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SOCIAL ENTERPRISES
AND THEIR ECOSYSTEMS
IN EUROPE

Country report
CROATIA
Davorka Vidović

Social Europe

This fiche is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Norway based on available information as of December 2018. It describes the roots and drivers of social enterprises in the country as well as their conceptual and legal evolution. It includes an estimate of the number of organisations and outlines the policy framework as well as some perspectives for the future of social enterprises in the country.

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SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

Country report
CROATIA

Davorka Vidović

This report provides an overview of the social enterprise landscape in Croatia based on available information as of February 2019. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014. The current report has been prepared as part of a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Davorka Vidović from the Faculty of Political Science University of Zagreb was in charge of producing the report.

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Countries included in the three social enterprise mappings by the European Commission

No	Country	TYPE	2014	2016	2018-19
1	Albania	Fiche	-	-	✓
2	Austria	Report	✓	-	✓
3	Belgium	Report	✓	✓	-
4	Bulgaria	Report	✓	-	✓
5	Croatia	Report	✓	-	✓
6	Cyprus	Report	✓	-	✓
7	Czech Republic	Report	✓	-	✓
8	Denmark	Report	✓	-	✓
9	Estonia	Report	✓	-	✓
10	Finland	Report	✓	-	✓
11	France	Report	✓	✓	-
12	Former Yugoslav Republic of Macedonia	Fiche	-	-	✓
13	Germany	Report	✓	-	✓
14	Greece	Report	✓	-	✓
15	Hungary	Report	✓	-	✓
16	Iceland	Fiche	-	-	✓
17	Ireland	Report	✓	✓	-
18	Italy	Report	✓	✓	-
19	Latvia	Report	✓	-	✓
20	Lithuania	Report	✓	-	✓
21	Luxembourg	Report	✓	-	✓
22	Malta	Report	✓	-	✓
23	Montenegro	Fiche	-	-	✓
24	The Netherlands	Report	✓	-	✓
25	Norway	Fiche	-	-	✓
26	Poland	Report	✓	✓	-
27	Portugal	Report	✓	-	✓
28	Romania	Report	✓	-	✓
29	Serbia	Fiche	-	-	✓
30	Slovakia	Report	✓	✓	-
31	Slovenia	Report	✓	-	✓
32	Spain	Report	✓	✓	-
33	Sweden	Report	✓	-	✓
34	Switzerland	Report	✓	-	-
35	Turkey	Fiche	-	-	✓
36	United Kingdom	Report	✓	-	✓

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List of acronyms

> CSR	Corporate Social Responsibility
> CARDS	Community Assistance for Reconstruction, Development and Stabilisation
> CCCE	Croatian Centre for Cooperative Entrepreneurship
> CEDRA HR	Cluster for Socio-Economic Innovation and Development Croatia
> CEE	Central and Eastern Europe
> EaSI	Employment and Social Innovation programme
> EBRD	European Bank of Reconstruction and Development
> EC	European Commission
> EFSE	European Fund for Southeast Europe
> EIDHR	European Instrument for Democracy and Human Rights
> EIF	European Investment Fund
> ERDF	European Regional Development Fund
> ESF	European Social Fund
> ESIF	European Structural and Investment Funds
> EU	European Union
> EUR	Euro currency
> EVPA	European Venture Philanthropy Association
> FINA	Financial Agency
> GRC	Government of the Republic of Croatia
> HAMAG-BICRO	Croatian Agency for SMEs, Innovations and Investments
> HBOR	Croatian Bank for Reconstruction and Development
> HRK	Croatian Kuna currency
> IPA	Instrument for Pre-Accession Assistance
> JAP	Joint Assessment of the Employment Policy Priorities
> JIM	Joint Inclusion Memorandum
> LLC	Limited liability company (<i>društvo s ograničenom odgovornošću</i> or <i>d.o.o.</i>)
> MLPS	Ministry of Labour and Pension System

> NGO	Non-governmental organisation
> NPO	Non-profit organisation
> OECD	Organisation for Economic Cooperation and Development
> OG	Official Gazette
> PHARE	Poland and Hungary: Assistance for Restructuring their Economies
> PWD	Person with disabilities
> SBI	Social Business Initiative
> SC	Share company (<i>dioničko društvo</i> or <i>d.d.</i>)
> SLLC	Simple limited liability company (<i>jednostavno društvo s ograničenom odgovornošću</i> or <i>j.d.o.o.</i>)
> SME	Small and medium-sized enterprise
> UN	United Nations
> UNDP	United National Development Programme
> VAT	Value Added Tax
> WISE	Work integration social enterprise
> WWII	Second World War
> ZEZ	Green Energy Cooperative (<i>Zelena energetska zadruga</i>)
> ZSE	Zagreb Stock Exchange

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Executive summary

Background

This mapping update gives an overview of the background and roots, concepts, legal evolution, fiscal framework, legal forms, data and ecosystem of social enterprise in Croatia. It also reflects on current debate around social enterprise at the national level, provides an overview of the constraining factors and opportunities, and sketches trends and future challenges for social enterprise and its ecosystem in the country. The first section provides an historical analysis of the various traditions and roots that shaped the background of current Croatian social enterprises. It briefly describes the tradition of voluntary organisations, charity and philanthropy, as well as of the cooperative sector that dates back to the 19th century and frames the background influences of today's social enterprises. This section describes historical transformation of some of the existing legal forms, such as associations and cooperatives. It also discusses the roles of church based organisations, mutual aid societies and formal and informal mutual financial initiatives. The section also reflects on recent influences that have shaped the present context around social enterprises in Croatia, in particular, the impact of donor communities on one side, and European Union (EU) integration on the other side.

Concept, legal evolution and fiscal framework

Section 2 presents the definition of social enterprise and how it is applied in the Croatian context. It also gives an overview of the legal and policy framework evolution that contributes to the recognition and regulation of social enterprise. Several legal types were identified as suitable for entities that operate or intend to operate as social enterprise: associations which pursue relevant activities of general interest and are engaged in economic activities; social cooperatives and traditional cooperatives pursuing social aims; private foundations with economic activities; private institutions founded by associations; companies that are established by associations; and companies pursuing explicit social aims and operating in a not-for-profit manner. Also, the role of sheltered and integrative workshops is discussed, as they are typical work integration social enterprises (WISEs). The section gives details on how each of these legal entities complies with the EU operational definition.

Mapping

Section 3 provides some numbers on social enterprises identified in Croatia, that are based either on recent or previous research. Measuring Croatian social enterprise is a difficult task, as it relies on fragmented available sources and data, most of which are from administrative databases and registers. They provided more or less precise numbers of entities for each legal form identified as suitable for social enterprise. The mapping counted 526 social enterprises; however, this number is unreliable due to insufficient information and difficulties in applying criteria. For some types of social enterprises, existing data also provided insights into fields of activities in which they operate.

Ecosystem

Section 4 gives an overview of the main actors, programmes and support schemes, and processes and financing options in the social enterprise ecosystem in Croatia. This includes public authorities and policy makers, actors involved in research and education, networks and support structures, and financial institutions. It indicates that the ecosystem consists of various actors, but is lacking strong commitment from the government, as well as the institutional sector. The public schemes are not regularly implemented, thus creating insecurity among the social enterprises and practitioners. On the other hand, this could have resulted in a more vivacious intermediary sector and academia, as one may recognise the spread of research interest, trainings and educational programmes, as well as different types of non-financial support. The section also gives an overview of demand for and supply of finance currently available for social enterprises in Croatia. Despite the existing Strategy for Social Entrepreneurship Development for the period 2015-2020, not many activities and measures were implemented. Other types of finance, particularly social investments, are still rare and in a nascent stage.

Perspectives

Section 5 discusses some of the issues raised in current debates at the national level. It identifies obstacles social enterprises often face and also opportunities around social enterprise ecosystem in Croatia. The main trends and challenges that are discussed include concern for clear understanding of social enterprise concept, social enterprise visibility, and disappointment regarding delays in implementation of the Strategy of Social Entrepreneurship Development, including greater diversification of new and consolidated social enterprises.




1

BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

The current development of social enterprises and their ecosystem in Croatia has its roots in different influences. Some of them date long back in the past, and others belong to more recent history. With the purpose to understand the complexity of the current state of the art of social enterprises and to explain development challenges in creating a supportive environment, it is necessary to look back at the historical context.

This section describes several types of organisations and traditions that influenced and shaped current social enterprises in Croatia. Some of them date back to the 19th century, such as cooperatives, or even before, such as charity or church-based organisations, and others emerged during the socialist regime, such as sheltered workshops.

The section summarises the most recent influences, such as the international donor community on the one side, and EU policies on the other side. The latter impacted the adoption of the official concept of social enterprise stated in the Strategy for Social Entrepreneurship Development.



1.1. Contextualising social enterprise in recent Croatian history

The development of social enterprise in Croatia builds on different traditions and practices that go back far in the past, as well as on different traditions of conceptual approaches that have emerged recently. These different influences have shaped current varieties of understanding of the social enterprise and social entrepreneurship.

Current discourse on social entrepreneurship emerged around 2005, when the concept was "imported" from abroad, i.e., introduced by international organisations and donors (Vidović 2012). Anglo-Saxon donors and other actors contributed to the widespread development of income-generating activities by non-profit organisations (NPOs), as that was promoted as a sustainability strategy. The first social enterprises in Croatia emerged from this intention, and they were organised as a symbiosis of NPOs and their trading-arm companies.

With further development, in particularly when the European Union (EU) integration process became more intense, understanding of social enterprises in Croatia became closer to the EU approach. The concept of social enterprise was officially articulated in the national Strategy for Social Entrepreneurship Development for the period 2015-2020 ("SE Strategy" from now on), which is largely consistent with the definition proposed by the European Commission in the Social Business Initiative (European Commission 2011).

Croatian recent history provides the relevant contextual framework in which social enterprise emerged.

Croatia has experienced turbulent changes during the last three decades. After the breakdown of Yugoslavia and the end of the socialist regime in 1990, the first years of transition were marked by the War of Independence, accompanied by state-building and an authoritarian political regime. All of this significantly influenced and delayed restructuring and social reforms. At the same time, the cut with the previous socialist system that provided universal social rights and benefits, as well as the breakdown of the economic system, caused many social problems from massive unemployment to increase of poverty and social exclusion that touched many vulnerable groups.

Social welfare reforms intensified after 2000 due to change of the regime and the EU accession process. The efforts to reform the system towards social welfare mix included a combination of new social service providers, deinstitutionalisation, diversification and decentralisation. During the pre-accession period, policies towards social inclusion and employment in Croatia were based on these two strategic documents: Joint Inclusion Memorandum (JIM) signed in 2007, and Joint Assessment of the Employment Policy

Priorities of the Republic of Croatia (JAP) signed in 2008. They were prepared within the scope of EU social inclusion policies, thus the EU emerged as a more involved actor in social welfare system restructuring.

Social welfare reforms are still unfinished in Croatia, and that results in an inefficient welfare system. Each government has demonstrated reluctance in making efficient structural changes that would lead to huge cuts in social spending, knowing that they usually mean more dissatisfaction for some social groups and losing the voters. One of the key continuous problems is preferential treatment of veterans and their families, which is recognised as 'dominant clientelistic practice' and is resistant to change (Stubbs and Zrinščak 2015). Some calculations show that all benefits for veterans amount to around 2% of Croatian GDP (Stubbs 2018). Furthermore, the EU accession process and EU policies had limited influence in coping with this practice that was rooted in the social and political circumstances of the 1990s (Stubbs and Zrinščak 2009, 2015).

The most common social partners in providing social welfare services are some associations, some Institutions (*ustanove*) and some other types of social enterprises, but their role is still limited. The state remains the main, almost monopolistic provider, of social welfare services, while other actors remain marginal, and not sufficiently integrated in the social welfare system.

The discourse on entrepreneurship and enterprises has intensified during the last three decades, small and medium-sized enterprises (SMEs) being seen as a generator of economic growth and employment. Also, their role in social inclusion and socio-economic security has become more recognised, thus the awareness that entrepreneurial activities of marginalised social groups should be stimulated.

In the sector of civil society or the non-profit sector, the shortage of financial resources, i.e., foreign donations, in the early 2000s intensified the discourse on self-financing and financial sustainability. Social entrepreneurship was thus recognised as a model suitable for reaching a financial sustainability while addressing social needs. Progressive Croatian associations experimented with those ideas during the first decade of the 2000s and created some of the pioneering social enterprises that used this name.

Aside from political and social changes, some socio-cultural elements also shape the overall understanding and approach to social entrepreneurship and social enterprise in Croatia. Entrepreneurial culture is still poor and the institutional and fiscal environment creates many burdens for entrepreneurs, and innovations are not well stimulated. A repressive regime attitude towards civil organisations, both during the socialist period and the first decade of the transition, influenced ambivalent public attitude towards associations and civil initiatives, which are still often questioned in terms of their agenda and finances. The lack of interest for voluntary civic associations influences the low level of social capital, but also vice versa (Vidović 2012). As in other post-socialist and

post-communist countries, cooperatives still suffer from the negative image caused by their misuse during the socialist regime. Finally, the state paternalism is often seen as a relict of the socialist regime and interpreted as a reason for the mentality of dependency on the state (Bežovan and Ivanović 2006, Vidović 2012). The expectation that the state should provide social and economic security influenced overall reluctance in entrepreneurial behaviour, volunteering or self-organising.

1.2. Roots and traditions

Some types of voluntary organisations, charity and philanthropy existed even in the Middle Ages, and were shaped by the Catholic Church. Today's social enterprises are also rooted in a tradition of cooperatives, foundations and associations that emerged during the middle of 19th century, as a result of unmet social challenges raised by industrialisation.

In Croatia, association is the most frequent type of NPO and probably the most commonly associated with the notion of social enterprise. Despite facing some constraints, associations appeared almost a decade before the transition to a democratic society. During the socialist regime, the Act on Social Organisations and Citizens' Associations was adopted in 1982, and it was a precursor of future democratic legislation on associations and other forms of civil society. Although limited, it enabled the first self-organising citizens' initiatives, an embryo of civil society that would follow the political changes of the beginning of the 90s. However, due to the unfavourable climate towards civil society organisations during the 90s, the Associations Act was adopted rather late, in 1997, and it was evaluated as very repressive. After the regime changed in 2000 and the Constitutional Court declared unconstitutional elements in that law, a more enabling period for civil society started. This resulted in late development of a legal and institutional framework, as well as a lack of public trust towards civil society initiatives.

Croatia has a long tradition of *cooperatives* with the first one being established in 1864. Before World War II, about 2,500 cooperatives with 460,000 members existed in Croatia (Žimbrek 2008). Particularly specific is the tradition of students' cooperatives in elementary and middle schools, which has an important role in educating about entrepreneurship with cooperative values, such as solidarity and democratic governance. Nowadays more than 550 students' cooperatives operate across Croatia. Within the socialist regime cooperatives lost their original meaning, particularly regarding private ownership, as well as democratic governance, which was completely obstructed and instrumentalised. Peasants were forcibly included in agricultural cooperatives as part of collectivisation processes. Solidarity, the basic value of the cooperative movement, disappeared, and cooperatives became instruments to serve the ideology of the regime

organisations. This strongly influenced the creation of animosity towards them, which is assumed to be still persistent in Croatia nowadays even though no comprehensive survey that would confirm this perception exists. Housing cooperatives were based on private initiative, usually organised around companies, and basically existed parallel to state-controlled housing policy. According to the data, housing cooperatives expanded from the 1970s through 1980s, and by the beginning of the 1990s, when transition started, there were around 300 housing cooperatives in Croatia (Bežovan 2007). With cutting of some tax benefits they were eligible for as housing cooperatives, as NPOs they totally disappeared by the end of the 1990s. During the last two decades, the development of cooperatives in Croatia has slowed down due to unfavourable legislation and lack of state support. For example, cooperative as an entity was excluded from the non-profit sector until recently. In 2011 the new Act on Cooperatives, by introducing social cooperative and other types of cooperatives, opened the door for them to operate as NPOs, i.e., to be established for other purposes than to gain profit in the market. Cooperatives are not particularly popular in Croatia and their economic performance has relatively small importance in the overall Croatian economy. In comparison with the EU, in Croatia only a small number of citizens are members of a cooperative; on average, five of 100 citizens, compared to one in four in the EU (Švaljek *et al.* 2018). In addition, recent analysis showed that the existing legislation and institutional framework impose many restrictions on cooperatives compared to other entities performing in the market, and do not acknowledge enough social values that cooperatives generate in local communities (Ibid).

One of the legacies of the socialist regime is a rather decentralised system of social welfare. This in particular refers to a widespread network of *Institutions*¹ in the social welfare sphere, such as public centres for social welfare care and other public or private organisations placed in local communities (Stubbs 2001; Puljiz 2006, 2008). Even under the socialist regime Institutions in social welfare operated with more autonomy, which furthermore had impact on their innovative capacities.² As a result, a network of centres for social welfare, established during the socialist period, was actually a world acknowledged social innovation (Puljiz 2006). Today, Institution is also one of legal forms that may be eligible for social enterprise status. However, this does not apply to all types of Institutions existing in Croatia, as the majority of them are public-owned and they operate in various fields of general interest—education, science, culture, sports, technical culture, health, social care, childcare, etc. Institutions have a non-profit

(1) In order to reduce confusion referring to common meaning of institution, an “Institution” as a particular legal form in the Croatian system (in Croatian: *ustanova*) will be written with a capital letter in this report.

(2) It is considered that the Constitution of the Socialist Republic of Croatia from 1974 brought significant liberalisation that strongly influenced different areas in terms of freedom of speaking, thinking, association and public gathering.

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nature by law, meaning they have to comply with non-distribution constraints, and that distinguishes them from regular business companies. Many Institutions operating in the market are generally treated as companies, meaning they are not eligible for the Register of Non-profit Organisations (“the NPO Register” from now on). Exceptions to this are public Institutions, Institutions around religious communities, and Institutions founded by associations. The latter may be recognised as social enterprises.

Public sheltered workshops for disabled persons, established after the end of the World War II, were an important part of the social welfare system in the socialist era. They were organised as organisations of associated labour with the aim to train and employ different categories of disabled persons. They held an important role in work and social integration until the transition period. At the beginning of transition there were 39 sheltered workshops that employed around 3,500 workers (see Vidović 2012). Their numbers are continuously decreasing, and today there are only seven sheltered workshops in Croatia, which employ around 500 workers with disabilities. Sheltered workshops have access to many incentives, mainly wages subsidies. In addition, they are publicly protected and privileged in terms of gaining contracts, which is particularly the case with those that are founded by local authorities. Because of that, it is not uncommon that stakeholders do not perceive sheltered and integrative workshops as enterprises, i.e. competitive market entities.

Humanitarian, charity and church organisations, such as the Red Cross and Caritas, were important non-state actors in the social sphere during socialism. Even being officially marginalised from the repressive regime, church associations were very active in providing assistance and social services to very poor people. Nowadays, some social enterprises arise around the church and religious communities, but not nearly as much as might be expected from a society with a strong Catholic tradition, and the social teaching, which proclaims norms of solidarity, subsidiarity and workers’ participation.

Although Croatia has a tradition of mutual aid societies, they do not exist as legal entities today. However, it is quite common that trade unions of workers establish and manage an internal mutual aid cash in companies or in public Institutions. The members participate with some agreed amount on a monthly base, and can ‘borrow’ occasionally for a particular purpose, without an interest rate. Usually there are some rules concerning amounts, order and priorities that are agreed upon among members. Since this form is not regulated, there is no reliable data on the number of such cash boxes.

The formal type of mutual financial organisation for microcrediting in Croatia is the credit union, which as a legal form replaced the *savings and loan cooperative* in the law adopted in 2006 (The Credit Union Act, OG 141/2006). This legislation introduced several restrictions, which resulted in significant decreases in the number of savings and loan cooperatives that managed to transform to credit unions. From 120 savings

and credit unions at that time, there are only 20 credit unions operating today. The main limitations refer to increase of the company's share capital, restrictions of the allowed activities, restrictions of memberships to only those inhabiting the same local unit or being workers of the same company or of the same profession. Mutuality as a main principle of credit unions makes them close to the social enterprise universe; however, they commonly operate to serve their members' interest and are not broadly recognised as social enterprise.

One of the specific legacies of the Yugoslav type of socialism is workers' self-management, introduced in 1950. It was based on 'collective (social) ownership', not state ownership as in countries of Eastern Bloc. It followed the ideal that workers will have greater freedom, control and participation over decision-making process in their organisation. At the time, self-management was seen as a socialist shift from a centralised command economy towards partial liberation of the economic sphere from statism. Because of at least some level of workers' participation, some authors recognised self-management as a form of collective entrepreneurship (Horvat 1990, Stankovic 1990, according to Vidović 2012). However, a more critical perspective argues that this kind of entrepreneurship is a limiting notion; it might have existed in small working units, but not in big monopolistic organisations. According to some surveys of that time, a majority of workers showed only a minimum entrepreneurial behaviour (Županov 1985, according to Vidović 2012). This socialist heritage could facilitate a better starting position for the transition towards a more mature entrepreneurial class, but poor (not to say criminal) political management over privatisation in the early years of transition caused slowing of the maturation process. Some values in the ideal of self-management were still despised by the dominant political and economic elite.

