



SOCIAL ENTERPRISE DEVELOPMENTS IN THE BALKANS

Joint Volume
by the BALKAN SOCIAL ENTERPRISE RESEARCH NETWORK

Social Enterprise Developments in the Balkans

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the Balkan Social Enterprise
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Preface

Social enterprises are considered to be a relatively new phenomenon in the Balkan countries. Despite the different level of development between the Balkan countries, with members of the European Union (EU) on the one hand and the Western Balkan countries aspiring to join the EU on the other, the region as a whole is still exploring the opportunities that social enterprises offer for the communities, public and private sector. The innovative and transformative role that social enterprises have in the economic and social sphere is especially valuable for post-transition countries in the region that are facing great social and economic costs, as well as growing social disparities since the transition in the 1990s.

The concept of social enterprises in Europe emerged in the early 1990s and since then the corpus of theoretical and empirical knowledge has been growing, particularly exploring the Western and Eastern European countries that are part of the European Union. However, there has been a limited body of research on social enterprises, social entrepreneurship and social economy when it comes to countries in the Balkan region. This is to a certain extent to be expected, considering the fact that in the 1990s most countries in the Balkans were going through transitions, and this certainly contributed to the delayed emergence of social enterprises in the region (in the mid-2000s) compared to the rest of Europe.

With the goal of initiating a broader regional debate, as well as contributing to the research and policy making processes in the field of social enterprises and social economy in the Balkans, this volume presents seven papers covering different aspects of social enterprises and social economy developments in Croatia, Kosovo, Macedonia, Serbia and Slovenia. These papers were presented at the regional conference “Researching Social Enterprise Developments in the Balkans” organized by Reactor – Research in Action in Skopje in November 2016. As part of the conference, the authors of the papers, along with a number of other researchers and practitioners from the region, established the Balkan Social Enterprise Research Network. The aim of this network was to create a platform that will foster regional cooperation, contribution to the theoretical and empirical body of research, knowledge and information sharing, discussion and debate related to social enterprises and social economy developments in the Balkan region and beyond.

This joint volume is a product of the regional project “Balkan Social Enterprise Research Network”, implemented by five partner organisations: “Reactor – Research in action”, “Public” and “Konekt” from Macedonia, “Partners Albania” from Albania and “Center for peace and tolerance” from Kosovo. The project is supported by the Regional Research Promotion Program in Western Balkans (RRPP), coordinated and operated by the University of Fribourg (Switzerland) and fully funded by the Swiss Agency for Development and Cooperation (SDC).

Social Entrepreneurship and the Revitalization of the Cooperative sector: Emergence of Social Cooperatives in Croatia and Serbia

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Abstract:

Despite the long tradition of cooperativism in Croatia and Serbia (as in the rest of the European South Eastern region) dating back to the nineteenth century, nowadays the strong animosity towards cooperatives still prevails, mainly influenced by the experiences from the socialist regime. Moreover, the legal and institutional framework is hardly favourable, leaving cooperatives at the margins of the policy agenda. However, new forms of cooperatives emerged during the last decade. These are greatly influenced by external factors, mainly through intensive discourse and promotion of social entrepreneurship. This paper will focus on the emergence of social cooperatives in two countries – Croatia and Serbia. The aim of this paper is to identify the main drivers of development, features and potential of this emerging sector, and to give an overview of the relevant legal and institutional environment. By mapping, describing and analysing its main features in these countries, the findings of the study will help to understand the evolution of the new social cooperative in Serbia and Croatia, and therefore to support the development of better suited legislative and more supportive public policies, for both social entrepreneurship and the cooperative sector.

Key words: social cooperative, Croatia, Serbia, social entrepreneurship, cooperatives, social enterprise

Introduction

The social cooperative is a historical novelty that emerged 25 years ago as a new type of cooperative, representing an evolution in the cooperative sector. It also marked the emergence of social entrepreneurship, a novel concept of addressing social issues by applying economic activities. In a certain way, social cooperatives revitalized not only the sector of cooperatives, but the discourse on cooperatives as well, emphasizing the fact that the concept of a cooperative is not monolithic, but includes varieties of cooperative models and forms.

The authors' focus on Croatia and Serbia is primarily motivated by the fact that these have been singled out as regional leaders in social economy development (RCC 2015), but also these are the first, and still only, countries from South-East Europe (SEE) where social cooperatives emerged. In addition, these countries share a common history as being joined in several states in the past. One of those, marked with a socialist regime, ended quite recently – two and a half decades ago – and is particularly responsible for the negative perception of 'social economy' and cooperatives. Today, these countries differ in terms of EU integration – Croatia being a member since 2013 and Serbia an official candidate country since 2008. Those similarities and specificities may serve as a good base for a comparative analysis, in particular in identifying influence factors on the development of both cooperatives and social enterprises. Finally, this is also a convenient choice; namely, because the authors of the paper are from these countries and are already embedded in the social economy and social enterprise sector through different roles.

As the social cooperative is in the focus of the authors' interest, and as it is a new form that emerged during the last five years, the paper intends to acknowledge the field and mark its conceptual framework, but also to open space for further research. The paper intends to give an overview of the emergence of social cooperatives in Croatia and Serbia and to describe their characteristics and the process of institutionalization. It also aims to indicate how the complexity of socio-cultural, political and economic dynamics of post-socialist societies, but also external drivers, influence the emergence and shape of the social cooperative. Finally, the paper may assist in recognizing what role this new form may play both in revitalizing the cooperative tradition and stimulating the development of social entrepreneurship. In that sense, the methodological approach uses descriptive, comparative, and historical methods and relies on desktop analysis of existing literature, studies, reports, legislative and policy documents. It relies on available secondary data collected by official government institutions, which are used for analysing the structure and various features of social cooperatives. Those institutions are mainly the Centre for Cooperative Entrepreneurship in Croatia, which is in charge of gathering data on the cooperative sector, and the Ministry of Economy and Business Register Agency in Serbia.

The first part of the paper describes the novelty of the concept and phenomena of social cooperatives and it gives an overview of their historical emergence in Italy and further development across Europe, showing that this type of social enterprise has its specific social, political, and historical origin. The second part outlines the framework for understanding the emergence and development of social cooperatives in Croatia and Serbia. It places increased attention to social cooperatives within the discourse on social entrepreneurship, but also as a way of revitalizing the cooperative sector. The third part provides the main findings of the mapping of social cooperatives in Croatia and Serbia, identifying their structure and important characteristics. The following section opens

the discussion on the main findings on the potential of social cooperatives that interplays with the imposed legislative and policy framework. We conclude with key points that may serve in shaping further research and more supportive policy development for social cooperatives in the two countries.

Interweaving of Social Cooperatives and Social Entrepreneurship

Understanding the role of social cooperatives is difficult without taking into consideration the worldwide growing interest in social entrepreneurship and social enterprises since the middle of the 1990s (Defourny, Nayssens 2013). In a certain way, the unique characteristics of social cooperatives became part of the core 'social enterprise' discourse in the European context, as the major European understanding of social enterprises closely fits with the co-operative tradition (Defourny, Nayssens 2013). Social cooperatives are often seen as "the most developed and successful model of social enterprise" (Borzaga et al. 2014).

Historically, the emergence of social cooperatives occurred in Italy in the late 1980s and was institutionalized in 1991, when the Italian Parliament adopted Law 381/91. This Act enabled the creation of a specific legal form - social cooperatives (*cooperative sociali*). What preceded this was a growing number of cooperatives that tried to respond to the needs of the community affected by the transformation of the Italian welfare system, which that started with the economic downturn of the 1970s (Borzaga et al. 2014). The Law 381/91 introduced two types of social cooperatives, depending on whether they provide social, health, or educational services (type A social cooperatives), or ensure work integration of disadvantaged persons through undertaking other business activities, such as agriculture, manufacturing, or other activities (type B social cooperatives).

Compared to traditional cooperatives, the main difference that social cooperatives bring to their mission is that it is not focused on the interest of their members or owners, but on the welfare of society or the community as a whole, or in particular on the needs of specific, vulnerable, or most fragile social groups (Defourny, Nayssens 2013). In other words, they put more focus on achieving general interest rather than mutualistic goals (Borzaga et al. 2014).

Italy was also a country where the concept of the social enterprise first appeared (Defourny, Nyssens, 2013) in the journal *Impresa Sociale*, which was launched in 1990 to promote this new type of cooperative emerging intensively across the country. Therefore, the Law 381/91 not only introduced social cooperatives as a new type of cooperative, but it configured a new type of enterprise with a distinctive purpose (Borzaga et al 2014). This is where a social cooperative interweaves with social enterprise, introducing a new model of addressing social issues with entrepreneurial tools.

During the next two decades, several European countries followed this initiative and started to recognize social cooperatives as a specific form of cooperative. The spreading of the practice of social cooperatives across Europe and the recognition of its role in a socio-economic context was accompanied by the adoption of legislation in several countries that regulated this new type of cooperative. Among those countries are Portugal, Spain, France, Poland, Hungary, Greece, Czech Republic, and Croatia (European Commission 2015). Some countries created new laws, while others adjusted existing legislation to include the unique characteristics of social cooperatives.

Social cooperatives emerged as a form of social enterprise in societies where the cooperative sector has had a long tradition. In other countries, following the trend of emergence of social cooperatives, other forms of social enterprises were initiated that operated in the same field and on similar principles as social cooperatives. Still, social cooperatives continued to differ from other social enterprises by the fact that they are rooted in a cooperative tradition, mainly a collective dimension of ownership and governance. As a result, in some countries, social cooperatives were not recognized as a new legal form, nor given legal status, but legislation on social enterprises included traditional cooperatives when their pursuit for social aim and general interest was explicit. This is the case with Belgium, Finland, Lithuania, and the United Kingdom (Defourny, Nayssens 2013).

Some authors see the expansion of the new type of cooperative as a result of legislation that permitted cooperatives, traditionally homogeneous entities, to involve a variety of stakeholders in their decision-making process (Laville et al. 2006). Part of their institutionalization was incorporation into public finance schemes and programs, where different policies and financial mechanisms were developed to support social cooperatives. This came with recognition that the mission of social cooperatives is in the societies' general interest.

Social cooperatives as a part of the social economy and social enterprises have been recognized by the EU and its policies as well. Their development has been stimulated by some strategic EU documents, in particular, 'The Social Business Initiative' (SBI) in 2011 (European Commission 2011). The criteria for social enterprises set in SBI became the framework, or at least the guidelines for the adoption and adjustments of national legislation, applicable to various types of social enterprises, including social cooperatives. Improving the legal environment to make it easier to establish social cooperatives in a national context is particularly emphasized as part of the measures proposed in SBI for creating a more enabling environment for the social economy (European Commission 2011).

It is commonly assumed that the number of social cooperatives increased progressively in Europe in the past 25 years. Official data on social cooperatives are not regularly incorporated in all national statistical contexts, so it is difficult to present reliable data. However, there are some estimates published in a recent study that tried to map social

enterprises in European countries. According to that data, mostly referring to 2014, Italy has the most numerous sector, with 11,264 social cooperatives (both type A and B), followed by Poland with around 900, Spain with 566 (in 2009), Greece with 540, France with 266 (in 2012), and Portugal with 108 (European Commission 2015). There are no available data for the Czech Republic, while Croatia has 49 social cooperatives in 2015.

Despite a rich tradition of cooperatives, nowadays post-socialist societies in South-East Europe are lagging far behind the European trends. Apparently, Croatia and Serbia are the first and still the only countries in the region where social cooperatives emerged. The aim of the paper is to map, describe and analyse the emergence and institutionalization of social cooperatives in Croatia and Serbia, but also to recognize what role this new form can play both in revitalizing the cooperative tradition and stimulating the development of social entrepreneurship. Research studies on social entrepreneurship and cooperatives in these contexts are still rare and missing, so by acknowledging social cooperatives as a new field, the paper intends to fill that gap. Additionally, the paper aims to propose a framework for understanding and further research on social cooperatives.

Framework for Understanding Social Cooperatives in Croatia and Serbia

SOCIAL ENTREPRENEURSHIP IN CROATIA AND SERBIA: TWO WAVES OF DEVELOPMENT

The development of social entrepreneurship in Croatian and Serbian society started around a decade ago, which was rather late compared to more progressive countries. However, despite the brevity of the period, we can identify two waves of development – the first driven by international donors, mainly Anglo-Saxon, and the second one by the EU approach (Vidović 2017).

As a new concept, social entrepreneurship emerged in Croatia and Serbia in the middle of 2000s. The first social enterprises and/or social entrepreneurship initiatives emerged among civil society organizations, introduced together with social entrepreneurship by international donor organizations, as part of their exit strategy (Vidović 2012). The first social entrepreneurship initiatives therefore, were mainly donor-driven.

The first wave was characterized by the modest institutional recognition and support, as social entrepreneurship has never been high on the policy agenda. However, the lack of institutional environment influenced the growth of supportive structures rooted in civil society organizations that form networks, coalitions and support clusters - Forum for Social Entrepreneurship (SEFOR) and Cluster for Eco-social Innovation and Development (CEDRA HR) in Croatia and Coalition for Social Entrepreneurship Development in Serbia. Those initiatives played an important role, especially during the first wave,

and became the main promoters of and advocates for social entrepreneurship in these countries.

The second wave of social entrepreneurship development was marked by a greater influence of EU policies. During the last decade and a half, the EU integration process has been a significant political undertaking for both countries, whether they are still at the negotiation stage or have already joined the Union. As part of this process, both countries have already encountered the concepts of social entrepreneurship and social economy in that they have been promoted in the relevant EU policy documents, where social economy and social entrepreneurship were largely perceived as a sector and activities that might be able to address growing social needs and offer a sustainable answer to labour market and education imbalances. Furthermore, the EU approach largely relies on the tradition of cooperatives, and the new type of social cooperatives. Through EU discourse, cooperatives and social cooperatives (re)entered the discourse and in particular the policy discourse in Croatia and Serbia.

The more systematic creation of the policy framework for social entrepreneurship began in Croatia with the adoption of the national Strategy for Social Entrepreneurship Development for the period 2015-2020, which was adopted in April 2015 (Government of Croatia 2015). Additionally, as proposed by the Strategy, the first governmental unit for social entrepreneurship was established within the Ministry of Labour and Pension Fund¹, which marked the process of shaping the institutional framework.

The institutional environment for social entrepreneurship in Serbia is still not shaped. There is no unique governmental institution or body in charge for social entrepreneurship. Due to the wide range of legal forms, many institutions are entitled to regulate part of the social enterprise sector - in particular, the ministries in charge of economy, social policy, finances, and public administration regulate the field where social enterprises operate.

Neither of the two countries have a law designed specifically to regulate social enterprises. They may be established in various legal and organizational forms - associations, cooperatives, foundations, companies, sheltered workshops and social welfare institutions. Existing laws regulating those areas are more or less suitable for social enterprises, but not particularly supportive. Therefore, it is very common in both countries that social enterprises exist in hybrid forms, usually consisting of a non-profit organization and its subsidiary or spin off commercial company. Cooperatives are probably the type of organization that operates under the most unfavourable legislation, and they remain the most neglected in the majority of countries in South East Europe. Legislation regulating cooperatives tends to be contradictory, sometimes even discriminatory for cooperatives compared to other forms of economic entities. For example, Croatian legislation

¹ The official name of the unit is the Department for Preparation and Implementation of the Projects in the Field of Social Entrepreneurship.

does not exclude cooperatives from tax on profit when profit is reinvested, as regular commercial companies are.

After the first wave of social entrepreneurship, mainly focused on civil society organizations, the new wave is giving greater attention to the other models of social enterprises, primarily cooperatives. In that manner, social cooperatives popped-up as a form introduced recently in both countries.

COOPERATIVES - THEN AND NOW

The cooperative sector in Croatia and Serbia, as well as in the rest of South East Europe, is lagging far behind the 'leading' European societies. Despite a long tradition of a cooperative sector, dating back to the nineteenth century, nowadays a strong animosity towards cooperatives still prevails, influenced by the experiences of the socialist regime. This kernel of social economy had been cut off after the Second World War when the socialist regime started to develop a perverted concept of cooperatives strongly connected to the statist approach to the overall economy of the country. The emergence of the renewed concept of cooperatives in the scope of the social economy started mainly in the period after 2000, with more intensified influences from the EU integration, as already stated.

The very first cooperatives, emerging in the second half of the 19th century were following an overall trend in the development of cooperative sector in Europe, when the number of cooperatives constantly increased. The main reason for the development of this sector was high taxation and small portions of land property in rural areas, so it was more cost effective to join resources on the market (Nikolic 2009). When it comes to cooperatives emerging in cities, the idea behind the regulation of this sector was to introduce order in the craft sector, procurement and distribution of goods and services. Furthermore, the craft cooperatives were also providing a social function for their members defined as "jointly taking care of each other in case of illness, work injury, ageing, or death" (*Ibid*).

After the Second World War, the socialist regime tried to incorporate cooperatives in its propaganda. The biggest challenges for cooperatives were property ownership and governance of cooperatives. By the time of the collapse of communism, property was insidiously taken away from cooperative founders and members, becoming part of social (*collective*) property, or "nobody's" and "everybody's" socially-owned property (Kreševac-Chronešo and Petković 2015).

The first decade of transition was marked with some legislative initiatives to return the cooperative sector to its core principles, but it also reflected the overall political and socio-economic destabilization of both countries at the time. Thus, despite a rich tradition of cooperativism, a certain break with the roots occurred, which caused a weak image, practice, and development of cooperatives in contemporary societies.

Today, the marginalized treatment of cooperatives in the policy agenda, due to the fact that cooperatives were not given strategic priority (Golja and Novkovic 2014; RCC, 2015), accompanied with public ignorance and distrust inherited through historical experiences, is causing the slow recovery of the sector. In addition, the socio-cultural climate does not put much value on solidarity and collective involvement in the local community's well-being, which are also the basic principles of cooperatives. The legislation for cooperatives has changed and been improved during the last decade, with Laws on Cooperatives in 2011 and 2014 in Croatia, and 2015 in Serbia, which brought regulation closer to the International Cooperative Alliance (ICA) standards. However, the legal framework is still not fully consistent, and in some cases is even discriminatory.

According to the latest data for 2015, there were 1,302 cooperatives in Croatia, which is around 3.2 cooperatives per 100,000 citizens. Cooperatives bring together 21,462 members and employ 2,744 employees. The total income of cooperatives in 2015 was 212.6 million Euros, which is 0.5 per cent of the Croatian GDP (CCEP 2015; 2016). A quick analysis, based on employment and economic performance, showed that only around 200 cooperatives hold the entire sector in Croatia, which indicates its weaknesses (RCC 2015). In Serbia, there are 3,878 cooperatives, of which 2,083 are active (Serbian Business Register Agency, 2016). The more detailed data on the cooperative sector is from 2014, when there were 2,124 cooperatives, with 123,000 members and 4,707 employees. The total income of cooperatives was 533 million Euros, which is around 1.5 per cent of the national GDP.

Agricultural cooperatives still dominate the sector in both countries, with around 40 per cent of agricultural cooperatives in Croatia (with fishery and forestry cooperatives they even make close to 60 per cent of total cooperatives) and around 65 per cent in Serbia. In addition, except for privileged types of cooperatives, such as war veteran cooperatives in Croatia (Vidović 2017), there are neither enough financial mechanisms of support, nor enough fiscal incentives.

Despite those facts, which are far from enthusiastic, one may witness the rare but evident emergence of the new types of cooperatives during the last decade –engineering, media, but also social cooperatives.

The methodological approach we used for the empirical part was based on descriptive, comparative, and historical methods and relies on desk top analysis of existing data, studies, reports, legislative and policy documents. It primarily used available secondary data collected by official government institutions, mainly the Centre for Cooperative Entrepreneurship in Croatia, which is in charge for gathering data on the cooperative sector, and the Ministry of Economy and Business Register Agency in Serbia. This limited possible indicators to those already included in the official statistics. The analysis was based on descriptive statistics used as a tool for describing the structure and main features of social cooperatives.

Mapping Social Cooperatives in Croatia and Serbia: Main Findings

THE CROATIAN CASE

An outline for social cooperatives was introduced through the legislation adopted in 2011. The Law on Cooperatives created possibilities for the establishment of new types of cooperatives with certain characteristics, such as workers, housing, consumers and others. Social cooperatives were enabled through Article 66, which says little about their characteristics and does not prescribe specific regulations. It states that social cooperatives may be established for two broadly defined purposes: (a) for providing assistance to socially vulnerable or disabled persons who are not capable, alone or within families, to meet their basic needs, due to unfortunate personal, economic, or social circumstances; and (b) for working and economic integration of persons with reduced work capacity and other excluded or disadvantaged persons, who lack resources for meeting basic needs, and are unable to meet those needs by working, from property income, or other sources.

Article 66 also states that various stakeholders may become members of social cooperatives, namely users, providers of services, and workers of the cooperatives. In other words, legislation enables multi-stakeholder participation in democratic governance, which is closely in line with the unique nature of this type of cooperative. For any other aspect, the law on cooperatives is applied to social cooperatives as well, which consequently produces some contradictions. The most obvious one is that social cooperatives are not excluded from tax on profit when profit is reinvested, as regular commercial companies are, even though non-profit cooperatives by definition need to reinvest their profit in full. In addition, there is an 'asset lock' prescribed by law, which is applicable to all types of cooperatives, but is particularly suitable for social cooperatives.

According to the law, social cooperatives can operate as non-profit organizations if they choose to. Legislation does not automatically grant non-profit status for social cooperatives, but they are obliged to register in the Register of Non-Profit Organizations. However, in practice, this is hardly applicable to the public administration and often results in social cooperatives being rejected admission in the Register. Furthermore, a significant disadvantage of the legislation is that it does not allow volunteers to be engaged in cooperatives.

Social cooperatives were also recognized in the Strategy for Social Entrepreneurship Development. The Strategy mentions cooperatives as one of the key legal forms suitable for social entrepreneurship and emphasizes the link between cooperatives' principles and the values of social entrepreneurship, in particularly democratic governance, autonomy, cooperation, and welfare for the community.

The arbitrariness in the usage of the label 'social cooperative' is reflected in an uneasiness to define reliable data. Being 'social' appears as an additional feature, not the cat-

egory of the main area of activities. Therefore, the cooperative may decide voluntarily to add specific features, such as ‘social’, but it does not grant them any status that would distinguish them from other types of cooperatives.

According to that indicator, the Croatian Register of Cooperatives counts a total of 49 social cooperatives. Among them, only 29 use the “social cooperative” label in their official name, thus acknowledging it as a part of their identity.

Table 1: Structure of the social cooperative sector

	Entities		Members			Employees			Income		
	No.	%	No.	%	⊘	No.	%	⊘	mil EUR	%	% GDP
Social cooperatives (July 2016)	49	3.8	466* (1,958)**	2.2 (9.1)	9.5 (39.9)	104	3.8	2.1	3.3	1.6	0.007
Cooperatives (Dec. 2015)	1,302	100	21,462	100	16.5	2,744	100	2.1	211	100	0.5
* Data based on 48 social cooperatives. To reduce bias, one cooperative with 1,492 members was excluded.											
** Data based on 49 social cooperatives (in parenthesis)											

Source: Data base provided by the Croatian Centre for Cooperative Entrepreneurship, July 2016; CCCE, 2016.

Recent data on social cooperatives indicates that they comprise a tiny portion of the cooperative sector in Croatia. Measured in numbers, social cooperatives constitute only 3.8 per cent of cooperatives, and with 466 members, they make up only 2.2 per cent of total cooperatives’ membership. On average, they have 9.5 members, which is almost half the average of the sector as a whole (16.5). Around 8 per cent of their members are legal entities. In addition, 57 per cent of social cooperatives have 7 members, the minimum number of members prescribed by the law, which indicates there is huge potential to broaden their scope.

The cooperative sector in Croatia is far from being a significant employer. The total number of employees is 2,744 persons, which is around 2.1 employees per cooperative. The social cooperatives sector keeps the same average by employing 104 persons. However, half of social cooperatives (or 25) do not have a single employee. According to available data², somewhat more women than men are employed in social cooperatives: 1.5 employed women per 1 employed man. The opposite is true when it comes to the members’

2 Not all cooperatives provided data on gender structure

gender structure: the total membership of social cooperatives consists of around 57 per cent men and 43 per cent women.

Social cooperatives can be described as an 'urban' rather than a 'rural' phenomenon, with around two-thirds of cooperatives established in cities and urban areas. However, the members of social cooperatives are not particularly young. Data shows that only 2 per cent of the total number of members of social cooperatives are younger than 30.

Providing social services is the main activity for 41 per cent of social cooperatives, which indicates their potential to occupy the part of the former role of the welfare state. In addition, an analysis of their employees' structure indicates that social cooperatives do not yet have any significant role in the employment of vulnerable groups. Half of social cooperatives do not have a single employee. For the other half, the most common case (one third) is to have only one employee. Only three social cooperatives employ more than 10 persons, but the number of employees does not exceed 22 persons. There is no data on what proportion of employees are persons from disadvantaged social groups, which makes it difficult to estimate how common this practice is from the side of some social cooperatives.

THE SERBIAN CASE

The new Law on Cooperatives in Serbia was adopted in 2015. One of the most important novelties with new Law is that a cooperative can be established by 5 members, compared to the previous law that prescribed 10 founders. Nevertheless, with this opportunity there is also an obstacle, as it prescribes that only private entities can be founders. The Law also enables the establishment of new types of cooperatives, with specific features. One of the new types is a social cooperative that is introduced by Article 11:

“Social cooperatives perform various activities in order to achieve social, economic activities and labour market inclusion, as well as the satisfaction of other related needs of members of disadvantaged social groups, or to satisfy the general interests of the local community. Social mission of social cooperative is specified by the cooperative rules. Social cooperatives are obliged to reinvest at least half of the profit, or surplus of revenues over expenditures realized by conducting the activity, in the promotion and achievement of social objectives.”

This definition does not grant any specific status of social cooperatives in comparison to other legal forms. They are not considered as non-profit organisations, despite the obligation to reinvest their profits. They do not have any specific or favourable tax treatment - they operate by the same rules as any other for-profit company.

Considering that the Law does not stipulate pre-legal acts by which social cooperatives would be fully functional and their development encouraged, the question remains how social cooperatives will be encouraged to develop.

Data on cooperatives in Serbia are scarce and unreliable. The existing data are mainly related to agricultural cooperatives. A formal adjustment of the overall cooperative sector is expected to be finished by the end of the 2016, which is the time span for complying with the new procedures arising from the provisions of the new Law. According to the data from the Serbian Business Registers Agency, only one social cooperative has been registered so far in compliance with the new Law as a social cooperative in area of social service provision.

Most of the data relevant for this study came from studies on the social entrepreneurship sector, where cooperatives and social cooperatives are recognised as one of the actors within the sector. Most importantly, this data was gathered before the new Law on Cooperatives.

According to most recent research (SORS 2014), there were 1,196 social enterprises in 2012. However, having in mind the methodology applied, it is clear that the data more accurately refer to the social economy sector as a whole. The study showed that there were 10,326 persons employed in the sector, which accounted for 0.60% of all employed persons in Serbia. The whole sector performs modestly in the economic sphere and its contribution to the overall GDP in Serbia is only at the level of 0.2% (SORS 2014). Major contributors were cooperatives (75.3%), followed by associations (10.3%) and companies for the disabled (5.5%) (RCC 2014). The cooperative sector appeared as the most sizable part of the sector, with the highest share going to agricultural cooperatives. Cooperatives also employ the greatest number of people working in the social economy – 58.6%. The majority of those employed in the social economy sector as a whole are men (62.3%) and half of them are from age groups that are difficult to employ (35.7% older than 51 and 14.3% younger than 30) (RCC 2014).

Discussion

From its focus both on providing social welfare services and work integration, it is obvious that the Italian model influenced the understanding of social cooperatives in Croatia and Serbia and shaped their institutionalization. The legislation in both countries leaves the assignment of 'social cooperative' status to an arbitrary decision of the cooperative itself. In that sense, it becomes a matter of self-identification, with no legal obligation, monitoring, or cooperative audit. Therefore, the status itself may have various meanings and interpretations, and furthermore, may be subject to opportunistic misuse. This does not provide adequate public recognition of truly committed social cooperatives, nor does it enable any kind of financial or fiscal incentives that would valorise the added social value they generate.

What is significant, at least for the Croatian case where more data is available, is that much of the social cooperatives do not fit into either of the two criteria prescribed by the

law. If they do not provide social services, their focus should be on the employment of vulnerable groups; however, this criterion appears to be hard to achieve. Except in two cases that undoubtedly fit this requirement, for the other almost 50 per cent of all social cooperatives, it is not clear whether they are still struggling to employ (more) persons, or are simply misusing the term 'social.'

Data available for Croatia showed that social cooperatives are still a marginal and underdeveloped sector, consisting mostly of micro and small ventures. The unclear status and regulation, and inadequate and inconsistent legislation seriously undermine their potential to act more significantly in the socio-economic development of society. The inclusion of social cooperatives into the Croatian Strategy for Social Entrepreneurship Development, where they have been recognized as one of the key actors, may be seen as a more serious step in the institutionalization of social enterprises and social cooperatives and may be an opportunity for a more systematic and harmonized policy approach to this sector.

A sustainable response to social challenges in both countries, particularly in Serbia at this stage, has been provided through other legal forms due to the weak policy framework for the development of social cooperatives, and its compromised practice. Therefore, social enterprises have been dominantly developing through citizens' associations.

It took more than ten years for Serbia to deliver a new law on cooperatives that could slightly set cooperatives in real time and allow them to operate on the market with new preferences. This long timeframe, followed by many disputes within the sector, resulted in a quite deficient law. It is obvious from its content that the main focus of the legislator was to bring some kind of regulation into the agricultural cooperative sector, particularly regarding property.

Nevertheless, the new Law on Cooperatives in Serbia was adopted less than a year ago, and it is too early to predict whether it will lead to the (greater) establishment of social cooperatives. However, as it is similar to the Croatian law, one may assume that practical challenges for social cooperatives will not differ significantly.

Overall, there is much overlap and inconsistency in the legal environment, which indicates just how poorly legislation recognizes the specificities of a social cooperative as an entity. For social cooperatives, that means operating in an environment that is not particularly stimulating. More importantly, in both cases, legislation on (social) cooperatives was not followed by specific financial and tax instruments that could lead to greater interest among citizens to take risks and engage in this type of economic and social activity.

The development of social cooperatives may be seen as one of the ways to transform the traditional social economy sector into a more suitable one for social problems in a contemporary market-dominated society. Even with the new laws on cooperatives adopted

recently in both countries, it seems those have kept an obsolete approach to regulating cooperatives and the question is will it represent a new opportunity for the revival of cooperatives and especially social cooperatives as one of the forms of social enterprise. Based on the content of the new legislation concerning social cooperatives in both countries, the lack of regulatory specificities leaves this sector too risky for new social entrepreneurship initiatives. Therefore, we may expect that the growth of social cooperatives in the upcoming years will not be so fast.

Conclusions

The emergence of social cooperatives in Croatia and Serbia belongs to a 'second wave' of social entrepreneurship development influenced by EU discourse, where (social) cooperatives interweaved with increased interest in social entrepreneurship. Thus, the cooperative as an organizational model is seen as suitable for the hybrid nature of social enterprise which includes social issues, economic approach, and participatory governance (Defourny and Nyssens 2012). In line with the European setting and the Italian origin, legislation enabled social cooperatives in two directions: towards providing social services and towards work integration of disadvantaged social groups.

In both countries there is a valuable legacy of cooperativism, especially of cooperatives that in different historical periods had a more or less important role in socio-economic development. However, a certain break with the roots of the cooperative tradition is causing a slow revitalization of the sector, which does not seem to meet a friendlier legal and policy environment, nor is becoming more popular among the general public. In that sense, the social cooperative appears as a novelty that, in synergy with social entrepreneurship, gives greater attention to the cooperative sector and may influence its revitalization.

EU policies that promote cooperatives and social entrepreneurship are recognized as drivers of new approaches to solving social and economic challenges. This new wind offers different proposals that could be used in both countries for setting a more supportive ecosystem for the development of social cooperatives and social entrepreneurship. This may be seen as an early stage of social cooperatives institutionalization, by including them as a 'status' in a national legislation on cooperatives. However, the 'import' of those ideas is not enough if there is no adequate regulative environment to support it. This is especially relevant for Serbia and its cooperative sector, which proves to be highly resilient to its improvement and modernisation.

In both countries, Croatia and Serbia, obstacles mainly come from misleading legal and institutional frameworks that reflect persistent mistrust toward cooperatives. Both cooperatives and social enterprises still take low priority in the political agenda, which continuously postpones the adoption and implementation of supportive policies and

measures. Additionally, in both countries there is poor knowledge on the sector's capacities and its importance both for local development and social cohesion of societies. The absence of data and research on this sector, especially in Serbia, strongly emphasises this finding.

In order to try to contribute to the development of social cooperatives, it is of utmost importance to develop support to the sector aside from the legal framework. Mainly, it should embrace the specific nature of social cooperatives, including the development of institutional capacities, fiscal and tax benefits, followed by raising awareness among citizens on the importance of (social) cooperatives in dealing with social challenges.

Research, in-depth analyses and collecting data on the sector is a precondition for each new initiative towards creating an enabling environment for social cooperatives. It should also be followed by analysing the overall environment around cooperatives, in order to ensure that measures tailored for the development of the sector can be adequately applied and can substantially respond to the needs of social cooperatives and contribute to their sustainability.

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A Social Knowledge-Based Society in Slovenia: From Cooperatives and Social Enterprises to Network Society

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Abstract

The paper explores how Slovenia can activate its rich potential for cooperativism and a social economy, as a whole, given that these concepts fall on very fertile historical ground in the country. A new conceptual framework of *Integral Economics*, developed by Trans4m Center for Integral Development in Geneva, has been applied which states that a society needs to begin its process of integral economic development by securing “southern” nature-based economic self-sufficiency, before it focuses on the other, “eastern”, “northern” and “western”, economic functions. Thereafter it needs to respectively include the building up of a culture-based developmental economy (ensuring that the economy is aligned with the cultural evolution of the society), a knowledge-based social economy (aligning its socio-economic structures with technology-driven knowledge systems) and a life-based living economy (reconnecting finance and economic performance measurement to natural and human well-being). The entire Slovenian model of an integral green economy and society in the innovation ecosystem of the European Union is depicted in the new Gower and Routledge volume *Integral Green Slovenia* (Piciga, Schieffer and Lessem, eds., 2016).

