

State of Play of the Social Entrepreneurship Sector
Report of the Croatia - Bosnia and Herzegovina - Montenegro Region

July, 2020

Introduction

For the purpose of this analysis *region* is term used for entire territory of the Republic of Croatia (*hrv. Hrvatska*), Bosnia and Herzegovina (*hrv. Bosna i Hercegovina*) and Montenegro (*hrv. Crna Gora*). The Interreg IPA HR-BA-ME programme area includes 12 Counties in Croatia (HR); Brčko District and 109 municipalities in Bosnia and Herzegovina (BA) and 10 municipalities in Montenegro (ME). The geographical area covers 87.453.95 km² with 5.587.836 inhabitants within the programme area. Targeted region is *heterogeneous* in geographical terms and characterised by development imbalance due to various factors such as location, geography, historical events including recent war damages, road and/or water interconnections, natural resources and different traditions. The length of border between Croatia and Bosnia and Herzegovina is more than 1000 km with 52 border crossings. Croatia is new member state joined the European Union in 2013, while Montenegro is candidate country and Bosnia and Herzegovina is potential candidate.

Figure 1 Map of the area covered by the Interreg IPA HR-BA-ME Programme



Source: <https://www.interreg-hr-ba-me2014-2020.eu/about-programme/programme-facts/>

The Interreg IPA HR-BA-ME Programme, *as policy instrument*, focuses on strengthen the social, economic and territorial development of the cross-border area through the implementation of joint projects financed through grant schemes. Financial instruments (FI) are

not included as possible model for policy implementation in 2014-2020 period and SMEs are not eligible applicants if they are profit making.

Sectoral analysis of the region and Interreg IPA HR-BA-ME Programme shows that there are more than 150.000 SMEs in the programme area.¹ This number represents the highest percentage out of total number of enterprises existing in all three countries: HR, BA, ME. As regards to business support institutions, there is a need for the improvement of their professional structure and services in order for them to be able to *help the SMEs in building up the performance and strengthening the competitiveness*. The situation analysis of the region showed a significant number of common assets and challenges, such as groups, which are considered to be in vulnerable position within the region: children, elderly, disabled, people receiving social care and long-term unemployed older women. That means that they will benefit from different level of cooperation across the region *in the field of social entrepreneurship* with the aim to advance social entrepreneurship. Creating supportive environment for social entrepreneurship by extending the scope and level of services of business support organizations would contribute to decreasing regional disparities, combating poverty, increasing employment, creating new products and services and increasing competitiveness of the enterprises in the region. Improving policy instrument would address unique specificities and needs of the emerging social entrepreneurship sector in the region.

¹ Interreg IPA CBC Programme Croatia - Bosnia and Herzegovina - Montenegro 2014-2020 available at https://www.interreg-hr-ba-me2014-2020.eu/wp-content/uploads/2016/05/Interreg%20IPA%20CBC%20HR-BA-ME%202014-2020_Cooperation_Programme_2.0.pdf (accessed July, 2020, pg.10)

Socioeconomic situation and characteristics of the social entrepreneurship sector of Croatia, Bosnia and Herzegovina, Montenegro

2.1 Socioeconomic situation

When it comes to socioeconomic situation of the region (HR, BA, ME) situation is quite heterogeneous and majority of economic indicators for all three countries are below EU average.

Table 1 General information for Croatia²-Bosnia and Herzegovina³- Montenegro⁴ 2014-2019

Indicators		2014	2015	2016	2017	2018	2019
Size of territory <i>square kilometres</i>							
	HR	56.594	56.594	56.594	56.594	56.594	56.594
	BA	51.197	51.197	51.197	51.197	51.197	51.197
	ME	13.812	13.812	13.812	13.812	13.812	13.812
Population <i>Millions, 2018</i>							
	HR	4.24	4.20	4.17	4.12	4.09	4.07
	BA	3.48	3.42	3.38	3.35	3.32	3.30
	ME	0.62	0.62	0.62	0.62	0.62	0.62
Real GDP per capita <i>EUR</i>							
	HR	10.250	10.600	11.170	11.890	12.620	13.330
	BA	4.584	4.298	4.514	4.714	4.965	5.217
	ME	5.561	5.875	6.357	6.912	7.485	7.878
Real GDP growth <i>% change</i>							
	HR	-0.1	2.4	3.5	3.1	2.7	2.9
	BA	1.1	3.1	3.1	3.2	3.1	3.9
	ME	1.8	3.4	2.9	4.7	5.1	3.6
New business density * <i>number of new businesses per 1000 people age 15-74</i>							
	HR	4.606	4.512	4.904	5.519	5.859	<i>not available</i>
	BA	<i>not available</i>	<i>not available</i>	1.187	1.045	1.091	<i>not available</i>
	ME	7.288	7.147	6.704	7.608	11.288	<i>not available</i>

² HR resources: Eurostat <https://ec.europa.eu/eurostat/data/database> , Croatian Bureau of Statistics, https://www.dzs.hr/default_e.htm; <https://www.statista.com/topics/3895/croatia/>, July 2020

³ BA resources: Eurostat <https://ec.europa.eu/eurostat/data/database> , Agency for statistics of Bosnia and Herzegovina: <http://www.bhas.ba/>; <https://data.worldbank.org/country/bosnia-and-herzegovina?view=chart>; <https://www.statista.com/statistics/453933/unemployment-rate-in-bosnia-herzegovina/>, July 2020

⁴ ME resources: Eurostat <https://ec.europa.eu/eurostat/data/database> , Statistical office of Montenegro: <https://www.monstat.org/eng/index.php>; <https://www.statista.com/topics/4990/montenegro/>; July 2020

Unemployment rate <i>% of labour force</i>							
HR	17.3	16.2	13.1	11.2	8.5	6.6	
BA	27.52	27.69	25.41	20.53	18.4	18.43	
ME	18	17.54	17.72	16.07	15.18	14.88	
Youth unemployment <i>% of labour force, under the age of 25</i>							
HR	45.5	42.3	31.3	27.4	23.7	16.6	
BA	63.27	63.21	54.98	46.49	39.32	39.7	
ME	35.8	37.56	35.92	31.72	29.49	30.72	
Long term unemployment <i>% of labour force</i>							
HR	10.1	10.2	6.6	4.6	3.4	2.4	
BA	23.95	23.2	22.45	17.4	15.6	<i>not available</i>	
ME	15.6	14.7	15.1	14.0	12.9	12.3	

Source:

*<https://data.worldbank.org/indicator/IC.BUS.NDNS.ZS?end=2018&locations=HR+CENTRAL+BU+REAU+OF+STATISTICS-HR-BA-ME&start=2014>, July 2020

The Republic of **Croatia** has experienced a lost decade in terms of economic catch up with the rest of the EU. Following a six-year recession and a moderate recovery, the volume of economic output only surpassed the pre-crisis (2008) level in 2019. Similarly, Croatia's GDP per capita in purchasing power standard was 63% of the EU average in 2018.

The *economy* of Croatia recorded a growth rate of 2.9 % in 2019, as domestic consumption and investment increased, fuelled by higher earnings and employment rate, an increasing pace of lending, growing disbursement of EU funds and rising economic sentiment. However, for 2020, a sharp recession of up to 7.0 % is expected because of the coronavirus pandemic. A key channel for disruption is tourism that is a driving sector of the Croatian economy (tourist spending accounts for about 20 % of GDP).

Although *labour market* conditions continue to improve, employment levels remain low. In 2018, unemployment rate fell to 8.5%, the lowest recorded level and fell further in 2019, down to 6.6%.⁵ The improvement in the labour market has benefitted several categories of job seekers, including the long-term unemployed. Some groups of workers remain particularly vulnerable, namely the low skilled, elderly and the disabled. Despite relatively high unemployment, labour shortages are becoming more apparent in certain sectors. The outreach to the unemployed and inactive youth is still underdeveloped. The youth unemployment rate

⁵ Croatian Bureau of Statistics, https://www.dzs.hr/default_e.htm, July 2020.

are fast decreasing from 45.5% in 2014 to 16.6% in 2019 but remain above the EU average (15.7 % in 2020⁶).

New business density improved significantly during last five years. Reforms to improve the business environment and boost competitiveness and productivity growth proceed but at a slow pace, which might slow-down further establishments of new businesses. The drivers of competitiveness are gradually improving, but the regulatory environment remains burdensome to business and social entrepreneurship.

