



Social Innovation and Social Entrepreneurship Policy Recommendations for Region of Istria, Croatia

POLICY BRIEF

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INTRODUCTION AND BACKGROUND

This document was developed as part of **project +Resilient, co-financed by Interreg Mediterranean 2014-2020** in order to better understand the social innovation and social entrepreneurship ecosystems of Istria County, Croatia, with the goal of making preliminary policy recommendations to help these ecosystems grow and thrive. This work was completed using a highly participatory approach and the contributions of several key stakeholders from public, private, academic, and civil sectors, both at national level as well as locally in Istria.

It is our opinion that Istria County has a significant potential for the growth of social enterprise and social innovation, but the development of key support areas is required in order to help achieve this. We therefore hope this document will be the start of a more comprehensive process of feasibility evaluation into how and when key policy recommendations could be implemented in the region.

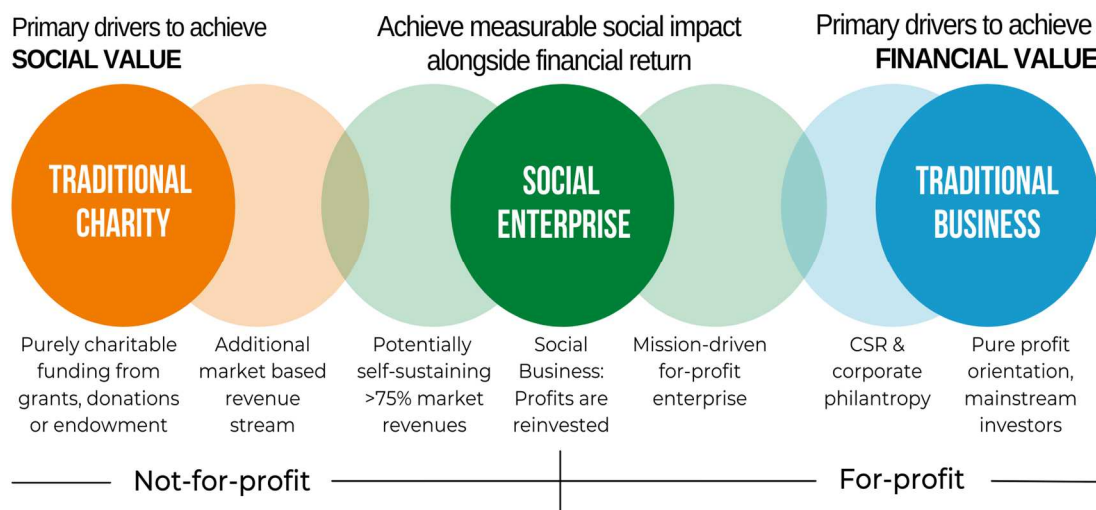




GLOBAL CONTEXT

Social enterprises

There are various definitions of what exactly a social enterprise is and several on-going debates in the space globally. At a minimum, a social enterprise is an entity, irrespective of legal form, with a core social or environmental mission but using some degree of commercial methods in achieving its aims. However, the specific criteria, such as the degree to which the social mission has to be embedded or profits reinvested in social aims, are just two of many elements that are often debated. Sitting as they do between the non-profit and business worlds, and depending on the exact focus of those who start them, it is perhaps not hard to see why there is so much debate about the definition of social enterprise. The diagram below provides a useful starting point for definitions as it helps us see social enterprise perhaps not as a very narrow and specific type of entity but rather as part of a spectrum¹:



Legal form or legal status: legal form refers to a specific, dedicated legal entity designed for social enterprises under a given definition, while a legal status can be applied to any type of legal form meeting certain defined characteristics. In the EU, 16 countries have some form of legislation that regulates social enterprise, however, in most of Europe the vast majority of

¹ [Social enterprises: A hybrid spectrum. Source adapted from J. Kingston Venturesome, CAF Venturesome, and European Venture Philanthropy Association \(2015\).](#)



social enterprises use and adapt existing legal forms - most commonly non-profits, cooperatives, and share companies - rather than make use of specific legal forms for social enterprise². This suggests that while a dedicated legal form may be helpful in some cases, it is not necessary for thriving social enterprise ecosystems. Indeed, given the broad spectrum of potential social enterprises, sometimes too narrow definitions can be excluding and create additional barriers. In addition, informal accreditation and status can also be considered - such as B certification or similar.