Finally, insights on the notion of a non-profit sector in Croatia may contribute to better understanding of Croatian contextual specificities. Croatian legislation does not recognise the difference between terms 'non-profit' and 'not-for-profit', as does the John Hopkins University.³ "Non-profit" is often understood and used as a synonym for associations, civil society organisations or non-governmental organisations (NGO), concepts that are very well rooted in Croatian discourse. The Croatian language only knows 'non-profit', which can also have the meaning of "not-for-profit". No legal document precisely defines these terms but they follow the same principle around which the NPO Register operates, and that is that NPOs in general do not perform economic activities, and if they do, under certain regulations, they are not allowed to freely use the profit they generate, but have to use it for the purpose for which they were established. Activities of NPOs are closely connected to general interest activities, and together they make

(3) According to this definition the term "non-profit" refers to the organisations that have to comply with a non-distribution constraint. The term "not-for-profit" is more general and refers to the goal pursued (which is other than profit).

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a basis for access to public budget funding. The main gate to public funding is the NPO Register. However, colloquially, being non-profit or not-for-profit is often confused and wrongly understood as “non-economic”, i.e., not being engaged with economic activities at all. Some legal documents, such as Act on Cooperatives, OG 34/2011, Article 38, by explaining ‘non-profit’ as ‘being based mostly on the membership fees’, only contributes to overall misunderstandings and to negative connotations in cases in which NPOs are engaged in economic activity. The confusion around the status of non-profits when engaged in economic activities is also reflected in the ‘right’ to get access to the NPO Register. The lack of understanding and regulations around this issue often results in arbitrary decisions by public servants about who will be approved and who will be denied. An unofficial understanding in this matter is that small revenues from economic activities for NPOs are acceptable, but when revenues exceed around 50% of total income, the organisation should be excluded from the NPO Register.⁴

(4) Information gained from public servant during data gathering, September 2018.

2

CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

This section applies the EU social enterprise operational definition to the Croatian context and the contents of the Strategy for Social Entrepreneurship Development. It identifies how the key features of social enterprise along three dimensions (entrepreneurial, social and governance) are reflected in each legal form in which social enterprises commonly operate in Croatia. By identifying five legal forms and specific conditions under which they can be considered as social enterprises, according to the EU social enterprise operational definition, this section draws borders of the social enterprise universe in Croatia. It identifies several forms of social enterprises: associations (those pursuing social entrepreneurship and relevant general interest activities—social welfare, childcare and education, sustainable development, environmental protection, health protection—that are registered for economic activities); cooperatives (social cooperatives, veterans social-working cooperatives and other traditional cooperatives pursuing social aims); foundations (private foundations pursuing economic activities and relevant general interest activities); companies (those funded/owned by associations pursuing relevant general interest activities and other companies pursuing explicit social aims and operating as not-for-profits); and Institutions (private institutions funded/owned by associations pursuing relevant general interest activities). This section summarises the legal and policy evolution that has tackled social enterprise development and describes several key features of existing fiscal benefits and reductions.



2.1. Defining social enterprise borders

2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can be combined in different ways and it is their balanced combination that matters when identifying the boundaries of the social enterprise.

Building upon this definition, a set of operational criteria was identified by the Commission during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined for the purpose of the current phase of the study (see Appendix I for further details).

2.1.2. Application of the EU operational definition of social enterprise in Croatia

The official policy document in Croatia the Strategy for Social Entrepreneurship Development (Government of Croatia 2015) was adopted in 2015. It gives a definition of social entrepreneurship and prescribes nine criteria for identification of social enterprises. The official definition with list of criteria are very much in line with the EU operational definition of social enterprise, as the preparation Strategy is largely based on EU documents and policies, especially the Social Business Initiative, whose concept of social enterprises was reflected in the Strategy's approach. The Strategy defines social entrepreneurship as a "business based on the principles of social, environmental and economic sustainability, in which generated profit or surplus is entirely or largely reinvested for the benefit of the community." The definition is accompanied with nine

criteria, which need to be fulfilled in order for a physical person or legal entity to be identified and registered as a social enterprise. By those nine criteria, social enterprises should:

1. set balanced social, environmental and economic goals
2. produce goods and/or deliver services, or generate revenues in the market, with a favourable impact on the environment and society
3. generate at least 25% of their annual income from their entrepreneurial activities, based on a three-year operating or planning period
4. invest at least 75% of their profit/surplus in their activities and/or objectives
5. offer voluntary and open membership, and business autonomy
6. not be established solely by the Republic of Croatia, a local/regional self-government, or a public authority
7. apply rules of democratic governance, where decision-making includes relevant stakeholders in addition to share owners or members
8. monitor and evaluate their social, economic and environmental impact
9. transfer assets to another social enterprise, or a local and regional authority, in case of termination (asset lock)

The official definition given in the SE Strategy does not precisely state the legal forms of possible social enterprises, but rather implies that various forms which meet prescribed criteria may be considered as social enterprises.

There are a few legal forms in Croatian legislation that meet at least some of the EU operational definition criteria, and thus may be more or less suited as entities operating as a social enterprise:

- > **Associations** (those pursuing social entrepreneurship accompanied with other relevant general interest activities— mainly social welfare, childcare and education, sustainable development, environmental protection, health protection and others—and that are registered for economic activities)
- > **Cooperatives** (social cooperatives, veterans social-working cooperatives and other traditional cooperatives pursuing social aims)
- > **Foundations** (private foundations pursuing relevant general interest activities and pursuing economic activities)
- > **Companies** (those funded/owned by associations pursuing relevant general interest activities, and other companies pursuing explicit social aims and operating as not-for-profits)
- > **Institutions** (private institutions funded/owned by associations pursuing relevant general interest activities)

Thus, the universe of *de facto* social enterprises in Croatia includes: associations pursuing social entrepreneurship and relevant general interest activities and undertaking economic activities; cooperatives—in particular social cooperatives, veterans social-working cooperatives but also other cooperatives pursuing social aims; companies—those founded by associations pursuing relevant general interest activities and other companies pursuing explicit social aims and operating as not-for-profits; private foundations pursuing relevant general interest activities and pursuing economic activities; and Institutions founded by associations pursuing relevant general interest activities.

There are entities that legally use one of the above-mentioned forms, but have specific status and/or specific recognition by the public, and therefore should be mentioned separately. Those include sheltered and integrative workshops.

Each type of social enterprise will be described below with reference to three dimensions in the EU operational definition, i.e., entrepreneurial/economic dimension, social dimension, and inclusive governance-ownership dimension. Also, sheltered and integrative workshops will be described as a specific status obtained by some companies, cooperatives and Institutions which employ persons with disabilities. Sheltered and integrative workshops, some social cooperatives and some companies pursuing social aims have the characteristics of the typical WISE.

Table 1 gives an overview of the main characteristics of recognised forms of social enterprise in Croatia compared to the core criteria set by the EU operational definition in order to identify commonalities and differences between the national concepts and the EU concept.

Table 1. Recognised forms of social enterprise in Croatia against the core criteria set by the EU operational definition

Dimension	Criterion	Association	Cooperative	Foundation	Company (LLC, SLLC, SC)	Institution
Economic	Engagement in economic activity	Association is allowed to perform economic activities, but only for the purpose of reinvesting the profit into its mission	Yes	Yes The law allows foundation to increase its asset by economic exploitation of its assets and generating income	Yes	Yes The law allows Institution to perform economic activities but not for gaining a profit. In case the Institution is established for-profit, it is regulated by legislation that regulates companies
Social	Explicit and primary social aim	This applies to associations pursuing social entrepreneurship and relevant general interest activities (mainly welfare, childcare and education, sustainable development, environmental protection, health protection and others)	Not prescribed, except for social cooperatives and veterans social-working cooperatives	This applies to foundations pursuing relevant general interest activities, as the law prescribes that purpose of the foundation should be general interest, public benefit or charitable purpose	Not prescribed by the law. If company wants to pursue explicit social aims, and to operate in not-for-profit manner it should state it in the founding documents	Yes The law prescribes that purpose of Institution should be education, science, culture, social care, childcare, care for disabled persons, health, etc.
Governance	Limits on profit distribution	Yes Prescribed by the law	Partially for all/ Yes for social cooperatives The law prescribes that cooperative is obliged to invest 20% of the profit for development of the cooperative and 5% into reserves. The rest of the profit may be distributed to members according to Assembly decisions Social cooperatives, as being NPOs, are obliged to reinvest whole profit for cooperatives' mission	Yes The law prescribes that asset could be used exclusively for achieving the purpose of the foundation	No There is no legal obligation. The company may voluntary decide to limit profit distribution. These decisions must be incorporated in the founding documents of the company	Yes Law prescribes that profit should be reinvested in activities and development of the Institution

Dimension	Criterion	Association	Cooperative	Foundation	Company (LLC, SLLC, SC)	Institution
Governance	Asset lock	Yes Prescribed by the law	Yes	No (partly) The law prescribes that upon liquidation the asset may be transferred to the natural or legal person stated in the founding document/statute. If that is not possible, the asset will belong to other foundation with similar purpose	No Not prescribed by the law	No Not prescribed by the law
Governance	Organisational autonomy from the state and mainstream enterprises	Yes Prescribed by the law	Yes	Not to all Foundation can be private, established by the private natural or legal person	Yes	Not to all Institution can be private, established by the private natural or legal person
Governance	Inclusive governance - democratic decision-making and/or participatory governance	Yes Prescribed by the law There should be at least three founders Assembly is decision making body	Yes There should be at least seven founders Assembly is decision making body	No Not prescribed by the law	No Not prescribed by the law	No Not prescribed by the law

Association

Association is the most common type of NPO and it is regulated by the Act on Associations (OG 74/2014, 70/2017). The law defines association as “...any form of free and voluntary association of natural or legal persons who, in order to protect their interests or to promote the protection of human rights and freedoms, environmental protection and sustainable development, humanitarian, social, cultural, educational, scientific, sports, health care, technical, information, professional or other beliefs and goals that are not contrary to the Constitution and law, without the intention of making profit or other economically estimable benefit”.

There were more than 52,000 associations registered at the Register of Associations in 2018. However, not all of them comply with the EU operational definition. For example, 35% of the total number of associations are sport associations and sport clubs. The Register of Associations also includes professional associations, hobby clubs, and other associations that gather members around specific interests. A few years ago there were serious discussions and even an attempt to create a law that would regulate the status of public benefit organisations, but it was never introduced nor adopted. The latest legislation on associations introduced a very broad list of activities that might be considered as general interest activities. Practically, the list includes almost all existing fields where associations operate, and needs to be narrowed to include the most relevant activities that comply with common social enterprise fields of activity. Article 34 of the Act on Associations determines activities of general interests as: those “particularly carried by associations which promote human rights; protection and promotion of ethnic minorities; protection and promotion of rights of persons with disabilities, children with difficulties, elderly and vulnerable persons; equality and peace building, as well as fighting against violence and discrimination; promotion of Homeland war values; protection, care and education of children and youth and their active participation in community; prevention and fight against all types of addictions; development of democratic and political culture; protection and promotion of social minorities rights; promotion and development of volunteering; social services and humanitarian activities; promotion and development of social entrepreneurship; protection of consumers rights; environmental protection and protection of cultural goods; sustainable development; development of local community; international cooperation for development; protection of health; development and promotion of science, education, life-long learning, culture and arts, technical and information culture, sport, volunteer fire-fighting and rescue service; and other activities that by their nature, or by particular regulations regarding financing of public needs in specific fields could be considered general interest activities”.

An association is not meant to perform economic activities, but the law allows that possibility under certain conditions. The new legislation on associations was focused on greater transparency and regulation of economic activities carried out by associations,

and introduced an obligation for associations to state and register economic activities. That enabled the search for potential social enterprises among associations.

Associations are eligible to found a commercial company or cooperative as a trading arm in order to separate economic activities from the main activities of the association, and also to overcome limitations of the legislation on associations. In that case the relation between entity and a parental association is to be regulated by a contract that will define how profits of the trading arm will be used. The trading arm entity is regulated by relevant legislation for a particular legal form, most commonly as a company or as a cooperative.

Economic/entrepreneurial dimension: Pursuing economic activities does not inherently belong to the nature of associations and not all associations perform economic activities. In fact, among the total number of 52,241 registered associations⁵ 6,045 do pursue economic activities.⁶ In general, the purpose of an association is not to make profit or to distribute it to their members or third parties. However, the law allows that associations can pursue economic activities if it is stated in its statute and as long as the generated profit is reinvested exclusively to fulfil the goals defined by the statute of association. Economic operations of associations were prescribed and regulated within the Act on Associations and Act on Financial Activities and Accounting of NPOs (OG 121/2014). This legislation was particularly focused on regulating economic activities, as there were numerous inconsistencies and different interpretations. According to the legislation, associations need to state in their statutes their intentions to carry out economic activities and consequently become obliged to enter the Tax Register. The Profit Tax Act (OG 177/2004, 90/2005, 57/2006, 146/2008, 80/2010, 22/2012) prescribes that if the NPO engages in economic activity and if an exemption from the tax would confer upon the NPO an unjustified privileged position in the market, the NPO become obliged to pay a profit tax for particular economic activities. The surplus gained from other types of income (such as grants and donations) is not subject to profit tax. Also, if annual revenue exceeds 40,000 EUR, the association is obliged to pay Value Added Tax (VAT).

Social dimension: According to legislation, associations are based on open membership and engaged in some sort of general interest activities as defined in the law. By those means they comply with social aim criteria. Because general interest activities are very broadly defined and include many fields that are not common to social enterprises,

(5) Information accessed on June 6th 2018 from the Government Office for Cooperation with NGOs.

(6) The latest legislation on association introduced an obligation for associations which perform (or plan to perform) economic activities to state that in their statute, and also to be registered in associations' entry in the Register of Associations. Because of that, this number is available only recently. It should be noted that administrative procedures of this 'reform' is not finished yet, and not all associations' data has been entered in the Register, so the number is not final.

only the activities related to social entrepreneurship and accompanied with other relevant fields of general interest are included here—mainly social welfare, childcare and education, sustainable development, environmental protection, health protection and others.⁷

Governance-ownership dimension: The association meets various aspects of this dimension. Legislation prescribes that associations should be driven by the collective principle and it defines that it should be established by at least three founders—either natural or legal persons. Also, the law allows members to be engaged as workers in association. The law prescribes that activities of an association are based on the principle of democratic organisation. This means that each association is governed by its members in the manner of democratic representation and democratic expression of the will of its members. Finally, the association acts as a NPO, as Article 31, Act on Associations states: “if an association performs economic activities and gains a profit, it should be used exclusively for the association’s objectives stated in its statute, and not as a profit for its members or third parties”.

Cooperative

The Act on Cooperatives (OG 34/2011, 125/2013, 76/2014) defines the cooperative as a “...voluntary, open, autonomous and independent entity governed by its members, who uses their work and activities, or the cooperative’s services, based on togetherness and mutual assistance, to achieve, enhance and protect the individual and joint economic, social, educational, cultural and other needs and interests, for which the cooperative was established”.

However, cooperatives suffer from a history of misuse, neglect and distrust. After the transition to democracy cooperatives were recognised as actors in an economic system, but they were poorly regulated. Only recently, with the change of legislation and adoption of the new Act on Cooperatives in 2011, have regulations been created more in line with the European standards and cooperatives’ principles. This law also introduced the possibility for some types of cooperatives to be recognised as NPOs. As stated in Article 38 those are “the types of cooperatives, such as social, consumers, housing, local community cooperative or similar, that are established exclusively to meet their members’ needs, and not to gain profit.” Such cooperatives become eligible to register at the NPO Register. However, not all of social cooperatives are in the Register, the main reason being the lack of transparent regulations and procedures that allows public servants to arbitrarily decide whether an organisation’s economic activities are a threat to fair market competitiveness.

Social cooperative is a specific type of cooperative introduced by the Act on Cooperatives in 2011. It is mentioned and briefly described in Article 66, which states that a social

(7) The list of relevant fields of general interest is developed in consultation with EURICSE experts.

cooperative can be established for two purposes: (a) for providing assistance to socially vulnerable or disabled persons who are not capable, alone or within families, to meet their basic needs, due to unfortunate personal, economic, or social circumstances; and (b) for working and economic integration of persons with reduced work capacity and other excluded or disadvantaged persons, who lack resources for meeting basic needs, and who are unable to meet those needs by working, from property income, or other sources. Even though the introduction of social cooperatives introduced a new and suitable type for WISE, they are not regulated any differently than other cooperatives, meaning that they are subject to the same legislation, and the use of the term 'social' is subject to arbitrary use, not specific requirements, nor regulations. Thus, introducing a social cooperative remains more an act of symbolic value, not a real transformative measure.

In the Croatian cooperative sector, there is a particular type of cooperative—the veterans cooperative. The form was introduced in 2004 with a purpose to provide better work integration and re-socialisation of this social group, who are eligible to operate in all permitted fields of activity. In 2014 the Act on Rights of Croatian Veterans and their Family Members (OG 92/2014) introduced the social-working cooperative, adding this type to the sector of social enterprises. In 2017 this law was updated and Articles 154-159 prescribes that veterans social working cooperative may be established with a purpose of psychosocial strengthening and health rehabilitation, thereby making an easier work reintegration of their unemployed members and members with reduced work ability (OG 121/2017). Veterans cooperatives needs to fulfil some requirements in terms of number and structure of members - it requires that two thirds of cooperative members should have official veteran's status, the status of the war invalid or the status of the family member of the killed or missing veterans.⁸ The legislation, which is *lex specialis*, adds some extra conditions, but also benefits, to this type of cooperatives, such as the option that pensioned person (veteran) can operate as a manager, but only if the annual profit of the cooperative do not exceed 150,000 Croatian Kuna (HRK) or around 20,000 EUR. If some of those conditions were not fulfilled, the cooperative is not allowed for the social-working status. This type of cooperative is eligible to specific support measures defined within the Programme of vocational education and employment of Croatian veterans and children of dead, imprisoned and missing veterans. Because they were stimulated by state incentives, mainly grants tailored particularly for veterans cooperatives, over the years they became numerous, nowadays making almost a half of the total number of cooperatives.⁹ Some of those

(8) All referring to the Homeland War veterans.

(9) According to the Croatian Centre for Cooperative Entrepreneurship, there are around 400 registered veterans cooperatives that use the name veterans; however, it is estimated that the real number is around 500, because there are also veterans cooperatives not using this name, but fitting to other criteria that give them this status (i.e., the ratio of veteran members).

cooperatives are active and successful, but many of them were established thanks to tailored public schemes and grants and were allowed to operate even when they were not very efficient.

Economic/entrepreneurial dimension: The cooperatives have characteristics typical of enterprises in the Croatian system. Despite adhering to the seven cooperative principles, legislation treats them as regular companies, and their economic activities are subject to the Act on Companies (OG 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 152/2011, 111/2012, 144/2012, 68/2013) and additional tax legislation. Also, they are obliged to register in the Court Register.

Social dimension: Social cooperative is a type of cooperative that fully meets the social dimension. They are meant to fulfil one of the social purposes—either to offer social services to vulnerable groups or to ensure work integration of marginalised population. In the second case they operate as a typical WISE. This applies to veterans social-working cooperatives as well. There are other traditional cooperatives that might be established for pursuing social aims. According to data from the study of Šimleša *et al.* (2015), such cooperatives are involved in the fields of agriculture (community-based), media, engineering, architecture and urbanism, but their mission is oriented to addressing social aims. In addition, energy cooperatives and local community cooperatives may be recognised as cooperatives pursuing social aims. However, it is difficult to track their number.

Governance-ownership dimension: Cooperatives meet this criterion as they are entities driven by the collective force and governed by the membership principle. The law requires that at least seven founders may establish the cooperative. The assembly is the highest decision making body of the cooperative and is based on a participative and democratic system in which each member has one vote. This type of cooperative is obliged to invest 20% of their profit for development of the cooperative and 5% into reserves. The legislation on cooperatives treats some types of cooperatives, including social cooperatives, as NPOs, by explicitly stating that, in their case, profits need to be transferred to the next fiscal year and used for the operation of the cooperative, not distributed between members (Article 38, Act on Cooperatives).

Foundation

In Croatia foundations are regulated by the Act on Trusts and Foundations¹⁰ adopted in 1995 and amended in 2001 (OG 36/1965, 64/2001). There are two types of foundations in Croatian legislation—trusts (*zaklade*), referring to those that are not time limited, and foundations (*fundacije*), referring to those established for a short-term mission. For the

(10) There are different ways to translate this law, and we use the one used by the Government Office for Cooperation with NGOs.

purpose of this report we will use term foundation referring to both types, as there are no relevant differences in their regulations. A natural person or legal entity, including private and public entities, can establish a foundation. This legal form is treated as a part of the civil society sector and is registered in the NPO Register. As stated in the law, the purpose of foundations is to pursue charitable issues or some issues of general interest that “contribute to culture, education, science, religion, ethics, sport, health care, environmental protection or any other social related activity or purpose, or welfare of the society in general.” The foundation must have approval from the state.

Economic/entrepreneurial dimension: The foundation does not operate as a typical enterprise. However, the law allows a foundation to increase its assets by “economic exploitation of assets (such as leasing its property, interest, dividends, or income from copyrights, patents, or licences, as well as income from exploitation of agricultural, forest or other land)”. The foundation may generate income by “organising charitable events, lotteries production and sales of suitable products, such as publications, emblems, badges” (Article 16, Act on Trusts and Foundations). Even though the law does not explicitly state typical economic activities, it does not define borderlines in this matter. Foundations are included in the Act on Financial Activities and Accounting of NPOs and other documents ¹¹, which allows that foundations may carry out some economic activities, as other non-profits may. By inspecting the NPO Register, one may identify 23 foundations that gained income from economic activities in 2017.

Social dimension: The nature of the foundation is to pursue social aims. The Act defines foundation as an organisation that owns assets with a purpose to serve the achievement of a general interest or charitable mission. The general interest means advancement of cultural, educational, scientific, spiritual, ethical, sports, health, environment or any other social activity, or material condition of society as a whole. The charitable purpose means support for people in need. Therefore not all foundations may be considered as social enterprises but only those that pursue relevant general interest activities.