When it comes to **Bosnia and Herzegovina**, socio-economic situation is far below EU average. The real GDP per capita was 5.217 EUR in 2019 in Bosnia and Herzegovina and it lags behind neighbours Montenegro (EUR 7.878) and Croatia (EUR 13.330). High unemployment is a key contributing factor to low average income and poverty. At 18.43% in 2019, Bosnia and Herzegovina's unemployment rate is one of the highest in Europe and it is increasing rapidly in 2020. Corona crisis contribute those unfavourable trends in Bosnia and Herzegovina. Youth unemployment is particularly troublesome - stood at 39.7 % in 2019. Encouraging and enabling young people to participate in the economy through entrepreneurship, particularly in fields such as technology, science, engineering and agriculture, has the potential to boost GDP growth and living standards. Bearing in mind that BiH is mostly integrated with the EU markets through trade and capital flows, it is very likely that deceleration of economic growth in the EU in the period 2019-2020 would result in the weakening of export demand thus slowing down the average growth rate of BiH exports in goods. Despite all the challenges, the continued trend of economic growth in the external environment (EU and the region), combined with intensified contributions of internal dynamics, should result in additional strengthening of economic growth in Bosnia and Herzegovina.

New business density stagnates in observed period (2016-2019) while data prior 2015 is not available. Bosnia and Herzegovina still struggling to collect data on SMEs capacities and performance, while data on social entrepreneurship is not recorded at all. Bosnia and Herzegovina perform well below the EU average for entrepreneurship. The established business ownership rate, entrepreneurial intentions, media attention given to entrepreneurship and high job creation expectation rate are particularly lagging behind. Indicators performing in line with the EU average include the share of population who consider entrepreneurship as a desirable career choice and the high status given to entrepreneurship – although both indicators are experiencing a downward trend since 2014.⁷

Montenegro, in observed region, hold golden average trends and high potential for economic growth. It is a small, *open economy* aspiring to join the EU by 2025. Montenegro has a relatively

⁶https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics#Youth_unemployment, July 2020

⁷ European Commission (2019), *Annual report on European SMEs 2019, 2019 SBA Fact Sheet- Bosnia and Herzegovina*.

fragile economy which is transitioning to a market system and is based on financial investments, especially in the energy and tourism sectors (private investment accounts for 20% of GDP). The country's economy grew by 3.6% in 2019 (from 5.1% in 2018), mostly due to infrastructure investment (motorways). Private consumption was also among the key growth drivers of the country. Due to the corona crisis outbreak GDP growth is expected to fall to -9% in 2020 and pick up to 6 % in 2021 as subject to the global economic recovery. GDP per capita in 2019 was 7.878 euro and following increasing trend in respective period (2014-2019). However, purchasing power is still below EU average.

The *labour market* in Montenegro is characterized by the following: unused human potential – low activity rates, high youth unemployment rates, disparities in regional unemployment, the problem of internal labour migration, intensive employment of workers from countries in the region. Employment policy has traditionally been passive rather than active throughout the region, although recent policy reforms have promoted the idea of active labour market policies. Unemployment rate of 16.5 % on average in period 2014- 2019 confirming passive employment policy implementation. On the other hand, youth employment rate in 2019 of 30.72% is still among highest youth unemployment rates in EU. Long term unemployment also show stability over last six years (2014-2019). Additional efforts are required to change this trend. Especially investment in education, competences and skills which will meet market demand. With the transition to a service economy, the main challenge now is to move towards more high-skill knowledge-intensive sectors of production and services than has been the case in the past.

New business density shows an agile increasing trend (e.g. increase from 7.608 new businesses in 2017 to 11.288 new businesses in 2018). SMEs in Montenegro play a significant role in the Montenegrin *non-financial business economy*. In 2017, they accounted for 80.1 % of total employment and generated 69.5 % of total value added.⁸

2.2 Social entrepreneurship sector

Social entrepreneurship sector in targeted region (HR, BA, ME) is still in developing phase. The understanding of the current size, scope and state of social enterprises in Europe lags behind their proliferation and the rising interest they generate among policymakers, researchers and practitioners. There is no systematic, accurate and reliable data related to social entrepreneurship sector in Croatia, Bosnia and Herzegovina, Montenegro. Qualitative and standardised monitoring of the activities of social enterprises is not possible, because there is no consistent and continuous database on social enterprises in targeted region. Data on the number of social entrepreneurs and areas of their activity can be found in several different reports/analysis resulting from initiatives of researchers and CSOs dealing with the topic.

Table 2 Social entrepreneurship in Croatia, Bosnia and Herzegovina, Montenegro 2014-2019

⁸ European Commission (2019). *Annual report on European SMEs 2019. 2019 SBA Fact Sheet - Montenegro*.

Indicators	2014	2015	2016	2017	2018	2019
SMEs <i>total number</i>						
HR ⁹	104.116	106.221	114.156	119.752	130.757	160.020
BA ¹⁰	32.334	32.441				66.145
ME ¹¹			28.222	30.238	33.760	
Social enterprises ¹² <i>total number</i>						
HR	90	<i>not available</i>	399	<i>not available</i>	526	<i>not available</i>
BA	<i>not available</i>	<i>not available</i>	31	<i>not available</i>	<i>not available</i>	<i>not available</i>
ME	<i>not available</i>	<i>not available</i>	19	20	<i>not available</i>	<i>not available</i>
Growth of social enterprises <i>% change</i>						
HR	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>
BA	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>
ME	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>	<i>not available</i>
Support for social enterprises provided by the Interreg IPA HR-BA-ME 2014-2020 Programme	1.200.000 EUR allocated to social entrepreneurship in HR, BA, ME					

Source: own authors' data aggregation

Croatia: Significant discussion about social entrepreneurship (SE) has been taking place in Croatia in the last ten years, although the concept of economic activity linked to social needs can be recognised in the efforts of the civil sector to restore socio-economic balance in the community after the Homeland War. While SE business model is becoming popular throughout the world because it equates economic and social value, Croatia still faces various problems such as misunderstanding of the SE concept (social welfare /social vs. environmental vs.

⁹ HR resources: European Commission (2019). *Annual report on European SMEs 2019. 2019 SBA Fact Sheet-Croatia*; Croatian Bureau of Statistics, https://www.dzs.hr/default_e.htm, July 2020.

¹⁰ BA resources: available data is not consistent and may slightly differ among FBiH and Republic of Srpska. For the purpose of this analysis data from SME POLICY INDEX: WESTERN BALKANS AND TURKEY 2019. OECD/ETF/EU/EBRD 2019 is used.

¹¹ Statistical office of Montenegro:

<https://www.monstat.org/userfiles/file/biznis%20registar/BROJ%20I%20STRUKTURA%20POSLOVNIH%20UBJEKATA%20u%20202018.god.pdf>

¹²Varga, E. (2017). *Social Enterprise Ecosystems in Croatia and the Western Balkans - A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia*. NESsT. Pg. 92 – 95, available at: https://issuu.com/nesster/docs/se_ecosystem_in_the_w_balkans_final

economic dimension), non-existence of relevant legislative framework, failure of institutions dealing with social and social welfare issues to take responsibility for promoting social entrepreneurship.

The structure of the Croatian economy is extremely stable. As in most countries, the small and medium enterprises have the largest share in the total number of enterprises, which, together with micro enterprises, covers 99.7% of the Croatian economy. In the observed period for which the data are available (2014-2019), growth in the total number of SMEs is continuity (SMEs grew from 104.116 in 2014 to 160.020 in 2019). Micro, small and medium enterprises employ almost three quarters of all employees in business entities in Croatia, and the share is unchanged compared to 2017.

Table 3 List of actors of social entrepreneurship in Croatia in 2018

Associations registered for economic activities pursuing social entrepreneurship and relevant general interest activities (social welfare, education, childcare, sustainable development, environmental protection, health protection...):	346
Social cooperatives:	25
Veterans' social-working cooperatives:	35
Cooperatives established with the objective of solving social problems:	33
Privately owned foundations, pursuing relevant general interest activities and economic activities:	5
Social enterprises founded by associations pursuing relevant general interest activities (most often Ltd. or simple Ltd.):	50
Social enterprises pursuing social goals and operating as non-for-profit organisations:	10
Institutions founded by associations pursuing relevant general interest activities:	15
Sheltered workshops – an institution or trading company in which more than 51% of workers are disabled persons in sheltered jobs:	7
TOTAL	526

Source: European Commission (2019). Social enterprises and their ecosystem in Europe – Updated country report CROATIA. Author: Davorka Vidović. Luxembourg: Publications Office of the European Union, pg. 52

Croatia is working on improving the consistency, completeness and timeliness of its statistics, but major gaps remain, therefore systematic monitoring of social entrepreneurship in Croatia is not recorded.

