

REPORT – CROATIA

1. Institutional and legal framework

There is no governmental body or institution in Croatia that is exclusively responsible for the management, coordination and development of the social economy (SE) sector. However, the Ministry of Labour and Pension System has been the main driving force (in addition to the civil society, mainly social enterprises and networks) in the process of the development of the Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015 –2020. In May 2015, this Ministry established the *Office* for social entrepreneurship development¹. The main task and responsibilities of the *Office* will be the coordination and monitoring of the implementation of the measures and activities defined in the Strategy. Also, this body will be in charge of the establishment and coordination of the social enterprise database (at the moment there is no official database of social enterprises or those that wish to turn their business into a social enterprise) and information service to social entrepreneurs. However, the Office is still not operational. The Ministry of Labour and Pension System is also a national coordinator for the European Social Fund.

In Croatia, we distinguish a number of legal forms of social economy organizations - cooperatives, associations and foundations, social enterprises registered as companies (including subsidiary companies of associations) and private social welfare institutions. The Ministry of Entrepreneurship and Crafts is in charge of the activities of companies and cooperatives – the Directorate for entrepreneurship and crafts. Cooperatives are also supported by the Croatian Centre for Cooperative Entrepreneurship (successor to the Croatian Cooperatives Union).

The National Foundation for Civil Society Development is a leading public institution for the collaboration, networking and funding of civil society organizations (CSOs) (mainly associations and foundations) in Croatia. Its support for the development of civil society organizations, in addition to financial support, is achieved through a network of Centres of knowledge for social development and Regional support centres for civil society and local community development. In addition to the Foundation, a major role in the development and operation of associations is also played by the Government Office for Cooperation with NGOs and the Croatian Government Council for Civil Society Development. The main task of the Office is to coordinate the work of ministries, central state offices, the Croatian Government and administrative bodies at the local level, concerning the monitoring and improvement of cooperation with the non-governmental, non-profit sector in Croatia. The Civil Society Council is an advisory body of the Croatian Government, acting on the development of cooperation between the Croatian Government and civil society organizations in Croatia regarding the implementation of the National Strategy for Creating an Enabling Environment for Civil Society Development, but also for the development of philanthropy, social capital, partnerships, and intersectoral cooperation. Administrative supervision over the implementation of the Law on Associations and the Law on Foundations is realized by the Ministry of Public Administration. The Ministry of Entrepreneurship and Crafts – the Directorate for entrepreneurship and crafts, the Division for small and medium-sized enterprises deals with the development of social enterprises registered as companies (LLC, Ltd.). Private social welfare institutions, which comprise only a small part of the total social economy sector in Croatia, are coordinated and developed by the Ministry of Social Policy and Youth.

In addition to government bodies and institutions, the Social Entrepreneurs Forum (SEFOR) and the Cluster for eco-social innovation and development (CEDRA HR) also have a very important role in the development of the social economy in Croatia. SEFOR is an informal network, a coordination and advocacy platform that rallies 50 representatives of three sectors, active in the development of the social economy and social enterprises and founder of the Annual social enterprise award in 2012. CEDRA HR links civil, private and public, economic, developmental-research, and scientific subjects

¹ Official name is Department for Preparation and Implementation of the Projects from the field of Social Entrepreneurship.

in the field of eco-social development. It creates a framework for permanent, stimulating and economic co-operation and exchange, and joint action at local, national and global markets for products and services of the eco-social economy. CEDRA HR also creates and links support and capacity building systems for eco-social development. It currently connects 40 experts, consultants or/and trainers in six support centres in major Croatian cities: Čakovec, Split, Osijek, Rijeka, Dubrovnik and Zagreb.

Strategy for the Development of Social Entrepreneurship (initiated by CEDRA HR in 2011 and adopted in 2015) provides the official definition of social entrepreneurship, brings 9 criteria for attaining social entrepreneur status, and identifies four key areas of development: the establishment and improvement of a legislative and institutional framework for social entrepreneurship development, the establishment of a financial framework for the efficient operation of social entrepreneurs, measures and activities to promote the importance and role of social entrepreneurship through formal and informal education, and measures and activities necessary to ensure the visibility of the role and possibilities of social entrepreneurship in Croatia. The Strategy allocates 35.5 million EUR for the financial period 2015-2020 - 60% of the allocation is reserved for the development of the financial framework and instruments for social entrepreneurs.

