabilities “Naša kuća” from Belgrade**

The social enterprise “*Naša kuća*” (“Our House”) manufactures paper bags and cardboard packaging, it provides screen printing services and in addition to this it also prepares and distributes meals. It was founded in 2011 by registering business operations within the scope of an association (that had been founded three and a half years earlier). The association was founded by a group of parents of children with disabilities and with the objective to provide better conditions for social inclusion of children and young people with some kind of disability. The first to be developed were the day centre services and then the social enterprise was founded motivated by the insight into the limitations of the day centre and with an intention to do more for the beneficiaries. All current business activities of the association are linked with their employment, while the association plans to continue employing persons with intellectual difficulties and enable employment in an open setting and at different tasks. Also, there is a plan to establish a sustainable housing service with support, in the form of a housing cooperative or an endowment.

The social enterprise now engages for work a permanent group of 10 young persons with mild intellectual disability. There are labour coaches who work with them and the association also employs a psychologist. Significant efforts have been put into the building of a motivation and training system. There are individual work plans prepared on a daily basis, while an assessment is done during the work. The association currently employs six persons and has a permanent volunteers' team. Most

of the volunteers are the parents of the young people included in the programme activities. Four persons are permanently engaged for various administrative, programme and coordination tasks.

The manufacturing of paper bags was first initiated within the project for the work engagement of young people with intellectual disabilities. During the first year, they operated with losses, but already the next year they made a profit and now they have regular monthly income surpluses of several thousand dinars. Thanks to the new donations, in 2012 they expanded their manufacturing operations to cardboard packaging and screen printing, and then they also started with a completely new service of catering for the elderly persons who have difficulties moving (Kitchen on Wheels). Thus, the enterprise now manufactures paper bags and cardboard packaging, it provides screen printing services and, in addition to that, it prepares and distributes meals within the Kitchen on Wheels. Currently, they prepare 20-30 meals a day and they carry this out as a kind of a social service, but they are planning an expansion of their services primarily through tying themselves with larger companies which would provide for new employment, expansion of the beneficiary group and higher income that they want to invest in the development of new services including also providing housing with support. When it comes to the manufacturing of bags and cardboard packaging, they wandered a lot and tried different products, and in that process they finally managed to profile the appearance of their products. For the Kitchen on Wheels they manufacture characteristic crates for the delivery of the meals, while the main clients for the paper bags today are the state-owned pharmacies: they supply 80-90 pharmacies in Belgrade. The plan is to clearly brand their products and expand their market.

For the time being, they are not investing the surplus of the income into further development, but rather they are using it to cover the current costs of the association and the day centre. All the development so far has been primarily based on the donors' (project) support and support from the city municipality. They have continuous support from the municipal budget funds for some of the current office costs, as well as support of another kind: when they prepared the first premises for the manufacturing of paper bags, the municipality helped them (with smaller financial amounts) about the reconstruction and equipping of the premises. Recently they've also received premises of around 200 m<sup>2</sup> which they will renovate and use for the new kitchen with larger production capacities. In addition, the support of the municipal services was important for the organization of the press conferences and other promotional activities, while the assistance of the municipal association of entrepreneurs was invaluable for establishing business contacts. Cooperation with certain NGOs enabled them to get some important training courses and to participate in different programmes for getting grants. They've learned a lot from concrete business partners, but they clearly recognize the need for further development of their business competencies. It was for this reason that through donors' assistance they ensured two-year support of volunteers with expertise in the sphere of economy and marketing, and experience in the work with persons with disabilities.

Generally speaking, they've learned a lot along the way, even how to select their clients, while through their cooperation with the business sector they've significantly changed their approach and started to think as real entrepreneurs. Now they pay a lot of attention to the development of business contacts and their ambition is that people from the business sector recognize them as a serious partner – the one that can primarily offer a good quality product and a good quality service, and who can be cooperated with on the development of philanthropy and socially responsible business operations.

### **Association Caritas Šabac: “Elio” – dry cleaning and laundry service**

Adjusting its statute with the provisions of the new Law on Associations, in September 2010, Caritas Sabac registered a business activity thus establishing social enterprise named Elio – dry cleaning and laundry service. The founding of the enterprise was preceded with several years experience of practical development of an idea on rendering this service. The idea appeared for the first time back in 2001 when the home care programme was initiated and it was with surprise that it was observed that a significant number of elderly households have very poor conditions for maintaining hygiene. At the same time, during their study visit to Italy, some members of the association encountered a far more developed system of social inclusion of various vulnerable social groups. Soon after they started a programme for single mothers within which they provided laundry services for the users of home care. Three beneficiaries of the programme carried out the laundry service at their homes. The first project funds for the organization of the laundry service were received in 2005 and the laundry service was placed at the premises of Caritas, but the services continued to be organized solely within the home care programme. Immediately after the founding of the social enterprise, they tried to offer the services to the market (to the citizens), but they were not particularly successful in that. The first breakthrough was made in 2011 when, within an education programme, they received an award for the best prepared business plan. The award allowed them to buy three new washing machines. Approximately a year after, they received a private donation from Italy in the form of a dry cleaning machine and immediately after a new project support which allowed them to buy business premises in Sabac and to transfer all their social enterprise activities there. The shop was opened in December 2012 and at that point in time they had one worker employed.

