



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

POLICY BRIEF

February 2022



Prepared by social economy expert Lana Lovaić (Unite Us Consulting Ltd) under supervision of Foundation for partnership and civil society development and Regional coordinator for European programmes and funds of the Region of Istria



With thanks to working group members and interviewees:

- Associate professor Kristina Afrić Rakitovac, head of Catedra for national and international economy, University of Juraj Dobrila Pula
- Associate professor Violeta Šugar, head of Catedra for organization, entrepreneurship and law, University of Juraj Dobrila Pula
- Sandra Čakić Kuhar, President of Assembly of the Region of Istria
- Renata Kiršić, director of Public Open University Labin
- Danijela Maružin, director of "Punkt" Ltd
- Jasna Vekić, director of Red Cross society Pula association
- Teo Petričević, director of ACT Group Ltd
- Tamara Kiršić, assistant director of Istrian development agency IDA Ltd
- Mihaela Zubić, director of Tekop Nova association
- Jasna Jaklin Majetić, president of Croatian chamber of commerce – Regional chamber Pula
- Sanja Labinjan, head of Department for regional development and strategic planning of the Regional coordinator for European programmes and funds of the Region of Istria
- Associate professor Sven Maričić, principal of Scientific-technological institute Visio, University of Juraj Dobrila Pula
- Helga Možé, director of Foundation for partnership and civil society development



TABLE OF CONTENTS

TABLE OF CONTENTS	3
INTRODUCTION AND BACKGROUND	4
METHODOLOGY	4
GLOBAL CONTEXT	5
Social enterprises	5
Social Innovation	7
EU Context	8
Process considerations for policy development	9
ISTRIAN CONTEXT	10
Broader Croatian ecosystem	10
High level socio-economic situation in Istria	12
Social enterprise and social innovation activities in the region	14
Summary of research as part of the current policy recommendation process	16
Stakeholder mapping	20
SWOT summary	23
POLICY RECOMMENDATIONS FOR ISTRIA	24
Key recommendations	24
Role of ReCeD'Istria and other key stakeholders	29
REFERENCES AND FURTHER READING	31



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.

METHODOLOGY

As part of this process, we carried out the following:

- **Document review:** review of the high level global context, as well as key existing research on social enterprises and social innovation in the region, followed by the general socio-economic context of Istria and Croatia more broadly
- **Interviews:** one on one conversations with key experts and stakeholders for deeper dives into key questions
- **Workshops:** two participatory workshops with a small group of key stakeholders who helped collate challenges as well as co-create potential recommendations and solutions
- **Survey:** we asked local stakeholders, including social enterprises, to complete a short survey on the state of social enterprise and social innovation in the region.



- **Round tables:** three round tables “Social entrepreneurship in Istria” with key regional and national stakeholders to gather key barriers and needs for the development of social entrepreneurship

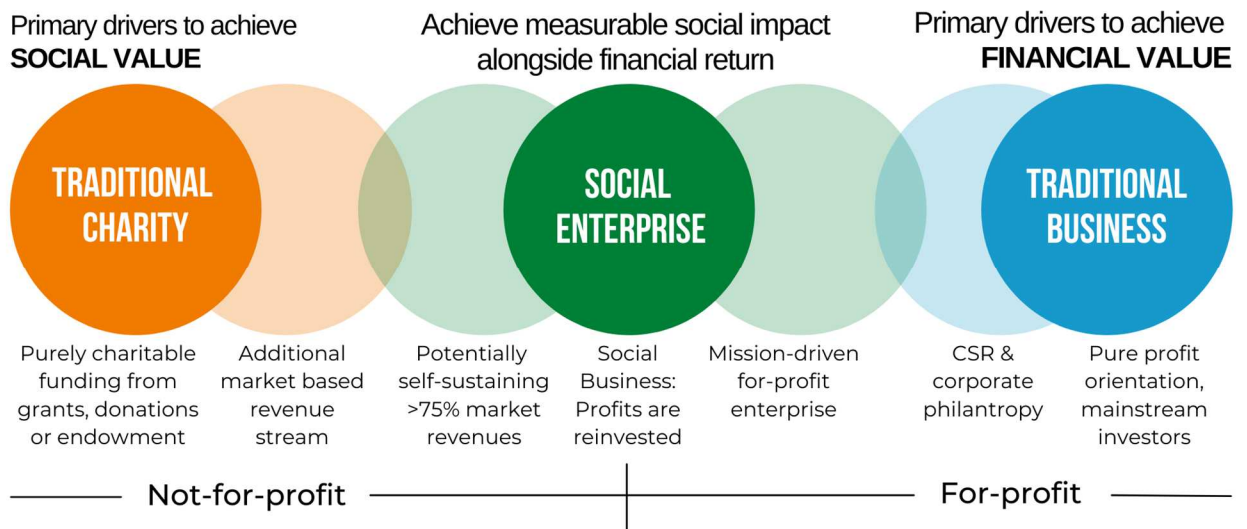
The final result of this process is this document, which summarizes some global best practices and findings, reviews the key elements of the Croatian and Istrian ecosystems, and then presents preliminary recommendations for key policy levers to consider for Istria County with respect to helping grow social innovation and social enterprise 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:

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



As we started the process of considering how best to support social enterprise in Istria county, we therefore had to understand what definition would make the most sense in the local context. We also had to understand some of the debates and points of variation - the key ones of which are listed and explained below.

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 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

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



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.

What is important to note here is that there are multiple forms that social enterprises can take and how best to define them for the purposes of policy depends largely on a given context and the specific goals we are trying to achieve. It was therefore our intention to first better understand the local context in this regard, to then create recommendations that would most suit the intended direction.

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



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.

EU Context

The European Union has been increasingly focused on the themes of social economy, social enterprise and social innovation in the past few years and at the end of 2021 adopted a new plan for the social economy. This plan proposes action in three key areas: creating the right conditions for the social economy to thrive (such as legal and policy frameworks); opening opportunities for social economy organization to start up and scale up (through various support programmes and tools - including social innovation competence centres); and making sure the social economy and its potential are recognized (through various awareness raising activities)⁵.

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>

⁵ [European Commission: Employment, Social Affairs & Inclusion \(website\)](#).



While the European Commission states there is no single legal form for social enterprise, it uses the following criteria to define them⁶:

- Those for whom the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation
- Those whose profits are mainly reinvested to achieve this social objective
- Those where the method of organization or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice

With respect to social innovation, the EU runs an annual European Social Innovation Competition as well as hosts various communities and networks on this theme⁷.

As a EU member state and often working closely with other EU members, the growing momentum for the social economy in the EU presents an opportunity for Croatia as well in these thematic areas, especially as there are various funds made available for such activities.

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.

⁶ [European Commission: Internal Market, Industry, Entrepreneurship and SMEs - social enterprise. \(website\)](#)

⁷ [European Commission: Internal Market, Industry, Entrepreneurship and SMEs - social innovation. \(website\)](#)



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

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.

Although this strategy is happening at regional and not national level, we have kept these principles in mind as we worked on this process and recommendations.

ISTRIAN CONTEXT

Broader Croatian ecosystem

The concepts of social enterprise and social innovation are relatively new in Croatia and have been driven in part by the commencement of EU membership in 2013, and the resultant adoption of the Europe 2020 strategy, which emphasized certain social aims⁸. This focus area has been largely driven by the civil society sector to date.

⁸ [Strategy for the development of social enterprise in the Croatian Republic from 2015 to 2020](#)



There are no concrete views on the number of social enterprises in Croatia, but estimates from 2014 varied between 50 - 150, with the majority seemingly focused on employing vulnerable groups such as those with disabilities⁹. In addition, the majority of social enterprises were thought to be initiated by CSOs with either an association or cooperative legal form, but it should be noted that this data is now several years old and this may not be the case in 2022.

From a EU Commission Report on social enterprises in Croatia, some of the identified challenges in 2014 included¹⁰:

- Lack of an enabling policy and legislative framework
- Lack of visibility and understanding of the concept beyond those directly involved
- Low access to finance

In 2013 a working group for the development of the Strategy for Social Entrepreneurship Development 2014 – 2020 was established by the Government of Croatia, consisting of 42 members including ministries, government agencies and stakeholders from the non-government sector. This working group published the “Strategija razvoja društvenog poduzetništva u Republici Hrvatskoj za razdoblje od 2015. do 2020. godine” (Strategy for the development of social enterprise in the Croatian Republic from 2015 to 2020) in 2015, when it was formally adopted. The currently accepted definition of a social enterprise in Croatia, as put forth in this document is that it is 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.”¹¹.