In addition to this Strategy, the most important strategic documents that contribute to the development of the social economy are: the National Strategy for Creating an Enabling Environment for Civil Society Development 2012-2016, the Strategy for Combating Poverty and Social Exclusion in Croatia 2014-2020, the Croatian Tourism Development Strategy 2020, the Entrepreneurship Development Strategy 2013-2020, the Strategy for Women's Entrepreneurship in Croatia 2014-2020. The preparation of the Strategy for Cooperatives Development 2016-2020 was initiated in 2014 and expected to be adopted in 2016. These strategies define ways of creating an enabling environment for development; provide financial support and instruments for the promotion and development of the social economy in specific sectors and activities. More particularly, they are focused on employment and work integration.

There is no law in Croatia which defines the work of social enterprises. Each legal form and its activities in the sector of the social economy are regulated by special laws or a set of laws. The operation of associations is defined by the Constitution of the Republic of Croatia (OG 85/2010), the Associations Law (OG 74/12), the Law on Financial and Accounting Operations of Non-profit Organizations (OG 121/14) and the operation of foundations by the Law on Foundations (OG 36/95, 64/01). There are no registered mutual insurance companies (mutual society) in Croatia, although there exist a legal option - Insurance Law (OG 151/05, 87/08, 82/09, 54/13). The operation of cooperatives is defined by the Constitution of the Republic of Croatia (OG 85/2010), the Law on Cooperatives (OG 34/11, 125/13, 76/14) and the Companies Law (OG 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 152/11, 111/12, 144/12, 68/13, 110/15). War-veterans' cooperatives are also defined in the Law on the Rights of Croatian Defenders from the Homeland War and the Members of Their Families (OG 174/04, 92/05, 2/07, 107/07, 65/09, 137/09, 146/10, 55/11, 140/12, 33/13, 148/13, 92/14). The operation of companies, in practice usually registered as limited liability companies and joint stock companies, is regulated by the Companies Law. In addition to this, there is a whole series of fiscal laws and laws which define employment. Also, there are laws that regulate some specific forms of social entrepreneurship. The Law on Vocational Rehabilitation and Employment of Persons with Disabilities (PWDs) (OG 157/13, 152/14) regulates sheltered and integration workshops.

Accordingly, the Croatian legal framework allows the development of the social economy and also the development and operation of social enterprises. In some specific situations, it can have a stimulating effect – e.g. it is quite easy and not time-consuming to register a company, association or cooperative. When talking about tax and fiscal legislation, the effects have been neither encouraging nor motivating over the last couple of years. There are no mechanisms or decisions to exclude the financial reserves of social enterprises from being subject to taxation, to enable organizations in the social economy to

pay a reduced rate of value added tax and income tax, to pay lower taxes on business etc., as is the practice in most European Union (EU) countries.

2. Analysis of financial incentives and support mechanisms

There is no tailor-made scheme of financial support for the development of the social economy and the operation of social economy organizations in Croatia. The first support programme for the development of social entrepreneurship in Croatia was introduced by a donor organization – the Academy for Educational Development (AED) - in 2006. That year, the fund financed several pioneering social entrepreneurial projects with symbolic amounts up to 10,000 EUR. In 2007, NESsT (an international organization that works to develop sustainable social enterprises across the world) opened the first call for funding start-ups and/or social businesses. NESsT has so far conducted two rounds of the contest - almost 40 organizations applied for tenders while 18 passed through NESsT's education oriented toward the identification and development of self-financed activities through social enterprises with a view to sustainability and mission strengthening. Unfortunately, neither AED nor NESsT any longer provide financial support for social enterprises in Croatia.

Today, socio-entrepreneurial projects and ventures in Croatia are financed largely by aid funds allocated from the state budget, through various state funds, from local and regional government budgets and funds allocated from local and foreign donors and investors. The Ministry of Entrepreneurship and Crafts has been implementing a programme over the last four years to encourage entrepreneurship and crafts, named "Entrepreneurship Impulse". It continuously provides financial support for cooperative activities (on an average annual level of 200,000 EUR – 0,003% of the GDP). In 2011 and 2012, the specifically tailored part of this funding scheme was for social entrepreneurship, where social entrepreneurs could compete for grants support from the state budget for the first time. Total amount of grant funds was low (about 400,000 EUR – 0,006% of the GDP) and mainly related to social employment. However, from 2013 this funding scheme was revoked.