Bosnia and Herzegovina: In comparison with other countries of the region, Bosnia and Herzegovina has very complex economic and administrative set up. BiH has two (2) autonomy entities which are: The Federation of Bosnia and Herzegovina (FBiH), which comprises 10 cantons and the Republic of Srpska (RS). In this regard, many measures, policies and regulations for SMEs do not necessary apply for both entities.

The social enterprises in Bosnia and Herzegovina are in their early stages of development. The social entrepreneurship discourse is characterised by several diverse distinct tendencies such as: primary focus on social integration and employment of vulnerable groups; economic activities of CSOs to ensure financial sustainability. This diverse spectrum adopted by support organisations has also influenced the development of different forms of social entrepreneurship in the country in terms of their nature and focus of work. The SEs in Bosnia and Herzegovina usually operate under several legal forms: a) civil society organisations (CSOs), mostly associations; b) cooperatives, c) limited liability company or shareholder company and d) companies for employment of people with disabilities including sheltered companies.

There is no systematic collection of data on the size of the sector, and available information is mostly based on databases of beneficiaries of support organisations and expert estimates. The SEs in BiH mostly use an internal monitoring framework to measure progress and donor reporting formats to record their results and impact. At the individual level, most of the SEs keep track of the number of beneficiaries they serve, and information related to productivity and financial indicators. There is no official data regarding CSOs' income, staff levels, salaries, or number of volunteers. Staff members are usually hired on a project or voluntary basis.

The study on the *Social Enterprise Ecosystems in Croatia and the Western Balkans*¹³ estimated that the number of SEs that demonstrate all SE characteristics and identify themselves as such is around 31 in 2016.

Montenegro: Social enterprises in Montenegro are underdeveloped, fragmented, disorganised, poorly equipped, with limited capacities and resources to carry out work, and depend on donations. They rarely engage in providing general-interest services to the entire community and few enterprises are on their way to becoming sustainable; they mostly focus on the employment of disadvantaged groups. The number of mainstream enterprises that explicitly pursue social aims is hard to estimate, but using available information from stakeholders and reports, the number of social enterprises operating as LTDs is estimated to be lower than 10.

In Montenegro, there are *no official data on the size and structure of social enterprises* as a whole. The only attempt to map social enterprise in Montenegro has been made by the Centre for the Development of NGOs (CRNVO) in 2016 and they identified 19 social enterprises. Research study conducted by NESsT¹⁴ in 2017 estimates that there are 20 to 30 social enterprises in Montenegro.

Social enterprises (all legal forms taken together) usually have less than 10 employees, mostly women and people with disabilities. The jobs they offer are usually not permanent, since most of these workers are engaged through different part-time employment subsidy programmes. All

¹³ Varga, E. *Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia*, NESsT, 2017, pg.66

¹⁴ European Commission (2018) *Social enterprises and their ecosystems in Europe. Country fiche: Montenegro*. Author: Anto Jankovic. Luxembourg: Publications Office of the European Union. Available at <http://ec.europa.eu/social/main.jsp?advSearchKey=socenterfiches&mode=advancedSubmit&catId=22>

social enterprises also rely on volunteers, but their number varies depending on the volume and types of activities undertaken, and it is noticeable that ad hoc volunteering is the most common form of engagement, aimed at organising events, fairs. Social investment market does not exist in Montenegro.

Drawing on the EU operational definition, based on available administrative registers, studies and interviews with the key stakeholders, the SEs in Montenegro operate under following legal forms: a) associations and foundations (estimated number is 130); b) WISEs (1); c) cooperatives (2); d) mainstream enterprises (<10).

Development of social entrepreneurship and nature of cross border cooperation of the Croatia, Bosnia and Herzegovina, Montenegro

3.1 Legal status and concept of a social enterprise

Currently there is no legal act specifically designed for social entrepreneurship in region (HR, BA, ME) or law that regulates the sector of social entrepreneurship, but there are a few strategic documents within this area. Leader in this area is Croatia who adopted in 2015 the *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020*. The Strategy defines social entrepreneurship as “*a business based on the principles of social, environmental and economic sustainability, in which generated profit is entirely or largely reinvested for the benefit of the community.*”

Bosnia and Herzegovina and Montenegro do not have legal framework which clearly define social entrepreneurship. There is no national definition of what constitutes a social enterprise in Bosnia and Herzegovina or Montenegro. Social enterprises can be set up using a variety of legal forms and statuses, often being “hidden” among existing legal forms, most notably under the form of: associations and foundations; limited liability companies (LTDs); cooperatives.

There is no particular organizational and legal form, such as “social enterprise”, referring to social entrepreneurship exclusively, yet the definition is accompanied with nine criteria, which need to be fulfilled in order for a physical person or legal entity to be ***identified and registered as social enterprise*** in Croatia:

- Set balanced social, environmental and economic goals,
- Produce goods and/or deliver service, or generate revenues in the market, with a favourable impact on the environmental and society,
- Generate at least 25% of their annual income from their entrepreneurial activities, based on three-year operating or planning period,
- Invest at least 75% of their profit/surplus in their activities and/or objectives,
- Offer voluntary and open membership and business autonomy,
- Not be established solely by the Republic of Croatia, a local and regional self-government, or a public authority,
- Apply rules of democratic governance, where decision-making includes relevant stakeholders in addition to share owners or members,
- Monitor and evaluate their social, economic and environmental impact,
- Transfer assets to another social enterprise, or a local and regional authority in case of termination (asset lock).

The official definition in the Strategy does not precisely state the legal forms of possible social enterprises, but rather implies that various form which meet prescribed criteria may be consider as social enterprises. Nevertheless, one of the main limitations of Croatian legislation for non-profits is a lack of differentiation between organizations for the common good or for social

aims, and all other organizations included in the non-profit sector. This is specifically problematic with sports clubs or hobby associations that dominate the sector. As a result, they are treated in the same way as associations with a social mission. Social entrepreneurship closely fits into this category, so the lack of acknowledgment of added social value influences weak public and institutional recognition and affirmation.

Croatian legal framework still does not recognize social enterprise as separate legal entity. Consequently, the region does not have available data about the most frequent industry or field of activity social entrepreneurs are engaged in. In the discussion with various stakeholders a few expressed that their preferred industries were: agriculture, decorative and gift products, the fashion industry, food production, the production of goods for household use and service provision.

3.2 Development of social enterprises

Most social enterprises in region (HR, BA, ME) are still at an embryonic stage of development and operate under the legal form of associations, which provides significant benefits: these organisations are entitled to receive donations and state funding. But at the same time, this also means that they face significant limitations, related to the amount of revenue they are allowed to obtain from their economic activity.

A solid foundation for the creation of social enterprises lies in the provision of an appropriate legal framework, adapted to capture their specificities and needs. Three factors due to which social entrepreneurship is to some extent developed and recognized in the region are: existence of development support within the social entrepreneurship sector based on a civil society initiative, importance of social entrepreneurs on the EU level and access to European funding. Networks, support organisations and CSOs have already been set up, and becoming more visible and can count on more resources for further development.

The role of government remains a central issue: an active and supportive government can be crucial to mainstream social enterprise and make sure that key elements of the SEs are in place. Through a more aligned approach that overcomes barriers and seizes on opportunities, the full potential of social enterprise could be unlocked to address the region's urgent social needs. Moving through the social entrepreneurship phases needs innovation and skills upgrade from early pioneers and time for a critical mass of social enterprises to prove their business models. The process is not likely to be smooth and steady; there would be breakthroughs (such as the establishment of an ethical bank) and setbacks (for example the failure of some high profile social enterprises).