Governance-ownership dimension: The law does not prescribe models of governance. The founding documents commonly define matters regarding governance and asset share in case of dissolution. If founding documents do not prescribe some model of stakeholders’ inclusion, it is unlikely that this criterion will be met. The legislation on foundations does not explicitly state the non-profit status of this type, but states that “assets must be used exclusively for achieving the foundations’ purpose” (Article 16, Act on Trusts and Foundations). Foundations are non-profit entities and are subject to the Act on Financial Activities and Accounting of NPOs.

(11) Such as, for example, the “Instruction on Handling the Fiscal Status of NPOs” given by the Tax Administration. Available at: <http://www.mfin.hr/adminmax/docs/Porezni%20status%20neprofitnih%20pravnih%20osoba.pdf> (Last accessed on 2 September 2018).

Company

The company is one of the most common legal forms for business activities. Regarding social enterprises, they may appear as companies founded by associations, mainly by those associations that operate in the fields of general interest. In other cases, a company may be identified as a social enterprise if it pursues an explicit social aim and operates in a not-for-profit manner.

Social enterprises operating as companies are usually registered as limited-liability companies (LLC or *d.o.o.*), simple limited-liability companies (SLLC or *j.d.o.o.*), or, rarely, as share companies (SC or *d.d.*). Their operation is then regulated by the Act on Companies and the set of additional legislation regulating fiscal obligation and exemptions, or specific fields of industry.

In Croatia, companies are not meant to operate in the fields of general interest, such as welfare, childcare and education, health care, or culture—for that purpose one should run an Institution. However, companies can pursue explicit social aims, such as work integration of disabled persons or other vulnerable social groups, or they can produce services or products meant to improve the lives of vulnerable social groups or the local community as a whole.

Some of those companies, but not all of them, that are oriented to work integration in Croatia, operate as sheltered or integrative workshops for disabled persons (described in details at the end of the section 2.1). Companies can operate as typical WISEs, even without the status of sheltered or integrative workshop, such as the case of ACT Conto from Čakovec or Punkt from Pula (the later case is described in Appendix 3). WISEs can operate in various industries—in Croatia they are involved in the wood industry, textile industry, food processing and catering. Other companies pursuing explicit social aims that operate as not-for-profits are identified in the IT industry, namely hi-tech assistive technology for disabled people, in sustainable tourism of local communities, and the metal industry (Šimleša *et al.* 2015, Vidović and Baturina 2016).

Companies founded by associations that pursue relevant fields of general interest operate in various fields, mostly offering services, such as tourism, catering, graphic design, accounting, or consulting, but also providing products, such as food processing, cosmetic production, cultural production, or media.

Economic/entrepreneurial dimension: A company meets this criteria, as its main purpose is to continuously perform economic activities in order to generate profit by production, sales or providing services in the market.

Social dimension: This criterion is not necessarily met by a legal form as legislation does not define it. If a company wants to pursue a social aim, it must state it in the founding documents. If an association creates a company, then the association should

operate in the relevant fields of general interest. Also, their mutual relation must be defined by the statute or contract that regulates the reinvestment of the company's profit in the programmes of the associations or other social purpose stated in the statute of the associations.

Governance-ownership dimension: There is no legal obligation for a company to pursue any aspect of this dimension. However, it may voluntarily decide to introduce some limits on profit distribution, or to employ a participative model of governance. If the company decides to pursue it, it must be stated in the founding documents, particularly in the case of companies established by associations, in which case the founding documents must state the governance model and their mutual relations. In case of other companies pursuing explicit social aims, the founding documents must state the not-for-profit nature of the venture. However, it will not change its legal status or obligations prescribed for companies.

Institution (*ustanova*)

This legal form is regulated by the Act on Institutions (OG 76/1993, 29/1997, 47/1999, 35/2008). The law defines Institutions as entities for permanent activities in the fields of general interests, such as childcare and education, science, culture and information, sports, physical culture, technical culture, health system, social services, disabled persons' care and other activities, if they are not performed with the aim of making a profit. To be treated as entities engaged in issues of general interest, establishment of Institution in a specific field requires approval from the state. Apart from the main law, particular legislation is applied in specific fields, such as the Social Welfare Care Act (OG 157/2013) and the Health Care Act (OG 100/2018). Depending on the field of activity, relevant ministries and local authorities need to approve founding documents and give permission for the operation of an Institution. Institutions can be established by public entities or local and regional authorities, and there are a large number of public Institutions entities in different fields—schools, universities, social welfare centres, cultural institutions, etc.

An overall application of the law causes many confusions and contradictions. According to law, the main purpose of Institutions is to operate in the above-mentioned fields of general interest without the intention to gain profit (Article 1, Act on Institutions). Otherwise, if they operate to gain a profit they become subject to the fiscal obligations of companies. There is no register of Institutions and their main register is the Court Register, which functions as a business register. Furthermore, the law on Institution prescribes that legislation that regulates companies is applied to all matters regarding Institution that are not regulated by the Act on Institutions. In addition, the law treats differently Institutions founded by public authorities or bodies, Institutions of religious communities (that are regulated by specific laws), and Institutions founded by associations, on one side, from Institutions founded by private persons or entities when

they pursue economic activities, thus being subject to a profit tax, on the other side. The last ones are treated as conventional enterprises in all aspects, except the non-profit distribution constraint. The Act on Financial Activities and Accounting of NPOs excludes Institutions established by natural persons or other legal entities that are, according to tax regulations, taxpayers of profit tax. In other words, when the Tax Administration assesses that private Institutions are involved in fair market competition, they become taxpayers and are thus excluded from the NPO Register. In addition, the great majority of private Institutions run by natural persons, such as private clinics, colleges for adult education, or nursing homes for elderly, are founded and run to meet personal economic interests, even though they have to meet non-profit distribution constraints, and consequently can not be considered as social enterprises.

Social enterprise fitting criteria from the EU operational definition may be among those Institutions founded by associations that pursue relevant general interest activities. Commonly, they appear in the fields of adult education and social care, but also health care or culture might appear as suitable fields for social enterprise. However, misunderstanding over the meaning of non-profit results in some Institutions founded by associations being excluded from the NPO Register, because they were assessed as threatening fair market competition. This happened to MI Centre for home assistance from Split, because their financial data showed that their annual income from economic activities was around 98%, even though their main economic activity was social service for elderly citizens and their main client the city of Split. The case was described in detail in Appendix 3.

Economic/entrepreneurial dimension: The Institution meets this criterion, as the law states that delivering and/or selling products or services can be a means of gaining revenue for its operation (Article 57, Act on Institutions). Because the nature of Institution is not to gain a profit, in case the Institution is engaged in profit-making activities, it will be treated under legislation regulating conventional companies.

Social dimension: The Institution fully meets this criterion, as the legislation prescribes that purpose of Institution should be operating in the fields of childcare and education, science, culture, social care, care for disabled persons, health etc., which are seen as fields of general interest.

Governance-ownership dimension: The legislation requires that the founding document define the governing model, but in principle the Institution is led by the governing board and a manager. Institution is not based on membership nor is obliged to ensure democratic or inclusive governance of different stakeholders. In general, the law states that if, by running its activities, the Institution generates profit “it should be exclusively used for operation of the Institution or development of its activities, according to the founding act and the statute”, meaning in a non-profit manner (Article 57, Act on Institutions). However, the majority of private Institutions are actually for-

profit, as tax regulation categorises them that way. Apart from public Institutions, Institutions of religious communities, that are regulated by specific regulations, and privately owned Institutions founded by associations are registered in the NPO Register and treated as NPOs.

Sheltered and integrative workshops

Sheltered and integrative workshops have characteristics of WISEs. These are not legal forms *per se*, but statuses that may be given to companies, cooperatives or Institutions that fulfil certain criteria on employment of persons with disabilities (PWDs). The Act on Vocational Rehabilitation and Employment of PWDs (OG 157/2013, 152/2014) defines sheltered workshop and integrative workshop as a specific status given to Institutions, companies or cooperatives established by the public bodies, local authorities or private persons or entities, which employs a majority of persons with disabilities. Sheltered workshops must have at least five workers, and at least 51% of workers must be PWDs. Compared to the sheltered workshop, the integrative workshop is aimed for PWDs who need less support, or who are moderately disabled. The main condition for integrative workshops is to employ at least 40% of PWDs. The Act also proposes the possibility of establishing a work unit for employment of PWDs, not as a separate legal entity, but as a unit in an existing company.

As illustrated by Figure 1, the spectrum of social enterprise in Croatia includes several legal forms or specific forms.

Figure 1: Spectrum of de facto social enterprises in Croatia



2.2. Legal evolution in Croatia

In Croatia, there is neither a specific legal form designed specifically for social enterprise, nor a law that regulates the sector as a whole. However, a few strategic documents have recognised social entrepreneurship and social enterprise. In addition one may track some changes in legal framework that occurred during the last seven or eight years, that have led to existing legal forms applying more to social enterprises as defined by the EU operational definition.

Strategies

The Strategy for Creating an Enabling Environment for Civil Society Development for the period 2006-2011, and for the period 2012-2016 (GRC 2016, 2011) were the first strategic documents that mentioned social entrepreneurship as a model suitable for socio-economic development of civil society. This is related to the fact that the first social enterprises emerged in this sector and within associations. The latter Strategy proposed two types of support, one ensuring a system of financial support for initiatives of associations towards social entrepreneurship and social enterprise, and the other ensuring support for social innovation and employment in the non-profit sector. Also, the draft of the new Strategy for the period 2017-2020, which is not finished and has not been adopted yet, prescribes further support for social entrepreneurship development.

Great expectations were put on the SE Strategy that was adopted in 2015 after several years of preparation and consultations. The Strategy's main objective is to create a supportive environment for social enterprises in Croatia, thereby decreasing regional disparities, increasing employment and ensuring fairer distribution of social wealth. There are four areas of measures proposed by the SE Strategy: creating a supportive legislative and institutional framework; creating a supportive financial framework; promoting education on social entrepreneurship; and promoting public visibility of social enterprises. The Strategy was initiated by the social enterprise sector and articulated through the advocacy work of the SEFOR network and intermediary support cluster CEDRA, and thus very much reflected the needs of the social enterprise. However, with only one grant-distribution cycle and only few measures partly tackled so far, one may say it very much failed to achieve those goals.

Prior to the adoption of the SE Strategy, other documents shaped the institutional and policy environment that enabled greater recognition of the social enterprise and its role. The Government signed two memorandums (the JIM and the JAP) with the European Commission, which contents are relevant for social welfare reform as well as for social enterprise development. The documents outlined key challenges in tackling poverty, social exclusion, and unemployment for vulnerable groups, and the key challenges involved in reforming the labour market and employment policy. The documents also

identified key policy issues already undertaken and those that need further effort. The overall approach led towards greater attention to deinstitutionalisation, diversification and decentralisation of social welfare services, stakeholders and providers.

In addition, other strategic documents tackle social entrepreneurship and social enterprise, at least in some aspect. The Strategy for Combating Poverty and Social Exclusion in Croatia 2014-2020 (GRC 2014) promotes social entrepreneurship as a one of the top strategic goal and an important tool for work integration and socio-economic inclusion of vulnerable population. The National Strategy for Equalisation of Opportunities for Persons with Disabilities 2007-2015 and 2017-2020 (GRC 2007, 2017) promotes the rights of persons with disabilities and children with disabilities and aims to make all areas of life and activities open and accessible to people with disabilities, including work integration and employment. The 2020 Tourism Development Strategy (GRC 2013) promotes development of social tourism for vulnerable social groups. The National Roma Inclusion Strategy 2013-2020 (GRC 2012) focuses on decreasing discrimination and increasing social and economic integration and inclusion of Roma people, as one of the most marginalised social groups. The Strategy for Innovation Encouragement of Croatia 2014-2020 (GRC 2014) has the aim to increase the level of competitiveness of the Croatian economy and increase well-being of society. There is a perception that public policy support for entrepreneurship has intensified in recent years (OECD 2016b), particularly with adoption of the Entrepreneurship Development Strategy 2013-2020 (GRC 2013) that emphasise the promotion of entrepreneurship in society as one of the core objectives and promotes entrepreneurship of some underrepresented groups, and the Strategy of Women Entrepreneurship Development in Croatia 2014-2020 (GRC 2014) that promotes women as one of the largest underrepresented population and aims to develop support structures to increase ratio of women entrepreneurs. However, recent studies identified that some gaps in entrepreneurship support system still remain, mainly tailored schemes for unemployed, immigrants, older people and people with disabilities (OECD 2016a). Finally, the Strategy for Life-long Guidance and Career Development 2016-2020 (GRC 2015) should be mention, as it promotes support for education, self-employment and entrepreneurship of some vulnerable groups.

Legislation

In 2011 the new Act on Cooperatives introduced the social cooperative and a few other cooperative types. In that way, cooperative became more strongly connected to social enterprise sector. The Act also introduced cooperative values and principles as a fundamental request, thus making cooperatives more fit with European tradition and in line with the values and principles of the International Cooperative Alliance.¹² Later,

(12) The law states that the cooperative is based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. It emphasise seven principles that cooperative should fulfil: Voluntary

in 2014, the legislation for veterans rights in the Act on Rights of Croatian Veterans and their Family Members adopted in 2014 introduced the name 'social-working' to veterans cooperatives, by which they were also added to the sector of WISEs.

In 2014 the legislation regulating NPOs was accompanied with the Act on Financial Activities and Accounting of NPOs that aimed to regulate more clearly and transparently economic activities of NPOs. The adoption of this law marked greater acknowledgment of associations and other NPOs as entities that perform economic activities. This Act was accompanied with a few additional regulations referring to accounting, financial plans and reporting on accounting.¹³

There was also a move in legislation toward greater recognition of associations' role in general interest activities. In addition to the Act on Associations from 2014, which describes fields that can be considered as general interest fields, in 2015 the Government adopted the Directive on the criteria, standards and procedures of financing and contracting programmes and projects of general interest implemented by associations (OG 26/2015). The intention of this regulation was to introduce more transparent monitoring of public budget (local and national) financing of projects run by associations pursuing general interest.

Legislation that regulates employment of persons with disabilities, that has been in effect since 2015, introduced some options for business contracts for sheltered and integrative workshops, companies, associations or cooperatives which have more than a half PWDs among employed workers. The Regulation on setting quotas for employment of PWDs (OG 44/2014) obliges all employers who employ 20 workers or more to employ PWDs according to a prescribed quota system (3% of total number of workers). Employers who fail to meet the quota can use some of so-called 'substitute quota' to avoid penalties. One way is to enter a business contract with sheltered or integrative workshops or other WISEs. This measure may increase the access to the market for social enterprises. Some WISE social cooperatives recently began to use this measure. This is the case with *Humana Nova Čakovec*, a case described in Appendix 3, that has already signed 15 contracts with various conventional companies, and the number is growing.

The new Public Procurement Act (OG 120/2016) adopted in 2016 defined more specifically types of entities eligible for so called 'reserved contracts'. It prescribes that companies or public entities can reserve the contracts for sheltered workshops, business

and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among co-operatives, concern for community.

(13) This includes: Regulation on non-profit accounting and account plan (OG 1/2015), Regulation on reporting in non-profit accounting and on the NPO Register (OG 31/2015), and Regulation on the system of financing management and control and financial plan drafting and reporting of NPOs (OG 119/2015).

entities that pursue social and working integration of PWDs as a main mission, or for business entities that pursue social and working integration of vulnerable persons as a main mission. The same law enables contracting 'social and other special services' that may include social welfare, health care, education, culture, or other services of general interest.

Finally, the Social Welfare Care Act created foundations for greater deinstitutionalisation of users and increased possibilities for other non-state stakeholders as providers of social services in local communities.

2.3. Fiscal framework

The tax system in Croatia distinguishes NPOs (such as associations, foundations, some Institutions and some cooperatives) from conventional enterprises. When the particular organisation enters the market, it may be subject to fiscal obligations. The main principle that determines the fiscal status of a particular organisation is not its legal form, but its participation in market competition.

As they are not established to gain profit or to distribute a profit between members, NPOs commonly are not subject to business related taxes (such as tax on profit) or to tax benefits. However, once engaged in economic activities they might become subject to profit tax if a tax exemption would lead to an unjustified privileged position in the market. According to the Profit Tax Act, if an organisation does not register as a taxpayer by itself, the Tax Administration may make that decision. NPOs are only subject to profit tax on economic activities that produce a profit. Depending on the amount of annual income, the organisation is taxed at regular business rates of 18% or 12%, but the surplus gained from other types of income, such as grants and donations, are not subject to profit tax. However, the law does not specify what constitutes an 'unjustified privileged position', so the Tax Administration is in charge of assessment and interpretation in this matter.

Usually, NPOs are not subject to VAT. However, if they are engaged in economic activity, they become obliged to pay it as any other conventional company when their annual income gained from economic activities exceeds 300,000 HRK (around 40,000 EUR).

WISEs, such as sheltered and integrative workshops or some types of cooperatives and companies that employ PWDs, are eligible for several incentives. Employers may receive subsidies for wages when employing PWDs in the amount of 10-70% of the wage base, depending on the decision of the Institute for Vocational Rehabilitation and Employment of Persons with Disabilities or the Croatian Employment Service. Sheltered workshops are entitled to receive wage subvention of 75% of the wage

base. The Regulation on incentives for the employment of PWDs (OG 97/2013) defines subventions for adapting a workplace for PWDs, for additional professional education, assistance, etc.

Employers may use some of the reduced social security costs when employing: (a) persons younger than 30 (they are exempted from paying social security costs for five years); (b) persons who are employed for the first time (they are exempted from paying social security costs for one year); (c) unemployed or long-term unemployed persons (they are exempted from paying social security costs for two years); (d) persons in professional training.

Individuals and companies may receive a tax reduction when making a donation to NPOs. The law prescribes that a maximum of 2% of their annual income, when donated to NPOs, can be reported for reduction of taxes. This incentive is regulated by the Income Tax Act and Profit Tax Act.

The table 2 shows some of the main characteristics of fiscal framework, including reduced costs, tax exemption and tax reduction that certain types of social enterprises may benefit from.


Table 2. Key features of fiscal framework for social enterprises in Croatia

Reduced social security contributions / costs	Tax exemptions and lower rates	Tax reductions to private and / or institutional donors
<p>Employers can received subsidised wages for employing PWDs</p> <p>Employers can receive subsidised costs for adapting a workplace to PWD and other cost related to employment of PWDs</p> <p>Employers can use reduced social security costs when employing young persons, unemployed or long-term unemployed persons, persons who are employed for the first time and for professional training</p>	<p>All entities performing economic activities are exempted from the VAT if their annual revenue (i.e. income from economic activities) does not exceed 300,000 HRK (around 40,000 EUR)</p> <p>NPOs not carrying economic activities are not obliged to pay profit tax</p>	<p>Individuals and companies may receive a reduced tax base for donations to NPOs in the amount up to 2% of their annual income</p>

3

MAPPING

Understanding the role and contribution of social enterprises to social and economic development of Croatia is difficult, because there are no comprehensive data on their numbers, financial performance or employment. This section presents several made mapping attempts and their findings. The measurement of social enterprises conducted in this section tried to overcome limitations of previously applied methodologies, but also the limitations of existing databases, registers and statistics. This attempt tried to count social enterprises that meet the EU social enterprise operational definition. The mapping exercise relied on available data, mostly various administrative registers, so it mostly provided numbers of entities, while statistical data on employment or financial performance are rare. The section also describes main characteristics of social enterprises and the fields of industries in which they commonly operate.



3.1. Measuring social enterprises

In Croatia there is no *de jure* social enterprise, which results in no official database of social enterprises. The SE Strategy states that one of the first steps in its implementation will be establishment of some sort of evidence list of social enterprises, which will be used as a source for eligibility for public funds. However, the Ministry of Labour and Pension System (MLPS), a managing body for the implementation of the Strategy, has not established the evidence yet. Therefore, providing a measurable picture on the social enterprise universe in Croatia depends on fragmented data extracted from several administrative registers and databases and accompanied with the numbers from the previous mapping exercises.

Assessing the size of the entire social enterprise universe and its evolution over time is a rather difficult task to achieve. As there is no established official database or list it is difficult to present accurate and reliable numbers. Estimations can be made on the basis of administrative registers, databases, and research studies. The limiting factor is that registers usually do not cover indicators related to EU operational definitions and social enterprise dimensions. As a result some figures may be exaggerated while others seem underestimated.¹⁴

There have been only a few efforts to calculate the number and characteristics of social enterprises, in particular during last few years. The calculations made by those efforts differ, as there is no general agreement on what to include in the universe of social enterprise. The SE Strategy did not bring much clarity, as had been expected, and the application of the nine criteria for identification of social enterprise is too complex and lacking any mechanism of monitoring and control.

Existing studies that made an effort to measure the social enterprise sector have certain limitations, such as identifying only well-known enterprises that had been, for example, found in the media or had received grants, thus excluding those that were not well-known.

The first attempt to measure social enterprises¹⁵ was done by CEDRA HR in 2013. It was based on an internal database collected by CEDRA HR, which consisted of beneficiaries and participants of seminars, trainings or support programmes, as well as names gathered through media. The list counted 92 social enterprises (Turza 2014).

The next attempt was a survey conducted in 2013 by the association “Slap” from Osijek, published in the study “Social Entrepreneurship in Croatia: Survey and Analysis of the Results” (Turza 2014). They used a list of social enterprises produced by CEDRA HR as

(14) Those limitations will be described in following sections for each type of social enterprise.