The National Foundation for Civil Society Development gives an advantage in some of their tenders to socio-entrepreneurial activities of associations, but it is a sporadic practice rather than an established and defined funding scheme.

Social welfare institutions are co-founding some of their activities with the help of the Ministry of Social Welfare and Youth, through individual, usually annual tenders.

While such a practice exists in neighbouring countries, no bank in Croatia has developed a model of financing or lending for socio-entrepreneurial ventures and projects. In this market sector, social economy organizations are treated equally as other business organizations in the context of criteria and conditions of financing and guarantees. In 2012, the Good Bee Bank (ESB) from Austria tried to enter the market with their financial model to encourage acts of social enterprise, a pilot project in the Osijek- Baranja County, but this did not end successfully. In September 2014, the Zagrebacka Bank signed a partnership contract with the European Investment Fund (EIF) for the development and provision of a financial instrument to micro and social entrepreneurs, but there is still no example of SE financing. In April 2014, The Cooperative for Ethical Financing (CEF) was established with a main goal is to establish a first ethical bank in Croatia. It is expected that it will start operating by the end of 2016. Also, CEDRA HR and CEF in 2015/2016 are implementing a development project financed by the European Commission of which the main goal is to establish a first European Union Social Entrepreneurship Fund (EuSEF). It is expected that the EuSEF will become operational by the half of 2016 with an initial capital of 15 million EUR.

In Croatia, as well as other countries in the region, significant support to the development of the social economy is provided by the National Employment Services through different systems, support measures and incentives for different target groups, small grants for starting business ventures, etc.

The existing infrastructure of social investments has unfortunately not yet taken hold, although organizations such as the Croatian Network of Business Angels – CRANE have been operating for several years in Croatia.

Unfortunately, there are no tax deductions or exemptions in Croatia for social economy organizations. There are certain exemptions, although they can be used by all kinds of businesses - such as reducing income tax rates on reinvested profit (where cooperatives are in a discriminatory position due to the obligatory reinvestment of profit (prescribed in the Law on Cooperatives), but without the exemption of profit tax for that part of the profit). This relief is governed by Article 6 of the Profit Tax Act (OG 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14) and Article 12a of the Ordinance on Profit Tax (OG 95/05, 133/07, 156/08, 146/09, 123/10, 137/11, 61/12, 146/12, 160/13, 12/04, 157/14) which detailed the prescribed procedure and method of using tax credits for reinvested profit.

The above mentioned laws, together with the Law on Regional Development of the Republic of Croatia (147/14) also define allowances in areas that are considered underdeveloped according to the criteria of regional development. In accordance to Croatian laws, rules and regulations relating to employment, an employer employing persons with disabilities is entitled to tax breaks, financial incentives, and incentives provided by a special contract on hiring persons with disabilities. This contract ought to be concluded with the Institute for Expert Evaluation, Professional Rehabilitation and Employment of People with Disabilities, the Croatian Employment Service, the Croatian Institute for Pension Insurance and other relevant institutions (based on the Decision on incentives of the employment of people with disabilities (OG 97/2013)).

Likewise, the Public Procurement Law (OG 90/11, 83/13, 143/13, 13/14) in Article 15 stipulates that "contractors may reserve the right to participate in public procurement procedures for sheltered workshops or provide contracts to be executed in the context of sheltered employment programmes if the majority of employees in relation to the total number of employed are persons with disabilities". As mentioned above, the new EU Directive on Public Procurement has still not been implemented in the national legislation.² Other benefits in the sector of the social economy include tax deduction for donations. The Law on Personal Income tax (OG 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 43/13, 120/13, 125/13, 148/13, 83/14, 143/14) and Profit Tax Act enable tax deduction for donations of individuals and companies when donating up to 2% of their annual income to non-profit organizations.