Inspired by Mondragon, one of the world's most renowned cases of corporate cooperativism, and building on the eminent Spanish-US social philosopher Manuel Castells, who makes a claim for the advent of a network society, we are shedding light in this paper

on Slovenia's existing capacity and future potentials for a social economy, including the government project promoting economic democracy and diverse models of cooperative enterprise. These potentials are illustrated with Tekstilnica - focussing on collection, sorting, re-use and recycling of old clothes and texts - a case of Green Social Entrepreneurship. In the conclusion of the paper we propose Slovenia as a pilot county for Integral Green Economy and Society.

Keywords: integral economics, social enterprise, social economy, Integral Green Slovenia, smart integration, sustainable development, European Union

Introduction

The paper explores how Slovenia can activate its rich potential for cooperativism and a social economy, as a whole, given that these concepts fall on very fertile historical ground in the country (e.g. common land management, classical cooperatives) as presented in the previous paper (Piciga et al.: Knowledge- and Value-Based Cooperative Management: The Case of Domel). This elaboration is supported by the new conceptual framework of Integral Economics, developed by Ronnie Lessem and Alexander Schieffer from Trans4m Center for Integral Development in Geneva and applied on the national level in the case of Slovenia (Piciga et al., 2016).

In *Section 2*, the theory of Integral Economics with the four integral economic paths and the GENE model is briefly presented. These integral economic approaches are included within the national model of an integral green economy and society – Integral Green Slovenia: existing integral green practices are interwoven with initiatives and knowledge resources.

Section 3: In addition to integration of local potentials, a successful movement for an integral green economy and society needs to draw constructively on the existing potential for sustainable development, as articulated in current policy frameworks of the larger political-economic entity that a country belongs to. In our case here, an innovative approach to what is called “smart integration” of European Union policies for sustainable development (including, *inter alia*, the green economy and social economy policies) within the Slovenian context has been developed.

Section 4: The second part of the paper focuses on social economy themes. To further explain the approach of the Social Knowledge-Based Economy, some of the most relevant learning points of the Basque Cooperative Mondragon and the integral green model of Domel, the Slovenian enterprise success story of social economy, are shared.

Section 5: Another practice case from Slovenia, the green social enterprise Tekstilnica, introduces an application of Castells' theory of network society to the sphere of social economy in Slovenia, pointing towards the recent emergence of social enterprises in the country.

Section 6: The argument about a revival of the social enterprise sector in Slovenia and support for a social economy is supported by data and conclusions from recent analytical studies and informed by a strategic government project for this sector.

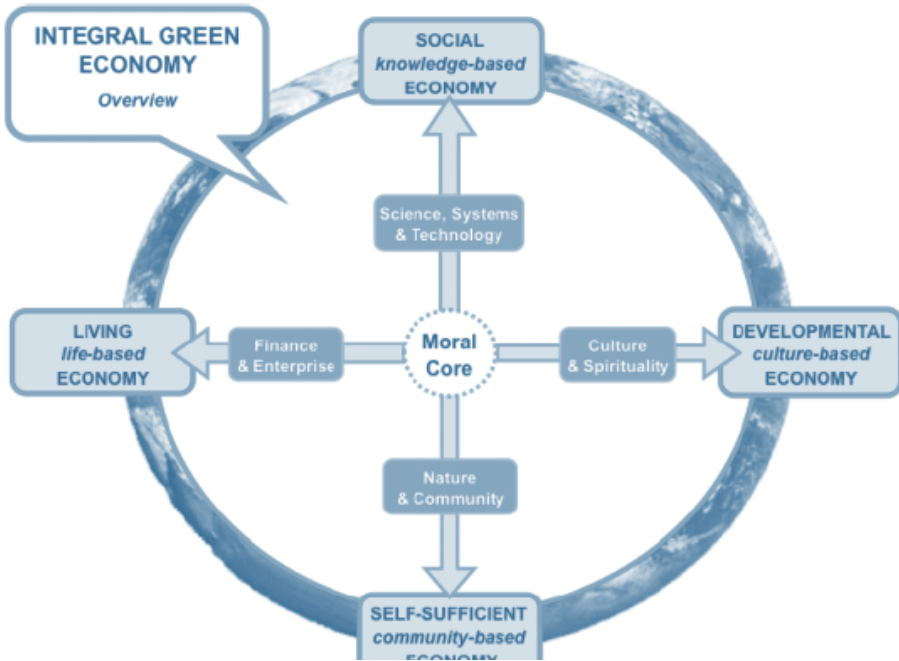
Section 7 concludes the paper with pointing not only to the country's potentials for a Social Knowledge-Based Economy but to the possibility that Slovenia could serve as a pilot country for the whole of Europe, where an Integral Green Economy and Society is co-created and monitored.

Four Integral Economy Approaches: Globally and in Slovenia

A new conceptual framework of *Integral Economics* (Lessem, Schieffer, 2010) has been developed by Ronnie Lessem and Alexander Schieffer from Trans4m Center for Integral Development in Geneva, based on realisation, *inter alia*, of the destructive impact of the economy on natural environment; it dramatically threatens the continuation of life on the planet. The development of a new, more sustainable approach to economics, is therefore one of the most crucial tasks of humanity. To contribute to this challenge, they applied their Integral Worlds conceptual framework (Schieffer & Lessem, 2014) to economics. In this conceptual framework “integral” means the dynamic, integrated inclusion of all dimensions (including natural ones) of a human system, be it on an individual (species), organisational, communal or societal level. In the integral approach to development there are four core dimensions that all such systems share and that need to be considered equally if the entire integrated system is to flourish. Mapping these four dimensions in a circular way Lessem and Schieffer distinguish between the “southern” realm of nature and community; the “eastern” realm of culture and spirituality; the “northern” realm of science, systems and technology; and the “western” realm of finance and enterprise. All of these realms are held together by what they termed a “moral core”, a unique expression of the innermost value base that a society considers as essential to its being, ideally to be embodied in its overall polity.

In the process of applying the general integral conceptual framework to economics, Lessem and Schieffer uncovered and reviewed a surprisingly vast array of newly emerging theories and practices – others than the capitalist and socialist mainstream – from all around the world, altogether reflecting humanity's search for alternative economic models. By surfacing the rich economic diversity and potential that represents humanity as a whole, they sought to counterbalance not only the monocultural “Western” economic perspective (as represented in today's mainstream economic systems), but they also illustrated the impulses for economic renewal that are already active within the West itself. Figure 1 introduces an overview of the Integral Economy.

Figure 1: The Integral Green Economy: An Overview



Source: Piciga et al., 2016, p. 9

The Integral Economics model has its starting point in the centre, in the moral core of the society. In their own research, Lessem and Schieffer discovered how vital it is that the outer economic expression is in resonance with its inner moral core. They additionally maintained that a society, like Slovenian in this paper, needs to begin its process of integral economic development by securing “southern” nature-based economic self-sufficiency, before it focuses on the other, “eastern”, “northern” and “western”, economic functions. Thereafter it needs to respectively include the building up of a culture-based developmental economy (ensuring that the economy is aligned with the cultural evolution of the society), a knowledge-based social economy (aligning its socio-economic structures with technology-driven knowledge systems) and a life-based living economy (reconnecting finance and economic performance measurement to natural and human well-being).

In *Integral Economics* (2010), Lessem and Schieffer illustrate that if we work purposefully through each of the four economic realms and gradually through all of them in a south-east-north-west fashion (starting with nature and ending with enterprise) - informed by the wealth of the moral economic core - we arrive in each realm at practical applications that help us to translate new economic thinking into transformative practice.

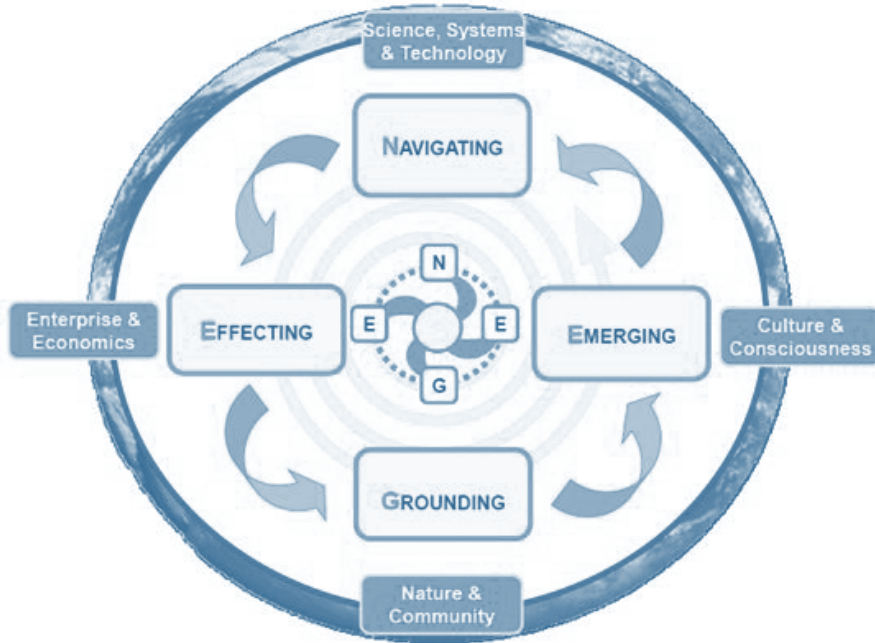
Here is an illustration of what is meant:

- *South*: Working through the “southern” realm of a community-based self-sufficient economy we evolve “from profits to profiting society”, and we actively revisit the extent to which our own community or enterprise is participating in building a self-sufficient economy and thereby contributing locally to alleviate poverty. The role model surfaced in the “southern” realm is the “social business” and self-sufficiency movement, embodied by Grameen in Bangladesh.
- *East*: Working through the “eastern” realm of a culture-based developmental economy we evolve “from survival to co-evolution”, and we actively revisit the extent to which our community or enterprise is co-evolving with its multiple stakeholders, thereby becoming an agent for a developmental economy. The role model surfaced in the “eastern” realm is the developmental enterprise, embodied by Canon in Japan, pursuing its Japanese path of “kyosei”, or co-evolution, as well as Sarvodaya (“The Awakening of All”) in Sri Lanka, one of the world’s largest development initiatives.
- *North*: Working through the “northern” realm of a knowledge-based social economy, we evolve “from hierarchy to democracy”, and we actively revisit the extent to which our community or enterprise responds to continuous technological change and social challenges in a cooperative and democratic manner. The role model we surfaced in the “northern” realm is the cooperative enterprise, pre-eminently embodied in the Mondragon Cooperatives in Spain, the world’s largest workers’ cooperative and a leader in the social-economic cooperative movement. Due to its relevance for the development of a social economy in Slovenia, the integral explanation of the Mondragon model is shared in Section 4.
- *West*: Working through the “western” realm of a life-based living economy, we evolve “from growth to sustainability”, and we actively revisit the extent to which our community or enterprise is modelled on nature, and thereby sustainable and restorative, building up human, natural and financial capital in parallel. The role model we surfaced in the “western” realm is the “sustainable enterprise”, embodied in Interface in the USA, a corporate leader within the sustainability movement. In our case the “west” builds on the rest - south, east and north - rather than standing in splendid isolation.

The *Integral Worlds* framework incorporates an inbuilt transformational rhythm, which not only makes the entire approach dynamic but also serves as a rhythm to actively enable the building of an integral organisation, community, society. This rhythm is called the GENE (an acronym for Grounding, Emerging, Navigating, Effecting), representing a four-fold spiralling force, activating the entire model. The fourfold GENE rhythm functions within the four levels of each realm, as well as in between the four realms (Figure 2).

While, according to Lessem and Schieffer, the GENE is understood as an iterative, ever-unfolding rhythmical force, the transformational process nevertheless starts in the south, thereby beginning with a conscious grounding in a given context and issue, before we then engage in its transformation.

Figure 2: The GENE Concept of the Integral Worlds Model



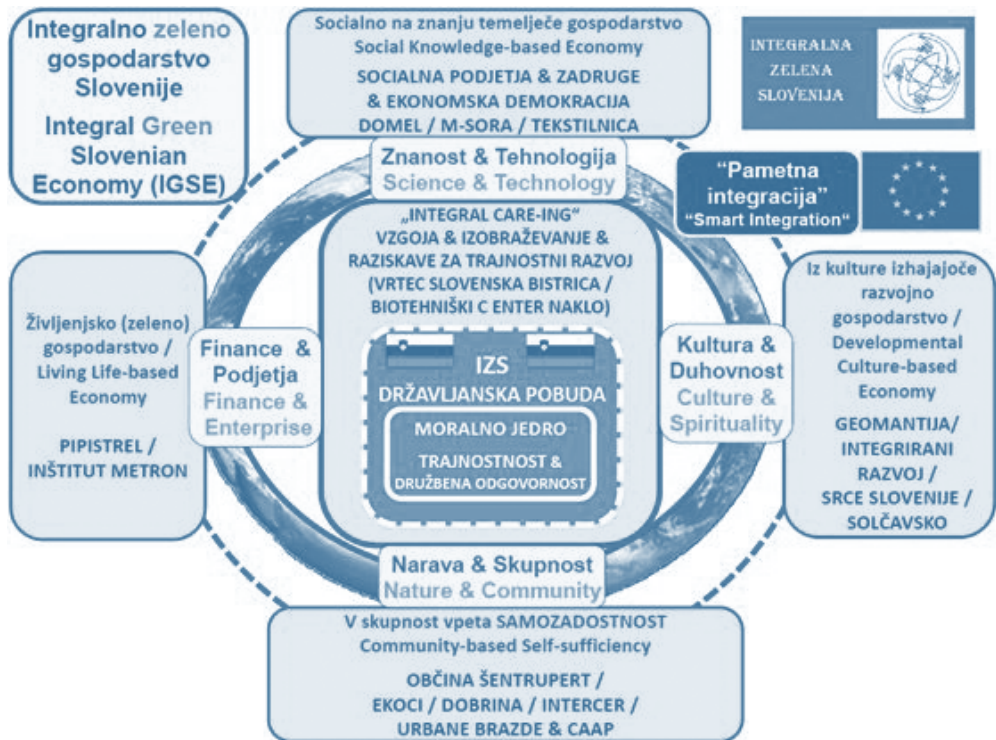
Source: *Designed by Alexander Schieffer on the basis of Lessem & Schieffer, 2010, and Schieffer & Lessem, 2014.*

The transformative GENE process for an Integral Economy begins with Grounding (G) in a particular nature and community, to surface key economic developmental needs and potentials. We then progress towards Emergence (E), tapping into the cultural creativity of a particular economy and society, inviting and generating insights to respond to economic challenges and aspirations, by also tapping into the cultural potential for the economic renewal of a society. In activating its own cultural capacities, a society does, on the one hand, affirm its own cultural uniqueness, but it also, on the other hand, invites other cultural perspectives from outside, to broaden its own co-evolution. The insights gained from the cultural space are then further expressed and developed in a process of Navigating (N) new economic knowledge and concepts, in the “northern” realm of science, systems and technology that is particular to that society, Slovenia in our case here.

It is here that a society shapes, in explicit terms, its own socio-economic perspective, in touch with its natural and communal grounds, and resourced by its cultural capacities. Such new economic theory is then ultimately Effected (E) and practically realised via a new form of enterprise and/or economic policy. The entire GENE process is connected to an inspirational and integrating (I) moral core, helping a particular society to make, together with others, a collective (US) contribution to new economic thought and practice.

In a unique process of co-construction, the Citizens' Initiative for an Integral Green Slovenia and Trans4m Center for Integral development and have applied this new framework within the innovation ecosystem of the European Union, on the level of individual sustainable enterprises and local communities, but also on national level, and depict this multidimensional and multi-layered process in the new Gower and Routledge volume *Integral Green Slovenia* (Piciga, Schieffer and Lessem, 2016).

Figure 3: The evolving Integral Green Slovenia movement: Key components illustrated with a few practice cases.



Source: Piciga et al., 2016, p. 224

In the “southern” economic path of the Integral Green Slovenia model, the particular contribution of organic agriculture, with emphasis on small organic farms, to an integral green development is highlighted (Figure 3). Grassroots developments in organic food self-sufficiency such as Ekoci, InTerCeR, Cooperative Dobrina, Urban Furrows and the Centre for Alternative and Autonomous Production provide practical illustration of new ways of reactivating nature and community in sustainable forms. The self-sufficiency focus shifts from food to energy, in particular to wood-based energy self-sufficiency: wood as one of Slovenia’s most important strategic resources and Slovenia’s unique and historical approach to close-to-nature forestry. The story of Šentrupert Community is a fascinating case of a municipality that fully draws on wood as its primary local resource and strategic raw material, working towards a full-fledged self-sufficient community economy.

The Slovenian cases and approaches to culture-based developmental economy encompass the Heart of Slovenia as a case of culture-based regional development in the rural hinterland of Slovenia’s capital, Ljubljana; the heart-centred approach to the Earth, nature and the human essence based on art as complementary to science (e.g., geomancy by Marko Pogačnik) and sustainability management in protected areas in the case of the mountainous village Solčavsko, which developed a new approach to tourism based on nature and heritage.

Domel, one of the country’s most prominent high-tech manufacturers, represents a Slovenian prototype of a social knowledge-based economic approach in the integral green economy model (see Section 4 and the previous paper). Among recently emerging social enterprises, Tekstilnica as a case of Green Social Entrepreneurship is depicted in the present paper (Section 5), together with the policy framework for development of cooperatives, social entrepreneurship and creative industries.

A number of pioneering Slovenian enterprises, who all combine a strong sense for environmental and social responsibility with green technology and sustainable production processes are in the volume *Integral Green Slovenia* represented by Institute Metron, one of the country’s leading institutions in electric vehicle development, and the remarkable case of Pipistrel, a world leader in ultra-light aircraft design and construction - a demonstration of how to combine highest technological standards with an uncompromising commitment to the environment.

Social Economy in the Concept of European Smart Integration for Sustainable Development³

Based on the realisation that one of the key distinctive features of the Slovenian model of integral green development (as compared to role models from *Integral Economics*, mentioned above) is its embeddedness in the policy framework of the EU, a new concept of smart integration of EU policies for sustainable development is proposed

3 Based on Piciga&Kolar Planinshich, 2016.

(Piciga et al., 2016). Our argument is that a number of existing policies and guidelines, measures and instruments across several policy domains are already supporting sustainable development goals and the integral green model of development. We can consider them as EU policies for sustainable development. On the other hand, one can observe that sustainable development is often impeded by certain other policies, that is, macroeconomic and fiscal policies. The already proven advantages and strengths of the social responsibility principles and the integral economy model lead us to the assumption that by placing values of social responsibility and sustainability in the centre of an economic model and, at the same time, strongly relying on four dimensions of sustainable development (i.e. environment, society, economy and culture), we could outweigh the unsustainable policy impulses (Figure 4). Drawing the threads of our integral green argument together, we can relate it to several existing EU policies for sustainable development (such as the green and social economy, social responsibility, organic food and energy self-supply), with a view to “smart integration”. For the purpose of this paper, we will introduce a green and social economy.

Figure 4: Smart integration of European Union policies for sustainable development



Source: Piciga et al., 2016, p. 214

The United Nations Environment Programme (UNEP, 2011) defines a green economy as “one that results in improved human well-being and social equity, while significantly reduc-

ing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one, which is low carbon, resource efficient and socially inclusive. In a green economy, growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. These investments need to be catalysed and supported by targeted public expenditure, policy reforms and regulation changes.” According to the European Environment Agency, in balancing environmental, economic and social elements, the green economy concept evidently has much in common with the notion of sustainable development—albeit with a focus primarily on the environmental and economic aspects (EEA, 2012).

Cooperatives and social enterprises at first glance do not have a lot in common with sustainable development. However, the European Parliament noted, *inter alia*, “that cooperatives therefore play a very important role in the EU in economic, social, sustainable development, and employment terms, in addition to being a springboard for social innovation, which is a very important topic in both the EU 2020 strategy and Horizon 2020, and help to serve the objective of the sustainable economic and social development of regional and local communities” (2013). According to the International Organisation of Industrial, Artisanal and Service Producers’ Cooperatives (CICOPA), the interpretation of the cooperative principle of concern for the community in 21st-century reality necessarily includes a strong social and environmental impact (Roelands, 2013).

Figure 4 presents the traditional model of sustainable development with three dimensions: the economy, environment and society. Policy measures for sustainable development have to be designed with balanced targets in all three dimensions. Each measure has to increase all three types of capital: environmental, social and economic capital, or at least not decrease it⁴. Inspired by the theory of Integral Economics, Integral Green Slovenia brings in the cultural dimension of sustainable development as the previous three cannot adequately reflect the complexity of modern society, nor the uniqueness of particular societies. This enrichment of the sustainable development paradigm is also supported by certain policy statements, such as *Culture: Fourth Pillar of Sustainable Development*: Culture namely ultimately creates what we consider sustainable development and determines how people act in their particular world, as well as in the world at large. The relationship between culture and sustainable development is considered in two ways: as the development of the cultural sector (e.g. heritage, cultural industries, crafts, cultural tourism) and by providing an appropriate place for culture in all public policies (United Cities and Local Governments, 2010). The UNESCO Convention for the Safeguarding of Intangible Cultural Heritage (2003) provided a turning point with its statement on the economic potential of heritage as a guarantee of sustainable development. Regional development based on intangible heritage opens to humanity new opportunities for the de-

⁴ A commonly accepted definition of a green economy only partially includes the social dimension while encompassing the other two, as shown in the figure.

velopment of entrepreneurship and innovation, and significantly improves the quality of life, since it is derived from the people and their potentials (Belingar and Kavs, 2014).

In addition to the values of sustainability (which are inherent within the model) we put particular emphasis on the values and principles of social responsibility that are defined within the standard ISO 26000.

As presentations of practice cases in *Integral Green Slovenia* book have revealed, smart integration of EU policies for sustainable development is already happening and occurs in various ways, for example:

1. Through the complex structure of EU programmes, projects in different areas and on various levels are supported. Business organisations, local communities and other entities can apply for funds at a number of tenders each year. Furthermore, funding possibilities are offered in different international programmes. Financial means to support the integral green practices came from national and regional programmes of the European Social Fund, the European Regional Development Fund and the European Cohesion Fund; the Rural Development Programme, the LIFE programme (LIFE is the EU's funding instrument for the environment and climate action); Intelligent Energy Europe; R&D and innovation programmes (Horizon 2020); programmes to support cross-border cooperation and macro-regional priorities; and several other financial and programming mechanisms. Some kind of support from EU and international programmes has been mentioned in almost all practice cases. However, in the presentation of the following integral green practices, a number of programmes have been mentioned: the Heart of Slovenia, Solčavsko, social enterprises, Kindergarten Slovenska Bistrica, the Biotechnical Centre Naklo and Municipality Poljčane.
2. Following EU guidelines, like the ones for a green economy, in an innovative way - for example the EU directive with regard to eco-design requirements for vacuum cleaners in the case of Domel (presented in previous paper) - not only can ensure survival of companies but can even help them to become world leaders in market niches.
3. Possibilities for networking and cooperation within the EU and also with third countries are innumerable: for example cooperation between the Biotechnical Centre Naklo and Iceland, between the Heart of Slovenia and other regional developers, between protected areas and the Alpine protected area network, between associations of cooperatives, and so on.

Exploring the above-mentioned documents on the EU and national levels from the perspectives of sustainable development and the integral green economy, we can list several relevant policies such as a green, low-carbon and circular economy, a social economy with cooperatives and social enterprises, ethical banking, social responsibility and sus-

tainable development of towns and rural areas with food and energy self-supply (synergies and cross-sector approach).

Inspired by Mondragon, the Global Icon of Cooperativism

In March 2012 the Slovenian Forum of Social Entrepreneurship, the main national network in the sector, founded by Tadej Slapnik, organised a highly successful study tour to the famous Mondragon Cooperative, founded in the mid-1950s by the legendary Don Jose Maria Arizmendiariatta (called Arizmendi). That visit subsequently led to the participation of Mikel Lezamiz, Mondragon's Director of Cooperative Dissemination, at the international Coop2012 Conference in Ljubljana, an event that drew a lot of media attention and created widespread interest in the Mondragon model, which holds, so our argument, a number of highly relevant points for the further development of cooperativism in Slovenia.

Due to Mondragon's significance for and influence on the European and Slovenian development of social economy, it is highly relevant to share key lessons from Mondragon along the four integral dimensions, as well as the centring moral core - aligned with the GENE rhythm⁵, which is the transformative process at the heart of an integral economy (Piciga et al., 2016, pp. 127-129):

Centred - Centred in a Strong Moral Core - Solidarity and Mutual Support: The origins of Mondragon lay in the solidarity and mutual support of a community of people. That is, solidarity is not in itself good as we usually understand it - simply as mutual help - but needs to be transformed into a reciprocity that extends into enterprise, on a broad scale. Mondragon's success proves that there is no inherent contradiction between justice and good business.

Grounded in Basque "Human" Nature and Community: Reviewing Mondragon, one notices the strong rootedness of its cooperative model in very old democratic traditions in the Basque country. Looking at the history of the Basque people, one might speak of their "associative tendencies". They manifest strong ethnic pride and commitment to egalitarian values and democratic governance. And they believe in the dignity of labour.

Emergence through a Focus on Developing Human Potential as the Key Driver for Mondragon's and Basque Culture and Consciousness: The real source of increase in value is not physical capital but human capital, the rearing, socialisation and education of children and the creativity and dedication which workers bring to their jobs. That is aligned with "education, training and information" as one of the key cooperative principles. Cooperativism seeks to build a social conscience through the humanisation of power, through democracy in affairs and through solidarity.

5 The GENE rhythm is explained in section 2.

Navigating New Social Orders via Innovative (Social and Educational) Networks, Systems and Technology: Mondragon combines a social vision with an emphasis on education for technical knowledge and skills. According to Arizmendi, in the minds of cooperators is the idea that the future society probably must be pluralist in all of its organisations, including the economic ones. Arizmendi saw the cooperatives as being built on a foundation of education, and in turn providing education for economic progress towards a new social order

Effecting a Sustainable Social Economy via Unique Systems of Mutually Supportive Cooperatives, with Finance as a Key Enabler: Stakeholding and democratic governance apart, the success of the Mondragon cooperatives is also largely due to the unique system of secondary or support cooperatives from which the primary cooperatives (manufacturing and retailing) source key specialist services. Arizmendi realised at a very early stage in the life of the cooperatives that expanding the businesses and creating new ones would require reliable access to capital on affordable terms.

The integral economy framework with its GENE concept is well document in the book *Integral Green Slovenia* (Piciga et al., 2016) and showcased, among others, by Domel, one of the country's most prominent high-tech manufacturers. The company manufactures electric motors and components for use in power tools, garden equipment, heating, ventilation, air-conditioning and cooling, the automotive industry and heavy industry. Domel represents the leading Slovenian case of the “northern” economic path, and represents the Slovenian counterpart of Spanish Mondragon, so to speak. We introduce the case here briefly, applying the GENE model:

From an integral economic perspective, Domel has built its vision on the values of socially responsible and innovative entrepreneurship: creativity and ambition, responsibility and economy, respect and cooperation, caring for customers and employees, and loyalty (moral economic core). In Domel, these values come alive by being demonstrated in everyday business operations. Such values are expressed in a strong connection and integration with the surrounding community, caring for its weakest members, and in respect for the natural heritage: In short, Domel is a global player with local Grounding (G). Domel's employees and CEO are aware of the cultural heritage that has shaped them (such as the iron foundry tradition and cooperative heritage), and they have developed an awareness of the necessity for continuous development: clearly, the enterprise evolution of Domel is Emerging (E) from the rich cultural heritage the company is embedded in. This awareness is reflected in the development of new knowledge, particularly in the field of technology and education and in conjunction with academic institutions: in other words, science and technology are purposefully employed to Navigate (N) Domel's development. Another “northern” element of the Domel story is thoroughly illuminated: Navigating the battle for employee ownership through the process of ownership transformation and privatisation. Innovations also contribute to greater energy efficiency of Domel's products, which is characteristic of a green and circular economy, and are

backed up with an Effective (E) business model, overall representing an integral approach to finance and enterprise. Effective crisis management and an enhanced market position are regarded as cooperative impact, too.

Co-ownership and co-management by employees are the key elements of the (knowledge-based) social economy, which not only has been recognised in the European Union as a successful approach leading out of today's economic crisis but also has a long tradition in Slovenia. And today, through enterprises like Domel, Slovenia is "discovering" them once again.

Network Society and Green Social Entrepreneurship in Slovenia: The Case of Tekstilnica⁶

In addition to enterprises with a model of internal ownership and management, represented in this paper by Domel, in recent years we witness the emergence of other social economy models in Slovenia. Tekstilnica, a social enterprise with an innovative approach to the collection, sorting, re-use and recycling of old clothes and textiles, was established in 2012 with the subsidy from a European Social Fund tender by the Ministry of Labour aimed at promoting social entrepreneurship. It developed further after the official end of the project and has in the process become self-sustaining, for which it excels among social enterprises in Slovenia.

The project Tekstilnica of two prominent partner organisations (Cooperative Dobrote z.b.o., and Association Ecologists without Borders) received funding to establish textile bins to collect used textiles and to raise awareness about the re-use of textiles.

The collection is carried out through household collections, schools and other public institutions. The emphasis is on collection via textile bins. Clothes and garments can also be brought directly to specified sites. Once collected, in 2014 70% of the collected textiles were exported and sold to textile banks abroad. The rest was processed in different ways with less or more added value - from re-use ("second-hand") to new products.

Sorting and processing occur in the storage and processing facility in Dravograd. Sorting processes employ individuals from textile professions from the Carinthia region, who were generally left unemployed after the collapse of the local textile industry, despite their wealth of knowledge and diligence. In 2016, Dobrote employed six people, four of whom were older and disadvantaged individuals.

There is a lot of creativity taking place in Tekstilnica, enabling the social enterprise to offer various products made from the collected textiles, such as uniquely designed hand-bags, shopping bags, slippers, head and back rollers for comfortable seating, bean-bags and industrial rags and wipes.

⁶ Sections 5 and 6 are based on Slapnik at al., 2016

Tekstilnica also has an important educational role to play. Its main activities for raising awareness are “swap parties” to stimulate the exchange of clothes, organising creative workshops and events, sharing of stories, and producing public relations materials. They educate about the impact of cotton production and dyeing of textiles on the environment.

Tekstilnica’s vision is based on bringing together different societal sector perspectives, to enable local sector integration and, at the same time, a global reach in terms of sales, awareness raising and knowledge creation.

Sebastjan Pikl, one of the lead founders of Tekstilnica, classifies this enterprise into the first of two bottom-up social enterprise groupings that, according to him, are currently developing in Slovenia, namely among the ones that are oriented around self-sufficiency and re-use. His classification is based on the network society theory by US-Spanish sociologist Manuel Castells. For Pikl, the network society, despite its threats of social underdevelopment, can act as a local-global accelerator for a social economy and social entrepreneurship in Slovenia, if its potential for “self-programmable work” is unleashed.

The “network society”, for Castells, is a society in which all key social structures and activities are organised around electronically processed information networks. The basic distinction in the conceptualisation of work and labour within the network society runs along the lines of “self-programmable work” and “generic labour”. The creators of programmable value, on the one hand, should be able to independently process information into a specific knowledge. Self-programmable work has the autonomous capacity to focus on the goal assigned to it in the process of production, find the relevant information, recombine it into knowledge using the available knowledge stock, and apply it in the form of tasks oriented towards the goals of the process. In fact, CAAP (Centre for Alternative and Autonomous Production), located in Maribor, Slovenia’s second largest city, has been established very much with that purpose. Generic labourers, on the other hand, must be able to adapt to the requirements of businesses and be prepared to be replaced at any time by machines or spare labour.

However, so our argument goes, a community and society must be able to exercise its right to exist as a people and as citizens through their own collective action. Here are two clues how that may work:

- The autonomy and self-programmable capacity of societies and labour is developing “local-globalisation”, as we see at CAAP. People are creating local self-sustainable “multitudes” and integrating them into the global “network” economy.
- New economic models and sustainable processes produce “social technologies”, defined as methods and designs for organising people in pursuit of goals.

That brings us to a newly emerging form of economy: the social economy, of which the cooperatives referred to above, as well as social entrepreneurship, constitute significant parts. It seems that the social economy, which studies and deals with the relationships between the economy of social behaviour on the basis of social morality, ethics and other humanitarian philosophies and develops itself through the need for new solutions to social, economic and environmental issues, could address social problems that were overlooked (or inadequately met) by the public or private sector and may offer some important answers in the creation of a strong, sustainable and inclusive society.

Social entrepreneurship, then, within a social economy in the European Union includes cooperatives, associations, foundations, mutuals and other new forms of social enterprises as limited liability companies, not profit oriented. For Pikel, in Slovenia, social entrepreneurship is currently developing around two bottom-up concentrations:

1. *Oriented around Self-Sufficiency and Re-Use:* The first is arising from the need for food self-sufficiency and re-use of materials and products - an existential and ecological cultural archetype. These initiatives are in most cases locally integrated and employ disadvantaged groups. To some extent, such groups seek to mitigate the consequences of “generic labour” replacement. One can see such initiatives as front-runners in the search for new integral and sustainable economic models. Some prominent Slovenian examples are Cooperative Dobrote, ORZ - Environmental Research Institute with the network of REUSE Centres, Cooperative Slovenjske Konjice, Cooperative Dobrina, Moja Štacuna and the socially innovative Development Cooperative eTRI with a unique business model focusing on three main areas: ecology, ergonomics and ethical economy. In particular, in the years 2012 to 2015, eTRI has been an inspiring role model within the country.
2. *Oriented around a Sharing Economy:* The second segment includes the emerging creative industries and economies of the “sharing economy”. Co-working, crowdfunding and crowdsourcing are locally and globally oriented with a strong design and information technological potential. They constitute a network potential and opportunities of self-programmable work. Slovenian examples are Poligon, a creative centre and training ground for creative communities and self-employed entrepreneurs operating in the field of creative economies, social entrepreneurship and culture, as well as CAAP, the communal social centre in Maribor, and Knof, the regional social incubator for the Posavje region.

Pikel, together with environmentalist Urša Zgojznic, underlines his argument through the practical demonstration of the case of Tekstilnica, as described above. To strengthen our argument for the significant potential for a Social Knowledge-Based Economy in the country we now turn to conclusions of two surveys on social entrepreneurship in Slovenia.

Revival of the Social Enterprise sector in Slovenia and Support for Social Economy

After some 20 years of sovereignty, and after having initially been praised for its seemingly non-problematic transition from a socialistic self-management system to the Western European market economy approach, Slovenia has been seeking in the period 2009 – 2015 for an alternative path out of the current economic crisis. Rising interest in alternative economic development models has also contributed to a certain revival of the social enterprise sector, supported to a certain extent by two legal and policy documents: the Social Entrepreneurship Act in 2011 (Državni zbor, 2011) and the Strategy of Social Entrepreneurship (Vlada, 2013).

