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**Current Challenges and Future Potentials
of Social Economy in Croatia**

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Introduction

- **Historical aspects of development of social economy and social entrepreneurship in Croatia**
- **Social Economy in Croatia: current status and trends**
- **Discussion: Croatian social economy in EU context**
- **Conclusion: future perspectives of social economy in Croatia**

Historical aspects of development of social economy and social entrepreneurship in Croatia

- First cooperative started in Croatia on Island Korčula with credit-saving cooperative established 1864 year
- Croatia was a part of Austro-Hungarian empire at that time, so in Dalmatia part cooperatives developed faster under the Raiffeisen influence
- legal framework in Croatia for cooperatives was Austrian Law on Cooperatives from 1873
- In Central Croatia and Slavonia (continental part of HR) impetus for development of cooperative sector was the Catholic Congress which was held in Zagreb in 1900.
- By 1907, the Cooperative Alliance was founded in Dalmatia with over 100 active cooperatives at that time, while in Slavonia and Croatia three different Cooperative Alliance were established (Pejnović et al. 2016): Central Association of Croatian Peasant Cooperatives in 1911 and two other
- Before WWI around 1000 cooperatives with 150.000 members have operated in Croatia and Slavonia

Historical aspects of development of social economy and social entrepreneurship in Croatia

- After WWII socialistic period started in Croatia with development of state planned economy, collectivization and nationalization of private property and agricultural land and abolishing market economy.
- Cooperative sector in that time was seen as a 'market economy child' so socialist rulers created their own view of cooperative sector in new socialistic society.
- So they they created new legal framework in 1946 and 1953, bigger and influential cooperative members were forced to 'give their own private property like agricultural land' in new collectivistic socialistic type of cooperatives
- That was the end of private cooperative sector in Socialistic Croatia and from 1946 started the period of so called 'socialistic cooperatives' (Pejnović, 2016)
- On the other hand socialistic cooperatives promoted collectivism meaning that Croatian cooperatives from socialist time did not follow some of the most important cooperative principles.
- From aforementioned and described socialistic experience, negative influence and connotation about cooperative sector is still alive in contemporary Croatia.

Historical aspects of development of social economy and social entrepreneurship in Croatia

- Development of social entrepreneurship is relatively new phenomena in Croatia, although social economy has distinctive history as described above. Approximately 10 years ago, promotion of social entrepreneurial activity in Croatia began
- In recent years, many conferences, round tables, and panel discussions have been organized on the topics of social enterprises and social entrepreneurship.
- In the 2013 preparation for development of Strategy for the development of Social Entrepreneurship in the Republic of Croatia for the period of 2015 – 2020 begun which was delivered in 2015 and was key moment for recognition of the social entrepreneurship in Croatian context.

Social Economy in Croatia: current status and trends

- The first Law regulating Cooperative sector in independent Croatia was enacted in Croatian Parliament in 1995 *Law on Cooperatives*
- in 2002 when Law on Amendments and Additions to the Law on Cooperatives (Official Gazette, 12/2002) was enacted
- Aforementioned Law changes from 2002. established new cooperative umbrella organization called Croatian Alliance of Cooperatives (CAC) instead already operated Croatian Cooperative Alliance (CCA) (in previous CCA membership was on voluntary base, but in CAC become obligatory what according some authors ruined one of the main principles of SE voluntary membership)

Social Economy in Croatia: current status and trends

- As it was stated before in the beginning of the transition process cooperative sector by some policy makers was discredited as a socialistic relict in the first ten years of transition to a market economy
- On the other hand, after 2000s with aforementioned legal and institutional changes resulted in sharp increase of new cooperatives mainly with aim to benefits from different kind of state aid and subsidies which were directed towards cooperative 'revival' from different ministries **but without real know-how and real cooperative development motives**

Social Economy in Croatia: current status and trends

- This upward trend created superficial development in cooperative sector which was not sustainable,
- resulted in sharp increase with 571 new cooperatives were founded in Croatia from 2000 to 2007 only (not including savings-credit cooperatives) in Croatia.
- It was noticed that many of this new established cooperative were not operating and new Law changes introduced in 2011 with aim to increase requirement criteria and also to ask new registration of all cooperatives to have a clear picture of cooperative sector.
- The new *Law of Cooperatives* enacted in Croatian Parliament during 2011 (Official Gazette, 34/2011) minimal members increased from three to seven, also minimum member contribution was defined and all operated cooperatives had to align with new Law requirements within proposed time limit.