Previous support for the development of the social economy and social enterprises from EU funds was not sufficiently strong, and if any (e.g. The Instrument for Pre-accession Assistance Operational Programme for Human resource Development (IPA OP HRD) through which around 200 projects are financed) it was mainly related to employment, partly for projects in the area of social welfare. However, IPA OP HRD funded also nine social entrepreneurship development projects of a total value of 900,000 EUR. After the IPA programme, a great potential for the social economy and social entrepreneurship development lies in the structural funds of the EU, in particular the European Social Fund (ESF), the European Regional Development Fund (ERDF) and other EU programmes such as Employment and Social Innovation (EaSI). Within the ERDF, social economy and social entrepreneurship activities will be supported through Investment Priority 9.3. Within the ESF activities, social enterprises will be supported through Investment Priority 9.8. Promoting the social economy and social enterprises. EaSI's Axis III is entirely devoted to micro-finance and social entrepreneurship.

Although Croatia has a network of business centres, incubators and development agencies, it is very difficult for organizations in the social economy sector to receive non-financial support. Programmes of informal education and training are the most common form of support, which in practice proved to be the most flexible for organizations in different sectors, and also the most used. From 2007 onward, associations, foundations, trade unions and other civil society organizations have received free support (information, advice and training) through Knowledge centres for social development and a national

² ACT Group will take an active role in the advocacy process on a national level.

network of Regional support centres for civil society and local community development. The network consists of 5 regional centres and 15 collaborating organizations which are coordinated and funded by the National Foundation for Civil Society Development. In 2014 alone, CSOs received more than 7,500 hours of free support through this network. Within the variety of organizations that provide local support to the social economy sector (Association SLAP, ACT Group, Impact Hub Zagreb and others), the most important role is played by CEDRA HR – the national network of support centres to social entrepreneurs. Operating since 2011, CEDRA HR provides information, education, counselling, networking and connectivity, making feasibility studies, business plans, drafting and revision of strategy, development and operational plans, preparation and drafting of proposals, marketing and branding services, social research, organization of public events, campaigns, study visits, economic missions and other technical assistance. Also, CEDRA HR, is offering space and infrastructure for incubation and co-working through its regional support centres, socializing, and information and knowledge exchange. In the period 2013-2015, CEDRA HR provided support to more than 2.000 social entrepreneurs, activists and social innovators through its six national points.

Professional, non-financial support to cooperatives is provided by the Croatian Centre for Cooperative Entrepreneurship and the Croatian Agricultural Cooperative Association, as a professional, business, voluntary and non-profit association of cooperatives, mainly from the agricultural sector. Advisory, information and educational services are provided to private social welfare institutions by the Ministry of Social Policy and Youth.

In Croatia, only a few faculties (the Faculty of Economics in Zagreb, the Zagreb School of Economics and Management, the Faculty of Economics in Osijek, the Faculty of Law Department of Social Policy, VERN University and the University of Pula) educate students in the subjects of social economy and social entrepreneurship. The lack of formal education and practice in primary, high schools and universities is reflected in the lack of human and technical capacities.

In the context of regional cooperation and social economy development, there is no organization which provides support for regional and/or cross-border initiatives and networks. Almost all regional or cross-border initiatives and projects were financed by EU funds (Multi-beneficiary IPA, IPA Cross Border Cooperation (CBC), etc.). It is important to mention that in 2010, a group of social and civic leaders and social entrepreneurs from Croatia, Serbia, Macedonia, Kosovo and Italy initiated a project called ESENSEE - Eco Social Economy Network South-East Europe. This network aimed to establish an eco-social economy cluster or social/civic chamber that will enable inspiring, sustaining and cost-effective cooperation, development and exchange among various stakeholders at the local, national and regional level. Unfortunately, after the completion of the project at the end of 2012, and due to a lack of further financial support, network disbanded.

3. Analysis of the current situation within the sector

In narrow and specialized circuits (the cooperative sector, civil society organizations), social economy is considered as an important lever to exit the economic crisis and fight against poverty. Lately it has been recognized by different strategies such as the National Strategy for Social Entrepreneurship Development 2015-2020, the Strategy for Combating Poverty and Social Exclusion in Croatia 2014-2020, the National Strategy for Creating an Enabling Environment for Civil Society Development 2012-2016 etc. However, the social economy does not have great visibility in the public (e.g. social entrepreneurship is not really a topic presented in the media), and it is not recognized by decision-makers as a stabilizing factor in the development of the labour market or as a sustainable community development factor.