Fiscal austerity measures on the one hand reduced grant support to the non-governmental organisation sector and on the other hand opened up possibilities for the public sector to outsource certain public services to private entities (the system of “koncesije”) and to focus on bringing about social inclusion in strategic policy documents opening up funding schemes for work integration and social enterprises. However, the number of registered social enterprises is still relatively small (83 in May 2015), and they face a number of barriers constraining their start-up and development (Adam, 2015). Despite that, the potential for the social enterprise sector is considered to be substantial.

A European Commission study called *A Map of Social Enterprises and Their Eco-Systems in Europe* estimates that there are around 900 organisations in Slovenia which potentially fall within the European Union operational definition, whereby their distinguishing characteristics are their sense of social and societal purpose combined with the entrepreneurial spirit of the private sector (Kadunc and Bohinc, 2014). The main legal forms taken by social enterprises are believed to be cooperatives, institutes, associations and other non-governmental organisations undertaking economic activity. Registered social enterprises include associations, institutions, foundations, private limited companies and cooperatives. However, other *de facto* social enterprises also exist and are set up using the legal frameworks of Zavod, a company for the disabled, cooperative and non-governmental organisation. The European Commission study observes that the concept of social enterprise is very new to Slovenia since it was used for the first time in the context of European Social Fund (ESF)-supported pilot projects launched in 2009 to support the development of social enterprises. Together with other independent studies it points to barriers for the sector’s development such as weak business skills among the majority of social entrepreneurs, a still limited understanding of the social enterprise concept among the general public (together with a certain conceptual confusion and even stigmatisation of social entrepreneurship), issues related to the design of public support and access to finance (see also Adam, 2015; Spear and Galera, 2010).

According to Frane Adam, one of Slovenia's leading social scientists, and his co-workers (2015) many existing cooperatives operate more on the principles of "ordinary" business companies, which is also a result of processes of privatisation since independence. The majority of cooperatives, so Adam says, ignore the key cooperative principles—such as joint ownership and employee involvement in decision-making processes. At the same time, in recent years a revival of "true" cooperativism has been recorded in various fields. A number of (local) cooperatives emerged that can be classified into the (narrower) framework of social entrepreneurship, and they operate in different areas (e.g. self-sufficiency, social security, ecology, tourism, rural development).

In this innovative climate we find organisations with self-programmable work in the framework of a network society (see Pikel, earlier in this paper) and different organisations in the field of social entrepreneurship as considered by Adam (2015): registered social enterprises, non-governmental organisations, cooperatives, sheltered workshops, employment centres and enterprises with a social impact. The last category includes companies, which cannot be placed in any of the above categories but which still meet one (or more) of the criteria for social entrepreneurship. One of the most well-known companies that can be classified in this category is Domel, which has a rich history of operation.

Frane Adam makes the case for a shift in focus within the social economy to a particular form of social enterprise: newly emerging (micro and small) businesses with a social impact, furthered mostly by (highly) educated young people (Adam, 2015). This phenomenon does not have much to do with the "classic" type of socially responsible company but is about companies that are in their very essence a business model for solving social or environmental problems, creating a positive social impact. Their additional feature is the high degree of creativity and innovation, whether with regard to technology or service. Many of these companies are developing within the framework of new supportive-collaborative environments such as start-up and co-working centres. Quite a few are successful also at an international level, including through the help of crowdfunding.

Tadej Slapnik, State Secretary in the Office of the Prime Minister, illustrates the potential for worker cooperatives in Slovenia via four scenarios to build on them in different ways, and makes the case for their ability to foster economic democracy in the country. The Slovenian Forum of Social Entrepreneurship, founded by Slapnik, is then geared to actively "grow" a cooperative society.

Four scenarios for the establishment of worker cooperatives are already feasible according to the existing legislation in Slovenia:

1. Employee buy-outs of companies in distress or bankruptcy
2. Privatisation of state-owned enterprises
3. Creation of new jobs for redundant workers

4. Retirement of company owners without successors to take over the family business (less likely at the moment due to the relatively low average age of company owners; expected to grow in the future).

The above mentioned bottom-up and top-down processes and conceptualisations, taking also into account an immense potential for development of social economy, culminated in the project of promoting social entrepreneurship, cooperatives, economic democracy and creative industries included by the ruling coalition in the coalition agreement, and the government began realising this in January 2015. The work of key actors in these fields is connected through a system of government councils and commissions led by Tadej Slapnik. A complex set of measures, including financial instruments, is being designed or already in the process of implementation. Among them, the subproject to promote social entrepreneurship aims to secure 11.5 million EUR from public funds, while 10 million EUR should be acquired from European Union funding. The Ministry of Economic Development and Technology also foresees about 2 million EUR of private funding. One of the government's targets is to reach the European Union average level of employment in the social economy sector.

A number of legislative changes (such as the establishment of a guarantee scheme, which would make it easier for workers to obtain loans for the purchase of companies, or changes in the Social Entrepreneurship Act) are in the pipeline or have already been adopted. A series of conferences and other publicly promoted events with highest government representatives and a number of relevant stakeholders took place in 2015. The visit of the Secretary General of the European Confederation of Labour Cooperatives, Bruno Roelants, to Slovenia in July 2015 is only one sign that international cooperation is evolving, too.

Conclusion

The conceptual framework of Integral Economics enables the innovative interpretation of home-grown practice cases of a social economy and an integration of Slovenia's significant potential for a Social Knowledge-Based Economy. Furthermore, it leads to a genuine integration of this economic path with three other integral green economy approaches into a national model that we named Integral Green Slovenia (see Figure 3), with values of sustainability and social responsibility at its core, and elaborated in a recent book with the same title (Piciga et al., 2016).

Integral Economics (Lessem and Schieffer, 2010) provides a strong theory base as well as global role models for a new economic paradigm. By actively working with and creatively co-evolving the original integral theory base, a powerful vision for an alternative economic and societal perspective for Slovenia has been generated. The volume *Integral Green Slovenia* argues that by building on the country's potentials for all four integral

economic paths and fundamental values underlying its cultural heritage, Slovenia has the opportunity, in both theory and practice, to co-evolve a knowledge-and-value based economy and sustainable society that can serve as a pilot case for the integral green approach at a time when Europe is seeking to develop a smart (knowledge-based), sustainable and inclusive society and economy.

In conclusion, the theoretical framework of *Integral Worlds* (with its transdisciplinary, transcultural and transformative character) has been applied in an original and practical way to Slovenia:

- by placing fundamental values, underlying the Slovenian and European cultural heritage, in the centre and as the starting point of practical policies and measures;
- by authentically building on Slovenian culture as well as incorporating elements of neighbouring and other cultures;
- by connecting and upgrading a number of Slovenian good practices, aligning them with (already) internationally recognised models of an integral economy and for sustainable development;
- by the smart integration and effective implementation of EU developmental policies based on sustainable development principles.

Based on the theory of Integral Economics, social economy is regarded as one of the key policies for sustainable development, in addition to the policies that are commonly listed (e.g., green economy, sustainable development of towns, sustainable rural development). It is in actively moving towards such a social knowledge-based economy that we see a healthy economic future for Slovenia, ultimately becoming a potential economic role model for Europe as a whole.

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The Role of CSOs in the Development of Social Entrepreneurship

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Abstract

CSOs have been on the forefront of the development of social entrepreneurship in Macedonia. Available analysis and research indicates that most of the existing social enterprises (SEs) in the country have emerged from civil society organizations (CSOs). The aim of this paper is to analyze the relation between civil society and social entrepreneurship in the country. The paper examines the key drivers that influenced the uptake of social entrepreneurship by the civil society organizations. In this regard, the paper analyses the historical development of CSOs in Macedonia in different socio-political contexts and the ways it relates to SE. Furthermore, it explores how the legal framework and availability of state support influenced the emergence of social enterprises within the civil society sector. Finally, the paper examines the various typologies of SEs within the CSOs that developed under the influence of these circumstances. This paper relies on research data and outputs from the project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises” financed by Regional Research Promotion Program/ Western Balkans. Defining the strong relation between CSOs and SEs in the country, the paper is identifying the factors that enable key role of CSOs in the development of social entrepreneurship in the country.

Key words: civil society organizations and social enterprises

Introduction

The aim of this paper is to analyze the relation between civil society and social entrepreneurship in Macedonia. We are questioning whether the social entrepreneurship, as relatively new phenomenon, is an EU imported or indigenous effort closely related to the development of civil society in Macedonia. The review of the historical development of the civil society and research findings provides the answers and underlines what drives the development of CSO social enterprises (SEs). The link between CSOs and social economy is reviewed through analysis of the characteristics of the civil society in

different historical periods in light of the features of the social enterprises as we know them today. Based on previous mapping and research this paper presents the socio-political contexts and availability of state support that influenced the sector and its economic activities, thus modeling the typology of SEs deriving from CSOs. This paper relies on research data and outputs from the project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises” financed by Regional Research Promotion Program/ Western Balkans⁷.

The role of the CSOs’ context

Brief historical review of the characteristics and the stream of development of civil society is essential for elaboration of the context in which social enterprises evolved in Macedonia. The development of CSOs and SEs is largely influenced by the legal framework and the institutional support within different periods. This part of the paper elaborates the characteristics of the social enterprises noted in the CSOs and their predecessors in the SFRY as previously explained.

Because it is theoretically challengeable to elaborate about civil society within Socialist Federal Republic of Yugoslavia (*hereafter* SFRY) this paper focuses on the organizational forms that exist during this era and are recognized as “predecessors” of the civil society organizations today. The activities and the features of these organizational forms are analyzed in light of the characteristics of the social enterprises as defined today.

The change of the political system with the establishment of sovereign and independent Republic of Macedonia was accompanied by the development of fully fledged civil society. But the transition and the new system brought new challenges and diminishment of organizations that had characteristics of social enterprises because of lost continuity in various aspects such as the possibility to provide economic activities and have property.

THE PERIOD OF SFRY

The Yugoslav socialist period provided an insulated societal system that maintained basic social services and assured high (if not universal) employment. The system, in short, provided an adequate material living standard (albeit at allow level of development in a substantially non-market economy) in an environment characterized by largely-absent political rights and freedoms. (Blair et al., 2003) The socialistic regime does not entail independent and free civil society. However, during the period of the existence of the Socialist Federative Republic of Macedonia as part of SFRY organizations defined

⁷ This regional research project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises” is supported by the Regional Research Promotion Program (RRPP) Western Balkans and is implemented by five partner organizations: “Reactor – Research in action”, “Konekt” and “Public” from Macedonia, “Partners Albania” from Albania and “Center for peace and tolerance” from Kosovo.

as “society organizations” and “associations of citizens” existed and were connected to and controlled by the state. The socialistic modernization of the country provided basis for emerging of many cultural, sport, charity and professional organizations, although under control of the League of Communists of Macedonia during the socialist period (1945-1990) (Klekovski et al., 2006, p.10). The social organizations as part of the socialistic system were dedicated to spreading the values of the system. They did not act as a civil counterpart like they do in the present context. They received valuable support in assets and financial resources by the state which enabled their sustainability and had internal democratic governance (self-governance). The legal framework defined their fields of activities which resulted in development in many organizations that target youth as their beneficiary. Availability of state support enabled growth in the number of legal entities of this type. For instance, the number in 1967 is 1.004 and subsequently grows: 1138 in 1968; 1535 in 1971; 3007 in 1980. (UNDP, 1999; MCIC, 2003; Stojanova D., 2011 in Klekovski et al., 2011).

The legal framework had important influence on the modeling of what we call today CSOs. Law on the associations of citizens from 1972 doesn't precisely declare the purposes of these organizations except that they are established in light of the freedom of association of citizens and leaves this matter to be defined in the statutes of the associations of citizens. (Law on the associations of citizens, 1972, Article 1 and 2) The sources of funding of the association of citizens were defined in their internal acts as provided by the 1972 law. This law does not explicitly regulate the possibility for conducting economic activities which during this period did occur in practice. The subsequent Law on the social organizations and associations of citizens from 1983 declares that these organizations are part of the socialist self-governed system defines that their purpose is to develop various educational, scientific, cultural, technical, social, humanitarian, sport and other activities (Law on the social organizations and associations of citizens, 1983 Article 2). The 1983 law defines that the societal organizations can establish “working organization” for conducting economic activities which will serve the purposes and the activities of the social organization as defined in its Statute of by law. This indicates the use of the asset lock principle of the social economy. Within the same Article 15 this legal act has liberal approach affirming that the society organization can directly perform economic activities if there are not enough conditions for establishing separate organization. However, more restricted approach is applied for associations of citizens which cannot directly perform economic activities. The legal provisions that regulated the governing structure of this type of organizations is in line with the criteria for democratic governance which in today's context is related to the concept of social enterprises (Articles 6,7 and 8 from the Law, 1973; Articles 10 and 11 from the Law, 1983; and Article 10 from the Law, 2010).

The political setting and the systematic support that these organizations enjoyed created favorable environment for their development as a type of social enterprises. Part

II.a of this paper illustrates the model and its features. The analysis of the legal framework of this period and the conducted consultations and semi-structured interviews⁸ with relevant representatives that witnessed the developments in this period (70s` and onwards), confirms the existence of a vibrant pool of association of citizens that provided services and implemented activities with wide range of purposes. Interviews show that providing services to targeted groups (eg. youth) were a source of income as well as the state budget. Typical examples for this type of organizations are youth and cultural centers which provided educational courses as well as discounted travel and accommodation services. These organizations and many others (such as the scout organizations) managed property of significant value and maintained financial sustainability in this period. Social organizations that functioned in this period embodied principles of social entrepreneurship as we know it today. For that reasons one of the models of SEs that we identify today are the organizations that functioned in this period (*see part II.a Social organizations*). These organizations underwent transformations defined by legal and socio-political circumstances.

FROM 1990 TO 1998

The political transition from socialistic to democratic political system is often connected to the emergence of civil society as we know it today. The independence of the Republic of Macedonia in 1991 and transition towards market economy has resulted in high unemployment rate, (as state enterprises have downsized), decline in the government provision of services, increased social disparities and decrease in the standard of living. (Blair et al., 2003). These social changes led to marginalization of many social groups and serious gap of social services. Within this transitional period a lot of civil society organizations were established in order to address current needs of the social context. In the beginning of the 90ties, following the brake down of Yugoslavia, there is a trend of establishing of humanitarian, charity and youth organizations (Strategy of the Government for Cooperation with NGOs, 2007-2011, p.15). This is due to the economic and refugee crises which depict the period of dissolution of Yugoslavia. Foreign donor support became available in the early 90ties (Klekovski et al., 2006). Consequently, following the foreign donors values and new political development, mid 90ties are known for the establishment of civil society organization focusing on human rights (Strategy of the Government for Cooperation with NGOs, 2007-2011).

In 1990 the number CSOs is 4.203 (UNDP, 1999; MCIC, 2003; Stojanova D., 2011 in Klekovski et al., 2011). Consequently, the number of civil society organizations grows. In the 1990-1998 period 3.295 organizations are newly registered (UNDP, 1999 in Klekovski

8 In the beginning of 2015 the authors conducted semi-structured face-to-face interviews with 7 knowledgeable representatives from the civil society sector having institutional memory especially about the transition from one to another legal and support framework.

et al., 2006). Moreover, the independence brought different defining of the civil society sector and its separation from the state system which for the civil society organizations meant financial independence. In the beginning of 1990 the foreign donors started to be active which influenced the field of interest of the organizations (Klekovski et al., 2011) and their sources of funding. In this period the organizations are restructuring their characteristics as “non-governmental” entities that are fully separated from the state actors and serve as their corrective.

Similar to previous legal formulations, the Law on social organizations and association of citizens of 1990 defines the aim of these organizations in the contribution towards the development of diverse activities that are fulfilling economic, political, cultural, scientific, educational, social, humanitarian, sport, and other professional and other needs. The social organizations (*see II.a*) were re-established under this law or as other legal entities - national institutions. In Article 34 the 1990 Law permits performing of economic activities if legal request for the conduction of the particular business activity are fulfilled. This legal framework (Law on the social organizations and associations of citizens, 1990) enabled possibility for economic performance for the purposes of reaching social goals.

The socio-economic circumstances, the legal possibility to perform economic activities and foreign donor aid resulted in development of CSOs that aim to bridge the gap in the provision of public services in many areas such as social care, education, health, culture, etc. New wave of civil society organizations were established and even today they play a key role in providing services particularly to vulnerable groups. These circumstances had influence on the development of the service provision model of CSOs/ SEs (in this and in the following period) focused on marginalized groups in society that have been left out by the transitioning state. (*see part II.c Service provider model*).

THE CHANGED CONTEXT (1998-2010)

Macedonian civil society actively contributed in the resolving the consequences of humanitarian crises such as the war in BiH, the Kosovo crises and the 2001 ethnic conflict in Macedonia (Strategy of the Government for Cooperation with NGO, 2007-2011 and Klekovski et al., 2011). Within this period the civil society sector becomes diversified in the spectrum of issues that it covers engaging in: environment; youth and children; human rights; gender equality; democracy and rule of law; cultural diversity and dialogue; education; employment etc (Strategy of the Government for Cooperation with NGOs, 2007-2011). The sector becomes visible in the important role that it plays in the society. The Republic of Macedonia has been a candidate for accession to the European Union since 2005 and receiving this status meant availability of the additional resources for civil society organizations within the Instrument for Pre-accession Assistance (IPA) of the EU. There is a growth

of the number of civil society organizations between 2003 when there are 5.769 and 2009 when there are 10.700. Possible factors include: simple administrative procedure for establishment regulated by the Law of 2007; and the new funds and possibility for financing by the foreign donors especially the EU (Klekovski et al., 2011, p.19). Main challenges that the civil society sector faces includes: lack of self-regulation; low level of internal democratic governance; small number of larger organizations with developed internal structure; dissatisfied level of transparency in the field of finances; insufficient financial resources for fulfilling of their goals and dependence on foreign donors; lack of cooperation with others stakeholders in the society etc. (Strategy of the Government for Cooperation with NGOs, 2007-2011). Even though, research (Klekovski et al., 2011) focused on the situation in 2009 shows that it is rare for one source to comprise more than 80% of the total budget of an organization, international and foreign donors (including the European Union) are the main source of financing for the majority of CSOs in Macedonia, but it is not negligible that the membership fee is also one of the sources of financing for the majority of CSOs (51.2%) (Klekovski et al., 2011). On the other hand, data on the structure of the revenue of civil society sector shows that 17% in 2008 and 13% in 2009 of the revenue is from sales of own products, goods and services (Smilevski, 2012). This is a clear indication of the existence of economic activity despite the legal framework.

Macedonia has a normative approach to civil society, with the relevant Law defining civil society as a 'value-driven' sector. The Law on Citizen Associations and Foundations of 1998 introduced new definition of civil society: association based on values and interests, which are positive, non-partisan and not-for-profit (Klekovski et al., 2011). The Law from 1998 restricted the possibilities for economic activities of CSOs. The article 7 of this law states that the associations of citizens and the foundations cannot perform economic activities, unless they establish separate legal entity (trading company or Joint Stock Company). As previous legal solutions this law also envisages democratic governance of the entities and use of the gained incomes for the purposes defined by the entity within its Statute (Law on associations of citizens and foundations, 1998). Furthermore, according to article 82 and 83 the property and assets allocated to social organizations and associations of citizens received for use by the former political system are considered state owned. The usage of this property (in many cases offices) could continue only if the organization which is legal successor agrees to pay rent fee to the state envisaged by agreement (Law on associations of citizens and foundations, 1998).

These legal circumstances created a great challenge for maintaining continuity of the organizations established in the previous system which had the characteristics of what we call today social enterprises. The social organizations underwent transformation in this period. (*see I.a Social organizations: Transitional period and the model today*). Some of them diminished because they could not cover their operational cost. For illustration, "Pionerski dom Karposh", now Children Cultural Center Karposh, is a rear example of an

organization that continued to work (previously this kind of organizations were present in every city in Macedonia). In this case the organization is re-established as a national institution by different law. Expectedly, this influenced the entrepreneurial spirit and the defining of the civil sector as one that does not directly perform economic activities. While the state support was limited, the availability of foreign funding maintained the provision of services provided by existing and new organizations and enabled transfer of know-how, knowledge and good practices. Furthermore, in this period the foreign donors enable the development of wider range of social services to marginalized groups that were not previously available in the country (*for illustration see the example of the organization “Open the Windows” in Il.c*). The service providing social enterprises functioned within the CSO because of the restrictive legal framework. Covered with foreign donor aid the services were provided to the beneficiaries (users of the services) free of charge and they were not aware about the service costs which proved to be challengeable when organizations could not enable their sustainability.

CSOS IN MACEDONIA FROM 2010 ONWARDS

The period after 2010 is characterized by professionalization of the CSOs. The sector is actively involved in policy advocacy. Think-tanks and watchdog organizations emerge and their expertise is recognized by the institutions and the public. The number of CSOs in 2010 is 11.326. (Klekovski et al., 2011). The Law on association and foundations from 2010 requested additional registration of the civil society organizations. According to latest available data from the Central Registry of the Republic of Macedonia there are 4.156 organizations registered until 31.12.2014.⁹ Overall, the state funding to CSOs is very low. In 2014 it amounted to around 2.317.050 EUR i.e. less than 3% of the overall revenues of the sector¹⁰. The system for financing of social services in public benefit provided by the CSOs is not developed and remains at small scale project funding. Structural socio-economic challenges are identified by: high unemployment rates, poverty, social exclusion of vulnerable groups etc. (Kusinikova, 2017 not published). Political crises and instabilities slowed the EU integration process of the country.

As a result of advocacy efforts of civil society, the Law from 2010 reopened the possibility for performing economic activities thus providing adequate enabling environment for social entrepreneurship within the sector. This provided additional source of income in a setting in which one of the main challenges of the CSOs is to provide financial sustainability. As the Law requires, the profit should not be the purpose for itself, but will be reinvested/ used for the defined purposes of the civil society organization and for

9 For more information see: Economic Value of the Non-profit-Sector in the Western Balkans, BCSDN (2015) <http://www.balkancsd.net/novo/wp-content/uploads/2015/11/econ-value-02.02-vertical-11.png>

10 Calculation conducted based on the data available at <http://mcms.org.mk/images/2016/direktno-budzhetsko-finansiranje-za-gragjanskite-organizacii-osnoven-pregled.pdf> and http://www.balkancsd.net/novo/wp-content/uploads/2015/11/Report-on-the-Economic-Value-of-the-Non-Profit-Sector-in-the-Countries_final.pdf (Kusinikova, 2017 not published)

financing of its activities (as well as regular expenses including honoraria) (Miov, 2013). Also, when the direct economic activity is performed, the activity itself must be related to the objectives of the organization. The law, also, embodies the characteristics of the social entrepreneurship such as asset lock and democratic governance. The Law on association of citizens and foundations from 2010 opens the possibility for social contracting within a mechanism of public authorization. Transfer of authority from the central and local government to civil society organizations (possibility to provide social services) is made possible in line with a program and procedures defined by the institutions and other laws (Miov, 2013) (Law on association of citizens and foundations, 2010, Article 90).

Additionally, the 2004 Law on Social protection provides the opportunity for social contracting between the civil society organization and the Ministry for Labour and Social Policy. Civil society organizations are active in providing services especially in the field of social care, health and education. Since 2004 there is a special registry within the Ministry of Labor and Social Policy for CSOs that may perform services in the field of social protection under the conditions determined by the Law on social protection. Latest data show that there are more than 54 organizations registered (Ministry of Labour and Social Policy, 2016). The inclusion of CSO as service providers in this area is also stressed in the National Programme for Social Protection Development 2011-2021. Policy documents contribute towards the development of social entrepreneurship from the civil society sector. National Strategy for Employment and Skills, 2014-2020 foresees design and implementation of encouragement measures for social entrepreneurship and social business aiming employment of marginalized and disadvantaged groups (National Strategy for Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020, p.17). There is not an official legal or policy definition of social entrepreneurship in Macedonia and it seems that there is not common understanding of this term within the civil society sector. Currently in Macedonia there is not any mechanism for financing of social entrepreneurship and only few donators are interested in this field (Kusinikova, 2014). The Strategy for Cooperation between the Government and the Civil Society Sector 2012-2017 includes set of measures for economic development and cohesion among which the drafting of law regulating social entrepreneurships and creation of models for cooperation with CSOs in the field of education, health, culture etc is explicitly accented (Strategy for Cooperation between the Government and the Civil Society Sector 2012-2017). This additionally may suggest that the development of the social economy and social entrepreneurship in Macedonia is essentially connected with civil society sector. Draft Law on Social Entrepreneurship was released in July 2015 but received criticism since it was dominantly concentrated on work integration model of SEs (see II.b *Work integration model of social enterprise*) which exists as an response of the high unemployment rate of the country especially when it comes to marginalized groups. The draft Law did not provided precise measures for SEs development and support. This resulted in current development of new draft text.

In circumstances in which the financial sustainability is a great challenge for the civil society organizations the opportunity for conducting economic activities is of a great importance. Moreover, it is very important for civil society to ensure its financial sustainability in a situation of the developing withdrawal of currently major foreign sources of funding (Klekovski, 2011). These circumstances raised the interest among CSOs for development of plans for social entrepreneurship and to be a vocal advocate for enabling eco-system for development of social entrepreneurship in the country. The possibility for performing economic activities motivated CSOs to develop business approaches and charge for their services. The option for social contracting provided additional possibility for development of social economy in Macedonia. This framework was utilized by CSO in the field of providing services and de-institutionalization of marginalized groups such as “Poraka Negotino” and “Pokrov”. These activities are also supported by available funds within the Instrument for Pre-accession Assistance (IPA) of the EU and the European Instrument for Democracy and Human Rights (EIDHR) under employment and social cohesion priorities. The legal circumstances and available foreign donor support have effect on the development of the service provision model (*see II.c Service provider model*)

Typology of social enterprises in the civil society sector

Recent research (Ilievski et al., 2016).¹¹ conducted on a sample of 23 social enterprises confirms the close tie between SEs and CSOs in Macedonia. Association is the predominant form of SEs in the sample which was constructed based on a wider mapping in order to provide typology of the SEs in the country.¹² The research used wider EMES - International Research Network definition of SEs¹³ and its mapping (in absence of official registry of SEs or legal entity) was focused on identifying entities that are the most representative examples of SEs in the country. 16 of 22 formal entities of the interviewed SEs were registered associations of citizens.

11 Ilievski, K. Iloska, A. Kusinikova, N. Mirchevski, V. (2016). Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises. Project “The Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises”. Skopje. Public and Konekt.

12 For more information on the methodology see: <http://socialenterprisesbalkans.org/macedonia-en/wp-content/uploads/sites/3/2016/08/Challenges-and-opportunities-for-employment-of-marginalized-groups-by-social-enterprises-in-Macedonia1.pdf>

13 Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity (Defourny and Nyssens, 2008).

Table 1 Organizations' age

Table 1: Maturity of the organization¹ <i>(2016- year of establishment)</i>	No. of CSOs SEs <i>(social enterprises registrated as CSOs)</i>
from 0 to 5 years	1
from 6 to 15 years	6
from 16 to 25 years	5
over 25 years	4

Civil society organizations are interested in the concept and the survey shows that the most common initiators for establishment of SE are groups of citizens or non-profit associations. The maturity of social enterprises re-confirms the specific historic legacy – forms of what we call today social enterprises existed for more than quarter century ago. Furthermore, associations are the most interested in the concept of social entrepreneurship and are the most vocal advocates for adopting targeted policies in this area (Ilievski et al., 2016).

Based on the historical context and entrenched practice of the CSOs, three distinctive models have been identified within the civil society sector. They are all characterized predominantly by provision of services (to lesser extent goods) to variety of target groups. The different typologies of social enterprises operate on a rather wide spectrum of entrepreneurial activity from almost minimal economic activity and dominant dependence from grant funding to highly entrepreneurial organizations. Nonetheless, due to their legal status, regardless of the typology, they are all non-profit in nature. The social enterprises within the civil society sector undertake the market-base activity to either: a) ensure diversification of funding and sustainability of the organization (and its social mission) or b) as a core mission program towards achieving a social or environmental change.

The basic three types of social enterprises within the civil society sector are:

- 1) Social organizations
- 2) Organizations incorporating Work Integration Model, and
- 3) Service provider model which consists of two sub-types: provision of mission and non-mission related goods and services.

It is important to notify that the task of describing and analyzing the three typologies proved to be quite challenging due to lack of almost any data, analysis and relevant documents (beyond the legislation). Thus the overview provided below mainly relies on interviews and case studies of social enterprises belonging to each of the typologies.

Social organizations

OVERVIEW OF THE MODEL

As a model, social organizations (SO) are associated to the socialist period i.e. during the Socialist Federative Republic of Macedonia (SFRJ). Even though their mission and profile did not necessarily derive from the socialist ideology (such as for example “Sojuz na izvidnici”¹⁴) they were established and thrived during this historic period. They were part of the larger structure of umbrella organizations and councils (such as the “Sojuz na socijalisticka mladina na Makedonija”¹⁵) where the state played dominant role. Nevertheless, numerous socialist organizations embodied the principles attributed to the social enterprises in the recent academic and policy discourse such as:

- Explicit aim of benefitting the communities or particular community groups
- Providing goods and services to specific target groups
- Using entrepreneurial principles to achieve their goals
- Any generated income surplus is re-invested in the organization and in serving the target groups
- Participatory governance structures

In this regard, the model of social organizations is of particular importance for the development of social entrepreneurship in Macedonia. It demonstrates that there was a tradition of social entrepreneurship despite the general opinion that it is a recent trend influenced by the EU’s increased interest in the concept. Analysis of this SE typology can provide valuable knowledge, lessons learned and encouragement in further development of the concept in the country.

The outline of this particular model of social enterprises is illustrated through the cases of “Ferijalen sojuz na Makedonija”¹⁶, “Sojuz na izvidnici” and “Pionerski domovi”¹⁷.

SOCIAL MISSION AND MAIN FIELDS OF ACTIVITY

Each of the social organizations had¹⁸ a mission to serve a particular social group. The social organizations which operated as social enterprises were typically targeting children and young people providing variety of services. The main field of activity for these organizations was in the area of culture, education, youth mobility, sports etc. The main

14 Scouts Union

15 Union of Socialist Youth of Macedonia

16 Union of Youth of Macedonia

17 Pioneer houses i.e. Pioneer centers

18 Past tense is used since the outline of the model refers to the modes of functioning of the social organizations during the socialist period. Even though they still exist, during the transformation process their services and modes of operations have been modified.

principle of their services was to provide children and youth with opportunities to develop and gain new knowledge and skills for prices significantly below the market value. In some cases, the provision of services was decentralized i.e. the services were created and delivered in each municipality such as the case of “Pionerski domovi” (see below). Services were available to the SO’s members but also to the wider target group. In cases where membership was required it was of pro-forma nature; it did not stipulate strict requirements and was not exclusive in nature.

The aim of the “Ferijalen Sojuz na Makedonija” was to encourage youth tourism and mobility. Taking into consideration that young people have limited resources and rarely possess their own income, the organization was providing transportation discounts for their members such as 70% discount on the railway tickets, 50% on the bus transport and 30% on the plane ticket. Additional discount was available for groups of above 6 young travelers. Membership was available to all young people. “Ferijalen Sojuz na Makedonija” also operated recreation resort (camp) in Ohrid and a youth hostel in Skopje which were providing discounted accommodation and vacation opportunities for young people (in groups or individually). “Sojuz na izvidnici” also operated several camps in Ohrid and on the Adriatic Sea. Besides providing discounted accommodation, “Sojuz na izvidnici” also integrated work and travel type of services. The organization’s members could apply for array of volunteer working positions within the camps (administration, cleaning, cooking, maintenance etc.) and stay at the camp free of charge for up to one month. Thus, the organization was not only providing affordable vacation but moreover, it enabled young people to gain work experience and build new skills.

The “Pionerski domovi” were established with a mission to address extracurricular cultural needs of the children. In their premises (assigned to them by the state), they provided classes in ballet, folklore dances, drama, journalism etc for an affordable price (tentatively 11% of the market value). “Pionerski dom” existed in every municipality thus the services were available to children throughout the country.

INCOME GENERATION AND DISTRIBUTION

The social organizations had diverse funding base. Their sources of funding included state support, membership fees, market-based revenues (fees for services), and occasional corporate contributions. The state provided direct and indirect support to the core costs of the organizations. It allocated capital assets to the social organizations that the SOs managed and utilized for their social mission related services and further income generation. As a direct support, the state was providing full subsidies for the salaries for the full-time technical staff. In the case of the “Sojuz na izvidnici” the state was subsidizing the salary for the Secretary of the organization or the salary of the director and administrative staff of “Pionerski domovi”. In addition, percentage of the Lottery Fund

was directed for the projects of the social organizations which were part of “Sojuz na socijalisticka mladina na Makedonija” as well as the operational costs and maintenance of their capital assets.

Some of the social organizations charged membership fees which were very modest and affordable for the beneficiaries. Nevertheless, having in mind that these organizations had large membership base, the collected membership fees were valuable source of income. The funding from the market-based revenues, mostly charging discounted fees for services was used to organize and maintain the social mission activities and programs. In addition to the monetary sources of funding, many SOs (such as “Sojuz na izvidnici”) relied on volunteer engagement in implementing their programs thus providing in-kind leverage.

Social organizations were operating as non-profit legal entities and consequently were restricted by law to distribute the profits. They were allowed to give a right to use the goods of the organization to their members under conditions defined in the statute and in cases which are necessary for achieving the goals (Law on social organizations and associations of citizens, 1983). The surplus income had to be used for the social mission of the organizations. The immovable property had to be strictly used for the statutory purposes of the SOs.

DECISION MAKING AND MANAGEMENT

The social organizations were registered under distinct laws for social organizations and associations of citizens. They were all part of “Socijalisticki sojuz na rabotniot narod na Makedonija”¹⁹. The founders of the social organization prior to their registration were obliged to obtain opinion from the “Socijalisticki sojuz na rabotniot narod na Makedonija” (Law on social organizations and associations of citizens, 1983). In all other aspects of their work, the respected laws provided independence of the SOs in organizing and achieving their statutory aims and activities. Furthermore, the legislation explicitly required high level of participation in the governing and management of the SO. The members were governing the organization individually or through their elected delegates. The law also provided that the organization, composition and principles of work of the bodies of the social organization and association of citizens are regulated in a way to secure collective work, decision making, responsibility and equality for the members of the bodies (Law on social organizations and associations of citizens, 1983).