(15) For list of all sources, please see the Data Availability Report (Appendix 2).

a starting sample. In addition, they included some traditional cooperatives with the assistance of people working in the Croatian Centre for Cooperative Entrepreneurship who listed 55 cooperatives that may have some features of social enterprises. In total they collected a list of 147 potential social enterprises, to whom they sent a survey questionnaire. The response rate was 38%, with 56 survey participants, all deemed to be social enterprises. Among them 41 were cooperatives, 8 companies and 7 associations.

In 2015 another mapping attempt was conducted by a team of researchers from the Institute of Social Sciences Ivo Pilar and published in the study “Mapping New Horizons – Report on the State of Social Entrepreneurship in Croatia 2015” (Šimleša *et al.* 2015). The methodology adopted for this exercise consisted of gathering various lists of grant receivers; databases of the association “*Slap*”¹⁶, CEDRA HR, Croatian Centre for Cooperative Entrepreneurship; and case studies identified through a literature review. Mapping was then followed by brief structured interviews with the key persons, which inquired about their core businesses, income and workers. A part of the data was then validated by comparing it to the records of Croatian Financial Agency (FINA) and the NPO Register. They collected data on several indicators: legal entity, year of founding, region (county), number of workers, annual revenue, and the percentage of income gained by economic activities. The study identified 95 social enterprises in 2014 and 90 in 2015. The data for 2014 showed that 49% were associations, 34% cooperatives, 14% companies, and 2% Institutions.

Finally, the ACT Group conducted a mapping exercise in 2017, with a purpose to analyse the support-readiness of active social enterprises. Methodologically, they relied on their own and other partner’s databases, list of beneficiaries of various programmes and online search. The study identified 105 social enterprises, among which were 44 cooperatives, 32 associations, 26 companies, two institutions and one family run firm (ACT Group, 2017). The study is not publicly available.

Apart from previous research studies, there are several sources that have been used to identify numbers of various types of entities fitting the EU operational definition for social enterprise. The NPO Register, established in 2009 and run by the Ministry of Finance, is a central point, which gathers entries and annual financial data on NPOs as defined in Article 2 of the Act on Financial Activities and Accounting of NPOs. Those organisations include “domestic and foreign associations and their alliances, trusts and foundations, Institutions, artistic organisations, chambers, trade unions, employers associations and all other legal entities whose fundamental purpose is not gaining a profit, and for whom the special regulations show that they are of a not-for-profit character.” In addition, some regulations of this Act include political parties and religious communities, but on the other hand exclude Institutions founded by natural persons or

(16) Full name is Association for Creative Development “*Slap*”.

legal entities “that are, according to tax regulations, obliged to pay income tax for their activities” (Article 2, paragraph 5, Act on Financial Activities and Accounting of NPOs).

This Register is a ‘second order’ register with a purpose to enable transparency and control over funding of NPOs, particularly the funding from the public budget, as well as monitoring income gained from economic activities.

The law obliges NPOs to publicly disclose their financial reports through the NPO Register. Thus, the Register consists of financial data, including income, sources of income, assets, obligations, workers and volunteers. According to the Ministry of Finance, there were 36,899 active entities registered in the Register in 2018.¹⁷ Among them, 34,125 associations, 222 Institutions, 194 foundations and 20 cooperatives. However, despite the fact that law requires NPOs to submit annual financial reports, not all of them did that. Therefore, annual financial analysis is available for around 14,000-15,000 organisations that submitted financial reports.

Register enables identification of those NPOs that generated income from economic activities; however the indicator of legal type of the entity is missing.

The Croatian Centre for Cooperative Entrepreneurship provided some data numbers on social cooperatives. The Government Office for Cooperation with NGOs may access the Register of Associations to reach the number of associations that are registered for economic activities and that pursue relevant general interest activities. The Ministry of Justice has access to the Court Register entries and may determine the number of companies founded by associations and Institutions founded by associations. The Institute for Vocational Rehabilitation and Employment of PWDs provides some numbers on sheltered and integrative workshops. In the NPO Register one may identify foundations with economic activities. Individual checking of their founding documents may give information on whether the founder was a private person or entity, and whether they pursue relevant general interest activities. There are no comprehensive ways to know the number of traditional cooperatives pursuing social aims, nor the number of other companies pursuing explicit social aims and operating as not-for-profits. Therefore the numbers of those entities come mainly from previous research studies, and may include some social enterprises that have received recent recognition.

Data reachable from various sources, as well as limitations are described in the Data Availability Report (Appendix 2).

(17) Data accessed on July 13 2018.

3.1.1. Associations

The Ministry of Public Administration runs the Register of Associations that consists of some descriptive data on these entities, including their intention to be engaged in economic activities. The fundamental fields of non-economic activities are classified according to the national classification system. However, economic activities are just declared in the statute, in a free form. The accounting system for NPOs determines that economic activities are those that refer to income gained from market sale of products or services. Furthermore, the Register enables identifying fundamental (non-economic) activities of associations. Based on these two indicators: *declared and registered economic activity* and the *fundamental activity of the association that is in the relevant general interest*, one may map social enterprises within this legal form, which fits the EU operational definition. However, the Register does not include financial data, so it is not visible how many of these associations actually have continued economic activities, what their annual revenues gained from economic activities are, and what the ratio of economic revenues in total income is.

The Register of Association showed that there are 51,295 active registered associations.¹⁸ Among them, there are 6,045 associations that have declared and registered economic activities, according to what they stated in their statutes. As they are allowed to register for as many fundamental activities that are listed in the national classification framework, narrowing this number to those that fit the EU operational definition criteria is quite difficult and might not add to clarification. By assuming that those associations that listed social entrepreneurship as one of their fundamental activity are more likely to operate as social enterprises, we can count 311 of such entities. Their other fundamental activities also comply with a relevant general interest, which has been already discussed in section 2.1.2.¹⁹ Because the accessed data do not include information on their real economic performance and particularly the ratio of income gained by economic activities, this number may be exaggerated. Therefore, the number provided by this indicator should be used cautiously.

In addition to this number, other associations identified as social enterprises in previous mapping attempts should be added (Šimleša *et al.* 2015, ACT Group 2017) that are not included in this selection (meaning they did not put social entrepreneurship as one of fundamental activities).²⁰ By adding 16 associations (from Šimleša *et al.* 2015) and

(18) Data accessed on 12 February 2019, Ministry of Public Administration.

(19) Aside from social entrepreneurship, relevant general interest activities that are likely to refer to social enterprises include: social welfare, upbringing and education, sustainable development, environmental protection, and health protection.

(20) The process of harmonising new statutes with the Register entries is still not finished, so this should not be taken as a final number.

19 associations (from ACT Group 2017), the total number of associations that may operate as social enterprises is 346.

We may also notice that there are 639 associations that listed social entrepreneurship as one of their fundamental activities.²¹ As shown in the previous paragraph, around one half of them actually registered economic activities. It may be assumed that most of the others were established for advocacy and promotion of social entrepreneurship without intending to become social enterprise themselves. This indicates the expected 'hype' around social enterprise and social entrepreneurship after the SE Strategy was adopted.

3.1.2. Cooperatives

The Croatian Centre for Cooperative Entrepreneurship runs the Records of Cooperatives and Cooperative Associations²², which may identify social cooperatives. The Ministry of Croatian Veterans runs the database on veterans cooperatives, including veterans social-working cooperatives.

The Records of Cooperatives consists of basic data on cooperatives including some financial data. However, not all cooperatives regularly report statistical data on their performance. As a result, some data are missing in individual cooperatives' entries, thus cumulative data on social cooperatives should be taken as illustrative, not fully reliable. Also, the most recent financial data are those for the year 2016.

Social cooperatives

The Records may only identify those social cooperatives that had voluntarily ticked 'social' as an additional feature. Having that in mind, it may be assumed that there may be more social cooperatives in the universe of cooperatives sector, particularly those engaged in the work of integration of vulnerable groups.

According to the latest data there are 1,179 cooperatives in Croatia. Of those, there are 25 social cooperatives and this number does not count veterans social-working cooperatives.

According to latest data, social cooperatives have 1,690 members and 32 workers. Almost one third of social cooperatives are located in the City of Zagreb and Zagreb County. This is followed by six social cooperatives located in Southern regions (Split-Dalmatia, Šibenik-Knin and Dubrovnik counties), three located in Eastern region or Osijek-Baranja County, two located in the Northern part or Međimurje County and the

(21) Data accessed on 12 February 2019, Ministry of Public Administration.

(22) As regulated by the Regulation on records of cooperatives and cooperative alliances (OG 95/2014).

rest coming from Istria and Central parts of Croatia. Total annual revenue of social cooperatives was around 1.3 million EUR in 2016. Because of the two isolated social cooperatives with significant losses, cumulative number on total profit looks worse than reality, by showing a loss of around 450,000 EUR in 2016.

Veterans social-working cooperatives

The Ministry of Croatian Veterans is in charge for running an evidence list of veterans social-working cooperatives, which is regulated by the Regulation on conducting records on veterans social-working cooperatives, their managers and federations (OG 21/2018). However, the law does not prescribe registration in this evidence list it as an obligation, but as a voluntary decision for cooperatives. According to the latest data,²³ there are 35 veterans social-working cooperatives that comply with the requirements prescribed by the law.

Other cooperatives pursuing social aims

Besides social cooperatives, we may assume that there are more cooperatives to add to the universe of social enterprises. There are surely a number of cooperatives that pursue social aims that might not necessarily perceive themselves as social enterprises, but that comply with the EU operational definition. However, they cannot be easily identified in existing databases, which makes it difficult to provide any numbers and statistics. A useful indicator for these cooperatives may be a non-profit status; however, the process of assigning a non-profit status depends on individual assessment by the Tax Administration, not standardised procedure. Some social cooperatives were not included in the NPO Register; therefore, those data should be interpreted carefully. At the moment, there are only 20 cooperatives in the NPO Register.²⁴

According to the mapping exercise from the study in 2014 (Turza 2014), and based on assessments of the Croatian Centre for Cooperative Entrepreneurship, there might have been 55 such cooperatives. The study from 2015 (Šimleša *et al.* 2015, data accessed from database) identified 16 cooperatives, other than social cooperatives. In addition, energy cooperatives may be considered as cooperatives pursuing social aims. The Centre for Monitoring Business Activities in the Energy Sector and Investments, a national body for the energy efficiency²⁵ keeps the record on their number. According to the latest data, there are eight energy cooperatives. Some of the cooperatives pursuing social aims may be identified in the lists of grant receivers provided by the City of Zagreb²⁶ that provided grants in 2015 and 2016 for social enterprises either

(23) Data provided by the Ministry of Croatian Veterans on February 2019.

(24) Data accessed on 13 July 2018.

(25) Available at <https://www.enu.hr/>; data accessed on 25 September 2018.

(26) Available at: <https://www.zagreb.hr/arhiva-javni-natjecaj-za-dodjelu-potpورا-za-razvoj/105274>; data accessed on 25 September 2018.

being founded as cooperatives or companies run by associations. According to those lists, one may identify four cooperatives other than social cooperatives. In addition to some cooperatives already listed in the above mentioned sourced, the mapping exercise conducted by ACT Group identified five more cooperatives pursuing social aims (ACT Group 2017). To sum up, according to the latest available sources, there are 33 traditional cooperatives that are already recognised as social enterprises. This is not an exclusive list, as we may assume that there are more of such cooperatives, and they may include some island cooperatives and other cooperatives that operate as local community cooperatives.

3.1.3. Foundations

The Ministry of Public Administration is in charge of the Register of Foundations, which is official register of foundations in Croatia. The Register consists of basic data—name of foundation, date of registration, address, county, purpose, and person in charge for representing the foundation. According to the Register there were 266 foundations by the middle of 2018.²⁷ Among 194 foundations registered in the NPO Register it is possible to identify 23 foundations that had revenues from economic activities in 2017. Among them, there are five private foundations that pursue relevant general interest activities that may be identified as social enterprises.

3.1.4. Companies

Companies founded by associations pursuing relevant general interest activities

The Court Register is a Croatian business register run by the Ministry of Justice. The Register operates as an administrative database that collects information on founders, but it does not collect information on legal form in cases where the founder is a legal entity. However, upon our request, and in collaboration with Tax Administration, by filtering tax identification numbers, the Ministry of Justice managed to identify companies founded and owned by associations in the period from 2008 to 2018. This list provided basic data on address and county, date of registration and registration number, but not other data, such as employment and financial data.

According to this data there were 200 companies established during the last 10 years by 213 associations. The great majority of established entities are either LLC (117) or SLLC (83), the most common forms for SMEs based on limited liability. When we exclude those organisations founded by professional associations and chambers; sport and recreation clubs; folklore and art festivals associations; auto-clubs, firefighter and security associations, and keep only organisations that may be considered as social

(27) Data accessed on 24 June 2018.

enterprises, namely those whose parenting associations pursue relevant general interest activities, there are 50 such companies.

Other companies pursuing social aims and operating as not-for-profits

There are other companies, not established by associations, that may be identified as social enterprises as they fit the EU operational definition. Those are companies that pursue social aims and operate in a not-for-profit manner. However, those are not visible in statistics, and thus it is hard to map their number and characteristics. Such companies are either already publicly acknowledged or identified in previous research studies (Šimleša *et al.* 2015, Vidović and Baturina 2016, ACT Group 2017). There are ten of these entities currently recognised and acknowledged.

3.1.5. Institutions

There is no unique register of Institutions, as the law defines that institutions are subject to registration in the Court Register, jointly with different kinds of business entities. Institutions are very difficult to track as there is no unique database of these entities. There are no data on their number, nor it is known how many of them are private, i.e., founded or owned by a private natural or legal person. There are fragmented data on some types of private Institutions, collected by few governmental agencies. For example, according to the data collected by the Ministry of Demography, Family, Youth and Social Policy there are 200 private social welfare Institutions, primarily nursing homes for children, elderly or disabled persons. They were either founded by the private physical persons (128) or by the private legal entities (72). The data collected by the Agency for Vocational Education and Training and Adult Education shows that there are 602 private educational Institutions, mainly in the field of adult education. However, not all of those entities could be recognised as social enterprises, as we already discussed in the section 2.1.2, as they are founded and run to meet personal economic interests, even though they have to comply with conditions posed by the law.

Institutions founded by associations pursuing relevant general interest activities

Those Institutions that may qualify as social enterprises are private Institutions founded by associations that pursue general interest activities. In the same way as companies founded by associations, the Ministry of Justice, which manages the Court Register, listed the Institutions established by associations from the year 2008 to the year 2018.

The data showed that there are 27 such Institutions founded in the last ten years and still active. However, not all of them fit the criteria of the operational definition. When we eliminate Institutions founded by associations that operate as sport or recreation clubs, hobby or professional associations, there are 15 Institutions that are founded by associations pursuing relevant general interests activities. Most of them operate in the

field of adult education (11), and others are involved in pre-school education, health protection and social welfare care.

3.1.6. Sheltered and integrative workshops

The Institute for Vocational Rehabilitation and Employment of PWDs runs a list of sheltered and integrative workshops. Data on number of workers and ratio of workers to persons with disabilities is available on request, but other data are not regularly collected by this agency. According to the latest data, there are seven sheltered workshops (and no integrative workshops²⁸), which employ 858 workers in total, among whom 485 are PWD workers. Two of them are registered as companies and are owned by private subjects. Those established by public entities, mainly by local authorities, operate as separate entities and regularly have contracts with those authorities. Thus, those can also be identified as WISEs according to the EU operational definition.

Table 3 shows reachable numbers of each type of *de facto* social enterprises in Croatia.

Table 3. Universe of social enterprises in Croatia

Type of organisation	2018
Associations pursuing social entrepreneurship and relevant general interest activities (social welfare, childcare and education, sustainable development, environmental protection, health protection and others) that registered for economic activities	346
Social cooperatives	25
Veterans social-working cooperatives	35
Cooperatives pursuing social aims	33
Foundations privately owned, pursuing relevant general interest activities and pursuing economic activities	5
Companies founded by associations pursuing relevant general interest activities	50
Other companies pursuing explicit social aims and operating as not-for-profits	10
Institutions founded by associations pursuing relevant general interest activities	15
Sheltered workshops	7
TOTAL	526

(28) At the moment two integrative workshops are submitting registration.

3.2. Social enterprise characteristics

Complete data on specific characteristics of various types of social enterprises are not available and thus the picture is not comprehensive. However, available data and findings from previous studies may provide some information.

The study conducted in 2015 (Šimleša *et al.* 2015) that identified 95 social enterprises in 2013 and 90 in 2014, offered some data on the characteristics of employment in social enterprises. In 2013 social enterprises employed 784 workers and the number increased in 2014, for a total of 795 workers. The data for the latter year showed that one fifth of mapped social enterprises employed more than 10 workers (Šimleša *et al.* 2015).

There are no complete and comprehensive data covering all fields of activities in which Croatian social enterprises are involved. According to previous findings and current mapping, there are some indications that social enterprises operate in various industries and fields. A survey conducted by the association “Slap” showed that the prevailing industry is agriculture, followed by social welfare services, production of traditional products and souvenirs, tourism, food processing and catering, waste management and wood processing (Turza 2014).

Data on social cooperatives indicates there is a variety of fields where they operate with a view to integrate their beneficiaries into the workplace. Agriculture is the largest field (30), then social welfare care (12), varieties of construction work (9), trade (7) food industry (7), wood processing (5), consulting and IT (4), sport and recreation (3), tourism (2) catering (2), and other fields, such as textile industry, waste management, cosmetic industry, taxi and leasing. Traditional cooperatives pursuing general interest occupied various fields—some traditional, such as agriculture, tourism, and food processing, and some non-traditional fields, such as engineering, urbanism, media, consulting and energy. Renewable energy is one of the relatively new industries where social enterprises emerge, particularly those operating as cooperatives.

It is difficult to track all the industries that are worked in by companies established by associations pursuing relevant general interest activities; they differ a lot—from cultural and media industries, to consulting, cosmetics, textile, tourism, accounting, graphic design, etc. On the other hand, most of the Institutions founded by associations pursuing general interest activities operate in the field of adult education and social welfare.

Sheltered and integrative workshops and other WISEs operate in various industries from textile and wood industry, to food processing, catering, or accounting.

A study from 2015 (Šimleša *et al.* 2015) showed that revenues of mapped social enterprises were 24.6 million EUR in 2013 and 23.3 million in 2014. Annual income of


almost half of social enterprises was in the range between 13,000 and 130,000 EUR, while five social enterprises earned income of more than 653,000 EUR each. The same report showed that 16% of social enterprises had annual income less than 13,000 euro, which is a quite modest amount (Ibid). The ratio of income gained from economic activities was 53.7% (or 13.2 million EUR) of total revenues in 2013, and 57.5% (or 13.4 million EUR) of total income in 2014. The economic activities are particularly challenging for associations, as only 16% of associations managed to gain at least 25% of their total income by operating in the market (Ibid), which is one of the criteria prescribed by the SE Strategy.

Some studies tried to identify types of social enterprises operating in Croatia. Vidović and Baturina (2016) recognised three types of social enterprises that differ by overall motivation or purpose driving the foundation and running of the organisation. The authors identified social enterprises driven by employment of vulnerable groups, by income generation mainly to ensure provision of their free services for beneficiaries, and by innovative solutions to unaddressed social needs. Another study by Vuković, Kedmenec and Detelj (2017) identified three types of social entrepreneurs: those coming from associations and identified with the civil society sector; those acting as professional managers; and those acting as entrepreneurs—trying to balance social and business goals.

4

ECOSYSTEM

The ecosystem of social enterprises in Croatia is in ambivalent phase. On the one hand, actors involved in different aspects of the ecosystem are expanding. On the other hand, the role of institutional and policy actors was less than expected after the Strategy for Social Entrepreneurship was adopted. This section provides an overview of the key actors that are related to various aspects of the ecosystem and types of social enterprises in Croatia. It also highlights key policy schemes and support measures, and analyses of the public procurement framework and its implementation for social enterprises. The section gives an overview of the most relevant networks, support and intermediary organisations and other support mechanisms. It also summarises actors and programmes involved in research, education and skills development in the field of social enterprise and social entrepreneurship. Finally, it includes an overview of supply and demand for finances and highlights the actual need for financing and barriers in access to finance for social enterprises.



4.1. Key actors

There are a number of actors from various sectors that are relevant for creating an ecosystem for social enterprises. The key actors in the government sector operate at the national level, where policy frameworks have been created and implemented. Sporadically, some local authorities create some small-scale grant schemes to support local social enterprises, but those are rare and rather *ad hoc* than systematic schemes.

At the national level, the MLPS was responsible for creating the normative and institutional framework for the development of social enterprises; i.e., it was the government agency responsible for writing and implementing the SE Strategy. In the scope of EU funds management, the MLPS, the Ministry of Demography, Family, Youth and Social Policy and the Ministry of Economy, Entrepreneurship and Crafts are European Structural and Investment Funds (ESIF) Intermediate Bodies level 1 for the investment priority “Promoting social entrepreneurship, work integration in social enterprises” of the Operational programme Competitiveness and Cohesion. The National Foundation for Civil Society Development and the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) are ESIF Intermediary Bodies of level 2 for the same programme.²⁹ The other ministries, offices and centres listed in Table 4 are related to specific aspects or legal forms that operate as social enterprises in Croatia, or they took part in the preparation of the SE Strategy and thus contributed to policy making and creation of the ecosystem. The Croatian Centre for Cooperative Entrepreneurship is the government agency in charge of the cooperative sector but soon it will become a department within the Ministry of Economy, Entrepreneurship and Crafts.