In Croatia, there is no institution or organization that could deal with the collection and analysis of data on the status and development of social economy as a whole. This will be a role of the newly established *Office* for social entrepreneurship development.

Regular research and analysis (from 2007 on, every 2 years) on the development and impact of civil society organizations (associations, foundations and arts organizations) is being carried out by the National Foundation for Civil Society Development. The purpose of the research is to provide a basis for longitudinal monitoring of civil society development. Periodic research and monitoring of civil society sector activity and development is conducted also by other organizations such as the Government Office for Cooperation with NGOs, TACSO etc.

There are 53,212 associations in Croatia operating at this moment³, with the largest share of sports, culture and economic associations. Croatian associations are small in average, rely on volunteer work, with a lack of knowledge, organizational and management skills, finance and projects, have limited access to financial resources and are working in local communities primarily through solving problems and responding to different needs of specific groups such as children and youth, women, persons with disabilities, elderly and infirm persons. According to TACSO's research⁴, the vast majority of CSOs concentrate on service delivery in the community, which in most cases include training and informal education as well as counselling and specialist professional services; roughly a quarter of all CSOs undertake some form of advocacy activity and almost 10% are engaged in monitoring the political process and the work of public administrations. The civil society organizations sector is continuously growing:

	2008	2009	2010	2011	2012	2013	2014
Number of associations	36.737	39.662	42.514	45.252	47.997	50.822	52.450
Number of associations in Register of Non-profit Organisations	n/a	9.669	13.957	17.450	19.955	22.694	25.675
Number of employees in associations	n/a	n/a	8.281	9.323	9.757	10.808	10.981
Annual incomes (mil. EUR)	646,2	568,9	569,8	582,0	598,3	620,0	648,8
Annual incomes (%GDP)	1,36%	1,27%	1,28%	1,31%	1,36%	1,42%	1,51%

Table 4.1. Civil society organizations (associations) data for Croatia (2008 - 2014)⁵

At least once a year, the Croatian Centre for Cooperative Entrepreneurship publishes an analysis of the cooperative sector, using data from Financial Agency (FINA), the Bureau of Statistics and its own database. There are somewhat less than 1,250 cooperatives operating in Croatia at this moment. The most common are cooperatives in the agricultural sector (40% of the total Croatian cooperative number), which is understandable because of the Croatian tradition and production, but also similar to other European countries. However, in the area of the organization of the industrial and service sector, the housing and financial sector on the principles of cooperatives, Croatia significantly lags behind European trends and practices. Due to systematic neglect, the number of cooperatives, cooperative members and employees of cooperatives continued to decline over the last few years. In 2013, there was a slight increase as a result of the development of a new wave of cooperative areas - social, media, engineering and other specific types of cooperatives. However, the cooperative sector is still very small and underdeveloped - for example, more than half of the registered cooperatives do not have a single employee (58% in 2014).

³ As of November 19, 2015, Register of Associations.

⁴ Available at http://www.tacso.org/documents/reports/Archive.aspx?template_id=73&langTag=en-US&pageIndex=1, accessed on November 15, 2015.

⁵ Various databases of Government Office for Cooperation with NGOs.

	2008	2009	2010	2011	2012	2013	2014
Number of cooperatives	2.178	2.380	2.624	2.765	1.069	1.169	1.247
Number of employees in cooperatives	3.591	3.565	4.329	4.246	2.680	2.734	2.716
Number of members	n/a	n/a	25.587	28.866	18.767	19.485	20.192
Annual incomes (mil. EUR)	339,0	317,7	295,4	288,7	251,2	222,8	209,9
Annual incomes (%GDP)	0,71%	0,71%	0,66%	0,65%	0,57%	0,51%	0,49%

Table 4.2. Cooperatives data for Croatia (2008 - 2014)⁶

The latest data on social enterprises published by the Institute Ivo Pilar in November 2015 (report “Mapping New Horizons - Report on the state of social entrepreneurship in Croatia 2015”)⁷ introduced a SE database which was in line with the criteria defined in the Strategy. The database contains 95 social entrepreneurship actors in 2013 (45 associations, 36 cooperatives, 13 companies, 1 institution) and 90 in the year 2014 (44 associations, 31 cooperative, 13 companies, 2 institutions). The most interesting results showed that in the year 2013, the SE employed 784 people, and in 2014, the number increased to 795. The annual revenue of all the actors entered in the database for the year 2013 was 24.77 million EUR, and in 2014 there was a small decrease, so the total revenue was 23.5 million EUR. An interesting result is total revenue earned by the sales of goods and services in the social entrepreneurship actors’ market for the year 2013 - 13.27 million EUR, and for the year 2014 it was 13.5 million EUR.