Based on their field of work, the social organizations were also part of umbrella organizations. “Ferijalen Sojuz na Makedonija” and “Sojuz na izvidnici” were part of “Sojuz na socijalisticka mladina na Makedonija”. On the other side, the Pioneer Houses were part of “Samoupravna interesna zaednica (SIZ) za kultura”²⁰.

19 Socialist Union of the Working People of Macedonia

20 Self-interest Community for Culture

TRANSITIONAL PERIOD AND THE MODEL TODAY

After the independence of the Republic of Macedonia and in particular with the adoption of the new legislation from 1998, the socialist organizations had to transform which significantly influenced their future functioning and the social enterprise model as such.

The social organizations undertook different paths of transformation and development. Numerous SOs including “Ferijalen Sojuz na Makedonija” and “Sojuz na izvidnici” legally re-registered as independent associations of citizens. They maintained their large membership base. However, in terms of their services and sustainability they faced numerous challenges. Firstly, most of the youth serving SOs in the period of 1996/1997 seized to receive direct state subsidies including the Lottery funds. Secondly, the new law restricted direct engagement in market-based activities (Law on associations of citizens and foundations, 1998). Associations that were looking into undertaking economic activities were obliged to establish trade companies. Thirdly, the new legislation had an impact on the immovable property assigned to the social organizations. The immovable property was considered as state property and the SOs were allowed to utilize it for their statutory activities pertaining written contract and payment of rent to the state (Law on associations of citizens and foundations, 1998). In practice, the state took over the property (such as the Youth and Scouts camp in Ohrid) and re-purposed it or in many cases privatized it for commercial purposes. The social organizations were not allowed to utilize it even though they directly contributed with own resources in the building of the infrastructure.

These developments influenced not only the financial viability of the organizations themselves but more importantly it impacted the social services they provided. Some of the services especially those tied to the use of the immovable property fully seized to exist. Other services are still provided but with a limited scope. For illustration the activities of “Ferijalen Sojuz na Makedonija” have changed and are now focused on alternative and temporary housing of marginalized groups and the organization faces serious financial sustainability problems.

“Pionerski domovi” underwent a different transformation path. The “Pionerski dom Karpos” (one of the most popular Pioneer Houses in Skopje) was transformed into “Detski kulturen centar”²¹ as public institution within the City of Skopje. As a consequence, their core funding comes from the municipal budget of the City of Skopje. The center still provides discounted services to their beneficiaries (subsidized by the municipality) and has expanded their commercial activities by introducing new, attractive activities (such as Talent shows). The rest of “Pionerski domovi” seized to exist. The municipalities were not interested in providing extra-curricular cultural services and opted to transform the property of the “Pionerski domovi” for other purposes or to privatize it.

21 Children’s Cultural Center

Work integration model of social enterprise

OVERVIEW OF THE MODEL

Facing the high unemployment rates and social exclusion among vulnerable groups, at the beginning of the new millennium, some civil society organizations have begun looking into the work integration (WI) models. They were inspired by the successful examples of similar CSOs in EU and the Balkan region often replicating their models. After overcoming the legislative challenges, in the last five years several organizations launched work integration programs targeting different disadvantaged groups and a number of them are in their final stages of strategic planning. Their initial success has been promising in terms of further development of this type of social enterprise.

In principle, the work integration model applied by the Macedonian CSOs resembles the typical WI models in Central and South-East Europe. Initially supported by donor funds, the CSO engages in production of goods and/or services. Beneficiaries of the CSO, predominantly belonging to disadvantaged groups and socially excluded communities are engaged in the production and/or selling of the produced good or service. The working engagement of the target groups ranges from sporadic, occasional engagements, to more regular part time engagement and in rare cases full time employment by the social enterprise. The model regularly includes capacity building activities or other related services to the beneficiaries. All generated income is used for the development and growth of the social enterprise or the target group.

Sustainability remains the main challenge of this type of social enterprises. They are vulnerable to competition, face legal challenges and lack proper public support (Kusinikova, 2014). Their role in work integration of vulnerable groups has only recently been recognized by the state, however it is yet to be seen whether new legislation and measures will provide appropriate support to these social enterprises. In the meantime, many of those that launched work integration model prior to the new legislation in 2010 abolished those programs due to lack of financial viability. Some of the social enterprises have also reported challenges in building the commitment and willingness for work engagement of the beneficiaries who prefer to retain their status of social security benefits recipient. However, this sociological aspect of the work integration model needs to be additionally researched and analyzed in order to be considered as a factor in the development of the work integration model of SE.

SOCIAL MISSION AND MAIN FIELDS OF ACTIVITY

Mostly subset of the mainstream value based civil society, the work integration social enterprises have strong social mission. Prior to launching the work integration model, almost all of them were providing various types of social services to their targeted disad-

vantaged groups such as: educational programs, socio-psychological support, immediate relief services, pro-bono legal services etc. Beyond providing direct services, many of those CSOs also engaged in advocacy initiatives. As a consequence, the work integration model usually builds upon the previous experience and positions the vulnerable target groups in the center of the intervention. For the vast majority of the work integration SEs, the products or services that derive from the entrepreneurial activity are of secondary importance. The primary focus is on how to achieve productive work engagement opportunities for the beneficiaries and achieve their full integration in the society.

Typical target groups addressed by the work integration models are people with disabilities, Roma, people combating various types of addiction, homeless and people living in poverty, women victims of violence etc. They are mostly engaged in production of goods such as agricultural products, clothing, artisan and crafts products. In the particular case of the street magazine “Lice v lice”, the vulnerable groups are engaged in selling the magazine. Taking into consideration the needs of the target groups, all of the work integration SEs maintain their dual purpose and combine the work engagement with the above mentioned direct services for the beneficiaries.

INCOME GENERATION AND DISTRIBUTION

Work integration model SEs rely on diverse sources of income. Typically, the start-up funding was provided through grants by foreign donors and international organizations. In the case of “Pokrov”, the Macedonian Orthodox Church donated the land for the therapeutic community and the agricultural activity of the SE. The income for maintaining and growing the operations of the SE is provided by mixed funding such as grants, income from the trading activity of the SE and philanthropic or sponsorship contributions from the corporate sector. Most of the work integration model programs still heavily rely on the foreign (including EU) funding. The CSOs often fundraise through short-term projects which would cover the costs for the staff and administration. They also rely on volunteer support in the management and operations of the SE. The income generated from the economic activity is rarely predominant source of funding for the SE.

The state is increasingly aware of the role of this model of SEs, nevertheless they do not provide direct support through funding or any type of subsidies. Even though, the state has diverse set of Active Labour Market programs and measures where the institutions provide wide spectrum of subsidies for creating new employment in particular among vulnerable groups, the work integration SEs (and for that matter all CSOs) are not eligible to utilize them. Namely, the programs fail to recognize CSOs as employers thus the subsidies are available only to the commercial entities.

Taking a form of association or foundation, these models of SEs are legally bound to asset lock. All generated surplus income has to be invested in the CSO and cannot be dis-

tributed to the founders, board members, members of other bodies etc. In most cases, the work integration SEs operate on the threshold of zero sum i.e. manage to generate income sufficient to cover the core operational expenditures.

DECISION MAKING AND MANAGEMENT

Being a civil society organization, SEs belonging to this type have democratic governance structure and participatory decision making. They are governed by an Assembly which consists of representatives of various constituencies. Depending on the profile and mission of the organization, some of them also involve the beneficiaries of the SE (vulnerable groups) in the governing structures.

In terms of management, the SEs usually have managing board or executive office which is responsible for everyday operations of the SE. Usually it is the same team that manages the other programs of the CSO. This often represents a challenge since CSO managers often lack business management skills which limit the potential for growth of the entrepreneurial activity. In rare cases, the beneficiaries i.e. disadvantaged groups that receive work engagement through the WI social enterprise are directly involved in the management of the SE.

EXAMPLES OF WORK INTEGRATION MODEL OF SE

Therapeutic community “Pokrov” is the first long-term rehabilitation program for drugs, alcohol and hazard additions in Macedonia. Located in the vicinity of the Municipality Strumica, “Pokrov” is example of fully developed work integration social enterprise. The SE is established and managed by the CSO “Izrev” from Strumica. Its main mission is social integration of people combatting addictions. The work engagement is part of the therapeutic program and social integration. In “Pokrov”, the beneficiaries are engaged in agricultural production of organic fruits and vegetables. “Pokrov” consists of a building which accommodates the beneficiaries and where they receive the other social services (therapy, psychological support etc), and a plot of land with greenhouses for early agricultural production. The SE has mixed sources of funding. The land was provided as donation from the Macedonian Orthodox Church, while initial capital came from the foreign donors and some municipal support. Corporate support was provided for purchasing additional equipment for watering and installing solar panels on the building. Modest fees are charged from the families of the beneficiaries. The SE has signed purchasing contract with a local store for all of their produce. At the beginning of each agriculture cycle, the buyer orders the products and quantities they will need for the year thus the SE needs to meet the requirement. This proved to be successful business approach since the SE has ensured continuous buyout of all produce. The income from the trade activity provides significant funding for the ongoing operations of the SE thus ensuring self-sustainability.

“Lice v lice” is the only street magazine in Macedonia and is part of the European movement of street papers. They provide working engagement of around 40 marginalized people (street youth, people with disabilities, homeless people etc). Besides the work integration, the magazine also aims to fill the gap in the media information market. Thus the magazine covers topics which are rarely covered in the mainstream media such as environmental protection, social engagement, sustainable development, education etc. Half of the magazine selling price is kept by the salesperson (beneficiary) while the other half is used for the educational program for the beneficiaries as well as the costs for publishing the next issue of the magazine. Besides the income from sales, the SE also generates revenues from grants, corporate donations and advertisements in the magazine.

Service provider model

OVERVIEW OF THE MODEL

The third typology of social entrepreneurship within the civil society consists of CSOs that provide goods and services to their target groups. Even though there is no official statistical data, the initial mapping indicates that this is the largest segment of SE models within the civil society. These organizations are registered as associations and foundations. While some of them strictly identify themselves as service providers, many also engage in some form of advocacy activities. The level of entrepreneurial activity ranges from full dependence on donor funding and lack of market-based activities to more consistent entrepreneurial efforts. The main motivation for engaging in market-based activities is to ensure the financial sustainability of the CSO. Until 2010, the direct economic activities of the CSOs were restricted and many organizations engaged in only sporadic and small-scale sales of goods and services. The adoption of the new law in 2010 opened the possibility for strategic and regular direct engagement in mission-related economic activities.

The SEs belonging to this typology can be divided into two sub-groups: 1) CSOs providing mission related services and 2) CSOs providing non-mission related activities. Any distinctive characteristics between the two sub-groups are addressed in the subsequent sub-headings of the paper.

SOCIAL MISSION AND MAIN FIELDS OF ACTIVITY

Vast majority of the CSOs belonging to this model are value based. The primary purpose for their establishment was addressing a certain social issue. In fact, these organizations developed their services in order to bridge the gap in the state’s social support mechanisms. With the transition into market-based economy in the early ‘90s, the frail economic base and deprived standard of living, the social needs increased while the so-

cial services provided by the state are limited and with low quality (National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2012, 2010). This was mostly evident in the fields of education, social security, health, labour market integration etc. The new development policies and trends increased the marginalization of vulnerable groups. In such circumstances, the CSOs became the sole providers of valuable services to disadvantaged groups such as Roma, people with disabilities, women victims of violence, youth, long-term unemployed, people living in rural areas etc. The services provided by these organizations included: day-care centers for people with intellectual disabilities, free legal aid, shelters, SOS lines for women and children victims of violence, education services ranging from basic literacy program, mentoring support for Roma school children to courses to increase employability among vulnerable groups, business planning for women and young entrepreneurs, infrastructure (for ex. water supply in rural areas) and many more. The analysis of CIVICUS – Civil Society Index in Republic of Macedonia (Klekovski et al., 2006) shows that the CSOs have been most successful in strengthening women and marginalized groups. The follow-up CIVICUS report (Klekovski et al., 2011) revealed that CSOs believe that they had most significant influence in empowering the citizens and in providing services for the social needs.

The CSOs were introducing and adopting the EU and international best-practice standards and methodologies for delivering the particular services. Consequently, the CSOs played a role of innovators in the social service delivery in many of the above-mentioned areas. In the recent years, the government is looking into developing standards for the delivery of social services and has incorporated some of the CSOs best-practices into their public policies. As an example, the CSO “Open the windows” is focused on promoting assistive technology as a tool to foster inclusion of persons with disabilities (www.openthewindows.org). As such, the organization is unique in Macedonia and the Balkan region. In their Center for Assistive Technology they provide individualized courses and access to computers and internet technology to the people with disabilities. The organization also adapts and develops assistive hardware and software with high level of innovation. In the last few years they have been advocating and working with the government to integrate e-assistive educational model in the formal education. At the moment, the organization is developing new assistive educational software based on the official literacy and mathematics curricula which is developed in cooperation with the state university and will be adopted by the Government as an educational tool in the primary schools.

In regards to the non-mission related services, they were launched with a purpose to diversify the income streams of the organization. Thus, those services as such do not bring major social value. However, the income from those economic activities is predominantly used to finance the social mission activities of the CSOs thus decreasing the donor dependence and improving the sustainability of the social mission services. The

non-mission related services provided by these types of CSOs include various consulting services, renting venue and equipment, managing cafés etc.

INCOME GENERATION AND DISTRIBUTION

Predominant source of funding of the social services provided by CSOs as for most of the CSOs in the country are the foreign donor funds (Klekovski et al., 2011). This includes bilateral development aid (USAID, Swiss Development Cooperation, etc), international organizations (such as the UN agencies) and EU funding. These donors are providing the initial start-up funding as well as funding for the operational costs. Since they were launched through grants which initially covered full costs, the CSOs have not developed fees for services as a revenue stream. All social services are provided to the target groups free of charge (CSO Sustainability Index, 2013). As the donor funding has a tendency to decrease over the years (Klekovski et al., 2006), the CSOs faced the challenge of ensuring financial sustainability of their services. Some of them were pressured to reduce the scope of their services or even completely discontinue the service.

While in other European countries the Social enterprises providing services to vulnerable groups have received significant funding from the governments (Pejkovski, 2013), this was not the case in Macedonia after its independence even though the legislation was enabling in this regard. With several exceptions (such as the daycare centers for people with intellectual disabilities managed by “Poraka”) the state did not provide any direct funding. Even the services which are part of the national strategies (such as for example the National Strategy for prevention and protection from domestic violence) are almost fully funded with foreign donor funds. Only in the recent years, the state recognized the role of the CSOs as providers of social services. The Ministry of Labour and Social Policy introduced bylaws that regulate outsourcing of social services to CSOs. The Ministry has developed criteria and keeps a separate registry of CSOs which provide social services and are eligible to receive state funding for this purpose. Funds are allocated via public calls for applications. However, the CSOs recipients of those funds have reported that the level of funding is modest and is not able to fully cover the cost of the services.

In the recent years, some of the CSOs providing services, in particular those that serve vulnerable children and youth were able to raise significant support from the corporate sector. Corporate donors prefer to provide support for areas such as health, aid relief and poverty (Karajkov, 2015) which presents an opportunity for the CSOs to diversify their resource base.

With the changes in the legislation from 2010, CSOs providing services are increasingly looking into developing strategies for market-based activities. CSOs which are providing services to vulnerable groups are predominantly looking into economic activities which will include work engagement of their beneficiaries (similar to the WI social enterpris-

es). CSOs which are providing goods and services to other target groups are considering business models of charging fees for their services with usually scale structure of pricing depending on the purchasing power of the beneficiaries. The official data from 2009 (Smilevski, 2012) shows that the CSOs reported that 13% of their income came from selling of goods and services, another 12% from own income (usually charging entrance tickets for events, publishing etc). CSOs have also reported 2% income from rent.

For the CSOs which are providing non mission related services, the initial funding usually came from the foreign donors or they inherited immovable property as a legacy from the socialist organizations. After the initial start-up funding, these organizations have developed market-based approach i.e. they charge full market price for their goods and services and are competing for the market share with other private sector entities.

All CSOs providing services regardless whether they are mission or non-mission related have asset lock i.e. they have to use the generated income for the statutory purposes and are not allowed to distribute it to their funders, members of boards and other bodies etc.

DECISION MAKING AND MANAGEMENT

Similar to the work integration model of SEs, the CSOs providing services are governed by the Assembly which consists of representatives of various stakeholder groups with wide range of skills and capabilities (often includes the beneficiaries). In the case of the foundations they are obliged to have a Board. The rest of the structure is flexible and CSOs providing services have predominantly adopted two models of management structure: 1) setting up an Executive office in the case of CSOs with professional, full-time employed staff and 2) Executive Board consisting of elected members from the Assembly (often include the beneficiaries) who are either volunteers or receive occasional and modest monetary compensation for their work.

Taking into consideration that the civil society sector in Macedonia is predominantly relying on volunteer efforts (Klekovski et al., 2011), the CSOs providing services rarely have complex management structure and are often engaging volunteers in running their services.

Key findings and recommendations

From historical and socio-economic perspective, Macedonian CSOs play a key role in the development of social entrepreneurship due to two primary factors:

1. Effects from the transition to market economy and social change.

Changes of the political system and the transition had created: high unemployment; marginalization of social groups; a gap between needs of and availability and qual-

ity of social services. Civil society has responded to these circumstances providing services to vulnerable groups and developing models of social entrepreneurship that will enable ease the effects from transition.

2. Dominant foreign donor dependence in the provision of CSOs' goods and services.

The second factor is the prevailing dependency of these services on foreign funding. They are predominately funded through grants from foreign donors (bilateral donors, EU, etc.) usually with limited duration and scope. Faced with the need to ensure long-term sustainability of their services and their missions, a significant part of civil society organizations are beginning to explore ways of generating revenue from economic activities. Therefore, part of the social entrepreneurship discourse can be related to the first school of thought regarding SE i.e. "earned income" school of thought (Defourny and Nyssens, 2010).

The facts and arguments presented in this paper depict the link between civil society and social enterprises in Macedonia. CSOs are initiators, promoters and the especially important stakeholder in the development of the social entrepreneurship in the country. Reviewing the historic legacy parallels are drawn between organizational forms of what we call today social enterprises and predeceasing legal bodies from the previous socio-economic system. Some of them even managed to secure their continuity until today. Therefore CSOs that function as SEs are part of the typology of social enterprises in Macedonia. Different levels of state support and possibility to perform economic activities provided by the legal framework have influenced the development of social enterprises by civil society sector. The legal environment in ex-Yugoslavia and after 2010 motivated social entrepreneurship in the civil society sector. Donor support was important development factor that recognized the key role of civil society sector and the social entrepreneurship in coping with social challenges, in contrast of limited or non-available state support.

The ecosystem for development of social entrepreneurship in Macedonia should nurture the existing interest and passion of the CSOs to initiate and grow social enterprises. In the same time, the process of defining support measures for SEs should not omit the historical legacy and should tap into the good practices in the past. As accelerator of the development of the social entrepreneurship, CSOs should be involved in the further defining of the legal framework which enables SEs but does not provide sufficient support for their development. In the same time, the emerging SEs need to focus on raising quality and scaling-up in order to adapt to the free market and to provide satisfactory services to their target groups.

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Knowledge- and Value-Based Cooperative Management: The Case of Domel²²

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Abstract

Traditional forms of resource management via the commons and cooperatives represent today in Slovenia a valuable inspiration and potential for social innovation towards a knowledge-based social economy. When these are adapted to modern business practices and integrated with scientific research and technical innovation - for example in the metal industry as embodied in the case of Domel presented in this paper - we can witness European and even global breakthroughs. Building on their cultural heritage and the rich diversity of cultural influences, and at the same time respecting their natural heritage, such cooperative organisational designs often emerge in remote valleys, drawing on longstanding technological traditions and driven by the need to provide workplaces for the local community. Under co-ownership and co-management by employees they live out their values of social responsibility. So Domel, one of the country's most prominent high-tech manufacturers, expresses such values in a strong connection and integration with the surrounding community, caring for its weakest members, and in respect for the natural heritage.

A new conceptual framework of *Integral Economics*, developed by Trans4m Center for Integral Development in Geneva has been applied which states that a society needs to begin its process of integral economic development by securing "southern" nature-based economic self-sufficiency, before it focuses on the other, "eastern", "northern" and "western", economic functions. Thereafter it needs to respectively include the building up

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of a culture-based developmental economy (ensuring that the economy is aligned with the cultural evolution of the society), a knowledge-based social economy (aligning its socio-economic structures with technology-driven knowledge systems) and a life-based living economy (reconnecting finance and economic performance measurement to natural and human well-being). The entire Slovenian model of an integral green economy and society in the innovation ecosystem of the European Union is depicted in the new Gower and Routledge volume *Integral Green Slovenia* (Piciga, Schieffer and Lessem, eds., 2016).

Keywords: integral economics, cooperatives, economic democracy, social economy, Domel, Integral Green Slovenia

Introduction

Common land management historically increased the resilience of rural communities, and reinforced the healthy interdependence of land and people. The practice of common land management in Europe has been documented since the early Middle Ages and is particularly rich in the Alpine area. Joint ownership and common decision making procedures may be traced ever since and survived two world wars and half a century of abolition and land nationalisation after World War II. The commons historically played a crucial role in the maintenance of a socio-demographic equilibrium, community cohesion and the sustainable management of natural resources. It can be argued, then, that this model is highly relevant even today; furthermore, it incorporates a lot of relevant lessons for newly emerging cooperative structures in Slovenia and the world. New forms of commons have been developed that are not tied to land or property (e.g. Wikipedia, Linux), using the same organisational model of functioning. (Bogataj, 2016).

In addition to the commons, cooperatives are another traditional form of resource management which are thought to represent a valuable inspiration and potential for social innovation towards a knowledge-based social economy in Slovenia (Pavlek et al., 2016). The cooperative movement from its beginnings in the mid-19th century until the First World War expanded enormously in Slovenia and contributed to the development of the domestic economy. Above all, not to mention its prolific rural heritage, it saved craft workshops and farms from collapse and helped the working class to maintain their positions in factories. Thus, it became one of the most important foundations for the Slovenian national economy. Before the Second World War around 1,700 cooperatives with 250 thousand members has been operating on Slovenian territory and cooperatives at that time represented the most important economic sector (Kovačič, 1995).

One of the seminal historical figures shaping the Slovenian cooperative movement is Janez Evangelist Krek who, in addition to his educational and political activity in the Christian socialist movement in Slovenia, contributed to the establishment of several hundred farmers' and workers' cooperatives. However, a demolition of the classical

cooperative was carried out in several stages during the so-called socialist political regime, after the Second World War. Numerous initiatives to re-establish traditional cooperatives during the last 25 years, in the period of a democratic independent Slovenia and a market economy, have faced several obstacles and had very modest success. The modern European concept of social entrepreneurship and social economy, of which the Mondragon Cooperative, referred to in Slapnik et al. (2016), is the most prominent case, has only recently (2011) contributed to the passing of the Social Entrepreneurship Act (Državni zbor), and in 2013 of the Strategy of Social Entrepreneurship (Vlada).

Krek's classical cooperatives have been demolished, but their legacy lives on in Slovenia. Among others, they contributed to the (still weak) development of economic democracy and to the inspired emergence of successful companies with internal ownership, like Domel from Železniki.

Domel: A Global Player with Local Grounding

Domel is a global high-tech company that manufactures electric motors and components for use in power tools, garden equipment, heating, ventilation, air-conditioning and cooling, the automotive industry and heavy industry.

Over 90% of Domel's production is intended for international markets, which is why the recent global economic crisis had a considerable impact on the company's operations. In 2009, for example, the company recorded a 25% drop in sales. Given the specific organisational structure of the company, which is owned by a large number of current and past employees, layoffs did not occur. Instead, it focused on the rapid development of new products, increasing productivity and engaging in internal reorganisation. In 2015, it has been seven years since the onset of the crisis, which is still being felt throughout the European Union, and the share of new products (on the market for fewer than three years) is around 40%. Sales are higher than they were before the crisis.

An Integral Enterprise Grounded in the Local Community and Natural Heritage²³

The company's organisational structure makes it unique by Slovenian standards. Most of the employees are local residents, and a strong bond between the company and the local community has been present ever since the company's founding. Domel was founded in 1946 as a productive cooperative of metal workers. This form of organisation was the only kind permitted by the post-war communist authorities. The metalworking industry was not planned for this valley in the centrally managed economy of the time, and the company did not receive any state support.

²³ This and subsequent chapters are based on sections 7.2, 7.3 and 7.6 in Piciga et al. (2016), written by Rejec, Bertonec, Kramar and Rihtaršič (sections of Chapter 7 by Pavlek et al.).

Following Slovenian independence and the arrival of a democratic system in 1991, the bonds between employees remained strong and did play a key role in three major events: a hostile takeover attempt by a competitor (1996), catastrophic floods (2007) and the recent global economic crisis (2009). Authors believe that was possible because of our strong moral core at the heart of Domel's integral vision (see Figure 1).

The reasons behind the company's organisational structure and its close connections with the local environment go even further back, and can be traced to the history of the area since its founding. Today, this tradition is embodied in Domel, whose primary purpose since its founding has been to provide quality jobs for the local population and broader environment and, by doing so, to ensure the organisation's and the area's continued development - a development whose origins the company literally traces back to the Iron Age.

The first written source to mention ironworking activities in the area was a letter written by the Freising Bishop Albrecht in 1354. In this letter, Bishop Albrecht grants blacksmiths from Železniki the right to obtain iron. The objects used in production—the furnace, smelting furnace and heavy hammer—were common property and were divided into shares. Every ironworker could smelt iron ore for only as many days as he had shares.

Over the course of the 19th century, iron production fell in the face of international competition. The last piece of ore was smelted in 1902. The half century that followed brought with it appalling living conditions, and the population was halved. At this time, Father Janez Evangelist Krek (*1865, † 1917) grew up and came of age in the immediate vicinity. He would become an important advocate and founder of a number of cooperatives in Slovenia.

In the inter-war period, the local ironworking tradition provided the foundation for the new industry, which eventually took shape in 1946 as the NIKO cooperative. Former blacksmiths put up their own funds as the initial capital. Importantly, they would increase the company's capital several times through a fund of unpaid hours, to which every employee was obliged to contribute. Through their successful operations and the expansion of the product line, which initially consisted of office supplies, to laboratory equipment and electric motors, after eight years the cooperative's members were granted the right to become a company. This would ease access to raw materials and sources of financing. Because only state-owned companies existed at the time (Slovenia was part of the socialist Yugoslavia), the employees voluntarily forfeited their shares in the company in the interest of maintaining their jobs and future growth.

Later, the company split into three separate companies. Besides these three companies, which remained in the area, the product lines developed here provided the foundation for a number of other successful Slovenian companies that are still in business today.

The electric motor line was included in the ISKRA association of electromechanical companies. At its height, this association employed over 30,000 people. The independence of Slovenia also meant the independence of the former company, which has operated under the name Domel since 1992.

But the transition from a socialist to a democratic political system did not mean that the threat of the loss of the company and, with it, jobs for local residents had passed. In 1996, a takeover attempt was made by a Western competitor, who was the favoured choice of those in leadership at that time, because they saw him as a strategic partner. The employees, however, viewed the move as an attempt to acquire market share, and they advocated continuing along the path of an independent company. The takeover was eventually prevented by internal shareholders who came together to achieve a controlling share, thereby keeping the fate of the company in their own hands. They elected leaders who were supportive of a move to internal ownership and limited voting rights to 2%. They put in place their own model of ownership, which successfully brought employees together with the aim of maintaining jobs and achieving constant and sustainable growth and social responsibility.

This system would prove to be effective particularly in the wake of the catastrophic floods that swept through the area in September 2007 and at the onset of the global financial crisis in 2009. As we can read in two sections of the Domel's chapter in the Integral Green Slovenia volume²⁴, in both cases the employees demonstrated their readiness to be a part of crisis management efforts.

Domel: A Company with an Integral Green Vision

Like its competitors in the international market, Domel has a commitment to growth and profitable operations. At the same time, it is committed to achieving these goals with the consent of employees and the local community. That's why it comes as no surprise that the company sponsors a number of cultural, socially beneficial and sporting activities and contributes to the development of local infrastructure through projects like a central heating and distribution system, a sports arena, a swimming pool, a museum and others. Domel also contributes to providing employment opportunities for vulnerable members of the community. In the framework of social entrepreneurship, the company provides for the continued social integration of people with disabilities.

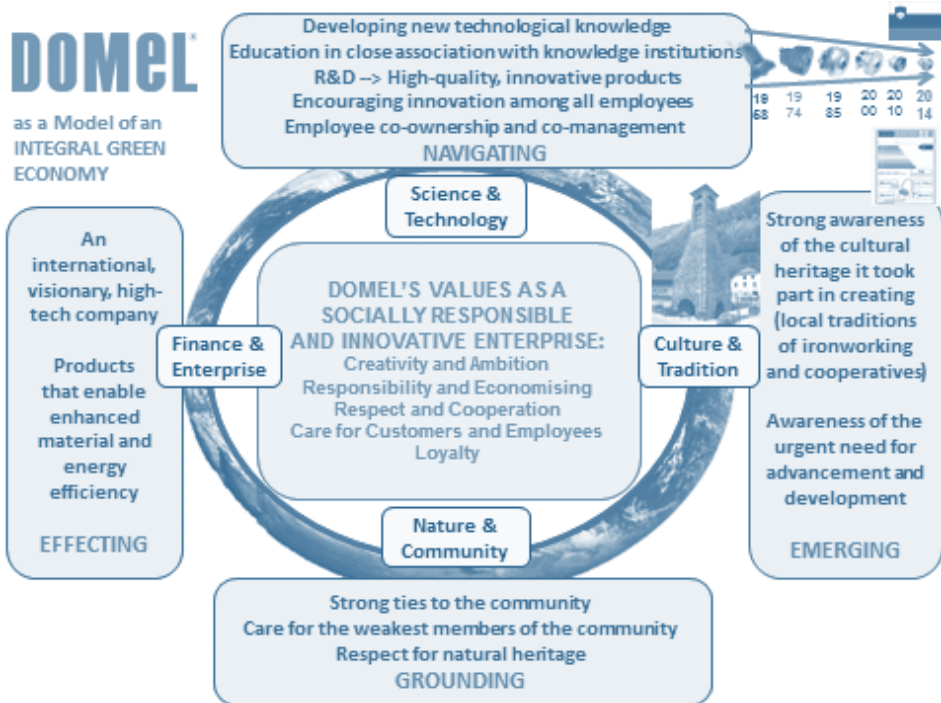
In the way it is managed and in its approach to ownership, as well as in its knowledge and commitment, its cultural features and its organisational culture, Domel can be identified as a working model of an Integral Green Economy, built on a tradition rooted in a cultural heritage of ironworking and cooperatives. Domel has integrated a strong connection to the local community and a passion for social responsibility into its business model

24 Sections 7.4 and 7.5, written by Bertoncej (in Pavlek et al, 2016).

as competitive advantages. Employee ownership has borne fruit in the form of a high degree of loyalty, innovation and employee commitment.

These combined efforts result in a reduced burden on material resources and enhanced energy efficiency. That consumers acknowledge the high quality of the solutions Domel provides can be seen in the fact that the company has become a developmental supplier to some of the largest global corporations in the fields of power tools and garden equipment, the automotive industry and heating, ventilation, air-conditioning and cooling. An awareness of the need for development and advancement is the driving force at the company and is inseparably tied to efforts to maintain quality jobs that facilitate a sustainable developmental path for the company, its employees and the citizens of Železniki.

Figure 1: The integral green model of Domel (prepared by Domel’s integral team and Darja Piciga)



Source: Piciga et al. 2016, p. 111

From an integral economic perspective, as illustrated in Figure 1, Domel has built its vision on the values of socially responsible and innovative entrepreneurship: creativity and ambition, responsibility and economy, respect and cooperation, caring for custom-

ers and employees, and loyalty (moral economic core). In Domel these values come alive by being demonstrated in everyday business operations. Such values are expressed in a strong connection and integration with the surrounding community, caring for its weakest members, and in respect for the natural heritage: Domel is a global player with local Grounding. Domel's employees and CEO are aware of the cultural heritage that has shaped them (such as the iron foundry tradition and cooperative heritage), and they have developed an awareness of the necessity for continuous development: enterprise evolution is Emerging from a rich cultural heritage. This awareness is reflected in the development of new knowledge, particularly in the field of technology and education and in conjunction with academic institutions (science and technology to Navigate their development). Innovations also contribute to greater energy efficiency of Domel's products, which is characteristic of a green and circular economy, and are backed up with an Effective business model (finance and enterprise). Effective crisis management and an enhanced market position are regarded as cooperative impact, too.

Domel's growing impact is not felt only in its home valley. Over time, Domel's example has inspired many other enterprises in their social design and in the way they conduct their business.

Co-ownership and co-management by employees are the key elements of the (knowledge-based) social economy, which not only has long been recognised in the European Union as a successful model for escaping the crisis but also has a long tradition in Slovenia. And today, through enterprises like Domel, we are "discovering" them once again.

From Domel through Integral Worlds Approach to Integral Green Economy for Slovenia

Domel, one of the country's most prominent high-tech manufacturers, represents a Slovenian prototype of a social knowledge-based economic approach in the integral green economy model and documents the transformative GENE concept (called integral economic rhythm by the authors): Grounding, Emergence, Navigation and Effect. Why integral and what is the GENE concept?