The enterprise fulfils its social mission in two ways. Both in the very beginning and today, the laundry workers are recruited from among the ranks of the beneficiaries of Caritas's other programme activities, as well as in cooperation with the local social institutions. In addition, the enterprise continues to provide free laundry and ironing services for the beneficiaries of home assistance and care.



The enterprise, on the other hand, has a clear economic goal: to cover all of its costs with the income earned in the market and to be able to function without additional donors' funds. They've had positive operational balance since the first year, but they still do not make significant income surpluses. The development of the enterprise is thus mostly made possible with project funds and private donations. The setting up of their own business premises and the rendering of complete set of laundry, ironing and dry cleaning services were important preconditions for their successful entry into the market. However, for their business success they have to thank the dedication of the workers at the laundry and the clear orientation towards the quality of the service. Achieving the present level of the quality of the service was a major challenge, especially when it comes to dry cleaning. Many things they had to learn along the way, they had internal training, asked for advice and information, and received valuable support from the entrepreneurs who were in the same business in some other towns.

They ended last year with a turnover of around 2.5 million dinars<sup>15</sup>. Today, they have two shops and they employ six women, five in Sabac and one in Bogatic. They've had a significant growth in the number of clients and have earned trust that has enabled them to set an economic price for the services. The opening of the shop in Bogatic was made possible thanks to a favourable business arrangement with a lady-entrepreneur who previously managed laundry service at the same premises but then decided to close her business. They lease the shop and gradually buy out the machines they use. The social enterprise is managed by the director of Caritas Sabac and the operations at the laundry by the coordinator. Performing of the administrative and bookkeeping tasks is financed from the funds for other programmes of the association, while the tasks of delivering and bringing laundry are done by the volunteers. They've signed volunteering contracts with a large number of volunteers and they have a permanent volunteer group of approximately 15 persons. They have a very good cooperation with the local self-government and the relevant local institutions.

They plan to have further enhancement of the quality of the services, gradual increase in the number of clients and opening of one more shop in another part of the town. It would ensure their full sustainability. The problem is that they cannot finance further development from their income and they find it difficult to get to new donors' funds for something that is developed to such a degree. There are two things that are considered crucial for further development: new trainings and adoption of new technologies, and availability of incentives for new jobs and development. They hope that the state will change its position regarding social enterprises from the civil sector and that this kind of enterprises will have access to incentives from the state budget in the near future.

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<sup>15</sup> Approximately 22,000 euros.

## **Enterprise for professional rehabilitation and employment of persons with disability "Siloin" from Kovin**

Siloin is an enterprise for professional rehabilitation and employment of persons with disability. It was founded in April 2001, as a subordinated enterprise of the company Utva Silosi, which deals with the manufacturing and assembly of silos and other equipment, and it is organized as a joint-stock company. Siloin also operates in the sphere of metal industry, but its predominant activity is in the sphere of social protection. Namely, the enterprise was founded in order to take care of the employed workers of the parent company for whom a diminished working ability is established on account of health issues and acquired disability. After the entire procedure in connection with the assessment of the working ability and after the mutually agreed termination of employment at Utva Silosi, these workers practically move to Siloin and continue to perform similar tasks or they can possibly change their qualifications. This is usually not followed by a major salary cut, in addition to which other interests of individual workers are tried to be respected to the greatest possible degree. The enterprise has expert service (consisting of a social worker and an instructor), which is an obligation prescribed by the law, and this service works on the work integration and rehabilitation of persons with disability.

Siloin has 25 employees, 14 of whom with disability. The salaries are paid regularly. They manufacture boats, containers and other products made of metal sheet, they have their retail sale and wholesale, they trade not only with the goods they produce themselves, but also with the one they buy from their parent company or from other suppliers, and they also manage the complete waste of Utva Silosi. During the past three years, the enterprise operated with significant profit and they earned the income in that period due to the expansion of cooperation with businesses that fulfil their legal obligation to employ persons with disability by signing a contract on business and technical cooperation. Such cooperation practically usually means procurement of certain goods or services from an enterprise for professional rehabilitation and employment of persons with disability. Currently, Siloin has 10 such contracts.

