



Projekat "ALTER - Active Local Territories for Economic development of Rural Areas" je finansiran od strane Evropske Unije



STUDY OF NATIONAL FRAMEWORK FOR SOCIAL ENTREPRENEURSHIP IN BOSNIA AND HERZEGOVINA

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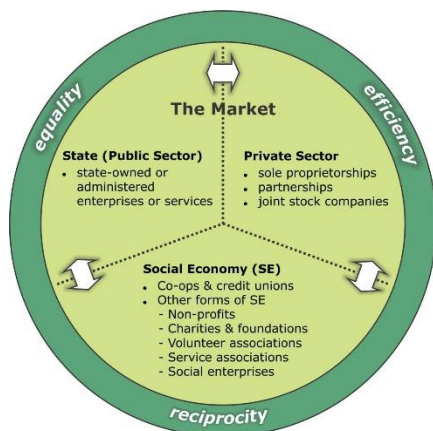


Introduction

In recent years, social entrepreneurship has increasingly become a part of the social economy and of the market economy. Using business principles and practices, organizations or corporations generate income through the marketplace with the goal of raising funds for social or environmental causes or of empowering workers and improving their economic situation. Probably the best know example is the fair trade movement which allows consumers in the marketplace to ensure that growers/producers receive a fair portion of the profits produced for their labor.

Social economy puts people before profits, it invests in people, in their capacities and creativity, and empowers them, creating quality jobs and providing training as well as prioritizing social objectives. In a market economy, corporation are meant to generate a profit, they operate in the marketplace, providing goods and services and looking for customers' satisfaction. All this is also true for the social economy the difference being that in a social economy the profit goes toward meeting social objectives instead of generating individual wealth. By prioritizing social objectives, social economy takes and innovative approach to tackling social, economic and environmental needs in society that have been overlooked or inadequately addressed by the private or public sectors.

Social economy is an innovative and more effective way to respond to social needs in comparison with traditional approaches. Alongside specific actions addressed to vulnerable individuals and families, social economy activates multilevel synergies that seek solutions on issues of collective interest. This makes it possible to go beyond the care perspective, activating reciprocity practices, and at the same time producing both social and economic value.



Social Economy Diagram²

Social economy does more than just respond to a social, economic or environmental need in society. It enhances relationships between residents, the local community and the wider society, while also promoting collective responsibility. This requires the active participation of individuals in social economy initiatives, in addition to joint collaboration between different public and private actors and stakeholders which is helpful for identifying common objectives, building long-term strategies, and renewing practices and policies that contribute to the common good¹.

¹ Caritas; <https://www.caritas.eu/>

² The BC-Alberta Social Economy Research Research Alliance BALTA; <https://balta-sis.ca/>



What is Social Entrepreneurship?

The simplest meaning of social entrepreneurship (in some cases also referred as altruistic entrepreneurship) is doing business for a social cause.

Social entrepreneurs combine commerce and social issues in a way that improves the lives of people connected to the cause. Business success is not measured in terms of profit alone – success to social entrepreneurs means that they also have improved society and community. Main focus is creation of positive workplaces and benefits for community while, simultaneously, satisfying and protecting interests of the all stakeholders - founders, owners, investors, suppliers, customers/clients etc.

There is no single universally accepted definition of social entrepreneurship. According to Bill Drayton (1980), one of the pioneers in social entrepreneurship field, four main qualities of social entrepreneur are: creativity, entrepreneurial quality, social impact of the idea, and ethical fiber. Social entrepreneurs are individuals with innovative solutions to society's most pressing social, cultural, and environmental challenges. They are ambitious and persistent – tackling major issues and offering new ideas for systems-level change³.

The *Organisation for Economic Co-operation and Development (OECD)*⁴ defines social entrepreneurship as an innovative business model which connects economic and social goals and makes significant contribution to labor market integration, social inclusion and economic development.

According to *Nonprofit Enterprise and Self-sustainability Team (NESsT)*⁵, a social enterprise is a business created to further a social purpose in a financially sustainable way while for *Social Economy Network* social entrepreneurship is the engagement of entrepreneurial and business practices to promote the greater good of the community⁶.

Any definition of social entrepreneurship should reflect the need for a substitute for the market discipline that works for business entrepreneurs. Social entrepreneurs play the role of change agents in the social sector by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created⁷.

Social entrepreneurs are innovators who commit themselves to the need of the society, and on making products and services that solve social issues and problems. Unlike traditional startups and business ventures, their goal is to make the world a better place to live in, and not to take

³ Ashoka; <https://www.ashoka.org/en>

⁴ Organisation for Economic Co-operation and Development; <http://www.oecd.org/>

⁵ Nonprofit Enterprise and Self-sustainability Team (NESsT); <https://www.nesst.org/>

⁶ Social Economy Network; <http://www.socialeconomynetwork.org/>

⁷ J. Gregory Dees; "The Meaning of Social Entrepreneurship" (1998); <https://entrepreneurship.duke.edu>



market share or to generate profits for the founders. Christopher Poizat, Founder & President of International Network of Social-Eco Entrepreneurs has defined Social Entrepreneurs as, "people who recognize social problems, decide to roll up their sleeves and get into action using entrepreneurial principles to organize, create, and manage a venture to implement social change that is sustainable, good for the planet and for the highest good of humanity."

Entrepreneurs whether social, corporate or any other, majorly focus on creating profits whether for the organization or social well-being. The foremost responsibility is to benefit the people either inside or outside the organization. The entrepreneurs tend to start a business venture in order to bring changes in their lifestyle, and routine, and tend to boost social and economic development. Entrepreneurship is generating a business, starting and running a new business, and maintaining it in a long-run. Entrepreneurs take and bear risks, are focused, determined, innovative and creative, confident and bold, possess a can-do and go-getter attitude. They are self-motivated and have strong work ethics and people skills. The best part about entrepreneurship is that the business idea can be small or big, whether in an urban area or rural, involving any amount of capital, tangible or intangible, it gives an opportunity to grow and make changes in the society to the person or group generating the idea. These changes can range from generating employment opportunities to impacting the society in a positive manner.⁸

Basis	Social Entrepreneurship	Corporate Entrepreneurship
Main Objective	Creating social change	Building a business and maximizing profits
Wealth Creation	Wealth means creating and maintaining social and environmental capital	Wealth is same as profits
Measure of Profitability	Engage in for-profit activities	Benefiting shareholders and investors
Investors	Philanthropists	Venture Capitalists
Emphasis on Team and Individual	Individuals raise and donate money for charitable causes on the basis of viability of the project gauged by the individual in charge.	Venture Capitalists invest in business on the basis of company's leadership team and the organization supporting it
Performance Measurement	Measuring social change is difficult due to its non-quantifiable and multi-causal characteristics, and perceptive differences of the social impact created.	Corporate entrepreneurs can rely on relatively tangible and quantifiable measures of performance such as financial indicators, market share, customer satisfaction, and quality.

Social Entrepreneurship vs. Corporate Entrepreneurship⁹

⁸ EDUCBA; <https://www.educba.com/>

⁹ Ibid; <https://www.educba.com/>



The main characteristics of social entrepreneurship, outlined in diverse theoretical resources, are:

- Explicitly formulated mission to create and sustain social value and to benefit the communities;
- High degree of economic risk and autonomy in activities related to producing goods and/or selling services;
- Pursuit of new opportunities and exploration of hidden resources to serve that mission;
- Quest for sustainable models, based on well elaborated feasibility study;
- Ongoing engagement in innovation, adaptation and learning;
- Decision-making power not based on capital ownership;
- Participatory and collaborative nature involving various stakeholders;
- Limited distribution of profit and minimum amount of paid work;
- Change opportunities lying in the hands of every individual.

