



Feasibility study on Social and Solidarity Economy in Montenegro

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**Feasibility study
on Social and Solidarity
Economy in Montenegro**



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Feasibility Study for a Multi-Stakeholder Public-Private Incubation Program to Unlock the Potential of Youth-Led Social and Solidarity Economy for Rural Development in Montenegro.

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INTRODUCTION

This feasibility study establishes a baseline for implementing activities within the **YouSEED project** (Youth Social Economy Exploring Rural Development), led by **COSV** (Coordinamento delle Organizzazioni per il Servizio Volontario*) in partnership with **Local Democracy Agency Montenegro** and the Network of **Rural Development in Montenegro** (NRDM). The project aims to enhance participatory democracy, EU integration, and socio-economic development in Montenegro by strengthening the capacity of civil society organizations (CSOs), local authorities, and rural development actors across 20 municipalities.

At its core, the project adopts an innovative methodology developed by COSV—**The Threefold Path**, which bridges development cooperation with the social economy. This approach is built on three key principles: (i) *Be Plural* – Emphasizing adaptability, it promotes diverse and tailored solutions over rigid models. (i) *Be Cross-Cultural* – Ensuring social enterprises remain deeply connected to local realities, fostering collaboration between local and international expertise. (i) *Be Agent* – Driving transformative action by balancing individual enterprise needs with ecosystem-wide resilience through multi-stakeholder incubation and research-driven impact strategies.

The Feasibility Study, co-authored with contributions from consortium partners, lays the groundwork for testing new collaborative models, providing capacity-building through an incubation program, and offering financial support via a sub-granting scheme.

Rather than relying solely on international definitions of social enterprise, **the study adopts a holistic approach, prioritizing local culture, social dynamics, and economic realities.** It highlights Montenegro's rich social economy traditions, rooted in solidarity, mutual aid, and community cohesion. Traditional practices like *moba* (voluntary agricultural assistance) and *ortakluk* (resource pooling among families) illustrate long-standing cooperation that can serve as a foundation for modern social economy initiatives.

The study maps emerging social enterprises, particularly in rural areas and municipalities facing economic challenges, high unemployment, and gender disparities. These enterprises often address critical local needs, such as marginalized group inclusion, vocational training, and rural development. However, institutional barriers hinder their growth, including a lack of legislative support, financial constraints, and limited integration into public policy. The absence of dedicated social enterprise laws and restrictive NGO regulations further limit opportunities.

Despite these challenges, the study identifies key opportunities to leverage EU-level support, local partnerships, and Montenegro's deep-rooted values of solidarity to strengthen the social economy. Aligning the legal framework with EU poli-



cies could foster **public-private-people partnerships (4P)**, enhancing the sustainability of social enterprises and expanding their role in local development.

The research follows a comprehensive methodology, combining desk research, secondary data analysis, and targeted stakeholder interviews where needed. It also integrates comparative research and a SWOT analysis to assess the sector's potential and constraints. The findings will inform policy recommendations to strengthen Montenegro's social economy, advance social justice, and promote inclusive development.

ABOUT YOUSEED: BUILDING A CONTEXT-DRIVEN SOCIAL ECONOMY FRAMEWORK

YouSEED is the outcome of a journey undertaken by COSV to develop an innovative strategy and methodology—the *Three-Fold Path Methodology*—designed to integrate the *Do No Harm* principle into the promotion of the social economy in fragile contexts. While these contexts may be unfamiliar with the formal concept of social entrepreneurship, many are already engaged in its practices. Through pilot initiatives in the MENA region, the Balkans, and Africa, COSV has learned that in vulnerable contexts—where the social economy ecosystem is still emerging—applying a standardized approach to social enterprise can often be counter-productive. This is especially true when social enterprise is seen as an end rather than to fostering sustainable social and economic development.

Since 2010, the global economic crisis and the growing need for alternative development models have sparked an international debate on social and solidarity economy (SSE), promoting it as a resilient and inclusive approach. In Latin America and Europe, governments and communities have adopted policies to support cooperatives, social enterprises, and solidarity economy networks. Organisations such as the ILO have recognised SSE's potential to promote decent work and reduce inequalities. Since 2015, the United Nations' Agenda 2030 has further embedded SSE principles within the Sustainable Development Goals (SDGs), highlighting its crucial role in combating poverty and fostering social inclusion.

The COVID-19 pandemic further underscored the resilience of SSE structures, which ensured essential services and community support. This prompted agencies such as UNRISD and global networks like RIPESS to strengthen international coordination. In 2021, the European Union launched its Social Economy Action Plan, while Africa integrated SSE into its regional strategies. These developments culminated in the historic 2023 UN resolution officially recognising SSE as a cornerstone for sustainable, fair, and inclusive development, urging Member States to develop national policies to support and promote it globally.

While these advancements are innovative and necessary, they usher in an unprecedented phase in the history of the social economy, generating great



opportunities but also significant challenges at the local level. **In contexts where the social economy ecosystem is still in the early stages of endogenous development, there is a risk of imposing standardised models that fail to represent local cultures and realities. This “one size fits all” approach risks undermining communities’ ability to develop solutions tailored to their specific needs and contexts, jeopardising long-term sustainability and limiting the social economy’s potential to foster inclusion and resilience.**

The hybrid nature of social enterprise encompasses a complexity that often escapes the linear logic and standardised criteria of many support programmes, which aim to stimulate the emergence or growth of these entities. Social enterprise occupies a fluid space between social objectives, economic sustainability, and community responsibility, adapting to the cultural, economic, and political specificities of the contexts in which it operates. However, this complexity is often reduced to rigid schemes and accelerated timelines, risking the ability to effectively address local needs and undermining the innovation and transformative potential of this model.

For COSV, social enterprise is a tool, not an end. With this perspective, we have developed a methodological “tool” called the **Threefold Path**, which bridges development cooperation and the world of social economy.

The Threefold Path methodology is based on three fundamental principles:

1. Be Plural – *Adaptability in Diversity*

Recognising that no single model can answer all the challenges of social enterprise, this principle emphasises flexibility and inclusivity. It encourages tailored solutions that respect the needs, capacities, and aspirations of each community, valuing diversity as a resource and rejecting prescriptive approaches that overlook the nuances of local contexts.

2. Be Cross-Cultural – *Rooted in Local Realities*

Social enterprises cannot thrive in isolation from the cultural and social contexts in which they operate. The “Be Cross-Cultural” principle ensures that social entrepreneurship is deeply rooted in the values, traditions, and ecosystems of the communities it serves. Priority is given to intercultural understanding and collaboration between local and international expertise, fostering initiatives that resonate with local identities, build on existing knowledge, and facilitate respectful knowledge exchange.

3. Be Agent – *Transformative Action Through Synergy*

Social entrepreneurship achieves maximum impact when it balances the needs of individual enterprises with the health of the broader ecosystem. The “Be Agent” principle promotes a dual focus: empowering social entrepreneurs to drive change while simultaneously engaging diverse ecosystem actors to support collective resilience. This approach encourages dynamic interactions between micro and macro interventions, ensuring long-term sustainability and mutual reinforcement between enterprises and the systems in which they operate. For this reason, we design incubation and acceleration platforms as



open, multi-stakeholder initiatives, empowering both individuals and the governance systems involved. We also integrate smart action-research methodologies into the incubation process, capturing data and insights from individual social economy cases to amplify change beyond the specific project period (Impact 4 Policy methodology).

APPLYING THE THREEFOLD PATH: YOUSEED'S APPROACH TO SOCIAL ECONOMY DEVELOPMENT

The YouSEED project effectively applies COSV's **Threefold Path** methodology by leveraging its principles to promote social entrepreneurship, participatory governance, and inclusive local development in Montenegro. Here's how the project aligns with each principle:

1. **Be Plural – Embracing Diversity Through Adaptive Solutions**

The YouSEED project recognizes that a one-size-fits-all approach does not work in Montenegro's nascent social economy ecosystem. Instead, it emphasizes adaptability and tailored solutions by:

→ **Engaging diverse stakeholders** such as CSOs, youth-led businesses, farmers' associations, and local authorities, ensuring initiatives address specific needs and aspirations.

→ **Creating a Civil Society Empowerment Fund (CSEF)** that provides flexible funding for a variety of social and green initiatives across multiple sectors, including tourism, agriculture, environmental protection, and youth employment.

→ **Prioritizing local contexts** by designing interventions that cater to geographic, demographic, and cultural diversity in Montenegro's rural and urban areas, avoiding rigid or prescriptive models.

2. **Be Cross-Cultural – Bridging Cultures for Sustainable Social Innovation:**

The project's activities are deeply grounded in Montenegro's cultural and social realities, fostering intercultural understanding and collaboration:

→ It promotes intercultural dialogue by **creating platforms where local and international actors can share expertise and co-design initiatives** that reflect the values and traditions of the communities involved.

→ Activities such as local **policy dialogue platforms** and **co-design workshops** integrate the perspectives of diverse groups, including youth, marginalized populations, and local government officials, ensuring that solutions resonate with local identities

→ The project incorporates Montenegro's **existing heritage and ecosystems**, particularly through the revitalization of rural tourism and traditional agricultural practices, aligning development initiatives with the cultural and environmental assets of the region.



3. Be Agent – Driving Systemic Change Through Collective Action

The YouSEED project aims to catalyse systemic change by balancing individual empowerment with ecosystem-level transformation:

→ It fosters **synergistic collaboration** through multi-stakeholder platforms that bring together civil society, businesses, and local authorities to co-design and implement policy-oriented strategies.

→ The project strengthens **the capacity of CSOs to act as agents of change** by providing training on advocacy, social entrepreneurship, and service delivery, while also mentoring them to manage EU-funded grants effectively.

→ Through its Impact4Policy methodology, **the project captures and analyses the impact of individual social economy initiatives, linking them to broader policies and strategies**. This ensures that lessons learned are shared across sectors and used to influence national policy development.

→ **The integration of green and social business models into local ecosystems** aligns individual entrepreneurial initiatives with Montenegro's EU accession priorities, supporting collective resilience and long-term sustainability.

By empowering local actors and fostering ecosystem-wide engagement, the project amplifies its transformative potential, creating lasting impact beyond the immediate intervention. This holistic approach not only strengthens Montenegro's social economy ecosystem but also positions it as a model for sustainable and inclusive development in the Western Balkans.

Montenegro's social enterprise community is in its infancy. Although social entrepreneurship is increasingly recognized as an innovative means to enhance social inclusion, integration, and employment for disadvantaged groups, these enterprises face significant challenges. They often lack the necessary capacities, resources, learning, and networking opportunities, with only a limited number of support programs available.

The study paper focuses on the concepts of social and solidarity economy, and social entrepreneurship. To continue the paper, we will start with the operationalization of the terms.

The social economy in EU is seen as the part of economy that encompasses a variety of businesses, organisations and different legal entities. They share the objective of systematically putting people first, producing a positive impact on local communities and pursuing a social cause.¹ Social enterprises provide goods and services in a market-driven way, but unlike traditional businesses, they reinvest most of their profits back into achieving their social objectives. The management of these enterprises is conducted openly and responsibly, involving key stakeholders such as employees, consumers, and others affected by their business activities.

¹ https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu_en



The European Commission defines “*social enterprise*” to include:²

- Mission-Driven Enterprises: Businesses where the primary motive for their commercial activities is the social or societal good, often characterized by a high degree of social innovation.
- Profit Reinvestment: Enterprises that reinvest the majority of their profits to further their social goals.
- Governance and Ownership: Organizations where the structure or ownership model aligns with the mission of the enterprise, typically incorporating democratic, participatory principles, or emphasizing social justice.

With this study we wanted to explore the opportunities for the development of social economy in Montenegro. We consider that only with holistic approach to this research topic we may take an insight on a whole process.

The methodology for this analysis will go in two directions: desk research and the collection and analysis of secondary data. Also, one phase of the research will be optional – in relation to the level of quality of obtained data we will the use of individual interviews with actors within this field. With this measure we will try to overcome the risk that this study carries and that is small number of official data and research on this or similar topic. The study desk analysis of strategic documents and the legal framework, helped us create a conceptual framework for further qualitative research – interweaves with social enterprises and focus groups with potential beneficiaries.

Within this study, we will also integrate comparative research to identify the key explanatory factors that lead to the development of favourable conditions for the development of social enterprises, or constraints on the other side.

In our study as the last stage, in addressing on the social economy potential in Montenegro, we used SWOT analysis to systematically assess the key factors that could influence the development of this sector. This SWOT analysis provided a comprehensive framework to guide our recommendations for harnessing Montenegro’s social economy potential and addressing its challenges.

² Ibid



VALUES AND TRADITION IN MONTENEGRO

NORMS

Montenegro as small Mediterranean country, with small close-knitted communities, with certain tribal/clan references, introduces the strong backstory of connected community, with practice of solidarity, mutuality and support.

The culture of solidarity in Montenegro is deeply rooted in the country's history and traditions, shaped by centuries of communal living, resistance, and mutual support in the face of external threats and natural hardships. Montenegrin society has long valued collective action and mutual aid, where helping one's neighbour is not just a moral obligation but a cultural norm. This sense of solidarity is particularly evident in rural areas, where close-knit communities often come together to share resources, labour, and support during times of need, such as during the harvest season or in response to natural disasters. Additionally, Montenegro's history of resistance against foreign domination has fostered a strong sense of national unity and collective identity, further reinforcing the culture of solidarity. This cultural trait persists today, manifesting in both informal networks of support within communities and in broader societal responses to challenges, such as the recent global pandemic, where Montenegrins demonstrated a strong commitment to protecting and supporting one another.

Commensality defines the subtitle essence of connections in Mediterranean societies, act of eating together with social group represents a cornerstone of strong communities, which is case with Montenegro. Commensality encompasses more than just the act of sharing food; it signifies the symbolic and social affirmation of fellowship and mutual obligations. Eating and drinking together are expressions of these bonds and are governed by strict societal norms. People typically do not share meals with just anyone; food sharing is often influenced by factors such as gender, age, class, and social status. While necessity might sometimes force people to share food, this does not equate to sharing a table, which implies deeper social affinities. True commensality involves recognizing and accepting these affinities, making the act of eating together a symbol of brotherhood or acceptance.³ Commensality embeds in the food production value chain, and gives strong value to such kind of endeavours.

The Montenegrin code values such as integrity, dignity, and self-sacrifice for the greater good, which have historically been crucial in fostering a sense of unity and mutual support among Montenegrins. Moreover, the role of culture and community in promoting social cohesion continues to be significant

³ Medina, F.-X. *Looking for Commensality: On Culture, Health, Heritage, and the Mediterranean Diet*. *Int. J. Environ. Res. Public Health* 2021, 18, 2605.



in modern Montenegro. These cultural values are also reflected in traditional practices, such as communal gatherings and support systems that play a vital role during significant life events like funerals, which are seen as important social obligations.

The recent COVID-19 crisis brought to surface those embedded values, the reemerging culture of volunteering, support to the local producers, and restating the need for strong communities.⁴ All of these has shown that the space for social economy is the great patch for the society of such dynamics as Montenegrin, and that its underdevelopment is more a case of lacking support on formal side.

PRACTICES

Cooperatives are vital to the social economy because they embody principles of mutual aid, community cooperation, and shared ownership, which are essential for fostering inclusive and sustainable economic growth. In Montenegro, the cooperative movement began in 1908 but developed slowly compared to other regions of Yugoslavia, largely due to the country's underdeveloped economy and strong patriarchal traditions. Early cooperatives that did exist were often more informal, relying on traditional community bonds rather than formal structures.⁵ During the interwar period, progress remained limited, with cooperatives mainly serving as channels for agricultural credit rather than vehicles for broader economic development.

After World War II, Montenegro, like the rest of Yugoslavia, followed the Soviet model of collectivization, leading to the forced establishment of agricultural cooperatives modelled after Soviet kolkhozes. This period was marked by coercion, as land, livestock, and equipment were collectivized against the will of the farmers. The cooperatives became instruments of state control rather than entities serving the interests of the local community. This approach led to widespread resistance among the peasantry, and the model was ultimately abandoned in 1953, with land and livestock returned to their original owners.

Despite later attempts to reframe cooperatives as economic enterprises, they struggled to gain traction within local communities, leaving a legacy of mistrust. However, the traditional values of community support and cooperation that these early cooperatives were built upon can still serve as a robust foundation for revitalizing the social economy in Montenegro today.

⁴ <https://montenegro.un.org/sites/default/files/2021-10/Rapid%20Social%20Impact%20Assessment%20of%20the%20COVID-19%20Outbreak%20in%20Montenegro%20-%20September%202021.pdf>

⁵ Zavod za zapošljavanje Crne Gore. *Socijalna Ekonomija u Crnoj Gori*. Zavod za zapošljavanje Crne Gore, Podgorica, December 2006. Available at: <https://www.zzzcg.me/wp-content/uploads/2015/12/SOCIJALNA-EKONOMIJA-U-CRNOJ-GORI.pdf>.



It is important to mention traditions that precede cooperative movement. *Opšti imovinski zakonik* (General Property Code)⁶ of Montenegro, in its third part, addresses various types of contracts, including both classic contractual agreements and those specifically tailored to the agrarian context of the time. These agrarian contracts include “*radnja na uzajmicu*,” which allowed individuals to call upon free labour assistance from one or more workers for a specific task, with the obligation to reciprocate the help later. “*Radnja bez uzajmice*,” or “*moba*”, referred to voluntary agricultural assistance, where the recipient was not legally obligated to repay the help, though there was a moral expectation to do so. “*Supona*” described an agreement among several households to jointly hire a shepherd for their livestock. Lastly, “*sprega*” was an oral agreement among multiple cooperatives or individuals to provide mutual aid in agricultural work throughout the year. These agreements exemplified the deeply rooted traditions of mutual support and cooperation in Montenegrin rural society.

The practice of “*ortakluk*”⁷ was also common—where poor families would pool their basic resources (such as ploughs and draft animals) to jointly work the land and reduce costs. This practice highlights a form of grassroots cooperation deeply embedded in Montenegrin agricultural communities. In a time when resources were scarce, “*ortakluk*” allowed families to maximize their limited means through collective effort.⁸

The tradition of philanthropy in Montenegro represents and embedded cultural value of communal support and solidarity. Historically, Montenegrins have practiced philanthropy through various forms of giving, whether in support of religious institutions, education, or aiding those in need. This tradition was often guided by a strong sense of moral duty and collective responsibility, where wealthier individuals and families played a key role in supporting the less fortunate.⁹

These traditional practices, rooted in mutual aid and communal cooperation, represent a strong foundation for the development of the social economy in modern Montenegro. The principles of reciprocity, voluntary assistance, and collective responsibility embedded in these agreements highlight the enduring value of solidarity and shared resources. By drawing on these traditions, contemporary social economy initiatives can foster community-driven development, where local networks and cooperative efforts play a central role in addressing social and economic challenges.

