

International Conference

“The Social Economy in Central, East and South-East Europe: emerging trends of social innovation and local development”

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Profit and non-profit entrepreneurship for social inclusion in Central Eastern Europe, Unidea

The process of transformation that has affected the countries of Central and Eastern Europe over the last fifteen years has produced functioning market economies. Entrepreneurship, a key factor in the development of market economies, is the only area that is still having difficulties getting started.

The innovative thrust of entrepreneurship is above all clear in this phase of transformation of Eastern European societies as a whole. The actions of accompanying, orienting and supporting entrepreneurship and training and credit assume new prospects and relevance in this phase of profound change.

Carrying out innovative initiatives in these areas that are able to propose and consolidate mechanisms that are able to accelerate and strengthen development is part of the priority interventions of the Unidea foundation, especially when, as in the case of microcredits, the number of local, even minute players tend to multiply who become “promoters” of development.

According to the latest report of the Microcredit Summit Campaign: “State of the Microcredit Summit Campaign Report 2003”, so-called microcredits or microfinance have today reached more than 67 million people. This is an encouraging fact when one remembers that at the end of 1997 they were just 13.5 million, but they are nevertheless a long way from the objective of “100 million recipients” to be reached by 2005, “The International Year of Microcredits”.

Amongst an increasing number of public subjects (and also in many private bodies) there is a growing conviction that microcredit programmes are increasingly an instrument of economic development because they are based on a changed view of development aid: away from donations to loans. In fact, the microcredit method revolutionises the manner of thinking about development aid in the international cooperation programmes, as it is a tool that stimulates productive activity but also appeals to personal dignity as people are given a possibility to grow that is not gifted but “loaned”. The idea of the straight donation that is found in the aid programmes is abandoned as such aid leads to the known negative dependency mechanisms. Instead, the recipients of funding are made more responsible and become the authors and achievers of their own growth.

Although credit is an important factor in a country’s economic development, so that its scarcity prevents (or hinders) capital investments that increase production, income and a population’s ability to save, 80% of the world’s population has no access to credit. The main reason is due to the fact that they have no collateral such as property that they can mortgage or capital goods.

In addition to this selection that causes objective discrimination there is the unequal global distribution of credit, which according to an estimate of the World Development Report 2002, benefits high-income countries (53 countries with per capita income of

US\$ 26,710 receive 93.4% of total credit) whereas only 1.1% of total credit goes to low-income countries (65 countries with income of US\$ 430 per capita).

There are currently estimated to be more than 2500 microcredits throughout the world. Microcredits are widespread in Asia (where they reach almost 48 million recipients), in Africa (almost 5 million) and in Latin America (2 million). Much more modest results have been achieved in the Middle East and Eastern Europe, where there are just 128 thousand recipients.

In the countries of Eastern Europe it has been seen that entrepreneurship has encountered obstacles that prevent not only economic results being achieved but also results that further social growth. Nevertheless, modern societies have become equipped, often through innovative instruments, to overcome these difficulties and to extend the results and benefits to different parts of society.

It is also impossible to ignore the fact that increasing the rate at which businesses are created is vital to accelerating the development of disadvantaged countries.

On the basis of these assumptions, which are shared by economic players and by many students of local development - the Unidea Foundation has concentrated its programme of intervention in the regions of Eastern Europe on encouraging people to start their own businesses and on tailored guidance and training programmes.

We have seen how entrepreneurship can have a positive effect – at the social level – on economically depressed areas. Being self-employed can for example provide a vital alternative and new tools to people who are excluded from the labour market, whilst the entrepreneurial capacity of the non-profit sector is having an increasing impact and efficacy in responding to the social needs of the countries.

In Poland, Slovakia and the Czech Republic Unidea operates in rural areas alongside specialised non-profit organisations with proven experience. The Youth Support Centre project for professional training and microcredits, for example, meets the needs of rural areas and villages in the Western Pomerania and Podlasie regions of Poland.

The project sets itself the following tasks: contributing to reducing unemployment amongst young people, encouraging small businesses, improving the quality of human capital in small and medium businesses. The beneficiaries are young people between 18 and 30 who are unemployed or who risk becoming socially marginalised and young entrepreneurs who have been running their own businesses for no more than 12 months. The project is also aimed at entrepreneurs who intend to create new jobs for young people.