3.3 Nature of cross-border cooperation

Cross-border cooperation as one of the priorities of cohesion policy within territorial cooperation goals is designed to enhance economic and social cohesion and reduce disparities

in the level of development of different European regions. In this sense, the EU also assists cross-border cooperation with its structural (ESF, EFRR) and pre-accession funds (IPAII), both on its territory and among candidate/potential candidate countries.

Establishing cross boarder activities and cooperation has a purpose to boost social entrepreneurship and ultimately make an impact on economy in general and vulnerable groups because social enterprises mainly deliver their impact by employing groups at risk of social exclusion. SMEs, especially social enterprises, are potential for innovation but also play a significant role in regional development, as well as in the process of European integration. SME sector do employ significant number of population; but it is still potential to be used in the future while SMEs should be provided with the support needed in order to create more jobs.

Additional research is needed to study, assess and diffuse successful cross-border and transnational initiatives and activities of SE with a view to promoting successful approaches that could help SEs to enter the EU Market by establishing cross border activities and cooperation.

Through Interreg IPA cross-border programmes: Interreg IPA HR-BA-ME and Interreg IPA HR-RS managed by Croatia as member state, social entrepreneurship in the region may be financed. Especially through Priority axis 4 - Enhancing competitiveness and developing business environment. In current programme period, 2014-2020, for SEs in HR-BA-ME region is allocated 1.2 million euro. Allocation should be increased in the next reporting period taking into consideration high interest and potentials of the region. Beside grants other financing models such as financial instruments may be introduced.

Main stakeholders of

Croatia, Bosnia and Herzegovina, Montenegro region

The list of stakeholders is updated in the table below. The list targeting relevant stakeholders for region HR-BA-ME. Business support organizations, local development agencies, relevant clusters and associations from the programme area are specifically relevant as they are connected to regional SMEs and NGOs and are responsible for the input “*from the ground*” while implementing cohesion policy related to social entrepreneurship.

Table 4 List of stakeholders

	Organization	Contact data
1	Ministry of Regional Development and EU Funds – Managing authority for Interreg IPA HR-BA-ME	Miramarska cesta 22, 10 000 Zagreb, Croatia Phone: +385 (0)1 6391 438 E-mail: ma@interreg-hr-ba-me2014-2020.eu Web: https://razvoj.gov.hr/kontakti-1880/uprava-za-regionalni-razvoj/1886
2	Faculty of Economics & Business, University of Zagreb, https://www.efzg.unizg.hr/en	Trg J.F. Kennedy 6, HR-10000 Zagreb, Croatia Phone: +385 1 238 3317 E-mail: rbrecic@efzg.hr , Ružica Brečić, PhD Web: https://www.efzg.unizg.hr/en
3	Association for Creative Development Slap	Lorenza Jagera 6/3, 31 000 Osijek, Croatia Phone: +385 31 213 - 556 E-mail : udruga.slap@gmail.com Web: https://slap.hr/
4	ACT Grupa	Dr. Ivana Novaka 38, 40 000 Čakovec, Croatia Phone: +385 40 390 047 E-mail: info@act-grupa.hr Web: https://act-grupa.hr/
5	Social Cooperative Humana Nova	Mihovljanska 89, 40000 Čakovec, Croatia Phone: +385 40 500 765 E-mail: info@humananova.org Web: http://www.humananova.org/hr/
6	Cluster for eco-social innovation - CEDRA	Ul. Ruđera Boškovića 20, 21000, Split, Croatia Phone: +385 21 123 456 E-mail: n/p Web: http://www.cedra.hr/
7	Social enterprise HEDONA, http://hedona.hr/contact?lang=en	Trg Antuna Nemčića 7, 48260 Križevci, Croatia Phone: +385 (0) 48 681 292 E-mail: hedona@hedona.hr Web: http://hedona.hr
8	BUBAMARA (NGO), http://bubamara.hr	Vatrogasna ul. 5, 32100, Vinkovci Phone : +385 32 333-232 E-mail: bubamara@bubamara.hr Web: http://bubamara.hr
9	DEŠA – Dubrovnik (NGO), https://desa-dubrovnik.hr/kontakt/	Frana Supila 8, 20 000 Dubrovnik, Croatia Phone: +385 20 420 145 +385 20 311 625 E-mail: info@desa-dubrovnik.hr Web : https://desa-dubrovnik.hr

10	Social enterprise PONTES SALUTIS, http://pontes-salutis.com/	Voćarska cesta 106, 10 000 Zagreb, Croatia Phone : +385 1 346 1107 E-mail : zadruga.pontes.salutis@gmail.com Web : http://pontes-salutis.com/
11	Regional Development Agency for Economic Development, Mostar	Bulevar narodne revolucije 15, 88 00 Mostar, Bosnia and Hercegovina Phone: +387 36 557-210 E-mail: info@redah.ba Web: www.redah.ba
12	Association of Entrepreneurs and Employers - UPIP, Žepče	Stjepana Radića bb - Poslovni inkubator Žepče, 72230 Žepče, Bosnia and Hercegovina Phone: +387 33 552 460 E-mail: info@upfbih.ba Web : http://www.upfbih.ba/udruga-poduzetnika-i-poslodavaca-zepce-
13	Social enterprise „EkoDizajn Ltd“, http://www.ekodizajn.ba/kontakt.html	Humilišani bb, 88000 Mostar, Bosnia and Hercegovina Phone : + 387 (0) 36 347 296 + 387 (0) 66 711 277 E-mail : sanja@nestovise.org Web : http://www.ekodizajn.ba/index.html
14	Social enterprise “VedriMo“, https://vedrimo.com	Rodoč b.b. 88000 Mostar, Bosna i Hercegovina Phone: +387 36 350 301 E-mail: info@vedrimo.com Web: https://vedrimo.com/kontakt/
15	Nova šansa u Novom (NGO)	ULICA MIĆA VAVIĆA 1, 85340, Herceg-Novi, Montenegro E-mail: vulcan@t-com.me Phone: 031 321 136 Web: http://www.novasansaunovom.com/index.php/kontakt
16	Open centre BUONA FIDE, http://bona-fide.me/o-nama/	Ulica Velimira Jakića 37, Pljevlja, Montenegro E-mail: o.c.bonafide@t-com.me Phone: +382 68 450 140 Web: http://bona-fide.me/

Source: authors' contribution

SWOT analysis

SWOT about social entrepreneurship development/situation in Croatia, Bosnia and Herzegovina, Montenegro

Table 5 SWOT analysis of HR-BA-ME region

INTERNAL FACTORS	
STRENGTHS	WEAKNESSES
Existence of development support within the social entrepreneurship sector itself based on a CSOs initiative	Lack of quality and clear legislative framework related to social entrepreneurship for measuring the impact of social entrepreneurs in the region
Long tradition of cooperatives	Lack of networking among social enterprises, both at the national and regional levels, and they are not familiar with the different networks at the European level
Existence of organizations that are able to encourage and promote social entrepreneurship (regional development agencies, social entrepreneurship networks, foundations)	Low desirability of social entrepreneurs as clients of financial institutions due to lack of business experience and skills and lack of collateral for financing
Existence of interest in the development of socially responsible business and investment in the community and social entrepreneurship in the business sector	Lack of capacity and skills necessary to operate in the market
Readiness of persons, potential employees, in social enterprises for training and probation work	Lack of public-private and social partnership in social entrepreneurship
EXTERNAL FACTORS	
OPPORTUNITIES	THREATS
High level of recognition of social entrepreneurship at the European level and growing awareness of the importance of the social entrepreneurship sector in the region	Equating social entrepreneurship with the non-profit sector
Increased stakeholder awareness of the need to consider alternative economic models due to the current economic and COVID-19 crisis	Abuse of the concept of social entrepreneurship for activities that are not in line with its principles and values
Systematic and sustainable financial support (grant and/or financial instruments) for the development of social entrepreneurship through EU funds and programs	Possible administrative barriers due to non-recognition of the full potential of social entrepreneurship by region/policies
Active employment measures	Inflexibility of the legislative framework for creating a supportive environment for the development of SE
New collaborations, cross-sectoral networking and partnerships at cross-border level	Invisibility of the realized positive effects of the business of social entrepreneurs due to lack of systematic monitoring



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Source: adjusted by author based on available SME strategies in the HR, BA, ME region

Regional policy analysis in the context social entrepreneurship from perspective of the cross-border cooperation

At the regional level, strategies and processes relating to social innovation are initiated and directed by the EU, which is increasingly incorporating social innovation and social entrepreneurship into work programmes and project funding.