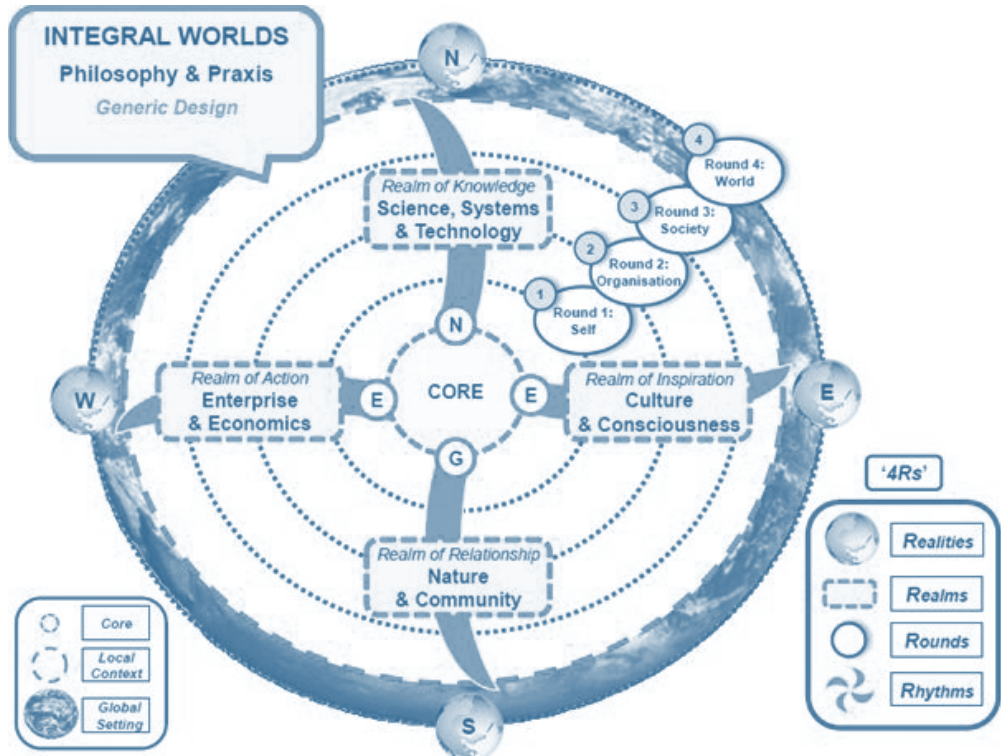
There are a number of integral approaches that have helped shift our global perspective towards a more integral viewpoint over the past 200 years; more recently, Ken Wilber had a significant impact on shaping such a new viewpoint. In recent decades we are even witnessing an emergent "Integral Age". (Schieffer et al., 2016)

At the same time, the awareness that humankind urgently needs more integrated and holistic approaches for coping with increasingly complex global and local challenges, that conventional "silo" thinking and doing has to be overcome, is growing in the context of sustainable development discussions and policy planning. In September 2015, at the United Nations summit, world leaders adopted the post-2015 development agen-

da, called Transforming our world: the 2030 Agenda for Sustainable Development, or shortly Agenda 2030 (<https://sustainabledevelopment.un.org/>). With the 17 Sustainable Development Goals and 169 targets at its core it is probably the most ambitious agenda in the history of humankind. The SDGs are integrated and indivisible, and they balance the three dimensions of sustainable development: the economic, social and environmental. It is obvious that Agenda 2030 will have to be strongly supported by equally ambitious and integrally framed, holistic, trans-sectoral policies for sustainable development.

Green Economy, one of the twin themes of the Rio+20 conference in 2012 when the process of drafting the Agenda 2030 had started, has become a topic of debate and dialogue in the context of sustainable development and poverty eradication and is increasingly perceived as a vehicle to achieving the social, economic and environmental goals and objectives (UNEP, <http://www.unep.org/rio20/About/GreenEconomy/tabid/101541/Default.aspx>).

In a unique approach to fuse and upgrade these two paradigms, a new, integral conceptual framework has been developed by Ronnie Lessem and Alexander Schieffer from Trans4m Center for Integral Development in Geneva and elaborated, *inter alia*, in the realm of economy. **Integral Worlds** is a holistic approach to understanding and consciously evolving human systems, which serves to address imbalances – within an individual, organisation, community and or society, but also within specific fields, such as economics, enterprise, human development at large etc. (Schieffer and Lessem, 2014, p. 93 – 94). By “integral” Schieffer and Lessem mean the dynamic, integrated inclusion of all dimensions (including natural ones) of a human system, be it on an individual (species), organisational, communal or societal level. There are four core dimensions that all such systems share and that need to be considered equally if the entire integrated system is to flourish. Mapping these four dimensions in a circular way (see Figure 2) they distinguish between the “southern” realm of nature and community; the “eastern” realm of culture and spirituality; the “northern” realm of science, systems and technology; and the “western” realm of finance and enterprise. All of these realms are held together by what they termed a “moral core”, a unique expression of the innermost value base that a society considers as essential to its being, ideally to be embodied in its overall polity.

Figure 2: Integral Worlds Approach: Generic Design

Source: Schieffer & Lessem, 2014, p. 93.

The *Integral Worlds* framework incorporates an inbuilt transformational rhythm, which not only makes the entire approach dynamic but also serves as a rhythm to enable you to actively engage in building an integral organisation, community, society, This rhythm is called the GENE (an acronym for Grounding, Emerging, Navigating, Effecting), representing a fourfold spiralling force, activating the entire model. The fourfold GENE rhythm functions within the four levels of each realm, as well as in between the four realms.

Economy is regarded as just one of the integral parts of society - one that needs to be fully "re-embedded" into society. For the renowned 20th century economic anthropologist Karl Polanyi (Dalton, ed., 1971) notably in fact: the instituting of the economic process, vests it with unity and stability; it produces a structure with a definite function in society; it shifts the place of the process in society, thus adding significance to its history; it centers interest on values, motives and policy. Unity and stability, structure and function, history and policy spell out operationally the content of our assertion that the human economy is an instituted process. The human economy, then, is embedded and enmeshed

in institutions, economic and non-economic. The inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions, or the availability of tools and machines themselves that lighten the toil of labour.

Thereby, the Integral Economics (Lessem & Schieffer, 2010) seeks to counteract what we often witness economically around the world - global economy that acts as an almost independent, and hence often unrelated, and even destructive force on a social and environmental level. And we need to recognise that the mainstream economic paradigm is largely to be blamed for the present imbalances in relation to sustainable development goals of the humankind.

While, according to Lessem and Schieffer, we see the GENE as an iterative, ever-unfolding rhythmical force, we nevertheless start the transformational process in the south, thereby beginning with a conscious grounding in a given context and issue, before we then engage in its transformation. The **transformative GENE process** for an Integral Economy begins with Grounding (G) in a particular nature and community, to surface key economic developmental needs and potentials. We then progress towards Emergence (E), tapping into the cultural creativity of a particular economy and society, inviting and generating insights to respond to economic challenges and aspirations, by also tapping into the cultural potential for the economic renewal of a society. In activating its own cultural capacities, a society does, on the one hand, affirm its own cultural uniqueness, but it also, on the other hand, invites other cultural perspectives from outside, to broaden its own co-evolution. The insights gained from the cultural space are then further expressed and developed in a process of Navigating (N) new economic knowledge and concepts, in the “northern” realm of science, systems and technology that is particular to that society, Slovenia in our case here. It is here that a society shapes, in explicit terms, its own socio-economic perspective, in touch with its natural and communal grounds, and resourced by its cultural capacities. Such new economic theory is then ultimately Effected (E) and practically realised via a new form of enterprise and/or economic policy. The entire GENE process is connected to an inspirational and integrating (I) moral core, helping a particular society to make, together with others, a collective (US) contribution to new economic thought and practice.

To summarise: we work purposefully through each of the four economic realms and gradually through all of them in a south-east-north-west fashion (starting with nature and ending with enterprise)—informed by the wealth of the moral economic core. A society needs to begin its process of integral economic development by securing “southern” nature-based economic self-sufficiency, before it focuses on the other, “eastern”, “northern” and “western”, economic functions. Thereafter it needs to respectively include the building up of a culture-based developmental economy (ensuring that the economy is aligned with the cultural evolution of the society), a knowledge-based social economy

(aligning its socio-economic structures with technology-driven knowledge systems) and a life-based living economy (reconnecting finance and economic performance measurement to natural and human well-being).

In a unique process of co-construction, Trans4m Center for Integral development and the Citizens' Initiative for an Integral Green Slovenia have applied this new framework within the innovation ecosystem of the European Union, on the level of individual sustainable enterprises and local communities, but also on national level, and depict this multidimensional and multi-layered process in the new Gower and Routledge volume *Integral Green Slovenia* (Piciga, Schieffer and Lessem, 2016).

Integral Green Slovenia is framed by real-life stories of integral communities and organisations on a path of social innovation for sustainability. Municipalities Solčavsko, Šentrupert and Poljčane, regional development model of the Heart of Slovenia, Biotechnical Centre Naklo, Kindergarten Slovenska Bistrica, high-tech companies Domel and Pipistrel, Institute Metron, green social enterprise Tekstilnica, Ekoci, InTerCeR, Cooperative Dobrina and Urban Furrows as cases of grassroots developments, Slovenian Forum of Social Entrepreneurship, young creators succeeding with coworking and crowd-funding, and other distinguished practice cases draw on the Slovenian history and on each other. Among the successful models from the past, sustainable forestry, common land management and classical cooperatives are highlighted. From searching for Slovenian identity to study circles and co-creating a network society; from geomancy and geoculture to biodynamic school gardens; from addressing climate change to education for sustainable development – all this is Integral Green Slovenia.

Furthermore, Slovenian integral green cases show that “smart integration” of EU policies is already happening in practice: nationally and internationally recognised successes of these cases are also the result of smart use (integration) of EU programmes and measures for green economy (including organic food self-sufficiency and energy self-sufficiency, sustainable local development, green tourism), social economy (with cooperatives, social enterprises and economic democracy), social responsibility, strategic environmental assessment ... As a whole, *Integral Green Slovenia* serves as a global showcase for an integral European economy, dealing with an entire society at the geographic heart of Europe.

The volume *Integral Green Slovenia* (Piciga et al., 2016) reveals how the integral philosophy is applied to the Slovenian economy and society within the eco-innovation system of the European Union and with a special emphasis on the potentials for a knowledge-based social economy.

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‘The New Kid in Town’: Towards Shaping the Understanding of Social Entrepreneurship in Croatia

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Abstract:

Social entrepreneurship in Croatia has emerged recently. As a new concept, its understanding is still not ‘constructed’ in policy and among the general public. This paper will attempt to articulate what social entrepreneurship is understood to be in the policy and public discourse in Croatia. We will analyse the positioning of the concept in relation to other similar concepts in the third sector and the embeddedness of terminology and meanings attributed to social entrepreneurship in our context. In particular, we will analyse the public attitudes and perceptions of key stakeholders and decision makers. The discussion will reflect the way in which an understanding of the sector has an impact on its visibility and represents a barrier to further development. As sources, we will use desk analysis of relevant research and literature and partly interviews with key stakeholders in the sector carried out in the FP7 project “Third Sector Impact” and the doctoral dissertation research “Third Sector Impact in Croatia”.

Keywords: social cooperatives

Introduction

The growing recognition of the role of social enterprises in Europe has fostered interest in social entrepreneurship across Europe (ICF, 2014), but the question is what is its developmental status in Central and Eastern European (CEE) countries. Comparative analyses have shown that when compared to western EU, social enterprises in CEE&SEE (South Eastern European) are less developed, more invisible and unrecognized (Galera, 2016.; ICF, 2014.; Leš and Kolin, 2009.). Their role appears to be marginal (Borgaza, et al., 2008.) when compared to Western countries. Therefore, we will focus on the exploration of social entrepreneurship, specifically its understanding in the Croatian context, which we see as an important prerequisite for its development.

Social entrepreneurship’s way of development is context and path dependent. The specific factors are related to the historical, political and socio-economic development of the

contexts in which they operate.²⁵ The Croatian institutional and policy environments have shaped trajectories of development of social entrepreneurship in Croatia. It is a relatively new concept in the Croatian context, so it is faced with numerous challenges related to the political and legal framework, value system, visibility, promotion of social entrepreneurial initiatives and systems of financial support (Vidović 2012.; Vincetić, et al., 2013.).

Social enterprises in Croatia have emerged recently. The socialist legacy, war, and transitional problems, as well as an unfavourable environment for civil society initiatives resulted in social entrepreneurship and social enterprises entering policy and practical agenda rather late. As a relatively new concept, its understanding is still not 'constructed' in policy and among the general public. Up until a few years ago, the term itself was unknown to the public and moreover, to champions of social entrepreneurship or interested stakeholders (iPRESENT, 2015).

The poor understanding of the concept of a social enterprise was cited as a key barrier by the majority of stakeholders across Europe (ICF, 2014.). Borzaga, et al., (2008.) see promoting appropriate support for a better understanding of social enterprises as one of the key aspects of development of social entrepreneurship in CEE countries. The unclear understanding of social enterprise among various stakeholders can significantly hamper its development.

This paper will, therefore, attempt to articulate the understanding of social entrepreneurship in the policy, public and other relevant discourses in Croatia. Social enterprises are still under-researched in Eastern and South Eastern European countries, so we will try to give a small contribution towards the elaboration of understanding of social entrepreneurship in Croatia. We will focus on the construction of the discourse of social entrepreneurship, especially in the last 10 years since the term entered the public and policy discourse in a more engaging way. The paper will analyse the positioning of the concept in relation to other similar concepts in the third sector, the embeddedness of terminology and meanings attributed to social entrepreneurship in our context. Firstly, we will distinguish social entrepreneurship from other related concepts in Croatia. After that, we will briefly look at the history of social entrepreneurship in Croatia. In the main part of the paper, the attitudes and perceptions of key stakeholders will be analysed. The relevant stakeholders include policy makers, sector actors, academics and media and the general public. As sources, we will use desk analysis of relevant research and literature and interviews with key stakeholders in the sector carried out in the FP7 project "Third Sector Impact" and the doctoral dissertation research "Impact of the Third Sector in Croatia". In the conclusion, we will discuss the way in which an understanding of the sector has an impact on its visibility and represents a barrier to its further development.

25 But there are some common elements CEE and SEE countries that have marked the path of development. For example Galera (2016) cited incomplete decentralization, corruption, low investment and social protection, lack of transparency, low inclination towards entrepreneurship, cultural legacies, severe, stigmatization of disadvantaged groups, under-development of public-private partnerships. Many CEE countries had undergone structural changes and severe economic shocks that have led severe social problems (Borzaga, et. al., 2008.).

Beginnings of Social Entrepreneurship and a „Glossary” of Related Concepts

The history of third sector organizations in Croatia can be dated back to the late 19th century. In the 19th and the first half of the 20th century, third sector initiatives were related to brotherhoods and other mutual organizations, as well as foundations, often linked to the Catholic Church and nobility. They pursued important cultural, social and education goals (Bežovan and Zrinščak, 2007.; Bežovan, 2008.). The wider third sector development under the socialist period of Croatian history (after WWII) was characterized by the marginalization of the sector and the paternalistic role of the state in social policy and service provision. It is suggested that the dominance of the state in public services, together with limitations regarding the freedom of association, are reflected in citizens' passivity in engaging in civic actions outside the realm of family and kinship, and in developed expectations from the state to meet social needs (Bežovan, 2008.; Bežovan and Zrinščak, 2007.). Path dependency, from the very beginning, was playing a decisive role in the development of civic activities and third sector development.

Civil society and the third sector in Croatia had its 'new start' in the times of broader political and economic transformation of society in the early 1990s. The beginning of the 1990s in Croatia was characterized by the circumstances of the Homeland War and the related humanitarian crisis and specific social needs. This affected the dynamics of the socio-economic transition, but also the pace of development of the third sector (Bežovan, et al., 2016.b). At that time, the crisis caused by the War led to the development of humanitarian organizations, with significant support from abroad, whereas other third sector organizations were rather marginal and were still seen as a responsibility of the state and its organizations (Bežovan, 1995., 2007.; Puljiz, 1996.). In the 1990s the third sector was a part of development mostly coming from western countries and as a part of western technical assistance. Besides that, early stages of privatization and growth of small and medium size enterprises was marked with corruption and clientelism, which resulted in rooted animosity towards entrepreneurship and entrepreneurs (Štulhofer, 2004.; Vidović, 2012.). This is the heritage that has influenced the sector's development. We could argue that after the year 2000, a new period appeared, a sort of 'normalisation towards maturity'. In that period new laws and strategies were developed, a supporting environment was framed, initiatives widened the scope and size of their activities and, as we will explain later, the space for social entrepreneurship also appeared.

Different conceptions in the civic 'sphere' were developed from the 90-s (Bežovan, 2007., Bežovan, 2008., Bežovan et al., 2016.b). There is a significant overlap between the terms in case of their legal forms, where the distinctiveness is not always clear. The third sector is still rather unknown to the policy-makers and the wider public. The concept of civil society has been widely used, especially after 2000. The term "nongovernmental organizations" was dominant during the 1990s, and after 2000 it has been gradually replaced

by the term ‘civil society’ and ‘civil society organizations’²⁶. It is predominantly used in its organizational conceptualization, i.e., as civil society organizations. In the public discourse, civil society organizations are usually assumed to be associations and foundations, whereas public benefit corporations that provide social services are not perceived as being part of this concept. This is also evident in the institutional framework for civil society in Croatia.

Although the concepts of social economy and social entrepreneurship were mentioned in some earlier academic writings²⁷, in the general discourse and in the policy framework those concepts have been introduced only recently. The concept of social economy, as a part of the continental European tradition, is not embedded in Croatia. During the nineties, the cooperative sector was put aside due to ‘connecting’ cooperatives with the socialist system. So, the first Law on Cooperatives was passed only in 1995 and the Law from 2011 introduced social cooperatives, which are one of the main legal forms for social entrepreneurship. At present, conceptual debates on the concept are taking place. As shown by some research (Matančević, 2014), representatives and founders of public benefit corporations, conceptually regarded as possible social entrepreneurs, do not perceive themselves as being part of those sectors, or relating to the realm of civil society.

The term social economy, or in the Croatian context, the more frequent term social entrepreneurship,²⁸ denotes economic activity on the non-profit basis and an entrepreneurial organizational culture. The concept of social entrepreneurship has been promoted with the influence of the Anglo-Saxon tradition, which can be explained by the donor-driven practice of foreign organizations. The discourse on social entrepreneurship and social enterprises emerged around 2005, when the concept was “imported” from abroad, i.e., introduced by international organizations and donors (Vidović, 2012.). The social economy still needs to be constructed in the public and professional discourse. Those donors, mainly Anglo-Saxon actors, proposed the income-generating approach for non-profit organizations in achieving sustainability, whereby social entrepreneurship was considered as a most important strategy (Vidović and Baturina, 2016.). The first social enterprises in Croatia emerged from this intention and they

26 However, the term nongovernmental organizations is still often used, especially in the media and by the general public.

27 Social entrepreneurship’s first mention in academic writings is in Social Policy Review, in an article by Gojko Bežovan (1996) as non-profit entrepreneurship.

28 Understanding of social entrepreneurship and social enterprises varied among stakeholders involved in the sector. It was largely debated whether it should be named “socijalno” or “društveno”, since both terms mean “social” in Croatian language. However, both have some unpleasant connotations for different social groups: “društveno” evokes the collectivism imposed during the socialist regime, while “socijalno” evokes poverty, and social assistance. Although first documents, strategies and research studies used the term “socijalno”, some actors and activists in the SE sector lobbied for the term “društveno”, arguing that it may be applied for a broader spectrum of activities and areas, such as ecological initiatives. However, the academic and research community tends to use the term “socijalno”, mostly by following the terminology of other related concepts, like social policy, but also looking at practices in other countries of similar linguistic traditions. Since no consensus was reached, both terms were used as equivalents. The Strategy for Social Entrepreneurship Development adopted “društveno” as the primary term. (Vidović, Baturina, 2015). The author of this paper deems the term „socijalno” as more adequate.

were mainly organized as a symbiosis of non-profit organizations and subsidiary companies they had established.

Some specific instances when social entrepreneurship first “revealed” itself in our context can be marked. The first social entrepreneurship development competition was led by NESsT (Non-profit Enterprise and Self-Sustainability Team) in 2005, and the same organization conducted the first analysis of the potential of social entrepreneurship in Croatia in the next year (iPRESENT, 2015). In 2006, the first conference “Models of Social Entrepreneurship in Emerging Economies: the Possible Forms for the Development of Social Enterprises in Middle Eastern and South Eastern Europe”²⁹ was held. In the same year, a special issue of the online magazine *Civilnodrustvo.hr* came out on the topic of social entrepreneurship. A year after that the Conference on Self-financing and social entrepreneurship in the nonprofit sector were organized (iPRESENT, 2015, Baturina, 2016a). In recent years, many conferences, roundtables, and panel discussions have been organized on the topics of social enterprises and social entrepreneurship. Several studies and books have also been published, and information tools created. First tenders and funding appeared. Organizations were developing initiatives. Social entrepreneurship is starting to appear in the media. So, we can frame the last 10 years as the significant period for studying the development of an understanding of social entrepreneurship in our context.

Understanding of Social Entrepreneurship among Relevant Stakeholders

In analysing the environment in which social entrepreneurship is growing and developing in Croatia, several aspects important for its understanding need to be observed. We will analyse policy actors and separately strategies and documents that framed the social entrepreneurship field and are mostly dependent on policy actors. Social entrepreneurship and the wider third sector will be looked at as a place of embeddedness and growth of initiatives. We will also focus on the academic sector and the educational system as those who study, teach and transmit values and knowledge. Finally, the recognition of social enterprises in the media and the general public will also be taken into analysis.

The methodological approach used in the paper includes desk research, which usually forms a part of a social policy research project (Bryman and Burgess, 1994), and semi structured interviews with experts. Desk research, as a method of collecting data from existing resources included collection of secondary data based on available documents, reports, studies, strategies, etc., related to social entrepreneurship. Data available from statistical databases was also used, as were the existing reports from national govern-

²⁹ Organized by OECD-a, ISSAN and USAID.

ment institutions and offices, and reports of social entrepreneurs. We also used some data from the survey of civil society organizations undertaken within the FP7 “Third Sector Impact” project.³⁰

Due to the currently limited research on understanding of social entrepreneurship we have enriched our analysis with interviews with key stakeholders in the sector carried out in the research project FP7 “Third Sector Impact” and interviews as part of a doctoral dissertation “Impact of the Third Sector in the Socio-Economic Development of Croatia”. As part of the doctoral thesis research, 16 semi-structured interviews with key policy and other stakeholders of the third sector were conducted.³¹ In the FP7 Project “Third Sector Impact,” research interviews were conducted with 9 key stakeholders in the sector.³² Sampling strategies in both studies were purposeful sampling, specifically intensity sampling that selected the most information rich stakeholders³³ (Patton, 2002). Both studies used thematic analysis approach in the analysis of interviews (Milas, 2005). Both studies also had different overall goals, but they were partly related to social entrepreneurship, its understanding, impact and barriers to development. As the goals of both studies were not aligned with the goals of this paper, that research would be used for the additional information, enrichment of desk research and that is its real reach.

In framing the paper we will partially use the approach of discourse analysis as a ‘problem-driven approach’ based upon an “an internal relation between explanation, critique and normative evaluation” (Howarth and Griggs 2012 in Fairclough 2014, p.185). In our case, the problem would be the understanding of social entrepreneurship in Croatia. Fairclough (1992 and 1995 in Atkinson, et al. 2010.) argues discourses are not free-floating; they are embedded in institutions and organizations and play an important role in structuring the relations of power within them. Understanding social entrepreneurship is shaping the practice. Discourse determines what can be legitimately included in and what is excluded from debates and (political and policy) practices (Atkinson, et al. 2010). If the understanding of social entrepreneurship is not framed in different spheres, that ‘cuts off’ its developmental opportunities. We will try to explain the current status, but also introduce some elements of a critique of the current situation and undertake a normative evaluation from the perspective of possibilities of development of the area. The goal is to get a clearer view of the various points and levels at which issues regarding the understanding of social entrepreneurship are problematized.

30 The TSI online survey was sent to 799 organizations and was answered by 170 organizations, which amounts to a response rate of 21.7%. Organization were selected in three sectors: social, culture and sports and recreation. Although we used several sources from the sampling, due the reconstruction of the registry of non-profit organizations at the time the study was conducted, the survey is not completely representative. More info about the project: <http://thirdsectorimpact.eu/>

31 They are marked in the text as KS (key stakeholders) with their respective number starting from 1.

32 They are signified with TSI interview and respective number starting from 1, by order of interviewing.

33 Interviewed key stakeholders were from relevant Ministries, support organizations and networks, key national agencies for development of third sector, representatives in Council for civil society development and prominent leaders of Third sector organizations.

POLICY ACTORS

Policy actors had a significant influence over shaping the understanding of social entrepreneurship. It can be said that they have neglected and have not recognized it to the extent needed to stipulate its development. This can be seen through different areas, such as the legal environment, strategies and documents and through perceptions of social entrepreneurship in the media and among the general public.

In the last ten years, there has been a significant improvement of the legal and policy framework in comparison to the nineties.³⁴ However, it is still believed that there are certain limitations in the wider third sector³⁵. For years, there was neither legal recognition of social enterprise, nor a specific legal framework regulating social entrepreneurship.³⁶ Current laws do not recognize its specificities. So, this has partly caused the lack of overall recognition and visibility of social enterprises, as well as influenced the multiplication of approaches and understandings of social entrepreneurship and social enterprises.³⁷ The problem is partly concerned with a lack of awareness of social entrepreneurship among national authorities, so that there is a lack of vertical and horizontal coordination (Baturina 2016.a). Until recently, different governmental bodies and institutions were regulating the operation of specific legal entities. No official governmental body was exclusively responsible for the development of social entrepreneurship or regulation of social enterprises. After the Strategy for the Development of Social Entrepreneurs was adopted in 2015, the Office for Social Entrepreneurship was established inside the Ministry of Labour and Pension. The Office is under-staffed and relies on the enthusiasm of a few officials that are aware of the sector's possibilities.

Although the modernization of some laws is expected, we still have problems with state paternalism and the patron attitude toward the third sector (Matančević and Bežovan, 2013.) Clientelism is also highlighted, which is especially the case in the social welfare domain (Stubbs and Zrinščak, 2015). The financial and tax framework with no tax incentives is considered to be a problem. The tax framework puts demands on all third sector organizations to compete with for-profit organizations and endangers their viability and financial sustainability (Bežovan et al. 2016.b).³⁸

34 In the early 90s, the desirability and political development of these organizations in Croatia were questioned. Various restrictions were imposed on them, such as barriers with registering and they acted with a certain state control (Bežovan, 2008.). We have made significant progress since those times.

35 According to the online survey from the Third Sector Impact project, over 66% of civil society organizations find legal restrictions and 56% consider the lack of clear legal status as a serious or a very serious problem.

36 Croatian legislation does not recognize social entrepreneurship as a specific legal term. However, the legislation does not prohibit social enterprises management. Specifically, they are associations, cooperatives, Limited Liability Companies and partly private welfare institutions. Social enterprises are most typically hybrid organisations.

37 Croatia is still overburdened with legislative and normative optimism. This translates to confidence that laws and strategies alone will resolve all problems. The consequence of that kind of policy orientation is that what the state does not recognise in laws is practically invisible and the public administrations often treat it as if it were illegal.

38 TSI interview 2: "[Social enterprises] are not even recognized in the tax system and it is unfavourable to them. I think we are far from the creation of a specific legal form for social entrepreneurship. It would certainly increase the visibility, enhance regulation and allow better control.

When we look at the possibilities of social entrepreneurial activities, key policy stakeholders in Croatia see social entrepreneurship as a new area of potential impact (Baturina 2016.b). They recognize the development of such initiatives in encouraging “spill over” of business thinking in working for social benefit. With regard to the recognition of social entrepreneurship in our context, the bare act the formation of entrepreneurial activity of achieving and sustaining social mission in such environments is partly considered innovative. Respondents agree that the impact of the third sector, especially social entrepreneurship, in the labor market inclusion of marginalized groups can be significant. Although some respondents see this impact as limited, they believe that the third sector is more suitable than the state and the private sector for these groups and their integration. Some of the quotations that illustrate this overall thinking are:

KS9: “[L]ook, everyone who entered into some kind of entrepreneurship, anyone who has founded and launched an initiative for a cooperative, association – it must be innovative. Because somehow it must have a kind of goal they want to achieve and then his thinking is constantly directed at how will I improve my service, how can I become better, how will I attract more users and therefore are thinking differently and develop innovation.”

KS3: “Surely they are pulling in some money, also through these social services, through social enterprises employing less employable groups, which are also important in this situation in which even the healthy cannot find a job, it is important that socializing and work, building their self-esteem, self-awareness that they are worthy, is ensured to a group of people who are disadvantaged.”

KS11: “I think their impact is huge, at least from what I know, many organizations have tens of employees who are persons in a marginalized position, means we have actually, this is not the question of life and death but we can only imagine what would be without these services. And that number is growing and I know that was surprised when I went to investigate, when I saw the organizations that had 30-50 employees, which are already small, medium-sized enterprises. So that is not negligible and it should constantly be pointed out that there is already someone who is present in this area and meets the tremendous role in the local community”

As areas of action of social entrepreneurship respondents mostly see WISE and social services. They perceive strengthening socio-entrepreneurial initiatives in these domains. According to the perception of the respondents, this seems like an important area for strengthening initiatives aimed at social and economic integration of those deemed less employable. Social entrepreneurship is seen as a more convenient form compared to the state for tackling these problems. Some of the quotations that illustrate this overall thinking are:

KD8: “This story is now intensifying in relation to this social entrepreneurship, which in part includes the employment of marginalized groups, groups that are difficult to employ is in any case more acceptable than other, let’s say in companies’

KS14: “When we talk about social entrepreneurship then existing social entrepreneurs often say we do not want to be looked at only as those that employ social, marginalized groups and so on. But as a policy maker, I see the situation that so far in almost all projects that we had, that had elements of social entrepreneurship, there was a focus on marginalized groups in any form, from children to the elderly. “

KS15: “So it seems that social entrepreneurship if it is developed by an association or a socio-economic institution or organizations and so on, that may employ some hard-to-employ people or marginalized people is very important. Because it removes the problem, a social problem, from the state. And for that, it is very important.”

The third sector is seen as a possibility for the creation of new types of entrepreneurial initiatives that have not had a place in the mainstream economy. It is encouraging that stakeholders see (so far unrealized) potential. According to key stakeholders, organizations with their activities have an impact in understanding how to use economic resources and entrepreneurial principles for achieving general social goals. In the first place that refers to socio-entrepreneurial initiatives, but also to the solidarity economy. There are some positive examples of this, but the solidarity economy is still at an early stage of development. Both dimensions of the impact are not yet sufficiently developed and recognized. Some of the quotations that illustrate this overall thinking are:

KD2: “I think there’s too important, state do not even think about it, I think, really to say. It’s a little strange, and with regard to the European Union as far as they encourage social entrepreneurship, it is funny how little is supported by the ministry of entrepreneurship. It would be logical to me that social entrepreneurship is an economic power in general society. As something that is so free, by this I mean free in terms of contribution to the community, employment of marginalized groups, recycling, and the inclusion of the circular economy, which entrepreneurship does not encourage.”

KS5, “[A]nd as far as social entrepreneurship, I think the provision of social services is just one part in which it can flourish. Boost employment, improve the quality of life of people in this area. These groups with which it deals, when you just look at how many people might be employed.”

Conclusions from the research are aligned with Vidović’s study (2012) in which actors from the facilitator system relatively have an understanding of the concept of social entrepreneurship and its meaning, but most participants believed that social entrepreneurship is a complex phenomenon and insufficiently clear. Actors in the same study also believe that social entrepreneurship is underdeveloped. It also affects recognition, which is very low, especially in the public where it is often confused with other concepts.

STRATEGIES AND POLICY DOCUMENTS

As mentioned earlier, social entrepreneurship in the nineties was not recognized or mentioned in policy documents³⁹. With the beginning of the century there were first instances of its 'shy' inclusion in policy documents. Social entrepreneurship was made part of a couple of field related strategies, but without significant support and concrete implementation. The Program of Cooperation between the Government of the Republic of Croatia and the Non-Government – Non-Profit Sector from the year 2000, first mentioned social entrepreneurship as potential for social development but without concrete measures and activities that would be significant. The first national Strategy for the Creation of an Enabling Environment for Civil Society Development (2006 – 2011) introduced the term social entrepreneurship. The next Strategy for the period 2012 – 2016 also considered social entrepreneurship and social enterprise as one of the ways in which civil society organizations can contribute to social and economic development, but that intention was not realised in the implementation.⁴⁰

In 2015, following a long drafting process⁴¹, the Strategy for Social Entrepreneurship Development in Croatia 2015-2020 was confirmed. Social enterprise was defined as “business activity based on principles of social, environmental and economic sustainability where gained profit/surplus is entirely or partly reinvested for community well-being” (Government of the Republic of Croatia 2015.). This definition can be seen as a strategy compromise and working solution that will be shaped by the practices on the field and the development of the sector (Baturina 2016.a). The improvement towards a shared definition among all stakeholders is important for developing a common understanding of the sector.

The specific objectives of the strategy are: 1. To establish and improve the legislative and institutional framework for the development of social entrepreneurship; 2. To establish a financial framework for the efficient work of social entrepreneurs; 3. To promote the importance and the role of social entrepreneurship through every form of education; 4. To ensure the visibility of the role and possibilities of social entrepreneurship in Croatia and provide information to the general public regarding social entrepreneurship topics. Some analyses (Baturina 2016.a; iPRESENT 2015) have shown various potential challenges for the implementation of this strategy in the current state of development of

39 In the nineties there was no space for social and entrepreneurial activity, although the healthcare system, with the Law on healthcare from 1993, opened a space for founding private organizations for home care community services, which were also early examples of social contracting. This was a shy opening of space in this sector for socio-entrepreneurial thinking (Bežovan, et al. 2015.).

40 Some other potential relevant strategies were the Strategy for Combating Poverty and Social Exclusion in Croatia 2014-2020; the Croatian Tourism Development Strategy 2020; the Entrepreneurship Development Strategy 2013-2020; and the Strategy for Women's Entrepreneurship in Croatia 2014-2020. Of those mentioned, only the first has specifically included social entrepreneurship.

41 In 2013, the Croatian government founded a working group. The working group was comprised of 44 members gathered from interested ministries, agencies, stakeholders from CSOs and the scientific community (iPRESENT 2015). In April 2015, after two years of a turbulent process, the proposal of the Strategy was adopted by the Croatian parliament.

social entrepreneurship in Croatia. Some are directed to concrete measures that could be viewed as wishful thinking, but others relate to the capacities of the sector, implementation bodies and possible lack of horizontal and vertical coordination in the implementation of the strategy. However, it is the first significant policy document orientated towards social entrepreneurship and its implementation would be of key importance for understanding and development of the area.

SOCIAL ENTREPRENEURSHIP SECTOR

Social entrepreneurship in Croatia has become known only in the last few years and it was mainly contributed to the initiatives of civil society organizations that, due to insufficient funds, have increasingly oriented themselves to social entrepreneurship as means of self-financing.⁴² Sustainability was an important incentive for the development of economic activities.⁴³ However, the size and the scope of the sector was growing slowly, which did not amount to grassroots spreading of understanding and scaling up the initiatives.

The iPRESENT project (2015) had the most reliable estimate of the number of social enterprises in Croatia. It was created by combining several databases, estimates, and lists of approved social entrepreneurship projects. At the end of 2014, they have found 90 social enterprises,⁴⁴ and by the end of 2013, 95. The sector is relatively small according to the economic indicator of employment and income. According to the same research (iPRESENT 2015.), 14.4% of social enterprises in 2014 had 0 employees, 40% 1-4 and only 6.66% more than 20 employees. Most of the organizations (81.1%) had income lower than 2 million HRK (around 262,123 EUR), 16.66% even lower than 100,000 HRK (about 13,106 EUR) and only 5.55% more than 5 million HRK (Around 655,307 EUR).