Reinvestment of profit: many definitions globally include some element of reinvesting profits towards impact (if the entity in question is using a for-profit legal form), but the degree to which this happens can be debated and in some contexts it may not make sense at all. For example in very new ecosystems or environments where poverty is high, creating incentives to bring in more profit minded social entrepreneurs may open up interest from a wider range of groups and would have minimal harmful consequences, so long as they are meeting other impact requirements.

Impact measurement: impact measurement can be complex and difficult to do well, and even more so for many smaller social enterprises. At the same time, without proof that impact is happening we cannot be sure that it is. Figuring out simplified ways to demonstrate impact can be helpful for newer and smaller social enterprises.

Independence from government: insofar as social enterprises want to remain entirely politically neutral, they should have no direct involvement from the government in their governance. However, the government can be a significant ally and supporter, and in some cases can even be directly involved if the context suits it.

Source of income: while it is accepted that income from trade is a key criteria for social enterprise (as opposed to sole reliance on grants) the degree to which this income must be trade based is debatable. Some might argue that even a 25% self-sustaining component increases overall sustainability of social efforts while others would argue that as close to 100% as possible would be better as this shows a real market viability.

Governance: other aspects such as how democratic and transparent the governance should be often also play a role, including such considerations as the role of employees and wider stakeholders in decision-making. Human resources policies can also be part of this and considerations of wage ratios and similar may be important.

Social Innovation

While social enterprises are entities and thus it is possible to reach a concrete understanding of them in various contexts despite the definitional variation, social innovation is a more broad and less defined concept and can be both a process and an end result. In addition, social

² [Social Enterprise in Europe: Developing Legal Systems which Support Social Enterprise Growth. ESELA. 2015](#)



innovation is not the sole purview of social enterprises - even though they are often significant drivers of it - but rather can be carried out by any type of entity or individual and is also often collaborative in nature, as well as bottom-up driven. Social innovation is also often localized and highly contextual, arising in response to specific challenges³.

The OECD defines social innovation as “the design and implementation of new solutions that imply conceptual, process, product, or organizational change, which ultimately aim to improve the welfare and wellbeing of individuals and communities.” The OECD also points out that “many initiatives undertaken by the social economy and by the civil society have proven to be innovative in dealing with socio-economic and environmental problems, while contributing to economic development.”⁴. In other words, social innovation could be quite appealing to policymakers who are keen to solve societal challenges while also having positive impacts on the economy and employment. This is more important now than ever - coming out of a global health crisis, which has also had an economic toll.

Additionally, since social innovation is so broad and can be instigated by any number of players it will be affected by a range of policies and interventions that have to do with general public sector operations, small business and corporate activities, and various sector related policies, in addition to those focusing on the social economy. Social innovation is also linked to overall innovation and research and thus influenced by the general digital and innovation ecosystems in a given context.

Process considerations for policy development

In the ILO document “South Africa’s social and solidarity economy: an evaluation of the policy development process” (awaiting publishing), several criteria are put forth for best practice considerations of sound policy development relating to the social economy. These include:

Clear goals - clearly identifies its area of focus and frames issues, values, goals and objectives.

Rigorous design - links policy goals to designing the development process. The process is mapped out, with action plans that identify risks and the staff capacity that is needed. It allows policymakers to approach the plan with flexibility and adaptability.

Evidence-based - builds on both global and local inputs and documents, and consults experts and diverse stakeholders.

³ OECD (2021), "Building local ecosystems for social innovation: A methodological framework", OECD Local Economic and Employment Development (LEED) Papers, No. 2021/06, OECD Publishing, Paris, <https://doi.org/10.1787/bef867cd-en>

⁴ OECD. Social Innovation: <https://www.oecd.org/regional/leed/social-innovation.htm>



Effective engagement - developed through engagements with various stakeholders at multiple stages of the process. These engagements are designed to be inclusive and participatory.