The most important policy objectives results of social entrepreneurship programs and projects are:

- Creating new jobs;
- Improving the living standards;
- Inventing new products and services;
- Activating citizens' participation in decision-making at all levels;
- Nurturing democratic processes;
- Integrating new comers, marginal groups, immigrants, vulnerable groups of the population;
- Developing intercultural competence;
- Creating wealth: reinvestment and generation of investments;
- Improving the image of local areas;
- Using regional resources in a creative and effective manner;
- Empowering to people to change their lives, to get motivated.¹⁰

Social Entrepreneurship in Bosnia and Herzegovina

The last systematic assessment of social entrepreneurship in Bosnia and Herzegovina has been conducted in 2012 by Social Inclusion Foundation in Bosnia and Herzegovina and published in document "Assessment Report on Social Entrepreneurship in Bosnia and Herzegovina"¹¹. Having in mind slow changes in legislation and overall economic situation in B&H, there were no significant changes in this field and those finding still reflect current state of affairs.

¹⁰ LabforCulture; <http://www.labforculture.org/en>

¹¹ Social Inclusion Foundation in Bosnia and Herzegovina; <http://www.sif.ba/>



Overview of the Situation in Bosnia and Herzegovina Poverty and Social Exclusion

According to data from 2011, the relative poverty line for BiH was BAM 416.40 equalised per adult on a monthly basis, while the relative poverty rate for FBiH was 17.1%. According to data from the Institute of Statistics of Republika Srpska "Household Budget Survey" (2011), the relative poverty line for RS for 2011 amounted to BAM 381.09, equalised per adult on a monthly basis, while the relative poverty line was 14.4%. In terms of territorial distribution (according to settlement type), poverty is mostly widespread among households in rural areas (17.8%) than among those in urban areas (10.1%). The poverty level is closely linked to the age of the household head and is mainly concentrated among households whose heads are 65 years of age and older (19.5%). It is even more pronounced among one-person households in the age category 65+ years of age (23.8%). According to the same data, disaggregated by gender of the household head, the highest poverty rate is among women (18.7%).

In the same period, the absolute poverty line for BiH amounted to 238.00 BAM per capita and per 2007- based prices, while the absolute poverty rate for FBiH was 22.7%.

In addition, according to data from the RS Institute of Statistics "Household Budget Survey (2007)", the absolute poverty line for RS for 2007 stood at BAM 201.07 per month and per household member, while the absolute poverty rate was 16.8%. In terms of territorial distribution (according to settlement type), absolute poverty is mostly widespread among households in rural areas with 19.91% than among those in urban areas (10.94%). Observed according to the age group, absolute poverty is mainly concentrated among heads of households 65 years of age and older, and it stood at 21.06%. With the creation of the report/study "Budgetary allowances for social protection in BiH – what functions and what does not function", the absolute poverty line for RS for 2011 was updated. In this report, according to the updated absolute poverty line in the RS, the absolute poverty rate for 2011 was 15.8%.

According to the Household Budget Survey (2007), the poverty rate varies with the age group of the household members. Observed for all age groups, the poverty rate is concentrated mainly in the following age groups: 35-49 (29.6%), 50-64 (32%) and 64+ (30.4%). According to the same data, disaggregated by gender, the highest poverty rate is among women over 65 years of age. Older persons, in general, have no savings or life insurance policies, thus their income is often limited to their pensions.

The sources of poverty are most frequently caused by insufficient income compared to the real needs of the older people. The reasons underlying low income of the older people are often linked to their unemployment in the pre-retirement period because the employers, due to the high number of unemployed persons on the labour market, often look for younger persons to perform the job. In addition, lot of persons have developed their competences in the previous system, which are presently obsolete, and therefore they are not competitive on the labour market. Furthermore, one of the reasons for insufficient income is low income during the employment period, which, due to lack of additional forms of insurance, results in low pension during old age.



It has been estimated that poverty is more pronounced in rural areas, by 9%. However, when it comes to women, in comparison to men, they have a lower rate of economic activity, and consequently higher unemployment rate and lower monthly income, lower representation in the decision-making structures where important decisions are made for all citizens, and bear the risk of long-term unemployment and poverty more than men, particularly if they live in rural areas according to Institute for Development Programming of FBiH, 2015, Development Report of FBiH.

The social insurance system in BiH covers the following: a) unemployment insurance, b) health insurance and health care, c) pension and disability insurance, and d) veteran protection. The social protection system is decentralized in compliance with the Constitution.

At state level, the role of the authorities is to determine the basic principles of activities coordination, to harmonise the plans of the entity-level authorities and to define strategies at international level in the fields of social protection, pension, labour and employment.

The Ministry of Civil Affairs of BiH coordinated the Project 'Support to the Social Service Providers and Enhancement of the Monitoring Capacities' (SOCEM 2015-2017) IPA 2011, which overall objective was to 'improve social protection of socially vulnerable groups, and improve monitoring, reporting and promoting human rights'. The project's objective also includes development of a generic model (best practice model) of assistance to the elderly and persons with disabilities, and to support the establishment of two mobile teams for assistance to the elderly and persons with disabilities. The project is financed by the European Union in BiH and is implemented in the social welfare services in 12 municipalities in FBiH and RS.

In the Republika Srpska, the competence for social protection rests with the entity level, which ensures equal level of rights and their realization. In the FBiH, however, the situation is rather complicated due to divided competences between the cantons and the entity level. The main difference in defining the social protection rights, i.e. the difference between the entity laws on social protection, derives from the constitutional organization of the entities that establishes different administrative structures. Furthermore, a significant difference in the implementation of the mentioned social protection laws stems from the highly different economic situation of the two entities. Consequently, the level of social protection rights achieved by the people in need in the FBiH is very unequal both in theory and in practice¹².

No matter of the recent improvements (increase in GDP and decrease in unemployment rate in 2017), according to the report of the World Bank/DEP a great part of the population has expenses that are just a bit above the poverty line. Based on the household budget survey from 2007, it was estimated that about 20% of the population had expenses between 204 and 306 BAM per member. This is the poverty line between 100 and 150%. This indicates the fact that a great part of the population is subject to the economic changes that could cause decrease of incomes, even for the small amounts, and push them under the poverty line.

¹² The United Nations Economic Commission for Europe (UNECE); <https://www.unece.org/>



Taking into consideration previously stated indicators, it is clear that it is necessary to undertake serious steps and reforms in order to change the current situation. In the present situation social entrepreneurship opens great possibilities for solving or mitigating the current problems, for the work engagement of many unemployed and socially vulnerable people and improvement of the social and material status of individuals and wider BiH community.

European Tendencies in Social Entrepreneurship

Prior to giving an overview of development of social entrepreneurship in Bosnia and Herzegovina, main actors and legal framework, we will take a short overview of the EU practices, taking into consideration the importance of the European integration process for Bosnia and Herzegovina.