The scheme was a response to the need to make better use of the human and productive resources of the rural areas most at risk of being abandoned above all by young people through measures aiming to reduce unemployment and poverty and prevent social deprivation.

The project wants to promote the idea and growth of people running their own businesses by providing specialised help to young people to set up their own small businesses. In addition to professional training, the formation of groups of producers (consortia) is encouraged through tailored assistance and consultancy programmes.

The Support Centre for Young People provides assistance with setting up microbusinesses with low technological content through training sessions on starting up and running one's own business, daily guaranteed consultancy services (on legal, fiscal and accounting matters), the provision of 140 microcredits and training programmes for groups of producers (consortia). The project was started up in January 2004 and the number of registered beneficiaries today is about 800.

Polish small and medium-sized businesses were and are still very dynamic. In the 1990s many new companies were created, especially in the fields of commerce and services. In the period 1995-2000 alone the number of companies trading doubled. This sector developed most slowly in the eastern regions of the country. There are currently more than 3.5 million small to medium-sized companies in Poland (which employ 68% of the entire working population). They create 69% of GDP (57% - small businesses and 12% - medium-sized businesses).

2/3 of the new entrepreneurs are men and 1/3 are women (in 2002 40% of the new entrepreneurs were women). Most of them (57%) were no older than 40 and young people up to the age of 30 were the largest group (29%). According to studies of entrepreneurship conducted since 2000, the standard of education and experience of the new entrepreneurs is becoming increasingly important in ensuring the long-term success of the businesses. Over recent years, the market has become more demanding with new players and has required greater expertise from them¹.

Female entrepreneurship deserves a special mention, as it could be another important engine for growth, especially in Eastern Europe.

Apart from the great potential of female entrepreneurship in the Balkans and Central and Eastern Europe, it should be noted that many businesses set up by women are inbetween economic and social activities and often create original services that are able to bridge the gaps that prevent the healthy growth of both sectors.

In Slovakia, for example, a project supported by the Unidea Foundation in the Banska Bystrica region for training and encouraging microbusinesses is dominated above all by specialist women and counts on the collaboration of numerous women who act as career advisers to the small rural communities.

The project concerns about 400 young people between the ages of 16 and 30 and envisages training 10 specialist consultants, creating links with labour exchanges, providing assistance in the search for training courses and work places, a seminar on the development of small local enterprises, foundation courses on the theoretical and practical side problems of setting up small businesses, providing 35 microcredits and sessions on how to set up and manage a consortium.

Women are showing great interest towards small-scale entrepreneurial activities, which often represent the only way to get a job in poorly industrialized regions. This trend complies with the government's priorities with respect to the development of small and medium-scale female entrepreneurship. The current rate of self-employed women is quite low - only 4% of working women (vs. 11% of males). One-fourth of companies are managed by women.

It is furthermore significant that in many countries that are preparing to join the European Union and where the rates of unemployment and social exclusion remain high, these are concentrated in urban areas and cities characterized by a thicker texture. In these areas, young people, women, and ethnic minorities are most vulnerable. In the regions that are most seriously affected by urban decline, the situation has deteriorated to the extent that the people living there are excluded from the main course of the economy.

In Romania, in fact, Unidea has decided to intervene in urban areas such as Bucharest and Timisoara. In Bucharest the number of people living below the poverty threshold has almost doubled over the last five years. More than half a million live below the poverty line, which is a lower proportion than in the other large cities, and per capita GDP is 27% of the average for the EU.

¹eGazeta: www.mgip.gov.pl; GUS, Central Office of Statistics, Warsaw; PAIZ Polish Information and Foreign Investment Agency

The power of attraction of these cities also increases the number of people seeking work and therefore decreases the chances of gaining access to the opportunities on offer. It is precisely because economic investments in the capital are more noticeable and the city provides real development opportunities that it becomes a receptacle for groups and individuals who are marginalised and living in poverty.