The sector of social economy and social enterprises lags behind the trends and developments in these sectors compared to developed European countries. An important reason for such a situation is the lack of awareness of the importance of the social economy and social enterprises for sustainable socio-economic development. Social economy, in the context of creating positive impacts (economic, social and environmental), was for the first time identified in the National Strategy of Creating an Enabling Environment for Civil Society 2006-2012. The strategy emphasized that social economy and social entrepreneurship may be one way to alleviate the consequences of poverty and unemployment, especially of hard-to-employ groups of the population. This is supported by recent data of the Government Office for Cooperation with NGOs which demonstrates how organizations increased their employment by eight percent in the last two years. Unfortunately, there are no statistical data or reports measuring the social impact of organizations in the area of employment in Croatia, social services provision, community development, and others. In May 2015, results were published of research on social and economic effects of the financial support of the National Foundation for Civil Society Development⁸, which was the first comprehensive study on the impact of CSOs’ actions on the problems of development and the needs of local communities.

A research report “Assessment of civil society development in Croatia” from 2011, which was conducted by the National Foundation for Civil Society Development showed several areas where members of associations and foundations needed additional education. For example, slightly more than one tenth of OCDs (13%) stated that training in the area of planning (defining the mission, long-term and short-term planning) was essential. The need for additional training in the field of financial

⁶ Various databases of Croatian Centre for Cooperative Entrepreneurship.

⁷ Available at: <http://www.pilar.hr/novosti/sve-novosti/20-izdvojeno/619-ipresent-installation-project-for-research-about-social-entrepreneurship>, accessed on November 30, 2015.

⁸ Available at: http://zaklada.civilnodrustvo.hr/upload/File/hr/izdavastvo/digitalna_zbirka/podrska_trajni_ucinak_ili_pozitivni_trenutak.pdf, accessed on November 30, 2015.

management was expressed by half of CSOs (56.3%), and 8% of them considered it essential. Less than half of the surveyed CSOs (40.1%) believed that they do not require additional training in managing media, and it was evaluated as necessary by only 6.5% of respondents. However, in overall, the research showed that CSOs have significant knowledge and experience for quality work in local communities as well as that the level of capacity is continuously growing. This is in particularly visible when comparing the results from 2007 and 2009, and may be explained as a result of the activities of the Regional Support Centres For Civil Society And Local Community Development and other development organizations. The annual analysis of the cooperative system by the Croatian Cooperatives Association indicates the need for the implementation of education for cooperatives members, cooperative managers and potential members of cooperatives, especially in the areas of administration and audit of cooperative principles and values, business and strategic planning, organizational management, marketing and project management. The results of the study on social enterprises implemented by CEDRA HR and SLAP in 2014 showed a lack of the capacity of social entrepreneurs in more or less the same areas.

Cross-border and regional cooperation in the context of the development of the social economy is indeed modest. In addition to the previously mentioned project of establishing the ESENSEE network, it is very important to point out several cross-border development projects that were implemented and enforced through the IPA CBC between Croatia and Slovenia, Hungary, Bosnia and Herzegovina, Serbia and/or Montenegro. For example, the *Organica.net* project, implemented by the Association Slap with other Croatian and Serbian partners, was aimed at connecting and strengthening small organic farmers in the Croatia - Serbia cross border area for better joint efforts at competing on the domestic and European markets. Education in organic farming, marketing, provision of marketing services, creation of an educational web portal and organizing organic fairs were some of the activities of this project. In 2014, the RODA association implemented the project with Serbian and Bosnian CSOs to strengthen the capacity of organizations in social entrepreneurship and to assist in the development and implementation of several socio-entrepreneurial ventures in these two countries. Through the application of the IPA Adriatic Cross Border Cooperation 2007-2013, the association Zdravi grad implemented a project called Adriatic Welfare Mix. The project aimed, among other things, to create a convenient and innovative regulatory framework for the local welfare system, increase the efficiency of social services through public-private partnerships, launch and support social enterprises in Albania, and establish an Adriatic social observatory that will work together with government agencies in improving the analysis and construction of social policies and services.