Namely, the concept of social inclusion, initiated by the EU countries looks at an individual as potential not as an expense of the society and it devotes attention to their social inclusion. The aim is to enable and return less employable categories to the labor market. Through the active inclusion measures, which emphasize social economy, the price that should be foreseen for the incentives for employment and education of the poor and excluded citizens is much less than constant and unsustainable allocations for social protection. Draft of the European strategy 2020 sets three priorities for the EU countries, but also for the candidate countries in the next period:

1. "Smart" development: economic development based on the knowledge and innovations;
2. Sustainable development: promotion of more effective, ecological and competitive economy;
3. Inclusive development: initiating opening of the new work places with the aim of social and territorial cohesion

Social economy, i.e. social entrepreneurship as its basic form, composes 10% of the European business and employs 6% of all the employed. This concept is looked at as one of the most important ones that contribute to employment and social integration of the vulnerable categories, firstly through different approach, innovations and different forms existing in the EU. In the tradition of European social entrepreneurship Italy is considered the first country that legally supported development of social entrepreneurship. In 1991, initially the law introduced "associations of social solidarity" – social associations of the type A (providing social, health and educational services) social associations of the type B (enabling inclusion of the discriminated groups at the labor market). Due to the later changes of the law, besides these associations, other organizations could get registered if they had limitations in allocations of the profit and involved interest of certain social groups. These associations were introduced in Portugal, Spain, France and other countries.

In Finland there is a high awareness on needs of persons with special needs when it comes to employment and other socially excluded groups. Village associations have been developed (for local development and social protection), associations for the unemployed and workers, and associations of the professionals who provide services of social and health protection.



Very inspirational is the model of Great Britain which in 2004 introduced a new legal form "Community Interest Company" (CIC) which implies check of the purpose of the community service and these enterprises conduct many activities. In 2002 France has also introduced SCIC – Société corporative d'intérêt collectif (societies based on the common interest).

Example of Germany is very interesting as it has traditionally developed associations (according to some data there are 17 million cooperatives members in Germany), but there is no developed policy of social entrepreneurship.

The Dutch approach to social entrepreneurship, where 65% of the youth obtains work experience before the first official employment through work in the field of social entrepreneurship (volunteering, volunteering with some benefits, work contract etc.) deserves attention and it is a model that could be applied in BiH, due to the big number of the unemployed youth. In this regard education in this field should be introduced to the schools and faculties so that the youth could take part in the social activities, and besides this they would be ready as individuals to take part in socioeconomic activities and to develop this process.

Moreover, ESENSEE-Eco Social Economy Network South and East Europe has an important role in connecting social entrepreneurs for creating better environment and opportunities for social entrepreneurship. The European Union supports these activities and similar organizations with its funds. Very active is "Europe for Citizens Programme" conducted through EACEA-Education, Audiovisual and Culture Executive Agency for which EC Directorate General for Communication is in charge. Activities and projects of these organizations include partners from our region, Croatia,

Serbia, Macedonia, and there is more and more interest from Slovenia, Bosnia and Herzegovina and Montenegro. As presented in the examples of these countries, social entrepreneurship is very important in the EU.

In order to make a step forward in its development and initiating, the EU has made social entrepreneurship, along with other innovations one of the priorities within the Lisbon declaration from 2000. These priorities were the basis for policies initiating establishment and sustainability of small and medium enterprises, and one of them is the European charter for small and medium enterprises, signed by the Western Balkan countries, among which Bosnia and Herzegovina, which obliged them to make progress in ten areas of the Charter:

1. Education and training for entrepreneurship
2. Cheaper and more effective starting of a business
3. Better legislation and regulations
4. Availability of entrepreneurship skills
5. Improvement of the internet access
6. Better usage of the unique market
7. Taxes and financial issues
8. Strengthening of the technological capacities of small enterprises
9. Successful models of business activities via internet and support to business
10. Better representing of the interests of small enterprises.



Level of Development of Social Entrepreneurship in Bosnia and Herzegovina, Main Actors and Legal Framework

The percentage of the socially excluded persons in Bosnia and Herzegovina is 60%. The concept of reducing poverty and social exclusion is mostly based on the passive support to the poor and socially excluded families and individuals. The issue of social inclusion and poverty reduction are becoming an obligatory component of the EU integrations. As one the response to the current state the Social Inclusion Strategy has been created and it is development of the strategic goal - Social inclusion from the Development Strategy of BiH. So far the Strategy has been adopted in the Federation of BiH, Brčko District and it is expected to be adopted by the Council of Ministers.

One of the measures of the Social Inclusion Strategy is development of the system of support to social entrepreneurship. It is stated in the Strategy that inclusion of the socially excluded in the active labor market requires support to social entrepreneurship as one of the forms of employing these categories and that the system of support should be developed first at the local level and other levels where social entrepreneurship is established and developed. The system of support should include measures that facilitate administrative services, financial support and benefits. However, the real effects and work in this field are still not evident.

Bosnia and Herzegovina has also adopted Strategy for development of small and medium enterprises (SMEs), but it is not fully implemented, nor there the European system of monitoring of the key indicators related to development of SMEs, to employment and creating of the added value. This creates obstacles for developing more effective policies for employment through developing SMEs.

And the situation for development of social entrepreneurship is even less favorable.

In Bosnia and Herzegovina there is low presence of three basic kinds of entrepreneurial activities:

1. Lack of early entrepreneurship activities with medium/high expectations of increase of work places;
2. Lack of early entrepreneurship activities with no or low expectations of increase of work places and
3. Lack of entrepreneurship activities of the employees.

The main reasons for this are insufficient knowledge of the concept and possibilities that open through social entrepreneurship, non-existence of the adequate institutional framework, sporadic programs and initiatives for employment through social entrepreneurship, lack of the initial capital, needed knowledge and skills. Taking into consideration the number of the poor and socially excluded in Bosnia and Herzegovina, as well as consequences of the global economic crisis, it is clear that the current situation must be changed since, according to the experiences of the EU, only social entrepreneurship can effectively integrate unemployed and other vulnerable categories of the work capable population. In order to improve social entrepreneurship activities in Bosnia and Herzegovina, it is needed to improve institutional support and characteristics of the entrepreneurship environment which will provide better conditions for its development. Entrepreneurship policies, funds and agencies, as well as



favorable conditions at the state and lower administrative levels should be established and coordinated in order to make progress of social entrepreneurship in Bosnia and Herzegovina. It is very important to have all the relevant actors and sectors actively involved in these processes, and they include public and private sector, civil society organizations and entrepreneurs themselves and that there is cooperation, partnership and coordination among them, which will be elaborated in the next chapter.

Public Sector

Social entrepreneurship occurs between public, private and civil sector.

Speaking of the forms of social entrepreneurship that exist or are recognized as social entrepreneurship, the state and its subjects can be actors of the social sector. The state always has reasons for development of social entrepreneurship as development of social relations is much faster than of the state structure, no matter of the organization, since the state is more resistant to the social changes. Therefore, the state is always interested in solving problems not only through its own activities, but through contributing and initiating social entrepreneurship. This is most often done through legislation and legal norms that enable starting and promoting these activities. However, it should be taken into account that after the break-up of the former Yugoslavia, where privatization started in 90ies as well as frontal introducing of the private initiatives in social entrepreneurship, there was a war period after which started the period of the first capital accumulation of the entrepreneurial economy. Thus, in Bosnia and Herzegovina it was not possible to have awareness on social entrepreneurship earlier. In addition to devastated social structure, there is high poverty, unemployment and other existential problems and therefore it is very important that the state, which cannot meet the needs of the citizens, promotes and initiates social entrepreneurship and includes all the actors from the public and state sector.