⁶ https://www.harmonius.org/sr/pravni-izvori/jugoistocna-evropa/privatno-pravo/crna-gora/Opsti_imovinski_zakonik_CG.pdf

⁷ Form of partnership

⁸ Zavod za zapošljavanje Crne Gore. *Socijalna Ekonomija u Crnoj Gori*. Zavod za zapošljavanje Crne Gore, Podgorica, December 2006

⁹ More on: Papović, Dragutin, *Primjeri filantropije u Crnoj Gori do kraja XX vijeka*, FAKT, 2009: <https://www.faktcg.org/files/filantropija.pdf>

ECOSYSTEM FOR SOCIAL ENTERPRISES

Montenegro's legal framework is not conducive to the development of social enterprises, although a few initiatives operate within existing legal forms. With no specific law for social enterprises, most adopt the form of civil society organizations (CSOs) and are regulated under the law governing non-governmental organizations (NGOs).

In 2013, the government drafted a law, strategy, and action plan for social entrepreneurship, but these were never adopted due to disagreements among key stakeholders and a lack of alignment with existing legislation. Consequently, there is no systematic government support for social enterprises, which primarily rely on public funds designated for civil society and the employment of vulnerable groups. These funds, however, are limited in scope, lack transparency in distribution, and do not employ a systematic approach to project monitoring and spending control.

Most social enterprises in Montenegro were established with funding from local organizations, foundations, or international donors and remain in the early stages of development, still reliant on grants to sustain their initiatives. Several funds now offer financing and technical support to small and medium-sized enterprises (SMEs) that could potentially benefit CSOs, business organizations, and cooperatives developing social enterprise models. However, CSOs are not accustomed to or ready for financial instruments beyond grants and lack awareness of available opportunities, continuing to seek traditional donor support. Often the reason lies in the fact that it draws need for collateral or some other loan guarantee that they cannot fulfil. This is becoming increasingly challenging as foreign donors lose interest in Montenegro due to the economic crisis and the Western Balkans' EU integration process. Remaining funds focus on CSO sustainability and women's empowerment, with little attention to social enterprises.

Some local CSOs have assumed the role of support organizations for social enterprises, actively promoting social entrepreneurship, advocating for a more supportive environment, and providing assistance to social enterprise initiatives.

A major obstacle to social enterprise development is the lack of business planning and financial skills, which are not included in public education. Training is available only through informal educational programs conducted by CSOs. Entrepreneurship education in last decade is part of curricula, both as horizontal topic and as a subject in primary and secondary schools, which should contribute to a more entrepreneurial mind-set in the future.



SOCIAL AND SOLIDARITY ECONOMY POLICY AND LEGAL FRAMEWORK

Montenegro lacks specific legislation regulating social enterprises, and the existing legal framework is not particularly supportive of their development. The absence of a strategic approach by the government is a primary reason for the underdeveloped social enterprise ecosystem in the country. The new legal solution is currently in its inception phase, with a team of external experts supporting the Ministry of Labour, employment and social dialogue, within the EU funded program, working on developing legislative solution. Next to the Law on Social Entrepreneurship being drafted, parallel is developed National Strategy for the Development of Social and Solidarity Economy 2025-2029 with an Action Plan for 2025-2026. The strategy should contribute to the development of knowledge and skills for new solutions to social challenges and problems, particularly for youth, by fostering social innovation, engaging local communities, developing business models, providing information, promoting awareness, and enhancing the visibility and recognition of the social and solidarity economy (SSE) among various stakeholders. Additionally, as part of efforts to develop the institutional framework for this field, a dedicated directorate for SSE is being established within the relevant ministry to support its growth and implementation.

Simultaneously, a collaborative effort is underway, involving network as an open group of diverse stakeholders, including the project partners of YouSEED project, that is engaged to support this process, and aims to ensure that the law reflects the needs and inputs of all relevant parties, ensuring a well-rounded and inclusive legislative framework. This study paper should as well serve that process.

Social entrepreneurship is increasingly seen as an innovative way to promote social inclusion, integration, and employment for disadvantaged groups. However, there is no consensus on its definition in the literature or legislative practice. In the Strategy for the Development of Non-Governmental Organizations, social entrepreneurship is defined as the use of innovative practices in the sale of goods and services to generate income for public interest activities. This includes, but is not limited to, the employment and social inclusion of marginalized groups. Despite this definition, there is a general agreement among stakeholders that a clearer and more EU-aligned definition is needed.

Aside from policies and laws targeting people with disabilities, which acknowledge some forms of social enterprises, Montenegro's legal framework lacks specific legal structures for social enterprise initiatives. In practice, social enterprises mostly operate as non-governmental organizations, cooperatives, and some as business organizations (limited liability companies).

In 2013, the Montenegrin government tasked the Ministry of Labour and Social Welfare with drafting a Law on Social Entrepreneurship, a Strategy for Social Entrepreneurship (2013-2016), and an action plan for 2013. A working group comprising representatives from relevant ministries, trade unions, employers, and civil society was formed to introduce new terms and regulate the sector. However, the law was never adopted due to stakeholder disagreements and lack of alignment with existing legislation.

Several existing documents and laws are relevant to the development of the social enterprise sector, containing provisions that could support its growth. The most significant is the Law on Non-Governmental Organizations, which regulates the economic activities of NGOs. Other relevant laws include the Law on Business Organizations, the Law on Professional Rehabilitation and Employment of Persons with Disabilities, and the Law on Agricultural Cooperatives, which all outline potential legal forms for social enterprises.

The 2017 Law on Non-Governmental Organizations allows NGOs to engage in economic activities, provided that profits are used to further the organization's goals. This law defines two types of organizations: non-governmental associations and non-governmental foundations. Annual revenue from economic activities is capped at EUR 4,000 or 20% of the total annual revenue of the previous year. Exceeding this threshold requires the CSO to halt economic activities and pay the surplus to the state budget, or register with the Central Registry of the Commercial Court in Podgorica for conducting economic activities. In Montenegro, the Law on Non-Governmental Organizations (NGOs) allows NGOs to directly engage in economic activities specified in their statutes, provided they register as business entities. If the annual income from these activities exceeds €4,000, the NGO must cease these activities unless the income remains under 20% of the previous year's total revenue. This approach formally encourages resource diversification and sustainability, while in practice represents a gateway of economic activity for CSOs, but in same time keeping them within threshold, discouraging them for registration of economic activity, thus not reflecting the entrepreneurial nature of social enterprises. NGOs are generally exempt from profit tax unless they engage in economic activities, which are then taxable.

The Law on Professional Rehabilitation and Employment of Persons with Disabilities allows for the establishment of work centres and protective workshops for persons with disabilities, which are considered forms of social enterprises. These entities benefit from tax and customs privileges and are eligible for subsidies. However, the Cooperative Law does not allow the establishment of social cooperatives, and the Company Law does not permit companies to be founded for general public purposes rather than profit-making. The Draft Law that should enter procedure opens a certain window to have other forms of es-



establishment of entity that can be defined by other regulations.¹⁰ This opens up the space for regulation social entrepreneurship with some other regulations either as having social enterprises as separate entity, or having possibility to create a label model to current forms of entrepreneurial entities.

An attempt to draft a Strategy of Development for CSOs (2014–2016), which included social entrepreneurship as a key measure, was later removed from the government's agenda. The Strategy for Enhancing the Enabling Environment for the Operation of Non-Governmental Organizations 2018–2020¹¹, on the other hand, gave important recognition to CSOs as actors in socio-economic development. It positioned social entrepreneurship as one of the models for influencing development in that area and proposed supportive measures for doing so. Strategy for Cooperation between Government Authorities and Non-Governmental Organizations 2022–2026 in the analysis part recognizes that measures predicted in supporting social economy for the preceding Strategy are not fulfilled, but in new goals does not continue to strive for this field as important for improving environment for functioning of NGOs.

Social entrepreneurship is recognized in strategic documents such as the National Strategy for Employment and Human Resources which sees it as a model for job creation, especially for vulnerable groups. The strategy's policy priorities include increasing the employment rate, improving knowledge, skills, and competences to enhance employment opportunities, boosting competitiveness through education and training, promoting social inclusion, and reducing poverty.

All indications suggest that the lessons learned from this long-standing process and various attempts to regulate the field of social economy will contribute to satisfying-quality solutions in both legal and strategic frameworks. Additionally, through programmatic backbone from the EU support to the employment and social policy sector in Montenegro and engaged external expertise, a satisfactory and sustainable solution is expected.

THE FINANCIAL TERRAIN AND OPERATIONAL REACH OF SOCIAL ENTERPRISES

Estimates from local support organizations suggest there are 30 to 40 social enterprises operating in Montenegro. Most are cooperatives and CSOs with up to ten employees, heavily relying on volunteers. These enterprises were primarily launched with grant support and are still in the early stages of development, struggling with sustainability.

¹⁰ Draft Company law, article 2, available at: <https://wapi.gov.me/download/a0b041ea-e7dc-4562-8309-fa157f7e8bca?version=1.0>

¹¹ Available at: <https://www.gov.me/dokumenta/c1f02df7-5ad0-4975-ade0-4cc97a90d9d0>



There is no social investment market in Montenegro. Social enterprises can access various government schemes that, while not specifically targeting them, are eligible for application. Significant funding is available through public funds supporting CSOs and initiatives for people with disabilities. Additionally, grant schemes are offered by local CSOs, some international donors, and companies. The government's Investment and Development Fund of Montenegro (IDF) provides favourable loans to encourage the establishment of businesses that employ and empower disadvantaged groups in society. There is recent development in transforming IDF to National Development Bank, which does not targets an information on changes in this regard.¹²

Innovation fund of Montenegro indirectly can represent opportunity for development of social economy, especially considering industry niches that falls into the scope of support of the Fund. The fund itself represents a granting institutions, that offers grant support to the innovative micro, small and medium entrepreneurs by funding industrial research and experimental development, by improving cooperation between the economy and the research and development sector, as well as development and transfer of technologies. Although there is no data on social enterprises operating in these fields, except for Upbeat Hub, which is part of the innovation infrastructure, there is a vast potential for utilizing this fund, especially in start-up and acceleration support, as the key pillar of every enterprise is social innovation.

Eko Fund¹³ is again a state-based financial instrument that can support social enterprises. Although a significant part is allocated as subsidies for institutions or targeted local governments to improve energy efficiency, there is potential for accessing these funds, especially for projects that promote the development of a green and circular economy, which could serve as a starting point for transforming NGOs into social enterprises.

Microfinancing

Microfinancing plays a critical role in the development and sustainability of social enterprises by providing the necessary financial resources to start, sustain, and grow these businesses, especially in underserved and economically disadvantaged areas.

Social enterprises often face challenges in accessing traditional financing due to their non-profit nature and the perception of higher risk. Microfinancing bridges this gap by offering small-scale loans tailored to the specific needs of these enterprises. This financial support enables social enterprises to invest in their operations, expand their services, and increase their impact on the communities they serve.

¹² <https://rtcg.me/vijesti/ekonomija/578376/razvojna-banka-velika-sansa-novac-vec-postoji-i-bice-preuzet-od-irf.html>

¹³ More on: <https://www.eko-fond.co.me/naslovna>



There are no current actors that provide microfinancing service to Social enterprises in Montenegro, nor there is a practice of SE actors to seek the funding of microfinancing institutions.¹⁴

PUBLIC SECTOR FINANCIAL SUPPORT FOR SOCIAL ENTERPRISES

In Montenegro, there is no structured government support specifically for social enterprises. Instead, these organizations often depend on assistance intended for civil society and the employment of vulnerable groups. The allocation of public funds to civil society organizations (CSOs) is criticized for lacking transparency, supporting a narrow range of public interests, and failing to systematically monitor project implementation and spending.

Social enterprises can access public subsidies designed for individuals with disabilities through the Fund for the Professional Rehabilitation and Employment of People with Disabilities. This Fund finances measures for the professional rehabilitation of both unemployed and employed disabled people, active employment policies involving disabled individuals, co-financing special employment organizations, and various forms of financial assistance and subsidies. These subsidies include grants, low-interest loans for purchasing equipment, and wage subsidies for employing people with disabilities. In 2014, at the request of organizations for persons with disabilities, the Law on the Budget allocated €2 million under the “Program – Fund for Professional Rehabilitation” of the Employment Agency of Montenegro. This €2 million was considered an expense, but the total revenue was not shown, which remains an issue to this day. This allowed the Employment Agency to directly manage the allocated amounts each year, resulting in increased spending did not provide transparency on how the remaining funds were spent, which were collected as a special contribution for the employment of persons with disabilities.

The overlapping roles among various bodies have led to a lack of administrative efficiency and accountability, resulting in frequent shifts of responsibility between government agencies without resolving the underlying issues. Consequently, significant portions of the funds have not been spent as intended by the law. From 2009 to 2014, revenue from contributions for professional rehabilitation and employment of persons with disabilities amounted to €36,509,776.67, and from 2015 to 2018, it amounted to €36,802,924.78. Therefore, from 2009 to 2018, a total of €73,312,701.45 was collected in special contributions for employment.

¹⁴ *Social Economy in Eastern Neighborhood and in the Western Balkans, Country report – Montenegro, 2018*

As the analysis¹⁵ from 2019 of the Association of Youth with Disabilities of Montenegro (AYDM) have shown that by the end of 2014, €1,972,313.35 was spent on professional rehabilitation and employment measures, and from 2015 to 2018, €17,535,067.09 was spent, totalling €19,507,380.44. This includes €103,785.28 spent on public works programs in 2014 and 2015. However, €53,805,321.01 was spent on purposes not stipulated by the Law on Professional Rehabilitation and Employment of Persons with Disabilities. Despite the significant opportunities provided by this Fund, it is underutilized, as employers prefer to contribute financially rather than hire disabled individuals. This opens the possibility to redirect some of this funding toward social enterprises or improve training programs to make disabled persons more employable.

Additional public support is available through active employment policies managed by the Employment Agency. These policies offer financing or co-financing for job creation, integrating the unemployed, public works programs, loans for employment-related investments, seasonal employment, training for newly hired employees, and more.

The Ministry of Agriculture and the Investment and Development Fund of Montenegro (IDF) offer various financing mechanisms, such as co-financing and favourable loans. These are generally accessible to social enterprises registered as business organizations or cooperatives, with some programs targeting women and youth. IDF provides several support programs including the Start-up Financing Programme, Youth Business Financing Programme, Women in Business Support Programme, and Support to University Graduates Programme. These programs can potentially support the development of social enterprises, offering loans up to EUR 50,000 under favourable conditions. There is no specific data on how these funds are utilized, and the Investment Development Fund (IDF) is generally seen as financial resources for businesses that require collateral. This creates a barrier for many social enterprises, which often struggle with basic operational resources and are unable to meet these requirements. Consequently, they face difficulties in accessing these funds, further hindering their growth and sustainability.

The UNDP's Support to Women in Business Programme, jointly implemented with Montenegro's Ministry for Human and Minority Rights and financed by the EU, aims to strengthen capacities, improve mechanisms, and develop appropriate policies aligning with international and national frameworks. Additionally, the Support to Agriculture and Food Production Program focuses on enhancing micro, small, and medium enterprises in agriculture and food production by improving production capacities, introducing new technologies, and boosting competitiveness.

¹⁵ UMHCG. (2019). *Analysis of the Financial Aspect of the Law on Professional Rehabilitation and Employment of Persons with Disabilities*. Podgorica: UMHCG.



Despite the availability of various funding sources, social enterprises often face challenges in accessing these funds due to a lack of awareness, transparency issues, and insufficient entrepreneurial skills. **There is no data on the number of social enterprises that have successfully accessed these funds,** and supporting organizations agree that these enterprises are generally not well-informed about available opportunities.

RESERVED PROCUREMENTS – SOCIAL TENDERING

Socially responsible public procurement (SRPP) focuses on the societal effects of the goods, services, and works acquired by the public sector. It acknowledges that public purchasers are concerned not only with obtaining the lowest price or the best value for money but also with ensuring that procurement processes generate social benefits and reduce or avoid negative social impacts during the execution of contracts. Public buyers have the opportunity to incorporate social objectives throughout the procurement process, as long as these objectives are non-discriminatory and directly related to the contract's subject matter. Within the European Union, SRPP must adhere to the 2014 Public Procurement Directives¹⁶.

Social procurement is crucial for social enterprises as it provides them with market access and growth opportunities, enabling them to secure contracts that align with their social missions. This access fosters financial sustainability, allowing them to reinvest in their social goals while also enhancing their credibility and visibility. Moreover, social procurement encourages innovation, supports inclusive economic growth, and amplifies the social impact of these enterprises by integrating social objectives into mainstream economic activities. In essence, social procurement helps social enterprises thrive and scale their positive contributions to society.

In Montenegrin context there is not developed practice of social procurement, there are some ad hoc usage of services of social enterprise that have mainly printing services by local public institutions, but it is more a direct contracting, while practice is lacking of formal reserved (social) procurements. The lacking of practice was due to lacking of normative framework, which would support development of practice. This should be changed as changes of Public Procurement Law have aligned it in many ways with European practice. In that sense the Law recognized the institute of reserved procurements.

¹⁶ Directive 2014/23/EU of the European Parliament and the Council of 26 February 2014 on the award of concession contracts; Directive 2014/24/EU of the European Parliament and the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC; Directive 2014/25/EU of the European Parliament and the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services and repealing Directive 2004/17/EC

Law¹⁷ outlines the conditions under which a contracting authority can reserve public procurement opportunities for economic entities engaged in professional rehabilitation and the employment of persons with disabilities or those in disadvantaged social positions, in accordance with specific laws. To be eligible, at least 30% of the employees of these entities must belong to these groups. All participants in a joint bid must be from this group. Additionally, these entities may subcontract to others who do not meet these criteria, but the subcontractor's contribution must not exceed 20% of the contract's value. The entity must also provide proof of meeting these conditions when submitting their bid or qualification application.

While this law provides a strong foundation for advancing reserved procurements and boosting the social economy, there is a crucial need to raise awareness and actively promote this approach within institutions, particularly at the local level. Many local authorities and procurement officers may not be fully aware of the benefits or the legal provisions available to support social enterprises through reserved procurements. Without targeted efforts to educate and inform these stakeholders, the potential impact of the law could be significantly diminished. Developing tools, such as manuals, and training for officials, on topic social clauses and reserved contracts, can help better implement social procurement, and push implementing this novelty in public procurement practice.

Very important feature of this law hides maybe the first recognition of social enterprise in the legal system although it does not refer to them in that way. In further text when addressing the reserved tendering it refers to a type of entity that can participate, and it kind of outline criteria which resembles the social enterprise, which kindly creates the Montenegrin model of social enterprise. It states the following that reserved tenders are possible for business entities that:¹⁸

- 1) that perform tasks of providing public services;
- 2) which profits are reinvested in order to achieve the organization's goal;
- 3) whose management or ownership structures are based on the ownership of employees or the participation of employees, users or interested persons;

Although this segment is more a product of aligning the given Law with *Acquis*, it opens a backdoor of recognizing social enterprises that can be utilized, and gives a tool for supporting the actors by public funds, especially opening this as a tool for municipalities in public-private partnership.

¹⁷ Article 25, Law on Public Procurement ("Official Gazette of Montenegro," No. 074/19 of 30.12.2019, 003/23 of 10.01.2023, 011/23 of 27.01.2023.)