In the past years they had significant manufacturing of concrete, but now they are leaving this activity and are selling concrete base since in that market, under the current circumstances, they cannot be competitive despite the certification of the quality of their concrete. The management of the enterprise shows a clear orientation towards operations that can be sustainable in the market, while the quality of their products is such that a part of their production is also exported.

Just like in the case of other enterprises of this type, the state subsidises a part of the salaries of the employed persons with disability, but the tax and other obligations to the state are the same as the ones which other limited liability companies have. However, in addition to the said subsidies, Siloin regularly gets significant grants which

the ministry in charge awards on the basis of a public call for the purpose of enhancing the working conditions for the persons with disability and/or for the procurement of equipment and current assets. In 2013, they received funds in the amount of 15 million dinars<sup>16</sup>.

As for the future development, it is important to mention that the enterprise has already procured a significant number of computer-guided machines and they will adjust the new employments in the near future to this trend. They plan to complete their locksmith production for which they will need to procure a couple of new machines. In addition, they will turn more towards the manufacturing of containers and other products in connection with environmental protection.

### **Enterprise for professional rehabilitation and employment of persons with disability “Šumadija” under restructuring from Kragujevac**

The enterprise for professional rehabilitation and employment of persons with disability “Šumadija” from Kragujevac is the inheritor of the enterprise that was founded back around the 1950's when a protective workshop was founded within the branch of the national association of persons with hearing impairment and in close connection with the local school for students with hearing impairment. In March 2006, the enterprise was registered as a limited liability company and in April 2010, a decision was made regarding its restructuring. However, during the entire subsequent period (2010-2013), the enterprise continued to operate with losses and the salaries were not paid regularly, so in the course of 2012 and 2013 there was a months-long strike of the majority of the employees. The enterprise is wholly owned by the Republic of Serbia. After the decision on the end of the strike, in August 2013, a new director was appointed and it seems that positive business processes started at the enterprise after that.

The enterprise now employs 84 persons, including 49 with disability. These are mostly people with various kinds of congenital disability and the estimates of the expert service of the enterprise say that a significant number of these people is also burdened with pronounced psychological difficulties.

This enterprise deals with metalwork, locksmith and welding services, and galvanization. According to the data of the enterprise itself, in the past nine months, after the period of the strike, around 100 tons of steel have been processed. There are two main groups of clients: the one consisting of local self-governments and public enterprises, for which they frequently make equipment for parks and playgrounds, and the other consisting companies, including some big ones, with which they have signed contracts with the value from 2 to 4 million dinars<sup>17</sup>. In addition, the programmes for the rescheduling of debts for electricity and utility services have been initiated and there is an almost regular dynamics of salary payments.

The production process pays full respect to the principle that in carrying out a production task a worker with disability always works in a team with two colleagues

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<sup>16</sup> Approximately 130,000 euros.

<sup>17</sup> Approximately 17,500-35,000 euros.

without disability. While the quality of the product that is obtained can stand the test of competition, the work norms in that process are unavoidably lower: the time required to manufacture a certain product can be as much as three or four times longer. Also, the technology that is used is already obsolete, but the introduction of new technology, according to the estimate of the director, would be a very serious challenge.

According to the managing staff, the state has not shown any readiness to help with the solving of the problems at the enterprise. They maintain that such support is necessary, i.e., it is necessary to arrange a system where the enterprises of this type will be treated differently from other businesses, in other words supported appropriately, in line with the need to protect the rights of employed persons with disability. However, on the other hand, regardless of the lack of such support, it seems certain that the current management of the enterprise is characterized with initiative and active (plan-based) relation towards the existing business problems and understanding for the position of the employed persons with disability.

### **Spin off enterprise “Divac HOD”**

The enterprise was founded in February 2010, as a limited liability company, with the initial capital of 500 euros. Although a separate legal entity, this social enterprise was founded by the Ana and Vlade Divac Foundation and today it is practically a part of the Foundation, while its social mission originated from that connection from the very beginning. Namely, the enterprise was founded with an idea that through its business activity it should generate income which will be invested in various projects of the Foundation. In a way, the enterprise is yet another instrument for collecting funds for the (non-profit) projects of the Foundation, while its social objectives are the same as the objectives of the Foundation.