Examples of social entrepreneurship in the state and public sector are most obvious when it comes to the legal framework and we can state the entity laws on persons with disabilities. Besides defining the categories and determining their rights, these laws obliged certain subjects to employ persons with disabilities according to the number of the employed and if they do not have the needed census for the obligatory employment then they have to allocate a certain amount of money from the brutto salaries of the employed. Moreover, legal persons which do not have this obligation

(e.g. non-governmental organizations) pay certain amount that is smaller in percentages than for the stated subjects. There is a fund established by these laws as a special legal subject which allocates the collected money based on transparent, public calls for professional training and rehabilitation of persons with disability.

The status of these enterprises is specially defined (in FBiH company for employment of persons with disabilities must have at least 40% of the employed with this status, while 51% in RS), as well as their benefits which the state has given to them by this law. These enterprises can be founded by all the legal subjects including the state institutions (FBiH, RS, cantons, municipalities, institutions, enterprises etc.). Protective workshops are established with the aim



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of employment and they can be established by the units of local self-government, companies, associations of persons with disabilities, associations of employers, unions, humanitarian organizations and other legal persons.

The work center is a public institution which ensures work for persons who cannot be employed through some of the possibilities provided by this law, or for work-therapeutic activities within rehabilitation of persons with disabilities. The work center must have at least 80% employed persons compared to the total number of the employed and it can be established by all the subjects that can establish companies for employing persons with disabilities. Self-employment is also considered employment of persons with disabilities, as well as work in a family company or own business activity. In business, all the subjects are not obliged to customs and taxes, and expenses of communal services, phone and electricity are paid under the same conditions as for the households.

A part of funds that have to be allocated for the salaries, may be returned from the Fund, and the law obliges the other subjects that 20% of their needs for goods and services produced by the enterprises for employing persons with disabilities, must be paid by them, as in this way their sustainability is stimulated. In FBiH, there are more advantages by which the state invited all the subjects to, using the benefits of this law, reduce exclusion of this category and make them useful members of the society, while awarding those contributing to this mission.

There are similar laws when it comes to refugees, displaced persons, sustainable return (also through establishing a fund), but the question is if they ensure success, transparent work and control. Both entities adopted laws in the field of environment protection (protection of air, water, environment, waste management) and invited these subjects not only to respect certain standards, but to, through realizing the right to the healthy environment, implement activities for environment preservation, prevention and reduction of pollution, and thus it opened many possibilities for social entrepreneurship.

As an example of the state activity, there is also the Law on financing the environment protection,

(Official Gazette RS No.3/11) which makes resources out of the compensations paid by the polluters of the environment, and compensations for water protection, aid programs, donations etc. Some subjects are obliged to pay these compensations in the way determining compensations paid as the public income of the budget and allocated to the account of the Fund. These funds have multiple purposes from protection of air, water, land, forests, mitigating of the climate changes and ozone layer protection, sanitation of the waste landfill, waste reduction, re-usage of waste, initiating of the sustainable usage of the natural resources, development of rural areas, projects of energy efficiency and renewable energy sources, cleaner transportation, educational, research, innovative and development studies in the field of environment etc. These funds are allocated through a public call to legal and physical persons, by financing programs, projects, grants allocations, donations and aid providing. In FBiH, there is Law on the Fund for the Environment Protection from 2003 (Official Gazette FBiH No.3./03).



Cooperatives have long tradition in Bosnia and Herzegovina since 1888 when the first cooperative was founded in Derventa, and first housing cooperative in 1897 in Sarajevo. Laws on cooperatives existed in the legal system of the former Yugoslavia, and there were agricultural, housing and saving/credit cooperatives very often linked to a workers' union (e.g. railway, textile industry etc.). At the state level of BiH, there is a General Law on Cooperatives (Official Gazette BiH No. 18/03, 55/06), through which it is possible to initiate social entrepreneurship.

Cooperatives were supposed to harmonies their way of work with this law, i.e. the entities could adopt laws in this field but in accordance with the law on the BiH level. Pursuant to this law, a cooperative is a way of organizing members who associate on a voluntary basis in order to satisfy their common economic, social and cultural needs through joint possession and democratically controlled business activities of cooperatives that can be general or specialized. Rule of cooperatives determine their activities. In legal business a cooperative works on its own behalf, guaranteeing by its own property, and obligations cannot be covered by the cooperative property, the members are responsible all together, at least by the amount of their investment, if the rules do not determine bigger amount. A cooperative can establish at least 5 physical and legal persons (rules can determine that these are only physical persons) by making a contract on establishing a cooperative. The rules of a cooperative contain a range of issues which are regulated by Article 13 of the Law (similar to the contracts on establishing enterprises as these are profitable subjects) and they are registered in the court register. A cooperative can do all the activities for which it is registered.

Members of a cooperative receive this status by joining the cooperative and there is a book where they are registered. The members of a cooperative manage it based on the principle one member one voice (assembly). If there are more than 300 members, it can be decided that the activities of the Assembly are allocated to at least 30 representatives who are physical persons. The management board of a cooperative has at least 3 members and their competences are determined by the law. The board of directors are elected among the members as well as of the management board. Director of the cooperative is a person who represents the cooperative and executes all the decisions in the field of its business activities. There is a protective clause of competition for director, members of the management board and board of directors, which ensures that they are only engaged in the work of a cooperative. The cooperative uses resources based on the investment of their members, joint property, state or private property of other physical or legal persons which are regulated by the contracts. Resources that the cooperative receives as subsidies of the state, CSOs and other resources can be used only for the material investments or for the permanent working capital. It is necessary to allocate resources in the Reserve fund of at least 5% of the total value of the cooperative members. The profit can be distributed only if ensured that after investment return the real value of the property upon establishment is not reduced below 49%. A cooperative can establish other funds based on decision of its members. The unions of cooperatives can be established in order to improve activities of cooperatives and protect their interests as well as other business and professional organizations. It is necessary to conduct regular audit every second year, or non-



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regular - if needed or if decided by the Decision of the cooperative bodies, a number of members or competent state bodies.

As already stated, agricultural cooperatives have been the most often form, even though a cooperative can do other activities too. In Croatia they were very popular as a form of employing demobilized war-veterans, the unemployed and persons with disabilities. In Republika Srpska, there are agricultural cooperatives, but the audit has found out that a great number of these cooperatives are an excuse for the work of private companies and they do not present a real form for which joint property is characteristic and not private property. There is also a problem of cooperatives that used state land, and made it the property of cooperative, which was not the intention of the legislators when they prescribed in Article 94 that the land used by a cooperative become the property of the cooperative (this refers to the time when the law entered into force). Interpretation of Articles 94 and Article 95 of the Law was given by the Constitutional court in the Decision AP 1808/05 in 2006. Namely, real estate used as the state land was the state property and there were given for usage, which as a legal institute belong to the field of the property law. But, the very fact that such a property could not be confiscated or mortgaged, which is prescribed by the law, confirms that this was a limited right to usage, while the legal institute of property was not limited.

In RS in 2008 the Law on agricultural cooperatives was adopted (Official Gazette RS 73/08). This Law is in accordance with the General Law on cooperatives and it has been created for the purpose of associating of the cooperative members active in agriculture. In FBiH the General Law on Cooperatives is applied. According to data of the Cooperative Union of BiH there are 350 cooperatives in RS and 200 cooperatives in FBiH.