Thorough appraisal - timely and budgeted for, taking cost-effectiveness and achievability into account.

Roles and accountabilities - clearly defined roles and tasks in the project team, with complementary skills.

Feedback and improvement - well-documented, with review and improvements along the way and a final evaluation to assess it.

POLICY RECOMMENDATIONS FOR ISTRIA

Key recommendations

Despite their clear interlinkages, social enterprise and social innovation are actually quite different from a policy perspective for several reasons. Social enterprises are entities, and while they vary context by context, they are concrete and can be surveyed to understand their local profiles and specific challenges with concrete recommendations put forth to help them grow and develop in a given context. Social Innovation on the other hand is oftentimes more of a process, and one that could be generated by virtually any entities or individuals, often also being collaborative in nature, as well as influenced by a great many factors.

We have therefore split our recommendations into three parts: (1) general recommendations that will impact both of these areas; (2) recommendations for how to better help existing social entrepreneurs in Istria solve their challenges and thrive, as well as how to promote the creation and growth of new social enterprises in the region; and (3) how to ensure an enabling environment for social innovation.



These are preliminary recommendations, and in order to reach a policy level they will need to be adopted first in principle and then worked out in detail by specific working groups including experts in their respective topics (such as tax, legal or public procurement experts, for example).



General recommendations

- **Awareness raising:** a critical aspect and first step will be to raise awareness for all stakeholders of the potential of social innovation and social entrepreneurship in the region - both in terms of solving key challenges as well as to create jobs and economic growth. A media campaign should be crafted and content of best practices shared publicly in the region. This should include the sharing of the final policy and the various concrete measures that will be put in place as a result of it. Media partners will be highly important for this portion of the work. As the work progresses, the key success stories should be shared through the media as well - not just of social enterprise, but of any good news of impact and development which can help stimulate interest in finding solutions to societal challenges as well as help create feelings of social cohesion. This can also be done through an online portal and there has already been a suggestion in this regard called "Dobra Istra" ("Good Istria") meant to highlight impact stories from the region.
- **Education and experts:** related to raising awareness there should be a pool of experts created who are knowledgeable in social innovation and social enterprise key focus



areas (e.g. measurement of impact, impact investing, etc.) and they can be brought in to provide specific sessions and training to various interest groups. For example, sessions for investors on how to invest in social enterprises or sessions and shorter programmes within schools to help children access knowledge on these topics at an early age and to stimulate their thinking in this direction. The experts can also serve as mentors to nascent social enterprises. It should be noted that ReCeD'Istria has commenced this process on the online platform.

- **Research and evidence base:** compile research on social entrepreneurship and social innovation in the region and share this transparently, including building case studies of what is working in the region. This can also include helping set up impact measurement frameworks and collecting data for the region on various impact indicators.
- **Bringing and keeping people in Istria:** raising awareness of these kinds of themes will hopefully show young people that there is hope and lots of different kinds of opportunities for them in the region, especially if they think in innovative ways. However, there should be a multi-sectoral, multi-stakeholder, county wide working group assembled whose purpose is to figure out how to draw in people and top talent and how to develop and keep talent in the region. This is a problem for everyone and should be addressed in a collaborative way - also because the solutions are likely to come from a great many different aspects (from housing, to jobs, to skills development, etc). It is possible that this even becomes one of the first 'missions' as part of the recommended social innovation process.