The predominant (and currently the only) business activity of the enterprise is trade: practically, when buying some useful product, people can donate money that will be used for humanitarian purposes. That humanitarian character of the purchase is clearly marked on each product, with special attention paid to the product branding. Currently, they are best recognized by the Hodi brand and its programme of the clothes for kids. In order to raise the visibility of its products, the enterprise tries to involve in the branding and marketing process some celebrities, those that through their career and public activities fit the mission and values promoted by the Divac Foundation. Other than through retail, as of recently this social enterprise has been trying to earn income also from offering corporate gifts (for socially responsible companies). The enterprise builds its social mission and social entrepreneurial profile by taking part in various events and initiatives that promote social entrepreneurship, but they also see cooperation with other social enterprises as a way to enhance their business operations and to build the entire sector. In this regard, their three-year cooperation with crafts workshop Bioidea stands out. The enterprise has been selling the Bioidea ecological soaps at their stands and they have been working on developing a joint product and profiling a joint business approach.





The enterprise currently has two employees. They are a part of the Divac Foundation staff and most of the business decisions are taken at the staff meetings of the Foundation. At a stand that is located at a shopping mall, Divac HOD employs 4 to 6 sale assistants from a youth cooperative. Volunteers are engaged on occasion. The products are, however, designed and manufactured by associates.

They ended their first year with a loss, but already the next year they operated well and since then (at the annual level) they have marked a constant growth in profits. For its successful business operations, Divac HOD can greatly thank the cooperation with the partners from the profit sector and the support of socially responsible companies. However, a strong impetus to the expansion of the sale network was the financial support received in 2013 within a project of a non-governmental organization. The central vending place is a large stand at a shopping mall which they use free of charge, while some other companies have also assisted them with various *pro bono* services, business contacts, more favourable conditions or preferential prices. Currently, they sell in 16 towns in Serbia, using the distribution network of their business partners that includes vending locations in hypermarkets, as well as smaller shops. The bookkeeping agency is at the same time their main economic advisor and major support. Their obligations towards the state are equal to those of any other limited liability company and the market conditions impact them to the same degree. They feel the decline in purchasing power that hits all the merchants, they do adjustments at a quarterly level and they also try to stimulate their sales using the typical sales tactics. They pay a great deal of attention to the quality, since they have realized that the quality and competitiveness of the product (regardless of its social purpose) must lie in the foundation of any business success.

The biggest challenge they face is the enhancement of competitiveness while concurrently reaffirming their social mission. They will try to build their marketing activities in the future, as well as to develop cooperation with a larger number of other social enterprises. They have already started with some negotiations, but it takes time to harmonize various factors and find cooperation models that will be mutually beneficial.

**ANNEX**

**QUESTIONNAIRES**





Survey code | 0 | 0 | 2 | 2 | 4 | 0

**QUESTIONNAIRE ON THE ASSOCIATIONS' AND FOUNDATIONS' OPERATIONS IN 2012**

The obligation to provide the data is based on Art. 26, while the punitive provisions for refusing to provide the data or for providing incomplete and inaccurate data are based on Art. 52 of the Law on Official Statistics ("The Official Gazette of the RS," no. 104/09).  
**The data will be used solely for statistical purposes and will not be published as individual ones.**  
**All data have the character of a business secret.**

**REPORTING UNIT DATA**

Name _____	ID number  _ _ _ _ _ _ _ _ _ _ _ _ _ _
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Municipality _____	Telephone _____
Street and number _____	E-mail _____

Predominant activity _____ (name)	_ _ _ _  (code)
<b>Write down the actual activity carried out by your cooperative in 2012, if it differs from the above-stated predominant activity</b> _____ (name)	_ _ _ _  (code)
If your organization is the founder of a company, state his name and identification number:	
Name _____	ID number  _ _ _ _ _ _ _ _ _ _ _ _ _ _

**1. In which period was your organisation founded (please circle)**

- a) Before 1946                                      c) In the period 1990-2000  
 b) In the period 1946-1989                      d) After 2000

**2. Rank up by importance the objectives of your organisation**

1. \_\_\_\_\_  
 2. \_\_\_\_\_  
 3. \_\_\_\_\_

**3. Do you have in your operations any facilities in the form of some of the following elements, and if so, who provides them**

			Who provides you with the facility?
Providing of business premises	Yes	No	
Media presentation	Yes	No	
Providing market	Yes	No	
Procurement of equipment, raw materials and semi manufactures	Yes	No	
Monetary subsidies/donations	Yes	No	

**4. What are the most important problems you face in your business operations (please circle three answers at the most)**

- a) Lack of funds
- b) Low prices of products/services
- c) Difficulties in procuring raw materials
- d) Inadequate legal regulations
- e) Outstanding receivables
- f) Unsolved issue of ownership
- g) Disloyal competition
- h) Lack of care on the part of the state
- i) Lack of information
- j) Other (state what) \_\_\_\_\_