There are also laws on **public companies** which prescribe regulations for companies whose founders are the state institutions or ownership capital is mostly financed from the budget. The Law on Public Companies FBiH (Official Gazette FBiH 8/05, 22/09) and Law on Public Companies RS (Official Gazette 75/04) are based on the laws according to which profit and public subjects work. Even though they are financed from the budgets and taxes, the court bodies are independent and work based on the law regulating the courts work. One of the forms of the state incentives of social entrepreneurship are entity laws on lotteries. The Law on Lotteries (Official Gazette RS No. 7/10-refined text) prescribed by Article 23 that the gain of 50% will be allocated to those working in the field of "social protection and humanitarian work, problems and satisfying the needs of persons with disabilities, organizations working in the field of culture, education of children and youth out of the institutions." The Law on Lotteries (Official Gazette FBiH, No 1/02, 40/10) prescribes that if the awards are goods and services it is obligatory to pay in advance 6% of the total value of the award fund in the following way: equally 1,5% to Red Cross, "Caritas", "MDD Merhamet" and "Dobrotvor". Out of the profit belonging to Federation, the Government of Federation will allocate 50% for financing program related to: collecting funds for medical treatment of ill children and youth which is financed from the Solidarity fund, protection of the rights of children which are victims of abuse, pedophilia, begging, satisfying needs of persons with disabilities in the sense of improving their



living conditions, fight against drugs and addiction, accommodation and shelter of victims of torture and violence; amateur sports in order to increase funds for awarding individuals making innovations and innovations for the internationally important innovations, activities for development of civil society and public kitchens. The funds are allocated based on the program of work and projects. Programs and projects implementers i.e. organizations and associations submit requests for funding to the competent federal ministry. The funds allocations are based on the Rulebook on criteria for funds allocations.

From the above stated, it can be concluded that there is a great interest of the state to actively, by legal norms and grants, creates favorable environment for social entrepreneurship.

Private Sector

Private sector is a very important factor in development of social entrepreneurship, firstly when it comes to starting and initiating social entrepreneurship activities, and because in this sector there are forms of establishing, organizing and working which are suitable for development of social entrepreneurship. The private sector increased its activities with adoption of the laws on companies in RS and FBiH. It should be said that these are profitable subjects, which are founded for the purpose of profit gaining and they can be called business subjects.

The most interesting form for social entrepreneurship is limited liability company (llc.) as it is a possible form for small and medium enterprises. Management of these companies is more operational than in some other forms such as stock company since it enables faster and easier adaption to the market conditions and this makes it more functional at the turbulent markets. These subjects are suitable even for more stable markets, which is confirmed by the EU Strategy for small and medium enterprises, due to their movability and easier transfer of the capital.

Within the group of small and medium enterprises, especially interesting are clusters. Clusters in economy mean subjects that are connected vertically in their activities. It means that an activity (e.g. food production) from the beginning takes part within clusters (processing, producing different products, products related to food to opening of the restaurants, deliveries to the consumers, research on the new products etc.) Clusters are very suitable for development of small and medium enterprises which are at the same time the most suitable for social entrepreneurship. They enable connecting of public and private sector which is very important for social entrepreneurship.²⁸

In FBiH and RS there are laws on initiating small and medium enterprises. In FBiH this is the Law on Initiating Development of Small Economy (Official Gazette FBiH No.19/06, 25/09), in RS Law on Initiating Development of Small and Medium Enterprises (Official Gazette RS No.23/09-refined text).

Both laws defined small and medium enterprises as enterprises employing up to 250 workers; micro enterprises up to 10 workers, small enterprises 10–49 and medium enterprises from 50–250 workers with the profit defined by the law (there are differences in the amount of profit for some of the categories). While the Federal law defines initiating measures as "favorable business environment" with the most important examples of measures, the RS law states a range of measures by which this will be achieved e.g. loans, subsidies and benefits for



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registration, introduction of tax and customs benefits, creating conditions for better inclusion of people in entrepreneurship, promotion of entrepreneurship etc. However, the practice does not show that the laws are applied in the fully effective manner. Federation has the program of Federal Ministry of Development, Entrepreneurship and Craft (ministry which should be the most important due to its competences for the economic development, increasing employment and reducing exclusion) named "Building entrepreneurial zones in BiH". These zones can be industrial, crafts, entrepreneurial-crafts, services, agriculture, tourist, centers for development and transfer of technologies etc. The aim of this program is development and concentration of entrepreneurship, which has not been achieved yet.

The Law on public-private partnership (Official Gazette RS 59/09) prescribes that the subject of public-private partnership can be building, using, maintaining, managing or reconstruction of property in order to satisfy public needs in the field of air, road, river and railway transportation, educational, cultural, sports, health, communal, information-communication, innovation entrepreneurial, management of eco and hard waste etc. The law determined two forms of partnership: contractual – based on contractual relations (contracts regulate interests) and institutional form – forming a business subject. Contractual relations are not long-term contracts on services where the public sector purchases only services, with no capital investments of private partners, not these are contracts on construction or building.

Business linking is possible in all the forms of business subjects and the most often form is a stock company (less often limited liability company or company with unlimited liability). There is also linking with subjects of independent economic activities which are defined by the Law on Crafts and similar activities in FBiH (Official Gazette FBiH No.35/09,42/11). According to the Law, craft is "independent and permanent implementation of the activities of the registered economic activities in basic or additional profession, from physical persons with the aim of profit gaining through production or providing services at the labor market". Similar activities are also other registered activities which physical persons do in accordance with the rules of crafts. Every activity which is not forbidden by the law is allowed unless regulated by the other law. There are linked and separate crafts which differ in conditions for their implementing (a special profession is needed for the linked crafts and for the separate one it is necessary to have the approval for implementation). Two or more persons can together do a craft. Similar activities can be done in or out of the housing facilities which includes seasonal and agricultural activities. Administrative records of profit gaining must be in accordance with the law. The law especially regulates work of the association of the craftsmen and work of the Craft chamber of BiH. Bylaws have especially determined works that can be done as household activity, which can be done in and out of the housing facilities, which can be done in flats, which can be done seasonally, what are the minimal technical and other conditions for craft and other similar activities.

The Law on Crafts and Entrepreneurial Activities of RS (Official Gazette of RS No. 117/11) is much shorter and does not elaborates the field of independent profit making as the federal law, although it applies the same forms of implementing independent activity.



As forms in the private sector, in the health sector, special laws on the health protection are applied to the health protection determining institutional forms of health protection (primary, secondary and tertiary health protection). Private medical practice is possible, transitional period for harmonization with the law of FBiH expires in 2012, after which doctors can do their activities as private workers in one of the private medical institutions or have private practice or work in public institutions. In Federation the Law on the Dentist Activities has come into force recently (Official

Gazette FBiH No.37/12) which provides possibilities that dentists work without charge in humanitarian way in cooperation with religious or non-governmental organizations with a prior informing of the competent dentist chamber. This is a very good suggestion to all persons accommodating certain groups or categories in social protection to the centers and daily specialized centers to organize dentist services for children and adults in this way.

The Law on Social Protection RS (Official Gazette No 37/12) allowed (provided that all the conditions are fulfilled) independent work in the field of social protection as a professional activity, but only for counselling or specialized social services. The resource ministry keeps the records of these persons and their licenses for independent work.

