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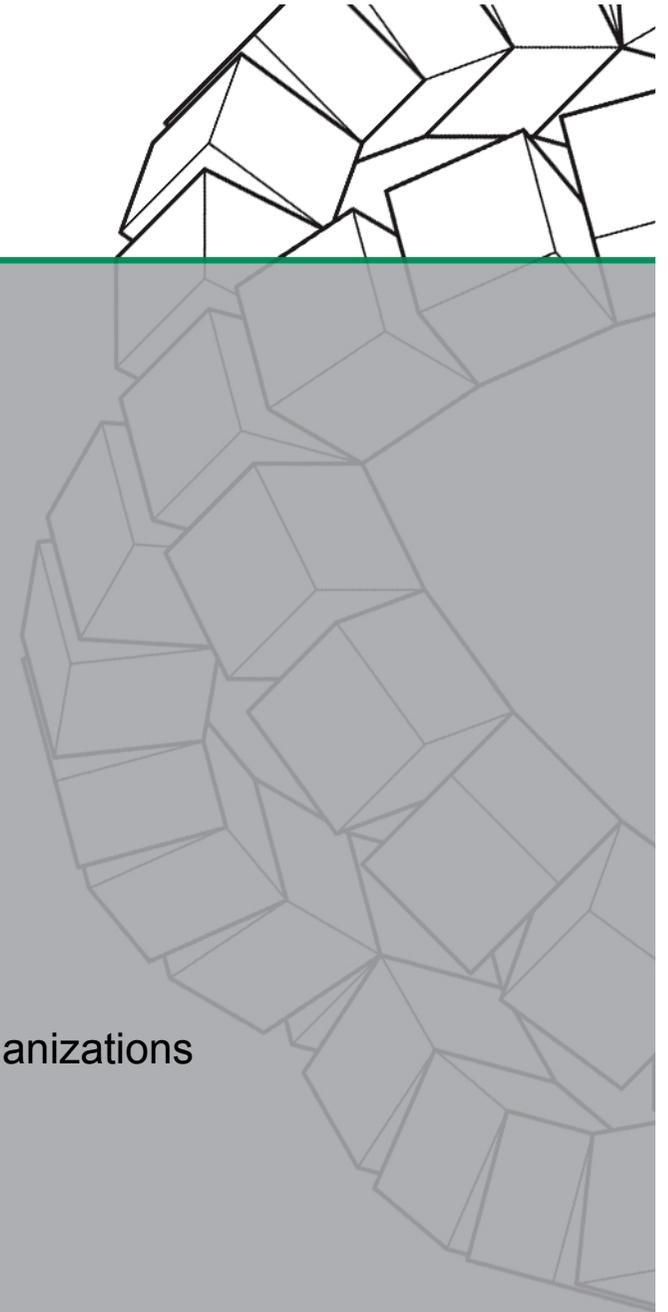
# Emerging Trends in Central, East and South-East European Countries

## *General Overview*

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Trento



# Presentation Plan

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- **Historical Overview of TS/SE initiatives**
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## Definitions used in Target Countries

- Many, partially overlapping definitions: NGOs; Third Sector; Non-Profit Sector; Social Economy
- Concepts here adopted:
  - Third Sector (TS)/Social Economy (SE) = other than public and market organizations (associations, coops bound to the pursuit of social goals)
  - Social Enterprise = new dynamic of both traditional organizations (associations) and newly established ones (Public Benefit Companies, social coops)



## **Historical Overview of TS/SE initiatives**

### ***Pre-communist Time***

- Long-lasting history of foundations, associations, and cooperatives
  - Poland: In 1938 there were over 10,000 associations and 3,000 foundations;
  - Bulgaria: 1,600,000 people were members of cooperatives at the eve of communism rise to power;
  - Ukraine: in 1916 2,643 associations called brotherhood.
- Rich history contributed to the revitalization of the TS after the collapse of communist and socialist regimes



## **Historical Overview of TS/SE Initiatives**

### ***Planned Economic System***

- **TS/SE organizations incorporated in the public infrastructure or turned into quasi-public agencies**
  - Many foundations and associations dissolved
  - Coops became part of the planned economy
  - New mass organizations created top-down
- **Considerable differences among countries of the region and concerns the interference of state bodies**
  - Hungary and Slovenia: more liberal regimes
  - Slovakia and Czech republic: TS organizations more subordinated to the state
  - Former Soviet Union countries: all activities of all sort of TS organizations under state control
- **Differences influenced further development paths of the TS**



## Historical Overview of TS/SE Initiatives

### *Early Transition*

- underestimation of institutional issues and prevalence of market-centred policies
  - Negative image of cooperatives
  - Distrust towards economic activities carried out by TS organizations