There are several research and education institutions that are active in the field of social enterprise. The Institute of Social Sciences Ivo Pilar conducted a first comprehensive research study on social entrepreneurship funded by the National Foundation for Science. The first college course on social entrepreneurship and social innovation was established at the private University VERN'. The Social Work Study Centre at the Faculty of Law University of Zagreb and the Faculty of Education and Rehabilitation Sciences University of Zagreb have recently offered courses on social economy and social entrepreneurship for the undergraduate students. Also, several other educational and research institutions as well as other actors have conducted research or created educational programmes or materials dedicated to social economy, social entrepreneurship and social enterprise. They will be described in section 4.5 The role of networks and support actors will be described in section 4.4 and existing financial institutions, intermediaries and their instruments will be described in section 4.6. Table 4 lists main actors for the Croatian ecosystem including policy makers, actors involved

(29) According to Directive on bodies in the management and control systems over the ESF, ERDF and the Cohesion Fund, concerning the objective ‘Investment for growth and jobs’ (OG 107/2014, 15/2017).

in research and education, networks and support structures, and financial institutions and intermediaries.

Table 4. Main actors for the Croatian ecosystem

Actor category	Name
Policy makers	<ul style="list-style-type: none"> > Ministry of Labour and Pension System > Ministry of Demography, Family, Youth and Social Policy > Ministry of Economy, Entrepreneurship and Crafts > National Foundation for Civil Society Development > Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) > Croatian Employment Service > Government Office for Cooperation with NGOs > Croatian Centre for Cooperative Entrepreneurship > Ministry of Croatian Veterans > Ministry of Regional Development and EU Funds > Local authorities - sporadically
Research and education	<ul style="list-style-type: none"> > Institute of Social Sciences Ivo Pilar > Social Work Study Centre at the Faculty of Law University of Zagreb > Faculty of Education and Rehabilitation Sciences University of Zagreb > VERN' University > Faculty of Political Science University of Zagreb > Faculty of Economics University of Osijek > Juraj Dobrila University of Pula > Faculty of Tourism and Hospitality Management University of Rijeka > Faculty of Agriculture University of Zagreb
Networks and support structures	<ul style="list-style-type: none"> > Croatian Network of Social Entrepreneurs (HMDP) > ACT Group > CEDRA HR (CEDRA Split, association "Slap"...) > Impact Hub Zagreb
Financial institutions and intermediaries	<ul style="list-style-type: none"> > <i>Erste Stiftung</i> (Erste Bank) > <i>Zagrebačka Bank</i> (UniCredit Foundation) > Cooperative for Ethical Financing

4.2. Policy schemes and support measures for social enterprises

There is no doubt that financial resources coming from the EU play a significant role in funding social enterprise development in Croatia. A large sum of financial resources has become available since the pre-accession period. However, there is a firm perception among stakeholders that many EU funded social entrepreneurship initiatives end after a funding period, thus leaving a doubt of whether and how EU funds actually contribute to creating a sustainable supporting environment.

During the pre-accession period Croatia was involved in various programmes, such as CARDS, ISPA, PHARE, and SAPARD, to which around 514 million EUR were allocated. Instrument for Pre-accession Assistance (IPA) was one of the most important instruments in this period, to which 997.6 million EUR were allocated between 2007-2013. After becoming an official member in 2013, Croatia became eligible for other European Structural and Investment Funds (ESIF). In the period 2014-2020 Croatia is managing four operational programmes with the allocation of around 10.7 billion EUR. Operational programmes are: (a) Competitiveness and Cohesion, which will allocate around 6.9 billion EUR from the European Regional Development Fund (ERDF) and the Cohesion Fund; (b) Effective Human Resources, which will allocate around 1.6 billion EUR from the ESF; (c) Rural Development, which will allocate 2 billion EUR from the ERDF and (d) Maritime and Fisheries, which will allocate 0.25 billion EUR from the European Maritime and Fisheries Fund (EMFF). The central coordinating body for managing these programmes is the Ministry of Regional Development and EU Funds.

After the IPA Programme, which enabled funding for social enterprise in the framework of IV Component – Human Resources Development, mostly for projects related to employment and social inclusion, new funds open even greater possibilities for social enterprises. Within ESF, activities will be supported through Investment Priority 9v of the Operational programme “Promoting social entrepreneurship, work integration and social enterprises” with envisaged allocation of 32 million EUR. Besides ESF and ERDF, two main lines for supporting social enterprises and other EU programmes, such as Employment and Social Innovation (EaSI), also became available. EaSI's Axis III is mainly focused on micro-finance and social entrepreneurship.

4.2.1. Support measures addressed to all enterprises that fulfil specific criteria (and may benefit social enterprises)

- > Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) offers guarantees for SMEs. This is a financial instrument that issues guarantee for loans approved by credit institutions to SMEs. Guarantees can be given both to

beginner entrepreneurs and to mature enterprises. HAMAG-BICRO is in charge of implementation of ESIF micro and small loans, including investment loans and loans for operative costs. Programmes are meant for start-ups, crafts, micro and small enterprises. These measures do not explicitly include social enterprises, but they can be potential beneficiaries. Until recently, none of social enterprises used these instruments, but in the middle of 2018 social cooperative *Humana Nova Čakovec* received a small loan. The case is described in detail in Appendix 3.

- > Croatian Bank for Reconstruction and Development (HBOR) offers InnovFin, a programme that supports innovative enterprises with loans and guarantees. The measures do not explicitly include social enterprises, but they can be potential beneficiaries.
- > Several years ago the Ministry of Economy, Entrepreneurship and Crafts launched “Entrepreneurial Impulse” as a support programme for SMEs and crafts. The Ministry offers various grant schemes for SMEs to support and increase innovation, quality, competitiveness etc. “Entrepreneurial Impulse” provides grants to various social groups, commonly less presented in SMEs, such as women entrepreneurs, youth, and persons with disabilities. Occasionally there are grant schemes offered for cooperatives. The programme used to offer a grant scheme specifically for social entrepreneurship in 2011 and 2012, but since 2013 this scheme has not been active.
- > As a part of active employment policy frameworks Croatian Employment Service offers various supports for employers to employ different vulnerable and underrepresented social groups. They offer small grants for starting a business company and self-employment, or provide trainings and education. Social entrepreneurs can use these measures.
- > The Institute for Vocational Rehabilitation and Employment of PWDs provides incentives for employers related to the employment of PWDs. These incentives include subsidies for workers' salaries, grants for reimbursement of additional costs associated to the employment, and grants for education and training of workers with disabilities.
- > Some local and regional authorities founded intermediary support organisations, such as development agencies, centres for entrepreneurship, business incubators, and technology parks, that occasionally provide financial support to start ups and small enterprises in the form of small grants (especially in larger cities such as Zagreb, Split, Rijeka and Osijek).
- > Some local and regional authorities (especially in larger cities) occasionally offer grants to support SMEs and various underrepresented social groups.

4.2.2. Support measures addressed to social economy/non-profit organisations (whether or not they are social enterprises)

- > Legislation stipulates that programmes and projects of general interest activities implemented by associations can be funded from the state budget, budgets of the local self-government units, EU funds and other public sources (Act on Associations). There has been a quite comprehensive system of governmental support to civil society organisations for the last decade and a half in Croatia organised through the work of the Government Office for Cooperation with NGOs and the National Foundation for Civil Society Development. The legislation on supporting NPOs is accompanied with the Act on Games of Chance (OG 87/2009, 35/2013, 158/2013, 41/2014, 143/2014) and Directive on the criteria, standards and procedures of financing and contracting programmes and projects of general interest implemented by associations (OG 26/2015) that regulate financing of associations and NPOs by public funds. There are annual plans of both national government agencies and of local authorities describing detailed programmes of funding for associations and/or non-profits by public and EU funds. The grant schemes occasionally offer funding for the social entrepreneurship activities of associations.

4.2.3. Support measures specifically addressed to social enterprises

- > The SE Strategy foresees measures addressed to social enterprises and it has a total implementation budget of around 37 million EUR (of which 32 million will come from the ESF). It foresees measures in four main areas: it aims (1) to establish and improve the legislative and institutional framework for the development of social entrepreneurship; (2) to establish a financial framework for social entrepreneurship; (3) to promote the importance of and the role of social entrepreneurship through formal and informal forms of education; (4) to ensure the visibility of the role and possibilities of social entrepreneurship in Croatia and provide information to the general public. The Strategy defines 31 specific activities to tackle these four main areas. By the end of 2018, seven of those activities had been implemented.³⁰ Referring to the implementation of the SE Strategy, the MLPS issued a call for grants, entitled “Fostering social entrepreneurship”, in the framework of which grant support was provided to 18 social enterprises, for a total amount of around 1.4 million EUR. The MLPS also assigned direct financial support (about 286,000 EUR) to the Ministry of Croatian Veterans for a project entitled “Promotion of the social entrepreneurship of Croatian veterans, civil society organisations and

(30) The SE Strategy is linked to ESF Operational Programme “Efficient Human Resources 2014-2020” and Specific Objective 9.v., “Promoting social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment”.

veterans cooperatives”. According to the MLPS, these two financial allocations allowed to implement activities mainly (1) in comprehensive financial support for the development of social enterprises sector through EU funds and programmes with a public budget financial support; (2) to inform media and the public about possibilities for and the importance of social entrepreneurship development; (3) to foster adult education and training for social entrepreneurship; and (4) to foster individual and joint market launch and new product development. Other activities include the establishment of the unit for social entrepreneurship and support for promotional activities of social enterprises. Further steps in the implementation of the Strategy have been announced focusing on the development of financial instruments for social enterprises, particularly several loan lines for tackling unemployment and for social enterprises.³¹ The implementation of these loan lines is expected for 2019.

- > The SE Strategy also plans the establishment of a Guarantee Fund for social enterprises that should be run by the HAMAG-BICRO. It was prescribed that the Fund would enable easier access to capital for social enterprises, and also it would reduce risk for investors. However, the Fund is not yet established.
- > The SE Strategy envisages HBOR's role in establishing a framework for financing of social enterprises through the implementation of incentives and credit lines for social enterprises. However, it has not yet been established and currently HBOR does not offer any specific line for social enterprises.
- > Contracts with employers who were obliged to employ PWDs, but instead are using replacement quotas. According to the law³² all employers who employ 20 workers or more are obliged to employ PWDs in the amount of 3% of the total number of workers of the employer, irrespective of the activity by the employer. Employers who fail to meet this quota have to pay the penalty or conclude their business contract with sheltered workshops, or companies, cooperatives or associations in which more than half of workers are PWDs. WISEs may use this scheme: for instance, the social cooperative *Humana Nova Čakovec* has already made 15 contracts with various conventional companies. The case is described in Appendix 3.
- > The Strategy for Combating Poverty and Social Exclusion 2014-2020 (GRC 2014) managed by the Ministry of Demography, Family, Youth and Social Policy prescribes measures for fostering entrepreneurship, supporting self-employment and

(31) Those steps are based on the Ex-ante Assessment Report “Financial instruments - Employment and social entrepreneurship”, which in turn results from a study that was conducted within the framework of the Operational Programme “Efficient Human Resources 2014-2020” and presented in 2018.

(32) According to Act on Vocational Rehabilitation and Employment of PWDs accompanied with the Regulation on setting quotas for employment of PWDs and Regulation on incentives for employment of PWDs, which explain the quota system in details.

development of social entrepreneurship including employment of disadvantaged persons, and supporting social cooperatives. Some measures relevant to social enterprises were implemented through already mentioned grants for vulnerable social groups provided by the Ministry of Economy, Entrepreneurship and Crafts through “Entrepreneurial Impulse”. In addition, 7313 grants support were given in 2015 and 2016 for self-employment of vulnerable unemployed persons who decided to start a business. However, some relevant measures were not implemented, such as funding support organisations for mentoring and supporting social enterprises (Ministry of Demography, Family, Youth and Social Policy 2018).

- > Since 2004 the Ministry of Croatian Veterans regularly provide grant support to veterans cooperative, but not specifically for social-working cooperatives.

4.3. Public procurement framework

Public procurement is often seen as a key determinant of the future development of social enterprises, but it has not been much used in Croatia, and is still an underused instrument for supporting social enterprises.

The new Public Procurement Act came into force in 2017. This legislation adopted social clauses prescribed in the EC Directive on Public Procurement.³³ Article 51 regulates ‘reserved contracts’ for companies and organisations wishing to give a priority to particular types of entities, namely work integration social enterprises (WISEs). With the latest changes in legislation on public procurement, the right to participate in reserved contracts was expanded to other WISE organisations, not only for sheltered workshops. As stated in this article, reserved contracts are possible with: sheltered workshops, business entities whose main mission is social and work integration of PWDs, business entities whose main mission is social and work integration of disadvantaged persons, and protected programmes of work integration. There are possibilities for WISEs to use more of this instrument. However, apart from sheltered workshops, which have regular contracts, particularly with local government and other entities, it is not very common that WISEs are included in public procurements reserved contracts. Recently, in 2018, social cooperative *Humana Nova Čakovec* won a reserved contract with the City of Zagreb, thus hopefully indicating that this market is becoming more accessible to other social enterprises. The case of *Humana Nova Čakovec* is described in Appendix 3.

Apart from these ‘reserved contracts’, the law prescribes specific regulations for contracting ‘social and other special services’ (Article 323 to 331, Public Procurement

(33) European Commission Directive 2014/24/EU on public procurement was published on 28/03/2014 in the Official Journal of the European Union. The legislation entered into force on 17 April 2014.

Act). These services include social welfare, health care, education, culture, and other services of general interest. The law allows the possibility for making a 'reserved contract' in the fields of health, social and cultural services, which are reserved for NPOs performing economic activities. The law states that such organisations need to fulfil a few criteria: to operate in the relevant field of activities; to reinvest profit for meeting organisations' mission; to have a governance-ownership model based on participate governance and/or workers ownership (Article 326, Public Procurement Act).

The legislation around including social enterprises into public procurement is declaratively enabling, but in practice social enterprises rarely participate. Until the end of 2018, only few social enterprises had participated in public procurement contracts. A possible reason for that may be the difficulties and unclear procedures of how to apply other criteria (such as social and sustainable value) over the price. Other than that, stakeholders emphasised lack of information and education of contractors (clients) on the possibilities of reserved contracts and social-cause contracts; unsupportive behaviour of The State Commission for Supervision of Public Procurement Procedures, the monitoring body; lack of comprehensive procedures for applying social-cause criteria; and perception that public procurement procedures are highly corrupted. A rare known example of local government that included NPOs in public procurement for providing specific social serviced was the City of Split (see OECD 2016a). They have provided contracts to a few NPOs, and one of them is MI Centre for home assistance Split, which provides daily meals and other home care services for vulnerable senior citizens in their home. The case is described in the Appendix 3.

4.4. Networks and mutual support mechanisms

Networks connecting social enterprises in Croatia are still rare, and have been experiencing ups and downs during the last period.

- > The nascent stage of social enterprise development in Croatia was facilitated with a multi-stakeholder platform Social Entrepreneurship Forum (SEFOR). It was established in 2009 as a part of the project run by the association Slap and funded with the EU IPA funds. A few pioneering social entrepreneurship support organisations in Croatia (such as association "Slap," ACT Group, association *Zdravi grad*) run this platform and in 2011 they started the Cluster for Eco-Social Innovation and Development (CEDRA HR). Both SEFOR and CEDRA HR operated in cooperation, and besides providing 'soft' support to social entrepreneurs, in forms of training, consultancy, and access to information, they played a key role in initiating and preparing the field for the SE Strategy. During the last few years, activities of SEFOR have slightly declined. CEDRA HR has been also facing

transformation—in the beginning it operated through several regional centres in Osijek, Split, Rijeka, Čakovec and Dubrovnik, but some of those centres were more sustainable than others. While some members faded away, others, such as CEDRA Split that operates in Dalmatia and other parts in southern Croatia, and the association "*Slap*" that operates in Slavonija and eastern Croatia, have become the most active intermediary organisations in their regions.

- > The Croatian Network of Social Enterprises (*Hrvatska mreža društvenih poduzetnika - HMDP*) is a new, yet informal, network that tries to fill the existing gap in social enterprise networking. The network has currently gathered around 20 social enterprises.
- > The 'Good economy platform' emerged during last few years as a network more broadly oriented to a social and solidarity economy, but also their work includes social enterprises. At the moment, the Platform consists of 14 member associations. Even though they do not provide financial or other types of support, at least not systematically, the Platform contributes to networking and to visibility and recognition of social enterprises.
- > Other networks deal with social enterprises only indirectly. The Croatian Leader Network is one of them, and its prime focus is promotion of rural development. Also, several cooperative alliances operate across the Croatia and gather regional cooperatives or cooperatives that operate in particular industries.

There are several organisations and initiatives that provide various types of support mechanisms for social enterprises. These intermediary organisations that are listed below are striking in providing continuous support for social enterprises. They have developed several programmes and support models.

- > ACT Group from Čakovec launched several programmes for supporting social enterprises during last few years. In 2018 they offered: (a) ACT Group Incubator, that support social enterprise initiatives from first steps to growing and scaling phases; (b) ACT Group Social Enterprises Accelerator Programme, that is mainly oriented to support existing social enterprises in further development and scaling (the programme is provided in collaboration with the European Fund for Southeast Europe Development Facility (EFSE DF), the Fund for Technical Assistance, and Erste Bank with the Erste Stiftung Foundation); (c) "Start something of your own" (*Pokreni nešto svoje*) support programme for beginner social entrepreneurs; (d) "Social Impact Award Croatia", award programme for beginners that will be relaunched in 2019; (e) "Investment Readiness Programme", an intensive mentorship and support programme for early stage social and impact enterprises, consisting of pre-investment readiness program, pitching at the Impact 2019 conference and post-investment readiness programme; (f) "Business Skills Academy", a training programme for managers in social enterprises and -NPOs led by corporations

professionals; (g) “SEEDPlus - Erasmus for Young (Social) Entrepreneurs”. In addition, in collaboration with various partners ACT Group is preparing new funds for social enterprises (see more in the section 4.6).

- > From 2011 Impact Hub Zagreb is providing ‘soft’ support for social and impact entrepreneurs and enterprises. Their support includes consulting, networking and training, but also sporadic participation in various ad hoc programmes focused on development of entrepreneurial and business skills. The programmes they offer include: (a) *Aurora.hr* aimed to provide information and support for women starting or developing business; (b) “Beyond (un)employment” and “Beyond (un)employment incubator” are programmes that aim to tackle unemployment in a local context through social and impact entrepreneurship; (c) “Social Challenges Platform” focuses on facilitating the interaction between social innovators and social and impact enterprises to become sustainable and marketable; (d) *Zalet*, a new programme that offers a tailor made expert support for micro social and impact enterprises. They also offer various other programmes for supporting a climate-conscious economy, migrant entrepreneurship, and for young social and impact entrepreneurs.

4.5. Research, education and skills development

4.5.1. Training and education

In Croatia, education and training on social enterprise are in an early stage, but new programmes and initiatives have been emerging lately at different levels.

Only a few universities, both private and public, now offer courses on social enterprise and related topics, but several universities include this content at least in some lectures in related courses. It is worth mentioning that the first course emerged at private (business) schools:

- > Since 2012 VERN’ University from Zagreb offers the full course ‘Social entrepreneurship and social innovation’, and since 2014 the course is also offered in English (for ERASMUS students). In addition to the course’s content, a handbook was published and is used by students. From 2017 VERN’ University also participates in and provides training for managers of incubator for social innovation “Social Innovation Labs- SinnoLab” as a part of ERASMUS+ project.
- > In 2017/2018 Social Work Study Centre at the Faculty of Law University of Zagreb started a course “Social Economy and Social Entrepreneurship” in the Bachelor degree programme.

- > In 2017/2018 Faculty of Education and Rehabilitation Sciences University of Zagreb offered an elective course “Selected topics in social pedagogy: Social entrepreneurship”.
- > Other than full courses, social economy and social entrepreneurship have been integrated in various university courses and the Faculty of Economics University of Osijek was a pioneering institution in teaching about social enterprises. The number has grown during the last few years, and at the moment these topics have been integrated in the courses at the Faculty of Economics University of Zagreb, Faculty of Economics and Tourism University of Pula, and Zagreb School of Economics and Management, Faculty of Agriculture University of Zagreb, Faculty of Tourism and Hospitality Management University of Rijeka and others.
- > Some public open universities have offered educational programmes for managing social enterprises during last few years.
- > At the levels of primary and secondary education, it is worth mentioning student cooperatives as a way of learning about entrepreneurship, cooperatives and cooperation through practical work. There is long tradition of student cooperatives in Croatia kept until present and there were 577 of them in 2018.

Finally, it is important to mention that social entrepreneurship was included in the draft of the Comprehensive educational reform. Social entrepreneurship was part of the intersection of entrepreneurship and sustainable development. The start of the reform was announced for the year 2019/2020.

In addition to institutionalised educational programmes, many informal trainings and education programmes are being created across the country. Several public open universities, development agencies, schools and other organisations are developing educational programmes, trainings, courses or manuals on social entrepreneurship and social enterprises, mainly funded through various EU programmes. However, many programmes fade out after the funding period. Some of educational programmes developed lately include:

- > ACT Group from Čakovec established the College for Social Economy as an Institution for adult and lifelong education.
- > CEDRA Split started an educational programme “Direction: Social Entrepreneur” funded with ESF funds.
- > Association “Slap” participates in the project “FairShare Labs”, funded by ERASMUS+ funds, which aims to develop various tools for learning on social entrepreneurship and social enterprises.
- > In 2014, the Brodoto, a social enterprise for social marketing and event management, and Green Energy Cooperative established a Crowdfunding Academy as an informal training for social enterprises on how to undertake crowdfunding campaigns. The

Brodoto also launched a Crowd-Fund-Port, a funded project within the Interreg Central Europe, which aims to build capacities of various stakeholders to use crowdfunding as an innovative tool for social financing. The project does not speak to social enterprises explicitly, but uses a broader approach and communicates to SMEs with focus on 'creating good'. Apart from crowdfunding based on donation, the Crowdfunding Academy introduces crowdlending and crowdinvesting.