Micro-credit organizations are an indispensable subject in social entrepreneurship. In the post-war period, the micro-credit sector had a really important role in poverty reduction and support to development of small and medium entrepreneurship among the socially vulnerable population which cannot receive funding from the traditional banks. Micro-crediting enabled a great number of people to start family businesses in the field of agriculture, cattle-breeding, organic food production, crafts and other. Work of micro-credit organizations is fully regulated by the law. In Republika Srpska there is the Law on Micro-credit Organizations (Official Gazette RS No.64/06) Law on Savings-loan Organizations (Official Gazette RS No. 93/06). In Federation BiH there is also Law on Micro-credit Organizations (Official Gazette FBiH No. 59/06). Both entity laws define a micro-credit organization as a legal person that can be established and conduct business as a micro-credit company (ltd. or stock company) or micro-credit foundation. If a micro-credit company is founded, the resource law is the Law on Companies, and if a micro-credit foundation is founded, the resource law is the Law on Associations and Foundations (these laws can be cantonal, entity or state depending on the area of work and competent registry). This means that a micro-credit company will be registered in the court registry according to the headquarter of the micro-credit company, and a micro-credit foundation will be registered with the court in Republika Srpska, with the Federal ministry of justice of FBiH or a cantonal ministry of justice for the work at the level of one canton. A micro-credit company can approve a loan in the maximum amount of 50.000,00 BAM, and micro-credit foundation a loan in the maximum amount of 10.000,00 BAM. For these activities all the needed licensees must be obtained from the entity Banking agencies.

A micro-credit organization can be founded by at least three local or foreign physical persons, or at least one local or foreign legal person under the conditions prescribed by the law. Organizations can found organizational units in the other entity, and they can establish



association of micro-credit organizations. Other activities of micro-credit organizations are donations and raising funds from any legal resources, giving or taking property mortgage in order to ensure loans, loan consultations, business consulting, technical assistance with the aim of credit activities and business activities of the clients.

It is also necessary to say that the **banks** are a part of the environment for social entrepreneurship through their credit lines for small enterprises, investment projects or special lines for social entrepreneurship, as well as through grants, donations which are annually allocated to civil society, through public calls.

Civil Society Organizations

Within civil sector, the CSO sector provides most opportunities for social entrepreneurship as it is the most numerous segment of civil society. Importance, capacities and influences of the CSO sector are clearly illustrated by the numerical data on CSOs and persons engaged in their activities.

According to the Center for Promotion of Civil Society's report „The Survival of CSOs in Bosnia and Herzegovina“ (2017), the number of CSOs in Bosnia and Herzegovina is steadily increasing, and the present data in the joint register of the BiH Ministry of Justice show that it currently has 24.888 "active" CSOs. Active in this case means that organizations are not removed of the register of competent institutions. This number is large and it raises serious question whether someone is misusing laws on associations and foundations for purposes for which this law is not envisaged. By obtaining data from Financial-Informatic Agency (FIA) for FBiH and Intermediary Agency for IT and Financial Services (APIF) for RS, which are mandated to gather compulsory financial reports from all legal entities, including CSOs, it is evident that a much smaller number of civil society is indeed active and contributing to the mission they exist for - 13,955 civil society organizations in 2017 has provided compulsory financial reports (5.425 in FBiH and 8.530 in RS)¹³.

CSOs in BiH provide services for 29% citizens through their work in in the local communities which gives an additional value to their work as it enables direct contact with final beneficiaries and insight in their real needs and problems.

Generally speaking, civil society organizations are quite flexible and they can adapt to new circumstances and localities which is not common to the state structures. They establish direct contacts with beneficiaries, openly accept cooperation with other organizations and institutions and readily accept changes and innovations. All of this speaks on the importance and activities of the CSO sector in Bosnia and Herzegovina and opens opportunities for their active participation in the field of social entrepreneurship, animating and engaging of potential beneficiaries and social entrepreneurs. Speaking on the legal framework, at the level of Bosnia and Herzegovina there is a Law on Associations and Foundations (Official Gazette of BiH No. 32/01, 42/03, 63/08, 76/11). In Republika Srpska, there is the Law on Associations and

¹³ Centar za promociju civilnog društva; <http://civilnodrustvo.ba/>



Foundations of Republika Srpska (Official Gazette of RS No. 52/01, 42/05), and in FBiH, Law on Associations and Foundations (Official Gazette FBiH No. 45/02), and some regulations on the Law on Humanitarian Work and Humanitarian Organizations (Official Gazette FBiH 35/98) which refer to representations of the foreign civil society organisations, licensees for their projects and supervision of their work. The Brčko District has its Law on Associations and Foundations (Official Gazette BD 12/02,19/07).

From the aspect of social entrepreneurship, all the laws prescribe that associations and foundations can have their own property, which is important as it can be movable and immovable property. Property can be inherited or donated. The activities are non-profit. The BiH law defines it in the following way "with the aim of realizing common or public interest, but with no intention to acquire material gain". The entity laws prescribe the same i.e. "the basic purpose in not material gain."

Speaking of the economic activity (profitable activity), the state law determines that economic activities can be done only if the purpose of these activities is to achieve the aims prescribed by the statute. The law of Republika Srpska also provides possibility for conducting economic activities which are linked to the aim of the association and this was confirmed by regulations that the income surplus gained in economic activities must be invested in the basic statutory activities and it cannot be directly or indirectly allocated to the founders, members of the association, management bodies which does not refer to appropriate reimbursements, costs related to the statutory activities etc. The

Federal law prescribes norms only for conduction of the non-related economic activities (that are not directly related to the aims and activities of the associations and foundations) and that can be conducted through a separately established legal person. There is the right to establish a separate subject for economic or other activities. The Federal law conditions allocations of such profit only for the aim determined by the statute of the association and conducting the activities of the association – founder. There is the same regulation in the state law. This provides a broad legal framework for the activities directed to social entrepreneurship and establishing organizations for social entrepreneurship.

From the above stated, it can be concluded that it is allowed to conduct economic activities if the primary purpose is not the profit gaining and if these activities are related to the aims and activities of the association and foundation. However, when it comes to unrelated activities, a legal person must be established i.e. subject through which such a business activity can be conducted.

When all of this is linked to possibilities provided by the public sector it is clear that there are great potentials for the social entrepreneurship. In FBiH, there is the Law on Social Protection, Protection of the Civil Victims of War and Protection of the Families with Children (Official Gazette FBiH No. 36/99, 54/04, 39/06, 14/09). Article 3 of this Law separates competencies in the field of social policies between the competent ministry at the FBiH level and competent cantonal ministries. In Article 4, the law allowed that the activity of social protection, protection of the civil victims of war and protection of the families with children can be implemented, besides the social protection institutions, humanitarian organizations, citizens associations,



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religious associations and organizations established by individuals and foreign and legal persons. The Law on Social Protection of RS (Official Gazette No. 37/12) delegates competences in the field of social protection among the entity government and units of local self-government – municipalities. Social protection can be obtain and license for work and they are registered in the Registry of institutions of social protection with the competent ministry.

There is one more law which provides possibilities for social entrepreneurship. The Law on Freedom of Religion and Legal Status of Churches and Religious Communities in Bosnia and Herzegovina (Official Gazette BiH 5/04), gives possibilities to churches and religious communities to found enterprises, health and education institutions of different kind and level, which are legally equal to those founded by the state or other authorized bodies and they can conduct certain activities. Such a board authority gives a possibility for the society to initiate and support activities in the field of social and health protection, culture and education as well as production of certain goods (fruit, wine, cheese, herbs, medicines etc.) Combinations of all the models and sectors are possible which is an advantage and challenge for social entrepreneurs to find a combination that will give best results for the society and themselves and enable them to gain profit that will be reinvested in the same or some other activity of social entrepreneurship and thus strengthen the whole sector.