### But

- Re-emergence of credit (Poland; Lithuania) and housing (Estonia)
- Boom of mainly civil society organizations, associations, foundations
  - Promoted in the frame of the neo-liberal systems implemented (Poland; Bulgaria)
  - Triggered by Western donors (Macedonia; Serbia; Bulgaria)



## Historical Overview of TS/SE Initiatives

### *Impact of Aid*

- Significant role of foreign donors in sustaining the re-emergence of TS initiatives (All countries)
  - through training; stays abroad; financial support
  - foreign donors still the main source of funding in the Balkans (Serbia, Macedonia) and CIS (Ukraine)

### But

- Attention devoted mainly to advocacy organizations
- Short-term view – project-based approach
- incapacity to boost locally situated development processes
- insensitiveness to the unique social/cultural contexts of individual countries
- coops and mass-organizations ignored



## The Emergence of Social Enterprise in West European Countries (1)

- In the same period, also Western EU countries witnessed a general underestimation of the roles of TS/SE organizations, especially productive ones;
- TS/SE initiatives suffocated under the 2 poles paradigm
  - Market: produced/allocated private goods
  - State: supplied public goods and goods characterized by market failures
- TS/SE organizations acknowledged as entities entitled to advocate recognition of fundamental rights by the state
- Tax regulations consistent with the role assigned to the TS
  - TS organizations not allowed to carry out economic activities



## **The Emergence of Social Enterprise in West European Countries (2)**

- In the 80s, following the crisis of the dual model, the scenario started to change
- SEs have been gradually acknowledged as enterprises endowed with a high innovation potential, in terms of:
  - new products/services delivered
  - institutional arrangements set up
- Recent evolution has been institutionalized (UK; Italy; Finland);
- Fiscal regimes have been designed to compensate the disadvantages that SEs accept to deal with.



## The Emergence of Social Enterprise in CEE and CIS

- A similar evolution towards social entrepreneurship can be noticed in the countries of the region (especially CEE and SEE);

### However:

- SEs are still a rare practice:
  - Lack of understanding of the phenomenon;
  - lack of political and legal recognition;
  - difficulties in assessing the dimension of the sector;
- SEs are still far from being legitimized as actors of new welfare systems.
- A number of problems inherited from the previous model continue to jeopardize SE development



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## **The Emergence of Social Enterprise in CEE and CIS** ***Obstacles***

Problems to be faced to support SE development:

- Insufficient recognition
- Fragmented legal frameworks/unfavourable legal environment
- Insufficient/distorted financing
- Low skills
- Fragile political systems
- Weak networking capacity within and among families of the TS
- Insufficient involvement of TS community in the process of legitimization of SEs



## **The Emergence of Social Enterprise in CEE and CIS** ***Permissibility of Economic Activity by TS Organizations***

- Engagement in economic activities allowed to some extent in almost all countries (exceptions include Macedonia and Belarus)
- Associations, foundations, institutions not allowed to conduct economic activities as primary activity although the profit generated is aimed at the development of the organization's activity (exception Slovenia)
- Hence, marginal role of TS organizations in the production of services



## **The Emergence of Social Enterprise in CEE and CIS**

### ***Main Development Trends***

- Institutionalization of new types of SEs in some new member countries: legal frameworks designed for SEs introduced in:
  - Poland and Hungary (Social cooperatives): Lithuania (Social Enterprise)
  - Czech Republic; Croatia; Slovakia; Hungary (Public Benefit Companies)
  - Slovenia (Not-for-Profit Institute)
- Creation of subsidiary commercial enterprises to conduct economic activities (for instance Macedonia, Belarus, Bulgaria, Croatia)
- SEs accepted when integrating disadvantaged workers
  - In all countries: cooperatives/enterprises for the disabled



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## **The Emergence of Social Enterprise in CEE and CIS** ***Progress/Opportunities (1)***

- Increasing interest of relevant stakeholders at national level (policy makers; TS community; researchers)
- Increase in number of seminars/workshops on related topics (Equal projects)
- New university courses launched (Czech Republic; Hungary; Poland)
- Increasing interest of international organizations (OECD; UNDP; WORLD BANK; etc.) and bilateral donors



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## **The Emergence of Social Enterprise in CEE and CIS** ***Progress/Opportunities (2)***

- EU programs, membership, and alignment
- Decentralization of competences
- Increasing interest of public administrations to contract-out
- Networking opportunities (for example cooperative movements)



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## **The Emergence of Social Enterprise**

### ***Main Drivers of SE Development***

- Gaps in social service provision
- High rates of unemployment rates among certain segments of the population (disadvantaged people; minority groups; single women; etc.)
- High poverty levels



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***What strategies conducive to the  
development of  
Social Entrepreneurship?***



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