- > During last few years several associations have run various kind of projects related to trainings for social entrepreneurs. Some of them are: Alfa Albona from Labin; OAZA from Zagreb; Impact Hub Zagreb, association "Slap" from Osijek, Smart and Delta from Rijeka, Pokretač from Korenica and others. The ERASMUS+ is a funding scheme that has been used very frequently lately by several social enterprises and some educational institutions, in particularly for those collaborative projects that result in creation of educational programmes, tools and manuals (such as ACT Group, Alfa Albona, association "Slap", VERN' University and others).

4.5.2. Research institutions and observatories

From 2014 to 2017 researchers from the Institute of Social Sciences Ivo Pilar from Zagreb ran the research project iPRESENT Installation Project for Research about Social Entrepreneurship. The project was funded by the Croatian Foundation for Science and was one of the first scientific research projects on this topic funded with state budget resources. The study's findings were published in two reports and several articles. The Institute of Social Sciences Ivo Pilar, Zagreb is also included in the internationally run project INNO-WISE funded by the Central Europe 2014-2020 Interregional Program EU ERDF. The part of the project that will be conducted from 2017 to 2020 refers to research activities focused on WISEs.

Since 2014 a group of researchers from the Social Work Study Centre at the Faculty of Law University of Zagreb has participated in the internationally run research project Third Sector Impact (TSI). The project was funded from the European Union's Seventh Framework Programme (FP7) and it will last until 2019. The findings were published in a book, a comparative report and several working papers and articles and are available online.³⁴

With two researchers from Social Work Study Centre at the Faculty of Law University of Zagreb and the Faculty of Political Science University of Zagreb, Croatia is included in the International Comparative Social Enterprise Model project (ICSEM), a comparative research project, that started in 2013 and funded with Interuniversity Attraction Pole programme of the Belgian Science Policy office.

(34) Available at: <https://thirdsectorimpact.eu/> (Last accessed on 29 November 2018).

Three researchers from Croatia (Social Work Study Centre at the Faculty of Law University of Zagreb, Faculty of Political Science University of Zagreb and Institute of Social Sciences Ivo Pilar, Zagreb) were involved in COST Action CA16206 “Empowering the next generation of social enterprise scholars” that was launched in 2017 with a focus to strengthen research capacities but also to foster evidence-based and supportive policy for social enterprises and their ecosystem.

Recently, in 2017 NESsT organisation published a report Social Enterprise Ecosystem in Croatia and Western Balkans: A Mapping study of Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia (Varga 2017), funded by the EBRD Technical Cooperation Fund.

Academic researchers interested in topics around social economy, social entrepreneurship and social enterprises are employed at the Faculty of Political Science University of Zagreb, Faculty of Economics University of Osijek, Faculty of Economics University of Zagreb, Institute of Economics Zagreb, The Zagreb School of Economics and Management, VERN’ University, Faculty of Economics and Tourism Juraj Dobrila University of Pula, CEPOR (SMEs and Entrepreneurship Policy Centre) and Faculty of Economics and Tourism University of Pula and others. One may notice that, during the last few years, Croatian researchers coming from various disciplines have showed growing interest in the topics around social enterprise and social entrepreneurship.

4.5.3. Consultancy and skills development

- > ACT Group is currently one of the leading actors in providing consultancy for social enterprises. They rose from starting the first social enterprise ACT Printlab in 2007 to creating a consortium of dozens of social enterprises in 2013. In between they initiated CEDRA HR and Croatian Network of Social Enterprises (HMDP) and built strong interconnections with regional and European social enterprises, networks and supporters. In cooperation with the corporate sector, they developed and launched programme “Start something of your own” (*Pokreni nešto svoje*) in 2016. This is a one-year-cycle support programme for beginner social entrepreneurs, micro social enterprises and enterprises with social impact. The programme includes both ‘soft’ support through consultancy and mentoring and grant funding (provided by ACT Group and financially supported by the partners from corporate sector).
- > Impact HUB Zagreb continuously provides support for their members, that are both social enterprises and enterprises with social impact. Their support is focused mainly on building business skills, but also on creating networks and collaborations between members and users.
- > CEDRA HR is still recognised as a place which gathers dozens of trained consultants who provide consulting services for social entrepreneurs through its network and

centres across Croatia. CEDRA Split is particularly active in developing various kinds of support for social enterprises. Recently, in 2018 CEDRA Split published a “Social Enterprises’ Products Brochure” that listed some of most recognised social enterprises’ products. The purpose of the brochure is to inform and connect the business sector with social enterprises and to increase business partnerships.

- > Association “*Slap*” from Osijek regularly organises workshops and consulting through their ‘Training Centre’. The programme targets not only social enterprises and civil society organisations, but also the business sector and local authorities.
- > Until 2017 the NESsT was one of the key actors in the support sector for social enterprises. For around a decade NESsT provided the social enterprise sector with their particular model of trainings, skills development and consultancy, and some of the first social enterprises in Croatia received grants through NESsT’s portfolio. However, NESsT has recently withdrawn from being directly involved in the Croatian context and closed its Croatian office.

4.5.4. Incubators

Three incubators have emerged during last few years. They were either created particularly for social enterprises or for all SMEs and start-ups:

- > ACT Group provides both incubator and accelerator programmes for social enterprises. ACT Group Incubator supports social entrepreneurs from the idea generation to growth and scaling phase. Social Enterprises Accelerator Programme provides assistance to already existing and stable social enterprises for the scaling up of their business. The Accelerator offers various types of assistance—education, mentoring, access to networks and access to finance.
- > In 2014 and 2016 Impact Hub Zagreb offered programme Impact Incubator for social entrepreneurs, that combined coworking space, mentoring and expert support available for ten selected projects. For two years in a row, starting from 2013 Impact Hub Zagreb also offered one-day warm-up workshops as a peek in an accelerator programme Investment ready programme, run by the Impact Hub Vienna.
- > Sweden foundation Reach for Change has operated in Croatia since 2014 in partnership with Tele2, telecommunication operator. The Foundation is focused on giving a support to social entrepreneurs for projects improving lives of children. They provide initial financial support for social entrepreneurs and incubator programmes that consist of mentoring, networking and consultancy.

4.5.5. Prizes and awards

- > In 2014 and 2015 Impact Hub Zagreb in cooperation with Social Impact Award Europe and Erste Foundation in Croatia launched the award scheme Social Impact Award, which was meant for students who applied with ideas related to social entrepreneurship. The programme consisted of education and mentoring, three months membership in Impact Hub Zagreb, and a financial prize. The programme was discontinued but and it will be launched again in 2019 by the ACT Group.

4.6. Financing

4.6.1. Demand for finance

Many stakeholders still perceive that a lack of finance is one of the key barriers for the development of social enterprises in Croatia. Social enterprises in Croatia need financing for both operational costs and also for supporting investments, depending on the stage of their development. Access to financing is modest for beginners and early stage social enterprises, as well as for those in a scaling up stage.

A majority of initiatives have relied on some sort of initial funding when establishing a social enterprise either for equipment or to cover operational costs. Beginner social enterprises prefer the 'free' funding, in form of grants that do not include risks, interest rates or returns on investments. It may be explained by the fact that many social enterprises emerge from associations whose workers often lack business and financial knowledge that would make them comfortable to use more risky financial instruments. In some cases, as the case of Punkt illustrated (see Appendix 3), when in need for initial capital, social entrepreneurs are more keen to take personal loans.

For a last decade, a great part of support for social enterprises has been coming from public sources and mostly in the form of grants, which influenced a grant-dependency mentality among social enterprises. For many social enterprises, running a business is still a challenge and they struggle to reach a breakeven and make the business stable and sustainable. Some stakeholders perceive that for most social enterprises commitment to financial instruments, such as loans or equity investments, is still not an option, and when they find themselves in the need of more capital for operational costs or for overcoming a financial gap or debt, they are more focused on finding a new grant. It is not rare that social enterprises take loans from commercial banks just to overcome liquidity issues, but very rarely for supporting an investment.

On the other side, some recent reports state that there are more mature social enterprises that want to scale up have needs for investment capital (Varga 2017). During last few

years, it became obvious that some of older social enterprises were slowly entering a second stage of development and that they need a capital, not for operational costs, but for supporting investment. However, their financial needs are often small-scale and often do not match the large-scale funding available from the existing investors. Also, some perceived that Croatian social enterprises have limited investment-readiness, so there is a need for non-financial support of specialised support organisations (ACT Group 2018).

There is also a demand for financial support of supportive organisations and networks. Some pioneering social enterprises in Croatia were also the ones that initiated the first social enterprise networks but also policy frameworks and creation of the SE Strategy. A number of social enterprises are still involved in raising awareness and promoting social enterprise and social entrepreneurship. They also provide various types of non-financial support to other social enterprises, organisations and individuals. However, they have difficulties in financing those activities. Because the market is underdeveloped, it is hard to generate income from providing support services. Therefore, this support is usually provided on a voluntary basis, which makes it vulnerable and hardly sustainable on the long run.

4.6.2. Supply of finance

During the last decade the majority of finance for social enterprises has come from the public budget or donors, which has been accompanied with the EU structural and investment funds, in particular the European Social Fund. Grants are the most common type of financial instruments currently coming from these sources. Also, social enterprises most commonly use grants for short-term projects or operational costs. However, these sources are not guaranteed, nor they provide a stable and continuous financial framework. This was particularly visible with the poor implementation of the SE Strategy.

Although there are some other instruments available at the moment that could be suitable for some social enterprises, such as micro loans provided through the Cooperative for Ethical Financing or Erste Social Banking, social investors and other financial intermediaries are currently almost non-existent in Croatia. One may notice that some initiatives are in a nascent stage and are about to emerge, and, at least partly, fill the existing gap.

Some argue that a greater dependence on public funds and unsophisticated financial instruments, such as grants and donations, results in a low level of interest from financiers and investors in developing tailor-made instruments for social enterprises (ACT Group, 2018). This may be a valid argument, bearing in mind that the majority of social enterprises, especially in the early stages, lack leaders with business and financial skills, and thus have difficulties presenting themselves as attractive investment

opportunities. In addition, traditional actors in the financial sector are mostly led by investment interest, not recognizing the additional values that social enterprises generate.

Actors in the financial sector that will be described below include those that target social enterprises explicitly and also those with much broader target groups (such as impact (social) enterprises).

Grants

- > EU funds have been the primary source for facilitating social enterprise development in Croatia during the last decade (see section 4.2). The implementation of the SE Strategy relies on the ESF as its main financial source with 37 million EUR to be allocated until 2020, of which 32 million EUR is from ESF, and the rest from the public budget. Until present, 18 social enterprises or social entrepreneurship projects received grants from the MLPS as a part of the SE Strategy implementation. This makes around 1.4 million EUR or 3.8% of the total amount aim for allocation through the SE Strategy.
- > Sporadically and in an *ad hoc* manner, some local governments provide grants for non-profit actors to develop social enterprises. For example, in 2015 and 2016 the City of Zagreb gave grants for 'social entrepreneurship development'. In total 17 projects, either run by social cooperatives or companies founded by associations, were funded with around 658,000 EUR. The City of Zagreb announced the new call for 2018, indicating that this may become a continuous scheme.
- > As a part of the programme "Entrepreneurial Impulse", the Ministry of Economy, Entrepreneurship and Crafts provides various support grant schemes for SMEs and crafts projects. There are specific grant schemes for cooperatives, but not for social enterprises. This programme that was run for a few years, was stopped in 2016 and was not restarted until the end of 2018.
- > The Ministry of Demography, Family, Youth and Social Policy regularly provides grants for social welfare institutions and associations that operate in the social welfare field.
- > The Ministry of Croatian Veterans since 2004 regularly provides grants for veterans cooperatives, including (but not specifically for) social-working cooperatives. In the period 2004-2018, the Ministry gave grants to 494 veterans cooperatives.
- > The Institute for Vocational Rehabilitation and Employment of Persons with Disabilities provides grants for reimbursement of additional costs associated with the employment, and grants for education and training of workers with disabilities.
- > National Foundation for Civil Society Development occasionally provides grants for developing activities of associations related to social entrepreneurship. However, this is an *ad hoc* rather than regular practice.

Traditional banks

- > There are not many initiatives in the sector of social finance. In 2016, Erste Bank Croatia launched a new micro-finance programme that supports unemployed persons who intend to become entrepreneurs. The programme is part of “Step-by-step” Social Banking programme for Southern and Eastern European countries and aims to encourage self-employment and entrepreneurial development of parts of the population without banking affiliations. In 2017 the “Step-by-step” programme started a second line of programme—one focused on development and partnership with NPOs and social enterprises. During the first year, five social enterprises received 235,000 EUR in total. A new loan line that was announced in June 2018, involves European Investment Fund (EIF) which signed an agreement with Erste Group to finance social enterprises in several countries (Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Serbia) with 50 million EUR. The deal was signed under the framework of EaSI and it was predicted that around 500 social enterprises would benefit from loans at reduced interest rates and with lower collateral requirements during the next five years.
- > *Zagrebačka Bank* and UniCredit Foundation are sporadically active in supporting social enterprises. In cooperation with NESsT they financially supported incubation of several social enterprises. Also, they provided grants for the Social Impact Award programme run by Impact HUB Zagreb. Totally they awarded six beginner social entrepreneurs with 18,000 EUR in 2014–2015 and 28,757 EUR in 2016. UniCredit launched the Social Impact Banking programme in December 2017, to support individuals, micro-enterprises and social initiatives. The programme focuses on microcredits for social groups without access to bank services, impact financing for social enterprises, and financial education and inclusion. The Social Impact Banking programme, which is initially available in Italy, is expected to be soon developed and implemented in Croatia by *Zagrebačka Bank*, a member of UniCredit Group.
- > Finally, social enterprises are eligible to apply for commercial loans at any traditional bank with high interest rates of around 7 to 10%, collateral, and other bank requirements, as they are treated the same way as commercial companies. Many small and beginner social enterprises in Croatia perceive those conditions as significant barriers. In some cases, such as *Punkt*, entrepreneurs decide to take a loan as a natural person, rather than taking it as a legal entity, as the latter is seen as accompanied with more risks and requirements. The case of *Punkt* is described in Appendix 3.

Financial intermediaries with a social orientation

- > The Cooperative for Ethical Financing was established in 2014 with the purpose to initiate establishment of the first ethical bank in Croatia. They have also set their activities around creating a sustainable economic development for communities

and serving social enterprises and other subjects with limited access to the financial market. The Cooperative has managed to fulfil some requirements set by the central bank of Croatia in order to be granted a license for a new Ethical bank; however, the first attempt was not successful. While preparing applications for the next try, they are operating quite successfully as a socially oriented financial organisation. With around 1200 members (both individuals and legal entities) the Cooperative is one of the largest cooperatives in Croatia today. It provides various support to social enterprises and other social actors. Recently, in 2018, the Cooperative launched the call for micro-loans for social enterprises. In partnership with “Social and Economic Investment Company - TISE” from Poland, the programme obtained around 200,000 EUR for launching a business or for pre-financing of social enterprises that are members of the Cooperative for Ethical Financing. They intent to give loans in the amount 5,000 to 25,000 EUR at an interest rate of 4.5%, which is quite lower than offered by traditional banks.

Public social investment

- > The HAMAG-BICRO is a governmental agency focused on providing support and finance for small and medium-size entrepreneurial ventures, mainly through two financial instruments: loans and guarantees for SMEs taking out a bank loan. They provide micro and small loans for both operational costs and investment. with lower interest rates and guarantee. They also offer several grant and voucher-grant schemes for SMEs, for innovative projects, regional cooperation etc., based on finances from the European Fund for Regional Development, International Bank for Reconstruction and Development, and other funds. They do not recognise social enterprise as a specific category, though those social enterprises that operate as companies are eligible to apply under the same conditions as other SMEs.
- > The HBOR is a governmental bank for development and export, which also supports the development of SMEs. They offer various financial instruments, such as loans, guarantees, export insurance, leasing for SMEs and others, and cover various types of target groups—women, start-ups, youth entrepreneurs, tourism, environmental protection, etc. Similar to HAMAG-BICRO, HBOR finance schemes, they do not recognise social enterprise as a specific category, but when they operate as a company, they are eligible to apply.
- > Ex-ante assessment report “Financial instruments - Employment and social entrepreneurship” that was conducted within a framework of the Operational Programme “Efficient Human Resources 2014-2020” and presented in 2018 proposed development of several financial instruments: (a) loans for financing higher education and life-long learning (with 40 million EUR); (b) loans for financing employment of persons with insufficient work experience (with 30 million EUR); (c) loans to mitigate financial exclusion (with 20 million EUR); (d) loans for financing

social infrastructure and social enterprise project; and (e) venture capital fund for financing social infrastructure and social enterprise projects. The study proposed a unified management structure with HAMAG-BICRO as a founder of Fund of Funds, and up to three different financial intermediaries that would implement financial instruments (a-d) and one financial intermediary for managing the instrument (e). The implementation of these recommendations is announced for 2019.

Private social investment

The social investment sector in Croatia has been emerging slowly during last few years, and there are several initiatives that are in their early stage (ACT Group 2018):

- > Business Angels interested in investing in social enterprises almost do not exist in Croatia. A rare example is individual philanthropist and investor, Nenad Bakić, who invested in social enterprise E-Glas in 2014 to support scaling up of their business—a production and sale of the home assistance software for disabled persons *Serwantess*. The model of social investment he applied was called ‘mezzanine’, which means an initial loan that is then transformed into equity share, upon reaching the end of the agreed period.
- > TISE from Poland is the social investment company focused on granting loans to NGOs, microenterprises and SMEs. TISA entered Croatia just recently, as a partner of the Cooperative for Ethical Financing in their micro-loans programme.
- > At the end of 2017, the Zagreb Stock Exchange (ZSE) and the EBRD launched an equity-trading platform “Progress” with the aim of facilitating access of SMEs to the capital market. This is an innovative model of incubator for SMEs—limited liability companies that want to convert into joint stock companies and raise money on the stock exchange. ZSE provides assistance in finding suitable advisors for enterprises and also advises them in finding additional funds from development banks and agencies. This platform may be used by some social enterprises that operate as companies.
- > Feelsgood Social Impact Venture Fund was initiated in 2016 by Croatian entrepreneur and investor, Renata Brkić, who heads the Social Impact Investment Hub “Professor Balthazar” and representative of Croatia at the World Business Angels Investment Forum. Her Fund got the support of the EIF through the Social Impact Accelerator programme. The fund is planned to be established in Croatia or Luxembourg and to invest in social and impact enterprises in Croatia and Slovenia. The envisaged fund size is 30 million EUR, with a minimum investment per enterprise amounting to approximately 1 million EUR. The launch of the fund is planned for January 2019.
- > The European Venture Philanthropy Association (EVPA), along with NESsT, Yunus Social Business Initiative, and the European Commission initiated CEE

Social Investment Taskforce in 2017, with the aim to build a social investment movement to foster capital for social enterprises, while also preparing social enterprises to receive investments. The Taskforce is currently developing a project of establishing a seed/grant fund worth 2 million EUR for impact and social enterprises in the region.

- > There are several corporate foundations in Croatia, but they do not have programmes that are specifically meant for social enterprises.

Innovative social investment

- > Crowdfunding became a more used instrument among social enterprises during the last five years. Since 2014 this model has been more intensely promoted through previously mentioned Crowdfunding Academy. During the last few years several social enterprises used crowdfunding for fundraising for their projects or activities, such as social enterprise “E-Glas” from Rijeka that raised around 6,800 EUR in 2014 for E-Serwantess—software for home assistance for disabled people. Association Bubamara from Vinkovci raised around 19,000 EUR in 2016 for Buba bar, a coffee shop that employs people with Down syndrome; And ACT Group from Čakovec raised around 11,200 EUR in 2017 for publishing a book *Punk entrepreneurs* that tells a story of their beginnings. In 2018, association K-zona raised around 27,000 EUR for the project “Fierce Women - All the Right Cards”, a card game that promotes great contributions of women to society. All campaigns were donation-based or reward-based crowdfunding campaigns, which is common for civil society organisations and social enterprises. Recently, since 2017, investment or equity-based crowdfunding has become popular in Croatia.³⁵ However, social enterprises are still not attractive for this type of crowdfunding. As a part of “Social Enterprises Accelerator Programme” (run by the ACT Group), Green Energy Cooperative (ZEZ) is currently working on the development of the first online platform for crowdfunding for both civic crowdfunding and renewable energy sources crowd-investing. There are also informal crowdfunding and crowd-lending popping up sporadically around solidarity-groups. For example, members of solidarity groups gathered around local food producers to make prior payments for ‘food baskets’ for an agreed upon period. This money was then used as an investment in some kind of upgrade of the production—introduction of new technology or tools that will improve production or services.

(35) Source: <http://www.crowdfunding.hr/2017-crowdfunding-infografika-3771>. Accessed on 18 June 2018.


Other sources of finance

- > The EBRD offers a programme for supporting SMEs and women entrepreneurs that could be used by some social enterprises run by women.
- > The European Fund for Southeast Europe (EFSE) provides funding to micro and small enterprises and to private households through partner lending institutions. Their local activities are coordinated by Finance in Motion, an impact investing asset manager specialised in development finance. Through the EFSE Development Facility (EFSE DF) funding and capacity support are provided to financial intermediaries and other organisations working with social and impact enterprises (e.g., in Croatia EFSE DF is one of the partners of ACT Group in the implementation of the Social Enterprises Accelerator Programme).