Public-civil-private Partnership for Development of Social Entrepreneurship in BiH

In the broadest sense public-private-civil partnership is a group of joint initiatives of public, private and non-profit sector where each sector actively takes part in planning and decision-making. In a more narrow sense, public-private-civil partnership refers to cooperation within which public, private and public sector are joining the resources and expert knowledge in order to satisfy a public need through adequate allocations of resources, risks and awards. Public-private-civil partnership involves a wide range of actors representing these sectors. Globalization, decentralization and increasing interest for the social responsibility of the companies and investments for the poor have changed the perception of responsibilities among the government, business sector and civil society organizations.

Therefore, the field of social entrepreneurship opens great possibilities and requires cooperation, supplementing and overlapping, coordination and synergy among all three sectors. The need for public-private-civil cooperation is more evident at the local level which is the most important for development of social entrepreneurship. For example, social enterprises cannot respond to all the challenges of the business environment and investment climate by themselves and they must lean upon local authorities and services providers i.e., CSOs. Civil society organizations contribute to the efforts for sustainable local and socio-economic development through their activities directed to protection of the vulnerable groups. This partnership includes a wide range of partners by integrating new forms of social dialogue at the local level which is called "dialogue among actors" or "multi-party social partnership". Partnership and dialogue amount the actors of this process are a necessary tool for the local development. The extended dialogue among the actors is necessary for the success of public-



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private-civil partnership as it enables identification of the common problems and strategies for development at the state and local level. Public-private-civil partnership enables (local) authorities, business sector and civil society organizations to respond to the social problems in a faster and more effective ways through joint work and joining the capacities and knowledge. Public-private-civil partnership enables increased social cohesion, cheaper usage of resources, improved provision of social services, promotion of employment and good governance. Public-private-civil partnership is necessary in social entrepreneurship which is obvious if analyzed from the market aspect.

Namely, social entrepreneurship occurs in different forms and in different ways, but there are two dominant ways: through social employment when through programs, projects or in specialized enterprises certain categories of population are being employed or in specially formed economic subjects. Social entrepreneurship functions in the market economy. Generally speaking, the support to its development requires the state measures for strengthening socially responsible economies and enterprises. Every market for social entrepreneurship has its own characteristics and market laws (here the basic law is the law of supply and demand) and therefore it is not different from the usual market risks: unregulated and unstable market, legal framework, liquidity and non-liquidity of goods and services, improper planning and marketing, poor management of the entrepreneurial subjects (its potentials) etc. On the other hand, by appropriate laws and measures of the economic policies and programs for development of social entrepreneurship market risks can be mitigated and development of social entrepreneurship can be actively initiated.

All the sectors in the market have their aims. The state sector works on creating laws, and solve social problems, the private sector wants profit, and civil sector aims to make new values based on the needs and interests of the citizens in a more just social relations. In order to start the cycle of social entrepreneurship, it is first needed to determine the existence of the market i.e. the need for goods and services, competition, specific goods and services to be presented at the market and if this would be payable, the available resources, what is the time period for expecting the results, what to do in the case of failure and other segments that are usually taken into account when deciding to start economic activity. Considering that the civil society sector and state sector usually do not have capacities to make such an analysis, the key role belongs to the private sector.

On the other hand, the state will enable the legal framework and regulations needed for the smooth and effective implementation of the social entrepreneurship activities, while the CSO sector can work an examining potential donors, sponsors or partners ready to invest in social entrepreneurship, training and inclusion of the target groups that have potentials and real needs to get involved in the social entrepreneurship activities. This example clearly illustrates that only through coordination of the activities of the public, civil and private sector there can be effective development and sustainability of social entrepreneurship.



Conclusions and Recommendations for Development of Social Entrepreneurship in Bosnia and Herzegovina

The study conducted by the Center for Promotion of Civil Society within the SmartStart Project (2015-2019)¹⁴ shows that it is one of the most difficult obstacles for anyone who, when launching a social enterprise, is the lack of the appropriate legal framework. The lack of a clear legal framework for CSOs that have economic activity has led to the search for alternative routes, e.g. to register as small businesses (Ilt.), crafts, or to continue maintaining economic activity as long as possible at an informal level. Bureaucratic procedures also present difficulties in interacting with public institutions, and in some cases this leads to a lack of appropriate recognition for organizations providing service to society.

It is very difficult to accurately estimate the number of social enterprises in Bosnia and Herzegovina due to the lack of official registration data and the diversity of operational definitions for "social enterprises". At this point, companies declare themselves to be social enterprises based on their own perception of that concept. Individual definitions of the term "social enterprise" vary considerably and hinder the general public discussion on state level. Moreover, the lack of official definitions means that quantitative analysis of the importance of the sector of social enterprises is not possible.

Attempts to create a legal framework for social entrepreneurship are welcome and desirable, but a stronger political will is needed in this process¹⁵.

According to publication "Models of Social Entrepreneurship in Bosnia and Herzegovina" (2015)¹⁶ produced by Youth Employment Project and The School of Economics and Business Sarajevo, there is no platform for social enterprise development in Bosnia and Herzegovina.

This can be explained by the lack of information about European experiences, models and the possibilities of Bosnia and Herzegovina and the needs related to social entrepreneurship. In this context, it is recommended to establish a platform for social entrepreneurship, as well as to inform, sensitize, educate and train individuals on social entrepreneurship. This includes:

- Strategy and policy creators in Bosnia and Herzegovina at all levels, from local to state, have to receive adequate presentation of the European concept of social entrepreneurship as a potential solution to the problems of youth unemployment in rural and urban areas, social inclusion of vulnerable and marginalized groups such as people with disabilities (civilian and war veterans), former addicts, convicts, domestic violence victims, long-term unemployed, as well as the ability to obtain technical and financial support from European institutions and organizations for social entrepreneurship;

¹⁴ SmartStart is a project aimed at increasing the influence of civil society in Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and Turkey through technical and financial support for 100 civil society organizations to develop social entrepreneurship and innovation in their work.

¹⁵ Centar za promociju civilnog društva; <http://civilnodrustvo.ba/>

¹⁶ Youth Employment Project; <http://yep.ba/>



- The wider public - the media in particular - also needs relevant, adequate and timely information on social entrepreneurship in Europe by 2020, taking into consideration current situation in BiH;
- All target groups (unemployed young people in rural and urban areas, long-term unemployed, vulnerable and marginalized groups) need complete, adequate and timely information, education and training related to the benefits and costs of social entrepreneurship to apply European models and experience in Bosnia and Herzegovina.