**5. In which of the stated areas of operations does your organisation earn its own revenues from the sale of products, goods or services (it is possible to circle several answers)**

- a) Production of agricultural commodities
- b) Buying up and sale of agricultural commodities
- c) Production of food and beverages
- d) Manufacturing of clothes and footwear
- e) Manufacturing of furniture
- f) Printing and copying
- g) Souvenirs and handicrafts
- h) Wholesale and retail sale
- i) Education and training
- j) Administrative services, bookkeeping and accounting
- k) Cleaning and maintenance of facilities
- l) Environmental protection and development
- m) Tourism, accommodation, food-related services and catering
- n) Culture and arts
- o) Social protection services with and without placement
- p) Day care (children, elderly, people with disabilities)
- q) Personal services (hairdresser's, beautician's, body care, etc.)
- r) Other (state what) \_\_\_\_\_

**6. Do you spend more than 50% of the income generated in these areas for social purposes (if the answer is YES, please circle one or more of the offered answers)**

Yes          No

- a) Aid to vulnerable categories of population
- b) Rural development
- c) Environmental protection
- d) Other (state what) \_\_\_\_\_

**7. Who uses your products or services the most**

- a) Local self-government
- b) Public institutions
- c) Private companies
- d) General population
- e) Other (state who) \_\_\_\_\_

**DATA ON EMPLOYEES IN 2012**

The term **employees** means persons who have employment for definite or indefinite period of time at an employer's (regardless of whether they work full- or part-time), persons who have a contract for temporary and occasional engagement (seasonal workers, workers engaged due to the currently increased scope of work, etc.), as well as persons who have a service contract. Therefore, the term employees includes all persons paid for their work. **The term employees does not include volunteers.**

**The annual average of the number of employees** is to be entered (the sum of employees at the end of each month during 2012, divided by 12, without decimals).

**8. Employees according to the type of contract**

No.		Number (annual average)	
		total	out of that women
1	Employees with work contract (1.1 + 1.2)		
1.1	Full-time employees		
1.2	Part-time employees		
2	Employees with contract on temporary or occasional engagement, service contract, etc.		
3	<b>Total number of employees (1 + 2)</b>		

**9. Employees according to the level of education** (the employee's highest attained level of education is to be entered)

No.		Number (annual average)	
		total	out of that women
1	University and college degree (four- and two-year courses)		
2	Secondary level education		
3	Primary level education		
4	No level of education		
5	<b>Total number of employees (1 + 2 + 3 + 4)</b>		

**10. Employees according to the age groups**

No.		Number (annual average)	
		total	out of that women
1	Up to 30		
2	Between 31 and 40		
3	Between 41 and 50		
4	Between 51 and 60		
5	Over 61		
6	<b>Total number of employees (1 + 2 + 3 + 4 + 5)</b>		

**11. Do the employees and/or members take part in the decision-making at your organisation**

- a) Yes
- b) No

**12. Who has the deciding influence on the reaching of strategic decision at your organisation**

- a) Management board
- b) Director/President
- c) Assembly
- d) Employees
- e) Members

**Vulnerable categories of population include:** the Roma, persons with disabilities, refugees and internally displaced persons, former prisoners and drug-addicts, persons over 50 years of age who have been laid off as "technological surplus," women victims of violence, persons without primary school education, single parents, persons receiving monetary social aid, etc.  
 The number of employees **on any grounds (work contract, service contract, contract on temporary and occasional engagements)**, who belong to the stated vulnerable categories is to be entered.

**13. Employees who belong to vulnerable categories of population**

No.		Number (annual average)	
		total	out of that women
1	<b>Total number of employees who belong to vulnerable categories (2 + 3)</b>		
2	Employees with work contract		
3	Employees with contract on temporary and occasional engagements, service contract, etc.		

**14. If you employ people who belong to the stated vulnerable categories, do you provide additional training for the job**

- a) Yes, we have a lecturer from our cooperative
- b) Yes, we engage external trainers at the cooperative or outside the cooperative
- c) No

**15. If you employ persons with disabilities, are the physical conditions at the job post adjusted to their needs (it is possible to circle several answers)**

- a) Yes  
 b) No, we do not have the spatial possibilities  
 c) No, we do not have the funds  
 r) No (state the reason) \_\_\_\_\_

**DATA ON VOLUNTEERS IN 2012**

The term **volunteers** means persons who work for the benefit of others, of their own free will, and who are not paid for their work. The **annual average number of volunteers** (the sum of volunteers at the end of each month during 2012, divided by 12, with no decimals) is to be entered.