¹⁸ *Ibid*, article 154



LINKING WITH SOCIAL PROTECTION SYSTEM

In last decade the pressure of fiscal challenges increases the need for the national government to implement measures to decrease the number of public sector employees, which will include streamlining bureaucratic processes. This shift may also involve transferring social protection services from the public sector to private/public partnerships or fully privatized entities. Such changes could open up more opportunities for social enterprises (SEs) to be recognized as providers of social services and engage in social contracting with relevant institutions.

The drafted National Strategy for Employment and Human Resources (2021-2025) leans on previous one (2015-2020) that had highlighted the critical role of social entrepreneurship in creating jobs for vulnerable groups, including the long-term unemployed, women, youth, individuals from underdeveloped areas, and persons with disabilities (PwDs). The new strategy within the Operational goal 3 Improving the position of unemployed individuals through more efficient labour market services, active employment measures, and enhancing social inclusion while reducing poverty finds important place for Development of social entrepreneurship as one measure, thus giving as the responsible entity giving the Ministry of economic development. This could be a step in the right direction by shifting social entrepreneurship from the realm of social welfare to the economy, but in practice, this transition has yet to occur.

The Law on Social and Children Protection allows for the decentralized delivery of social services, funded by both state and municipal budgets. This framework presents an opportunity for SEs to become licensed and accredited social service providers. The majority of services are concentrated in the largest local self-governments (Podgorica, Nikšić, Bar, Berane, Bijelo Polje, and Herceg Novi), where the highest number of service users is also found. According to research, services are most developed for children (28.1%), followed by services for people with disabilities (21.83%), the elderly (17.2%), victims of violence (7.39%), youth (7.34%), and users of psychoactive substances (2.8%)¹⁹. Other target groups, such as families, members of the Roma and Egyptian communities, LGBT individuals, sex workers, and the homeless, are recognized but still have limited access to social protection services.

Community living support services and accommodation services are most prevalent among public institutions. However, there is a noticeable discrepancy between public institutions and non-governmental organizations when it comes to advisory, therapeutic, and socio-educational services. NGOs provide a significantly higher proportion of services in this cat-

¹⁹ NGO Institute Alternative, *Mapping of Social Protection Services in Montenegro*, 2013



egory compared to public institutions. The following chart illustrates the share of licensed service providers by the type of services they offer, based on the mapping of social services done by Institute for Social and Child Protection form 2019.²⁰

A major barrier to the development of social protection services, as identified by civil society organizations (CSOs), is the lack of financial resources and the absence of a stable funding source, which raises concerns about the sustainability of these services.²¹ Although the government is working towards decentralizing service provision, it has not simultaneously decentralized revenue streams, leaving local governments without the financial means to support service providers effectively.

EU LEVEL POLICIES AND OTHER INTERNATIONAL OBLIGATIONS

EU Social Economy Action Plan - SEAP²²

There are 2.8 million social economy enterprises in the EU, accounting for 10% of all businesses. These enterprises employ nearly 13.6 million people, which represents around 6.2% of the EU workforce. In addition to paid employees, the social economy engages volunteers, amounting to the equivalent of 5.5 million full-time workers. Furthermore, approximately 160 million Europeans are members of social economy enterprises, primarily in sectors such as retail, banking, agricultural cooperatives, and mutual societies that provide services supplementary to social security systems.²³

The EU Social Economy Action Plan, introduced by the European Commission in December 2021, continuing the foundation laid by the 2011 Social Business Initiative and the 2016 Start-up and Scale-up Initiative, is a initiative aimed at enhancing the social economy's role across the EU by 2030. The plan is structured around following areas:

Establishing Favourable Framework Conditions - The plan emphasizes the need for robust legal and policy frameworks that support social economy entities. In 2023, the European Council adopted a **Recommendation on developing**

²⁰ Zavod za socijalnu i dječju zaštitu. Mapiranje usluga socijalne i dječje zaštite u Crnoj Gori. Podgorica, 2019. Available at: https://www.zsdzcg.me/sites/zsdzcg.me/files/2024-02/mapiranje_usluga_socijalne_i_djecje_zastite_u_crnoj_gori.pdf https://www.zsdzcg.me/sites/zsdzcg.me/files/2024-02/mapiranje_usluga_socijalne_i_djecje_zastite_u_crnoj_gori.pdf

²¹ Golubovic, Vladan, Analiza isplativosti pružanja socijalnih usluga namijenjenih ranjivim populacijama u Crnoj Gori, Cazas, Podgorica

²² https://social-economy-gateway.ec.europa.eu/eu-initiatives/seap_en

²³ https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu_en



social economy framework conditions²⁴, urging Member States to design and implement comprehensive strategies that align with this goal. The Recommendation provides guidance on tailoring public policies and legal frameworks to support the social economy, particularly in areas where it is less developed, and on adapting administrative and institutional structures to engage with social economy stakeholders. These strategies are to be fully developed by the end of 2025, ensuring that the social economy is well-integrated into national policies and receives the necessary support.

Enhancing Opportunities for Growth and Development - To facilitate the growth of social economy organizations, the European Commission launched the Social Economy Gateway²⁵ in 2023. This one-stop portal provides access to funding from the European Social Fund Plus (ESF+), policy information, and resources necessary for social enterprises to thrive. The Gateway is part of a broader effort to support social innovation and the scaling up of social enterprises across the EU.

Within ESF+ functions EaSI²⁶ strand, which Montenegro became part in late 2023, opening the access to the fund to the actors based from. The Employment and Social Innovation (EaSI) strand of the European Social Fund Plus (ESF+) has a budget of € 762 million. The EaSI strand builds on the former EaSI programme 2014-2020, maintaining the focus on evidence-based policy-making and social experimentation, support to job mobility and the non-financial instrument activities related to the former Microfinance and Social Entrepreneurship axis.

Raising Awareness and Recognition - The action plan also focuses on increasing the visibility and recognition of the social economy. This involves promoting the achievements of social economy organizations and ensuring that the public, policymakers, and investors recognize their contributions to social and environmental goals. The plan includes initiatives to enhance data collection, support communication campaigns, and establish legal frameworks that increase the sector's visibility.

EU Strategy for the Western Balkans

The EU Strategy for the Western Balkans, titled "A Credible Enlargement Perspective and Enhanced EU Engagement with the Western Balkans," outlines that countries in this region, including Montenegro, can join the EU once they meet the criteria outlined in Article 49 of the Treaty on European Union, including the Copenhagen criteria. It emphasizes the necessity of decisively implementing structural reforms identified in economic reform programs. Priority should be given to measures addressing social issues and structural unemployment.

²⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ%3AC_202301344

²⁵ More on: https://social-economy-gateway.ec.europa.eu/index_en

²⁶ More on: <https://european-social-fund-plus.ec.europa.eu/en/esf-direct-easi>



Communication: Europe in Action

In Section 4.3 of the Communication “Europe in Action,” it is noted that recovery and preparation for the next generation will be the foundation of the European Commission’s measures to help people retain jobs and create new employment opportunities. It is also essential to address disparities and inequalities that have become evident or worsened during the crisis and to promote territorial cohesion. Medium- and long-term efforts to restore a fully functional single market and investments through the Next Generation EU instrument will create new jobs across all economic sectors, especially within the green and digital transitions. Enhanced support for youth employment will help young people find jobs, training, or education, and a strong social economy can provide unique opportunities to help the most vulnerable return to the labour market.

Economic and Investment Plan for the Western Balkans

The Economic and Investment Plan for the Western Balkans aims to initiate long-term recovery supported by green and digital transitions, leading to sustainable economic growth, necessary reforms for progress toward EU integration, and bringing the Western Balkans closer to the EU single market. This plan includes a significant investment package for the region, based on the Instrument for Pre-Accession Assistance III (IPA III).

Employment Policy Guidelines

The Employment Policy Guidelines outline strategic goals for national employment policies and priorities in the areas of employment, education, and social inclusion. These guidelines integrate political priorities with numerous existing key elements. The ten integrated guidelines include four for employment and six general guidelines for broader economic policy. The latest guidelines encompass the four dimensions of the Annual Sustainable Growth Strategy, particularly its sustainability dimension, reflecting the approach from the Commission’s 2020 communication “A Strong Social Europe for Just Transitions” and covering the UN’s Sustainable Development Goals. They focus on four areas:

- Increasing labour demand (job creation, labour taxation, and wage setting)
- Enhancing the workforce and improving access to employment, skills, and competencies
- Improving the functioning of labour markets and the effectiveness of social dialogue
- Promoting equal opportunities for all, fostering social inclusion, and combating poverty

European Pillar of Social Rights

Labour markets and societies are evolving rapidly, with globalization, digital revolution, changes in work patterns, and social and demographic trends bringing new opportunities and challenges. Issues such as significant inequality, long-term unemployment, and youth unemployment, along



with intergenerational solidarity, are common across EU member states, though to varying degrees. Fairness and inclusion are crucial to ensuring that everyone benefits from recovery and growth, leaving no one behind. Thus, the European Pillar of Social Rights serves as a guide towards a strong social Europe, setting out a vision for a new set of social rules. These include principles and rights essential for fair and functional labour markets and social protection systems in 21st-century Europe. The Action Plan for implementing the European Pillar of Social Rights, dated March 4, 2021, sets three main EU targets to achieve by the end of the decade in employment, skills, and social protection:

Employment: At least 78% of the population aged 20-64 should be employed by 2030. To achieve this, Europe must halve the gender employment gap, increase formal early childhood education and care provision, and reduce the rate of youth aged 15-29 who are not in employment, education, or training (NEET) from 12.6% (2019) to 9%.

Skills: At least 60% of all adults should participate in training every year.

Social Protection: The number of people at risk of poverty or social exclusion should decrease by at least 15 million by 2030.

International Covenant on Economic, Social and Cultural Rights (ICESCR)

The International Covenant on Economic, Social and Cultural Rights (ICESCR) and its optional protocol represent one of the key international legal instruments of the United Nations in the field of human rights. The states parties to this Covenant commit to submitting reports on measures taken and progress achieved in ensuring the rights recognized in the Covenant. The UN Committee on Economic, Social and Cultural Rights has published conclusions on how Montenegro applies the ICESCR after its 53rd session held from November 10 to 28, 2014, in Geneva

Revised European Social Charter (RESC)

Montenegro applies the Revised European Social Charter (RESC) according to the Law on Ratification of the RESC from December 2009 and reports annually on the application of one of the four thematic groups of the Charter. The report includes all relevant information on the measures adopted for the implementation of the Revised European Social Charter, particularly: the legislative framework, collective agreements, measures such as administrative arrangements, programs, action plans, projects, etc., undertaken to implement the legislative framework, as well as available statistical data or other relevant information to assess the extent to which these provisions are applied.

UN Agenda 2030

The UN Agenda 2030 outlines globally agreed Sustainable Development Goals (SDGs) among UN member states to be achieved by 2030.

The United Nations General Assembly adopted a significant resolution



on April 18, 2023, titled **“Promoting the Social and Solidarity Economy for Sustainable Development.”** This resolution recognizes the vital role that the social and solidarity economy (SSE) plays in promoting democracy, social justice, and sustainable development. It encourages UN member states to develop and implement national, regional, and local strategies to support and enhance the SSE. This includes creating specific legal frameworks, integrating SSE into educational curricula, and providing financial incentives to support its growth. The resolution also emphasizes the importance of including SSE actors in policymaking processes and the need for continued global cooperation to fully realize the potential of the SSE in achieving the Sustainable Development Goals (SDGs)²⁷

MONTENEGRO IN THE MIRROR OF DEVELOPMENTAL INDICES

In 2023, Montenegro maintained its status as a country with very high human development, achieving an HDI²⁸ score of 0.844, placing it 50th out of 193 countries and territories. This score reflects significant progress in key areas of human development, including life expectancy, education, and standard of living. The HDI is a composite measure that evaluates these three dimensions to provide an overall snapshot of a country’s development status.

Life expectancy in Montenegro averages 80.3 years for women and 73.5 years for men, indicating a relatively healthy population. Educational attainment is also commendable, with women spending an average of 12.1 years in education and men 13.2 years. Additionally, 70.8% of women and 83.7% of men aged 25 and older have completed at least secondary education, highlighting strong educational achievements across genders.

Despite this progress, there remain challenges, particularly regarding gender equality. Montenegro ranks 33rd out of 166 countries on the Gender Inequality Index (GII), reflecting disparities in reproductive health, empowerment, and labour market participation. Women hold 27.2% of parliamentary seats and have a labour market participation rate of 44.4% compared to 57.8% for men. These figures underscore ongoing efforts needed to bridge gender gaps and promote equal opportunities.

The broader context of the 2023/24 Human Development Report emphasizes global challenges such as increasing inequality, political polarization, and

²⁷ <https://unsse.org/2023/04/19/historic-moment-for-the-sse-at-its-66th-plenary-meeting-the-un-general-assembly-adopts-the-resolution-promoting-the-social-and-solidarity-economy-for-sustainable-development/>

²⁸ <https://hdr.undp.org/content/human-development-report-2023-24>



uneven development progress. These issues highlight the importance of multilateral cooperation to address shared global challenges, from climate change to digital governance. For Montenegro, focusing on sustainable development, social protection, and institutional strengthening is crucial for maintaining and improving its HDI score in the future.

Montenegro's Gini coefficient, a measure of income inequality, was recorded last at 31.5, indicating a moderate level of income disparity. This value represents a decrease from previous years, reflecting some improvements in income distribution. The Gini coefficient measures the extent to which income distribution deviates from perfect equality, with 0 representing complete equality and 100 representing maximal inequality.²⁹

Montenegro's Gini index has been on a downward trend over the past decade, having decreased from a high of 41.2 in 2012 to 34.3 in 2021. This decline signifies that the income inequality gap has been narrowing, although challenges remain.³⁰

This level of income inequality in Montenegro is comparable to that of other countries in the region. Efforts to further reduce inequality include social protection measures, labour market reforms, and educational improvements. The reduction in inequality also aligns with the country's broader development goals, contributing to its classification as a high human development country.

The latest results for Montenegro on the 2024 Social Progress Index (SPI)³¹ provide a comprehensive measure of the country's performance in various dimensions of social progress. The SPI evaluates countries based on three primary dimensions: Basic Human Needs, Foundations of Wellbeing, and Opportunity.

²⁹ <https://data.worldbank.org/indicator/SI.POV.GINI?locations=ME>

³⁰ <https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=563404>

³¹ <https://www.socialprogress.org/social-progress-index>

Dimension	Components	Score	Rank	Analysis
Basic Human Needs	Nutrition and Basic Medical Care, Water and Sanitation, Shelter, Personal Safety	88.44	40	Montenegro excels in providing basic necessities. However, improvements in personal safety are needed.
Foundations of Wellbeing	Access to Basic Knowledge, Access to Information and Communications, Health and Wellness, Environmental Quality	73.84	46	Good access to education and information, but health services and environmental quality need enhancement.
Opportunity	Personal Rights, Personal Freedom and Choice, Inclusiveness, Access to Advanced Education	62.91	51	Moderate performance in rights and freedoms, with significant room for improvement in inclusiveness and advanced education

Table 1: Social progress index Montenegro 2023

Montenegro scores 88.4 in the Basic Human Needs dimension, ranking 40th globally. This dimension encompasses Nutrition and Basic Medical Care, Water and Sanitation, Shelter, and Personal Safety. Montenegro excels in providing adequate nutrition and healthcare to its population, with high accessibility to essential medical services. The country's efforts in ensuring clean water and sanitation are commendable, contributing to the overall health and wellbeing of its citizens. Most Montenegrins have access to adequate housing, indicating strong performance in the Shelter component. However, personal safety remains a concern, with crime rates and safety issues that need targeted interventions to improve public security and reduce crime.

Scoring 73.84 in this dimension, Montenegro ranks 46th globally. The Foundations of Wellbeing dimension includes Access to Basic Knowledge, Access to Information and Communications, Health and Wellness, and Environmental Quality. Montenegro shows strong performance in education, with high literacy rates and broad access to primary and secondary education. The country's infrastructure supports good access to information, with high internet and mobile phone penetration rates. However, there are gaps in the health services, particularly in advanced medical care and preventive health measures, which need to be addressed. Environmental



quality is another area of concern, with issues related to pollution and environmental degradation that require robust policies and actions for improvement.

In the Opportunity dimension, Montenegro scores 62.91 and ranks 51th globally. This dimension assesses Personal Rights, Personal Freedom and Choice, Inclusiveness, and Access to Advanced Education. While Montenegro has made significant strides in protecting personal rights, the enforcement of these rights needs to be stronger to ensure consistent protection for all citizens. Personal freedoms are generally enjoyed, but there are still limitations in certain areas that need attention. Inclusiveness remains a significant challenge, with social inclusion for minorities and vulnerable groups requiring substantial improvement. Access to advanced education is available, yet there is a need for expansion and enhancement in the quality of higher education and vocational training programs.

Regarding the Youth Progress Index for Montenegro³², the country achieved an overall score of 71.9, ranking 51st globally. Examining the three main dimensions, Montenegro performs particularly well in the “Basic Human Needs” category, with a score of 84.89.

WHAT IF...UNDERSTANDING THE POTENTIAL

This section represents a simulation, how it would look like in numbers if the Social economy sector if it would follow the EU trends. In the EU, social economy enterprises represent approximately 10% of all businesses, and they employ around 6% of the workforce. Let's apply these ratios to Montenegro, adjusting slightly to account for differences in the country's economic structure and size. According to recent data, Montenegro has around 34,000 registered businesses.³³

If social economy enterprises make up approximately 8-10% (slightly lower than the EU average due to Montenegro's smaller market), this would mean around 3,000-4,000 social economy businesses in the country.

The active workforce in Montenegro is around 300,000-320,000 people³⁴. If social economy enterprises employ around 5-6% of the workforce (similar to EU averages), then the social economy sector would employ between 15,000 and 18,000 people in Montenegro.

Montenegro's GDP is approximately €7.4 billion. The social economy in the EU typically contributes around 7-8% of GDP. For Montenegro, we can adjust this to around 5-7%, given the country's smaller economy and less developed social enterprise sector compared to the EU average. Thus, the social economy in Montenegro might contribute between €370 million and €520 million to GDP annually.

³² Available at: <https://www.socialprogress.org/thematic-webpages/youth-progress-index>

³³ <https://montenegrobusiness.eu/montenegro-business-recent-monstat-entities/>

³⁴ https://www.monstat.org/uploads/files/ARS/2024/ARS%20saopstenje_2024_Q1.pdf



Indirect effects: The social economy's impact through its supply chains (e.g., purchasing goods and services) typically adds another 10–15% to its direct contribution. In this case, the indirect contribution would be an additional €37 million to €52 million. The spending by employees of social enterprises and their suppliers creates further economic activity. Assuming an induced effect of 10–15%, this would contribute another similar numbers to the GDP.

Based on this estimation, the social economy in Montenegro could contribute between €440 million and €600 million annually, which is roughly 6–9% of the country's total GDP. This estimation includes the direct contribution of social enterprises, as well as their broader economic impact through supply chains and employee spending.