Size and scope are not the only problems. Only some of the social enterprises understand the concept of social entrepreneurship (Vidović 2012.). Also, the same research shows that external actors identify an organization, individual or company and their activities as a social enterprise in a number of cases even before the organization self-identifies as such. That is certainly suggestive when it comes to the understanding of the concept in the sector.

A further recognisability problem is the stated lack of visibility of socially and environmentally responsible products and services on the market (Kadunc et al. 2014), which could promote an understanding of social entrepreneurship. However, this can be at-

42 The National Foundation for Civil Society Development emphasized that 41.8% of CSOs specific self-financing as an income source (NFCSD 2012), and as much as 21.9% CSOs claimed that self-financing was their main income source.

43 CEDRA HR, with a central office in Zagreb, includes five regional support centres and provides systematic support through training, consultation, and information for relevant stakeholders and social entrepreneurs and promotes research on the topic.

44 Among them 44 in the legal form of association, 31 as cooperatives, 13 as limited liability companies, and 2 as public benefit corporations). More than half of them were more than 5 years old, and also more than half of them come from 3 (of a total of 21) counties

tributed to the early phase of development of the sector and also the lack of quality and appeal of products delivered by the sector.

Although some studies suggest a lack of infrastructure⁴⁵ (Singer et al. 2011.), certain infrastructure support has developed. The Social Entrepreneurship Forum (SEFOR), whose main goal is the creation of an enabling environment for the development of social entrepreneurship and, more importantly, the cluster for eco-innovation and social development (CEDRA) are the main intermediary networks. They provide workshops, training and capacities building support for the SE sector. For visibility and understanding of the sector, a stronger structuration of networks and support organizations is needed. Their key areas of impact could be advocacy towards policy actors and providing support to new and smaller initiatives.

A small social entrepreneurship community amounts to small, bottom up capacity development and developments mostly rely on several organizations that are prominent and relevant for capacity building. Therefore, there is a risk that the sector is represented by a small, self-perpetuating circle of organizations (Baturina 2016a)

THE ACADEMIC SECTOR AND EDUCATIONAL SYSTEM

The area is under-researched with a critical lack of empirical data. In Croatia there are only a few relevant studies related to the topic of social entrepreneurship and there are only a few researchers interested in the topic (Vidović 2012, Vincetić et al. 2013, Kadunc et al. 2014, Vidović and Baturina 2016). There is a great gap in official statistics when it comes to collecting data. Hence, there is a need to involve the academic community and Croatian Bureau of Statistics (CBS) to ensure necessary data is available, but also to raise awareness on the potentials of social entrepreneurship in the different fields, such as employment, sustainable economic growth, providing social services and fight against poverty (Ivanković et al. 2013, Bežovan et al. 2016b). An in-depth analysis of the needs of existing social entrepreneurs and the legal framework is one of the measures in the Strategy for the Development of Social entrepreneurship. It suggests a lack of real insights about the concrete situation and the needs of social enterprises, which is also evident from the scarcity of researchers and data.

Education is a socialization mechanism, but it has so far been limited when it comes to a wider range of third sector and social entrepreneurship themes. The growth of the third sector is not followed by the introduction of third sector programs and topics in the university education. For this topic, education through the formal education system is still seriously limited (Bežovan et al. 2011). This is especially true for social entrepreneurship education. In Croatia, there is no systemic education program that would provide educa-

⁴⁵ Also, according to the third sector impact survey, "lack of support organizations" was an aspect hindering organizations' success (80.00% stated it was a very serious or serious problem).

tion on social entrepreneurship, or educate social entrepreneurs, both in the formal institutional education and in extra-institutional or informal education. There are only a few programs in higher education institutions that deal with social entrepreneurship.⁴⁶ Some organizations, as part of their own activities, have begun to create educational programs and workshops based on their own experience and international experience related to social entrepreneurship, such as ACT from Čakovec and Slap from Osijek. (Baturina 2016a, Kadunc et al. 2014). On the other hand, stakeholders consider education to be the most important condition for the development of social entrepreneurship, both education about social entrepreneurship, as well as for social entrepreneurship⁴⁷ (Vidović 2012).

The system of student cooperatives, which in our context is an innovative and interesting mode of organization and could promote social entrepreneurship by the 'learning by doing' principle, and their activities are not visible. Education for entrepreneurship is also generally underdeveloped (Baturina 2016a). The strengthening of entrepreneurial education is often referred to in the development of curricular reform. Curricular reform that is currently being designed encourages experience learning. Unfortunately, due to primarily ideological disagreement about a small part of the content, it is only in the experimental stage of implementation. The area, therefore, remains relatively unfamiliar in the educational system and social entrepreneurship also has obstacles entering lower levels of education.

MEDIA AND THE GENERAL PUBLIC

An important role in limiting development can be attributed to socio-cultural factors related to the collective experiences of the past that have created animosity towards certain aspects of social entrepreneurship (Bežovan et al. 2016b). The legacy problem is still important,⁴⁸ which was especially evident in the cooperatives sector⁴⁹.

The current system of values in Croatian society is considered to be an important barrier to the development of social entrepreneurship. According to the understanding of some stakeholders passive and system of values non-proactive towards entrepreneurship still prevails in Croatia. This affects the reduction initiative and innovativeness in entrepreneurship, and in the social sphere, the more reliance on state mechanisms of

46 Faculty of Economics in Osijek, VERN, Zagreb School of Economics and Management and Department of Social Policy of Faculty of Law Zagreb are the rare institutions that are including topics of social entrepreneurship education in their teachings and research.

47 For example, there is a clear lack of business skills in the third sector organizations, which are recognized as needed. In Third Sector Impact project survey 70% of respondents agreed or strongly agreed with the statement „it is important for executives to have a business background in (my) organization“.

48 As an illustrative example is the case of a radio show that presented social entrepreneurship. Citizens who called in for comments gave remarks that equated the term social entrepreneurship with socialism! It is not a representative view, but illustrates some of the general "mood".

49 TSI 2 interview: Agricultural and producer cooperatives where the land of rich Slavonians was seized and put in a cooperative, in that brief period of history, they are still frustrated... if we mention cooperatives, they first say 'will our land be taken again'.

social assistance and services. In addition, it is believed that the initiative in the social sphere that did not come from the state is still not valued sufficiently (Vidović 2012).

Several studies have warned of the negative attitude of citizens to civil society organizations.⁵⁰ The media, especially the national television, are often not interested in showing positive activities, but more interested in scandals and negative stories (Bežovan and Zrinšak 2007). Some of the problems encountered are also related to the disinterest of the media, the lack of investigative journalism and the high cost of advertising space (National Foundation for Civil Society Development 2011). It has been shown (Vozab 2012.) that the representatives of organizations perceive that the media are not fond of them. A systematic policy of the media to civil society and social enterprises is not visible and it is more dependent on individual journalists. Stories about such initiatives are often marginalized and the main information shows rarely focus on related topics.

Although some organizations are heavily featured in the media, such as the ACT group, Humane Nova or Cooperative of ethical financing, this is not representative of the sector in general. One study (Vidović 2012) partially places the responsibility for the lack of wider recognition of the concept on the media, as they rarely write about social entrepreneurship and the public has no opportunity to be educated about its meaning. However, the same study shows that organizations that have built an identity as a socio-entrepreneurial organization generally have positive experiences with public perception. Therefore, we can conclude that strengthening of the self-identification of the organizations with social entrepreneurship should be the starting point for promotions.

Instead of a Conclusion: Social Entrepreneurship in Croatia and the Challenges of “Growing up”

Social entrepreneurship faces two types of structural barriers to their better understanding among stakeholders. These relate to civic engagement, but also to the entrepreneurial part of its development. Several studies (Štulhofer 2004; Šalaj 2006, 2011) have recognized that Croatia is a society with a low level of trust. This contributes to the low level of active citizenship in Croatia, which was recognized as a development issue (Matančević and Bežovan 2013; Bežovan and Zrinščak 2007.). Additionally, in Croatia, as a former socialist country that had a war and a turbulent transition, an entrepreneurial spirit is still not rooted in the values of the people. The lack of transparency and the bias in the transition process led to very negative public attitudes towards entrepreneurship. However, despite the intensive discourse on entrepreneurship and the government’s ef-

50 Also, for example, the study Vidljivost i javna percepcija udruga u Hrvatskoj 2012 [Visibility and Public Perception of NGOs in Croatia 2012] (Franc et al 2012) showed that 86% of Croatian citizens are familiar with the expression udruga (nongovernmental association, NGO), while 64% know the meaning of the term. Although it is the main term related to civic organizations of the third sector scene in the last 25 years, more than one third of Croatian citizens do not know what the term represents.

forts to create a business infrastructure and favourable environment for the promotion of entrepreneurship, by many estimates the circumstances for the development of entrepreneurship are still far from favourable (Vidović 2012).

The lack of a policy and institutional framework for the development of social entrepreneurship and economy, with a particularly highlighted lack of favourable tax status, greatly reduces their impact (Baturina 2016a). Stakeholders in the study (Baturina 2016b) see the third sector as the potential of new entrepreneurship development for the public good, as well as reconsiderations of economic relations. Organizations with their actions have an impact in understanding how we can use economic resources and entrepreneurial principles for achieving general social goals. However, the unfavourable framework for the development of economic activities of the third sector and the lack of understanding of what advantage this type of action could bring, remain as significant barriers. The often unclear competencies at the level of ministries and implementing bodies that go along with a lack of understanding and general knowledge of social entrepreneurship make the further development in this area fragile and fragmented.

The embeddedness of social entrepreneurship in local initiatives would pose a challenge. The growth in the number of organizations and their local embeddedness is the key issue of sustainability and further development of the sector (Baturina 2016a). The paradox of associated citizens in the third sector is that government mechanisms are taking the identity and key roles in its development, which limits the power of social capital in the sector and their advocacy or impact on public policy (Baturina 2016b). The sector is partially imported from initiatives and support from foreign donors. It is now in the phase of transformation from donor-driven to statedriven. By creating the first Strategy for social entrepreneurship development, the state is taking the lead and setting conditions for its development.

The poor perception of civil society can be illustrative of the perception of social entrepreneurship. It is therefore important to avoid the “legitimizing trap” and learn from the path dependency of civil society. The modernization of social policy is a key issue for opening additional space for the third sector and social entrepreneurship. Further support (financial and logistical) for social entrepreneurship as a new practice, as well investment in the development of a social economy and social innovations is needed, including fostering hybrid organizations. The Croatian experience and understanding of the development of social innovation (Bežovan, et al. 2016a) tells us that this is a neglected topic, and the concept is unknown in the creation and implementation of public policy. However, civil society is still recognized as a space for discussing social innovation⁵¹ and

51 There is a clear link between civil society, social innovation and social entrepreneurship. Social entrepreneurship often appears as an innovative form of activity of civil society organizations; on the other hand, social enterprises almost by definition develop social innovation in their work. Social entrepreneurship and social innovation is seen as part of the solution (OECD 2010) because both aim to provide innovative solutions to unresolved social problems, putting the creation of social values at the heart of its mission.

a new perspective for addressing social risks in innovative ways. A further development and its linkage between innovation and social entrepreneurship are anticipated.

Croatia's maturity of social entrepreneurship in comparison to other CEE and SEE countries was identified as a progressive development (Galera 2016), but this should be taken with a grain of salt when we zoom in from a comparative analysis to specifically considering our context. In the end, we must conclude that although there is some limited positive recognition of social entrepreneurship among policy actors, there is a long way to its understanding and promotion. Regarding shaping a common understanding, wider political recognition and promotion are key to overcoming structural barriers. As far as the public is concerned, it is necessary to work on the general improvement of perception of all organizations in the third sector, the promotion of civic engagement and volunteering. For social entrepreneurship it is vital to enter into the education system. Presence in all levels of education could have multiplier effects, not only in the socialization of values, but also on the spread of knowledge on social entrepreneurship and the acquisition of skills to launch new initiatives. There is a need for greater involvement of the academic sector in research and in creating space for constructive discussion on the characteristics and potentials of social entrepreneurship in Croatia. For fostering understanding, demonstrating the sector's contributions could be important. This could be achieved implicitly by growth of the sector and dissemination of its positive experiences and more explicitly by measuring its impact.

As a new area, there are open opportunities for constructing understanding that need to involve all stakeholders. The strategy for the development of social entrepreneurship can be a driving force and that opportunity should not be missed, as has been often the case with various other strategies. Synergic advancement in all analysed areas is a prerequisite for developing a common and clear understanding of social entrepreneurship in our context and 'growing up' towards advancing its wider recognition and institutionalization.

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Could Social Enterprises Become (Another) Active Measure for Employment of Marginalized Groups in Kosovo?

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Abstract:

In this paper we researched whether social enterprises could be considered as an active measure for labor inclusion of marginalized groups in Kosovo. We look into the existing legal framework along with the recent progress of the Kosovo government toward the adoption of the Law on Social Enterprises, national strategies and various reports and studies. In addition to that, we interviewed 13 representatives of existing social enterprises in Kosovo on their experiences, challenges and perceptions. With this approach we were able to map out some of the main potentials and limitations of social entrepreneurship in Kosovo in terms of employment of marginalized groups, opening the window for future discussions.

Key words: Social enterprises, marginalized groups, social welfare, active measures, law, Kosovo

Introduction

Limited labor market opportunities caused by a fragile economy and an inadequate welfare system affected the exclusion of certain groups from most aspects of public life. Those groups are in most cases groups that already suffer from some form of social exclusion due to their educational, economic, ethnic or even physical affiliations. In this paper we mapped groups that are most often perceived as marginalized within the legal framework, national strategies or international reports. Those groups are: youth, women, persons with disabilities, Roma, Ashkali and Egyptian community. Some research shows that the unemployment rates for these groups are extremely high, consequently causing high poverty and extreme poverty rates.⁵² With that in mind, this paper aims to research whether social enterprises could be considered as an active measure for the employment of marginalized groups, in line with other active measures established and/or supported by the Kosovo government.

It is only recently that the importance of social entrepreneurship as a model for integration of marginalized groups in society is being recognized in Kosovo. Social welfare is

52 World Bank report notes that: "Extreme poverty is disproportionately high among children, the elderly, households with disabled members, female-headed households, and certain ethnic minority households (especially in the Roma, Ashkali, and Egyptian communities). As in many other countries, there is a strong negative correlation between education and poverty." For more refer to: The World Bank Group in Kosovo, 2015, *Country Snapshot*, p. 6

often seen as financial assistance or services provided primarily by public institutions, while social advocacy is often seen as scope of work done by non-governmental organization. A social economy, in terms of institutional representation and coordination, does not exist, but rather falls into the scope of work of several ministries and agencies, thus lacking adequate strategic approach and development. In last two years the Ministry of Labor and Social Welfare took over the responsibility for developing a legal framework that will define social entrepreneurship in Kosovo, in terms of registration, range of work and subsidies. The Law is yet to be finalized, and the development of bylaws, administrative instructions, as well as adoption and implementation dates, are not yet set.

Social enterprises in Kosovo have existed for years, some dating even before the armed conflict in 1999. Most of the enterprises are focused on the employment of marginalized groups either through direct employment or assistance in seeking it. However, the number of social enterprises is rather limited, along with their scope of work and number of employees. One of the main challenges most social enterprises face is financial sustainability due to heavy dependence on grants and support from international donors. That being said, it does not mean that social enterprises cannot and/or should not be perceived as a possible active measure for employment of marginalized groups in Kosovo, but rather that their potential and limitations should be researched and understood, in order to predict their capacities and potentials in the future, as well as develop adequate policies and programs that could contribute to their success.

Currently, there are a number of definitions of social entrepreneurship, from academia, civil society, international organizations and government. Instead of exploring various definitions, or siding with one, we decided that for the purpose of this paper, social entrepreneurship is perceived in a broader sense, having in mind the research question – social enterprises as an active measure for employment of marginalized groups. Therefore, this paper defines social enterprises as not-for-profit organizations that employ or provide services to individuals and/or groups that are in some way marginalized. Finally, social enterprises have an inclusive purpose: they provide opportunities and build capacities of marginalized members of society, thus serving society as a whole.

During 2015 and 2016 the authors of this paper were part of a regional research project on social entrepreneurship, in charge for the Kosovo region.⁵³ The project aim was to explore challenges and opportunities for employment of marginalized groups by social enterprises.⁵⁴ The project was largely focused on interviewing social enterprises, as well as representatives of marginalized groups, in order to assess the overall situation 'on the ground', and based on that offer certain policy recommendations. Relying on findings from the re-

53 The project was supported by the Regional Research Promotion Program (RRPP), which is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). The RRPP is fully funded by the Swiss Agency for Development and Cooperation (SDC), Federal Department of Foreign Affairs. For more on the RRPP, please visit: <http://www.rrpp-westernbalkans.net/en/about.html>

54 For more information on the project, please visit: <http://www.rrpp-westernbalkans.net/en/research/Current-Projects/Welfare-State-Social-Disparities/Challenges-and-Opportunities-for-Employment-of-Marginalized-Groups.html>

search, we developed this paper, focusing on potentials and limitations of social enterprises for becoming an active measure for employment of marginalized groups.

This paper presents only one step toward understanding the potential, but also the limitations, of social entrepreneurship in Kosovo, and as such, it should be taken into account in further research of the matter.

Defining labor marginalization in Kosovo

In order to understand the potential of social entrepreneurship to generate jobs for those living at the fringe of society, we must first define and observe marginalization and marginalized groups in relation to Kosovo's socio-economic state. This may not be an easy task, especially for post-conflict development societies, as it will be shown in the paper. However, certain existing data can be used in the context of developing a broader definition of concepts used, in cases where strict definitions are not essential for answering the research question.

UNEMPLOYMENT IN KOSOVO

According to the Kosovo Agency of Statistics, approximately 2/3 of the total population are working age people. Among them, in 2015, 62.4% were economically inactive, meaning that they did not hold a job and were not actively seeking one. Of the remaining 37.6% considered economically active, 32.9% were unemployed. This means, that, in 2015, of all the working age people in Kosovo only 25.2% were employed. The employment rate was higher for men: 38.7% of working aged men were employed, compared to 11.1% of working aged women.⁵⁵ Data from the previous labor force survey, for 2014, shows that the unemployment rate for the economically active population was somewhat higher – 35.3%, but so was the percentage of economically active citizens – 41.6%.⁵⁶

Key labor market indicators	Male	Female	Total
Labor force participation rate	56.7	18.1	37.6
Inactivity rate	43.3	81.9	62.4
Employment-to-population ratio (employment rate)	38.7	11.5	25.2
Unemployment rate	31.8	36.6	32.9
Youth unemployment rate (15-24 years)	54.2	67.2	57.7
NEET share of youth population (15-24 years)	28.3	34.9	31.4
Share of vulnerable in total employment	24.0	18.8	22.8

Labor market indicators for 2015 (source: Kosovo Agency of Statistic, Labor Force Survey)

55 Kosovo Agency of Statistics, 2016, *Results of Kosovo 2015 Labour Force Survey*, p. 9

56 Kosovo Agency of Statistics, 2015, *Results of Kosovo 2014 Labour Force Survey*, p. 9

Some estimations show that “every year around 34,000 young people enter the working age population; out of this 34,000, about 20,000 become the labor force, and only 10,000 leave the working age population. This increases the number of people that are a part of the inactive labor force.”⁵⁷ However, it may be difficult to create precise statistical data since a significant number of people work within the informal economy, meaning that their work lacks official registration (i.e. employers do not pay taxes and benefits for their employees, people working from home, seasonal workers). Some research shows that informal economy employment is as high as 50%.⁵⁸ According to the Government of Kosovo, “the high level of informality in employment is caused by the poor implementation of legislation on labor rights, especially by the labor inspection. The latter suffer from lack of capacities including human, technological, such as information management systems. Another particular issue is the lack of awareness among workers on benefits deriving from formalizing their work.”⁵⁹ However, many of these claims lack data support, as so far there has been no study that provides an in-depth examination of the exiting informal economy in Kosovo and its impact on labor related data gathering and sharing.

It seems that even general statistical data on Kosovo are hard to obtain, or they lack regular updates and changes. The last available data on Kosovo’s regional economic standing are from 2012. The estimation was done by the World Bank and showed that Kosovo had the second lowest GDP per capita in Europe, leaving only Moldavia below it; for the same year, Kosovo had the highest unemployment rate in all of South Eastern Europe (30.9%). The rate of economically inactive was also the highest in Europe, with female economic inactivity at 82%.⁶⁰ The European Commission’s Kosovo Report notes that 34.5% of the population live in poverty, earning less than 1.55 EUR per day, while 12% of population live in extreme poverty. Particularly vulnerable are children under the age of 18, of which 48.6% experience life in poverty. The report also underlined the importance and the role of social services (or social services providers) in assuring social inclusion of vulnerable and excluded groups. Social services can largely assist in supporting or implementing the integration of socially excluded groups and/or their families in society, thus helping them to become active participants in the labor market.⁶¹

57 Halili, Iliriana, 2016, “Getting Kosovo Back to Work - Assessing Youth Employability in Kosovo”, Thesis, Rochester Institute of Technology, Pristina, p. 9

58 UNDP, 2016, *Kosovo Human Development Report 2016*, p. 29

59 Office of the Prime Minister, 2016, *National Development Strategy 2016 - 2021*, p. 17

60 World Bank Report, 2014, *Republic of Kosovo: Kosovo Public Finance Review*, p. 2

61 European Commission, 2015, *Kosovo* 2015 Report*, p. 44-45

MARGINALIZED GROUPS IN KOSOVO

In a place with high unemployment and poverty rates, with a lack of an adequate social welfare system, as well as a low GDP, it becomes difficult to define marginalization and to map certain groups as marginalized. What is more, marginalized groups were not a subject of many studies, and even when they were, not all groups were covered. It is important to note that without a legal framework on social entrepreneurship in Kosovo, the definition of marginalized groups has to be done through secondary sources; which at the same time may have a positive note, as there is no official restriction on who is marginalized, and with that, no restriction on whom social enterprises have to employ/ provide services to, in order to be acknowledged as social enterprises. For the purpose of this paper, we relied on several sources when defining marginalized groups, excluding those that, based on our experience, we may consider marginalized (i.e. LGBTI, people with terminal diseases), but are not defined as such in the current legal framework, government strategies, or reports and analyses. Having in mind that the emphasis of this research was on the capacity of social enterprises to be an active measure for employment of marginalized groups, based on experiences of existing social enterprises, our primary focus was on marginalized groups that are 'covered' with these enterprises. Those groups are: women, youth, persons with disabilities, Roma, Ashkali and Egyptian communities.

Along with that, for the purpose of confirming marginalization, we looked at labor market statistic from the official reports delivered by the Kosovo Agency of Statistics, where the unemployment rates were highest for youth and women. Other studies also note low employment rates of persons with disabilities and members of Roma, Ashkali and Egyptian communities. The UNDP office in Kosovo conducted research on disability in Kosovo in 2011, which showed that the overall employment rate of persons with disabilities for the reporting year was 5%.⁶² Another UNDP study, conducted in cooperation with the Office of Good Governance, showed that the employment rate for youth members of Roma, Ashkali and Egyptian communities in 2012 was at 17%, in contrast to 29% of youth from the Albanian community.⁶³

Along with the statistical data, we look into the legal framework in Kosovo. The Kosovo Law on Labor, in Article 44, states that "an employed woman, an employee under eighteen (18) years of age and an employee with disabilities shall enjoy special protection in compliance with this Law",⁶⁴ thus implying their underprivileged social status in the labor market. What is more, as it will be shown later in the text, the Kosovo government adopted several laws and strategies with the aim of integrating these groups in society and the labor market, but the outputs were not visible at large.

62 Office of the Prime Minister, Office of the Good Governance, 2011, *Broad Survey of Persons with Disabilities in Kosovo*, p. 41

63 UNDP, 2012, *Kosovo Human Development Report 2012*

64 Government of Kosovo, Law No. 03/L -212, On Labour, Article 44

Currently, Kosovo's legal framework guarantees certain safeguards for those who are considered marginalized or vulnerable. However, even though marginalized groups enjoy certain 'special' rights, the implementation of those rights seems to be failing. For example, the Law on Civil Service predicts that non-majority communities are entitled to a minimum 10% of employment representation in the Kosovo public service.⁶⁵ However, a study conducted by the Prime Minister's Office for Communities Affairs on the employment rate of non-majority communities in public institutions, shows that the Law is largely disregarded. The study estimates that both central and local levels of government have not fulfilled their legal requirement, with few exceptions. Out of all the communities represented in the public sector, the Roma, Ashkali, Egyptian and Gorani communities have the lowest representation.⁶⁶ On the other hand, even when they are represented in public institutions, they are mostly employed in administrative and low-level positions, with very few or none represented at the managerial level. Almost all representatives from Roma, Ashkali and Egyptian communities are employed in administrative positions.⁶⁷ Another study shows that "the unemployment rate among Kosovo Roma, Ashkali and Egyptian communities exceeds the rates among other communities. The per-capita income of these communities is much lower, and a large number of them live in extreme poverty with less than one dollar a day."⁶⁸ What is more "only 0.1% of the persons working in [privately owned] enterprises were Roma, Ashkali and Egyptians".⁶⁹

The Law on Gender Equality⁷⁰ requires equal gender representation in all central and local institutions. This law is not applied in practice, with employment proportion in favor of men. There are a number of reasons why women in Kosovo are underrepresented in both public and political life: "Gender stereotypes have a major role in this, as both women and men follow traditional paths of education and training, which ultimately puts women in positions which are less valued and less paid."⁷¹ Contrary to Article 44 of The Labor Law,⁷² which provides women with 'special' status, the same Law has negative effects on women as it predicts maternity leave at 70% of the average salary in Kosovo for the first six months, paid by the employer, and 50% of the average salary in Kosovo for the remaining three months, paid by the government.⁷³ In practice, this means that during maternity leave, every woman will receive only a percentage of the national average salary in Kosovo, disregarding the salary she was receiving prior to the pregnancy.

65 Government of Kosovo, Law No. 03/L-149 On the Civil Service of the Republic of Kosovo, Article 11.3

66 Office of the prime minister/Office of community affairs, 2013, *Procena zapošljavanja pripadnika nevećinskih zajednica u javnim službama i javnim preduzećima na Kosovu*. p. 9

67 Ibid. p. 11

68 Government of Kosovo, 2008, *Strategy for the Integration of Roma, Ashkali and Egyptian Communities in the Republic of Kosovo 2009-2015*, p. 26

69 Ibid.

70 Government of Kosovo, Law No. 05/L-020 On Gender Equality take part in the training for job, if standards, and as as 100e per month. When it comes to jobs they would never do, most of the

71 Office of the prime minister/Office of community affairs, 2013, *Procena zapošljavanja pripadnika nevećinskih zajednica u javnim službama i javnim preduzećima na Kosovu*. p. 38

72 Government of Kosovo, Law No. 03/L-212 On Labour

73 Ibid, Article 49

Additionally, having in mind that most of the maternity leave is covered by the employer, the negative consequences such as gender and age discrimination in employment may occur, especially in privately owned companies.

While marginalization cannot be quantified, or put on a scale, one of the marginalized groups in Kosovo that probably face most obstacles, are people with disabilities, who suffer from exclusion both in the labor market and society in general. The Kosovo Assembly Report notes that “persons with disabilities suffer multiple deprivations: adequate access for children with special needs to quality education, lack of access to social assistance schemes due to inadequate eligibility criteria and less employment opportunities. Access to information and social rights is especially difficult for persons with disabilities, mainly due to lack of accessible public infrastructure and social services provided in a form which would allow them to understand.”⁷⁴ Research done by the Office for Good Governance estimates that there are approximately 150,000 people with disabilities in Kosovo. The same research included interviews with 950 of them, of which only 5% had permanent full-time jobs.⁷⁵ Even though certain legislation, such as the Law on Vocational Ability, Rehabilitation and Employment of People with Disabilities,⁷⁶ envisages legal and institutional support for skills, rehabilitation, vocational training and employment promotion of people with disabilities, the implementation is often lacking. This law encourages the employment of people with disabilities through tax reliefs and reduction of custom fees for employers. Any employer that employs persons with disabilities is entitled to financial subsidies.⁷⁷ Moreover, the Law requires companies and institutions to hire one person with a disability for every 50 employees,⁷⁸ but fails to offer a mechanism for oversight of the implementation, or a retribution system for violations.

Active measures for employment

Social welfare is often perceived as a basis for the protection of rights and values of marginalized members of society, and thus for the creation of opportunities for labor inclusion. Today, social support and services provided to marginalized groups or individuals are core for the majority of social systems in European countries. Social welfare differs among countries, depending on historical, economic, social and cultural contexts. When it comes to the social welfare system in Kosovo, historical events, low productivity, limited labor market, high level of natural growth and a very young population, influenced the increase of the overall dependence on social welfare. Members of non-majority communities that changed their place of permanent residence, or do not speak the majority

⁷⁴ The Assembly of Republic of Kosovo, 2009, *White Paper. Kosovo Social Inclusion Challenges.*, p. 35

⁷⁵ Office of the Prime Minister, Office of the Good Governance, 2011, *Broad Survey of Persons with Disabilities in Kosovo*, p. 41

⁷⁶ Government of Kosovo, Law No. 03/L-019 On Vocational Ability, Rehabilitation and Employment of People with Disabilities

⁷⁷ Draft Law on amendments and supplements to the Law No. 03/L-019 on vocational ability, rehabilitation and employment of people with disabilities.

⁷⁸ Office of the Prime Minister, Office of the Good Governance, 2011, *Broad Survey of Persons with Disabilities in Kosovo*, p. 41

language, or have a diploma of an educational system that is not recognized in Kosovo, are in a particularly critical situation.⁷⁹

Currently, there are two laws that define the welfare system: The Law on Social Assistance and The Law on Social and Family Services.⁸⁰ In these laws, the request for social assistance is tied with the working status of those acquiring it, rather than the social and economic status. The existing system fails to include approximately 75% of the poor and low-income individuals and families, meaning that a large proportion of those in need are without social assistance.⁸¹ The legal framework predicts two types of assistance: financial assistance and social services. Assistance is directed by the Ministry of Labor and Social Welfare and implemented by 40 decentralized Centers for Social Work. In practice, most of centers focus solely on financial assistance, leaving social and family services underdeveloped. This practice was noted by the Kosovo Parliament as well: “There are major challenges in the development of social services provision linked to the gradual decentralization of competencies to municipalities. The municipalities lack capacity and funds to deliver the necessary quality services. In addition, there is a shortage of qualified staff at both the central and local level.”⁸²

Social welfare is only one of possible mechanisms for achieving social equity and creating an inclusive society. Other active measures proposed by the government can, if implemented correctly, contribute to lowering the percentage of unemployment, especially in a post-war development economy with high unemployment rates for all groups and extremely high unemployment rates for marginalized groups. The Government of Kosovo took over the responsibility of developing and adopting active measures for employment of some of the most marginalized groups in society, primarily. What remains challenging is the implementation of those measures, their sustainability, and with that, the overall impact on society as a whole.

The office of the prime minister drafted a National Development Strategy in order to promote and advocate a new approach to development policies, that “will address all factors that currently are limiting economic growth and improvement of standard of living, and which treats development as a multi-faceted enterprise.”⁸³ The Strategy maps two main principles for future development: economic growth and social cohesion. The strategy notes that “the second principle is the need to ensure social cohesion and inclusion parallel with economic growth, which means non-exclusion of certain social groups from benefits deriving from economic growth. Inclusion is required not only as a pre-requi-

79 Milovanovic, Dina, Bozic, Ivana, 2016, *Power of Common Voice: Analysis of five crucially significant issues for Serbs in Kosovo*, Center for Society Orientation, Pristina, p. 57

80 Several other laws and bylaws may be included as relevant, such as those that determine pensions benefits, benefits of war victims and material assistance to families with children with disabilities.

81 Ristić, Branislav, 2014, *Sistem socijalne zaštite na Kosovu*, p.4 ; contribute society development political realities. possibilities to s are precondition for creating the room for vulnerable

82 The Assembly of Republic of Kosovo, 2009, *White Paper: Kosovo Social Inclusion Challenges*, p. 23

83 Government of Kosovo, Office of Prime Minister, 2016, *National Development Strategy 2016-2021*, p. 4

site for social justice and cohesion but also because, as such, it drives larger and more sustainable economic growth.”⁸⁴ However, the strategy does not go in-depth on how cohesion could be achieved or who should take over the responsibility to achieve it.⁸⁵

In 2006, the Kosovo government set up the SME Support Agency (SMESA), with the mission to contribute to the development of market economy through assistance in creating an entrepreneurial society.⁸⁶ The agency produced a strategy document which outlines that marginalized groups need specific attention in order to achieve adequate inclusion in the entrepreneurial market. Strategic goal 7 of the Strategy deals directly with “improving the position of female entrepreneurs, youngsters, minorities, specific group and support of the entrepreneurs in disadvantaged zones.”⁸⁷ Conversely, the Strategy does not offer any specific ideas or solutions for achieving this, or even including these groups into the entrepreneurship market. One study shows that the existing social enterprises have actually never used services provided by the SMESA agency, even though they may be eligible.⁸⁸

The only strategy that focuses directly on a certain marginalized group is the Strategy for the Integration of Roma, Ashkali and Egyptian Communities.⁸⁹ The Strategy focuses on the social, economic and political aspects in which these communities lack equality, representation or participation.⁹⁰ Even though the Strategy notes that: “it is of utmost importance creating successful and sustainable income possibilities for these communities, since this constitutes an essential prerequisite for their effective integration into society and their interaction with other communities”,⁹¹ it fails to offer concrete measures and steps for their integration. An evaluation of the implementation of the Strategy reveals that “Kosovo institutions fall short of fulfilling their commitments to create appropriate conditions for the integration of Roma, Ashkali and Egyptian communities in Kosovo”,⁹² and that “the limited degree of their implementation remains a strong reminder that much work remains to be done to ensure the protection of the most vulnerable communities in Kosovo.”⁹³

84 Government of Kosovo, Office of Prime Minister, 2016, *National Development Strategy 2016-2021*, p. 5

85 Government of Kosovo, Office of Prime Minister, 2016, *National Development Strategy 2016-2021*, p. 18-24

86 For more information on the SME Support Agency (SMESA) please visit: <http://www.mti-ks.org/en-us/Small-and-Medium-Enterprise-Support-Agency-of-Kosova>

87 Government of Kosovo, 2011, *SME Development Strategy for Kosovo 2012-2016, with Vision 2020*, p. 35

88 Varga, Eva, Villanyi, Viktoria, 2011, *Social Enterprises as a Strategy to Provide Economic Opportunities for People with Disabilities in Kosovo*, NESsT, Kosovo, p. 11

89 Government of Kosovo, 2008, *Strategy for the Integration of Roma, Ashkali and Egyptian Communities in the Republic of Kosovo 2009-2015*

90 Those aspects are: anti-discrimination, education, employment, economic empowerment, health and social issues, housing and informal settlements, return and reintegration, registration and documents, gender, culture, media and information, participation and representation, security and policing. Ibid.