**16. Volunteers according to the age structure**

No.		Number (annual average)	
		total	out of that women
1	Up to 34		
2	Between 35 and 64		
3	Over 65		
4	<b>Total number of volunteers (1 + 2 + 3)</b>		

**17. Please, write down the total number of work hours of all volunteers in 2012** \_\_\_\_\_

**DATA ON FIXED ASSETS IN 2012**

The value of the effectively conducted construction, manufacturing or procurement of facilities, equipment and other fixed assets, respectively, is to be entered, regardless of whether they have been finished or not and whether their payment has been carried out or not. **The cost value of the fixed assets should include:** manufacturer's price, trade margin, transportation costs, assembly costs, preparation of studies, designs, projects, technical review, and transfer of ownership, as well as all indirect costs, taxes and fees. If the fixed assets were produced or manufactured by the cooperative itself and are used for the cooperative's own purposes, the value of these assets ought to be shown by production costs, i.e., by the cost price. **It does not include:** value added tax (VAT), cost of regular maintenance and repair, revaluation of the fixed assets, or leasing of equipment and facilities (operational leasing).

**18. Value of procurement and sale of fixed assets in 2012** in 000 RSD

		Procurement	Sale
1	Construction facilities (buildings, accompanying facilities and other edifices) and more significant land improvements (drying out of swamps, clearing of forests, etc.)		
2	Transportation means, devices, machines and large-size inventory		
3	Foundation stock and long-term plantings (cattle, plantations, orchards, etc.)		
4	Land (total value including also ownership transfer costs)		
4.1	Out of that: land ownership transfer costs		
5	Software (computer programmes) and databases		
6	<b>TOTAL (1 + 2 + 3 + 4 + 5)</b>		

Date \_\_\_\_\_, 2013

Form filled out by:

Manager:

(Stamp)

\_\_\_\_\_  
(name and surname)

\_\_\_\_\_  
(name and surname)



Survey code | 0 | 0 | 2 | 2 | 4 | 0

**QUESTIONNAIRE ON THE COOPERATIVES' OPERATIONS IN 2012**

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**The data will be used solely for statistical purposes and will not be published as individual ones.**  
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**REPORTING UNIT DATA**

<b>Name</b> _____	<b>ID number</b>  _ _ _ _ _ _ _ _ _ _ _ _
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<b>Municipality</b> _____	<b>Telephone</b> _____
<b>Street and number</b> _____	<b>E-mail</b> _____

<b>Predominant activity</b> _____	_ _ _ _  (code)
(name)	
<b>Write down the actual activity carried out by your cooperative in 2012, if it differs from the above-stated predominant activity</b>	_ _ _ _  (code)
(name)	
Does your Cooperative dispose with property which is registered as state- or socially-owned?	Yes      No
<b>To be filled out only by agricultural cooperatives:</b> How many farmers are founders of your cooperative?	_ _ _
<b>To be filled out only by crafts cooperatives:</b> How many craftsmen are founders of your cooperative?	_ _ _
How many craftsmen-founders of your cooperative have a craft-shop or a company registered in their name?	_ _ _

**1. In which period was your cooperative founded (please circle)**

- a) Before 1946                                      c) In the period 1990-2000  
 b) In the period 1946-1989                      d) After 2000

**2. Rank up by importance the objectives of your cooperative**

1. \_\_\_\_\_  
 2. \_\_\_\_\_  
 3. \_\_\_\_\_

**3. Do you have in your operations any facilities in the form of some of the following elements, and if so, who provides them**

			Who provides you with the facility?
Providing of business premises	Yes	No	
Media presentation	Yes	No	
Providing market	Yes	No	
Procurement of equipment, raw materials and semi manufactures	Yes	No	
Monetary subsidies/donations	Yes	No	



**4. What are the most important problems you face in your business operations (please circle three answers at the most)**

- a) Lack of funds
- b) Low prices of products/services
- c) Difficulties in procuring raw materials
- d) Inadequate legal regulations
- e) Outstanding receivables
- f) Unsolved issue of ownership
- g) Disloyal competition
- h) Lack of care on the part of the state
- i) Lack of information
- j) Other (state what) \_\_\_\_\_

**5. In which of the stated areas of operations does your cooperative earn its own revenues from the sale of products, goods or services (it is possible to circle several answers)**

- a) Production of agricultural commodities
- b) Buying up and sale of agricultural commodities
- c) Production of food and beverages
- d) Manufacturing of clothes and footwear
- e) Manufacturing of furniture
- f) Printing and copying
- g) Souvenirs and handicrafts
- h) Wholesale and retail sale
- i) Education and training
- j) Administrative services, bookkeeping and accounting
- k) Cleaning and maintenance of facilities
- l) Environmental protection and development
- m) Tourism, accommodation, food-related services and catering
- n) Culture and arts
- o) Social protection services with and without placement
- p) Day care (children, elderly, people with disabilities)
- q) Personal services (hairdresser's, beautician's, body care, etc.)
- r) Other (state what) \_\_\_\_\_