This simulation above is to show the potential of shifting the economic model towards the value based economy, that can complement the potential within the society of making change. The numbers can serve as a model of correlation with overall expenditure where country is heading towards hard-to-sustain social budget around a billion, of which for social protection goes more than €200 million.³⁵ Due to the lack of a strong real sector on which the social economy can rely, it has been challenging to reach the EU average percentage for the social economy. However, what if a 10-year goal was set at 1 percent? This would align with a quarter of the social protection expenditure, i.e. circa €70 million.

Social Protection Transfers		
Category	2023 Amount	2022 Amount
Transfers for Social Protection	829,227,975.58	824,857,564.21
<i>Rights in the Field of Social Protection</i>	210,952,589.31	209,639,087.61
<i>Technological Redundancies Funds</i>	25,378,184.43	24,251,935.38
Guaranteed Salaries	810,000.00	39,732.00
Severance Payments for Redundancies	201,076.00	45,650.85
Unemployment Benefits	24,267,108.43	24,148,636.55
Other	100,000.00	17,915.98
<i>Rights in the Field of Pension and Disability Insurance</i>	555,728,938.04	553,810,698.31
Old-age Pension	339,642,180.59	339,547,653.99
Disability Pension	73,978,555.22	73,935,078.81
Family Pension	116,237,660.21	115,805,831.77

³⁵ Budget for 2024: <https://www.gov.me/clanak/zakon-o-budzetu-crne-gore-za-2024-godi-nu-sluzbeni-list-crne-gore-broj-124-2023-od-31122023>




Compensation	9,639,255.88	9,181,772.79
Supplements	1,896,169.05	1,750,407.39
Other Rights	14,335,117.09	13,589,953.56
<i>Other Rights in the Field of Health Care</i>	20,559,651.36	20,559,593.51
Treatment Outside Montenegro	13,765,492.87	13,765,435.02
Treatment in Public Health Institutions in Montenegro	6,794,158.49	6,794,158.49
Other Rights in the Field of Health Insurance	16,608,612.44	16,596,249.40
Orthopedic Equipment and Aids	3,398,693.86	3,398,693.86
Benefits for Sick Leave Over 60 Days	9,319,918.58	9,339,918.58
Travel Expenses for Insured Persons	3,889,999.99	3,857,636.96

Table 2: Social Protection Transfers³⁶

AREA OF SPECIAL FOCUS

20 municipalities³⁷ have been selected as areas of special focus for the YouSEED project and study paper because they are neither the capital nor the most developed southern municipalities of the country. Instead, they face numerous structural challenges that present significant opportunities for the development of innovative solutions, particularly in the fields of impact economy and social entrepreneurship. The aim is to support local partnerships and actively involve local self-governments in creating solutions that will foster social entrepreneurship, drive sustainable development, and enhance social inclusion.

During field consultations with the targeted municipalities, we reached out with general questionnaires regarding the overall baseline research for future YouSEED project implementation. Based on received questionnaires and the direct meetings with municipalities we have structured general overview of the position of the targeted municipalities towards social economy.

Local and national policies should intersect and mainstream social and

³⁶ Budget for 2024: <https://www.gov.me/clanak/zakon-o-budzetu-crne-gore-za-2024-godinu-sluzbeni-list-crne-gore-broj-124-2023-od-31122023>

³⁷ Andrijevića, Berane, Bijelo Polje, Kolašin, Mojkovac, Rožaje, Gusinje, Plav, Pljevlja, Šavnik, Plužine, Petnjica, Žabljak, Tuzi, Zeta, Nikšić, Danilovgrad, Cetinje, Bar, Ulcinj.



solidarity economy (SSE) principles across all sectors. Currently, only two municipalities have local policies that recognize and support SSE in any form, highlighting a significant gap in this area. With the development of new local strategies planned for 2025, now is an ideal opportunity to integrate SSE into these strategies, promoting broader support, visibility, and implementation of SSE principles at the local level.

Awareness and Integration of Social Economy and Social Entrepreneurship

Across the municipalities, there is a recognized importance of social economy and social entrepreneurship, though the depth of understanding and integration varies. All municipalities are aware of these concepts, but their integration into strategic planning and local governance is inconsistent. Some have only recently begun incorporating these ideas into their strategies, while others lack any trace in dealing with social economy. However, there remains a general need for a more focused and systematic approach to fully integrate these concepts into local governance frameworks.

Organizational Structure and Responsibility

The organizational structures within these municipalities are generally well-defined, with specific secretariats responsible for areas like rural development, youth support, women's entrepreneurship, and collaboration with NGOs. However, the effectiveness of these structures that can be used in promoting social entrepreneurship varies. In some cases, the approach to forming working groups and managing projects is ad hoc, which may limit the consistency and impact of initiatives. There is a clear opportunity to enhance the coherence and effectiveness of these structures by developing more standardized processes for integrating social entrepreneurship into municipal policies.

Collaboration with NGOs and Civil Society

Collaboration with NGOs and civil society is acknowledged as important by all municipalities, though the formalization and depth of these partnerships differ. Some municipalities have established multi-sectoral teams and regular interactions with NGOs, reflecting a more integrated approach. Others manage these collaborations more informally, often on a project-by-project basis. There is a general recognition of the need for more structured and sustained partnerships with civil society to support the broader goals of social and economic development.

Budget Allocations and Support Mechanisms

Budget allocations specifically targeting social entrepreneurship are not uniformly present across the municipalities. While some have dedicated funds for supporting initiatives like women's entrepreneurship and rural development, others focus more on traditional social assistance without explicitly earmarking resources for social entrepreneurship. This indicates a need for clearer budgetary commitments to ensure that social entrepreneurship is adequately supported as part of local development strategies.



Legislative Awareness and Implementation

There is a shared awareness of upcoming national legislation on social entrepreneurship, but the municipalities vary in their readiness to align with these legal developments. The municipalities generally recognize the need for capacity building and alignment with national laws to fully leverage the opportunities of implementing national policies on local level.

UNEMPLOYMENT IN TARGETED MUNICIPALITIES

The unemployment data in targeted municipalities of Montenegro reveals significant disparities in the labour market, particularly in the northern regions. Municipalities such as Rožaje, Berane, and Bijelo Polje have notably high numbers of unemployed persons, with Rožaje alone accounting for 4,635 unemployed individuals. Additionally, there is a pronounced gender imbalance, with women representing a substantial percentage of the unemployed, particularly in municipalities like Bijelo Polje (71.5%) and Pljevlja (73.4%).

This data underscores the importance of developing targeted initiatives to address unemployment, especially in the northern municipalities where the situation is most acute. One effective approach is to foster social entrepreneurship, which combines social goals with business models to create sustainable employment opportunities. Social enterprises can be particularly effective in regions like northern Montenegro, where traditional economic activities may be limited or declining. Moreover, social enterprises have the potential to address the significant gender disparities in unemployment by providing opportunities tailored to women, who are disproportionately affected by joblessness in many of these municipalities.

The success of social entrepreneurship in these municipalities depends heavily on the development of strong local partnerships. Municipal governments, NGOs, and the private sector must collaborate to identify opportunities, mobilize resources, and provide the necessary support for social enterprises to thrive. These partnerships can also help ensure that the economic benefits of social enterprises are felt locally, thereby stimulating regional development.

In regions like northern Montenegro, where economic opportunities are limited, social entrepreneurship can play a crucial role in revitalizing local economies. By creating value chains that benefit local producers and service providers, social enterprises can help retain economic benefits within the community, thereby contributing to regional sustainability and resilience.

Municipality	Number of unemployed persons	% of women
Andrijevisa	789	48.8
Berane	3954	54.2
Bijelo Polje	3372	71.5
Kolašin	733	48.3
Mojkovac	805	55.3
Rožaje	4635	57.1
Gusinje	455	58.0
Plav	1301	55.6
Pljevlja	657	73.4
Šavnik	25	36.0
Plužine	62	61.3
Petnjica	704	61.4
Žabljak	18	66.7
Tuzi	110	45.5
Zeta	84	47.6
Nikšić	364	61.5
Danilovgrad	87	57.5
Cetinje	67	40.3
Bar	305	62.0
Ulcinj	57	36.8

Table 3: Unemployment in targeted municipalities³⁸

MAPPING OF SOCIAL ENTERPRISES

Spectrum of Social Enterprises

In Montenegro, there are no official statistics on the size and structure of social enterprises, and their estimated numbers vary across different studies. Due to the absence of a data collection system or national mapping of social enterprises, this analysis relies on interviews and existing studies. Representatives from support organizations indicate that there are between twenty and thirty social enterprises currently operating in Montenegro.

³⁸ May 2024



A 2015 study by the Centre for the Development of CSOs (CRNVO) identified 19 social enterprises, with only 16 actively operating. CRNVO categorized these into three types: CSOs engaged in economic activity (14), limited liability companies established by CSOs (1), and sheltered workshops established by CSOs (1).

A 2014 study³⁹ by the European Movement in Serbia and SeCons found that most social enterprises in Montenegro operated as cooperatives and CSOs. The study estimated that there were approximately 140 cooperatives registered with the Central Register of the Commercial Court in Podgorica, operating under the 1996 legislation from the former Federal Republic of Yugoslavia. These cooperatives primarily focus on agriculture, although student and housing cooperatives are also present. However, data on how many of these are social enterprises is not available.

Financial turnover data for social enterprises is lacking. As an indicator, the cooperatives of the Alliance have an annual turnover of about EUR 2 million (0.03% of GDP).

Data on the social impact, fields of activities, and target groups of social enterprises in Monte

negro is incoherent. However, studies and interviews suggest that production of souvenirs, decorative items, garments, home decor, and office promotional materials are common activities among social enterprises. Some also provide services such as SOS phone lines, elderly assistance, day care for people with disabilities, and PR services.

CRNVO's research (sample of 16 social enterprises)⁴⁰ revealed that people with disabilities are engaged in eleven enterprises, women victims of domestic violence in two, elderly women in two, and one enterprise engages members of Roma and Egyptian populations.

Using available secondary data and desk research, to complement this study document, mapping of actors of social economy is conducted, it covers SE actors, in most broader sense, as potential social enterprises.

³⁹ European Movement in Serbia, SeCons, 2014: *Strategic Study on Social Economy Development in the Context of the South East Europe 2020 Strategy*: <https://www.emins.org/en/portfolio-items/developing-strategic-study-on-social-economy-development-in-the-context-of-the-south-east-europe-2020-strategy/>

⁴⁰ <https://crnvo.me/wp-content/uploads/2021/02/Analiza-potreba-socijalnih-preduze-ca-u-Crnoj-Gori.pdf>

SE Actor	Type	SE Activity
Bastaonica	Non formal	Community garden
Reuse Centar	Non formal	Collects donations of well-preserved and usable items, offering them for sale at symbolic prices.
Green lining	Ltd.	Recycling via 3D printing – creation of crowns inspired with Montenegrin tradition
Caritas	CSO	Three Social enterprises: Laundromat “Mondo Bianco” Copy centre and print shop “Script” Workshop for making educational toys “Most”
Association of Paraplegics of Bijelo Polje and Mojkovac	CSO	Protective workshop Zlatne ruke – textile products, printing services on textile, anti-decubitus program, HTZ equipment
NVO Niti Bijelo Polje	CSO	Old craft of wool processing and traditional wool garment products – women from hard to employ age groups
NVO Srce Mojkovac	CSO	Souvenir productions by persons with disability
Cegerica	Ltd.	Recycling of textile and creation of unique bags.
Happy paws	Ltd.	Grooming saloon for pets.
Seljak.me	Ltd.	Digital platform for agricultural products.
Prezla	Non formal	Food waste reduction – with food retailers
Komunumo	Non formal	Digital platform for language learning for migrants
La organica	Ltd.	Organic agricultural pharmacy
Bonafide Pljevlja	CSO	Clothing and tailoring services – migrants integration
NVO Zračak Nade Pljevlja	CSO	Printing services – association of parents of children with developmental disabilities
Association of Paraplegics Cetinje	CSO	Photocopying and printing services
Igraj.me	Ltd.	Creation of educative social/board games




Association of Old Crafts and Skills 'Thread'	CSO	Preservation of old crafts
Organization of the Blind and Visually Impaired for Podgorica	SCO	Massage salon
Association of Parents of Children and Youth with Developmental Disabilities 'Oaza,' Bijelo Polje	CSO	Wool felting and the production of woolen carpets, clothing items, pictures, souvenirs, napkins, etc.
Upbeat Hub	Ltd.	Space rental and event organisation – reinvest profit in community development program of affiliated NGO
Creativa lab	Ltd.	Managing the portal roditelji.me and providing advertising services, organizing various types of events for children and parents, as well as the production of cloth toys at Cic Cak tailoring shop.
Centar za mame	Affiliated to NGO	NGO Parents social business in providing service to parents expecting baby and those with new-borns.
Monte Medical	Company	Monte Medical Montenegro is a health-care entity that organizes medical services in Montenegro and abroad through its partners by supporting citizens in preparing documentation.
Zeleni talas	NGO	Plastic recycling activities complemented with organisation mission.
DOK Produkcija	Ltd	Social business for NGO KOD, visual production, complementing to their social mission.
Lapis printing office and currier service	Ltd.	Employing persons with disabilities
Dr Print	Ltd.	A small printing office run by a person with a disability.
NGO Centre for equality	CSO	Integration and economic empowerment of the Roma population and former addicts in Podgorica and Berane
Association for Assistance to Persons with Mental and Physical Disabilities Nikšić	CSO	Production of various decorative items – souvenirs such as pictures with fruit motifs, beads and jewellery, wooden boxes and cloth bags for gifts, mobile phones, etc., traditional Montenegrin motifs (house, threshing floor, etc.) made of plaster, ashtrays, and more. Hair salon for persons with disabilities "Status".

PI Kakaricka gora	Public	A public institution for the rehabilitation and resocialization of persons addicted to psychoactive substances offers numerous forms of occupational therapy, which, in their scope, reach a commendable level of production (production of ornamental plants, honey, carpentry workshop).
NGO Womens of Bar	CSO	Social kitchen in Bar municipality, together with philanthropic campaigns organisation.
NGO Bajul	CSO	Production of Venetian, or Dobrota lace - a group of women with limited employment opportunities
Centre for Roma initiatives	CSO	Different programs for employment of Roma population.
Atos	Project	Eparchy of Budimlja and Niksic project focused on aquaponics production of vegetables employing vulnerable groups
NGO Rastimo zajedno	CSO	Production of souvenirs - children and young people with developmental disabilities

Table 4: Social economy actors

This list is not exhaustive, but it represents a first-hand representation of the SSE sector in Montenegro, and it is one step in a more comprehensive mapping process of social enterprises. The general assumption of the people involved in the sector is that, at a given time, it is possible to count 50 actors in the field, whose activities fluctuate due to the nature of how social enterprises function in Montenegro.

RESOURCE ALLOCATION AND OPERATIONAL CHALLENGES IN SOCIAL ENTERPRISES: INSIGHTS

The findings are based on detailed interviews conducted for the purpose of this study with three social enterprises—**Radionica Zlatne ruke**, **NVO Nova šansa u Novom**, and **NVU Žene Bara**. The interviews were structured around a comprehensive questionnaire designed to uncover critical aspects of their operations, including financial management, human resources, infrastructure needs, and marketing effectiveness. This report focuses specifically on how these enterprises allocate their resources and the challenges they face in sustaining their social missions. The insights gained provide a valuable lens through which to assess the current state of within Montenegro's social economy.



Mission and Social Impact

All three enterprises emphasize their mission of contributing to society by supporting marginalized groups. Radionica Zlatne ruke focuses on integrating persons with disabilities into the labour market through the production of high-quality textile products. They aim to meet European standards while also increasing the number of employees with disabilities. NVO Nova šansa u Novom works toward the inclusion and education of individuals with developmental challenges, emphasizing professional rehabilitation and vocational training. NVU Žene Bara operates a soup kitchen, providing daily meals and various forms of assistance to vulnerable populations, including single mothers and the homeless.

The social impact is largely centred on empowerment and support for marginalized communities. Radionica Zlatne ruke achieves this through skill development and employment, while Nova šansa u Novom focuses on educational support and legal advocacy for individuals with disabilities. NVU Žene Bara impact is seen in their direct aid to those in need, illustrating a more immediate but equally vital form of social entrepreneurship.

Main Activities and Their Contribution to Mission

The primary activities of these enterprises directly align with their missions. Radionica Zlatne ruke engages in the production of protective and promotional clothing, which not only provides employment but also aims to penetrate international markets. NVO Nova šansa u Novom offers digital printing services and training, with a dual focus on providing professional opportunities for disabled persons and generating income for sustainable operations. NVU Žene Bara operates a soup kitchen, distributing up to 250 meals daily, which is a direct application of their mission to assist the disadvantaged.

Each organization's activities are designed to both serve their social mission and ensure sustainability. For instance, the production and sale of goods by Radionica Zlatne ruke not only fulfil their mission of employment but also aim at financial independence.

Challenges and Mitigation Strategies

All three enterprises face significant challenges, particularly in financial sustainability and resource access. Radionica Zlatne ruke struggles with the aging workforce and the lack of young trainees, which may threaten their long-term viability. NVO Nova šansa u Novom is hindered by a limited customer base, which directly impacts financial stability. NVU Žene Bara continuously battles insufficient funding, relying heavily on donations and municipal support.

To cope, these organizations have adopted various strategies. Radionica Zlatne ruke focuses on maintaining quality to secure their position in the market, while Nova šansa u Novom increases their visibility through social media advertising. NVU Žene Bara encourages donations and appeals to the community's sense of responsibility.

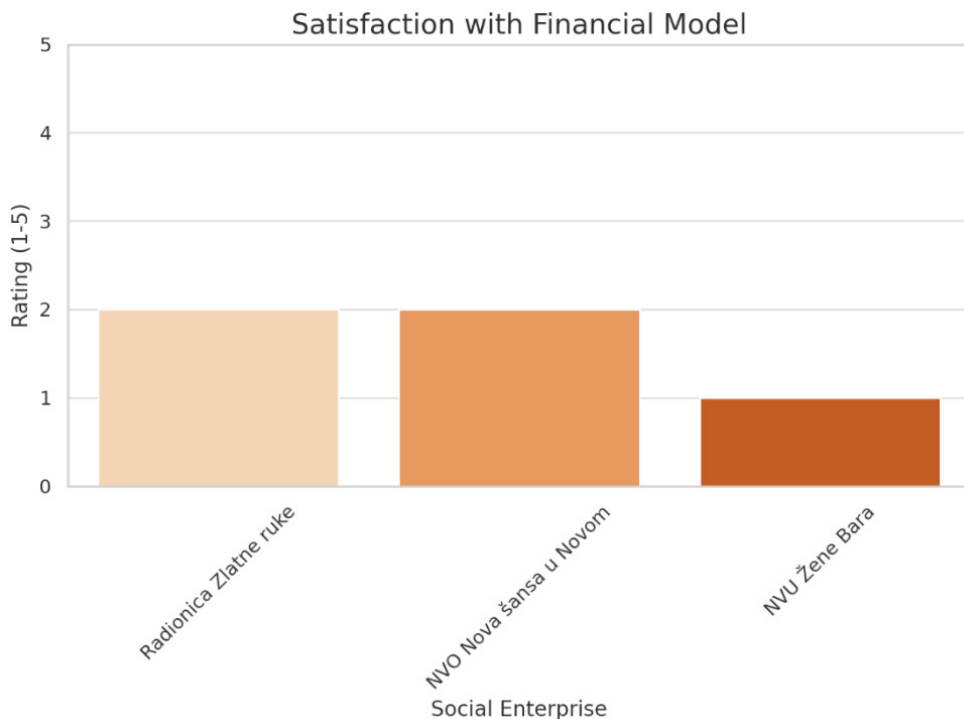
Support Needs and Resource Availability

There is a consensus on the need for better institutional support, particularly in terms of legal and financial frameworks. Radionica Zlatne ruke and NVO Nova šansa u Novom both emphasize the importance of regulatory support, such as tax benefits and affirmative action in public procurement. NVU Žene Bara underscores the need for more substantial governmental support, criticizing the lack of active engagement from state institutions.