The strategy document further stipulates 9 criteria for the recognition of social enterprises in the country, namely:

- Social enterprise achieves a balance of social, environmental and economic goals of the business;
- Social enterprise is engaged in the production and transport of goods or services or art that generates revenues on the market, and has a favorable impact on the

⁹ European Commission (2014) A map of social enterprises and their eco-systems in Europe. Country Report:Croatia

¹⁰European Commission (2014) A map of social enterprises and their eco-systems in Europe. Country Report:Croatia

¹¹ [Strategy for the development of social enterprise in the Croatian Republic from 2015 to 2020](#)



environment, contributes to the development of the local community and society at large;

- Social enterprise creates new value and ensures financial sustainability through achieving, within three years of operations, at least 25% of its actual or planned income through its entrepreneurial activities;
- Social enterprise uses at least 75% of its profits / surplus to invest in the development of its activities and the achievement of its primary business objective;
- Social enterprise is characterized by voluntary and open membership and business autonomy;
- The Republic of Croatia, local and territorial (regional) self-government or a public authority may not be the sole founder of the social enterprise;
- Social enterprise is 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;
- Social enterprise monitors and evaluates its social, economic and environmental impact. Results of the evaluation are used in the planning of its future activities and tracking their improvement;
- In case the social enterprise ceases to perform its activities, the assets must be transferred to the ownership of another social enterprise with the same or similar goals, or a local institution supporting social enterprises

Despite the adoption of this strategy, it seems there has been limited implementation of its key elements to date.

High level socio-economic situation in Istria

Istria has the third highest GDP per capita within the 20 Croatian counties, with its leading industries being manufacturing, tourism, and trade¹². In 2013-2018 the average rate of GDP growth was 3.2%¹³. As much as two thirds of employment is in services related industries, and unemployment (6.5% in 2018) is second lowest among the counties (after Zagreb). In 2018, Istria was second only to Zagreb in the overall level of development as measured by the

¹² [European Parliament \(2015\). Economic, social and territorial situation in Croatia. In-depth analysis.](#)

¹³ Plan razvoja Istarske županije 2021 - 2027 - draft ("Draft Development Plan for Istria County")



Development Index¹⁴. It is also important to note that in recent years there have been increasing discussions on digitalization strategy for the county, in line with the rise of successful tech companies such as Infobip.

In terms of civil society, the county does not have a targeted strategy for the development of the sector but there are a significant number of active civil society organizations mainly in the form of associations. As of 2021, there were 2976 registered associations, representing 6% of all the associations of Croatia, however the bulk of these were located in major city centres such as Pula, Porec, Umag, and Rovinj, and as many as 50% were not fully active. The most popular focus areas for these associations were in sport (22%), but a significant portion was focused on culture (13%) and some in social services (5%)¹⁵.

From the draft Development Plan for Istria County 2021 - 2027, some associations that were also singled out as significant included:

- Those working with disabilities and linked in to the national level
- ZUM association, working with youth
- Volonterski Centar Istra (Volunteer Centre Istria), coordinating volunteer activities and events
- Zelena Istra (Green Istria), working on environmental protection
- Foundation for Partnership and Civil Society Development, a public foundation established in 2006 and which works locally but through both local and international partnerships focused on various philanthropic activities and active citizenship, among other areas

In terms of support for businesses, on the other hand, the main public sector role falls to the Istria Development Agency (IDA), which engages in research and coordination of various parties with the goal of developing certain priority zones, and carries out various educational programmes. IDA is currently planning the opening of a co-working space in Pula at the end of 2023.

While the City of Pula is the centre of business activities, the business infrastructure is relatively well developed across both larger and smaller towns in the county, with as many as 17 different support / intermediary institutions for business.