6.1. Legal framework

As already reported, only Croatia have Strategy clearly devoted to development of social entrepreneurship sector, while Montenegro and Bosnia and Herzegovina tackle this sector through different legal documents presented in table below:

Table 6 Legal framework for social entrepreneurship in region HR, BA, that to some extent regulate social entrepreneurship

Croatia	Bosnia and Herzegovina	Montenegro
Law on Associations Law on Cooperatives Law on Foundations Law on Institutions Law on Trade Associations National Strategy for the Creation of an Enabling Environment for Civil Society Development 2012-2016 Strategy of the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020	Law on Cooperatives Law on Associations and Foundations Law on Trade Associations Entity Law on persons with disabilities Law on Public Private Partnership Law on social protection Law on microcredit organisations Law on public procurement Strategy of development of Federation of BiH 2010-2020 Strategy of SMEs development of Republic of Srpska 2016-2020 Strategy of social inclusion of Bosnia and Herzegovina	Law on Cooperatives Law on professional rehabilitation and employment of people with disabilities Law on Volunteering Law on Non-Governmental Organisations Strategy for development of NGOs in Montenegro

Source: aggregated by author

Croatia: Social entrepreneurship came in focus in Croatia due to developing and adopting the *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia* for the period from 2015 to 2020. Prior to adopting the Strategy for the Development of Social Entrepreneurship, National Strategy for the Creation of an Enabling Environment for Civil Society Development (2012-2016) and Strategy for Combating Poverty and Social Exclusion in the Republic Croatia (2014 to 2020) were two national strategic documents that mentioned social entrepreneurship in a context of strategic development.

Strategy for the Development of Social Entrepreneurship in the Republic of Croatia 2015 – 2020 was drafted by the Ministry of Labour and Pension System (MLPS, also the managing

authority for the European Social Fund in 2014- 2020). Ministry established the Department for Preparation and Implementation of the Projects from the Field of Social Entrepreneurship to co-ordinate the Strategy's implementation. Prior to the Strategy, the policy discourse recognised social entrepreneurship only as a component of civil society, and social enterprises struggled to adjust to unsuitable and sometimes contradictory regulations.

The fundamental goal of the Strategy is establishing a stimulating environment for the promotion and development of the social entrepreneurship to reduce regional disparities and ensure an increase in the level employment and a fairer distribution and management of social wealth. As specific objectives, four measures are listed:

- establishing and improving the legislative and institutional framework for social businesses,
- improving the availability of financial instruments to social entrepreneurs,
- promoting education on the importance and role of social entrepreneurship in all educational levels,
- promoting public visibility and recognisability of social entrepreneurship

The Strategy covers several policy areas: access to finance, educational activities and access to the market. The measures and activities advocated by the Strategy are included in the ESF Operational Programme Efficient Human Resources 2014-2020 and linked to Specific Objective 9.v. *Promoting social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment.* A total around 37 million euros (32 million euro from the ESF) have been allocated to implementing the Strategy. About 60% of this amount aims to improve financial instruments for social enterprises, and will be provided through non-refundable grant schemes. The 40% of allocation will be distributed through non-refundable grant schemes to three other priority areas: educational activities (27.7%), improving legal and institutional frameworks (6.6%), and increasing the sector's public visibility (6%).

One of activity prescribed in the Strategy that is on great importance is establishing a Unique Social Entrepreneurs Register, Developing Criteria and Rules for Recognizing Social Entrepreneurs. Entrepreneur and/or enterprise that fulfils Strategy's criteria will be registered in Social Entrepreneurs Register for the period of three years, and after three years, a social enterprise can again apply for registration or will be deleted. Intention is that *Social Entrepreneurs Register* become official list of social entrepreneurs in the Croatia. At the time of writing this analysis Register has not been established. Therefore, exact number of social enterprises is still unknown, although a various project has been conducted with a purpose of mapping social enterprises.

Most measures to promote social entrepreneurship are implemented primarily through the proactive work of civil society organisations. Table 7 shows government, research, educational and financial institutions, as well as civil society institutions that play a significant role in

promoting social enterprises in Croatia. By focusing their activities on the development of business skills of social entrepreneurs, providing networking opportunities, and even creating financial independence and self-sustainability of social entrepreneurs, these institutions increasingly influence the course of development of social entrepreneurship in Croatia.

Table 7 Main actors encouraging the development of social entrepreneurship in Croatia

Areas of support	Main actors encouraging the development of social entrepreneurship
Adopting legislative frameworks and managing EU funds	<ul style="list-style-type: none"> • Ministry of Demography, Family, Youth and Social Policy • Ministry of Economy, Entrepreneurship and Crafts • Ministry of Croatian Veterans • Ministry of Regional Development and EU Funds • National Foundation for Civil Society Development • Croatian Employment Office • Government Office for Cooperation with NGOs
Research and education	<p>Institute of Social Sciences Ivo Pilar (leads in mapping social entrepreneurs in Croatia)</p> <p>Higher education institutions promoting social entrepreneurship within the educational programme:</p> <ul style="list-style-type: none"> • Social Work Study Centre at the Faculty of Law in Zagreb • Faculty of Political Science Zagreb • Faculty of Economics in Osijek • Faculty of Economics in Zagreb • Faculty of Organization and Informatics Varaždin • Faculty of Economics and Tourism “Dr. Mijo Mirković” in Pula • Faculty of Tourism and Hospitality Management, University of Rijeka • VERN’ University of Applied Sciences in Zagreb • Zagreb School of Economy and Management • Faculty of Agriculture Zagreb • Open University Velika Gorica
NGOs, Associations, HUBs Clusters	<ul style="list-style-type: none"> • ACT Group (Start Something of Your Own, In the Zone –accelerator for impact entrepreneurs, Business Skills Academy, and other support programmes) • Association for Creative Development SLAP (support centre for the development of social entrepreneurship) • CEDRA Split – Cluster for eco-social innovation and development (support for existing and potential social entrepreneurs; creating and connecting support and capacity building systems for eco-social development) • Impact Hub Zagreb (various programmes to encourage social entrepreneurship: <ul style="list-style-type: none"> ○ Hub Zagreb incubator, WISE – Women Innovators for Social Business in Europe, Social Impact Award, Investment Ready Program – Warm-Up)
Financial institutions	<ul style="list-style-type: none"> • Erste Group – <i>Step-by-Step initiative</i> • Zagrebačka Bank – <i>Social impact banking</i> • Cooperative for Ethical Financing • HBOR – Donation programme: <i>Provide knowledge, encourage initiatives</i>

	<ul style="list-style-type: none">• HAMAG–BICRO – <i>BOND pilot project</i> (supporting business support institutions that provide counselling in the field of social entrepreneurship)
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Source: Small and Medium Enterprises Report – Croatia 2019, CEPOR, 2019, pg. 40

Bosnia and Herzegovina and Montenegro: legal framework dedicated especially to social enterprises do not exists, but different existing strategies and legal acts dealing with this topic and are listed in Table 6 above.

The number of support institutions in HR-BA-ME region is not small, but their role and the impact they have had so far influence on the sustainable development of social entrepreneurship differ considerably. It is obvious that social entrepreneurship is recognized on several levels as essential, which can be seen through various initiatives presented, but what is missing is a systematic approach with focus on establishing and maintaining strong social entrepreneurship and that is main and overall issue that needs to be resolved throughout policy instruments.

Partnership work on solving social challenges through social innovation is recognized as one of strategic goal in Regional innovation strategy for smart specialisation in Croatia 2016 - 2020. The aspect of smart specialization in Bosnia and Herzegovina and Montenegro has been reflected in the respective Country's Indicative Strategy Papers. The Indicative Strategy Paper for Bosnia and Herzegovina, under one of its main pillars of IPA assistance, calls for an integrated approach aimed at strengthening SMEs competitiveness and innovation, through increased research capacity, employment and job creation, as well as social inclusion, building on partnerships at local level, including municipalities, SME, education and training institutes, as well as civil society.

6.2. Analysis of the proposed policy instrument

Interreg IPA Cross-border Cooperation programme Croatia - Bosnia and Herzegovina Montenegro 2014-2020 as cross-border cooperation programme is seen as the instrument for the implementation of EU cohesion policy as the main investment tool for delivering Europe 2020 goals: smart, sustainable and inclusive growth. Inclusive development implies opening of the new work places with the aim of social and territorial cohesion.