Social enterprise recommendations

- **Database:** a database of social enterprises should be created, along with a database of ecosystem players supporting the social economy more broadly in the region. This should be publicly accessible and updated on a regular basis.
- **Public tenders:** existing public tenders in the region should be reviewed to determine where social enterprises could be suitable service providers and special effort made to ensure that tender opportunities reach them. All public tenders should then have adjusted scoring where social enterprises meeting the required criteria (specified in a later bullet) can score extra points in the tender process. This would mean that if two organizations respond to a tender and they are equally suitable in all other ways but one is a social enterprise, then the social enterprise should overall score higher. Assistance with the tendering process, which can be technical, should also be provided to small businesses including social enterprises. In addition, public procurement from social enterprises should be tracked and reported on in order to follow progress.
- **Other market access:** apart from public markets, the County should encourage other local businesses, organizations and individuals to buy from social enterprises in the



region. This can be done by, for example, providing better awareness of available social enterprises along with campaigns of why they are important. The database will also help in this regard. In addition, tax incentives for supporting philanthropic initiatives already exist and more could be done to mobilize these in the region and show they would apply and could be used to support social enterprises.

- **Capacity building:** support of ecosystem players providing capacity building services to social enterprises such as business planning, financial management / investment readiness, marketing, measurement of impact, and other key training and educational services. A budget should be allocated for such ecosystem players as should access to global networks and world-class education and tools to help improve the service offering.
- **Financial incentives:** for organizations meeting the criteria for a social enterprise status (recommended below), the County should make certain incentives available to them in order to help lessen some of the increased costs and challenges of running a social enterprise. These could include:
 - Access to subsidized locations / work spaces to carry out their work
 - Stipends for hiring young people (under 25) with no prior work experience (stipend expires after 2 years per individual)
 - Stipends for hiring people with disabilities above the legal requirements
 - Tax breaks for social enterprises in the form of VAT relief
 - Lower payments on government services and utilities (such as waste, electricity, etc.)

It is important that the details of these incentives be worked out in working groups including experts in a given field.

- **Targeted funding:** the best role that government can play with respect to funding is to manage and encourage blended finance solutions which help crowd in other funders, including commercial funders, into investments that might otherwise be too high risk. We therefore recommend that a special fund be created which is grant based and which is available to social enterprises at the early stages of their development path with the goal of having them test their proof of concept and then move towards more commercial funding options such as with Erste or Zaba banks or impact investors such as Feelsgood Capital. This fund should be managed by an organization working on social enterprise in the region with expertise in both what viable social enterprises could look like as well as financing such entities. If needed, external expertise should be brought in to ensure a proper setup.
- **Recognition of legal status (but no special legal form):** we recommend that a simplified definition of a social enterprise be adopted until such time as there is a more concrete status from a national policy level. Social enterprises could apply for and get this special status to become eligible for the other benefits listed above but this could also be done on a case by case basis (i.e. at the time of application for a



particular incentive). There may still be social innovators and social economy organizations that do not meet these criteria and they should be able to access help and other resources but will not get special access to the particular incentives set aside for social enterprises. We propose that any legal entity can apply for a social enterprise status if they meet the following criteria (these are based on the current and potential profiles of local social enterprises and the desire to also motivate for more higher growth or higher profit potential social enterprises, as well as alignment to the EU high level definition):

- Those for whom the societal objective of the common good is the reason for the commercial activity, in other words the primary goal is social or environmental
- Those whose profits are mainly reinvested to achieve this social objective, at minimum 50%
- Those who have minimum of 25% of their income coming from commercial or trading activities
- Those who are independent of government
- Those characterized by a participatory decision-making process (involvement of stakeholders in transparent and accountable management), in other words, the decision making is not exclusively related to the ownership or membership structure but includes other stakeholders: employees, members, consumers, and other relevant organizations
- Those who monitor and evaluate their social, economic and environmental impact and provide an annual report to this effect (or if new, a plan for how they will collect and present this data)

Social innovation recommendations

- **Digital Platform:** we recommend the creation of a digital platform for Istria County, accessible to every resident of the region. The platform will have practical tools and resources for social innovation and social enterprise, as well as provide a forum for conversations, networking, and access to further relevant resources. This platform will be where online “missions” and challenges can be posted (more below), and where the thematic selection process will also be hosted (more below). Lastly, the database mentioned in the previous section can also be housed here for public access. A fully digital and central platform linking social enterprises, social economy organizations, social innovations, and other relevant stakeholders will allow for better collaboration and smoother integration of all relevant activities, stimulating social innovation in the region as well as allowing ideas to grow and take hold.
- **Priority themes / missions:** it is recommended to select priority impact themes for the County for a certain time period, allowing for a more focused approach as well as bringing in different sectors and experts into the process. ***Mission Based Innovation***