¹⁴ [Vrijednosti indeksa razvijenosti i pokazatelja za izračun indeksa razvijenosti 2018](#) (Development Index 2018)

¹⁵ [Vrijednosti indeksa razvijenosti i pokazatelja za izračun indeksa razvijenosti 2018](#) (Development Index 2018)



Social enterprise and social innovation activities in the region

There is not a wealth of documentation and research available on social enterprise or social innovation in Istria, but the country level observations summarized previously would likely also be relevant here. From the draft Development Plan for Istria County 2021 - 2027 we can see that measures are included to support social enterprises and social innovation, including general research and innovation capacity, showing that commitment to these themes is growing¹⁶. There is also one initiative in the region, ReCeD'Istria, which is focused specifically on social innovation and social enterprise but which currently exists as an online platform only, not yet having being incorporated as a separate entity. Even so, it has carried out several activities in this space. It was started as part of the +Resilient project with the Foundation for Partnership and Civil Society Development¹⁷.

In the 4-year process of implementing the +Resilient project, The Foundation, through the ReCeD'Istria Centre, organized many workshops, courses, focus groups, and round tables on the topic of social innovation and social entrepreneurship. In cooperation with the Faculty of Economics and Tourism 6 short lectures were also held: New Reflections on the Development of Society - The Need of Today, New age economics, Good economics, Community economics, Ethical (alternative) banking and Social innovations / Social impact. As there were initially few innovative ideas, Foundation Istria organized a workshop by R. Rajović (NTC practitioner) on developing functional knowledge and creativity by increasing divergent production and practicing information or knowledge integration. Moreover, we held workshops on: "Crowdfunding – a way to finance social innovations", "How to make a good pitch and how to brand a social innovation", "Social impact", "Social innovation - a tool for solving problems in society" and "Entrepreneurship of non-profit organizations / Start-up of social enterprises"

After an unsuccessful public call for proposals of social innovation ideas named „3DI“, Foundation Istria came up with a new educational program – *The Virtual school of social innovation: "Local philanthropy - an opportunity for innovation and employment"* that was the first pilot activity of "ReCeD'Istria". The participant teams developed ideas for a new social enterprise based on a Pula city philanthropy story with help from expert mentors through individual online mentorships and consultation.

The Foundation also developed an excellent collaboration with University of Pula and started two programs for students:

- The "Community case study" program - a program where students work directly with NGOs

¹⁶ Plan razvoja Istarske županije - draft ("Draft Development Plan for Istria County")

¹⁷ [ReCeD'Istria Website](#).



to solve their problems.

- The Program for creating social innovation prototypes of mechanical and technical products for people with disabilities - where through online lectures and workshops, led by Foundation Istra and professors, students worked with NGOs and medical schools on new solutions to social problems. During that program, three prototypes of products for people with disabilities were developed. One of the prototypes - a puzzle arena for blind and partially sighted people - won the bronze medal at The International Exhibition of Inventions "Arca 2021".

In cooperation with the Public Institution Regional Coordinator for European Programmes and Funds for the Region of Istria, Foundation Istra also organized two training courses. The first course "Measuring and Managing Social Impact" lasted 3 months and consisted of 4 workshops, 4 two-days webinars, and individual online consultations. The group of 13 participants worked on setting a framework for measuring social impact on their existing ventures and activities during this course. The second course, "Testing and Validation of a Socially Entrepreneurial Venture" consisted of theoretical and practical work, and participants tested their social enterprise ideas using the lean canvas business model. They carried out a SWOT for their social enterprise venture and tested their assumptions on customer segments using one of the principles of the Lean Startup methodology: Create - Measure - Learn, the so-called learning circle, all with the mentorship of experts.

Moreover, prior to the commencement of this process, there were several social innovation workshops in the second half of 2021 that were carried out by the Foundation for Partnership and Civil Society Development and the Regional coordinator for European programmes and funds of the Region of Istria on various linked themes. These included workshops in: Pula on recycling; Buje and Rovinj on children and youth; Labin on sustainable tourism; Poreč on and in Vodnjan on digital innovation. Some of the key observations from these workshops included the following:

- There are certain themes which are important to the region as a whole, but there are also sub-themes that are of interest in different cities and towns in Istria as well
- While there is a lot of interest in social innovation and some really innovative ideas, there seems to be low capacity to execute new ideas via existing social or impact organizations
- There is generally a low awareness of the potential of social innovation and social entrepreneurship in the region
- More basic education and awareness raising may be needed not just on the process of innovation but on specific themes and topics such as recycling, for example.
- There was interest in the workshops not just from impact organizations but also from a broader subset of Istrian businesses and public sector, however, this will need to be developed in order to facilitate more collaborative processes which can help with social innovation in particular as well as innovation more broadly