Social Economy in Croatia: current status and trends

- Parallel with this increase in legal requirements in Cooperative sector
- Croatian economy was hit by sharp recession in 2009 which lasted almost six years so macroeconomic framework for cooperative sector development was also negative during the period 2009-2013

Table 1. Trends in cooperative sector in Croatia

	31.12.2011	31.12.2012	31.12.2013	31.12.2016
COOPERATIVES (number)	2.060	1.069	1.169	1.218
MEMBERS	28.866	18.767	19.485	20.483
EMPLOYEES	4.246	2.680	2.743	2.595

Source: Croatian Alliance of Cooperatives data base

Social Economy in Croatia: current status and trends- in social entrepreneurship

- Croatian legislation does not recognize social entrepreneurship as a specific legal term
- Social enterprises can be active within the existing legal framework which is constituted from different acts that regulate cooperatives, association, foundations, professional rehabilitation and business development
- Most general social enterprises form in Croatia is association, cooperative, Limited Liability Company and in some cases private welfare institution

Social Economy in Croatia: current status and trends- in social entrepreneurship

- In 2015, first *Strategy for the development of Social Entrepreneurship in the Republic of Croatia for the period of 2015 – 2020* was adopted
- The Strategy defines social enterprise as a “business activity based on principles of social, environmental and economic sustainability where gained profit/surplus is entirely or partly reinvested for community wellbeing” (Government of the Republic of Croatia 2015)
- Strategy addressed four relevant dimensions 1. legal and institutional framework, 2. financial framework, 3. education, 4. visibility, and recognition.
- Strategy allocated around 35 million EUR to be available through the European Social Fund operational programme (2014-2020), which is really big amount in comparison with finances available in years before strategy (Baturina, 2018).

Social Economy in Croatia: current status and trends- in social entrepreneurship

- Project iPRESENT (Šimleša et al., 2015) had the most reliable estimate of a number of social enterprises in Croatia, created by combining several databases, estimates, and lists of approved projects. At the end of the year 2014, they have found 90 social enterprises.
- Šimleša et al., research (2015) noted that 14,4% of social enterprises had 0 employed people, 40% 1-4 and only 6,66% more than 20 employed people.
- Most of the organizations (81,1%) had income lower than 2 million HRK (around 262, 123 EUR), 16,66% even lower than 100, 000 HRK (about 13, 106 EUR) and only 5,55% more than 5 million HRK (Around 655, 307 EUR). Most recent estimates (Vidović, 2019) give the number around 500.

Social Economy in Croatia: current status and trends- in social entrepreneurship

- The lack of a policy and institutional framework for the development of social entrepreneurship, with a particularly emphasized tax status, greatly reduces the impacts of social entrepreneurship (Baturina, 2016).
- Adoption of the Strategy for Social Entrepreneurship Development in 2015, increased expectations from different actors around social enterprise. However, poor implementation of the Strategy caused overall disappointment
- Despite the lack of institutional and financial support and existing legal disadvantages, interest in social entrepreneurship and social enterprises is still growing in several areas of the ecosystem.
- We witness emergence of new social enterprises, new courses and educational programs, some social enterprise incubators and accelerators and other financial and support programs, developed mainly in an intermediary sector (Ferreira et al, 2019).

Discussion: Croatian social economy in EU context

- Croatian social economy comparing with EU is seriously lagging behind due to influence of several historical factors like: ex socialistic legacy in which civil activities was under strong socialistic government patronage, planned economy which hinder entrepreneurial activities, negative legacy towards socialistic type of cooperatives formed on nationalized privately owned agricultural land etc.
- More on that at the beginning of transition process Croatia was hit by war and aggression what created high human and economic costs.
- In first year of 21st century legal framework was created for SE; but negative connotation about cooperatives influenced policy makers and the resemblance of that approach unfortunately could be felt still today
- So, for instance Strategy for social economy or cooperative sector development was not launched till today

Discussion: Croatian social economy in EU context

- The most important explanation which lie behind underdeveloped cooperative sector in Croatia within EU context as it is presented with comparative statistical indicator in table 2.
- Croatian Cooperative sector in EU context

	EU	Croatia
COOPERATIVES (number)	176.461	1.218
MEMBERS	141.502.512	20.483
EMPLOYEES	4.707.682	2.595
REVENUE(Euro, million)	1.004.830	215,3
COOPERATIVE MEMBERSHIP (in 1000 citizens)	277,3	4,9
Share of cooperative employment in total employment (in %)	2,2	0,2

Conclusion: future perspectives of social economy in Croatia

- Potential space for Social Economy development in Croatia is huge, especially after Croatia become full EU member in 2013, and some European funds become available for this kind of activities.
- There are new forces mainly concentrated in academic and entrepreneurial circles, which are aware of this new opportunity
- On the other hand, public sector and policy makers especially at the local level are still not familiar with Social Economy concept and development potentials and that is a serious obstacle for Social Economy growth in Croatia.

Conclusion: future perspectives of social economy in Croatia

- In that sense, it seems reasonable to start awareness raising campaign about Social Economy development among policy makers at local levels and even short time educational seminars to inform them and increase their capacity.
- Next phase should be forming strategic partnership between educational institution (with research and education capacity in Social Economy field) with those local communities and their policy officials in order to start concrete social economy projects.
- Social economy and social entrepreneurship can be one of the emerging answers for enhancing quality of life, making changes in ways of thinking about economy and focusing on sustainable development.

- Thank you for your attention!!

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