(MIB)⁵ approach may make sense here, and would align with some of what the EU is already working on. The idea of MIB is that by picking a concrete goal or problem to solve, policy makers can mobilize large scale collaboration across sectors rather than just within sectors, and stimulate investment into key barriers and areas where it might not otherwise go in order to achieve large scale results. An example of missions for Istria could include “How do we eliminate plastic waste from all beaches in Croatia, while adding economic value to the region?” or “How do we get the local tourism sector towards zero waste?”. These then need to be made more specific and time bound, and be worked on across various players and sectors, with multiple solutions allowed to develop concurrently⁶. Themes or missions can change every few years depending on progress and interest. An important aspect of this will be the process to reach the selection of the thematic area (for example, the environment or people with disabilities) and then to work with a range of stakeholders to reach a concrete mission or goal to aim towards within this theme.

- **Regional hackathons / challenges:** as part of the mission based innovation, we recommend the organization of various workshops and hackathons where groups of diverse stakeholders can help co-create solutions and ideas to key challenges. The best groups should be able to access further help and support. The point of the workshop is simply to stimulate ideas, but groups of participants can be helped to then carry the ideas further.
- **Annual social innovation award:** award (with small financial component) with a linked media event celebrating the most significant achievement in social innovation in the region in the past year.
- **Innovation match fund:** a match fund for those working on the MBIs. The requirement will be submission of a project proposal where 50% of required funds are already secured and where there is a high chance of impact across the county, high degree of collaboration and different players involved, and a solid business model.

⁵ Mariana Mazzucato, Mission-oriented innovation policies: challenges and opportunities, Industrial and Corporate Change, Volume 27, Issue 5, October 2018, Pages 803–815, <https://doi.org/10.1093/icc/dty034>

⁶ [Interreg Europe - Grand Challenges: The New Mission Oriented Innovation Frontier.](#)

Role of ReCeD'Istria and other key stakeholders

The recommendations above require a dedicated entity to drive them and ensure that they are achieved, even as they require collaboration from a wide range of various stakeholders. ReCeD'Istria is a pilot of the project +Resilient and the Foundation for Partnership and Civil Society Development, and it organizes events and education and other types of support for the creation and development of social innovations in the region⁷. Its intention is to work more closely with the local University in order to also have access to students and increased research capacity. ReCeD'Istria already has an online portal that could be modified into a digital platform as recommended above but has not yet been formally incorporated as a separate entity.



We recommend that ReCeD'Istria be the main entity responsible for ensuring that the policy and measures that result from this work are implemented. They could:

- Design and maintain the digital platform, including content
- Manage the priority themes / missions process, including organizing all the workshops and so forth relating to this
- Run the information and awareness campaigns

⁷ [ReCeD'Istria Website](#).



- Maintain the pool of experts and organize other educational sessions and workshops
- Provide a central support system for all social innovation and social enterprise activities
- Support measurement of impact
- Support incubators and other capacity builders who can provide training
- Support of funders of social enterprise and social innovation, and helping set up the recommended funds
- Publish research and case studies in collaboration with the University of J. Dobrila

A membership or partnership with global organizations or networks that are experts in capacity building for social enterprises and social innovation could be highly beneficial here as well - for example, the Impact Hub Network has an affordable Community Partnership Offering and at a more local level, the ACT Group is a national leader in social enterprise capacity building.

[ReCeD'Istria](#) will need to convene and coordinate all other stakeholders, public and private, and help ensure that the implementation of this policy is collaborative and participatory on a large scale. At the same time, in order to come to life, these policy recommendations will need to be accepted and engaged with by other stakeholders - as this document is just a preliminary step in the policy creation process. To this end, awareness and engagement during the final policy process is key in order to ensure best practices are followed.



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