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Social Entrepreneurship as a Supporting Model for Sustainable Rural Development

Review of the Lika Region (Croatia) Case Study

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**Implementing the Sustainable Development Goals:
What Role for Social and Solidarity Economy?**

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Abstract

The main purpose of the article published in May 2018 was to explore social entrepreneurship (SE) as a supporting model for sustainable rural development in the Lika Region (Croatia). As the article presents the results of two research projects conducted in 2013 and 2015, a review of SE development stage in Lika was necessary. The review will concentrate on the local third-sector actor who had new project to develop in 2015. The main hypothesis of the ongoing case study is that SE in Lika is not proceeding as the research in 2015 had predicted. There are grounds to believe that the administrative division of Lika's territory, political decisions not conducive to sustainable development objectives and depopulation processes are crucial factors in lack of SE development. Thus, the structure of this think-piece will consist of two parts. The introduction will present a summary of previous research as a preface for new research outcomes. The second part will present a case study based on new research insights with a local third-sector actor (Prospero Association, also linked to empowering women in the local community).

Keywords

Civil society, Local social actors, Social entrepreneurship, Sustainable development

Bio

Anita Bušljeta Tonković is a research associate at the Institute of Social Science Ivo Pilar, Gospić Regional Centre (Croatia). Her main research interests include rural sociology, social ecology and human and social capital in rural communities. Another major recent publication, "The Sustainable Development of Central Lika: Contributions to an Analysis of Human and Social Capital", was published by the Pilar Institute and the State Archives in Gospić in 2015 (ISBN 978-953-7964-18-4).

Introduction

In this paper, I will consider SSE as “a vision of local development that proactively regenerates and develops local areas by driving employment, mobilizing local resources, managing community risk and retaining and reinvesting surpluses. These economic forms also broaden the structure of a local economy and labour market and address unmet needs with various goods and services” (TFSSE, 2014, pp V). Thus, I understand social entrepreneurship (SE)¹, an economic concept and social phenomenon which falls under the aegis of SSE, in the sense of doing business on the basis of the “principles of social, environmental and economic sustainability, wherein the generated profit/surplus income is entirely or mostly invested into the well-being of the community” (Croatian Government, 2015: 7). The case study which follows is focused on social entrepreneurship, because in Croatia this concept denotes specific, registered social actors who are engaged in social entrepreneurship (associations, cooperatives, companies, institutions), so by that very fact they fall within the scope of SSE. It is noteworthy that the concept of SSE is used somewhat more loosely, so even the research conducted in the IPRESENT project² could not focus on SSE actors but rather exclusively on SE actors.

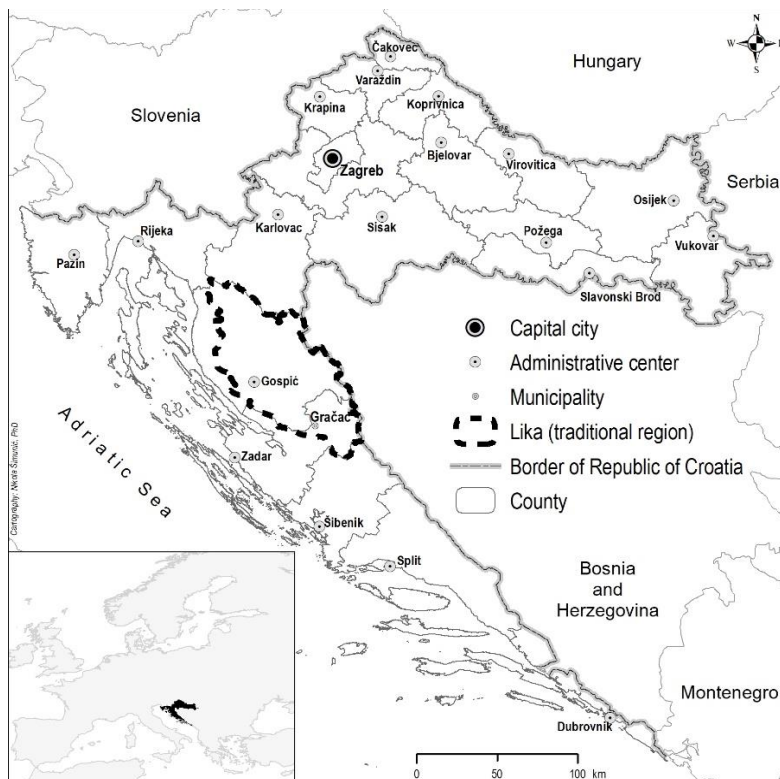
The sustainable development goals (SDGs) which are relevant to the topic of this think-piece and which I ascertained during the research as aspects that bolster SSE and SE are: “gender equality,” “decent work and economic growth” and “responsible consumption and production.” We can also indirectly underscore “reducing inequalities.” The SDGs which I have cited may be directly linked to the Lika case study, a traditional Croatian region which has a reputation as both one of the largest and also one of the least developed. Marginalized groups, i.e., the elderly and women, are exceptionally vulnerable here, and research conducted during 2013, 2014 and 2015 for the IPRESENT project came across associations in Lika that were engaged in social entrepreneurship, empowerment of women and care for the elderly. This case study of Lika, as one of the largest rural regions in Croatia which has only a single social entrepreneurship actor, is presented herein as a unique instance.