Currently, the resources available to these enterprises are inadequate. Radionica Zlatne ruke and Nova šansa u Novom both note the absence of critical financial support mechanisms, while NVU Žene Bara relies primarily on local government funding, which they find insufficient.

Financial Models

The financial models in place are largely unsatisfactory across the board. Radionica Zlatne ruke depends on subsidies and loans, but irregular subsidy payments cause operational disruptions. NVO Nova šansa u Novom partially relies on income from services and some subsidies, yet they are dissatisfied with the current financial structure. NVU Žene Bara receives consistent but limited funding from the local government and relies on donations, which they find unreliable and insufficient for sustainable operations.



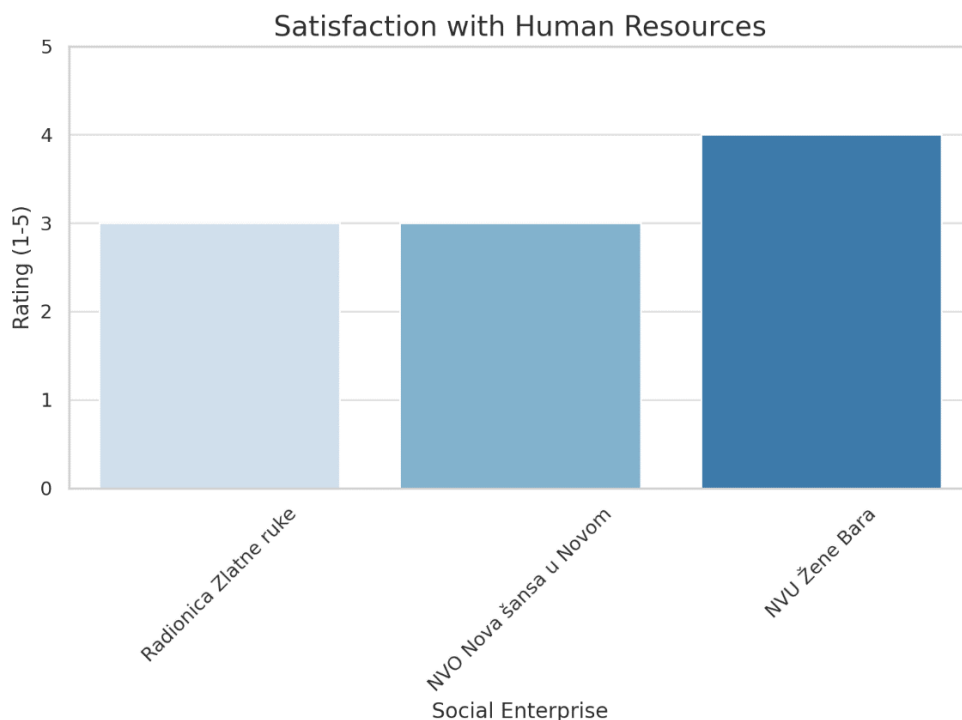
Collaboration with Public and Private Sectors

Collaboration with the private sector appears to be positive for all three enterprises. Radionica Zlatne ruke and Nova šansa u Novom report good relations with private companies, which assist with materials and services. NVU Žene Bara praises local businesses and citizens for their critical support, particularly in maintaining their soup kitchen.

Conversely, collaboration with state institutions is less favourable. All three enterprises highlight the lack of substantial support from national governmental bodies. Radionica Zlatne ruke and Nova šansa u Novom both indicate that better legal frameworks and financial incentives could significantly improve their operations. NVU Žene Bara mentions unfulfilled promises and a general lack of engagement from state institutions.

Human Resources, Infrastructure, and Training

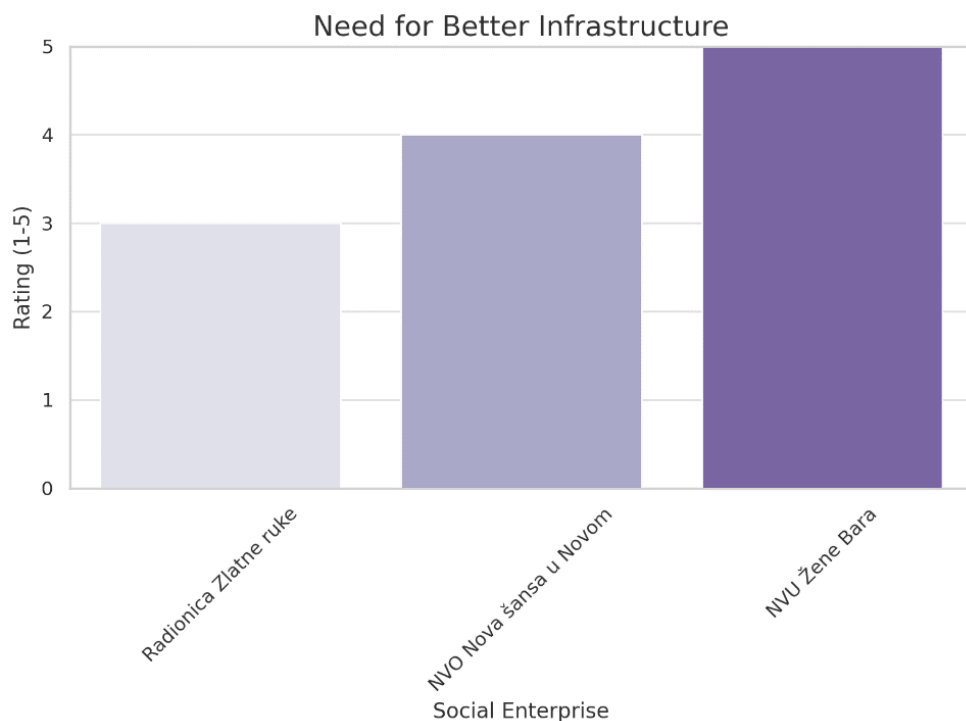
Human resources remain a concern, particularly for Radionica Zlatne ruke and Nova šansa u Novom, both of which struggle with a shortage of qualified personnel. NVU Žene Bara also mentions the need for more skilled volunteers, though they are generally satisfied with their current team.



In terms of infrastructure, Radionica Zlatne ruke and Nova šansa u Novom express a need for better facilities to support their activities. NVU Žene Bara is concerned about the cost of their premises, which strains their budget.



Training and professional development are areas where more investment is needed. Radionica Zlatne ruke and Nova šansa u Novom acknowledge the importance of continuous education but find it difficult to implement due to financial constraints.



Marketing and Promotion

Marketing capabilities vary among these enterprises. Radionica Zlatne ruke sees the value in marketing but struggles to allocate funds after covering essential expenses. Nova šansa u Novom has developed a strong online presence but lacks direct marketing expertise. NVU Žene Bara relies on word-of-mouth and social media, recognizing a gap in more formal marketing approaches.

The social enterprises interviewed demonstrate a strong commitment to their social missions despite facing numerous challenges, particularly in financial sustainability and resource access. While their activities are well-aligned with their goals, they require more robust support from state institutions and enhanced financial models to ensure long-term success. Collaboration with the private sector is a positive aspect, yet more comprehensive strategies are needed in human resources, infrastructure, and marketing to fully realize their potential.



SILVER LINING OF THE CHALLENGES

Based on the analysis of the main challenges to their effective functioning can be categorized in the set of barriers, and analysis of the way the hurdles can be overcome via normative path.

Social enterprises face difficulties securing consistent funding. If they rely on subsidies, often irregular payments disrupt operations. Next to that there is high degree of dependency on limited and unreliable financial streams, such as municipal support and donations. That is additionally rounded up with struggles with a small customer base, which hinders revenue generation and financial stability. The financial structures in place, such as dependence on subsidies and loans, are not sufficient to ensure long-term sustainability, making it difficult for these enterprises to grow and scale their impact.

Normative path that provides tax relief or exemptions for social enterprises could ease financial burdens, allowing them to allocate more resources toward their missions and growth. Legislation that mandates or incentivizes affirmative action in public procurement for social enterprises could provide a steady stream of revenue, helping them become more financially sustainable. The normative process should envisage regular, accessible grants and subsidies specifically for social enterprises can help overcome the current challenges of irregular payments and insufficient funding mechanisms.

Aging workforce and lack of skilled personnel, which threatens the long-term sustainability social enterprises operations. The common ground for Social enterprise become highlighting the shortage of qualified personnel as a critical issue.

In the field of support to human resources, laws that promote the employment of marginalized groups, like persons with disabilities, can be strengthened to ensure more structured support for social enterprises focused on labour market inclusion. The same principle therefore can be based on other groups, thus supporting Human resource development, and national programs enabling social enterprises to attract and retain skilled personnel and volunteers.

Inadequate infrastructure is often reported, showing a need for improved facilities to support SE activities. Which shows to be burdened by the high cost of their premises, which limits their budget for other essential services. High operational costs and inadequate physical infrastructure limit their ability to grow and achieve greater impact. Legal provisions for subsidized or free access to workspaces and facilities for social enterprises can alleviate the burden of high operational cost.

Currently there is a lack of robust support from national governmental bodies, with lack of targeted and insufficient regulatory frameworks and financial



incentives, absence of tax benefits or affirmative action policies that would help them secure public procurement opportunities. Legal provisions encouraging private-sector collaboration with social enterprises through tax breaks or corporate social responsibility (CSR) incentives could foster more productive relationships, helping social enterprises access additional resources and markets.

PUBLIC PRIVATE PARTNERSHIP IN SE

Public-private partnerships (PPPs) play an important role in advancing the social economy across the EU by combining public resources with private sector innovation to address social and economic challenges. The EU has been actively promoting PPPs, particularly in sectors like social services, healthcare, and education, where private funding helps supplement public resources to meet growing demands.

The model of PPPs represents a great deal of opportunity how can both local and state institution support the development of social economy, and gain social partner that can outsource towards.

Transition that is needed to be made from classic 3P, to 4P (public-private-people partnerships) gives an another special role to the social economy. The inclusion of people, their generals interest, into the equations, creates a perfect medium of that to happen. The sensitized public-private partnerships can provide the forerunner position of social enterprise and to foster their growth. The social economy can play a vital role in supporting public services by collaborating with government bodies, enhancing service capacity. While social economy organizations are not designed to replace state functions, they contribute significantly to welfare services, complementing public roles in areas like social inclusion, sustainable development, territorial cohesion, and overall societal well-being. Operating on various levels—national and local—these organizations leverage their community ties and volunteer networks to drive green and digital transitions. This helps mitigate the impacts of climate change and bridge the digital divide, fostering resilience and sustainability in society.⁴¹

A common strategy in social economy PPPs is the blending of EU funding with private capital. By leveraging resources from private partners, local governments can implement socially impactful projects more effectively. For instance, local administrations often combine EU funds with private investments to foster social innovation in areas like affordable housing, care services, and employment programs. Local governments are pivotal in driving PPPs that focus on the social economy. They act as facilitators, ensuring that private partners contribute to broader social goals. In return, the private sector benefits from regulatory support, access to funding, and long-term contractual stability.

⁴¹ European Commission: European Innovation Council and SMEs Executive Agency, Carini, C., Galera, G., Tallarini, G., Chaves Avila, R. et al., *Benchmarking the socio-economic performance of the EU social economy – Improving the socio-economic knowledge of the proximity and social economy ecosystem*, Publications Office of the European Union, 2024



Montenegro has significant potential to practice PPPs with use of public procurement as a tool to advance social and environmental objectives. The Law on Public procurements that is currently in line with EU Public Procurement Directive allows authorities to structure tenders in ways that prioritize these goals. Thus way it can encourage the use of reserved tender procedures for entities that meet quality criteria and whose primary mission is the inclusion of people with disabilities or other vulnerable groups. This approach would strengthen social inclusion and create more equitable job opportunities. That must carry the decision of giving the focus on best value, not just lowest price, if we are speaking in the procurement language. Public procurement should prioritize the best value by considering quality criteria and social impact, not just the lowest price. This shift can ensure that public contracts contribute to broader societal goals.

B2SE SPILL-OVER

When considering the sustainability potential of social enterprises in Montenegrin it must be referred to the present business logic of the current actors, and their alignment to the state of paly in Montenegrin economy.

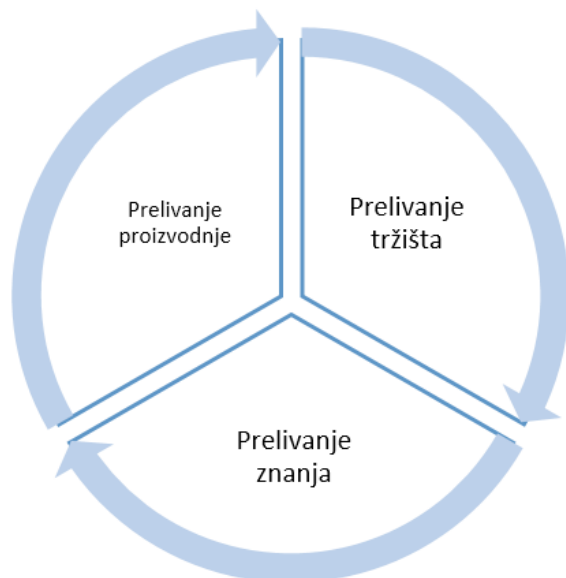
Montenegrin economy is characterized with a great part depending to the service sector, with majority of focus given to the tourism and trade as a backbone of the economy. It can be said, that together with agriculture was a choice of economic development in past decades. In terms of size, the largest number of businesses belongs to the category of micro-enterprises (93%), which employ 40% of the total workforce. Small businesses follow with 6% of the total number of businesses and 26% of the total workforce. Medium-sized enterprises make up 0.7% but employ 15% of the total workforce, while large enterprises represent 0.2% and employ 18% of the total workforce.⁴²

Common practice shows that social enterprises must operate in the realm of the real sector, and to be often pinned to the predominant local industry, and somewhat addressing the niches opened by the economic activity of the main actors.

In that terms, we can often talk about the spill over from business to social enterprises, as referred in the tittle, B2SE spill-over. The spill over can be one of the guarantees to the increasing sustainability of the social enterprises, considering that embedding themselves in local value chain might decreases dependency on grants or state support.

The spill over in can be as well a two-way process, that as well must represent opportunity for non-social enterprises, to find a community partner that would help them reach both financial and non-financial goals. This would both rely on their CSR strategies, and as well complement their production model, and creating sustainable and resilient supply chain.

⁴² Chamber of Commerce of Montenegro. (2023). *Analysis of the Montenegrin economy in 2023*.



Grafik 4: Smjerovi predivanja

Figure 4: Spillover directions

Considering the spill-over potential in can be found in three fields seen from the previous graph, production, knowledge and market.

Production spill-over is the most straightforward of them all, includes the potential that the technology and production process transfer could happen between regular enterprises to social enterprises. The production costs could be lowered if part of the production would be outsourced towards social enterprises, or in another option to motivate social enterprises to develop their own complementary products in the production chain.

Knowledge spill-over leans on the possibility of the access to the development of skills within the local ecosystem, which can be utilized in improving the human resources within the social enterprises. The knowledge spill-over lies in the easy access of straight-out-from-practice information on lessons learned in running enterprises in certain fields of industry.

Market spill-over can also motivate the direction social enterprises should take, especially if the market opened by the activities of regular enterprises gives opportunity to find a significant niche that can utilize their presence within.

Spill-over in the sense of this chapter is due to be presented as positive, i.e. as opportunities, whilst it cannot be taken out of balance with negative spill-over, as all the effects that can be made out of difficulties and sometimes crises faced in the real sector.

Areas with the greatest potential for the positive spill-over in the described three categories, are following:




Industry	Production Spillover	Knowledge Spillover	Market Spillover
Tourism	Transfer of sustainable tourism practices and eco-friendly production methods to social enterprises. Outsourcing certain services (local guides, handicrafts) can lower costs.	Skills in tourism management, customer service, and eco-tourism could transfer, improving the workforce in social enterprises.	Niche opportunities in sustainable, community-based tourism markets. Regular tourism businesses may create gaps for social enterprises focused on local cultural experiences, handicrafts, or rural tourism.
Agriculture	Local farmers and agricultural enterprises could outsource part of their production (organic produce, food processing) to social enterprises, reducing costs and promoting social impact.	Knowledge transfer in sustainable farming, organic certification, and modern agricultural techniques from businesses to social enterprises focused on local, small-scale farming or food processing.	Social enterprises could find niches in organic produce, local specialties, or eco-farming methods that regular agricultural businesses create, offering complementary products to the market.
ICT	Production outsourcing in tech services (e.g., coding, data entry) to social enterprises, reducing operational costs for businesses while offering social enterprises opportunities to work on tech projects.	Transfer of advanced IT skills, such as software development, data analytics, and cybersecurity. Businesses in the ICT sector can mentor and train social enterprises, improving digital competencies.	Opportunities in offering digital services to underserved markets (non-profits, local communities). ICT companies may create niches for social enterprises specializing in tech for social good (e.g., IT support for NGOs, digital literacy programs for disadvantaged groups).
Creative Industries	Outsourcing design, crafts, or artistic production to social enterprises, especially in areas like graphic design, handmade crafts, and cultural products, lowering costs for creative businesses while fostering inclusive production.	Skills in creative processes (e.g., design, multimedia, branding) could spill over into social enterprises, enabling them to develop their own creative solutions or products, helping marginalized groups.	Social enterprises can find market opportunities in locally crafted, handmade, or culturally significant products that larger creative industries might overlook. Focus on fair trade and local art could tap into niche markets.