In addition to this, the Foundation for Partnership and Civil Society Development also held a three roundtable discussion with several key stakeholders in November 2019, 2020 and 2021 on the topic of social enterprise and social innovation and some of the key themes that emerged included:

- At a national level, the progress around policy and strategy for social enterprise has been slow and insufficient, thus hampering development of the ecosystem, despite the recognition at EU level of the importance of social enterprise and social innovation. There is also an untapped potential for public procurement from social enterprises.
- Recent ecosystem developments such as the intended formation of the Network for Social Enterprises are promising
- More awareness of social innovation and social enterprise is needed, including in the public sector and within civil society, but also within normal enterprises
- There is a need for both education support, as well as for market access
- We need to find the stars of social entrepreneurship and promote them via case studies
- The system can be difficult for social enterprises - it is important to consider mission drift and to support the more social elements in order to not lose them
- Social enterprises can be very profitable and scalable and can have good products and services but right now there are no special incentives or allowances for them, which can hamper their progress
- In the EU and at national level there are new funding mechanisms coming into place that focus on social entrepreneurship but more understanding is needed between investors and the needs on the ground of social enterprises
- There is a need for overall mindset shifts, more collaboration, and overall better communication on these themes

In addition, participants had several suggestions for ecosystem and policy related developments - some of which have been incorporated into the final policy recommendations in this document.

Summary of research as part of the current policy recommendation process

The work carried out previously was used as an input into the current process, but in order to get more targeted information and reach the most relevant and tailored policy recommendations we also carried out several interviews, two focus groups, and a small survey as part of this process in February 2022.



From the focus groups and interviews, some of the key findings are listed below, grouped by key theme / key question that was asked.

Why is it important to focus on social enterprise and social innovation in the region?

- The creation of an inclusive society with participatory processes and engaged citizens, and which also includes vulnerable populations, including in the job market
- Greater motivation for the youth to begin new ventures and have a higher chance of remaining in Istria
- Positive societal impact and solution of key problems
- Social enterprises and social innovation are not just a trend - they are an imperative
- Greater resilience to economic crises
- Development of an economy for good (circular, blue, etc.) and possibilities to grow business and income in an impactful and sustainable way, creating an added value to economic growth and development
- Increased awareness of social inequality and the need for solidarity
- Protection of social goods and traditions
- Protection of the environment and ecological awareness
- To create more positive sentiment in society - through doing good for others
- To create jobs and employment opportunities
- Creation of new innovative companies and innovation for a better future

What are the key challenges?

- Lack of human resources / people for staffing (not just for this sector, but across the board)
- Lack of public support and lack of public sector understanding
- Questions also on the national strategy which was accepted but not implemented and for which there is some debate still on criteria (for eg. if more than 75% reinvestment requirement is too exclusive)
- Insufficient regulatory framework and lack of policies supporting these themes
- Undeveloped public procurement
- Lack of grants and other types of targeted financial support for social enterprises and social innovation
- Lack of ideas and forums for creativity and idea generation
- Lack of general understanding of the concept of social enterprise and perhaps too much of a focus on the social end of the spectrum
- No registry of social enterprises or map of existing social enterprises in centralized location
- The impact of seasonal tourism and “easy money”
- The need for a better standard



- Underdeveloped research capacity relating to these themes
- Public tenders (for example in Pula) exist and can be applied to by social enterprises, but may unintentionally exclude them due to certain criteria and do not in any case prefer them
- At a wider level, we are entering another economic crisis which will also have an impact on this space and could move funds away from this field

What are the key ideas and activities to consider?