Zagreb is the residence of the South East European Centre for Entrepreneurial Learning (SEECCEL), an independent, non-profit institution founded in 2009 with the aim of strengthening and ensuring the impact of education on strengthening competitiveness of the countries of South East Europe. In May 2014, the Platform for International Civil Solidarity of Croatia (CROSOL) was established to strengthen the participation of CSOs in projects of international cooperation and humanitarian aid development of Croatia and strengthening of cooperation between CSOs and the Ministry of Foreign and European Affairs in planning, implementing and enhancing the visibility of international development cooperation of Croatia. For several years, the Balkan Civil Society Development Network (BCSDN) operated as a network of 15 CSOs from 10 countries, aiming to empower the civil society and influence European and national policies towards a more enabling environment for CSOs and sustainable and functioning democracies. The BCSDN developed The Monitoring Matrix⁹ - a tool that has been developed for measuring the health of the legal, regulatory, and financial environment in which CSOs operate. CEDRA HR and its regional support centres have been providing technical assistance and consultancy services for several years in Montenegro, Bosnia and Herzegovina and Serbia in the development and implementation of socio-entrepreneurial ventures. Together with SEFOR and CROSOL, CEDRA HR currently has maximum capacity, experience, knowledge and an established network of partners from the Western Balkan countries to maintain further work on the development of the social economy in the region. The signing and cooperation on the implementation

⁹ <http://monitoringmatrix.net>

of the Belgrade Declaration on Development of Social Entrepreneurship in the region of the Western Balkans and Turkey open up many opportunities for the future.

4. Summary with recommendations

The National Strategy for Creating an Enabling Environment for Civil Society Development provides guidance by 2016 in order to further improve the legal, financial and institutional support system for CSOs, which are recognized as important factors of socio-economic development in Croatia. The National Foundation, through the very efficient network of knowledge centres and regional support centres, as well as through decentralized models of financing CSOs, continuously supports numerous CSOs activities in various fields and also social-entrepreneurial projects. The new National Strategy for Development of Social Entrepreneurship provides basic guidelines that are to be achieved in the period 2015-2020 in order to create a legal, financial and institutional framework for the development of social entrepreneurship in Croatia, as well as systems of measures and activities for the development of social enterprises. The goal of this Strategy is to create an enabling environment for the development of social entrepreneurship in Croatia and to enable not only financial support to social enterprises but also the design of instruments for promotion, as well as education at all levels in order to recognize the importance of social entrepreneurship as an essential component of economic development. Having in mind that there are many strategies adopted through the recent years, but also the problems in their implementation, since there is only declarative support on behalf of those who abide by and implement the measures, CSOs, social enterprises and intermediary organizations should have a more enhanced, acknowledged and prominent role in order to secure the implementation of the two above- mentioned strategies. The national network of support centres for social entrepreneurs CEDRA HR provides good example of intermediary sector working on eliminating numerous obstacles and solving problems in the social economy sector.

In addition to the fact that Croatian society is not in fact entrepreneurial or innovative, numerous obstacles stand in the way of the implementation of the process of creating an enabling environment for the development of the social economy in Croatia. The development of social economy currently has little or no support from government and state institutions. In this context, bureaucracy appears as a major obstacle, because of the large number of ambiguities, contradictions, different interpretations of the same regulations. In addition to legislative restrictions, there is quite a contradiction between the legislation and the application of the law.¹⁰ Furthermore, social economy organizations are faced with obstacles such as difficulty in initial funding, lack of support for a broader environment due to the lack of awareness and understanding of the social economy and social entrepreneurship, lack of capacity and knowledge for the development of socio-entrepreneurial organizations, lack of infrastructure, support systems, lack of statistical data and in-depth research.