Cross-border cooperation aim to tackle common challenges identified jointly in the border regions, such as: poor accessibility, especially in relation to information and communication technologies (ICT), connectivity and transport infrastructure, declining local industries, an inappropriate business environment, lack of networks among local and regional administrations, low levels of research and innovation and take-up of ICT, environmental pollution, risk prevention, negative attitudes towards neighbouring country citizens and aim to exploit the untapped growth potential in border areas (development of cross-border research and innovation facilities and clusters, cross-border labour market integration, cooperation

among education providers, including universities or between health centres), while enhancing the cooperation process for the purpose of the overall harmonious development of the Union.¹⁵

Situation analysis of the programme area showed a significant number of common assets and challenges such as “*Competitiveness and business environment development*”. Although the development of competitiveness and business environment in the participating countries and therefore in the programme area is seen as a significant contributor to the increase in the gross domestic product, creation of new jobs, reduction of the unemployment rate and increase in export and competitiveness of the programme area economy, still the potential of social entrepreneurship and social economy is not sufficiently recognized in the current programme period 2014 - 2020.

Currently, for support to social enterprises within Priority axis 4 – Enhancing competitiveness and developing business environment of Interreg IPA Cross-border Cooperation programme Croatia-Bosnia and Herzegovina Montenegro 2014-2020 it is allocated only 1.200.000 euro through *open calls and grant schemes*. Specific objective of thematic priority is to enhance institutional infrastructure and services in order to accelerate the competitiveness and development of business environment in the programme area.

The social economy, which includes social enterprises, as well as cooperatives, mutual and CSOs (Civil society organizations), is seen as a potential model to solve many of the most urgent needs programme area. Overall, fostering the social economy, and particularly “social entrepreneurship” is seen as an innovative employment strategy that would bring the most vulnerable groups to the labour market, while at the same time help decrease the unemployment rate in general. Cross-border cooperation in the field of social entrepreneurship in the region can be of great benefit for the program area, taking into account the positive achievements that have been made in Croatia.

From the cross-border perspective and taking into consideration main issues that has been presented in this analysis, major impact on the social entrepreneurship would have projects and collaborations that will build capacity of stakeholders involved within SMEs sector, activities of mapping social entrepreneurs and providing data that will lead to impact measurement but also projects that includes transfer of knowledge and know-how. To be sustainable, social enterprises require access to public and private markets. Policy makers could support various instruments, such as:

- encouraging the use of social clauses in public procurement, both at the national and local levels,
- supporting socially responsible procurement by private companies and facilitating their relations with social enterprises,

¹⁵ Interreg IPA CBC Programme Croatia - Bosnia and Herzegovina - Montenegro 2014-2020 available at: https://www.interreg-hr-ba-me2014-2020.eu/wp-content/uploads/2016/05/Interreg%20IPA%20CBC%20HR-BA-ME%202014-2020_Cooperation_Programme_2.0.pdf

- encouraging and supporting managerial training for social entrepreneurs,
- introducing financial instruments as an important element for the financing of social enterprises.

Partnerships between the social enterprise community and research institutions are a promising approach to develop the evidence base, improve understanding and raise visibility of the field. Also, to foster social entrepreneurship not only in the short term, but also in the long run within cross-border area the key stakeholders need to develop education and skills that breed entrepreneurial behaviours. The focus of future policy instrument should be on providing enabling environments in which social enterprises can thrive, including actions to promote social entrepreneurship and improve legal and regulatory frameworks, financing, access to markets, business development services and support structures, and training and research. What is important is that governments work across policy boundaries and adopt a systemic approach to increase the capacity of social enterprises to contribute more effectively to social inclusion and inclusive growth.

Results of expert interviews with regional stakeholders

Following experts were contacted by phone and e-mail in order to have updated information about social entrepreneurship in the region (HR-BA-ME):

Table 8 Stakeholder Information

Name	Mr Marko Perić
Organization, position	Ministry of Regional Development and EU funds of the Republic of Croatia Managing Authority for Interreg IPA HR-BA-ME
Website	https://www.interreg-hr-ba-me2014-2020.eu/contacts/
Address	Miramarska cesta 22, 10000 Zagreb, Croatia
Contact information (E-mail, phone, etc.)	E-mail: marko.peric@mrrfeu.hr Phone : +385 1 6002 809
Type of stakeholder (public, private, NGO, business, etc.)	Ministry, Public body
Scope (relation to the social entrepreneurship)	Managing Authority for Interreg IPA HR-BA-ME Programme which support social entrepreneurship development within <i>Priority Axis 4 - Enhancing competitiveness and developing business environment in the programme area.</i>

Name	Ms Ružica Brečić, PhD
Organization, position	Faculty of Economics & Business, University of Zagreb, Professor of marketing and SMEs marketing
Website	https://www.efzg.unizg.hr/en
Address	Trg J.F. Kennedy 6, HR-10000 Zagreb, Croatia Web: https://www.efzg.unizg.hr/en
Contact information (E-mail, phone, etc.)	Phone: +385 1 238 3317 E-mail: rbrecic@efzg.hr
Type of stakeholder (public, private, NGO, business, etc.)	Education and research
Scope (relation to the social entrepreneurship)	Research and project interests related to SMEs development, marketing of SMEs, social entrepreneurship, women entrepreneurship.

Name	Ms Ana Cvjetković
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Organization, position	DEŠA- Dubrovnik Executive Director
Website	https://desa-dubrovnik.hr
Address	Frana Supila 8, 20 000 Dubrovnik, Croatia
Contact information (E-mail, phone, etc.)	Phone: +385 20 420 145 +385 20 311 625 E-mail: anac@desa-dubrovnik.hr
Type of stakeholder (public, private, NGO, business, etc.)	Regional Center for Community Building and Civil Society Development
Scope (relation to the social entrepreneurship)	One of the key strengths of DEŠA is the values of a social and humanitarian organization that has a long history and has built high visibility in the community and thus the support of many individuals and organizations and enabled the development of quality partnerships in the community and the region. DEŠA shows a high sensitivity for community especially for vulnerable groups. DEŠA vision is community that uses available resources on the principles of sustainable development, supports civic responsibility, develops civil society and builds a partnership of all stakeholders in creating general well-being based on solidarity, social sensitivity, justice and respect for diversity.

Name	Ms Alemka Lončar
Organization, position	HEDONA Ltd, Director
Website	http://hedona.hr
Address	Trg Antuna Nemčića 7, 48260 Križevci, Croatia
Contact information (E-mail, phone, etc.)	Phone: +385 48 681292 alemka.loncar@hedona.hr
Type of stakeholder (public, private, NGO, business, etc.)	Ltd (social enterprise)
Scope (relation to the social entrepreneurship)	Hedona Ltd Križevci is a social enterprise which was founded by the Association of Disabled People Križevci. The main activity of the company is the production of chocolate and chocolate pralines.

Name	Mr Tomislav Velić
Organization, position	BUBAMARA, President of association
Website	Web: http://bubamara.hr
Address	Vatrogasna ul. 5, 32100, Vinkovci, Croatia

Contact information (E-mail, phone, etc.)	Phone: +385 32 333-232 Mob: +385 99 69 37 888 E-mail: bubamara@bubamara.hr
Type of stakeholder (public, private, NGO, business, etc.)	NGO
Scope (relation to the social entrepreneurship)	BUBAMARA association open the first cafe in Croatia to employ people with Down syndrome - Buba Bar (social enterprise). Association Bubamara from Vinkovci cares for over 1,600 people with disabilities in Vukovar-Srijem County, employs over 200 people, and has successfully applied for and implemented over 100 projects.

Name	Mr Ivan Jurilj
Organization, position	REDAH, Expert for economic and rural development
Website	Web: www.redah.ba
Address	Bulevar narodne revolucije 15, 88 00 Mostar, Bosnia and Hercegovina
Contact information (E-mail, phone, etc.)	Phone: +387 36 557 210 E-mail: ivan@redah.ba
Type of stakeholder (public, private, NGO, business, etc.)	Regional development agency
Scope (relation to the social entrepreneurship)	The REDAH was established in 2003 by representatives of 23 Herzegovinian municipalities, as well as representatives of local development associations, chambers of trades and commerce and non-governmental organizations dealing with economic development and SMEs development.