**6. Do you spend more than 50% of the income generated in these areas for social purposes (if the answer is YES, please circle one or more of the offered answers)**

Yes            No

- a) Aid to vulnerable categories of population
- b) Rural development
- c) Environmental protection
- d) Other (state what) \_\_\_\_\_

**7. Who uses your products or services the most**

- a) Local self-government
- b) Public institutions
- c) Private companies
- d) General population
- e) Other (state who) \_\_\_\_\_

**DATA ON EMPLOYEES IN 2012**

The term **employees** means persons who have employment for definite or indefinite period of time at an employer's (regardless of whether they work full- or part-time), persons who have a contract for temporary and occasional engagement (seasonal workers, workers engaged due to the currently increased scope of work, etc.), as well as persons who have a service contract. Therefore, the term employees includes all persons paid for their work. **The term employees does not include volunteers.**

**The annual average of the number of employees** is to be entered (the sum of employees at the end of each month during 2012, divided by 12, without decimals).

**8. Employees according to the type of contract**

No.		Number (annual average)	
		total	out of that women
1	Employees with work contract (1.1 + 1.2)		
1.1	Full-time employees		
1.2	Part-time employees		
2	Employees with contract on temporary or occasional engagement, service contract, etc.		
3	<b>Total number of employees (1 + 2)</b>		

**9. Employees according to the level of education** (the employee's highest attained level of education is to be entered)

No.		Number (annual average)	
		total	out of that women
1	University and college degree (four- and two-year courses)		
2	Secondary level education		
3	Primary level education		
4	No level of education		
5	<b>Total number of employees (1 + 2 + 3 + 4)</b>		

**10. Employees according to the age groups**

No.		Number (annual average)	
		total	out of that women
1	Up to 30		
2	Between 31 and 40		
3	Between 41 and 50		
4	Between 51 and 60		
5	Over 61		
6	<b>Total number of employees (1 + 2 + 3 + 4 + 5)</b>		

**11. Do the employees and/or members take part in the decision-making at your cooperative**

- a) Yes
- b) No

**12. Who has the deciding influence on the reaching of strategic decision at your cooperative**

- a) Management board
- b) Director/President
- c) Assembly
- d) Employees
- e) Members

**Vulnerable categories of population include:** the Roma, persons with disabilities, refugees and internally displaced persons, former prisoners and drug-addicts, persons over 50 years of age who have been laid off as "technological surplus," women victims of violence, persons without primary school education, single parents, persons receiving monetary social aid, etc.  
 The number of employees **on any grounds (work contract, service contract, contract on temporary and occasional engagements)**, who belong to the stated vulnerable categories is to be entered.

**13. Employees who belong to vulnerable categories of population**

No.		Number (annual average)	
		total	out of that women
1	<b>Total number of employees who belong to vulnerable categories (2 + 3)</b>		
2	Employees with work contract		
3	Employees with contract on temporary and occasional engagements, service contract, etc.		

**14. If you employ people who belong to the stated vulnerable categories, do you provide additional training for the job**

- a) Yes, we have a lecturer from our cooperative
- b) Yes, we engage external trainers at the cooperative or outside the cooperative
- c) No

**15. If you employ persons with disabilities, are the physical conditions at the job post adjusted to their needs (it is possible to circle several answers)**

- a) Yes  
 b) No, we do not have the spatial possibilities  
 c) No, we do not have the funds  
 r) No (state the reason) \_\_\_\_\_

**DATA ON VOLUNTEERS IN 2012**

The term **volunteers** means persons who work for the benefit of others, of their own free will, and who are not paid for their work. The **annual average number of volunteers** (the sum of volunteers at the end of each month during 2012, divided by 12, with no decimals) is to be entered.

**16. Volunteers according to the age structure**

No.		Number (annual average)	
		total	out of that women
1	Up to 34		
2	Between 35 and 64		
3	Over 65		
4	<b>Total number of volunteers (1 + 2 + 3)</b>		

**17. Please, write down the total number of work hours of all volunteers in 2012** \_\_\_\_\_

**DATA ON FIXED ASSETS IN 2012**

The value of the effectively conducted construction, manufacturing or procurement of facilities, equipment and other fixed assets, respectively, is to be entered, regardless of whether they have been finished or not and whether their payment has been carried out or not. **The cost value of the fixed assets should include:** manufacturer's price, trade margin, transportation costs, assembly costs, preparation of studies, designs, projects, technical review, and transfer of ownership, as well as all indirect costs, taxes and fees. If the fixed assets were produced or manufactured by the cooperative itself and are used for the cooperative's own purposes, the value of these assets ought to be shown by production costs, i.e., by the cost price. **It does not include:** value added tax (VAT), cost of regular maintenance and repair, revaluation of the fixed assets, or leasing of equipment and facilities (operational leasing).