- Legal and economic support including creation of specific and clear criteria for what social enterprises are, aligned to the national legislation
- Carrying out a detailed analysis of the current situation including existing infrastructure, programmes and legislation
- Training for the development of societal awareness and sensitivity; multi-stakeholder awareness sessions and workshops on innovation themes (hackathons, etc.)
- Practical education on and for social enterprises, including examples of best practices as well as help with business planning, impact measurement, etc.
- Better alignment with digitalization opportunities to access innovation
- Changing entrepreneurial mindsets to more sustainable and socially responsible opportunities (such as the circular economy for example)
- Network of key stakeholders and social entrepreneurs at national level but also working locally
- Measurement of impact
- Work on better understanding between investors / donors and the specific needs of social enterprises
- The creation of a specific dedicated fund for social innovation or other targeted funding activities
- The corporate sector needs to be aware of the need to pay into the Fund for Employment of People with Disabilities if they fail to meet employment quotas in this regard
- Perhaps a representative is needed to mediate between public sector and social enterprises
- Targeted relief structures and potentially tax incentives are needed, as in many cases social enterprises are treated the same as normal enterprises which can disadvantage them given their added focus and potentially added costs through ensuring their mission is achieved
- Public procurement specific to or preferencing social enterprises as well as tender assistance for social enterprises
- Support is needed even after the initial stages, and in particular through scaling where there is potential



- The EU is currently quite focused on the theme of the social economy, and there are alignment and potentially funding opportunities there as well
- Considerations such as “Mission Based Innovation” which also aligns with current EU directions
- To rebuild following the economic crisis with a greater than ever focus on social enterprise

The survey we sent out was short and mainly targeted at social entrepreneurs and social innovators, so we did not expect a large number of responses. In addition, some questions were also applicable to wider ecosystem supporters. In the end we received 18 responses, which is in line with expectations given the size and state of the localized ecosystem, however caution should therefore be taken in overgeneralizing the findings of the survey due to the small sample size.

The survey could be filled in by anyone working in social enterprise or social innovation - including directly, or as a support agency. Of the respondents, 28% considered themselves social enterprises, 44% non-profit civil society, 17% micro/small enterprises and the remaining were academic institutions. Some of the key findings from the survey included:

- In terms of why social enterprise is important for the region, the majority (56%) answered “for solving key social problems through sustainable means”, while the second most popular answer at a much smaller 17% for “the creation of better employment opportunities”
- For top challenges faced by social entrepreneurs, the overwhelming majority (72%) indicated that there are insufficient funds available for social enterprises, but other top challenges included insufficient tax incentives / concessions (44%), and insufficient support systems and networks (39%).
- Similar to the previous point, in terms of what respondents felt was most needed to start a social enterprise, 82% indicated that financial support was the most critical, but other elements seen as important included exchange of ideas and study visits (53%) and technical support, including marketing, business planning, and measurement of impact (53%)
- Of the respondents that indicated they were interested in starting a social enterprise, the largest number (25%) was interested in the tourism sector but there was a good spread of other interest including in agriculture, manufacturing, social services, education and culture and art.
- The general profile of the social enterprises themselves (please note, self-identified in this case and without verification against a set of objective criteria) are as follows:
 - While many are making use of social economy-aligned legal forms, with 47% of respondents registered as associations (“udruge”) for example, many are



also using profit oriented forms with 35% registered as d.o.o. (a type of limited liability company).

- A large portion (50%) have been in operation for over 10 years with 25% operating 4-6 years. Only 12% were less than a year old
- Most of our respondents were Pula based (47%) but this could be in part due to the networks of the lead team as well. Other popular town locations (with between 12-18%) were Labin, Rovinj and Buzet
- The majority of our respondents (56%) get less than 25% of their income from business / trade, however the next largest respondent group (38%) gets over 75% of their income from trading activities - perhaps indicating different stages of development or different sub-groups / focus areas for social enterprises in the region - which would also align with the split in legal forms of respondents.
- Most respondents (56%) employ less than 5 people, but 25% employ 12-29 and a further 19% 5-11 employees so a significant proportion is not entirely micro in size
- Similarly, while 62% earn less than 1m kuna per annum, 25% earn 1 - 5,2m and 12% 5,2 - 10m which again confirms that many of these are not micro ventures
- While skewing a bit older, there seems to be a more even split in terms of the ages of those leading the organizations, with 47% between 40 - 49, 30% between 30 - 39 and 18% 50+ (and the remaining portion of ages under 29)
- The majority of leaders are also female, at 65%
- In terms of what support social enterprises would like to see to improve their chances of success and scale, the top 3 were public / government support (59%), mentorship and coaching (53%), and technical support such as marketing, business planning and impact measurement (53%)
- Of the impact areas worked on, the top 3 were improving a particular community (59%), helping people with disabilities and special needs (53%), and promoting productive employment and decent work for all (41%)

Stakeholder mapping

There are several key social enterprise ecosystem supporters operating in the region as well as nationally that have or could have an impact on the social enterprise and social innovation ecosystems. In addition, there are already several existing social enterprises, many of whom contributed to this report via the survey, workshops or interviews.