The current development process does not benefit the different social groups or different local communities equally. On the one hand, social polarisation is caused by macro socioeconomic factors and on the other hand the process of marginalisation of individuals belonging to weaker groups is caused by their inability (through lack of opportunity) to come into contact and use the chances that the social environment offers. The current development process is unable to be an engine of social inclusion. There is a lack of facilities for taking up, supporting and directing those who are excluded from the world of work and income creation. This is a widespread difficulty not only for private charities but also for public schemes.

The job creation scheme for young people and women conducted by Unidea in collaboration with APEL/Fondazione Parada consists of creating a mediation service. The aim of the service is to construct an interface between the world of social work, both national and local public institutions, and the business community. The labour market exists and already offers a series of opportunities. The associations and public bodies that provide social assistance already exist and do not need to be created. Public administration is in place and active. What is required is to get the different players in touch with one another. In order to make the network effective, the definition of a common interest must be created and stimulated.

Over the first year of activity at Bucharest 179 requests for professional mediation and guidance in the search for work were received by young people between 15 and 30 years of age, 63 of whom are currently employed. 13% of the young people who became clients came from care homes and 10% had not finished compulsory schooling.

Furthermore, not only did the young people lack the training required by the labour market, but it was also clear from the first contacts that companies were reluctant to take on young people who had a history of being marginalised. The companies showed themselves to be organisationally unable to accommodate marginalised people who did not correspond to the entrepreneur's normal idea of a worker. A structure is therefore fundamental that is an intermediary between businesses that often lack the tools required to make marginalised people part of their workforce.

In view of these problems, focussed use of intervention policies may contribute to overcoming certain structural difficulties and market failures that lie behind such concentrations of poverty and exclusion. One path to follow is to promote initiatives aimed at directing resources towards the areas of greatest need.

In addition to the role and capacity that governments and local agencies have in promoting the integration of marginalised groups within their area of responsibility through, for example, self-employment initiatives and support for social organisations, foundations and tertiary-sector bodies have an equally important role to play in the development of initiatives that support these policies or generate new impulses to promote them.

Governments in fact are finding it increasingly difficult to meet society's welfare needs.

In this process, welfare organisations can provide those additional social and economic services that are not otherwise provided by the market.

Welfare organisations are one of the mainstays of the tertiary sector. Although they are based on the non-profit sector, welfare organisations are a viable path for economic development that are able to balance their financial resources by successfully combining income, public funding, private funding and non-monetary resources such as voluntary work.

The organisations that are the expression of the social economy complement public services and often succeed in suggesting or developing directly innovative solutions to the problems of unemployment or social marginalisation. These organisations have consolidated their experience above all in training and reintegrating into the labour market disadvantaged groups through the creation of new services that are of benefit to the community.

In Bosnia Herzegovina Unidea promoted a scheme to support associations and cooperatives, especially in the field of agriculture, in order to develop the area by reinforcing inert and underused sectors, involving members of the local communities and transforming existing resources into investment opportunities.

The integrated approach to development involves coordinated use of the resources in the area, calling in any lacking resources from outside and connecting them operationally to provide interactive collaboration both between the different local bodies and professions and between the latter and external bodies and professions.

Using a local, global and integrated development model cannot rule out involving the local community. In this context, cooperatives, in addition to the functions that are assigned to them by their constitutions, should constitute a tool for developing the local communities. Furthermore, the partnership enlarged to other institutions, including non-profit organisations, has been shown to be a significant help in involving in the initiatives sectors of the population such as women, minorities, or young people in search of jobs who are more exposed to the processes of persistent exclusion and marginalisation.

In the programme of activities promoted by our foundation in Eastern Europe, the professional growth of the non-profit sector in these countries should be addressed separately as this growth is a very recent phenomenon.

Through the consolidation of democratic processes, the citizens have taken on a freer and more active decision-making role that can influence not only the framing of local policies but also the development of alternative solutions to a state system of social protection.

As in other western countries also in these contexts the potential of private organisations can constitute a determining factor in improving the standards and quality of life to ensure access to products of public utilities, fairer distribution of resources, and the economic growth of society in general. That is why the foundation considers it to be important in the context of European integration to promote the improvement and updating of professional skills in the non-profit and voluntary sectors that are evolving rapidly also in the older countries of Europe in order to encourage an exchange of knowledge that favours approaches for overcoming social problems within the context of an integrated Europe.