Review of the Lika Region (Croatia) Case Study

The central objective of Project iPRESENT was to study the capacity and potential of social entrepreneurship as an environmentally responsible and socially sensitive business model in Croatia. The research conducted for the project (2013-2015) generated, among other things, an answer to the question about obstacles to the development of social entrepreneurship. These are: a lack of knowledge and support by public administration, a disincentivising legal framework, indifference to change by public administration and the decision-making hierarchy. The respondents stressed that SE is exclusively tied to the civil sector. The Social Entrepreneurship Development Strategy (2015) was also formulated by experts from the civil sector, who indeed ushered in its emergence. SE is therefore not particularly interesting to those in politics or the business community. In other words, the importance of this economic form has not been sufficiently conveyed to the public, nor has sufficient emphasis been accorded to the benefits to the community, much less to the state and society as a whole. Thus, relegated to something that belongs to the civil sector, SE does not have many points in common with the conventional economy. Nonetheless, the operations of cooperatives within the realm of SE, for example, are subject to the same fiscal regulations as CE companies. So due to the imposition of regulatory provisions that apply to conventional companies, SE not only remains enclosed within the sphere of the civil sector but is furthermore prevented from expanding not only its operations but also communicating its underlying ideal (social, environmental and economic sustainability).

During 2013, 2014 and 2015 a database of SE actors in Croatia was established in that same project with the help of the research. The database encompasses 95 subjects in 2013, 90 subjects in 2014 and 112 subjects in 2015, of which the majority consists of associations and cooperatives (83%) (Šimleša et al., 2016; Šimleša et al., 2019). The research has shown that in Highland Croatia, i.e., in Lika-Senj County (the Lika Region), only one association that deals with SE is active. This gave us the idea to compare the research on the dimensions of sustainable development from 2013, wherein the economic dimension underwent particular scrutiny (Bušljeta

Tonković, 2015), to the research into SE subjects and thereby attempt to explain the importance of SE in the formation of sustainable development – in the rural region of Lika in this specific case (see map 1). Here it certainly bears mention that the highest number of SE actors are in the developed, urbanized parts of Croatia, i.e., in the two largest cities, Zagreb and Split, and then in the city of Osijek and in the most highly developed county, Istria.



Map 1. Extent of the traditional region of Lika.

The results at which we arrived may be summarized in the following manner. Local communities in Lika, whose social reality is tied to the rural landscape and whose basic economic activities are tied to natural resources, are compelled to shape their activities in line with the natural realities of the area in which they live. However, they may choose the manner in which they will secure their own well-being or, simply stated, their survival. The conclusion of the social actors in Lika is that “the economy does not need to be a necessary evil.” In this context, they stressed the need to adjust economic forms to the specific physical space, i.e., to the actual needs and developmental visions of individual local communities. Thus, the respondents see SE as a platform which – because it has been confirmed in practice – facilitates the creation of new or the assumption of already existing complementary and alternative economic forms adjusted to socioeconomic circumstances in individual local communities. Herein the actors deem complementary economic forms, such as SE, crucial developmental elements, particularly in the production of food as well as the use of natural resources in general, underscoring the potentialities in energy production using alternative sources and the ensuing benefits derived by local communities. They see civil society actors as an essential element that may serve as mediators between the public and private sectors. Namely, complementary and alternative economic forms at the national level have in fact emerged within the realm of civil society. Civil society thus possesses the knowledge and experience that have been confirmed by over a decade of presence on the socio-entrepreneurial scene in Croatia. The respondents also believe that the local political structure must be a key actor, providing administrative and financial support in the initial launch of certain new economic forms. They feel that additional tax revenues could be one of the basic incentives for the local political structure to perform such a role, because the development of these new economic forms would reduce the informal sector (gray economy). Once more stressing the exceptional importance of establishing cooperation at all levels, the respondents believe that such joint functioning would create a platform to improve general demographic trends in Lika³ (Bušljeta Tonković et al., 2018, p. 15).

The above-mentioned sole social entrepreneurship actor in Lika, the Prospero Association, is oriented toward solving the problem of unemployment among marginalized social groups, particularly women.⁴ The focus of its activity is employment and economic empowerment via education and re-qualification, and/or self-employment in agriculture and traditional arts and crafts (Bušljeta Tonković et al., 2018). Through the project “Eco-social Development of the Velebit Area – Works in Progress,” the association attempted to implement a pilot project in 2015 involving eco-social farms, wherein the emphasis would have been on intergenerational cooperation, in which elderly and infirm persons who owned agricultural lands would cooperate with younger people who wanted to cultivate the land and engage in organic farming. Only one elderly person offered land to the association, while there were no interested younger people. The migration of young people to other EU member states since 2013, and particularly the emigration wave from 2016 to 2018, partially also influenced the impossibility of carrying this pilot project forward.