91 Government of Kosovo, 2008, *Strategy for the Integration of Roma, Ashkali and Egyptian Communities in the Republic of Kosovo 2009-2015*, p. 26

92 OSCE Mission in Kosovo, 2011, *Implementation of the Action Plan on the Strategy for the Integration of the Roma, Ashkali and Egyptian Communities in Kosovo*, p. 1

93 OSCE Mission in Kosovo, 2011, *Implementation of the Action Plan on the Strategy for the Integration of the Roma, Ashkali and Egyptian Communities in Kosovo*, p. 11

Social entrepreneurship as an active measure for employment of marginalized groups?

In recent years Kosovo has made some progress in creating a positive market climate for social entrepreneurship. The Ministry of Labor and Social Welfare developed a draft version of a Law on Social Enterprises and included local civil society organizations and social enterprises in the developing/commenting process. The Law is seen as complementary to the existing legal framework that has been used to legally define social enterprises so far. Along with this, the international community in Kosovo established independent granting programs for social enterprises, as separate from granting programs for non-governmental organizations. The progress is noticeable, but, as some studies show, more action is needed in order to create an inclusive and favorable climate for social enterprises in Kosovo.⁹⁴

SOCIAL ENTERPRISES IN KOSOVO

In 2015-2016, the Center for Peace and Tolerance research team, who are also authors of this paper, conducted a study on social entrepreneurship in Kosovo, where a large part of the research was focused on social enterprises themselves. The research was done in two steps: 1) mapping out and interviewing existing social enterprises, 2) mapping out and interviewing representatives of marginalized groups in Kosovo. The social enterprises were mapped based on the definition of social enterprises as stated earlier in the text, as well as on the main principles of social entrepreneurship as stated in the Draft Law on Social Enterprises in Kosovo.⁹⁵ Out of 30 social enterprises mapped at the time, we interviewed 13. The interview questions were divided in four segments: the general identity of social enterprises, type of production and mission, the governance and ownership structure, and the financial structure.⁹⁶ Data was processed both quantitatively and qualitatively for the purpose of a broader understanding of the current position of social enterprises in Kosovo. In the second stage of the project, in coordination with the project partners, the research team identified six marginalized groups: women, youth, persons with disabilities, Roma, Ashkali, Egyptian communities, returnees and inter-

94 A journalist from the Guardian who researched the matter, noted that: "For now, it's unclear whether the nascent social enterprise sector is a step towards emptying Kosovo's streets of the rumbling international four-by-fours, or whether they'll prolong the state's reliance on outside aid." Meaker, Morgan, "Aid has failed to end Kosovo's crippling unemployment. Is there a solution?" The Guardian, 1st April, 2016

95 In the current draft version of the Law, social enterprises are defined as: "a legal person notwithstanding the form of its establishment based on its act of constitution defining the social objectives, it can conduct economic activities, may carry out production of goods and services in the general interest of society and integrates people from vulnerable groups to work;" Government of Kosovo, Draft- Law (Mlsw) No. Xx/2016 On Social Enterprises, Article 3, 1.1.

96 The questionnaire used for the interviews was the International Comparative Social Enterprise Models (ICSEM) project's questionnaire. For more on ICSEM project please visit: <http://www.iap-socent.be/content>

nally displaced persons and long-term unemployed persons. We reached out to members of these groups with the assistance of social enterprises and civil society organizations who work directly with one or more of the mentioned groups. In total, we interviewed 68 individuals, with equal distribution for each group. The interview questions were divided in three segments: general information, life circumstances and social benefits, with slight adaptations for each group.⁹⁷ Data was processed qualitatively, for the purpose of deeper insights on views, opinions and possibilities of marginalized groups to engage with social enterprises. Here we will focus on the main findings from the first phase of research, i.e., on social enterprises, in order to follow with exploring the potential and limitation of social entrepreneurship in Kosovo. Due to limited space, the findings on marginalized groups will not be presented.⁹⁸

What we first noted and what we, to certain extent, already knew based on our experience, is that social entrepreneurship in Kosovo is not as developed compared to the region, and that most of those working with marginalized groups are civil society organizations focused on temporary assistance, mainstreaming of human rights, research. The social enterprises that do exist and function are mostly small scale, providing employment to 1 to 5 full-time employees and 1 to 10 part-time employees. Almost all of the social enterprises employ individuals from marginalized groups, except for enterprises focused on providing assistance to marginalized groups. Marginalized groups targeted by social enterprises were described as: minority groups, ethnic groups, people living with some employment barriers, people with disabilities, refugees and women. The scope of work of social enterprises differs vastly, but it is always in line with the mission and vision of the organization. One of the main challenges social enterprises experienced was long-term financial sustainability. Out of 13 social enterprises, only 4 stated that they had reached an adequate level of financial sustainability. The main reason for this was financial dependence on granting programs, usually of international donors, primarily intended for non-governmental organizations. This means that social enterprises had to act as non-governmental organizations, i.e., to focus on projects and project-based activities, rather than long-term strategic planning. This prevented social enterprises from becoming stable and breaking even, ultimately preventing them from sustainability and growth.

In terms of legal identification, Kosovo currently does not have a law that defines and regulates social entrepreneurship, which is why almost all social enterprises were registered as non-governmental organizations.⁹⁹ However, the Ministry of Labor and Social

97 Questionnaire used for the interviews was created by a project's partner organization, Reactor from Macedonia, with slight adaptations for Kosovo context. For more on Reactor, please visit: <http://www.reactor.org.mk/Short-Content.aspx?id=2&lang=en-US>

98 For more detailed presentation of methodological approach, data and the analysis please refer to: Milovanovic, Dina, Maksimovic, Nenad, 2016, *Social entrepreneurship as a model for social and economical integration of marginalized groups in Kosovo*, Center for Peace and Tolerance, Gracanica

99 Existing social enterprises can be registered either as business (under the Law on Business Associations) or non-governmental organizations (under the Law on Freedom of Association in Non-Governmental Organizations).

Welfare is currently working on developing a law that will regulate social entrepreneurship in Kosovo. A draft version of the Law was released by the Ministry for comments in December 2015 and again in January 2016. Currently, there are no updates on the status of the Law, nor is there a potential date for when the Law will enter the Parliamentary procedure. The draft version of the Law on Social Enterprises states that social enterprises should be registered as nongovernmental organizations, associations, foundations, companies and farming cooperatives, prior to obtaining social enterprise status. Upon official registration, organizations should obtain the social enterprises status by applying for it with the Ministry of Labor and Social Welfare. Any organization that fulfills certain conditions such as: does not generate profit, ensures equality in participation, offers social services and goods, or employs marginalized individuals, can register to acquire social enterprise status at any time. This regulation may be perceived as positive, as it allows the existing social enterprise to simply apply for status, instead of going through the process of re-registration of changing of legal status, and it allows newly formed social enterprises to gain skills and experiences as NGOs, and later apply for the social entrepreneurship status, which has stricter rules and regulations.

According to the draft of the Law, social enterprises in Kosovo can fall under two categories – A and B. Category A includes social enterprises that conduct activities in the field of social and family service and category B includes social enterprises in which 30% of their workforce are from marginalized groups.¹⁰⁰ The Law also allows an option for the unification of A and B, i.e., an organization that provides social services and also employs marginalized groups. The draft Law also notes that all social enterprises, no matter the type of organizations and activities, will be exempt from profit taxes. Along with this, the supply of raw materials, equipment and services for all social enterprises will be subject to a value of zero for the Value Added Tax (VAT). The Law also leaves the opportunity for other fiscal exemptions to be determined in the future with other laws and bylaws. These benefits could largely contribute to the financial sustainability of social enterprises, which proved to be one of the main challenges.

100 The draft version of the Law maps the following marginalized groups: “the unemployed under the age of 25, who have completed their university education or are registered for over 12 months with the Employment Office; the long term unemployed, registered for over 24 months with the Employment Office; the unemployed without professional qualifications and the unemployed that have not completed primary and secondary education; unemployed people with disabilities; beneficiaries of social assistance; the unemployed repatriated who have taken the status according to the legislation in force; persons over the age of 55, who are unemployed or losing their job; the unemployed women who have in their care children under the age of seven and are registered for more than 12 months with the Employment Office; women victims of trafficking, exploitation and domestic violence, registered for more than three months with the Employment Office and persons who for a period have been addicted to narcotic substances and have been registered for over six months at the Employment Office.” Government of Kosovo, Draft- Law (Mlsw) No. Xx/2016 On Social Enterprises

Potentials and limitations of social enterprises in Kosovo

Having in mind that the government of Kosovo has an inclusive legal framework, along with national strategies, in terms of social and economical inclusion of marginalized groups, the development of a Law on Social Enterprises may represent a step toward observing social entrepreneurship as a potential active measure for employment of marginalized groups. The question that arises here is whether social enterprises can respond to these expectations and to what extent. Based on the experiences of existing social enterprises, we tried to draw out the potential and limitations of social entrepreneurship in Kosovo, in order to provide answers to the questions raised above.

THE POTENTIAL OF SOCIAL ENTERPRISES

Almost all interviewed representatives of social enterprises noted the role their enterprises had in creating the overall working experience for their employees, thus enabling them to be better positioned on the labor market. Along with experience, skill building of both employees and the users of the services (in cases of service providing social enterprises) had a major impact on their overall knowledge and performance, thus improving both themselves and the enterprises. Skills and experience building are of great importance for those who lack a formal education, or even those who have the education, but whose skillset and knowledge are currently not in demand in the labor market. Having in mind that the government strategy toward solving the problem of mismatch of education and labor market lays in introducing changes to the educational system,¹⁰¹ the issue that remains is on the individuals who are already present in the labor market, who lack skills and experience, and who are not able to go back to the educational system (which is still waiting for changes to be officially introduced). Therefore, social enterprises could have a significant role in building skills and experience of those on the margins of society.

Another potential of social enterprises is a tailor-made approach to job creation. Most social enterprises focus on production or services that can be matched to the employees they aim to have. For example, a social enterprise that aims to work with people who lack formal education at any level will focus on creating products or offering services that do not require much knowledge obtained through formal education, but rather on knowledge that could be obtain trough trainings or practice. Along with this, the work space and/or working hours can be adapted to employees' needs, thereby creating a safe and pleasant environment for those who struggle to adapt to the existing work regulations of the labor market. Therefore, this approach with tailor-made jobs and a tailor-made working environment can largely contribute toward including marginalized groups in the labor market. It can help individuals and groups slowly transit from one lifestyle to

¹⁰¹ For more on relations of education and labor market, and possible solutions suggested by the Government of Kosovo, please see: Government of Kosovo, Office of Prime Minister, 2016, *National Development Strategy 2016-2021*, p. 10-15

another, as well as learn and work in areas that make them feel comfortable and would allow them to progress. What is more, a tailor-made approach can contribute toward including those who are often most excluded from the labor market due to various reasons, such as persons with disabilities. However, that does not mean that social enterprises should be perceived as subsidies for the failure of the labor market to become a market for all citizens.

LIMITATIONS OF SOCIAL ENTERPRISES

The unemployment rate for the economically active working age population was 32.9% in 2015. This means that one in every three economically active persons is unemployed and looking for a job. Estimations put that number to be at 176,743 individuals. The number is even higher when we include the economically inactive working age population (58.4% of the total population), who are regarded as inactive since “they are not employed and have not actively sought employment in the past four weeks and/or are not available to start work within two weeks”¹⁰², or those who lack official documentation¹⁰³ or refuse to participate in public/private life in Kosovo.¹⁰⁴ This means that, according to official statistics, of the total working age population in Kosovo, only a quarter are employed. The question that arises here is about the capacity of social enterprises to provide employment for the unemployed population, and what is more, to determine marginalization within unemployment. As shown in the part about social enterprises of this paper, social entrepreneurship in Kosovo is underdeveloped and not large in number of representation. What is more, existing social enterprises in most cases employ between 1-5 persons, varying from year to year, or from project to project. Only one social enterprise we interviewed employed about 50 individuals, while all others had below 10 employees. Therefore, it is probably incorrect to assume that social enterprises could have a large impact on the numbers presented above. However, it is important to note that social enterprises are most likely to provide employment to categories of society with the least chances to enter the labor market, build their capacities and with that, in time, enable them to potentially engage in the labor market.

The second problem that arises, based on the experience of the existing social enterprises and the overall market economy, is long-term financial sustainability. In a post-war

102 Kosovo Agency of Statistics, 2016, *Results of Kosovo 2015 Labour Force Survey*, p. 9-10

103 This problem is mostly present among marginalized groups: “All across Kosovo there are people who still lack registration at birth. Individuals from vulnerable groups, among others are; Internally Displaced Persons (IDPs), those living in Diaspora, children, people from non-majority communities such as RAE, as well as persons with disabilities. Under such circumstances, all citizens without any differentiation, who find difficulties to gain access to civil registration face automatic exclusion from the social life and institutional development. The fact that they are ‘non-existent’ for the legal system makes their inclusion even more complicated.” The Assembly of Republic of Kosovo, 2009, *White Paper: Kosovo Social Inclusion Challenges*, p. 17-18

104 A study shows that 55% of Serbs living in the north of Kosovo do not use any type of services provided by the Government of Kosovo, and what is more, 43.7% do not support the participation of Serb representatives in Kosovo institutions. Jović, Nikola, Nešović, Branislav, 2015, *Stavovi građana na severu Kosova: politički, ekonomski i bezbedonosni aspekti*, NGO Aktiv, Severna Mitrovica, p. 13

development economy, it can be challenging to become sustainable and to penetrate the market for any local level business, and even more so for those established and run by individuals and/or groups already at the margins of society. For that reason, financial, but also technical and expert assistance, is necessary in order to create opportunities for social enterprises to develop and exist in the market. The Government of Kosovo currently does not have stimulating programs for the development of social enterprises. Therefore, existing and emerging social enterprises have to rely on other programs, such as the ones supported by the international community, civil society or local self-governments. Most of the funds obtained by social enterprises were grants and programs provided by international organizations, intended for non-governmental organizations. Research done by the Center for Peace and Tolerance shows that this focus on granting programs for non-governmental organizations prevents social enterprises from fully and adequately developing services or products, from breaking even and becoming sustainable, due to granting rules and regulations. For example, these grants and programs rarely allow the purchase of expensive equipment, require short implementation periods and do not provide any technical support. This is why most of the enterprises founded by non-governmental organizations through project grants experienced problems in remaining operational once the grants were done.¹⁰⁵ On the positive side, in recent years the international community present in Kosovo developed specific funds for supporting social enterprises, focusing on production and services.¹⁰⁶ Some donors were directly involved in starting the social enterprise, while others retained the approach they usually have with the non-governmental organizations grants. Either way, it proved to be quite challenging, but certainly not impossible, to establish growing sustainable enterprises. The main benefit of these type of grants is the fact that they are adapted for social enterprises, meaning that they allow for the purchase of expensive equipment, renovating/adapting working spaces, and technical or expert support. On the other hand, some of the granting programs failed to offer certain budgetary lines such as salaries, running costs and similar items, which are very important for newly founded enterprises to be able to establish production and penetrate the market.

The final potential limitation of social enterprises that we will discuss here is the Draft Law on Social Enterprises. Even though the idea of having a law that would regulate social entrepreneurship is not *per se* a bad idea, the content of the current draft version, if adopted as such, may cause certain problems in the future. The law needs to be adapted to the 'situation on the ground' and to be in line with other legislation and strategies, so that the implementation and the results can have a positive outcome. Currently, the

¹⁰⁵ For more on financial sustainability please referee to: Milovanovic, Dina, Maksimovic, Nenad, 2016, *Social entrepreneurship as a model for social and economical integration of marginalized groups in Kosovo*, Center for Peace and Tolerance, Gracanica, p. 40-45, 66-67

¹⁰⁶ Some of the international organizations present at the Kosovo, that directed funds for social enterprises in last years are: European Union office in Kosovo, UNDP office in Kosovo, International Organization for Migration (IOM), United States Agency for International Development (USAID), Danish Refugees Council.

draft law offers two models for social enterprises: model A, which includes social enterprises that conduct activities in the field of social and family services, and model B, which includes social enterprises in which 30% of their workforce are from disadvantaged groups. The two are not mutually excluding. Model A describes social enterprises that provide social and family services. Social and family services in Kosovo are defined with the Law on Social and Family Services¹⁰⁷ and are, according to this law, to be offered by Centers for Social Work and non-governmental organizations, with financial support from the local self-government. A study conducted in 2016 reveals that social and family services offered both by Centers for Social Work and non-governmental organizations are limited in number throughout all of Kosovo.¹⁰⁸ The main problem that appears here is the creation of a third service that is provided and its influence on the social welfare system that is currently under the responsibility of the government. The output may be either large and unnecessary competition, in case of all providers working with full capacities; or shifting of responsibility, in case of lack of adequate work of certain providers.

Final considerations

Kosovo is facing a long road toward becoming an inclusive society. Indeed, the government took certain steps that could have assisted in creating a better and more equal place, but very little of those efforts had noticeable results. However, this is not to say that changes are impossible, but rather that society needs greater engagement of all involved parties. What is important to have in mind is that Kosovo is not a lone example in its struggle – the entire Western Balkan region is facing challenges with integration of marginalized groups in all aspects of public life. In recent years, countries in the region gave important considerations to the social economy and social enterprises as an option for tackling the issue of marginalization. And indeed, some examples, both from Kosovo and other places, demonstrated that social enterprises, through various existing models, have managed to ensure employment for marginalized groups and, more importantly, in society at large. This is why this paper looked at whether social enterprises could contribute at a larger level, to creating a more equal and inclusive society through the provision of employment to those individuals and/or groups perceived as marginalized due to their education, ethnicity, gender, age group or disability, which later directly reflects on their economical, social and political statuses.

Our research shows that there are both potential and limitations of social entrepreneurship in Kosovo. One of the main limitations is the number of jobs, especially when compared to the large rate of unemployment, as well as the large poverty and extreme poverty rates. The matter goes further when we explore the welfare state that Kosovo is

107 Government of Kosovo, Law No. 02/L-17 on Family and Social Services

108 Milovanovic, Dina, Bozic, Ivana, 2016, *Power of Common Voice: Analysis of five crucially significant issues for Serbs in Kosovo*, Center for Society Orientation, Pristina

doubtless lacking – hence, it becomes difficult to determine marginalization, as without proper social welfare, most of society could easily become marginalized, or perceived as such, due to lack of protection of basic human rights. For that reason, the issue of marginalization needs to be addressed in parallel to the improvement of social welfare and the implementation of active measures. The second matter is related to the capacities of public institutions, and the government itself, to respond to these challenges, which may require resources beyond their current capacities. The lack of enforcement of the rule of law and the implementation of other active measures may bring us to negative conclusions; however, answers are never simple and are more than often incorrect when provided without prior research and analyses. For that reason, research on public institutions, their capabilities and resources, is necessary in order to propose and implement changes that are at the same time favorable for the market and achievable for all parties included.

Another problem may be the challenging economy in Kosovo, as the region is at an early stage in developing a functional market economy. Small and medium enterprises are facing numerous problems, such as: “access to finance, weak legal enforcement of contracts and business regulations, administrative barriers, unfair competition from the informal sector, inefficient judiciary and corruption.”¹⁰⁹ In addition, public financial subsidies and support programs for SME have been limited and directed toward larger producers, leaving small-scale producers behind. Even in cases of programs where small scale producers are eligible for competing, they usually get beaten by the largest small-scale competition. This means that even though social enterprises could be eligible for subsidies and support programs, they would most likely be beaten by larger, experienced and aggressive competitors. The question then is whether nonprofit producers and/or service providers in undeveloped, unregulated and unstimulated economy would be able to independently penetrate the market and remain in it for a longer period of time.

This paper is only one of many steps in exploring social entrepreneurship in Kosovo, in terms of employment of marginalized groups. As such, the paper should be taken in consideration as a modest contribution to the public discussion on this important topic. Our goal as researchers is to inspire others and to illuminate them with ideas and solutions that were perhaps invisible before.

109 European Commission, 2015, *Kosovo* 2015 report*, p. 47

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Social Enterprise Models and Welfare System in Macedonia

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Abstract

At present in Macedonia, there has been a limited body of research on social enterprises (SE) focused on the assessment of needs as well as the legal framework. Furthermore, there are no scoping or comprehensive studies that provide an extensive overview of SE's across the country. This paper provides mapping of social enterprises. By mapping the SE's in Macedonia, the paper identifies various models of SE's, classifies them into categories and thus sets the basis for the development of a proper typology of social enterprises in the country. Furthermore, the paper analyses the institutional frameworks that underlie SE's, their historical development, as well as the legal and policy frameworks that regulate their functioning as employers and service providers. By doing so, the paper discusses the ways in which social enterprises influence the economy and welfare system.

Key words: social enterprise, typology, welfare regime, Macedonia

Introduction

The Republic of Macedonia is one of the six republics that constituted the Socialist Federation of Yugoslavia. It gained its political sovereignty peacefully in 1991, and since then the country has undergone the process of transition, changing its political and socio-economic system towards democracy and market economy.

As part of Yugoslavia, Macedonia had a universal provision of social services, and a welfare system designed in order to provide support to different categories of disadvantaged groups and people, based on legally guaranteed equal rights to healthcare, education and social protection for all citizens (Uzunov, 2011). Twenty-five years after the beginning of the transition, the political and socio-economic landscape in Macedonia has changed and the welfare system, although still based on the foundations of the former system, has undergone apparent modifications resulting in a more selective and less accessible social services model.

The third sector in Macedonia developed in parallel with the processes of welfare state decline, liberalisation of the markets and development of the private sector, in a highly vulnerable regional political context. The roots of the civil society can be traced back to the end of the nineteenth and the beginning of the twentieth century (Government of the Republic of Macedonia, 2012). After World War II and the creation of socialist Yugoslavia, the state has played a dominant role and exerted a significant influence on the development of the civil society, limiting the space for diverse grassroots civil initiatives (Klekovski et al., 2011). The new wave of development of civil society organisations emerged in the beginning of the 1990s on the foundations of the inherited legal framework and models of social organisations and associations from the former socialist regime (Borzaga et al., 2008; Klekovski et al., 2011). During this period, international donors had a major influence on the expansion and development dynamics of third sector organisations (Borzaga et al., 2008). The first decade of the transition period was marked by the Kosovo refugee crisis (1999) and the armed ethnic conflict in the country (2001). In line with the enhanced presence of international donors, the number of civil society organisations increased significantly and their mission and activities became more diversified (Government of the Republic of Macedonia, 2012; Klekovski et al., 2011).

Although in Europe the concept of social enterprise first appeared in the early 1990s (Defourny and Nyssens, 2010), social enterprises in Macedonia and the broader Balkan region are still considered as a relatively new phenomenon and an area yet to be developed and explored (Borzaga et al., 2008; Srbijanko et al., 2016). The concept of social enterprise and social entrepreneurship emerged in the third sector discourse around 2008-2009, but only recently, over the past five years it received greater attention and interest, primarily from civil society organisations as well as from representatives of the international community, foreign donors and government institutions. The development of social enterprises in Macedonia is still in its early stages and it is mainly considered as a model designed for the inclusion of particularly vulnerable marginalised groups or as a modus for providing the sustainability of civil society organisations (Zajc, 2013).

Although there has been a limited body of research on social enterprises in the region that is focused on the assessment of needs and legal frameworks, there are no scoping or comprehensive studies that explore the different types of social enterprises in Macedonia. The objective of this paper is to provide the mapping of the social enterprise models in the country by applying the EMES approach of social enterprise (Defourny and Nyssens, 2010) and to further explore the interaction between social enterprises and the welfare regime in the country.

The analysis is structured as follows: in the next section the welfare regime in the country is described by applying Esping Andersen's typology of the welfare state (Esping – Andersen, 1990). Following this analysis, the mapping and typology of the existing social enterprise models developed in the country over the past two decades are provided in

the subsequent section. This part also discusses the role of the different types of social enterprises in conjunction with the welfare state regime. The final part of the paper is constituted by the concluding remarks.

Welfare State Regime in Macedonia

CONTEXT

Macedonia initiated the restructuring of the political, economic and social system in the early 1990s, after the dissolution of Yugoslavia and the socialist system. The country started the transition process towards a market economy as one of the least developed Yugoslav republics, with a high unemployment rate and one of the lowest GDP growth rates across the other five Yugoslav republics (Saveska and Brown, 1999).

The transition and privatisation processes brought significant decline in productivity and industrial output. The average real GDP growth rate in the first decade of the transition period (1991 – 2000) was negative, accounting for 0.8%, whereas for the past 14 years the country's average real GDP growth rate accounted for 2.7% (World Bank, 2015; National Bank of the Republic of Macedonia, 2015). As a result of the transition process and the economic downturn, the existing social problems in the country exacerbated and new ones were triggered. A significant increase in the unemployment rate accompanied by the parallel processes of welfare system restructuring and social benefits cuts, led to increased poverty and inequality (World Bank, 1999). Poverty rates increased from 4% in 1991 to approximately 20% in 1996, peaking at a 30.3% relative poverty rate in 2002 (World Bank, 1999; State Statistical Office, 2010, 2012). The Gini index in 1998 was 28.1, whereas in the following years the trend of rising income inequality continued, peaking in 2010 when the Gini index was 43.6 (World Bank, 2015; State Statistical Office, 2013).

Considering the socio-economic context of the country and the stance of the economic and social development during the 1990s, the welfare system and along with the social services were highly deteriorated compared with the pre-transition period. The universal and centralist model for the provision of social services was changed and a more selective model was introduced (Donevska et al., 2007; Uzunov, 2011). The main reasons behind the reduction of social services derived from the vastly deteriorated economy and limited financial capacities of the state coupled with a rapid increase of poverty and unemployment, redundant workers, early retirement schemes, as well as an increased influence exerted by the international financial institutions advocating for the reduction of public spending (Uzunov, 2011). Another important reason behind the present social policy model was the absence of a strategic approach by the political parties in office towards creating sustainable welfare system reforms (Stambolieva, 2011).

The changes introduced in the inherited Yugoslav welfare system were meant to improve and financially consolidate the three key pillars of the welfare system in the country: pension system, healthcare system and social protection services. The privatisation of the healthcare sector, the establishment of the three pillar pension system as well as the introduction of conditional, targeted and means-testing provision of social protection services represented milestone reforms that affected the overall welfare system and the provision of social services.

SOCIAL PROTECTION

The social protection system is established by the state and the main carriers of social protection are the central government, the units of local self-government, the City of Skopje and the municipalities in the City of Skopje. The Ministry of Labour and Social Policy (MLSP) through its Department for Social Protection is the main institution responsible for creating and implementing policies, as well as planning and monitoring laws regarding the social protection in the country. The centres for social work and the institutions for social protection are working under the supervision of the MLSP and are also responsible for the implementation of social protection programmes in the country (Korunovska and Skrijelj, 2013). The social protection system in Macedonia is based on contributory (social insurance) and non-contributory benefits and services. Contributory services or social insurance include pension and disability insurance, health insurance and unemployment insurance, whereas non-contributory services are tax financed and largely based on cash transfers such as: social assistance (social benefits), child protection, residential and non-residential care etc. (Bogoevska et al., 2013).

In 2004, the government's National Strategy for European Integration of the Republic of Macedonia (2004, p. 12) announced new reforms in the social welfare system towards the deinstitutionalisation, decentralisation and development of partnership modalities between the private and public sector. The deinstitutionalisation process involved the introduction of social services programmes that were too expensive for public budgets or were insufficiently provided by the state social services, such as community based services (day care centres) with a particular focus on people with disabilities (Bornarova, 2011). This process was fostered by means of sub-contracting with service provider organisations from the civil society sector. The decentralisation process envisaged the increased decentralisation of the social welfare services on a municipality level. This approach indicated the government's tendency to adopt a more liberal provision of social services and orientation towards a system that limits the size of the state, introduces private and third sector organisations (CSOs, charities etc.) in the provision of welfare services and reduces public expenditure on welfare services and social protection. Although these changes were introduced with the proclaimed aim to improve the welfare system and the provision of social services, the state budget for the sub-contracting

agreements decreased in the years that followed thus narrowing the variety and quality of the provision of social services (Bornarova, 2011). This process led to reduced state expenditures on social protection and increased commodification of the social services. Welfare state transformations limited the access to social protection and the provision of social services and at the same time increased the level of social exclusion for the marginalised and most vulnerable social categories.

EXPENDITURES

It is hard to compare the country's social protection expenditures with the average spending of the European Union (EU) since the Macedonian State Statistical Office has not yet adopted the ESSPROS methodology. The closest estimate is obtained by comparing the country's annual expenditures on social transfers¹¹⁰ and social protection benefits with those of the EU (in particular of the former communist EU member states) and with those of a neighbouring EU candidate country (Serbia). Compared to all those countries, Macedonia has the lowest expenditures on social protection benefits (Table I).

Table I. Expenditures on social protection benefits as a percentage of GDP

Country	% of GDP
EU - 28	29.5
Czech Republic	20.8
Slovenia	25.4
Croatia	21.2
Bulgaria	17.4
Romania	15.6
Serbia	24.4
Macedonia	15.3

Source: Eurostat and the State Statistical Office of the R. of Macedonia, 2015

TPOLOGY OF THE WELFARE STATE REGIME IN MACEDONIA

The literature exploring the welfare state development and transformation in the former socialist countries of Central and Eastern Europe predominantly focuses on the countries that were once part of the former Soviet bloc and are today part of the EU. There is a limited body of literature and analyses that focus on the changes in the welfare

¹¹⁰ Social transfers are constituted by: pensions, unemployment benefits, active labour policy measures, healthcare, social benefits (financial assistance), expenditures for day-care centres and public kitchens as well subsidies for electricity bills for the most vulnerable categories of people.

state and the proposed typologies for the South-Eastern European countries that were once part of the Yugoslav socialist regime (Stambolieva, 2011).

An increased interest in the development paths and changes of the welfare regimes in the Eastern European communist and socialist countries was sparked after the 1990s and the beginning of the transition processes. The literature focused on the analysis of the post-communist welfare states is dominated by two approaches rooted in the occidental theories that explain the welfare state origin and developments (Stambolieva, 2011; Adascalitei, 2012). The first one frames the discussion using the institutional and actor-centred approach. This approach is trying to explain the present condition of the welfare states on the basis of the underlying relations between the institutional historical legacies and the influence of different actors in the society (e.g. parties, international organisations etc.) (Cerami and Vanhuyse, 2009; Stambolieva, 2011; Adascalitei, 2012). The second approach is mainly focused on the attempts to explain and classify the post-communist regimes within the existing typologies or even go further and create an additional type based on the specific features identified (Fenger, 2007; Stambolieva, 2011).

In the vast array of typologies of welfare state regimes formulated by different authors, not many studies are dedicated to the assessment and categorisation of former Yugoslav countries using the Esping - Andersen's typology. There are studies that build upon the Esping - Andersen's typology and propose an additional type of welfare regime on the basis of the inherited specific characteristics of the Eastern European countries (Deacon, 1993; Fenger, 2007; Stambolieva, 2011). The proposed types such as the "Central and Eastern welfare model" of Golinowska, et al. (Stambolieva, 2011, p. 347), Fenger's "post-communist European type" (Fenger, 2007, p. 24 - 25) or Deacon's "post-communist conservative corporatist welfare regime" (Fenger, 2007, p. 2) do not include countries from the ex-Yugoslav block in the analysis except for the ones that are part of the EU. The most dominant view regarding the typology of welfare state regimes adopted by post-socialist countries is the one that identifies these welfare regimes as hybrids comprising elements of the conservative, liberal and social-democratic welfare regime (Stambolieva, 2011; Bornarova, 2011). Several authors (Fuchs and Offe, 2008; Hemerijck, 2006; Cerami and Vanhuyse, 2009) point out that the welfare regimes of the Central and Eastern European countries cannot be considered as a new specific type, but rather more as a hybrid model that eclectically encompasses different features of the Esping-Andersen's three-world typology. Hybrid welfare regimes are the result of different paths of institutional development during the transition period influenced by domestic socio-economic and political factors, supranational organisations and cross-national learning (Hemerijck, 2006; Cerami and Vanhuyse, 2009).

Consequent to the economic and social developments context during the transition period over the past fifteen years, the welfare regime in Macedonia mostly incorporates elements from the conservative and liberal type of welfare regime identified by Esping-An-

dersen (Esping-Andersen, 1990). The features adopted from the conservative regime and included in the welfare regime are: a less developed welfare system mainly based on cash transfers, negligible redistributive impact of the state, commitment to preserve the traditional family relations and heavy reliance on family informal care i.e. women are encouraged to commit themselves to motherhood and family affairs (day-care and family services are underdeveloped and re-commodified). On the other hand, means-tested assistance, the re-commodification of the welfare services (healthcare, education, child and elder care etc.) and the overall increased market orientation of the welfare services resembles the features of the liberal welfare regime. Lastly, the feature adopted from the social-democratic type is the proclaimed principle of universalism in social rights, although the extent to which this principle is respected can be an issue for further analysis. Throughout the transition period, the country's welfare regime gradually lost the features of the social-democratic type such as universal unconditional access to health insurance and social benefits for vulnerable groups, as well as the broad coverage and access to social institutions (care for children, elders and different vulnerable groups). Therefore, using the Esping – Andersen 'lenses' (Esping – Andersen, 1990), the Macedonian welfare regime can be described as a hybrid regime primarily exhibiting conservative and liberal characteristics. While social-democratic features are still present to a certain extent, the characteristics of this type of regime throughout the transition period and the neoliberal wave gradually inclined in favour of the market based-approach and the liberal features of the welfare regimes.

Social Enterprise Models in Macedonia

This paper provides the mapping and typology of social enterprise (SE) models in Macedonia based on the EMES conceptualisation (Defourny and Nyssens, 2012; Defourny and Nyssens, 2016) and by applying the inductive qualitative approach. The units of analysis employed in this paper are the social enterprises in Macedonia.