5

PERSPECTIVES

Active public discussions and the involvement of key stakeholders around social enterprises from practitioners and supporters to the government and academia underline the fact that Croatian social enterprises are trying to find sustainable and supportive models in a very unsupportive institutional and legal environment. Before 2015, when the Strategy for Social Entrepreneurship Development was adopted, the ecosystem of social enterprises was in a nascent phase. It was expected that the Strategy would be a real booster for social enterprise development. However, its poor implementation brought more disappointment. Analysis of the perspectives in this section only reviews some of the debates, trends, constraints and opportunities in the development of social enterprises and their ecosystem in Croatia and is not meant to be an exhaustive discussion of issues and opinions.



5.1. Overview of the social enterprise debate at the national level

Current debates on social enterprise in Croatia only partly continue previous, long-term debates that marked the nascent stage of social enterprise development and which were focused on terminological differences (Vidović 2012). As a part of conceptual defining, the debate questioned terms ‘social welfare’ (*socijalno*) and ‘social’ (*društveno*) to determine what better suited the social enterprise notion in Croatian. With the adoption of the SE Strategy, which used only ‘social’³⁶, this term became perceived as sort of ‘official’ term by the great part of stakeholders and enabled consolidation over distinction between social enterprises engaged in the field of ‘social welfare’ and all other social enterprises. However, both terms are still used interchangeably, even in some official governmental documents or registers. Furthermore, the terms social enterprise, social entrepreneurship and social entrepreneur are still used interchangeably, despite recommendations given in a study “Unlocking the Potential of Social Enterprises in Croatia” from 2016 (OECD 2016a).

The ‘official’ acknowledgment and preference of one term did not particularly contribute to overall conceptual clarity. With the adoption of the Strategy and announcement of the availability of financial funds assigned for its implementation, the number of actors in the social enterprise arena grew. As a result, it seems that understanding of social enterprise became more diversified. At the same time the common ground necessary for mutual understanding shrank. There is an overall impression that cacophony over definition and perception of social enterprises causes lack of synergy between different stakeholders in their actions to create a supportive ecosystem.

Current debates are more focused on the issues related to the nature of social enterprise, such as having profit distribution constraint and being identified as ‘non-profit organisation’. Recent studies showed that social entrepreneurs in Croatia still “draw their legitimacy from social and moral sources rather than from business performance” (Vuković *et al.* 2017:). The moral dimension is implicitly seen as one of the fundamental indicators of social enterprises in Croatia. Therefore, it is not surprising that many stakeholders reject from the universe of social enterprises some entities that meet objective criteria but have questionable ethical motives or behaviour. Furthermore, the perceived lack of business performance and legitimacy leads to social enterprises being often perceived as ‘unsuccessful companies’, which does not contribute to a better recognition of the values that social enterprises bring to local communities and society. There is also a concern among some stakeholders that social enterprises are still too narrowly understood as a part of civil society.

(36) During the draft stage of the SE Strategy both terms were used each time, split with slash.

There is also concern that employment of marginalised social groups is seen as the main activity and feature of social enterprises. This kind of narrowing the meaning of social enterprise is particularly coming from governmental agencies and threatens to shape the public understanding of social enterprises. Overall, the conceptual misunderstandings are still perceived as one of the key issues; having a common ground on this would encourage the synchronised creation of a supportive ecosystem.

The report “Unlocking the Potential of Social Enterprises in Croatia” from 2016 (OECD 2016a) emphasised several areas of improvement of the ecosystem for social enterprises in Croatia and offered detailed recommendations for supporting the implementation of the SE Strategy. Some of them are still applicable as valuable guidelines, in particular those referring to legal revision and introduction of tax incentives for social enterprises, such as exemption of tax on reinvested profit.

Current debates do not discuss social enterprise development in terms of welfare system reforms—neither in the sense that social enterprises can innovate and democratise the welfare system, nor that they can replace withdrawals of public agencies. Thus, it is obvious that current public policies—that are particularly reflected in the SE Strategy and the Strategy for Combating Poverty and Social Exclusion—give priority to social enterprises’ roles in employment of vulnerable social groups and in providing social services. At least in a declarative manner, the public sector acknowledges such roles and such social enterprises as potential social partners. However, social enterprises themselves do not prefer their identification solely within a social welfare system, but rather they prefer to present themselves as one of the key actors democratising and innovating the society. Overall, social enterprises are not particularly recognised by the public as integrated parts of the current social welfare system.

5.2. Constraining factors and opportunities

Many stakeholders hoped that the adoption of the SE Strategy in 2015 might have been the beginning of the creation of a more supportive environment for social enterprises. Some studies recognised the preparation and adoption of the SE Strategy as a good policy model (OECD 2017a). It was mainly because it reflected the requests and needs of social enterprises, because it was based on the participatory and transparent process and because it was aligned with EU documents and policies, thus ensuring more coherence with broader national strategic priorities. However, some challenges have been difficult to overcome. Three years later, it is obvious that the Strategy did not fill expectations from social enterprises and other stakeholders. The main reason behind the fact that it was not properly implemented may lie in the political climate, which can be characterised as lacking willingness to push social enterprise development

higher in the policy agenda and to ensure greater political commitment to implement the measures created in the Strategy. This is accompanied with the shortage of administrative resources in the MLPS that was in charge of managing implementation.

Apart from the bitter flavour that disappointment left, it also raised some negative perceptions towards government agencies that were seen as sabotaging the social enterprise development. In addition, the Strategy did not bring much-wanted clarity into a sector, as practical application of the nine criteria was too complex and difficult to apply. With no monitoring and control mechanisms, it has been felt that this failure contributed to further disorganisation and misunderstanding, and also that it opened a door for more opportunistic initiatives.

A top-down institutional and policy approach that influenced the growth of the sector by introducing funding opportunities increased interest in social enterprise, but also increased opportunistic initiatives. People were entering the sector for different reasons, but usually leaving after the project-funding period was over. For older and established social enterprises those new actors were seen as competition for funding, but also as interruption that might just add to poor public understanding of social enterprises. Furthermore, existing top-down policies favour some social groups, and thus some types of social enterprises. This is in particularly obvious in the case of veterans and their social-working cooperatives. This reflects the issues of continuous privileged treatment of this social group, that some authors already recognised as one of the factors of persisting clientelism in the Croatian social welfare system that causes the slowing down of social welfare reforms (Stubbs and Zrinščak 2009, 2015).

A huge constraining factor is the fact that existing legislation around social enterprises lacks coherence. Current legislation looks like fragmented pieces, without comprehensive vision and approach. Thus, revisions of laws that have been passed during the last decade have not produced a more harmonious legal framework.

Even though there are several types of entities identified as suitable to be social enterprises, in reality the diversification of entities is very rough and insufficient, as there are no clear differences in how they will be treated once they enter the market. For example, despite the non-profit nature of some organisations, when they perform economic activities, their fiscal obligations become the same as those of commercial companies. Not only is the situation of non-profits performing economic activities complex in terms of regulations, but also lack of understanding that this is a nature of social enterprise creates negative perception by public servants and the public in general. All this indicates that the level of understanding and trust towards social enterprises and NPOs in general is still very low in Croatian society.

In addition to legal inconsistencies, also a hyper-production of different strategies is something that makes a burden for the Croatian policy framework. Policies do

not necessarily reflect the real needs; they often overlap and more importantly their implementation is questionable, with no coherent system of monitoring, evaluation or control.

Many stakeholders perceive that a lack of business skills among social entrepreneurs, who are still mostly coming from the civil society sector, is one of the important constraints in social enterprise development. However, the growth of support programmes, trainings and skills development in the last few years has somewhat overcome this disadvantage.

Finally, the lack of data on social enterprises certainly does not contribute to better understanding and greater visibility of the social enterprise sector.

Even though some changes have occurred, Croatia should be still identified as being in the 'progressive emergence' stage of social enterprise development, as named and identified in the study of Galera and Salvatori (2015). The stagnation is probably the result of the weak performance of institutional actors in providing a supportive framework for social enterprises.

However, some movements have occurred in other parts of the ecosystem that should be acknowledged, especially the increased interest of academics who have conducted research studies and created courses on social enterprises. Also, various other actors have become involved in development of training, educational material and curriculum. There are several new initiatives running in a support sector, in particularly those of ACT Group and Impact Hub Zagreb that have created incubators and accelerators for social enterprises. Also, some new networks have been established, such as the Croatian Network of Social Enterprises (HMDP) and the 'Good economy platform', which have already shown results in making social enterprises more visible.

Finally, a good opportunity for social enterprise and their access to the market is seen in public procurement. It is still rare that social enterprises win 'reserved contracts', but those good examples may serve to increase interest of other actors.

5.3. Trends and future challenges

In a certain way, not the one that was expected, the SE Strategy marked the end of one phase of development of social enterprise and its ecosystem in Croatia. Absence of substantial institutional support and unfinished legal revisions announced by the Strategy that would have created a more supportive environment for social enterprises in Croatia has influenced various responses from the side of social enterprise actors.

Firstly, the announcement of financial funds that should become available for social enterprises with the implementation of the Strategy increased interest in social enterprises and the sector itself has been filled with some new actors and initiatives. It is in particular seen in the number of associations adding social entrepreneurship as one of their activities, which counted 639 in the beginning of 2019.

Secondly, one may notice a certain diversification in the sector, particularly in terms of financial needs. The beginner social enterprises are in need of small-scale grants, mostly for establishing business, for equipment or for operational costs. On the other side, there are more mature social enterprises that are in need of investment support, though also of a small-scale. This trend will probably continue with more social enterprises becoming mature in a reasonable time, and also with diversification of social investment instruments that are still in an embryonic stage.

Thirdly, an unfavourable status of entities operating as NPOs in the market is more often seen as a burden. For many pioneering social enterprises and support organisations this has led to greater distance from the notion 'non-profit', but also from the notion 'social enterprise'. In that sense, one may identify two streams—one side promotes an identity shift towards 'social and solidarity economy', and the other one is more focused on 'impact enterprise'. This is accompanied with a strong tendency among mature social enterprises to strengthen the entrepreneurial component in a sense that social enterprise should be seen primarily as an enterprise, with an economic activity as a primary source of income. WISEs, however, should be excluded from this group, as the nature of their mission puts them in a less favourable position in the market.

The disappointment among social enterprise actors over not being able to access public funding they were counting on stems from the threatening market position that such situation creates for them. Particularly when some of them even have to close down. But it also caused another trend – growing awareness that relying on public funds will not lead to sustainability and financial independence. This is in particular the case with new concepts mentioned above promoted by the most influential social enterprises and support organisations. They may significantly influence perceptions of social enterprise and even contribute to a greater cacophony. But they also stimulate new ways of gaining needed finances, more oriented to the business sector and to social investment.

6

APPENDICES

Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of “social enterprises” based on the Social Business Initiative (SBI) promoted by the European Commission.

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Entrepreneurial/ economic dimension	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises ³⁷ .	<ul style="list-style-type: none"> > Whether the organisation is or is not incorporated (it is included in specific registers). > Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). > Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. > Whether there is an established procedure in case of SE bankruptcy. > Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income). > Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. > Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services. 	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> > We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).

(37) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, “**an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.**”

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Social dimension (social aim)	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. “Social” shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> > Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE’s members. > Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions. > Whether SEs’ action has induced changes in legislation. > Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing. 	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> > The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level. > In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. educational services up to water supply). > What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what “public benefit” means in her/his country.

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Inclusive governance-ownership dimension (social means)	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.</p>	<ul style="list-style-type: none"> > Whether SEs are open to the participation and/or involvement of new stakeholders. > Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels -give voice to users and workers in special committees?). > Whether a multi-stakeholder ownership structure is imposed by law (e.g. France). > Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to. > Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). > Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long term. > Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. > Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits). 	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> > Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time – hence giving ground to a multi-stakeholder ownership asset. > SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency. > Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).

Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations pursuing social entrepreneurship and relevant general interest activities and registered for economic activities	Register of Association Administrative register	Ministry of Public Administration & Government Office for Cooperation with NGOs Government institutions	2018 Continuous	√	N.A.	N.A.	2 - Administrative data. The register does not include financial data, nor data on employment
Associations pursuing social entrepreneurship and relevant general interest activities and registered for economic activities	Market Report. Mapping of active and support-ready social enterprises in Croatia (ACT Group 2017) Mapping exercise	ACT Group Support organisation	2017 Una tantum	√	√	N.A.	2 - Private data for internal use. Does not include financial data
Associations pursuing social entrepreneurship and relevant general interest activities and registered for economic activities	"Mapping New Horizons – Report on the State of Social Entrepreneurship in Croatia 2015" (Šimleša et al. 2015- extracted from database) Research study	Institute of Social Sciences "Ivo Pilar", Zagreb Research institute	2014 Una tantum	√	√	√	3 - Private data highly reliable

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Social cooperatives	Record of cooperatives & cooperative alliances Administrative register	Croatian Centre for Cooperative Entrepreneurship Government institution	2018 Continuous	√	N.A.	N.A.	3 - Administrative data, partly reliable. No reliable data on employment nor financial data. The last year with available data is 2016. Because of the current restructuring of the Croatian Centre for Cooperative Entrepreneurship, it is not known whether they will continue with collecting the data
Veterans sociač-working cooperatives	Evidence list Administrative register	Ministry of Croatian Veterans Government institution	2018 Continuous	√	N.A.	N.A.	3 - Administrative data, partly reliable. Does not include financial data, nor data on employment
Cooperatives pursuing social aims	“Mapping New Horizons – Report on the State of Social Entrepreneurship in Croatia 2015” (Šimleša et al. 2015- extracted from database) Research study	Institute of Social Sciences “Ivo Pilar”, Zagreb Research institute	2014 Una tantum	√	√	√	3 - Private data highly reliable
Cooperatives pursuing social aims	Data on energy cooperatives Administrative register	National Body for the Energy Efficiency Government institution	2018 Continuous	√	N.A.	N.A.	2 - Administrative data
Cooperatives pursuing social aims	Data from the lists of grant recipients Data on cooperatives that are grant recipients	The City of Zagreb Local authority	2015 & 2016 Sporadic	√	N.A.	N.A.	2 - Administrative data

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Cooperatives pursuing social aims	Market Report. Mapping of active and support-ready social enterprises in Croatia (ACT Group 2017) Mapping exercise	ACT Group Support organisation	2017 Una tantum	√	√	N.A.	2 - Private data for internal use. Does not include financial data
Foundations privately owned, carrying economic activities and pursuing relevant general interest activities	Register of Non-profit Organisations Administrative register	Ministry of Finance Government institution	2017 Continuous	√	√	√	2 - Administrative data. Financial data are collected regularly, but they are not fully reliable, because only around half of the registered entities submit data annually
Foundations privately owned, carrying economic activities and pursuing relevant general interest activities	Register of Foundations Administrative register	Ministry of Public Administration Government institution	2018 Continuous	N.A.	N.A.	N.A.	2 - Administrative data that can be used for getting info on founders
Companies founded by associations pursuing relevant general interest activities	Court Register Administrative register	Ministry of Justice Government institution	2008 - 2018 Continuous	√	N.A.	N.A.	2 - Administrative data not publicly available

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Other companies pursuing explicit social aims and operating as not-for-profits	Research study "Mapping New Horizons – Report on the State of Social Entrepreneurship in Croatia 2015" (Šimleša <i>et al.</i> 2015- extracted from database) Research study of mapping social enterprises	Institute of Social Sciences Ivo Pilar from Zagreb Research Institute	2014 Una tantum	√	√	√	3 - Private data highly reliable
Other companies pursuing explicit social aims and operating as not-for-profits	"Market Report. Mapping of active and support-ready social enterprises in Croatia" (ACT Group 2017) Mapping exercise	ACT Group Support organisation	2017 Una tantum	√	√	N.A.	2 - Private data for internal use. Does not include financial data
Other companies pursuing explicit social aims and operating as not-for-profits	Self-made estimations Self-made estimations	Self-made estimations Researchers	2018 Una tantum	√	N.A.	N.A.	2 - Poor data, based on estimation and recognition done by national research community
Institutions founded by associations pursuing relevant general interest activities	Court Register Administrative register	Ministry of Justice Government institution	2008 - 2018 Continuous	√	N.A.	N.A.	2 - Administrative data. The list of Institutions founded by association is not publicly available, but only upon request. The list does not include financial data, nor data on employment
Sheltered workshops	List of sheltered workshops Administrative list	Institute for Vocational Rehabilitation and Employment of Persons with Disabilities Government institution	2017 Continuous	√	√	N.A.	3 - Administrative data. List of sheltered workshops with general data is publicly available. Some data, such as the number of workers and the number of PWDs workers are available upon request. Financial data is not available

Appendix 3. Exploratory case studies

Exploratory case 1

Humana Nova Čakovec

→ Mode of creation

Humana Nova Čakovec began as a social cooperative from Čakovec, founded by the association Autonomous Centre ACT (now ACT Group) in 2011. Today, it forms part of the consortium of social enterprises ACT Group, together with several other social enterprises founded by the same association. ACT Group created some of the pioneering social enterprises in Croatia that recognised and addressed various societal challenges in the local community. *Humana Nova Čakovec* emerged from the effort to provide job opportunities for vulnerable social groups, in particularly persons with disabilities. Officially, its foundation took root as a result of the EU-funded project “Education for social cooperative—new possibilities for people with disability” run by ACT Group. The project educated dozens of people facing difficulty with employment from Međimurje County, and some participants then became the first workers in *Humana Nova Čakovec*. This social cooperative acted as the pioneering company that developed a system of collecting, sorting and reuse of textile waste in their local community. The motive behind this social enterprise aimed to create a sustainable ecological solution in cooperation with local authorities. Today, their role in ecological waste management is recognised across Croatia. Other social cooperatives also sprouted based on this model, such as *Humana Nova Zagreb* and *Humana Nova Istria*.

→ Mode of creation

The business model based itself on collecting and reusing textile waste—part of which became recycled and sold for industrial purpose, part of which was redesigned and sold in the shop and web-shop, and part that was cleaned and sold as second-hand clothes. By 2012, the enterprise had 11 workers, most of them women with disabilities. Also, it presented the first venture in the re-use industry in Croatia using a co-operative business model, and also formed one of the first social cooperatives in Croatia. After the first year or two, when difficulties in management led them searching for a skilled person with experience in the business sector, the business slowly stabilised.

Regarding scaling mechanisms, *Humana Nova Čakovec* has fully recovered from a period of stagnation even crisis, when all wages descended to the legally prescribed minimum. It now enters a scaling up phase, whereby it has enlarged its fields of engagement and offered new services to the market. For example, sewing always comprised a main activity, but rather than depending only on reused material, they started producing their designed products from new quality organic materials. Furthermore, they offered

sewing services for other companies (such as well-known Croatian fashion brand ELFS). This expansion of services brought some very good contracts with the private sector. An additional market opened when they reached 51% of workers with disabilities. According to law, this makes them eligible for 'substitute quota contracts' with all companies who do not (but are obliged to) employ people with disabilities. At the moment, *Humana Nova Čakovec* has around 15 contracts of this type.

→ **Types of recipients**

From the beginning, *Humana Nova Čakovec* oriented itself to a broad spectrum of recipients. Although persons with disabilities took priority, they also included other types of beneficiaries from different vulnerable groups, such as: the long-term unemployed, Roma minority, women older than 45, youth, undereducated citizens, single mothers, etc. Over time, the list of beneficiary groups grew, and they now negotiate the employment of people facing blindness and Down syndrome.

→ **Numbers of recipients, workers, members and volunteers**

The number of employed persons with disabilities continuously rises, and since 2017 they comprise over half the work force, which means that company became eligible for the status of sheltered workshop. Today, *Humana Nova Čakovec* has 20 members and 23 workers, 15 of which experience disabilities. Furthermore, more than 75% of workers also participate as cooperative members, giving them eligibility for registering as a workers' cooperative—a potential future strategy for the company.

→ **Membership and governance**

The governance model also changed over time. Initially, only a few workers also participated as members of the social cooperative. However, this field became increasingly important as the founders encouraged workers to become owners of the company they worked in. While the process took much time and education, demonstration and other forms of support, it resulted in significantly greater worker participation. According to the manager's experience, this further resulted in increased motivation and productivity. Today, only a few workers do not participate in the cooperative.

→ **Types of contractual agreement entered into with public agencies**

A huge step forward in their business came with a recent contract with public authority, the City of Zagreb. The contract won as a 'reserved contract' in a public procurement refers to production of official flags. The value of the contract measures around 580,000 EUR for the next few years, strengthening their liquidity and making them attractive for other kind of commercial financial instruments. Also, a door has opened to other small-scale public contracts.

→ Key partners

Today, the main partners of the *Humana Nova Čakovec* come from the business sector - ELFS, DNA Merch (German based t-shirt seller) and *Regeneracija Zabok* (Croatian company for textile recycling). They also very closely cooperate with the private companies Tehnix and *Sobočan interijeri*. From the public sector, relevant continuous partners include the Institute for Vocational Rehabilitation and Employment of Persons with Disabilities and Croatian Employment Service from Čakovec, but also, recently, the City of Zagreb, as their main public contractor. *Humana Nova Čakovec* enjoys very close relations with non-profit sector, particularly ACT Group and other members of the consortium. Non-profit organisations came forward as one of the first clients and supporters of *Humana Nova Čakovec*, and they still conduct business with this sector although they now contribute to only a small portion of *Humana Nova Čakovec*'s total revenues.