Some of the most relevant stakeholders identified are listed below (with a brief description of what they do and website links where available). Ones that are headquartered outside of Istria but that also work locally are marked with “external” in parentheses.

Social enterprises

- **Punkt** - perhaps the most well known social enterprise in the region, Punkt is a bistro in Pula which employs mainly young people with disabilities to carry out its day to day operations but which also has a range of other social activities such as helping feed the homeless, helping provide on the workplace training for vulnerable populations and so forth. (<https://www.bistropunkt.com.hr/>)
- **Mediterranean Sculpture Symposium** (“Mediterranski Kiparski Simpozij”) - situated in Labin, they give services in cultural graphic design, creation of strategic documents, consulting, space rental, and have created a sculpture park
- **Humana Nova** (external) - with HQ based in Međimurje region, this social enterprise upcycles old clothes and textiles into new products and employs and upskill people with disabilities. They set up an office in Labin in Istria and were operating from 2018-2020 but did not have capacity to continue and closed thereafter.
- **Corbis** - a cooperative that deals with paper recycling and other waste removal as well as other small jobs in the region (<http://www.corbis.coop.hr/>)
- **Fizio Tech doo** - a Pula based company operating in the medical technology space and focused on technologies for assisting people with disabilities. (<https://www.facebook.com/FizioTechHR/>)
- **IN promo / Centar za društveno poduzetništvo d.o.o.** - helps people with disabilities in City of Labin get employment experience in various trades while offering those services to the public.
- **Rojc Union of Associations / Community radio** - union of various associations working in Rojc with shared spaces and services and a community radio station
<https://www.pula.hr/hr/vodici/za-gradanstvo/drustveni-centar-rojc/drustveni-centar-rojc/>

Ecosystem supporters

- **ACT Group (external)** - Croatia’s most well known and longest running civil society organization focused on supporting social enterprises. (<https://act-grupa.hr/en/>)
- **Social Innovation Lab (external)** - is currently not active in the region but is a research and capacity building agency focused on social innovation and part of the EU network, which has previously done work in Istria. (<http://www.socinnovationlab.eu/>)

Funders

- **Erste Bank (external)** - funds social enterprises
(<https://www.erstegroup.com/en/about-us/social-banking/social-finance>)



- **Zagrebacka Bank (external)** - funds social enterprises
- **Cooperative for Ethical Finance (external)** (Etična banka / Zadruga za etično financiranje) <https://zef.hr/hr>
- **HAMAG-BICRO (external)** - the Croatian agency for SMEs and innovation, offering funds to SMEs <https://hamagbicro.hr/umrezavanjem-i-podizanjem-svijesti-do-razvoja-drustvenog-poduzetnistva/>

Academia

- **University of J. Dobrila in Pula** - largest University in the Istria region, which has courses and lectures focused on social innovation and social enterprise mainly in the Tourism and Economy Faculty.
- **Istrian University of Applied Sciences / Istarsko Veleučilište** - has programmes in various innovative technologies

Public sector

There are various organizations involved in supporting the sector, but some that were most relevant included:

- Centar za popularizaciju znanosti i inovacija Istarske županije (Centre for the Popularisation of Science in the Region of Istria) <http://www.cpzi.eu/>
- Zajednica tehničke kulture Istarske županije (Community of Technical Culture for Istria County) <http://www.ztkistra.hr/>
- Foundation for Partnership and Civil Society Development <https://www.civilnodrustvo-istra.hr/en>
- Various Istrian development agencies (RTA, IDA, IKA, IRENA, AZZRI) - these are not geared towards social enterprise specifically but there is interest there. IDA is also working on a programme called Social Impact Hub, which will include a co-working space portion. IDA also offers lines of credit for small enterprises, which would include social enterprises¹⁸.
- Tekop Nova - “zastitna radionica” (Sheltered Workshop - a legal form in where 51% people with disabilities are employed) making clothes and uniforms of various kinds. <https://tekop-nova.hr/>
- Municipalities and cities in Istria County