**18. Value of procurement and sale of fixed assets in 2012** in 000 RSD

		Procurement	Sale
1	Construction facilities (buildings, accompanying facilities and other edifices) and more significant land improvements (drying out of swamps, clearing of forests, etc.)		
2	Transportation means, devices, machines and large-size inventory		
3	Foundation stock and long-term plantings (cattle, plantations, orchards, etc.)		
4	Land (total value including also ownership transfer costs)		
4.1	Out of that: land ownership transfer costs		
5	Software (computer programmes) and databases		
6	<b>TOTAL (1 + 2 + 3 + 4 + 5)</b>		

Date \_\_\_\_\_, 2013

Form filled out by:

Manager:

\_\_\_\_\_  
 (name and surname)

(Stamp)

\_\_\_\_\_  
 (name and surname)



Survey code 

0	0	2	2	4	0
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**QUESTIONNAIRE ON THE OTHER TYPES OF SOCIAL ENTERPRISES OPERATIONS IN 2012**

The obligation to provide the data is based on Art. 26, while the punitive provisions for refusing to provide the data or for providing incomplete and inaccurate data are based on Art. 52 of the Law on Official Statistics ("The Official Gazette of the RS," no. 104/09).  
**The data will be used solely for statistical purposes and will not be published as individual ones.**  
**All data have the character of a business secret.**

**REPORTING UNIT DATA**

Name _____	ID number  _ _ _ _ _ _ _ _ _ _ _ _
Municipality _____	Telephone _____
Street and number _____	E-mail _____
Predominant activity _____ (name)	_ _ _ _  (code)
<b>Write down the actual activity carried out by your cooperative in 2012, if it differs from the above-stated predominant activity</b> _____ (name)	_ _ _ _  (code)

**1. In which period was your business entity founded (please circle)**

- a) Before 1946                                      c) In the period 1990-2000  
 b) In the period 1946-1989                      d) After 2000

**2. Rank up by importance the objectives of your business entity**

1. \_\_\_\_\_  
 2. \_\_\_\_\_  
 3. \_\_\_\_\_

**3. Do you have in your operations any facilities in the form of some of the following elements, and if so, who provides them**

			Who provides you with the facility?
Providing of business premises	Yes	No	
Media presentation	Yes	No	
Providing market	Yes	No	
Procurement of equipment, raw materials and semi manufactures	Yes	No	
Monetary subsidies/donations	Yes	No	

**4. What are the most important problems you face in your business operations (please circle three answers at the most)**

- a) Lack of funds
- b) Low prices of products/services
- c) Difficulties in procuring raw materials
- d) Inadequate legal regulations
- e) Outstanding receivables
- f) Unsolved issue of ownership
- g) Disloyal competition
- h) Lack of care on the part of the state
- i) Lack of information
- j) Other (state what) \_\_\_\_\_

**5. In which of the stated areas of operations does your business entity earn its own revenues from the sale of products, goods or services (it is possible to circle several answers)**

- a) Production of agricultural commodities
- b) Buying up and sale of agricultural commodities
- c) Production of food and beverages
- d) Manufacturing of clothes and footwear
- e) Manufacturing of furniture
- f) Printing and copying
- g) Souvenirs and handicrafts
- h) Wholesale and retail sale
- i) Education and training
- j) Administrative services, bookkeeping and accounting
- k) Cleaning and maintenance of facilities
- l) Environmental protection and development
- m) Tourism, accommodation, food-related services and catering
- n) Culture and arts
- o) Social protection services with and without placement
- p) Day care (children, elderly, people with disabilities)
- q) Personal services (hairdresser's, beautician's, body care, etc.)
- r) Other (state what) \_\_\_\_\_

**6. Do you spend more than 50% of the income generated in these areas for social purposes (if the answer is YES, please circle one or more of the offered answers)**

Yes          No

- a) Aid to vulnerable categories of population
- b) Rural development
- c) Environmental protection
- d) Other (state what) \_\_\_\_\_

**7. Who uses your products or services the most**

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Date \_\_\_\_\_, 2013

Form filled out by:

Manager:

(Stamp)

\_\_\_\_\_  
(name and surname)

\_\_\_\_\_  
(name and surname)

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