With the aim to secure faster and more efficient SE development, several key recommendations were presented:

- Through educational and promotional activities acquaint the decision makers and wider public with social economy, social entrepreneurship and the opportunities which these organisations provide to the socio-economic development (through economic activities, employment and social actions in their local communities);
- Harmonize and develop regulations, taking into account the specifics of SE organizations (e.g. the Public Procurement Law);
- Review the tax treatment (income tax, profit tax, value added tax) in order to develop an enabling and efficient system of tax deductions or exemptions for SE organizations;
- Support and accelerate social system reforms in accordance with the recommendations of the EU that include i.e. a social investment package model, social policy innovation and

¹⁰ For example, a situation occurs, if organizations act entrepreneurially and have commercial projects, they are not included in the state aid system, which acts as a less than stimulating on development socio-entrepreneurial activities

experimentation, coordination of policy and measure developers and providers, social impact measurement, etc.;

- Include social economy and social entrepreneurship in formal and non-formal educational systems and programmes to build the capacities of organizations and individuals;
- Introduce, promote and support high school specializations and research in the field of the SE and social innovation;
- Provide and promote support facilities and tools for all types of the SE (such as co-working centres, incubators/accelerators, hubs, networks and clusters, online support systems);
- Create an environment and regulations for the better usage of unused public assets on the concepts of public-private-civil partnerships;
- Encourage multi sectoral collaboration through the development of joint programmes and initiatives of the public, business and non-profit sector, and more;
- Encourage replication throughout the development of SE networks by sharing information, lessons learned, promotion of good practices, and joint economic activities;
- Facilitate access to financing through the development of specific funds and other financial instruments, as well as organizations such as the ethical or cooperative banks;
- Increase the visibility of social economy actors through the development of an SE label or certificate, initiation of annual awards (such as a Social Enterprise Annual Award), the development of specialized media and TV shows and close partnerships with influential media;
- Develop methodology for the systematic monitoring and measurement of the impact and effectiveness of work and investments in SE organizations.

The South East Europe (SEE) 2020 Strategy is geared to employment and job creation, development of regional markets and poverty reduction, and is currently a fundamental document for the development of the social economy in the Western Balkans and other SEE countries (and it is still relevant for Croatia, too). As such, it should serve to stimulate, network and establish cooperation of related organizations and individuals in the region, positioning and pointing to the importance of organization. Organizations rallied around the Belgrade Declaration on Development of Social Entrepreneurship in the region of the Western Balkans and Turkey, currently more than 484 of them from all countries of the region, can be a platform for the implementation of activities aimed at the achievement of these goals. However, in the context of securing the support of government and government/state institutions, it is important to establish regional and intergovernmental platforms for the development of the social economy in the Regional Cooperation Council (RCC), to ensure a strategic and long-term effective system for the growth and development of the social entrepreneurship sector. Within this, in order to strengthen dialogue among key partners in cross-border networking and cooperation, it is necessary to:

- Enable funding sources in European Territorial Cooperation (ETC)/ Cross Border Cooperation (CBC) programmes and beyond them for regional projects, conferences and networking, organization of regional and trans-regional study trips, awareness raising and capacity building programmes, SI/SE competitions;
- Organize and finance permanent regional intergovernmental and expert bodies and networks that would support policy and knowledge exchange and efforts at optimization;
- Establish and finance online platforms for networking and cooperation, including innovative social media platforms and tools;
- Establish and finance a regional network of national SE support centres;
- Define and support a targeted political intergovernmental campaign at the highest cross-ministerial level involving RCC as a facilitator of the process for the promotion of systematic efforts of the governments and other stakeholders in the region that will stimulate faster reforms and involve monitoring of their implementation (tax, social, educational reform, etc.);
- Secure better usage of the existing resources and bodies (e.g. SEECCEL, existing regional networks of municipalities, etc.) for the promotion of the SE among their respective target groups.

The following monitoring mechanisms should be developed and adopted to monitor the implementation of those recommendations:

- Establishment of a realistic performance framework system at the level of all policies, funds and legislation reforms in all countries;
- Establishment of regular ex-ante and ex-post evaluation, monitoring and advisory bodies (such as SE governmental councils);
- Regular annual reports (with recommendations) of the regional network of national SE support centres and its members;
- Establishment of mechanisms for intervention when discrepancies occur in the planned and expected outcomes.