Other

- **Media** - could play a significant role in awareness raising on a larger scale
- **HGK Istra / OK** - local branch of the Croatian Chamber of Commerce. <https://www.hgk.hr/zupanijska-komora-pula>
- **Hotels / hospitality** - there are some large scale tourism sector businesses in the region and they are open to engaging on these themes

¹⁸ [IDA website - Kreditne Linije \(Line of Credit\)](#)

SWOT summary

Taking the overall findings into account, the summarised SWOT findings are as per below:

<p>STRENGTHS</p> <ul style="list-style-type: none"> ● Growing interest in the region in social innovation and social enterprise ● Several interested regional parties are supporting social innovation and social enterprise already including several workshops already carried out ● Although a small group, there are some existing social enterprises that have been in operation for over 10 years and have more than 10 employees and some good success stories ● There are several strong industries in the region such as tourism, digital, manufacturing, agriculture and others ● An existing civil society sector that could move more into the social enterprise and social innovation spaces 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> ● Lack of human resources / people for staffing (not just for this sector, but across the board) ● Lack of policies, public support, and public sector understanding ● Underdeveloped public procurement ● National strategy accepted but not implemented and for which there is some debate on criteria ● Lack of grants and other types of targeted financial support for social enterprises and social innovation ● Low levels of capacity building ● Lack of ideas and forums for creativity and idea generation ● Lack of general understanding of the concept of social enterprise and perhaps too much of a focus on the social end of the spectrum ● No registry of social enterprises or map of existing social enterprises in centralized location ● Underdeveloped research capacity relating to these themes
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ● The current EU environment is very supportive of both social enterprise and social innovation, thus presenting opportunities for alignment and funding access ● Alignment of existing strong industries (such as tourism, for example) ● A dedicated entity, such as ReCeD'Istria to coordinate and drive the development of social enterprise and social innovation in the region ● Increasing available funding ● Improving and increasing capacity building ● Creating tools and networks for better linkages between various stakeholders ● Aligning to "Mission Based Innovation" and leading on both innovation and impact ● Creating better employment opportunities and keeping more people from leaving the region ● Focusing on incentives and measures to make it easier and less costly for social enterprise to operate 	<p>THREATS</p> <ul style="list-style-type: none"> ● Looming economic crisis ● The impact of seasonal tourism and "easy money" ● Lack of adequate budget allocation at public level for implementing required policy recommendations ● Overly restrictive or narrow policy creation rather than thinking of the big picture possibilities of social innovation and social enterprise



- Viewing policy creation in this space as an on-going and evolving process much as the ecosystem is evolving

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 who 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. A ***Mission Based Innovation (MIB)***¹⁹ 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 concurrently²⁰. 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.

¹⁹ 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>

²⁰ [Interreg Europe - Grand Challenges: The New Mission Oriented Innovation Frontier.](#)



- **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.

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 region²¹. 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
- 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

²¹ [ReCeD'Istria Website.](#)



- 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.

REFERENCES AND FURTHER READING

- ReCeD'Istria Website: <https://recedistria.com/en/>
- Interreg Europe - Grand Challenges: The New Mission Oriented Innovation Frontier. <https://www.interregeurope.eu/policylearning/news/5970/grand-challenges-the-new-mission-oriented-innovation-frontier/>
- 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>
- OECD. Social Innovation: <https://www.oecd.org/regional/leed/social-innovation.htm>
- [European Commission: Employment, Social Affairs & Inclusion \(website\)](#).
- [European Commission: Internal Market, Industry, Entrepreneurship and SMEs - social enterprise. \(website\)](#)
- [Strategy for the development of social enterprise in the Croatian Republic from 2015 to 2020](#)
- European Commission (2014) A map of social enterprises and their eco-systems in Europe. Country Report:Croatia
- [European Parliament \(2015\). Economic, social and territorial situation in Croatia. In-depth analysis.](#)
- [Vrijednosti indeksa razvijenosti i pokazatelja za izračun indeksa razvijenosti 2018 \(Development Index 2018\)](#)
- [IDA website - Kreditne Linije \(Line of Credit\)](#)
- 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>



www.plus-resilient.interreg-med.eu
E-mail: plus-resilient@regione.veneto.it
Tel. +32 2 743 7013
Project co-financed by the European
Regional Development Fund



Project partners

Lead Partner



U.C.C.I.A.L.