Regardless of certain failures, based on the results of the interviews conducted with members of the association (2013, 2015 and 2018), it is apparent that through their activities they reinforce the overall objective pertaining to the dignity of labour and economic growth, and they also have an impact on other objectives because they attempt to reduce inequality, introduce innovations, contribute to community sustainability, spend responsibly and produce such that they recycle materials. After 15 years of study and education, the association’s members – independently and without assistance from consultants – wrote a project worth €62,000 which successfully passed through a tendering process and received funding from the European Union’s Social Fund, and they implemented it themselves. “Using unutilized resources and education to arrive at sustainable social enterprises” (2017-2018) is the name of that project; it had as its target group unemployed women from the rural area of Gračac Municipality, who were qualified under the project to produce footwear using natural materials. As part of the project, machines for making footwear were procured, and project participants were also trained in sales and marketing. As part of the project the association’s members furthermore formulated an operating and marketing plan. The implementation of the overall project was aimed at the establishment of a social enterprise in 2018.⁵

During the research conducted in 2013, the association’s members recounted how they established the association in the late 1990s, and wrote its charter even though they did not know how to operate a computer, so that they wrote the text by hand and then gave it to a younger person who typed it for them. Today these same women independently write, propose and implement projects tied to social entrepreneurship, which is an exceptional success for a place like the Gračac Municipality, which besides an economic crisis and the flight of its population is still recovering from the consequences of the Homeland War.

Conclusion

The importance of SE is perhaps best reflected in this text by the aforementioned association which operates in a rural area, in a municipality which ranks first in underdevelopment in the country, in which the unemployment rate is among the highest in Croatia, and which Croatian journalists, in an article published on 15 October 2018, referred to as “Gračac: a town without people, youth or life.”⁶ The Prospero Association members do not stress these problems of the municipality in which they live, because they are working toward a solution to them. They do not see the drawbacks of SE because they believe that the concept itself has yet to be tested in practice, so they did not criticize it during the interview. However, they pointed out the low public visibility of SE and consequently the inadequate validation of the concept. The regulatory framework is not sufficiently clear, and is not sensitive to this specific context, because SE is often equated with conventional companies.

Given that we have conducted three stages of research from 2013 to 2018 that dealt with these at least partially, here I may conclude that SE has the potential to be a supporting economic model in the formation and implementation of sustainable development. However, political decisions certainly do not contribute to the concepts of sustainability and SE and their application in practice. An example of this is the administrative division of territory such that the Gračac

Municipality belongs to Zadar County, even though it has always traditionally been a part of the Lika region. This political decision did not respect the local population's centuries-long sense of identity. On the other hand, political decisions did not result in suitable developmental plans, so the resulting depopulation (which has endured in Lika since the beginning of the 20th century, but was further accelerated by the consequences of the Homeland War and the recent economic crisis⁷) exerted a direct impact on the overall situation both in the Gračac Municipality and Lika as a whole, so that its economy now depends on an increasingly aging population, individual enthusiasts and rare examples of sound practices such as those applied by the Prospero Association. Ultimately, in contrast to the conclusion that SE has the potential to contribute to SDGs, it manifestly does not do so in the Lika region. This fact should be seen as a failure. SE is developed in Croatia's urbanized areas, and just as innovations over the preceding several centuries always came to the rural periphery from its urbanized sphere, so too should SE be brought to regional and local developmental actors with the help of experts from Zagreb and Split, where SE is far better developed. Education of local actors and experts and the allocation of specific funds for tenders at the local level would be essential. Briefly, the national authorities furnished the legal framework, but they did not secure suitable conditions for education and concept implementation. Regional and local authorities do not have sufficient knowledge and finances to contribute to SE development. It would thus be crucial for the national authorities to increase funding opportunities and simultaneously ensure the education of specific parties (local policy makers and marginalized groups, e.g. women). The technical expertise of potential entrepreneurs is the last link in the chain for future SE development. The local authorities must see to it that they come and provide appropriate conditions for their work.

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¹ In this text, the abbreviation SE exclusively refers to the term social entrepreneurship.

² The Installation Project for Research about Social Entrepreneurship (project code 5332, duration 2014-2017) was a research project financed by the Croatian Science Foundation. The author of this think-piece was a member of the project team.

³ In the period from 2011 to 2018, 4 006 thousand residents departed from Lika (source Croatian Bureau of Statistics). It is a loss of 9% of the population.

⁴ The Prospero Association authorized the publication of its name as well as the results of the interview that this author conducted with its members on 13 December 2018. The association's members also approved the paper prior to publication.

⁵ In 2015 the association established a social cooperative, but it did not take form as the members had anticipated. Even so, it is noted here as a useful tool with which they learned about social entrepreneurship.

⁶ The entire article and accompanying photographs can be found at the online news portal Indeks.hr: <https://www.index.hr/vijesti/clanak/gracac-grad-bez-ljudi-mladosti-i-zivota-grad-bez-sanse/2030314.aspx> (accessed 20 December 2018).

⁷ Population in Lika Region at the beginning of the 20th century was about 200,000, today it has 51,000 inhabitants.