All interviewed stakeholders, from different point of view, share the same perception about social entrepreneurship in the region HR-BA-ME which is summarised below:

Current status of social entrepreneurship in the region – is perceived as confusing understanding what social entrepreneurship is and lack of clear legal framework in the region is present. Overall perception relay on that “social entrepreneurship” is on voluntary basis. The development of social entrepreneurship in the Croatia (replicable to HR-BA-ME region) is at a basic level. Sometimes it seems like it is not possible even talk about social entrepreneurship because that term is incomprehensible. It is not even reached that stage of being used by politicians as a catch-phrase in collecting votes. Social entrepreneurship is thought of as associations of the disabled that make and produce something and sell it for the holidays, and there is no context beyond that. Without clear definition and regulatory framework, social entrepreneurship remains on the margins of public and media interest.

It is difficult to think about the development of social entrepreneurship in a cross-border context until strategies, laws, regulations and all legislation that will help the development of social entrepreneurship are made on national level in all 3 countries of the region. On the other hand, it is hardly compare good practices given the different economic, political, legislative and other conditions that prevail in such geographically close, and yet so different countries.

Key limitations – limitations can be summarised in social entrepreneurship definition and understanding; lack of education and skills of SE managers, lack of incentives and financing options. Lack of interactions among CSOs, educational and research institution and public/private entities in the region. Lack of promotion of social entrepreneurship lead to lack of public interests and lack of finances for SE activities. Public is not aware of potentials of social entrepreneurship while media is not included in SE promotion. Lack of interest for SE promotion is present in all three countries.

Quality of existing measures - support of existing institutional structures and EU support programs for the development of social enterprises are perceived as very bad, reckless and short-term oriented. It could be improved through non-financial support into education of children, youth, adults, government and the community as a whole about possibilities of social enterprises in the region. Measures should be designed within policy instruments (e.g. Interreg IPA HR-BA-ME Programme 2021-2027) in a way that clearly supporting growth in the number of social enterprises, income growth and/or employment growth in social enterprises in the region. That is not situation in current policy instruments.

Recommendations for improvement - Social entrepreneurship can be the engine of development, of sustainable development based on local resources, of any region, only with the recognition of policy makers and stronger involvement of the media. In terms of the development of social entrepreneurship it is necessary to develop and accept the Strategy, decide on supporting laws and regulations, provide support for social entrepreneurs to start their social and entrepreneurial activities. The benefits for social entrepreneurship in cross-border cooperation could be multiplied but first it should be clearly regulated and promoted in single Country. Additionally, rethink about financing models that will include higher financing rates (grant schemes) for social entrepreneurs who develop and propose comprehensive multi-annual programmes. Microcredits, credits with favourable interest rates and direct grants for SE start-ups are also options for social entrepreneurship development.

Furthermore, questionnaire on the **Covid-19 impact on social enterprises** and possible solutions were distributed among all stakeholders identified under chapter 4 of this analysis. Due to overloaded information related to coronavirus crisis stakeholders were quite resistant to participate in the survey. However, 38 % of stakeholders responded. Their observations are summarised below:

- Social enterprises profile: 50% of SEs have 1-10 employees and annual turnover 500 000 – 1 000 000 euro. They are operating in following sectors: legal, business and

financial services; Food and beverages production, Tourism, hospitality entertainment; Creative industries; Industrial production, reuse (environment protection).

- All of them are very worried/somewhat worried about the impact of coronavirus on them personally and on their social enterprise.
- 83,3% SEs worked in limited mode during the crisis (mid-March to late May 2020) while one (1) social enterprise operating in food and beverages production and tourism industry was closed in respective period. No SEs worked normally.
- The top three biggest challenges SEs are currently facing are:
 1. Keeping regular schedule
 2. No (sales) orders due to the suspension of some sectors of the economy.
 3. Problems with employees in connection with the fear of getting sick at work and coronavirus.

Other challenges are related to general anxiety about the impact of coronavirus, increased production costs due to the need for additional anti-coronavirus protection measures, lack of psychological support for employees/running a social enterprise and social isolation.

- 50% SEs reported sales decreased by more than 25% but less than 50%.
- 66,7 % of social enterprises reported that they will have to compensate for the impact of the crisis for at least the next 6 months but they expect to keep the same number of employees. 33,4 % of SEs are forced to release some employees (including those worked on a permanent employment contract).
- 66,7 % enterprises qualify for any financial Covid-support measures by the state and used support (measures for people with disabilities and measures to preserve jobs)
- 33,3% SEs responded that available support measures weren't appropriate for their enterprise.
- 83,3 % SEs reported that there are no specific support measures for social enterprises initiated during the crisis and financial support measures by the state aimed at maintaining employment in social enterprises are not sufficient.

Note: Social enterprises in Croatia are as any regular/private company, without strategy and sustainable support. Covid-19 is big distractor and will be even bigger. Social enterprises employ risk groups of people so Covid-19 risks are high



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Analysis and identification of good practices

When selecting 5 good practices in the region we include presentation of 3 projects who are financed from Interreg IPA HR-BA-ME 2014-2020 Programme, one support institution (CSO) activity and one social enterprise.

Table 9 Good practice form

Good practice general information - 1	
Title of the practice	BACAR
Organisation in charge of the good practice	Municipality of Kotor (ME) Chamber of Economy of Montenegro (ME) Public Institution RERA SD for Coordination and Development of Split Dalmatia County (HR) Ministry of Economy Herzegovina-Neretva Canton (BA) CCIRS-Chamber of Commerce and Industry of Trebinje Region (BA)
Description	
Short summary of the practice	General project objective is strengthening of institutional infrastructure and services to the SME sector with an aim to strengthen competitiveness through building of the cluster approach in the following sectors: creative industry, tourism and rural development.
Resources needed	1.019.843,87 EUR financed from EFRR and IPAI
Timescale (start/end date)	June 2017 – August 2019
Evidence of success (results achieved)	<ul style="list-style-type: none"> • Improved cooperation between SMEs, support institutions and service providers within the targeted sectors through the implementation of the value chain and clusterization principles; • Establishment of a joint basis for cooperation and transfer of knowledge among SMEs of the targeted sectors in the cross-border region; • Improved technical capacities and knowledge of the SME from the targeted business sectors, including strengthened capacities of advisory, educational and research institutions; • Creation of an e-commerce platform/portal-web site as a key precondition for an efficient promotion of the Clusters and their members, and products and services offered to the local and international markets; • Joint promotion of regional products and their integration on the cross-border tourism sector activities.
Potential for learning or transfer	Cluster development in cross-border region with common needs and common potentials of creative industries.
Further information	http://www.bacar-project.org/en/home-eng/

Good practice general information - 2	
Title of the practice	STRONGER
Organisation in charge of the good practice	Centre for Development of Brod – Posavina County (HR) Business Women Association of Montenegro (ME) Association of Business Women in B&H (BA) Institution for development of competence, innovation and specialization of Zadar County (HR) University of Zadar (HR)
Description	
Short summary of the practice	The STRONGER project addresses SMEs in the programme area working with <u>growing, collecting and processing of herbs</u> . Trying to overcome the lack of organized businesses and clusters, lack of specific knowledge for the herb-related industry sector and missing specialised laboratories or information centres, the partnership of the project focus on education and advisory activities.
Resources needed	979.309,91 EUR financed from EFRR and IPAI
Timescale (start/end date)	November 2017 - January 2020
Evidence of success (results achieved)	<ul style="list-style-type: none"> • Cross-border cluster e-platform for B2B and e-learning; • Educating more than 20 SMEs and 4 business support institutions • Setting up 2 laboratories for research, product testing and standardisation purposes of herbs and plants set up
Potential for learning or transfer	Developed an innovative cluster e-platform model that will serve as an example to others (according to the B2B model), e-learning and functional support. By strengthening scientific research capacities and institutions which support entrepreneurship in order to better and more efficiently provide services to small entrepreneurs in the sector of production and processing of spices, medicinal and Mediterranean plants; traditionally in the context of supporting women entrepreneurship.
Further information	https://www.stronger-project.eu/