→ Financing mechanisms

This social enterprise does not enjoy any fiscal breaks. According to recent estimations, *Humana Nova Čakovec* generates more than 80% of their revenues at the market. The remainder comes from subventions received for employing persons with disabilities. At the moment, around 40% of total market revenues are subject of public contracts.

Until present, they have used a few financial instruments, mainly for operational costs. They also took two loans from traditional banks. In 2018 they applied for and gained an investment loan provided by HAMAG-BICRO through the EFIS programme. Several times they have used the internal cash pool, borrowing within ACT Group or from other supporting companies, mostly to bridge some liquidity gaps.

→ Main barriers faced

During the last seven years they have faced a number of barriers. The most important barrier manifests in a lack of management skills, which they try to overcome by educating and employing skilled staff. However, the more problematic challenges derive from external pressures on their ecosystem - unsupportive legislation toward cooperatives; the limited access cooperatives face for public funding schemes; and delays in implementation of the SE Strategy. Also, poor legislation on waste management and an undefined notion of 'used textile' pose additional obstacles.

Website: <http://www.humananova.org/en/home/>

Exploratory case 2

MI - Centre for home assistance, Split

→ Mode of creation

MI Centre for home assistance was established in Split in 2005 by the local association MI (which means 'we' in Croatian). This association has participated in the fields of community development, solidarity and social cohesion since 1997, receiving abundant recognition in the local community. The Institution MI was founded with the purpose to serve the elderly in their homes with daily meals and various home help. The association began an inclusion programme for older people back in 1998, in cooperation with the local government - City of Split, and organised various cultural, educational, and social programmes for seniors. The establishment of the MI Centre received wide support and even originated within the City of Split, which after a few years of cooperation, suggested that MI association should introduce home assistance service for elderly. They recognised these unmet needs along with MI's capacities and commitment to address them. The City of Split offered a contract to the MI Centre to cover daily meals delivered to people in their homes. Very soon they conducted the so-called tripartite contract, including another local public Institution - the Centre for childcare and youth Split, which was contracted as a supplier of cooked meals.

→ Business model

The provision of daily meals to older people in their home remains one of the core activities of the MI Centre. As a contractor, the City of Split in certain periods covered costs of the meals for almost all beneficiaries, reaching around 60 people on a monthly basis in the best times. The beneficiaries were included in these 'subventions,' based on their income, i.e. means test. However, that has changed and presently only 10 recipients receive coverage by this contract, while others need to cover their own meals at full price. In addition to core economic activity, the Institution provides other types of services for the elderly, such as hygiene maintenance, small purchase and payments, and home care.

The economic indicators of MI Centre would not show the business's scaling. However, the Institution has worked continuously for the last 14 years, during which they have diversified and multiplied their services offered to beneficiaries. Many of those activities get covered though voluntary work or receive subsidies from the parenting organisation.

→ Types of recipients

The Institution focuses on senior citizens as the main beneficiaries, and maintained this during the last 14 years.

→ **Number of recipients, workers, members and volunteers**

On average, 40 recipients receive daily meals. Over time this number has changed from 30 up to 80, depending on the amount of financial support provided by the City. Today, with around 40 beneficiaries, this does not exhibit MI Centre's best performance. At its peak, they employed 10 persons, of which three to nine came from vulnerable groups with difficulty finding employment (mainly women older than 45). Now, the number of workers has decreased to only three, while working with fewer delivery persons. From the beginning, a numbers of volunteers, mainly from parenting association, participated in home visits and other types of socialisation programmes for beneficiaries.

→ **Membership and governance model**

The Institution does not represent a democratic type of entity, nor does it base itself on membership, as the law does not require it. MI Centre employs a director, and the parenting organisation monitors activities and participates in various activities of the Institution. They continuously organise some sort of informal consultancies with recipients or stakeholders working directly with them in various fields of activities, in order to ensure feedback on programmes and to map unaddressed needs.

→ **Types of contractual agreement entered into with public agencies**

The contract with the City of Split was achieved on the City's initiative and as a 'reserved contract' of the public procurement process. However, over time the amount of paid services covered by the City has decreased. Also, the condition of the contract has changed for paying recipients.

→ **Key partners**

The City of Split and the Centre for childcare and youth Split have acted as their key partners from the beginning. Also, they sporadically cooperate with various non-profit organisations, though they collaborate little with other social enterprises.

→ **Financing mechanisms**

The ratio of revenues gained from economic activities in total revenues measures quite high, around 96-99% in 2014 and 2015. Around 28% of the revenues come from the public contract with the City of Split. However, workers receive the minimum wages prescribed by law, and the parenting organisation regularly subsidises the work of the Institution with voluntary work, space and other facilities.

The social enterprise does not enjoy any fiscal break. It does not use innovative financial instruments nor does it use services of financial intermediaries.

→ Main barriers faced

The main problem for the MI Centre came with the puzzle of charging for a service to a very vulnerable population. They intended to offer their services free of charge or with subsidies. From the beginning the organisation felt reluctant about putting a commercial price on their service, and they still struggle with finding and creating an efficient business model that makes the MI Centre sustainable in the long run, and less dependant on an insecure environment. The already inconsistent financial support they received from the City of Split has faced cuts in their mutual contract with almost every political shift of local politicians. The Centre recognises their two main external barriers, then, in the instability of the political environment, and lack of commitment to strategic goals. Often, the government does not treat them as a valuable partner. Also, related legislation faces continuous inconsistency in its interpretation; for example, after years of treatment as a NPO—by the nature of their work— they recently became deleted from the NPO Register, because the majority of their revenues come from economic activities, and now face the same requirements as a commercial company. Finally, they consider the non-implementation of the SE Strategy as a barrier to their accessing additional financial support. Among endogenous factors management apparently presents the weakest chain, as they face particular challenges in managing workers.

Website: <https://www.seniori.hr/ustanova>

Exploratory case 3

Punkt from Pula

→ Mode of creation

The Punkt LLC (in further text Punkt) presents a limited liability company situated in the city of Pula, in the south peak of Istria region. The company operates in the field of food preparation and catering by employing young persons with disabilities. Punkt, established in 2016, prepared the available space and opened a restaurant in early 2017. Despite a relatively short life, Punkt already shows positive trends of employment growth and financial sustainability. Differing from common trends in Croatian social enterprises, this social enterprise was established by a single natural person, a middle-aged female professional defectologist and educational rehabilitator. For more than 10 years she worked in the School for childcare and education in Pula, the school for persons with disabilities. She participated in the courses related to food services and agriculture and also managed a school (students') cooperative. There she gathered rich experience in working with youngsters with disabilities and witnessed their difficulties in finding employment. She became aware that despite education and the efforts that schools and professionals make to foster skilled and employable young people with disabilities, they still face many barriers in the outside world and in the market, primarily the unwillingness of the majority of employers to employ such persons. Strongly motivated to change that trend, she decided to start a social enterprise and give students an opportunity for employment and integration. The method in creating this enterprise also differs largely from other examples—it did not receive any funding or support from external donors.

→ Business model

The main business activities in which Punkt operates include food preparation, food service and catering. This activity field aims to fit capabilities of people with disabilities, who assist in the kitchen, serve, and deliver food. The owner rented a suitable space for the restaurant, which provides simple daily meals prepared from fresh local ingredients, and employs a professional cook. In addition to the main business activities, Punkt cultivates several plants and herbs and provides an opportunity for additional socialisation and integration activities for its beneficiaries.

Regarding scaling, the company still dwells in the start up stage and has no plans yet for scaling up, though in the short term they plan to build a terrace, expanding the business and employment by creating more regular customers.

→ **Types of recipients**

The main beneficiaries of the Punkt are people with disabilities, as the business model specifically aims to ensure their employment. It focuses mainly on young people with disabilities exiting their special education, and also reaches long-term unemployed persons with disabilities. The majority of workers thus are quite young; however, the company also employs a person over 50 who had never before held a job. The restaurant, located near the local stadium, offers daily meals for reasonable prices for in-house consumption (consisting of seven tables) or via delivery. By now, they have gathered a number of regular clients from the local community: both natural and legal persons, companies (banks), public institutions (schools, hospitals, theatres, etc.) and associations (football club). In addition, they regularly serve several senior citizens by delivering meals to their homes.

→ **Number of recipients, workers, members and volunteers**

When established, Punkt started with three workers. A year and a half later they employed nine persons, among them five persons with disabilities. The interest for their service continues to grow, so they expect a further increase in employment. Also, because they have more than a half workers with disabilities, they could already gain the status of sheltered workshop, which they consider a likely model for the company's development. They have plans to broaden their activities to agricultural and food production. The number of customers or users also continues rising and, at the moment, they provide an average of 130-180 meals per day.

→ **Membership and governance model**

Punkt's governance depends on a director, who is also the owner. Since it operates as a company, no legal requirement fosters participatory governance and/or ownership. However, the company stimulates informal models of workers' participation, so the workers regularly participate in various decisions. Moreover, the company regularly collaborates with around 35 stakeholders from the local community, a great part of which are also persons with disabilities, by including them in supply chains (such as farms producing organic food) or simply by exchanging information and discussing ideas for the social enterprise's improvement (such as various associations meant for persons with disabilities).

→ **Types of contractual agreement entered into with public agencies**

Punkt has already signed contracts with a local nursing home, baking cookies during the weekend, and with two kindergartens for supplying daily meals. Occasionally, based on ad hoc contracts, they provide catering service for various events in the local community, such as theatre shows, or for local schools and hospitals.

→ **Financing mechanisms drawn upon the share of income generated by economic activity**

Punkt generates 100% of their revenues at the market. The exception was a small grant from the Institute for Vocational Rehabilitation and Employment of Persons with Disabilities that they received at the beginning of operation. In addition, the business has tremendous voluntary support from the founder herself and her family members.

The founder/owner of the company used a loan for initial funding of the business. The owner took a short-term (10 years) all-purpose loan from the commercial bank in order to equip the restaurant and ensure initial capital. The owner accepted the loan as a private person before the legal form was established, and thus underwent the same commercial requirements as other natural persons. For the owner this proved more convenient at the time, because it required fewer documents and had easier procedures than applying as a 'just established' company.

→ **Main barriers faced by social enterprise**

Managing an enterprise places many demands on the owner, who still works at the school. The greatest challenge in running this social enterprise comes with people management—particularly, the difficulties in meeting different needs between professionals and persons with disabilities working together. Also, they consider the institutional environment quite unsupportive towards all the problems the entrepreneur has to face on its way to establishing a social enterprise. In their experience, a huge lack of knowledge and understanding of the nature of social enterprise impedes everyone from public notaries to servants in public institutions. In particular, they emphasised the Croatian Employment Service, which fails to assist them efficiently in recruiting workers or to give them needed information. They felt that people with disabilities available in the labour market have little access to additional information that could link them to employers.

Website: <https://www.facebook.com/punktpula/>

Exploratory case 4

Green Energy Cooperative (ZEZ)

→ Mode of creation

The Green Energy Cooperative (*Zelena energetska zadruga* - ZEZ) is located in Zagreb, established in 2013 within the United Nation Development Programme's (UNDP) energy cooperative development project. At that time UNDP was on leave from Croatia, so they closed their office and ended several running programmes. Several experts, mostly engineers who worked within UNDP in the field of sustainable energy, decided to continue working together in this field and they founded the Green Energy Cooperative. The Cooperative particularly focuses on renewable energy and green energy innovations. Some of the founders also expressed interest in continuing the practice of crowdfunding and alternative finance in general, which the UNDP had also covered in its programmes. This resulted in creating the "Crowdfunding Academy," already described in section 4.6. Crowdfunding still offers the model that ZEZ apply in their programmes. After the first few years of mostly relying on project funding, an important step in the development of their business model came with participating in the "Social Enterprises Accelerator Programme" (run by the ACT Group) in 2017-2018, where ZEZ became one of the beneficiaries. Through this programme, with the mentoring support given by ACT Group, they have managed to develop a digital platform for micro investments that will be used for their campaigns on community energy investments.

→ Business model

Their main business activities include planning and managing 'renewable energy sources' (RES) projects; preparation of investment studies; preliminary design and projects documents; support in financing projects in direct contact with financial institutions through alternative financial mechanisms such as crowdfunding, 'energy service company' (ESCO), and co-financing through funds. Over the years their main focus distilled to the 'community energy' concept, which they attempt to implement in Croatia and neighbouring countries. 'Community energy' presents a model that explores ways in which citizens not only can use renewable energy sources, but also can invest in and finance local energy projects. The well-known successful model ZEZ implemented in 2018 was organised with the cooperation of the City of Križevci as a client. They launched the first crowd-investing initiative for renewable energy in Croatia, which seeks citizens-investors to fund installation of solar energy systems on the rooftops of the Križevci Development Centre and Technology Park's administrative building (owned by the City of Križevci). The savings of the energy produced through this solar system will become the basis for return on investment. ZEZ provides solar equipment for lease to the City of Križevci for 10 years. All investors have signed a loan agreement with the ZEZ for 10 years as well, for which a projected annual interest on accrued funds will develop. The modelled system (50 kW), installed on the rooftop of the business centre,

will primarily cover the needs of the users of the centre in terms of electricity. The city pays the actual electricity consumption, and from the monthly savings it will return investment to citizen-investors. The energy surplus will be sold to the network. After 10 years (required for the investment to pay off) the system will transfer into the city's ownership and continue to make savings.

The in-depth scaling model they have adopted so far specifies products and services for innovative and participative renewable energy models in local communities. They developed their services from donation-based to investment-based crowdfunding projects that intend to increase citizens' ownership over power plants. They also geographically broaden their activities to the markets in neighbouring countries (particularly Serbia and Bosnia and Herzegovina). This process has developed quite slowly, though, as a majority of activities must focus on promotion and awareness-raising, since the citizens' owned renewable energy remains an unknown concept in these societies.

→ **Types of recipients**

Cities and small municipalities comprise the main clients of ZEZ's services. The project of the City of Križevci caught broad public attention, and as a result several municipalities and cities asked for ZEZ's services, which now aims to support additional renewable energy projects owned by citizens through the microloan model. Already, interests within the City of Križevci look to power more roofs and another four Croatian cities have expressed interest in hosting similar renewable citizen-powered installations.

→ **Numbers on recipients, workers, members and volunteers**

In the beginning, building ZEZ relied on members' volunteer efforts. The first funding (grant) received from the Foundation for Environmental Protection enabled the first worker in 2014. Today, ZEZ enjoys 20 members and 6 workers. Cooperative members regularly engage on a volunteer basis in projects run by the cooperative. Occasionally volunteer activities engage several students interested in renewable or citizens' energy.

→ **Membership and governance model**

Since ZEZ operates as a cooperative, their governance model relies on the assembly and democratic participation based on the one-member-one-vote principle. Participation in this governance model does not incorporate other stakeholders.

→ **Key partners**

Cities and small municipalities form key partners of the Cooperative. Collaboration with the business sector remains rather weak. ZEZ participates in several international organisations and networks and demonstrates a recognised energy cooperative in an international and regional (South-Eastern Europe) context. They collaborate with

the Cooperative for Ethical Financing, of which they comprised one of the founding members. ZEZ forms a part of REScoop.eu network (European Federation of Renewable Energy Cooperatives) and since 2017 they have performed as one of the eight members of the Managing board.

In addition, ZEZ has a broad list of partners from Croatia, the wider region and abroad, mainly from private and non-profit sectors, with whom they share the same vision around renewable energy and citizen-owned energy. Among others they particularly emphasise ties with Greenpeace Croatia and International Renewable Energy Agency (IRENA).

→ **Financing mechanisms drawn upon the share of income generated by economic activity**

Overall income from economic activities measures around 30% of total income, and continues to increase. The remaining 70% consists of grants received from EU programmes. ZEZ has never asked for or used a bank credit or another financial product from banks. They rely on external funding, mainly EU funds, from which they have received funds for projects: “Biomassud PLUS” funded from Horizon2020, “Good Energy in Social Entrepreneurship” funded from European Social Fund. Two more EU funded projects will start in 2019— “Compile” and “AgroBioHeat” that received funds from the Horizon2020 programme.

ZEZ helps develop crowdfunding as an innovative finance instrument. Together with social enterprise Brodoto, they started an informal Crowdfunding academy described in section 4.6.2. In addition, ZEZ also used crowdfunding in their projects -both donations-based (running a crowdfunding campaign for installation of solar power plant for the primary school “Ostrog” from Kaštel Lukšić) and investment based (running a crowdfunding campaign for installing a solar system in the City of Križevci).

→ **Main barriers**

The most important barriers they face relate to their operation as a cooperative. They have experienced unsupportive features of current legislation and policy framework. One such feature makes cooperative a not commonly eligible legal form for many funding schemes. This aside, they perceive that poor legislation and an unsupportive investment climate in Croatia have strongly influenced the overall stagnation of the renewable energy sector during last few years. In addition, concepts of citizens’ (community) energy and renewable energy cooperatives remain new and insufficiently recognised in Croatian society and in the region, thereby impacting the need for their services. Finally, managing a cooperative presents its own endogenous challenges.

Website: <http://www.zez.coop/>

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- > Public Procurement Act (*Zakon o javnoj nabavi*), OG 120/2016.
- > Regulation on conducting records on veterans social-working cooperatives, their managers and federations (*Pravilnik o vođenju evidencije o braniteljskim socijalno-radnim zadrugama, njihovim upraviteljima i savezima*), OG 21/2018.
- > Regulation on the content and on the means of conducting the Register of Associations of the Republic of Croatia and the Register of Foreign Associations in the Republic of Croatia (*Pravilnik o sadržaju i načinu vođenja Registra udruga Republike Hrvatske i Registra stranih udruga u Republici Hrvatskoj*), OG 4/2015.
- > Regulation on incentives for employment of persons with disabilities (*Pravilnik o poticajima prilikom zapošljavanja osoba s invaliditetom*), OG 44/2014.
- > Regulation on the non-profit accounting and account plan (*Pravilnik o neprofitnom računovodstvu i računskom planu*), OG 1/2015.
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Appendix 5. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policymaker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

Full name	Organisation	Role	Stakeholder category
Nikola Arbanas	Sfera Visia LLC	Director	PRAC
Danijel Baturina	Social Work Study Centre - Faculty of Law, University of Zagreb	Assistant Professor	ACA
Ivan Božić	Social cooperative Humana Nova Čakovec	Director	PRAC
Gordana Ćorić	VERN' University	Lecturer	ACA
Stela Fišer Marković	Government Office for Cooperation with NGOs	Head of Department for Strategy, Planning and Information	GOV
Melani Furlan	Green Energy Cooperative	Junior Expert	PRAC
Vera Gjokaj	Association ZMAG - Green Network of Activist Groups	Development Programme Manager	PRAC
Marko Gregović	Brodoto LLC	Director	PRAC

Full name	Organisation	Role	Stakeholder category
Jany Hansal	Association Deša	Director	PRAC
Matija Hlebar	Association UZOR	Director	PRAC
Katarina Ivanković Knežević	Ministry of Labour and Pension System	(ex) State Secretary	GOV
Nives Ivelja	Association MI	President	PRAC
Goran Jeras	Cooperative for Ethical Financing	Director	SUP
Mihaela Jović Karešin	Association for rehabilitation and education "Visoki jablani"	President	PRAC
Mirka Jozić	City of Zagreb	Head of Department for Economy, Energy and Environment	GOV
Danijela Kasumović-Marušin	Punkt d.o.o.	Director	PRAC
Jasminka Keser	Ministry of Entrepreneurship and Crafts	(ex) Head of Department for Entrepreneurship and Crafts Development GECES member	GOV
Zoran Kordić	Green Energy Cooperative	Director	PRAC
Tina Lee-Odinsky Zec	The Zagreb School of Economics and Management	Lecturer	ACA
Stjepan Mikec	ACT Group	Executive Director	PRAC
Slavica Miličić	Association Prospero	President	PRAC
Ranko Milić	Association Zdravi grad/ CEDRA Split	Director	PRAC
Zinka Mujkić	Taste of Home/Social cooperative	Manager	PRAC
Veselko Musa	Social cooperative Martinov plašt	Director	PRAC
Sanja Ostroški	Croatian Associations of Employers	Regional Managing Director	SUP
Petra Pavičić	REDEA Regional Development Agency Međimurje Ltd.	Head of Department for Social Activity Projects	SUP
Julia Perić	Faculty of Economics, University of (Osijek)	Assistant Professor	ACA
Teo Petričević	ACT Group	Director	PRAC

Full name	Organisation	Role	Stakeholder category
Cvjetana Plavša-Matić	The National Foundation for Civil Society Development	Director	GOV
Ana Raguž	Impact Hub Zagreb	Programme Lead	PRAC
Kristijan Ravić	Development Agency Zagreb	Senior Associate	SUP
Andreja Rosandić	Independent consultant/ Entrepreneur	Consultant	PRAC
Hajdana Rukavina	Green Energy Cooperative	Project Manager	PRAC
Tina Sirotić	Erste Bank	Head of Social Banking Department	SUP
Ilda Stanojević	Croatian Centre for Cooperative Entrepreneurship	Head of Department for Strategy and Cooperative Sector Development	GOV
Dražen Šimleša	Institute of Social Sciences Ivo Pilar	Research Associate	ACA
Miroslav Vrankić	E-glas	Director	PRAC
Sonja Vuković	Association for Creative Development Slap	Director	PRAC
Ksenija Wasserbauer	Ministry of Labour and Pension System	Public officer Department for Social Entrepreneurship	GOV
Ivana Zanze	Association RODA	President	PRAC
Nada Zrinušić	Ministry of Demography, Family, Youth and Social Policy	Ministry Deputy	GOV

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