Urban Transformation	Social enterprises can be involved in urban projects (e.g., construction, landscaping) as part of the production chain, offering low-cost solutions in areas like urban greening, community construction, or waste management.	Urban planning, architecture, and sustainable construction knowledge can be shared, allowing social enterprises to participate in community projects or even propose their own urban solutions.	Niche opportunities arise in sustainable housing, affordable construction, or urban community projects (e.g., eco-friendly building materials, social housing solutions) where businesses may not fully address community or environmental needs.
Housing	Outsourcing to social enterprises for the production of eco-friendly or affordable housing components. Social enterprises could provide low-cost building materials or services, especially in sustainable housing initiatives.	Transfer of knowledge in sustainable architecture, green building practices, and affordable housing models. Businesses in the housing sector can help social enterprises adopt best practices for low-cost, sustainable housing solutions.	Social enterprises could tap into niche markets for affordable housing, low-cost construction, and green building materials that larger businesses might overlook. This can create a market for eco-housing solutions tailored to low-income communities.
Education and Training	Businesses can outsource training and capacity-building programs to social enterprises focused on vulnerable groups (e.g., digital skills, vocational training). This reduces production costs while fostering a skilled workforce.	Transfer of expertise in pedagogy, online learning tools, and training program development. Businesses in education can help social enterprises deliver more efficient educational programs for disadvantaged groups (e.g., adults, rural populations).	Social enterprises can find niches in providing affordable, community-based education programs that are either non-profit or socially oriented. This includes language learning, vocational training, or digital literacy for marginalized or rural groups.
Finance (Banking/Fintech)	Social enterprises could partner with traditional financial institutions for outsourced services like microfinance, financial literacy programs, or support for community-based loan schemes, lowering operational costs for both parties.	Traditional banks and financial institutions could provide knowledge spillovers through financial literacy programs, impact investing strategies, and understanding of risk management, helping social enterprises better manage their finances.	Market opportunities exist in providing ethical banking, affordable loans, and fin-tech solutions for underserved communities (e.g., microloans, mobile banking). Social enterprises could target low-income groups or small businesses excluded from mainstream finance.

Table 5: Spillover directions



SOCIAL COST - SOCIAL PRICING

Social costs refer to the additional expenses that a social enterprise incurs beyond standard business costs to achieve its mission. For social enterprises focused on employment, these costs typically involve providing extra training, supervision, and support to help individuals facing significant employment barriers become effective workers.

Social costs are an inherent aspect of fulfilling the social mission of a social enterprise and are not incidental. These costs arise as a direct consequence of the enterprise's commitment to its social goals. Social enterprises are established to achieve specific objectives, which typically require additional financial resources. Numerous expenses associated with running a social enterprise can be directly linked to the organization's social mission or the mission of the business itself. These costs are often embedded within the enterprise and include:

- Reduced productivity levels among employees
- Increased material wastage
- Time spent addressing employees' personal issues
- Employee time dedicated to sessions with job counsellors
- Employee involvement in support groups or other support-related activities
- Higher insurance rates for certain categories of employees
- Additional management and supervisory costs needed to oversee such an enterprise
- Increased employee turnover⁴³

In the realm of Montenegrin of social economy social cost are by default higher, both considering that actors' functions in non-regulated conditions, lacking state support and subsidies, with social goals that are rarely attainable with their economic activity, and usually it is a surplus to grant seeking activities.

On the flip side, pricing is often influenced by costs, which can make the services and goods offered by social enterprises considerably more expensive. However, finding the right price that ensures the sustainable operation of social enterprises is critically important, especially in environments where state support is limited, as is the case in Montenegro.

Here we encounter social pricing, a type of contextual pricing where the cost of products often reflects the collective values of a community. For instance, in a neighbourhood where eco-friendly products are highly valued, businesses might set higher prices for these items, leveraging the community's strong environmental principles. In the case of social enterprises, they should effectively communicate their values to justify a contextual price. Even if the price

⁴³ <https://redfworkshop.org/resource/introduction-to-social-costs/>



is higher, the product or service can still be desirable due to the value composition it represents.⁴⁴

As the important chunk of sustainability lies in the awareness of community and readiness to buy solidary⁴⁵, to be ready to spend more in order to support social enterprise or similar actor of social economy. For the purpose of this study we have conducted focus group in order to check the what are opinions and attitudes on this question, and what is the space for social-contextual pricing that could find its way on the free market.

Understanding the Concept of Social Enterprises

We began the discussion by exploring how familiar participants were with the concept of social enterprises. This initial conversation provided valuable insights into their baseline understanding and perceptions. It was important to gauge whether the term “social enterprise” resonated with them and how they defined it in their own words. By doing so, we aimed to capture their spontaneous thoughts and any associations they made with the concept.

Understanding the Concept of Social Enterprises:

Participants have varying levels of familiarity with the concept of social enterprises. While some have only recently heard about this concept, primarily through NGOs, others are acquainted with it from an international perspective. Nevertheless, a few participants have never heard of the term, indicating a need for more education and promotion of this concept within the local community.

Understanding Social Enterprises:

Participants’ understanding of social enterprises varies. Some associate social enterprises with socially responsible business practices or organizations not primarily focused on profit, while others have a clearer picture of how such businesses operate and how they combine profitability with a social mission. Generally, participants recognize that social enterprises are aimed at generating positive societal changes.

Importance of Contributing to Social Goals:

All participants agree that it is important for companies to contribute to social goals. Most rated this component highly, emphasizing that contributing to social goals is crucial for the long-term success of a business. Participants

⁴⁴ <https://fastercapital.com/content/Social-pricing-strategy-The-Art-of-Pricing-Social-Strategies-for-Business-Growth.html>

⁴⁵ *Support social projects and are made in by SE and associations*



also highlight the importance of how companies think about their contribution to social goals, showing that consumers value intentions as well as results in corporate social responsibility.

General Purchasing Habits

To better understand the context in which social values might influence purchasing decisions, we asked participants to describe their typical buying habits. This included exploring how they approach decision-making when faced with a new product or service. By uncovering the factors that matter most to them—whether it's price, quality, or brand reputation—we could begin to see where social values might intersect with their everyday choices.

Responses to Questions on Decision-Making Process:

Participants' responses regarding their decision-making process when purchasing a new product or service show that priorities differ based on individual needs and preferences. Generally, the decision-making process involves a combination of price, quality, aesthetics, and additional factors such as environmental consciousness, brand, and recommendations, all of which affect the final purchase decision.

Factors in Decision-Making:

One participant highlights the product's appearance, packaging, and recyclability as key factors in their decision-making process. Multiple participants emphasize the importance of the price-quality relationship. Although some say price can be decisive, there is also awareness of product quality, suggesting that consumers seek the best value for money: "I'm not rich enough to buy cheap" (participant, 36 years old from Bijelo Polje).

Brand Loyalty and Recommendations:

Regarding food, some participants prefer specific brands, indicating brand loyalty or trust in certain manufacturers. Additionally, recommendations from others play an important role in decision-making, especially concerning price and quality.

The Role of Social Values in Purchasing Decisions

The conversation then naturally shifted towards the role of social values in their purchasing decisions. We wanted to understand whether considerations like environmental impact, fair trade, or corporate social responsibility played a significant role in their choices, even if these factors meant paying a little



more. This discussion was crucial in determining how deeply these values are integrated into their consumer behaviour and whether they're willing to make sacrifices for a greater good.

Social Values in Purchasing Decisions

Diverse Attitudes Towards Social Values:

Focus group participants express varied opinions on the significance of social values in purchasing products or services. Although there is interest in social values in shopping, skepticism and lack of trust prevent broader application of these principles in everyday consumer decisions.

Significance of Social Values:

All participants recognize the importance of social values such as environmental impact, fair trade, and social responsibility. However, most express doubts about the authenticity of manufacturers' claims regarding social responsibility, which reduces their willingness to pay more for such products. There is a desire to support local producers and domestic brands, but lack of trust and transparency about socially responsible practices often deters consumers:

"In practice, I might still look to buy a cheaper product rather than something 'wow, from Montenegro, homemade, etc.,' not being sure if the standards are genuinely met" (participant, 35 years old from Podgorica).

Personal Experiences and Attitudes:

Participants find it difficult to recall specific experiences where social values directly influenced their purchases. Some have chosen products because of sustainability messages or because they recognized a domestic brand abroad. The general view is that socially responsible purchasing is not a priority in daily life due to high prices and lack of information on the real effects of such purchases.

Experiences of People Around Them:

Participants believe that people in their environment have low awareness of socially responsible shopping. They think high prices and economic conditions are the main reasons why most people do not prioritize such purchases. Family structure and daily financial obligations further complicate thinking in terms of socially responsible purchasing. While there is a tradition of supporting local producers, awareness and practice of socially responsible purchasing remain low.



Perception of Impact Through Purchasing:

Participants recognize that buying products from local producers could positively impact society but are skeptical about the significance of their individual contributions. Some believe that small steps can lead to changes, but the general view is that time and greater transparency are needed to create a sense of real impact:

"I wouldn't say our impact is noticeable, but it might change over time. We often have the mindset 'why do it if it won't produce any results.' As long as we have such an attitude, nothing will ever change" (participant, 34 years old, Podgorica).

Additional Satisfaction and Boycotting Companies:

Participants would feel satisfied knowing that their purchases directly support the local community or a social cause.

"If the funds go to any charitable cause, or if we spend every cent from buying this bottle to plant a tree in Gorica, I think that's great, so I would definitely buy such a product" (participant, 35 years old, Podgorica).

On the other hand, trust in the veracity of companies' claims remains an issue, with some participants feeling uncertain whether such claims are genuine or merely marketing tricks:

"We can never be sure how truthful the story is and whether it's just a marketing campaign ending with an individual lining their pockets. There are very few initiatives and actions where we see what really happened with the money" (participant, 34 years old, Podgorica).

Willingness to Boycott Companies:

Participants were asked if they would be willing to boycott companies they believe do not meet basic ethical standards, even if they offer lower prices or popular products. Opinions are divided – some would boycott local companies in the event of a serious environmental incident, while others find boycotting in a broader context challenging due to a lack of alternatives:

"It comes down to boycotting everything in the store, which doesn't make much sense to me. But if I read in the media that a Montenegrin company released chemicals into a river during production, I would boycott them. That feels more localized and makes more sense" (participant, 35 years old, Podgorica).

"I would boycott a restaurant that is located next to a river but imports fish from another country" (participant, 34 years old, Podgorica).

Exploring How Participants Research Products

Given the emphasis on social values, we delved into how participants go about researching products to ensure they align with their ethical standards.



This section provided insights into their information-seeking behaviour and the effort they're willing to invest in making informed choices. We were particularly interested in whether they actively seek out information on sustainability or fair trade and how this influences their purchasing decisions.

Attention to Social Values:

Focus group participants generally do not pay significant attention to re-searching social values such as sustainability or fair trade when choosing products. Most admit to not engaging in thorough research about products or companies concerning social values. Their information mainly comes from what they see on product packaging or through readily accessible marketing messages.

Evaluating the Commitment to Ethical Spending

The willingness to pay more for products that align with social values was a key area of exploration. We sought to understand not only if participants were open to this idea, but also under what circumstances. This discussion offered a deeper look into the value they place on social impact and whether this translates into a tangible commitment at the checkout counter.

Participants showed varying levels of willingness to pay more for products or services that support environmental or social values. While there is a general desire to support socially responsible initiatives, the actual willingness to incur additional costs depends on several factors.

Willingness to Pay More:

Participants are less likely to choose a more expensive product, but they may do so when they have enough money, when the product is necessary, or when it is a local product. They recognize the importance of supporting local producers and socially responsible practices, but economic constraints often outweigh this desire.

Perception of Average Person and Social Responsibility:

Most participants believe that the average person in their community is not willing to spend more on socially responsible products. They think awareness of social responsibility in Montenegro is still low and that economic conditions are the main reason people are not willing to spend more on such products. As one participant noted: "I believe people would like to, but they can't."

Donations at the Checkout:

Opinions on donations at the checkout are divided, but the main issue is



trust. Some participants are sceptical of such initiatives due to a lack of transparency and prefer to decide on donations directly to organizations they trust:

“Would I leave the change? I think not. I don’t trust Laković, or Voli... I prefer to set aside some of my change to donate personally to the Red Cross or similar at the end of the year” (participant, 35 years old, Podgorica).



Subscription Models for Supporting Social Enterprises:

The idea of subscription models supporting social enterprises appears interesting to participants, but it is crucial that the product or service is of high quality and the price is affordable.

“Great as a concept, but the focus should still be on the product, i.e., its quality” (participant, 34 years old, Podgorica).

Some participants showed interest in this option, provided that certain quality standards are met and transparency is high:

“Personally, I would find it very interesting, but I would expect the product to be of high quality” (participant, 35 years old, Podgorica).

Using Services of Social Enterprises:

Participants are generally open to using services from social enterprises, but with limitations. Price and convenience are key factors, while some participants are sceptical about the practical application of these ideas.

Suggestions from the participants

On the closing segments of the focus group, participants, had opportunity to share their views, and provide with some recommendations.

According to them several key factors can facilitate consumer decisions when choosing products with high social value:

Transparency and Communication:

Participants emphasized the importance of transparency and clear communication from companies. Consumers want to be informed about the actual activities and achievements of companies related to social and environmental goals. Better outreach and detailed information about the company’s purpose and mission can create brand affinity and help consumers better understand and appreciate their efforts:

“You develop an affinity for a brand only when you know its story” (participant, 34 years old, Podgorica).



Feedback:

There is a strong need for feedback on how funds and resources are used. Participants highlighted that they would like to see how their purchases concretely impact social goals. This includes information on how donations are used, how investments are made in the community, and the results of those investments:

“Large companies, if they have an initiative, I would like to have some feedback on how they ultimately spent the funds – to have final information” (participant, 35 years old, Podgorica).

Purpose of the Enterprise:

The purpose of the enterprise is another crucial factor in consumer decision-making. Companies that clearly communicate their social purpose and specific activities they undertake to achieve social or environmental goals have a better chance of attracting consumers. Understanding the brand’s “story” can significantly influence the purchasing decision.

SOCIAL ECONOMY AND RURAL DEVELOPMENT

The rural areas, which make up the majority of Montenegro’s territory, are characterized by lagging economic development and underdeveloped supporting infrastructure, including limited access to services and inadequate living and working conditions. This has led to depopulation of rural areas and a lack of interest from young families in living and working there. Many rural regions in Montenegro suffer from poorly developed transportation, social, and economic infrastructure. For example, the average distance to grocery stores and primary schools is 3-4 km, while the distance to secondary schools and banks is around 10 km. The average distance to a bus stop is 2.5 km, and to a post office, it is about 7.5 km⁴⁶. As a result, continued economic decline and depopulation of remote rural areas can be expected, as these regions and national policies do not provide favourable conditions for living and economic activities.

The current Strategy for Agriculture and Rural Development 2023-2028 has a very narrow focus on rural development, placing central emphasis on economic development and the role of agriculture within it, along with better positioning for the implementation of IPARD III funds. Although IPARD III, and the LEADER approach within it, has a pivotal role for the future of rural development, there is a lack of focus on the social aspects, particularly in the fields of inclusion, employment, and poverty reduction.

⁴⁶ Strategy for Agriculture and Rural Development 2023-2028 - Government of Montenegro



The lack of focus on community and social development is further exemplified by the failure to recognize the social economy as a potential driver for rural development. Lessons learned from the region, along with the diverse potential of rural areas, make it clear that this approach could offer effective solutions to current challenges. Therefore, **none of the strategic documents and national policies in rural development does not give social economy place within the planned measures.**

Unlike the current strategy, the previous Strategy for the period 2015–2020 included, within Axis Measure 3, a sub-measure for promoting social inclusion, poverty reduction, and economic development in rural areas, under which the implementation of the LEADER Approach was recognized as one of the tools. The social economy initiatives can emerge with the usage of the LEADER approach and LAG-like entities that can be drivers for that approach to reconnect with that element from the previous strategy.

LAG-S AS DRIVERS OF RURAL DEVELOPMENT (AND ACTORS OF SOCIAL ECONOMY)

The regional development of Montenegro guided by the Regional Development Strategy⁴⁷ (RDS) and the Strategic Development Plans of local self-government units/municipalities. The RDS outlines the goals, priorities, measures, activities, and policies for regional development, aiming to reduce regional disparities and enhance the competencies of local governments and regions. Although Montenegro currently lacks a Local Action Group (LAG) partnership, several initiatives have been underway in past years. The European Commission has positively responded to Montenegro's request, allowing for the formation of partnerships and the full implementation of the LEADER approach through IPARD III (with a minimum population of 3,000 residents per LAG area, a derogation from the usual 10,000 residents rule granted by the EC)⁴⁸.

The main characteristic of the LEADER approach is the application of participatory and bottom-up methods to involve local communities in project development and decision-making processes. Local action groups, made up of partners from the public, private and civil society manage activities. Montenegro is well-positioned for the effective implementation of the LEADER and Community-Led Local Development (CLLD) approaches, thanks to several key opportunities. The country benefits from regional and EU support for capacity-building, existing non-formal Local Action Group (LAG) initiatives, and established national structures for IPARD III. Additionally, the development of regional parks of nature, based on LAG structures and local strategies, highlights

⁴⁷ Ministry of Economic Development and Tourism of Montenegro. *Regional Development Strategy of Montenegro for the Period 2023–2027*. Podgorica: <https://www.gov.me/dokumenta/4b0f63fd-e49d-4f0c-9f09-99426dc8d51b>

⁴⁸ *Strategy for Agriculture and Rural Development 2023–2028 – Government of Montenegro*



the potential for sustainable environmental management to complement rural development.⁴⁹

Although the structured development of local partnerships in the form of LAGs is still lacking, several initiatives to create LAGs and LAG-like groups are emerging throughout Montenegro, facilitated by the Network of Rural Development in Montenegro NRDM. These processes have accelerated the development of strategies for several Local Action Groups (LAGs) in Montenegro, each covering the period from 2023 to 2027. These include Local development strategies (LDS) for:

- LAG BOKA - Focused on the Boka region.
- LAG Gorska Vila - Targeting development in Nikšić and Plužine.
- LAG Sinjajevina - Focused on the Sinjajevina area.
- LAG "Župa u Srcu" - Concentrated on the Župa region⁵⁰.

These strategies put this action groups into position forth runner in the usage of upcoming IPARD III program part that will be unlocked for LAGs. Programme for the Development of Agriculture and Rural Areas in Montenegro under IPARD III 2021-2027 sets support based Local development strategies (LDS) for on which may include one or more of the following six priority themes:

- Rural economy: development of short supply chains and value-added products, including quality products, crafts and other activities to diversify the rural economy;
- Rural tourism: development of rural tourism products based on the use of local, natural and cultural resources;
- Community: encouraging the cultural and social life of the community and supporting collective local organisations, associations and non-governmental organisations;
- Public spaces: improving public space in villages;
- Environment: improving environmental standards in LAG areas and promoting the use of renewable energy by the local community;
- Networking: networking of LAGs, exchange of best practices, dissemination of IPARD programmes and learning new approaches to rural development⁵¹.