The EMES criteria for social enterprises (Defourny and Nyssens, 2012) were applied in order to identify the operational social enterprises in the country. The primary overview of the existing social enterprises was based on desktop research, orientation interviews and case studies of social enterprises in the country. The SEs were then selected by convenience sampling, with a great effort having been made in order to identify and interview all SEs in the country since there is no official registry of the SEs. The final sample consisted of 24 SEs currently operating in Macedonia. Direct face-to-face interviews with top management representatives of the social enterprises were conducted during the period between 15.06.2015 and 10.12.2015. The interviews were conducted in the native language, lasted between one hour and an hour and a half and questionnaires were filled in the case of each SE. After the interviews, the responses were coded in a Limesurvey databank (Limesurvey, 2015) and were subsequently exported and analysed

with the Statistical Package for Social Sciences (IBM SPSS, 2013). The instrument used for the interviews was a questionnaire developed by the International Comparative Social Enterprise Models (ICSEM) Project¹¹¹, which aims “to compare social enterprise models and their respective institutionalization processes across the world”¹¹². The questionnaire is divided into four sections: 1. General identity of the SE; 2. Type of production and social mission; 3. Governance and ownership structure and 4. Financial structure. These sections provide information on the economic activities, social mission and the governance model of the SEs, representing three key dimensions of interest that enable further mapping and typology analysis of the SE models in the country.

Based on the results of the data analysis, three types of social enterprise models have been identified in the country:

- Non-profit organisations;
- Cooperatives and
- Companies as the social business model of social enterprises.

For each model of SE specific subtypes of SEs were identified (Table II). As Table II illustrates, non-profit organisations which undertake economic activities for social purposes are predominantly constituted by civil society organisations (association and foundations) and social organisations (associations established in the Yugoslav socialist regime). Cooperatives are represented by agricultural cooperatives and consumers cooperatives with a specific social mission. Companies that embody the social business model are represented by non-profit or for-profit companies with a social mission, as well as protective companies (sheltered companies).

Table II: Social enterprise models in Macedonia

Non-profit organisations	Cooperatives	Companies
Civil society organisations	Agricultural cooperatives	Non-profit or for-profit companies with a social mission
Social organisations	Consumers cooperatives with a social mission (ex. environmental cause)	Protective companies (sheltered companies)

In the following sections, an analysis of these three types of social enterprise models is provided along with their interaction with the welfare regime in the country. The analy-

¹¹¹ “Launched in July 2013, the ICSEM Project (www.iap-socent.be/icsem-project) is the result of a partnership between an Interuniversity Attraction Pole on Social Enterprise (IAP-SOCENT) funded by the Belgian Science Policy and the EMES International Research Network. It gathers around 200 researchers—ICSEM Research Partners—from some 50 countries across the world to document and analyze the diversity of social enterprise models and their eco-systems.” (Defourny and Nyssens, 2016, p.2)

¹¹² ICSEM Project, www.iap-socent.be/icsem-project, retrieved on 19.01.2016

sis of the SE models is structured according to four key criteria: economic activity, social mission, governance structure and financial sustainability. Each discussion exploring the SE model starts with a brief historical perspective of the SE development and an introduction of the SE model subtypes. Following the introductory discussion, the analysis is further conducted in order to include the social mission, economic activity, governance structure and financial sustainability of each subtype of SE in our sample. In the analysis of non-profit SE a special focus is put on social organisations, and particularly on a specific non-profit organisation type of social enterprises that was established in socialist Yugoslavia (Section 3.1.1.).

Non-profit Organisations

The most common type of organisations that undertake social entrepreneurship activities in Macedonia are non-profit entities registered as associations of citizens or foundations. The current sample consists of 18 organisations falling under this category of SEs which conduct mission related or mission unrelated economic activities that support their main social mission. Civil society organisations (CSOs) that provide financial sustainability through economic activity and social organisations (inherited from the former socialist regimes) are the most common type of non-profit organisations that operate as SEs in the country.

Most of the organisations in the current sample were established during the first decade of the new millennium, namely in the period that followed the two humanitarian and refugee crises (Kosovo crisis in 1999¹¹³ and the Macedonian armed conflict in 2001¹¹⁴). This period was characterised by an increased interest among foreign donors. Their presence influenced the proliferation of CSOs which almost doubled by the end of 2009, compared to 2003 (Klekovski et al., 2011). Almost all organisations in the current sample are formal and registered as associations of citizens under the Law on Associations and Foundations (Official Gazette of R.M., 52/10).

Non-profit organisations in Macedonia that conduct economic activities in order to support their mission resemble the characteristics of the entrepreneurial non-profit (ENP) model (Defourny and Nyssens, 2016) whereby earned-income strategies follow the “mission-driven business” approach and mainly include market-oriented and mission-centric economic activities or mission-unrelated economic activities that provide income in order to support the social mission of the organisation (Defourny and Nyssens, 2016). Most of the SEs in the sample relate their mission to the community, and the altruistic, mutual and ethical tradition (Gordon, 2015), whereas the private market and public stat-

113 As a result of the Kosovo armed conflict in March 1999, over 300,000 Kosovo refugees entered Macedonia in need of emergency humanitarian relief.

114 From February to August 2001, the ethnic Albanian National Liberation Army (NLA) militant group carried out attacks on the security forces of Macedonia demanding constitutional reforms and human rights for ethnic Albanians in Macedonia. The conflict ended with the Ohrid Agreement in August 2001.

ist purposes are seen as traditions to which this type of SEs are least related to. Their specific social missions are quite diverse and focus on aspects such as: the re-socialisation and professional integration of vulnerable social categories, improving and promoting the rights of persons with disabilities, promoting technology as a tool used in order to facilitate social inclusion, poverty alleviation among women by building the capacity for female entrepreneurship, labour market match-making services for people with disabilities, economic independence of marginalised groups with a special emphasis on women as victims of domestic violence, improving housing conditions for low-income families, educational services and the promotion of youth and children's rights, waste management and urban development. Almost half of the organisations in the current sample consider their economic activities as a means to achieve and sustain the financial viability of the organisation through earned income, while some of them are created as subsidiaries that generate funds for their parent organisation as part of their mission activities. Most SEs are launched as an initiative of a group of individuals or association/non-profit/voluntary organisations, but also as an initiative of private businesses, governmental agencies, foreign non-profit organisations or groups of students.

Most of the SEs in the current sample provide more than one type of products and in most cases their products are central to their mission or are mission-related. The main type of goods and services these SEs provide are: capacity building and training sessions for employability skills, educational services, handmade products and crafts, production and distribution of street paper, individual support in using assistive technology, home-made traditional and eco-friendly food products, palliative care, health services, financial services (loans), etc. In most cases these products are mission centric for the SEs. All products and services provided by these SEs are mostly free of charge or at a market price level, although some of them are offered below the market price as well. The sample data in this study indicate that the majority of the SEs from this category employ up to ten full-time workers mainly women, including paid and unpaid workforce where volunteers play an important role in the production activities.

Most such SEs in Macedonia target a specific marginalised group of people, i.e. beneficiaries that have the role of workers or users of the products and services they provide. The studied sample shows that the most common target groups are: marginalised and vulnerable groups (poor communities, homeless people, women who are victims of domestic violence, people with disabilities, people with addictions, sex workers, elderly people with terminal illnesses etc.), unemployed people and young people. There are few organisations that target small, medium-sized and public enterprises, entities engaged in creative industries, crafts and artisans or the society as a whole.

The governance structure is based on the principles of participatory governance where the decision making bodies are constituted by a variety of stakeholders and the voting power is distributed on the principle of "one member, one vote" where there is a high

degree of autonomy regarding the influence of public authorities, private donors or other donors. Most of the SEs in the present sample qualify themselves as non-profit organisations (NPOs) with members; there is one informal SE and one NPO without members. Almost all SEs in the current sample are organisations without shares, where the ultimate decision-making body is the General Assembly (G.A.). There are diverse groups of stakeholders involved in the governance structure of the SEs among which the most represented groups are citizens, users/customers, experts, workers, volunteers and suppliers/providers. According to the social mission and the economic model, the SEs in the current sample identify the absence of a legal framework, institutional support and fiscal exemptions as the main challenges for their governance model.

Most of the SEs in the current sample generate their income from philanthropic monetary resources, grants and donations and the income from sales is never the main type of revenue. Most of the revenues coming from public entities are secured mainly from international public entities or foreign donors, as well as from local and national public entities. International public entities are seen as the most important type of revenue by the majority of the SEs in the current sample. SEs that benefit from philanthropic monetary resources receive most of their income from international foundations, international NGOs or national foundations. A small amount of their revenue also comes from direct philanthropy (gifts/grants from local citizens, NGOs or private entities). Most of the SEs in the studied sample stated that their total revenue showed progressive growth over the past five years and that they mainly experienced net income in the previous year. More than half of the SEs in the current sample prohibit the distribution of their net income/profit by rule and reinvest the generated net income in the SE.

The state does not have particular regulations that allow this type of SEs to use specific fiscal exemptions, thus the majority of the SEs in the studied sample do not benefit from any kind of fiscal exemptions or deductions from public authorities. The majority of the SEs consider their financial resources mix as inadequate for achieving financial sustainability in regard to their mission.

The main perceived challenges and obstacles to achieving the desired optimal mix of revenues that ensures the sustainability of the SEs include: the lack of a specific legal framework for social enterprises, a low level of social awareness in relation to the concept of social enterprises and their work, the lack of professional capacities at the level of the SEs, the lack of an adequate state system for financing health, social and legal aid services provided by SEs and the overall poor socio-economic situation in the country.

The social mission and the specific focus on beneficiaries belonging to marginalised and vulnerable groups indicate that this type of SEs compensate and to a certain extent replace the number of services and programmes that either decreased during the transition period and the decline of the welfare system or were never recognised and introduced as welfare services by the state. In 2004, the changes in the Law on Social

Protection (Official Gazette, 65/04) introduced the opportunity for social contracting between civil society organisations and the Ministry of Labour and Social Policy. However, only few organisations utilise this possibility, while the funds they receive are not sufficient and have decreased since the beginning of the implementation period (Bornarova, 2011). State failure to recognise the needs of the most marginalised groups and provide solutions that would lead to greater social inclusion, motivated interest groups and communities to self-organise and provide services that would help vulnerable groups and contribute to their social integration. There are several examples where associations developed successful social entrepreneurship programmes and new services as an integral part of their activities, which subsequently led to the expansion of the welfare state services (ex. “Poraka”, “Pokrov”, street paper “Face to Face”). The Center for Support of Persons with Intellectual Disability “Poraka” (“Message”) is a civil society organisation established by parents in order to provide services and represent the right and interests of individuals with intellectual disabilities. This service provider organisation has several regional centres with established day care facilities that provide family support, educational activities, training and alternative community-based services for people with intellectual disabilities. Another example is the association for treatment, resocialisation and reintegration of people suffering from addictions “Izbor” (“Choice”). This organisation together with the Macedonian Orthodox Church (Strumica diocese) and based on the support received from foreign donors, the Municipality of Strumica and local business communities, developed a therapeutic community programme, “Pokrov”, which operates as a work integration social enterprise producing organic food. This economic activity secures the financial sustainability of the therapeutic programme. People participating in this long term therapeutic programme are also engaged as workers and produce organic food for market sale. These organisations are just a few examples of associations that were successful in developing social entrepreneurship programmes in order to provide sustainability for their social services programmes. By doing that, these SEs complement the welfare system by providing specific social services required by the communities but not provided by the state.

SOCIAL ORGANISATIONS

This type of social enterprises bears the historical legacy and continuity of the organisations that operated in the former socialist system in Yugoslavia. The Yugoslav socialist “workers’ self-management” model introduced in the 1950s influenced not only the organisational management of enterprises but also the types of social organisations that existed in Yugoslavia. On a theoretical and practical level, the self-management model of socialism differed from the Soviet model which envisaged workers participation in the decision-making process, i.e. democratic control and a democratic participation of workers in the decision-making processes of the enterprises (Prasnikar and Svejnar, 1993).

In practice, the League of Communists of Yugoslavia (i.e. the state) exercised a strong indirect influence on decision-making by the agency of the top management of the enterprises and the trade union members that were usually active members of the party (Prasnikar and Svejnar, 1993; Bornarova, 2011).

In this historical context, social organisations had a particular role in the socio-economic system in Yugoslavia. They represented the associations of citizens usually created on the basis of the top-down approach, with a significant membership base, simulating a participatory governance structure, conducting mission related activities and economic activities that provided additional financial revenues and sustainability in addition to state support. These organisations were usually part of larger umbrella organisations or councils where the state had significant influence, served specific target groups (such as young people, vulnerable groups, students etc.) and embodied a clear social dimension in order to serve the community or specific groups of people (Bojadzievska et al., 2009; Klekovski et al., 2011). Social organisations were involved in economic activities that provided goods and services for the target community groups and expanded the state welfare system particularly in the field of help and care for vulnerable groups, educational activities (different types of educational courses and vocational skills training programmes), cultural and sport activities, tourism and leisure etc. The income generated was reinvested in the social organisations, thus providing additional financial support in addition to the state's financial support.

At present, some of these organisations, although reshaped by the transition processes, continued their existence and can be considered as a non-profit model of social enterprise embodying the historical legacy and the continuity of their predecessor organisations. The specific features of this type of social enterprise are derived from the historical legacy and the regional socio-political context of the Balkan ex-Yugoslav countries. This type of third sector organisations were created in a top-down process initiated by the state institutions and in a way their emergence can be explained by the political expediency (Gordon, 2015) since these organisations had a particular role and contribution to the political mission of the self-management socialist system. Another specific feature of these social organisations is their capacity to “survive” the dissolution of the Yugoslav socialist regime and to adapt to the significantly altered political and economic context without undermining their main social mission.

In the first decade of the country's independence, namely until 1998, social organisations operated as CSOs maintaining their economic activities and state property management as in the former Yugoslav system. After the adoption of the new Law on Citizen Associations and Foundations in 1998 (Official Gazette, 31/98), the possibility for citizen associations and foundations to conduct economic activities was limited unless a separate legal entity was established such as a trading company or joint stock company (Article 7, Official Gazette, 31/98). Under the same Law, property and assets allocated to social organisations during the for-

mer socialist system were considered as state owned (Article 82, Article 83, Official Gazette, 31/98) thus each organisation willing to continue using the same property and assets was required to pay a rent fee to the state. This law had notable financial implications for the social organisations and most of the organisations became significantly dependent on foreign funds or state grants and subsidies in order to continue with their work, while some of them were forced to close their organisations. Social organisations from the current sample managed to continue with their work and adjust to the new reality by relying on foreign grants, yet some of them were recognised as organisations of national interest and received public funds and continuous financial support from the government. Social organisations today are registered under the Law on Citizen Associations and Foundations (Official Gazette, 52/10) as citizen associations that operate as non-profit organisations.

There are four social organisations in the current sample that were established during the 1940s and early 1950s. These organisations relate their social mission to the specific groups targeted by them. According to the different social enterprise traditions proposed by Gordon (Gordon, 2015), this type of social enterprises relate their mission and goals to the community purpose in most cases and some of them also to the mutual and public statist purpose. Their main activities include capacity building, community development, access to education, access to information, equality and empowerment and energy and recourse efficiency. As indicated in the sample, this type of social enterprises maintained their explicit social aim during the transition period and their main mission and goals relate to the principle of “general interest” (Defourny and Nyssens, 2016) as a major driver for their existence. Their types of activities are dedicated to young people and their education, wellbeing, mobility and leisure activities. A strong membership base was an important part of the legitimacy of these social organisations during the former socialist regime, and this tradition was maintained.

In their mission, this type of social enterprises mainly target beneficiaries such as children, elementary and high-school students, families, users of hostel services and the society as a whole. They do not give particular priority to poor or low-income individuals or families and they target all socio-economic groups, but if it is considered that they offer or sell their products and services free of charge or below market price then it is evident that their products are especially valuable for low-income beneficiaries.

The goods and services these social enterprises produce are central to their mission (mission-centric) and include: educational services for children and young people, education activities and training programmes, leisure and touristic services as well free legal aid for the members of particular professional associations. Current data also indicate that some social organisations also produce products or services which are unrelated to the mission (e.g. renting real estate property or renting property for commercial use) and sell them at market price, as a means to provide financial resources that support the social mission of the organisation.

The governance and ownership structure of the social organisations embody democratic principles such as the autonomy of governance bodies, constraints on the profit distribution and participative decision-making with a variety of stakeholders involved in the main decision-making bodies.

The ultimate decision-making body in each social organisation in the studied sample is the General Assembly (G.A.) and the voting power is distributed according to the “one member, one vote” principle. The most represented groups in the G.A. are volunteers, beneficiaries and experts. Given the social mission of the SE and its economic model, social enterprises in the current sample do not consider any particular challenges in relation to the governance model they apply.

The most common type of revenues social organisations have are represented by sales to private or public costumers, public grants, investment income, philanthropic monetary resources, membership income and individual contributions. The SEs in the studied sample obtain most of their revenues from the sale of their products and services to private or public costumers, public grants and subsidies and investment income. Beside these three key types of revenues that constitute most of the total revenues of the SEs, organisations also receive philanthropic monetary resources and membership income. Social organisations receive public funds mainly from international as well as from national or local public entities and they consider these funds as a very important source of revenue.

The total revenue over the past five years in the case of these organisations mainly tends to grow or stay stable, yet there are organisations that face declining trends in terms of their total revenue. Some of the social organisations in the current sample apply full prohibition to the redistribution of their net income. It is important to note that these SEs do not benefit from any kind of fiscal deduction from public authorities such as tax exemption, tax deduction or exemption from social security. Regarding the financial sustainability, most of the SEs consider their financial resource mix as more or less adequate. The optimal mix of revenue in the case of SEs represents a combination of sales to private entities, public grants or subsidies, philanthropic monetary resources, investment income and membership income. The main perceived challenges that influence the financial sustainability of the social enterprises in the present sample are the limited availability of public and private grants, limited possibilities to employ highly qualified workers and the low level of solidarity among the constituencies.

These organisations mainly produce goods and services that can be considered as complementary to the welfare services provided by the state especially in the field of education and training programmes for children and young people. One of the main benefits of these types of services is their availability to poor people and low-income families who are unable to afford the market price for services.

Cooperatives

Cooperatives are not a new phenomenon in the former Yugoslav countries, such as Macedonia. Evidence for the existence of cooperatives in this region can be traced back to the end of the 19th and the beginning of the 20th century (Borzaga et al., 2008). After World War II and the creation of Yugoslavia, cooperatives played an important economic and social role in the self-management of the Yugoslav socialist model, providing employment and economic engagement especially among farmers and young people. Cooperatives were mainly established in a top-down process, initiated and mediated by the state apparatus. The most common form of cooperatives in Yugoslavia included agricultural cooperatives, as well as youth cooperatives where members were high school and university students (Bojadziewska et al., 2009).

After the dissolution of Yugoslavia and the beginning of the transition period towards democracy and a market economy in the early 1990s, some agricultural cooperatives continued their work in the new political and economic context. In the newly established market economy, private profit-oriented companies were considered to be the main and most important carriers of the private sector economy, while cooperatives were perceived with a negative sentiment and most often regarded as relics from the former socialist system and thus their potential was neglected.

Today, cooperatives are established under the Law on Cooperatives (Official Gazette of the Republic of Macedonia, Nr.54/02) and the Law on Agricultural Cooperatives (Official Gazette of the Republic of Macedonia, No.23/2013). The most common types of cooperatives are still represented by agricultural cooperatives, but consumers' cooperatives also fall under this category. To the best of the author's knowledge, there are no examples of registered cooperatives that operate in the social service sector resembling the Italian model of social cooperatives (Borzaga and Santuari, 2000). While there is no official information available on the total number of cooperatives in the country, according to the Economic Chamber of Macedonia, there are 40 registered agricultural cooperatives overall (Economic Chamber of Macedonia, 2013).

In Macedonia, two types of cooperatives may be identified upon considering the Defourny and Nyssens approach (Defourny and Nyssens, 2016). As a first type, there is the most widespread model of multi-stakeholder agricultural cooperatives. These enterprises are mutual interest organisations, democratically owned and controlled by their members (producers of agricultural goods), which are mainly perceived by their founders as enterprises that can secure income, employment opportunities and joint product placements of their products. Their main governing bodies are constituted by different stakeholders such as workers, producers, investors and volunteers. Market income dominates their optimal mix of revenues and their actual type of revenues. The main incentive behind their establishment is predominantly the mutual interest of the

members. This mutual interest expressed by the members in the particular socio-economic context in the country has a specific social dimension if we consider the high level of unemployment and poverty, especially in rural areas. Although it might not always be explicitly stated, the social mission of this type of cooperatives can be found in the economic empowerment and employment of its members and this particular social mission was declared as primary by the cooperatives in our sample. If we consider that this type of cooperatives also address the specific social problem related to the high level of unemployment especially in the rural areas where agricultural activities are often the main source of income for the population, then agricultural cooperatives can be seen as SEs which adopt a general interest purpose.

The second type of cooperatives represents a fairly new approach in terms of cooperative development in the country. Namely, cooperative missions combine the interest of their members (mutual interest) with a more explicit general interest mission and broader community goals. Such cooperatives have various stakeholders involved in their everyday work and decision-making bodies such as: workers, volunteers and producers/providers of goods and services. In addition to the diversity of the stakeholders, these cooperatives have different type of revenues that are not necessarily generated from sales, but also from international foundation grants or direct philanthropy from the local community. One consumer cooperative has been identified in the current sample that represents this new approach towards a cooperative's main mission and goals. This cooperative operated as an informal group of organic food consumers for a few years before it was officially formalised as a consumer cooperative. In addition to the mutual interest of the members, the cooperative's social mission also includes the natural resource and biodiversity conservation, sustainable land use, health improvement and overall community improvement goals. Cooperative members consider the environmental aims as important as their mutual interests, and in that sense this type of cooperative presents the institutional trajectories of "moving upward", from mutual interests to an increased importance of the general interest in the enterprise's mission and goals (Defourny and Nyssens, 2016, p.14).

The social mission of the cooperatives in Macedonia is not as diverse compared to the tradition in Western Europe (Defourny and Nyssens, 2016; Borzaga, and Santuari, 2000) and is mainly focused on the ethical consumption/production and to some extent on the work integration mission. Their contribution to the welfare state context in the country can be mostly seen through the employment opportunities provided to people in rural areas who rely on agricultural production as their main source of income and have limited possibilities for employment. Social missions such as social cohesion and access to health or social services are not yet part of the cooperatives missions in the current Macedonian context.

Companies as a Social Business Model for SEs

This type of social enterprise in the country can be represented by non-profit companies and small companies with a social mission, as well as by protective companies that provide work integration and employment opportunities for people with disabilities. Protective companies as a specific type of enterprises have existed for more than three decades in the country, while non-profit companies and small business companies with a social mission can be considered as a fairly new phenomenon. If the EMES approach of social enterprise and its key dimensions (economic, governance and social dimension) are taken into account (Defourny and Nyssens, 2012), this type of companies that operate today in Macedonia can be identified as the social business model of social enterprise (Defourny and Nyssens, 2016).

The model adopted by non-profit companies with a social mission can be identified in several enterprises in the country established over the past five years. These social enterprises are characterised by a social mission that serves the general interests of the broader community and by a set of rules which limit profit distribution. There are two examples illustrating this type of social enterprises. One example is a non-profit company for packaging and waste management (“Pakomak”) established as a project company by a group of 11 leading manufacturing companies, whereas the second example is constituted by a small restaurant (“Freshis”) that uses 34% of its monthly income in order to provide food and hot meals for poor and homeless people in the capital city. The packaging and waste management company has a clear environmental goal, the profit is not distributed among the founders (there is no payment of dividends) and the decision-making structure resembles the capitalist type of governance. The restaurant’s beneficiaries are the most marginalised groups in the community, namely homeless and poor people or vulnerable groups that often cannot exercise their right to social protection. In terms of profit allocation, this social enterprise applies a cap on the distribution of profit (34% of its monthly net income is used for food and hot meals for its beneficiaries).

Another type of company incorporating a social mission is the protective company. Although its “classification” as SE is ambiguous, the strong financial support provided by the government is in many cases the main incentive encouraging companies to become protective companies. These companies are regulated by the Law on the Employment of Persons with Disabilities in Macedonia (Official Gazette, 44/2000). As defined in this Law (Article 9, Official Gazette, 44/2000), a company may become a protective company if at least 40% of its employees are people with disabilities. Protective companies benefit from fiscal exemptions implemented by the state authorities such as exemptions on social security payments for workers and tax exemptions on the net income they generate regulated under the Law on the Employment of Persons with Disabilities (Article 10, Official Gazette, 44/2000; Article 2, Official Gazette, 27/16). Such exemptions are part of the government initiative and legal framework designed to support and stimulate the em-

ployment of people with disabilities. The main goals of these companies are to provide employment and work integration for people with disabilities.

The first companies of this type in the country were established in the early 1970s in socialist Yugoslavia. They were protective companies (workshops) that provided training and employment for people with disabilities and often operated as part of a production chain, producing complementary parts of particular products. The Association of Protective Companies that exists today was established in 1972 as an umbrella organisation that represented the interests of the protective companies and of the employed people with disabilities. Compared to other known types of organisations and enterprises that existed in socialist Yugoslavia, protective companies are considered to best embody the concept of social enterprise (Borzaga et al., 2008). During the transition period, due to the economic downturn and factory closure, the number of protective companies decreased.

Protective companies that operate today in Macedonia can be identified as adopting an “SME-type” social business model with a primary mission of work integration and employment of people with disabilities (Defourny and Nyssens, 2016). In the current sample, there are two protective companies that serve as work integration enterprises. The first company began its work in 1995 and currently has over 20 years of experience in the production of paper-based products. The second protective company was created in 2001 as a factory that produced candies and sweet products. The main mission of these companies is providing employment and work integration for marginalised people as well as producing high-quality products. These companies relate their mission to the private market tradition and conduct their mission in line with the goals of economic democracy, employment generation, equality and empowerment, health improvement, human rights protection, capacity building and community development. The main groups that these protective companies target through their work are constituted by individuals with physical and intellectual disabilities that face employment barriers and can be engaged in the companies’ production processes. They sell their products at market price and do not generate any type of innovation through their work.

Regarding the governance structure, protective companies concentrate the decision-making power in the managerial positions of the companies. Participatory governance and the involvement of various stakeholders in the decision-making processes is not a common practice and the decision-making power is allocated to the executive managerial positions or the board of managers, resembling the capitalist model of corporate governance (Defourny and Nyssens, 2016). They predominantly obtain their main revenues from sales to private or public entities as well as from public grants or subsidies. Besides the revenues from sales and governmental fiscal exemptions, the protective companies in the current sample do not receive any kind of philanthropic monetary resources.

The protective companies in the studied sample are not shareholder companies. They reinvest the generated net income in the companies and there are no particular company rules that regulate the distribution of the net income (e.g. cap on distribution of profit). These companies see the lack of flexible conditions for obtaining the approval of grants and subsidies, lack of adequate enforcement of legislation and lack of public procurement incentives as the main obstacles to achieving an optimal mix of revenues for greater sustainability.

Although on a conceptual level protective companies can be considered as social enterprises, in reality it is not certain whether all the protective companies established were genuinely guided by the social mission to provide employment and work integration for people with disabilities. In this sense, the role of the state financial support and fiscal benefits designed to stimulate the employment of people with disabilities through a specific form of enterprise, namely protective companies, may not be neglected. Thus, the orientation of these companies from a capitalist to a more general interest (social) is mediated and significantly influenced by the legal environment stimulated by the state.

Conclusions

The development and transformation of the welfare system in Macedonia in the past two decades has been predominantly influenced by the transition processes that have been taking place in the country since the early 1990s. At present, the welfare regime can be described as a hybrid regime primarily incorporating elements from conservative and liberal welfare regimes, as identified by Esping-Andersen (Esping-Andersen, 1990). The characteristics of the social-democratic welfare regime inherited from the former socialist regime were gradually dismantled throughout the years that followed the transformation of the political and economic system of the country in favour of the market based-approach and the liberal features of the welfare regimes.

To a certain extent, this particular context exerts an influence on the programmes and missions of the third sector organisations which in turn further impacts the existing SE landscape in the country. Social enterprises are still a new phenomenon in Macedonia and represent an area yet to be developed and explored. The first preliminary mapping of social enterprise models in the country indicates three distinctive models of SE: non-profit organisations, cooperatives and companies with a social mission.

Non-profit organisations are the most common type of SEs. These organisations are characterised by a variety of target groups, social missions, products and services. Their main financial resources rely on philanthropic resources (donors and international aid agencies), implying an insecure long-term financial sustainability. When compared to the other models of SEs in the country, these SEs most often have a work integration mission for marginalised groups or provide different types of social services for them.

It is important to note that work integration programmes that are part of the social enterprises activities are often short-term programmes that are usually correlated with a specific programme (ex. therapeutic) and are coming to an end when that programme concludes. Fully fledged work integration social enterprises such as the Italian type of social cooperatives are not yet part of the SE landscape in Macedonia. The social mission and the specific focus on beneficiaries belonging to marginalised and vulnerable groups indicates that this type of social enterprises compensate and to a certain extent replace the services and programmes that either deteriorated during the transition period and the decline of the welfare state, or were never recognised nor introduced as welfare services by the state.

Cooperatives in Macedonia mainly focus on the ethical consumption/production and to some extent on the work integration mission. Their contribution to the welfare state context in the country can be mostly seen through the opportunities for employment for people in rural areas who rely on agricultural production as their main source of income and have limited possibilities in terms of employment. Social cohesion and access to health or social services as social missions that directly contribute or replace welfare services in the country's welfare system are still not part of the mission adopted by cooperatives in the present Macedonian context.

Protective companies are the most represented SE business models in the country. Although on a conceptual level, protective companies can be considered as social enterprises, in reality it is not certain whether all the protective companies established were genuinely guided by the social mission to provide employment and work integration for people with disabilities. In this sense, the role of the state financial support and fiscal benefits designed to stimulate the employment of people with disabilities through a specific form of enterprise, namely protective companies, may not be neglected. Thus, the orientation of these companies from a capitalist to a more general interest (social) is mediated and significantly influenced by the legal environment stimulated by the state.

Finally, the historic legacy of the country dating back to the former Yugoslav socialist regime has a certain influence on the present SE context. The historical impact can be perceived at the level of the inherited model of social organisations which continued their work throughout the transition period and can be considered as SEs today. Another significant impact of the historical legacy is the negative sentiment towards cooperatives expressed throughout the entire transition period and which eventually resulted in a limited interest and development of this SE model.

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Jožica Rejec has been with Domel d.o.o. since 1978. She started out in research and development as an electrical engineer and was responsible for the design of the function of different types of electrical motors. For her, there was always the challenge of new motors and new projects. In 2004 she completed her PhD in electrical motor engineering at the University of Ljubljana. She has been the CEO of Domel, d.o.o. since 2006 and the President of Domel Holding, d.d. since 2014. Since her taking up of these leadership positions, the company has built a new programme pillar and received a variety of acknowledgments from the Slovenian Chamber of Commerce, other institutions and several customers. She is the company's ambassador of knowledge and plays an active role in many associations.

Janez Rihtaršič has been with Domel d.o.o. since 2003. At the beginning of 2009, he assumed the position of Head of research and development and graduated with a PhD in mechanical engineering from the University of Ljubljana in the same year. He has received several acknowledgments from the Slovenian Chamber of Commerce and the SPIRIT agency for his innovations and work on new products. He also works part time as an assistant at the Faculty of Mechanical Engineering of the University of Ljubljana and is a member of a museum society in his hometown of Železniki, where he is responsible for technical heritage.

Alexander Schieffer. Co-founder of Trans4m, and of the Integral Worlds approach, Professor Alexander Schieffer is a graduate of the University of St. Gallen, Switzerland, where he lectures on international development. After working in various industries in Europe and Asia, where he ran his own publishing company in Singapore, Alexander found his passion, in cooperation with Ronnie Lessem, in turning education and research into vehicles for social and economic transformation and innovation. He has published a large variety of articles and books. Together with Lessem, he developed the Integral Worlds approach, which is now being applied in many countries around the world. Joint series editors of the Transformation and Innovation Book Series as well as the Integral Green Society and Economy Series, both published by Gower Ashgate, they have co-authored, among others, *Integral Research and Innovation*, *Transformation Management*, *Integral Economics*, *Integral Dynamics* and *Integral Development*.

Tadej Slapnik. After he graduated from the Faculty of Mechanical Engineering, University of Maribor, Tadej Slapnik worked in the National Assembly of the Republic of Slovenia as a secretary of the deputy group from 2000 to 2004. From 2002 to 2006 he was also a board member of the Financial Fund for Decommissioning of the Nuclear Power Plant Krško as a representative of the Slovenian parliament. From 2004 to 2009 Tadej was director of the Youth Centre of Dravinja Valley—one of the biggest non-governmental organisations in Slovenia, especially in the field of international youth projects with European Union and Mediterranean countries. In 2009 he became a member of the Slovenian national parliament. In January 2012 he became a director of Institute INEA for South Eastern Europe. As a parliamentarian he proposed a law on social entrepreneurship, which was accepted in April 2011. He was the initiator of establishing the Slovenian Forum of Social Entrepreneurship in December 2011, and in January 2012 he was elected its secretary general. From February 2013 to October 2014 he worked as a political advisor in the European Parliament. Since October 2014 he has been a state secretary in the Office of the Prime Minister of the Republic of Slovenia.

Davorka Vidovic holds PhD in Sociology. She works as an Associate Professor at the Faculty of Political Science, University of Zagreb. Her PhD thesis was on social entrepreneurship in Croatia, and it was a pioneering sociological study on this phenomenon in Croatia. Her main research interests are in the field of social economy, social entrepreneurship, social enterprises, social inclusion, cooperatives. She was a leading researcher of a regional team of seven SEE countries for the “Strategic study on social economy development in the context of the SEE 2020 Strategy”, funded by the Regional Cooperation Council in 2014 and 2015. She regularly collaborates with international organizations and research networks, such as CIRIEC, EURICSE, and EMES, on social economy and social enterprises and policy development. She is founding partner for ICSEM project in Croatia. She is regularly involved in *pro bono* work in local community and SE sector on consulting, evaluation of social entrepreneurship project, mentoring research studies and developing methodology for measuring social impact.

Urša Zgojznik is Professor of Mathematics and Pedagogy with almost ten years of experience in teaching, project management, project planning, financial reporting and administration. She is an expert on the non-governmental organisation sector, especially for civil initiatives and environmental questions. She is President of the Ecologists without Borders Association, which brings together enthusiastic activists in the field of environmental protection. It is a non-profit association dedicated to improving the environmental situation, focusing on waste management. This is achieved by promoting cooperation and activation of individuals and organisations in their local environment. The first big project of the association and a big step towards the fulfilment of its goals was the massively successful Let's Clean Up Slovenia in a Day! project, which culminated in one day, uniting more than 13% of the population in a common cleanup. In 2012 it was repeated with even better results as part of the World Cleanup 2012 project.