Good practice general information - 3	
Title of the practice	CODE
Organisation in charge of the good practice	City of Zadar (HR) Zadar County Development Agency ZADRA NOVA (HR) Foundation for Innovation and Technology Development (BA) Public Company “Business innovation and technology” Ltd. Tuzla (BA) Innovation and Entrepreneurship Centre Tehnopolis (ME)
Description	

Short summary of the practice	The project partners have recognized the lacking support of SME supporting services towards SMEs' needs. Business support institutions do not offer adequate assistance to innovative entrepreneurs, particularly those in the pre-incubation stage and start-ups. SMEs in cross border area lack clustering possibilities and access to regional and international markets and there is a small number of local IT companies.
Resources needed	883.555,54 EUR financed from EFRR and IPAI
Timescale (start/end date)	July 2017 – December 2019
Evidence of success (results achieved)	<ul style="list-style-type: none"> • four (4) CODE Hubs in Zadar (HR), Mostar (BA), Tuzla (BA) and Nikšić (ME) are formally established • Capacities of the existing CODE Hubs upgraded through purchasing of new equipment and developing new services • Developed mentorship programme • Organization of education, hackathon and international conferences
Potential for learning or transfer	Strategic and continuous improvement of ICT SME environment through equipment and capacity building activities of clusters. Enhanced potentials for unemployed youth from cross-border region.
Further information	https://www.code-hub.eu/

Good practice general information - 4	
Title of the practice	MAMEC - measures and strategies for the balance of family life and work
Organisation in charge of the good practice	DEŠA-Dubrovnik – partner implementing activities in Croatia Lead partner: MAD for Europe, Spain
Description	
Short summary of the practice	The project involves four European countries (Croatia, Italy, Greece and Spain), and aims to design a series of activities that contribute to the economic and social development of the community. Project activities focus on improving the basic and more complex skills of unemployed and employed mothers with innovative methods and a lifelong learning perspective.
Resources needed	54.126 EUR financed from Erasmus+ Programme
Timescale (start/end date)	September 2016 – August 2018
Evidence of success (results achieved)	The purpose of the project is to promote collaboration and lifelong learning by developing E-learning courses in entrepreneurship and linguistic skills. In addition to unemployed mothers, the project will also involve local and regional decision-makers who are active in promoting the balance of family life and work of mothers. The

	Summary Sessions of the MAMEC Course included 10 participants in each country (HR, IT, GR, ES) with a very similar profile: all of them were mothers with 1 to 3 children and most of them weren't working at that moment.
Potential for learning or transfer	DEŠA seeks to influence the reduction of unemployment, especially of women and youth. Strong point of the project is carefully selected and detected TARGET GROUP: Mothers who do not work and who suffer any degree of social discomfort are our main target group. The project has been designed, primarily, in order to increase employment and to promote cooperation and lifelong learning by developing skills such as "entrepreneurship, digital skills and linguistic competences". Project can be easily replicable in cross-border rural areas with high unemployment rate of woman.
Further information	https://mamecproject.weebly.com/ https://desa-dubrovnik.hr/projekti/razvojni-projekti/projekt-mamec/

Good practice general information - 5	
Title of the practice	HEDONA Ltd.
Organisation in charge of the good practice	Association of Disabled People Križevci, Croatia
Description	
Short summary of the practice	HEDONA mission is to produce quality products and employ all the disabled people in Križevci (HR) in the next ten years. The small company - a socially-owned company that ventured into uncertain business waters in Križevci in 2013, currently employs 13 people, and their Choco bar in the centre of Križevci has 6 more employees. Out of a total of 19 employees, nine of them are people with disabilities, who have found a permanent source of income in this company, as well as self-confidence.
Resources needed	Private-public partnership
Timescale (start/end date)	2013 - ongoing
Evidence of success (results achieved)	<ul style="list-style-type: none"> • Hedona Ltd social enterprise operates according to the highest standards and uses food safety management system. • All the profits are reinvested back into employees: into growing their competences and their satisfaction and also into new job opportunities and the company's technological development as well as the expansion of the company's activities. • Vision is to reinvest the profits with the aim of creating new jobs and lasting values which are satisfied and motivated employees who work in a pleasant environment and make the finest chocolate.



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Potential for learning or transfer	The market started recognising the quality of the products and the business started to grow. Finest chocolates have their place in tourism sector which is driving sector in the region.
Further information	http://hedona.hr/contact?lang=en

Conclusions and recommendations

In most other EU countries, the non-governmental sector has taken a significant role in the development of social entrepreneurship, and in some there are quite developed cooperatives with market activity. About 10% of all companies in the European Union are social and are developing rapidly, while HR-BA-ME region is at the beginning of the development of social entrepreneurship. In targeted region, Croatia made some improvements through implementation of Strategy of the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020, while Bosnia and Herzegovina and Montenegro are at the beginning of SE concept promotion and implementation.

It is necessary to work on activities to promote social entrepreneurship in the public in order to better understand this term and concept and get an appropriate definition in the context of HR-BA-ME region. The role of the media in promoting social entrepreneurship needs to be strengthened.

Precondition for SE concept promotion is to initiate the processes of establishing an *institutional framework* and developing a system of social entrepreneurship at all levels in all three countries: Croatia, Bosnia and Herzegovina, Montenegro.

Putting social entrepreneurship as a “public issue” for which is needed public policies, the allocation of public resources and public management. Public policy that encourage the development of social entrepreneurship with indicators of growth in the number of social enterprises, income growth in SEs and employment growth in social enterprises.

Conclusions and recommendations for better public policies and policy instrument implementation can be summarised under following 4 aspects:

Education and Skills

- It is necessary to develop appropriate educational content related to social entrepreneurship which will contribute to the development of SE as a potential model to achieve social change and improvement, and an innovative approach to solving economic and social problems in region. Most social entrepreneurs do not have enough knowledge and skills to start and run SE activities. That knowledge and skills should come from different areas, so it would be exceptional useful and necessary to organize and offer educational programs for managers and employees social enterprises;
- Additional efforts including finances should be allocated to development of new skills that will contribute to entrepreneurial activities in SE sector;
- it is necessary to prepare and implement training programs for employees in public administration which are all related to social entrepreneurship – covering aspects related to the economy, taxes, social and health care, etc.

Financing

- Current policy instrument Interreg IPA HR-BA-ME programme allocate only 1,2 million euro to social entrepreneurship activities what is far below needs in SE sector. Additional resources in next programming period are required to promote SE concept;
- It is necessary to provide easier access to SE financing because it is one of the most significant challenges and obstacles with which SEs are dealing in targeted region. Securing financial resources for initial investment in social entrepreneurship and their lack are often the reason that prevents people to start social entrepreneurship activities at all. Therefore, it is necessary to work further on developing programs for financing, investing and opening credit lines for SE.
- It is also necessary to consider opening new or merging existing funds to encourage social entrepreneurial initiatives: direct grants and financial instruments for SE development activities are required.

Networking and promotion

- The business sector needs to be further encouraged to become more actively involved in employment social programs, both by co-financing social entrepreneurship programmes and ensuring market access and providing mentoring services to CSOs engaged in non-profit entrepreneurship, provide tax relief for social companies that reinvest their profits in activities that contribute to community development;
- Develop partnerships between public entities, NGOs and social enterprises and cooperation on regional, cross-border and transnational level, in order to act in a more organized manner and advocated normative recognition of social enterprises;
- Encourage cross-sectoral cooperation that will include media that would pay more attention to SE and promote examples of good practice and contributed to raising public awareness of the possibilities of social entrepreneurship;
- Develop infrastructure and cross-sectoral cooperation. Networking of social entrepreneurs represents a platform that creates an opportunity for collaboration and access to useful resources.

Legislation

- It is necessary to institutionally and legislatively regulate these types of economic activities in order to successfully built a comprehensive model of social entrepreneurship and enabled the establishment and functioning of social enterprises;
- Initiating activities to create Strategy for the development of social entrepreneurship in Bosnia and Herzegovina - Montenegro which will be the umbrella document (guide) which elaborates a whole set of economic policies and measures for its implementation;
- Preparation of the systematic and comprehensive Law on Social Entrepreneurship at national level (HR_BA-ME) in which the elements of the social entrepreneurship from



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existing various laws (e.g. company law, laws on foundations, laws on the promotion of small and medium-sized enterprises, employment laws for the disabled persons and other laws) will be incorporated.

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