The focus on themes such as rural economy diversification, community empowerment, and environmental sustainability provides a strong foundation

⁴⁹ Regional Rural Development Standing Working Group (SWG) in South-Eastern Europe. (2021). *Standing up for LEADER - A Guide to LEADER Implementation in the Western Balkans*. Retrieved from https://seerural.org/wp-content/uploads/2021/07/Standing-up-for-LEADER_1.pdf

⁵⁰ More information at: <http://nrdm.me/eksterna-dokumentacija/>

⁵¹ Montenegro Ministry of Agriculture, Forestry and Water Management. (2021). *Programme for the Development of Agriculture and Rural Areas in Montenegro under IPARD III 2021-2027. Montenegro*



for social economy activities. As funds are allocated to these measures, LAGs can channel resources into social enterprises, cooperative models, and other socially driven economic activities, thereby contributing to both economic resilience and social cohesion in rural areas. For instance, they can facilitate the development of short supply chains, which not only enhance local food systems but also promote social inclusion by involving various community members in the production and distribution processes.

Best practice example from the region – LAG Lika

Local action group (LAG) LIKA is often cited as a prime example of successful rural development, particularly through its innovative approaches to integrating regional resources, boosting agricultural productivity, and creating sustainable tourism. With its founding in 2013, LAG LIKA aimed to revive and sustain rural areas, especially in the sparsely populated region of Lika, by enhancing the competitiveness of local farming and promoting a sustainable, inclusive growth model.

One of LAG LIKA's key strategies has been the development and marketing of regional products under the "Lika Quality" brand, which has greatly helped local producers access markets more effectively. By establishing short supply chains, promoting direct sales from farms, and supporting value-added processes, LAG LIKA strengthens local agriculture while preserving traditional food production methods. Additionally, the creation of the "Lika Quality" label has not only boosted product visibility but also contributed to the broader recognition of Lika as a region with high-quality, sustainable agricultural and culinary offerings.

LAG LIKA's emphasis on sustainable tourism is another best practice. Through initiatives like the "INTEGRA LIKA 2020" project, the region has been positioned as a destination with a focus on ecological sustainability and local gastronomy. The project encourages the use of regional products in the tourism sector, driving economic growth while preserving the area's natural and cultural heritage.

Furthermore, LAG LIKA has also shown effectiveness in utilizing EU funds to support rural development projects, securing financial support for initiatives that integrate local communities and foster long-term growth. For instance, the region secured nearly 1 million Euros for development projects under the 2014–2020 strategy, further establishing itself as a model for rural areas across Croatia.

These groups can also contribute to the circular economy by promoting the reuse and recycling of resources within local communities. LAGs, through their bottom-up approach and integration with EU and National Rural development



strategies, can indeed be seen as instrumental in boosting social economy practice, especially in facilitating local partnerships and driving social economy initiatives at the community level.⁵²

AGRICULTURAL HOUSEHOLDS ECONOMY

According to data from MONSTAT (2016), Montenegro had 43,791 agricultural households. By the end of 2021, 15,509 of these households were registered in the Agricultural Household Register (RPG). This number increased to 16,139 by June 2023, to a total of 19,622 households, of which 2,974 were headed by women, representing 15.15% of the total households⁵³.

Agricultural households' integral to the agricultural sector, which not only contributes to food production but also supports rural development, biodiversity, and environmental sustainability. They are pivotal in maintaining the economic viability of rural areas. Agricultural households provide employment opportunities in rural areas, which helps mitigate the risk of rural depopulation. This not only stabilizes rural communities but also ensures the sustainability of these regions. Beyond their economic role, agricultural households help preserve the cultural heritage of rural areas. They maintain traditional farming practices and contribute to the social fabric of these communities, which is essential for the cultural identity and cohesion of rural regions.

Agricultural households, while not traditionally categorized as direct actors within the social economy, play an indispensable role in supporting the broader framework of impact economy, especially within rural areas. Their contribution extends beyond mere economic output to encompass the preservation and enhancement of social values, community cohesion, and environmental stewardship—elements that are increasingly recognized as foundational to a sustainable economy.

⁵² More on: <https://lag-lika.hr>

⁵³ Strategy for Agriculture and Rural Development 2023–2028 – Government of Montenegro

YOUTH RURAL ENTREPRENEURSHIP

The Bałtów social economy cluster in Poland

The Bałtów social economy cluster in Poland is an initiative dating back to 2002, launched by three actors with complementary expertise in culture, business management and social inclusion. The overall objective was to develop the local economy on the basis of a coherent tourism product which would create jobs for youth, build community spirit, restore heritage, and improve infrastructure to facilitate business development.

The cluster has helped to turn a declining, post-industrial village in central Poland into a vibrant touristic center. It offers a range of activities from rafting trips on the local river to a comprehensive tourist product comprising the first Jurassic Park in Poland, a horse riding center, winter sports, questing, and welcoming around 500 000 tourists annually. In addition to creating near 300 jobs for the local inhabitants and supporting emerging businesses, such as 35 rural tourism farms, the project has created strong links with the local community.

Rural youth face significant hurdles when it comes to entrepreneurship, but they also have unique opportunities that are being increasingly recognized and supported. Young people in rural areas often struggle with accessing financing, modern infrastructure, and entrepreneurial education. Rural depopulation and aging demographics add to these challenges, making it harder for young entrepreneurs to thrive in these regions.

According to 2022 data, around 32,200 young people in Montenegro are neither employed nor engaged in education or training. This group, referred to as NEET (Not in Employment, Education, or Training), faces significant challenges in finding employment or may not be seeking it at all. Addressing the needs of this group is one of the biggest challenges, especially considering the aging population, youth emigration, and the decreasing number of people of working age. When it comes to geographical distribution, the highest percentage of young people belonging to the NEET population in Montenegro resides in the central region, accounting for 47.9%. In the northern part of the country, this group makes up 40.3% of the population, while the coastal region has the smallest share, with only 11.8%⁵⁴. It is fair to say that considering the significant percentage of the NEET population in the north of the country, a substantial portion of this group likely falls under the category of rural youth.

⁵⁴ <https://forum-mne.com/wp-content/uploads/2023/12/Neet-Analiza-Publikacija.pdf>



The OECD⁵⁵ has highlighted the importance of inclusive entrepreneurship policies that specifically target youth, women, and other underrepresented groups in rural areas.

There are examples to learn from when incorporating social entrepreneurship with rural youth entrepreneurship, especially focusing on safeguarding rural communities.⁵⁶

SUPPORT NETWORK TO SOCIAL ECONOMY

There is a number of supportive intermediary organizations working to promote social entrepreneurship. This network of actors includes a variety of organizations that can help create a positive ecosystem for the development of best practices in the field.

Table for mapping of potential key stakeholders in social entrepreneurship:

	STAKEHOLDERS	WEBPAGE	DESCRIPTION
1	Ministry of economic development of Montenegro	www.gov.me/mek	Works on improving competitiveness, investment environment and cooperation with the business community. It contributes to improving the business environment, facilitating the business of small and medium enterprises and strengthening entrepreneurship.
2	Ministry of Education, Science and innovation	https://www.gov.me/mps	In charge for education system, here with a focus on introducing entrepreneurial learning in curricula, investing in science and fostering scientific research creation and creation and promoting innovations.

⁵⁵ <https://www.oecd-ilibrary.org/docserver/230efc78-en.pdf?expires=1724030779&id=id&accname=guest&checksum=A94FDCB46F8605DF8FF70A685C28E0A6>

⁵⁶ <https://rural-vision.europa.eu/system/files/2023-05/Baltow%20social%20economy%20cluster.pdf>




3	Ministry of Ecology, Sustainable Development, and Development of the North	https://www.gov.me/mers	Support to the sustainable development, being a stakeholder in activities that complement the social economy in the area of green and circular economy.
4	Ministry of Social Welfare, Family Care, and Demography	https://www.gov.me/mssd	The Ministry manages tasks related to social and child protection, and the alignment of domestic regulations with EU law.
5	Investment and Development Fund of Montenegro	www.irfcg.me	Supporting small and medium companies (credits and guarantees);
6	EU Delegation in Montenegro	https://eeas.europa.eu/delegations/montenegro_en	Supported several initiatives regarding social entrepreneurship, and has shown clear will to back alternative solutions to resolve various socio-economic issues.
7	National Employment Agency Montenegro	www.zzzcg.me	Creates and implements active employment measures, among which financial support for self-employment.
8	Montenegrin employers federation	https://www.poslodavci.org	Representative employers' organization in Montenegro, and a member of the National Social Council in Montenegro, which plays a crucial role in social dialogue at the national level.
9	Community impact accelerator Zid ADP – Zid	www.zid.org.me	One of the country's leading NGOs, devoted to the community development and promotion of social innovation, as a pivotal element of social economy. Currently running innovation hub, Up-Beat Hub.

10	COSV Montenegro	https://www.cosv.org/projects/areas-of-intervention/balkans/montenegro-en/?lang=en	Works on development of national and cross border sustainable tourism, protection of Roma minorities, processes of intercultural dialogue and civil society, development of agricultural cooperatives system and support to social economy development.
11	Local Democracy Agency Montenegro	www.aldnk.me	Works on promotion of concept of social economy and support to best practice development. Founder of service Centre for Social Economy Development.
12	NRDM - Network for Rural Development of Montenegro	http://nrdm.me	Advocate for the interests of rural populations, as well as to facilitate the exchange of information, knowledge, experiences, and opinions that will contribute to the growth and progress of this sector.
13	Union of Young Entrepreneurs of Montenegro	www.umpcg.me	Provides support to young entrepreneurs to improve their businesses through various training events, programmes, activities and networking.
14	Tehnopolis Nikšić	www.tehnopolis.me	Innovation and Entrepreneurship Centre Tehnopolis is a place to support the development of micro, small and medium enterprises in the Municipality of Nikšić. Implementing RISE program for incubation of potential young social entrepreneurs since 2020.
15	Montenegro Chamber of Skilled Crafts	www.zanapredak.jimdofree.com	Promotion of crafts and the middle-class economy, implemented several initiatives related to the economy of the third sector.




16	RYCO – Branch office	www.rycowb.org	Supports regional youth initiatives, exchange and reconciliation. Implements project such as RISE, devoted to increasing the number of cross-border interactions around social entrepreneurship.
17	FORS Montenegro	www.forsmontenegro.org	Has implemented several projects in various fields such as social entrepreneurship, green economy, environmental protection, sustainable development, agriculture, tourism etc.
18	Fund for Active Citizenship	www.faktcg.org	Initial signatory of Belgrade Declaration on the Development of Social Entrepreneurship. Supports initiatives in the field of social entrepreneurship and green economy.
19	Chamber of Economy of Montenegro	www.privrednakomora.me	Main stakeholder when it comes to the development of economic legislation, and interested party if social entrepreneurship is to be regulated.
20	ADRA Montenegro	https://www.adra.org.me	Supports the social economy through training and education programs aimed at the employment of vulnerable groups.
21	Caritas Montenegro	www.caritascg.me	Founder of several social enterprises, and devoted actor in advocating the improvement of environment for social economy.
22	Centre for Development of NGOs	www.crngo.me	Active in promotion of legislative solutions regarding social entrepreneurship.
23	Juventas	www.juventas.me	One of the main stakeholders in youth sector, with long-standing experience. Active in promotion of social entrepreneurship, published study on social entrepreneurship in Montenegro.

24	Foundation Business Start Centre Bar (BSC Bar)	www.bscbar.org	Provides comprehensive and integrated support to small and medium-sized enterprises.
25	Institute for Entrepreneurship and Economic Development (IPER)	www.iper.org.me	IPER carries out research on the most important social and economic topics, preparing recommendations for policy development. Provided support to the establishment of several social enterprises.

Table 6: Supporting structure to Social economy

In addition to the activities of the YouSEED project, which will provide direct support to the social economy through a sub-granting scheme, there are currently six active projects focused on the development of social entrepreneurship. Following projects are supported through the Grant Scheme for Supporting Employment, Social Inclusion, and Social Entrepreneurship.⁵⁷ This situation highlights the significant opportunity to promote best practices in the social economy, which will greatly contribute to future regulation in this field.⁵⁸

#	Coordinator	Name of the action
	NGO Union of Young Entrepreneurs	Sustainable creative industries
	Zopt D.O.O.	New models of support for social entrepreneurship of persons with disabilities
	Centre for civic education	Youth job link - Linking youth and social business
	Montenegrin employers federation	Network for the development of social entrepreneurship
	BSC Bar	Support for development of sustainable social enterprises
	ADP Zid	Cluster of reinforcement of social enterprises

Table 7: Current projects mainstreaming social economy

⁵⁷ IPA Annual Action Programme for Montenegro for the year 2020

⁵⁸ Identified thorough desk research



BRIEF COMPARATIVE ANALYSIS – NORMATIVE SOLUTIONS ON SOCIAL ENTREPRENEURSHIP SLOVENIA, CROATIA & SERBIA

Borrowing lessons learnt

As a supplement to the process of normative regulation in the social economy sector, this study will provide a brief comparative overview of three examples of regulating social entrepreneurship from three countries that share a somewhat similar system to Montenegro, as they were once part of the same country. However, these examples also reflect the different socio-economic realities of the present day.

Slovenia

Slovenian was considered frontrunner in the development of social economy in the region⁵⁹, having very diverse and vivid practice of social economy. Being on the frontrunner track they 2011, introduced regulations for social entrepreneurship through the Social Entrepreneurship Act⁶⁰, which took effect on January 1, 2012. This legislation establishes the framework for social entrepreneurship by defining its goals, principles, and activities. It outlines the criteria for legal entities to obtain and maintain the status of a social enterprise, including specific business conditions, the procedures for acquiring and revoking this status, and the maintenance of relevant records. Additionally, the Act addresses the planning and promotion of social entrepreneurship development, emphasizes the collaboration between social partners and civil society organizations in shaping development strategies, and clarifies the roles and responsibilities of municipalities in these efforts. In 2018, the Act Amending the Social Entrepreneurship came into effect. The amendment removed previously defined activities exclusive to social entrepreneurship, allowing it to be conducted across all economic and non-economic sectors. Additionally, the distinction between Type A and Type B social enterprises was abolished. The amendment also eliminated the previous requirement for social enterprises to employ at least one person within the first year and two persons within the first two years after registration. Instead, the primary condition for employment in a social enterprise is now based on generating sufficient revenue in the market.⁶¹

⁵⁹ Former-Yugoslavia

⁶⁰ ZSocP. Zakon o socialnem podjetništvu. Uradni list RS, št. 20/11, 90/14 – ZDU-11 in 13/18.

⁶¹ Analysis of social entrepreneurship in Slovenia, Sense Network, 2020: [https://sens-network.com/wp-content/uploads/2020/11/Analysis-of-social-entrepreneurship-in-Slove-](https://sens-network.com/wp-content/uploads/2020/11/Analysis-of-social-entrepreneurship-in-Slove)

One of the notable strengths of Slovenia's legal environment is the broad spectrum of legal forms and statuses available for organizations that wish to operate as social enterprises. This variety allows for flexibility, enabling different types of organizations—whether associations, cooperatives, foundations, or limited liability companies—to engage in social entrepreneurship in a way that best suits their mission and structure. Additionally, specific legal statuses, such as those for companies focused on integrating persons with disabilities, are particularly well-aligned with the goals of social enterprises, facilitating their operation within the existing legal framework.

The 2011 Social Entrepreneurship Act was a significant milestone for Slovenia. Introduced in the aftermath of the 2008 financial crisis, it aimed to foster the growth of social enterprises by providing them with a distinct legal status. This move not only brought social enterprises into the political spotlight but also improved their access to crucial funding, particularly through European Union grants and national support schemes. The act, in essence, laid the groundwork for a more structured and supportive environment for social enterprises to develop and thrive.⁶²

However, the strengths of this framework are counterbalanced by significant challenges. The introduction of the 2011 Act, while well-intentioned, inadvertently created a fragmented legal landscape. Instead of building on the existing legal forms and statuses that social enterprises were already using, the act introduced a new qualification that led to the establishment of a parallel support system. This fragmentation has been compounded by jurisdictional dispersion, with different ministries overseeing various types of organizations.

Further complicating the situation is a mismatch between the legal frameworks established by the 2011 Act and the practical realities faced by social enterprises. The act did not adequately account for the pre-existing social enterprises and their established legal forms, resulting in unnecessary complexity and confusion. The 2018 revision of the act, while addressing some of these issues by removing certain restrictions and simplifying the registration process, also introduced a 100% non-profit distribution constraint. This move, intended to preserve the integrity of social enterprises, ended up discouraging more entrepreneurial entities from participating, potentially stifling innovation and growth within the sector.⁶³

Another significant issue is the uneven promotion and support of social enterprises over time. The initial visibility and momentum generated by the 2011 Act have not been sustained, with concrete support measures often delayed or not implemented at all. The fluctuating commitment of policymakers and

[nia-english-version.pdf](#)

⁶² OECD Local Economic and Employment Development (LEED) Papers, *Boosting Social Entrepreneurship and Social Enterprise Development in Slovenia: In-depth Policy Review*. 2022

⁶³ *Ibid.*



the frequent changes in the officials responsible for social enterprises have contributed to this inconsistency, undermining the long-term development of the sector.⁶⁴

Moreover, the act's implementation has sometimes attracted organizations driven more by economic incentives, such as access to EU funds, than by a genuine commitment to social entrepreneurship. This has led to a peculiar development pattern within the sector, which does not always align with the broader goals of fostering a robust and innovative social enterprise ecosystem.⁶⁵

Slovenia's experience with social entrepreneurship regulation offers key lessons for others entering the law-making process. To avoid the challenges Slovenia faced, it's crucial to build on existing legal structures and ensure coordination across different government bodies to prevent fragmentation and complexity. Early and continuous stakeholder engagement is essential to align the legislation with practical needs and to foster broad acceptance.

Croatia

In Croatia, there is not a specific law dedicated solely to social entrepreneurship. Instead, social entrepreneurial activities are governed by several existing laws, including the Law on Associations, the Law on Cooperatives, the Law on Foundations and Funds, and the Law on Institutions. Therefore, many enterprises, whether profit or non-profit, that address social issues are recognized as social enterprises and have the potential to contribute to creating a better world. However, the absence of a specific regulatory framework presents challenges in the legislative aspect.⁶⁶

The path that was chosen by Croatia, is to next to regulating SE with set of different laws, is to give focus on using thematic Strategy as the document that would steer Social entrepreneurship development. The Strategy for Creating an Enabling Environment for Civil Society Development, covering the periods 2006-2011 and 2012-2016, were the first strategic documents to highlight social entrepreneurship as a model suitable for the socio-economic development of civil society. This emphasis is tied to the fact that the initial social enterprises in Croatia emerged within this sector, particularly among associations.⁶⁷ The

⁶⁴ Zirnstein, Elizabeta, and Bratkovič Kregar Tina. 2021. "Socialno podjetništvo V Sloveniji: Pravni in Ekonomski Vidiki". *LeXonomica* 6 (2), 157-72. <https://journals.um.si/index.php/lexonomica/article/view/1070>.

⁶⁵ OECD Local Economic and Employment Development (LEED) Papers, *Boosting Social Entrepreneurship and Social Enterprise Development in Slovenia: In-depth Policy Review*. 2022

⁶⁶ Šimunić Rod, V., Bursać, B., & Vreš, K. (2021) *Socijalno poduzetništvo kao izazov društvenih promjena: analiza socijalnog poduzetništva na primjerima iz prakse, Obrazovanje za poduzetništvo – E4E : znanstveno stručni časopis o obrazovanju za poduzetništvo*, 11(1).