It is necessary to make social entrepreneurship visible through strategies and policies of public sector (horizontally and vertically), from local to entity to state level, including through the development of the media strategy for the promotion of social entrepreneurship:

- In the general public
- In the business sector (private businesses, employers' associations)
- In the civil society sector
- In the labor market (employment bureaus, job search clubs, unemployed persons, employed persons, business owners, employers)
- In education programs (primary, secondary and tertiary education as a special subject/class or ensure a certain number of lessons within a relevant subject or as a special training)

A partnership in the promotion of social entrepreneurship is recommended. Actors such as public employment bureaus, ministries, municipalities and international projects need to coordinate their activities in developing and supporting concrete models of social entrepreneurship. Based on the conducted analysis replication of the cooperative model for the production of raspberries developed by Swiss Caritas, as model of social cooperatives in BiH is recommended, namely to:

- Replicate in other areas of Bosnia and Herzegovina;
- Replicate with other cultures (other types of berry fruit, medicinal herbs, and other agricultural crops);
- Greater promotion and greater visibility of these cooperatives as models of social entrepreneurship in Bosnia and Herzegovina, but also in Europe;
- Incorporate this model into development strategies and policies at all levels (from local to cantonal/regional and entity to state) as well as into strategies of international organizations and institutions for Bosnia and Herzegovina in the period up to 2020 and 2027 and in relevant sectors (agriculture, subsidies for agricultural production, spatial planning, manufacturing and food processing, interior and exterior trade, taxes etc.)

The existing entrepreneurial environment requires restoration and upgrading through the development of social entrepreneurial incubators with special reference to the coworking



model¹⁷. It is crucial that actors who create, support and empower unemployed through the coworking model understand the importance of the social effects of the world's fast growing phenomena.

The fundamental reason for creating co-working space is the need of underdeveloped small and middle enterprises and the growing number of unemployed and freelancers for more accessible collaborative workplaces to exchange ideas and business networking with administrative support that would ensure the efficiency of their day-to-day business activities, thus enabling space users to focus on the development and commercialization of their own ideas and products.

The main goal is to increase the number of employed and to enable the growth and competitiveness of small local companies by building a unified business community.

Coworking spaces should offer an innovative approach to cooperation and team building from various areas with support from experts with goal to develop new business ideas and products.

Basic activities can be grouped into 5 coworking modules:

- Providing business infrastructure: designing and establishing coworking centers in existing abandoned areas or areas of similar purpose (for public use); renovation of the basic rooms and common working space; renovation of the conference center; installation of IT equipment and communication infrastructure.
- Establishing business support infrastructure: designing an effective management strategy and development of a sustainability strategy; establishing "front office" (for the purpose of administrative support to members by securing operations such as protocol, mail reception, faxing, invoicing, telephone system and meeting arrangements); establishing support in accounting and legal advice; establishing advisory services (project management, brainstorming, management, financing opportunities, access to subsidies).
- Creating a coworking community: reaching out to the unemployed with ideas and enthusiasm, then entrepreneurs, individuals with non-commercialized ideas, and small and middle enterprises; organization of events and brainstorming sessions aimed at improving the coworking community; providing support to community members on their projects; strengthening social networks at an individual level.
- Strengthening the capacity of coworking space: organizing workshops and seminars on specific topics to make the community more innovative; facilitating participation in local and international events; facilitating the growth of business ideas; mentoring to unofficial start-up and start-up companies (individuals) - active members of the community; the possibility of strengthening individual capacity of unemployed;
- Project visibility and dissemination: development of marketing and sponsorship strategy; a special focus on social online media; web promotion: online membership profiles,

¹⁷ Coworking is a style of work that involves a shared workplace, often an office, and independent activity. Unlike in a typical office, those coworking are usually not employed by the same organization. Coworking is a social gathering of a group of people who are still working independently, but who share values and who are interested in the synergy that can happen from working with people who value working in the same place alongside each others.



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online promotion of events and launch of entrepreneurship blogs; establishing cooperation with business angels, potential investors and representatives from the economy and the public sector.

Examples and Good Practices of the Social Entrepreneurship Activities in BiH

Since there are different legal possibilities to register social enterprise as discussed above, there is no precise data on current number of social enterprises in BiH. However, data gathered and provided by the Center for Promotion of Civil Society shows that there is 223 social enterprises (40 in FBiH and 183 in RS). Following are some examples of operative and successful social enterprises active in area of rural development and agriculture.

General agricultural cooperative "AGROFARM" Žepče was founded in February 2005, as an institution for service and support to agricultural producers of this region and beyond. Main goal is organizing production processes and promotion of local products and creation of a recognizable brand by quality, both on domestic and international markets. Since its establishment until today number of positive results in working with over 100 cooperants have been recorded while number of the cooperants steadily increase. Agrofarm is member of AgroMAP network in BiH which gathers collectors, growers and processors of medicinal and aromatic plants that in year 2018 outgrow into the AgroMAP Cluster. In cooperation with Association of Entrepreneurs and Employers Žepče (UIP), "Agrofarm" organizes and conducts production and distribution of juices, jam, sauces, apple chips and also provide services of drying of herbs, fruits and vegetables.

There is also number of development projects that have been successfully implemented: starting up the greenhouse production; launching the production of vegetables in the open field; raising orchards of different fruit (apples, pears, plums, raspberries, walnuts and other); cultivation and production of medicinal and aromatic herbs; production and distribution of essential oils (*Melissa Officinalis*; *Pinus Sylvestris*; *Abies Alba*; *Picea Abies*; *Lavandula Agnustifolia*; *Artemisia Abrotanum*; *Salvia Officinalis*; *Rosmarinus Officinalis*; *Agnus Castus*); and production and distribution of soaps, balms, creams, tinctures, shower gels, anti-age serums, tonics, massage oils, hydrolate - floral waters;

Association Bosper is the founder and owner of the company limited liability company **Plant d.o.o.** which was established in January of 2006 in order to secure quality seedlings for Bosper's beneficiaries and citizens. Basic activity of Plant d.o.o. is the production of vegetable seedlings for greenhouses and open field production. In Plant d.o.o. there are modern conditions and capacity for production of seedling in terms of qualified personnel, equipment and space for experimental production and company is fully capable to produce high-quality seedling nursery products for intensive vegetable production. Plant d.o.o. key products are: container transplant vegetables - tomatoes, peppers, cucumbers, salad seedlings and soybeans & wheat production as well as strawberry seedlings - import FRIGO seedlings – 500.000/year and own production of



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container strawberry seedlings – 100.000 seedlings/year. Total indicators in the production of vegetables on an annual basis (based on the quantity of seedlings produced in Plant d.o.o.): 150 ha production/year; 9.000 tons of produced vegetables/year and 4.200 families engaged in production/year.

Ekodizajn d.o.o. is a limited liability company established in September of 2016 and owned by Citizens' Association "Nešto Više". The company has a status of social enterprise by satisfying following criteria: conducting its operations within high ecological standards, employing marginalized groups and all of its profit is used toward the Association's mission and its non-commercial activities. Major areas of business are: organic food production, organic landscaping and trainings for persons with disabilities. The company is placed in Humilišani, village near Mostar all business activities thus far conduct in Mostar area, except organic food distribution. Produced food reaches costumers in bigger cities such as: Banja Luka, Mostar and Sarajevo.

Marketing and Export Center (MEC) is a social enterprise located in Laktaši municipality. MEC operates in the agricultural sector with the mission of connecting small producers and markets owned by Center for Economic and Rural Development (CERD). Following its mission, MEC is currently providing marketing services for a group of rural women engaged in the production of vegetables based on organic principles. The role of MEC is to provide extension advisory support as well as ensuring the placement of all their products. This social entrepreneurial activity provides income generation for rural women and thus affects their economic empowerment. What is important to note is that MEC has launched its own brand called Domestica. Domestica is a market brand gathers domestic agricultural products (usually organically grown) and it is recognized by customers as a brand of trust and local. Apart from vegetables, Domestica is in process of including other groups of producers (marginalized groups from rural areas) in the following period in order to secure placements and other services necessary for increasing the economic power of the rural population.