⁶⁷ Vidović, D. (2019). *Social Enterprises and Their Ecosystems in Europe: Country Report Croatia, Social Europe*. European Commission.



Croatian government in 2015 adopted the Strategy for the Development of Social Entrepreneurship for the period from 2015 to 2020, giving social entrepreneurship visibility through a fundamental act that, with clearly stated development measures, should manage the processes of social entrepreneurship at the national level. It is important to note that none of the four key measures have been concretized yet.⁶⁸ Its main measures aim to: 1) develop and improve the legislative and institutional frameworks; 2) establish an adequate and supportive financial framework; 3) promote social entrepreneurship through education; and 4) increase social enterprises' visibility.⁶⁹

Regarding the criteria for recognizing social entrepreneurs, the working group for this Strategy identified nine criteria. These include any individual or legal entity (excluding the Republic of Croatia or public authorities at the local and regional levels, which cannot exclusively operate as social entrepreneurs) that engages in the production and trade of goods, provision of services, or artistic activities in a manner that is beneficial to the environment, promotes the development of the local community, and benefits society as a whole.⁷⁰ New value is created in such a way that, over a three-year period of operation, the entrepreneur generates at least 25% of their annual revenue through entrepreneurial activities, while at least 75% of the annual profit is reinvested into achieving and developing business objectives. In the decision-making process, the social entrepreneur includes all key stakeholders of the mentioned business activities, following participatory and democratic principles, where ownership or membership shares are not the sole criteria for voting rights. Additionally, in the event of ceasing operations, the founding act requires the transfer of assets to another social entrepreneur with the same or similar business objectives.

The Social Entrepreneurship (SE) Strategy adopted was a significant milestone, developed through extensive advocacy and consultation by networks like SEFOR⁷¹ and the intermediary cluster CEDRA⁷². These groups, representing the interests of the social enterprise sector, played a critical role in shaping the strategy through a bottom-up approach, ensuring that the strategy reflected the real needs of social entrepreneurs in Croatia. A key feature of the strategy was the establishment of the Council for Social Entrepreneurship Devel-

⁶⁸ Vojvodić, I., & Šimić Banović, R. (2019). *The analysis of social entrepreneurship in Croatia with a comparative review of the regulatory framework*. *Pravni Vjesnik*, 35(2), 49-71. Faculty of Law, Josip Juraj Strossmayer University of Osijek.

⁶⁹ Government of the Republic of Croatia (2015), *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020*, Government of the Republic of Croatia, Zagreb, available at: <https://www.esf.hr/wordpress/wp-content/uploads/2015/02/Strategija-razvoja-društvenog-poduzetništva-u-RH-za-razdoblje-2015-2020.pdf>

⁷⁰ *Ibid*

⁷¹ *Social Enterprises Forum*

⁷² More on: <https://cedrasplit.hr>



opment, an advisory body intended to oversee its implementation and ensure alignment with the needs of social enterprises.

Despite these efforts, the strategy has faced challenges in execution, with only limited progress made in achieving its ambitious objectives. The Council, though established, struggled to effectively drive the strategy forward due to various administrative and financial constraints. This has led to a situation where many of the strategy's goals remain unmet, reflecting the difficulties in translating policy into practice in the complex field of social entrepreneurship.⁷³

A key feature of the process of regulating social entrepreneurship in Croatia is that it was actor-driven, with the sector pressuring the state for regulation while avoiding over-governance, unlike in Slovenia. The wide range of involved stakeholders ensured ownership of the process and allowed space for practice to develop. Also the document was closely connected with EU policies, facilitating access to financial resources, potentially expanding the sector's scale and capabilities. On the other side, after the initial enthusiasm waned, there was a lack of commitment to fully implement the measures, leading to an incomplete realization of the strategy's goals. Although recent changes align more with EU initiatives and bring increased funding, the connection with the strategy's original intentions has been somewhat interrupted.

Serbia

The regulation of social entrepreneurship in Serbia took a major step forward with the adoption of the Law on Social Entrepreneurship in February 2022, following over a decade of advocacy and development efforts. According to the Law⁷⁴, social entrepreneurship is defined as the performance of activities of general interest aimed at creating new and innovative opportunities for addressing social problems, issues faced by individuals or socially vulnerable groups, and preventing and mitigating the effects of social exclusion, strengthening social cohesion, and addressing other issues within local communities and society as a whole.

The social role of social entrepreneurship as defined by the Law includes addressing societal problems to enhance social cohesion and community development. Social enterprises are required to reinvest their profits into initiatives that support socially vulnerable groups, environmental protection, rural development, education, culture, and social innovation. Regarding profit distribution, at least 50% of the profits must be reinvested into internal programs that support vulnerable groups or donated to other social enterprises. In terms of management, the

⁷³ Vidović, D. (2019). *Social Enterprises and Their Ecosystems in Europe: Country Report Croatia*, Social Europe. European Commission, page 37

⁷⁴ Article 3, Law on Social Entrepreneurship ("Official Gazette of the Republic of Serbia," No. 14/2022), available at: <https://www.paragraf.rs/propisi/zakon-o-socijalnom-preduzetnistvu.html>



law mandates that the governance of social enterprises must include the participation of at least one-third of employees from vulnerable groups, beneficiaries of the enterprise's products or services, or general employees, depending on the nature of the enterprise's work. This should ensure democratic and inclusive decision-making within social enterprises.⁷⁵

While the law provides a strong foundation, its success is contingent on effective implementation, which requires sustained political support and active involvement from stakeholders in the public, private, and civil sectors. Central to the law is the creation of the Council for the Development of Social Entrepreneurship, which is responsible for overseeing the law's implementation and guiding the sector's growth.

The law is generally well-received by both the sector and experts, as it recognizes the practice of social entrepreneurship in Serbia and exemplifies successful collaboration between the civil and public sectors in drafting the law. According by the Analysis of the Process of Adopting the Law on Social Entrepreneurship in the Republic of Serbia process of policy or act development followed traditional public institution practices, which often lack timely need assessment, societal vision, and allocated resources for proper implementation.⁷⁶

Despite the law's enactment, only ten social enterprises had been registered under its provisions by the time of the aforementioned analysis, which is mid-2023⁷⁷. This low number indicates potential barriers or challenges in the registration process or a lack of awareness and incentives for enterprises to register.

The Program for the Development of Social Entrepreneurship in Serbia which is key tool deriving from the Law, is still under development, with expected finalization and implementation in the near future. This program is crucial as it will define the specific measures and financial support available to social enterprises, allowing them to access resources needed for their operations, such as equipment, workforce training, and innovative projects. There has been a strong emphasis on integrating these enterprises into public procurement processes and encouraging private sector collaboration, with potential tax incentives being discussed as a way to foster further engagement.⁷⁸

The adoption and implementation of the program will provide a full understanding of the reach of the Law. It is important to note that the Law does not overly restrict or confine social entrepreneurship to a small niche; rather, it offers a legislative foundation that allows for the definition of measures ac-

⁷⁵ *Ibid*

⁷⁶ Rakin, D. (2023). *Analysis of the Process of Adopting the Law on Social Entrepreneurship in the Republic of Serbia: Law on Social Entrepreneurship*. Open Parliament. Available at: <https://otvoreniparlament.rs/istrazivanje/94>

⁷⁷ *Ibid*

⁷⁸ Social Enterprise World Forum (2024). *Recommendations for Social Entrepreneurship in Serbia*. Retrieved from <https://sewfonline.com/wp-content/uploads/2024/03/Recommendations-for-SE-Serbia.pdf>



cording to needs through other documents such as the program. The process also demonstrates good cooperation between the sector and the government, although the adoption stages lacked openness. The delays in implementation and the slow adoption of the bylaws highlight the ongoing need to pressure the government to take the necessary steps to fulfil its obligations.

Key takeaways from comparative analysis

Based on the comparative analysis of the regulation of social entrepreneurship in Slovenia, Croatia, and Serbia, three key recommendations can be drawn:

- **Build on existing legal frameworks:** Slovenia's experience highlights the importance of avoiding unnecessary complexity and fragmentation. When introducing new regulations, it's crucial to build on existing legal structures rather than creating parallel systems. This approach prevents confusion and ensures that social enterprises can integrate smoothly into the existing legal environment.

- **Ensure continuous stakeholder engagement:** The Croatian case demonstrates the value of involving a wide range of stakeholders in the development of social entrepreneurship regulations. Engaging stakeholders early and consistently ensures that the legislation reflects the practical needs of social enterprises and garners broad support, which is essential for successful implementation.

- **Focus on implementation and support mechanisms:** Serbia's experience emphasizes the need for strong implementation strategies and support mechanisms. Even the best-designed laws will fall short if not effectively implemented. It is crucial to establish clear programs, such as the Program for the Development of Social Entrepreneurship, that provide the necessary financial and operational support to ensure that social enterprises can thrive within the legal framework.

SWOT ANALYSIS OF THE POTENTIAL FOR THE DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP IN MONTENEGRO

Strengths	Weaknesses
• Strong culture of solidarity and mutual support, deeply rooted in traditions. • Growing recognition of social entrepreneurship, driven by local CSOs, international donors, and some public sector support. • Existing legal framework allows NGOs to engage in economic activities, with strategic documents recognizing social entrepreneurship for social inclusion and employment. • Some government recognition and international support through EU programs and donors. • Active network of NGOs and CSOs that can support social enterprises.	• Lack of specific laws and policies for social enterprises, with existing laws not fully supportive or aligned with social enterprise needs. • Heavy reliance on grants and donations, with limited access to financial instruments and lack of business planning and financial skills. • Limited awareness and understanding of social entrepreneurship among local authorities and the public, with insufficient government support and lack of structured financial assistance. • None of the strategic documents or national policies on rural development allocate a place for the social economy within the planned measures. • Fragmented support structures and lack of coordination among stakeholders. • Inadequate training and capacity-building opportunities for social entrepreneurs.




Opportunities	Threats
○ Potential for developing a comprehensive legal framework for social enterprises and aligning with EU policies and international obligations. ○ Social enterprises can play a key role in revitalizing rural areas through community-driven development and employment creation, with opportunities in the LEADER approach and LAGs (Local Action Groups). ○ New provisions in the Public Procurement Law can support the growth of social enterprises through reserved procurements. ○ Increased interest in sustainable development and social innovation within the EU and globally. ○ Potential to tap into underdeveloped sectors such as green economy and circular economy. ○ Growing demand for social services, particularly in underserved areas.	○ Economic crises and political changes could undermine support and funding for social enterprises, with uncertainty in donor interest and international support affecting sustainability. ○ Slow or inconsistent implementation of policies that support social enterprises, with bureaucratic inefficiencies and lack of coordination among government bodies. ○ Unemployment and regional disparities may challenge the scalability of social enterprises, with limited local market demand for socially responsible products and services. ○ Competition from traditional businesses and lack of consumer awareness about the benefits of social enterprises. ○ Difficulty in accessing financial resources and investment due to perceived higher risk associated with social enterprises.

CONCLUSION AND RECOMMENDATIONS

1. Legal and strategic framework development for social enterprises in Montenegro

Montenegro's current legal and strategic framework for social enterprises is underdeveloped and lacks specificity. While there is recognition of the importance of social entrepreneurship in some strategic documents, the absence of dedicated legislation and coherent policies has hindered the growth and sustainability of social enterprises. The existing legal environment is not fully supportive, and social enterprises often operate under legal forms not designed to accommodate their unique needs.

Recommendations:

- Enact specific legislation: Develop and enact a comprehensive legal framework dedicated to social enterprises. This should include clear definitions, operational guidelines, and recognition of social enterprises as distinct entities within the legal system.
- Align with EU Policies: Ensure that the new legal framework aligns with EU policies and best practices, facilitating access to European funding and support mechanisms.
- Strategic Integration: Integrate social entrepreneurship more explicitly into national development strategies, emphasizing its role in social inclusion, job creation, and sustainable development.
- Policy support: Establish a national action plan for social entrepreneurship that includes measurable goals, timelines, and responsibilities across government agencies.
- Establish a Dedicated Office: Create a government office specifically tasked with overseeing the implementation of the Strategy and enforcing relevant legislation. This office will ensure continuous and effective application of policies, coordinate across agencies, and address challenges as they arise.
- Multi-sectoral Advisory Support: Set up a council comprising representatives from local governments, intermediaries, and other stakeholders. This council will monitor compliance with the laws, assess effectiveness, and provide recommendations to support policy improvements and adapt to emerging need
- Rural development: Policymakers should actively integrate social economy, leveraging local social enterprises to promote sustainable and inclusive growth in rural areas.
- Capacity Building: Provide training and resources to policymakers and legal professionals to ensure effective implementation and enforcement of the new legal framework.



2. Support to establish public-private partnerships and involvement of local municipalities in developing the social economy ecosystem

The development of the social economy in Montenegro requires stronger collaboration between the public and private sectors, as well as active involvement from local municipalities. Currently, the engagement of local governments and private enterprises in supporting social enterprises is inconsistent and lacks structure. The potential for public-private partnerships (PPPs) to drive social entrepreneurship has not been fully realized.

Recommendations:

- **Foster Public-Private Partnerships:** Create incentives for private sector involvement in social enterprises through tax benefits, co-financing opportunities, and recognition programs. Encourage businesses to partner with social enterprises in delivering public services or social impact projects.
- **Local Government Involvement:** Strengthen the role of local municipalities in the social economy by integrating social entrepreneurship into local development plans. Provide municipalities with the necessary tools and training to support social enterprises effectively.
- **Social Procurement:** Promote the use of socially responsible public procurement (SRPP) by local governments to create market opportunities for social enterprises. Implement the reserved procurement provisions in the Public Procurement Law effectively.
- **Funding and Resources:** Establish local and regional funds that municipalities can access to support social enterprises, particularly in rural and underserved areas.
- **Stakeholder Engagement:** Facilitate regular dialogue between local governments, private sector representatives, and social enterprises to identify challenges and opportunities for collaboration.

3. Supporting directly social entrepreneurs and boosting practice

Social entrepreneurs in Montenegro face significant challenges, including limited access to financing, inadequate business skills, and a lack of supportive infrastructure. While some initiatives and support structures exist, they are fragmented and insufficient to meet the needs of emerging social enterprises. There is a need for more direct support to social entrepreneurs to ensure their sustainability and growth.

Recommendations:

- **Financial Support Mechanisms:** Develop dedicated funding programs for social enterprises, including grants, low-interest loans, and impact invest-



ment funds. Consider establishing a social investment fund to provide seed capital for early-stage social enterprises.

- **Capacity Building:** Offer targeted training programs for social entrepreneurs in areas such as business planning, financial management, marketing, and impact measurement. Partner with educational institutions to integrate social entrepreneurship into their curricula.

- **Mentorship and Networking:** Create a national network of mentors and advisors to support social entrepreneurs, providing them with guidance and connections to potential partners and investors.

- **Foster Alliances:** Support the formation of alliances and coalitions of social enterprises and their supporting organizations. These networks will enable collaboration, knowledge-sharing, and collective advocacy, strengthening the social enterprise sector and amplifying its impact.

- **Awareness and Promotion:** Increase public awareness of social entrepreneurship through media campaigns, awards, and events that showcase successful social enterprises. Highlight the social impact of these enterprises to encourage consumer support and investment.

- **Innovation Hubs and Incubators:** Establish innovation hubs and incubators specifically for social enterprises, providing them with workspace, resources, and access to networks that can help them scale their impact.

- **Monitoring and Evaluation:** Implement systems for monitoring and evaluating the impact of social enterprises, ensuring that successful models are recognized and replicated.

ANNEXES

Annex I - Focus group questions

Date: 06/08/2024

Location: Online

Number of participants: 7

Duration: 1:43

Moderator: Božina Stešević

Question

Understanding the concept of social enterprises

How familiar are you with the concept of social enterprises? How did you first hear about social enterprises? (optional)

Can you describe what, in your opinion, a social enterprise is?

How important do you think it is that the company contributes to social goals?

General buying habit

Can you describe your typical decision-making process when purchasing a new product or service?

What factors do you consider most important when making a purchase decision? (eg price, quality, brand reputation)

Social values in purchasing decisions

How important are social values (such as environmental impact, fair trade, social responsibility) to you when buying products or services, even if they are more expensive?

Can you think of a recent purchase where social values influenced your decision and you were willing to pay more? Can you share that experience

Do you know someone in your environment who prioritizes socially responsible shopping? How do their habits compare to yours?

Do you believe that your purchase can have a positive impact on society? Can you explain why?

How would you *feel* if you knew that your purchase was directly helping a local community or social enterprise? Does it bring you extra pleasure?



Are you ready to boycott companies that you believe do not respect basic ethical standards, even if they offer better prices or popular products? Can you explain?

Product research

How do you usually find out if a product or company respects social values such as sustainability or fair trade? Is that information relevant to you when it comes to product research? And how much effort do you put in?

Willingness to pay more for social value

Are you willing to pay more for a product that is environmentally friendly or supports fair trade practices? When and why yes or why not?

Do you think the average person in your community is willing to spend more on socially responsible products? Why or why not?

How would you feel if the cashier offered you the option to donate an extra amount to a socially responsible cause? Have you ever had such an experience?

Would you be interested in a subscription model that supports social enterprises? What conditions would have to be met in order to decide on such a subscription?

What types of social enterprise services would you be willing to use, where surely the social goal would dominate the decision? (eg cleaning services, food delivery, educational services)

Concluding considerations

What would make it easier for you to choose products with high social value?

Do you have suggestions for companies to better communicate their social values to consumers?

Annex II - Social enterprises interview questions

Can you tell us more about the mission and main goals of your social enterprise?

How do you define your social impact?
What are the main activities of your enterprise?

How do these activities contribute to achieving your mission?
What are the biggest challenges you face in your day-to-day operations?

How do you deal with these challenges?
What kind of support do you consider most important for the development of social enterprises in Montenegro?

Are these resources and support currently available to you?
What types of funding do you use to maintain and expand your activities?

Are you satisfied with your current financial model and approach to funds?

How do you evaluate your cooperation with government institutions?

Are there any specific initiatives or programs that the government could introduce to assist you?

What is your collaboration with the private sector like?

Are there any companies or organizations from the private sector that have particularly helped you?
What are the main obstacles you see in the development of social entrepreneurship in Montenegro?

What do you think could be done to overcome these obstacles?
Would the introduction of specific tax reliefs help you, and would additional fiscal incentives, such as VAT reduction or exemption from certain local taxes, benefit you?

What specific fiscal measures do you consider most important for your enterprise?
How familiar are you with the concept of reserved public procurement for social enterprises?

Do you think such a policy could improve your business? How?
How would you assess your cooperation with local authorities regarding support for social enterprises?

Are there specific initiatives or support at the local level that would significantly help your business?
How would you assess the current human resources within your enterprise?

Do you think you have enough qualified staff to achieve your goals?
How satisfied are you with your current infrastructure (premises, logistics, etc.)?

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NOTES

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