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THE SOCIAL ENTERPRISES

potential for development of cross-border regions



This public policy brief is prepared on the basis of a public policy study, Social enterprises through the prism of cross-border cooperation between The Republic of North Macedonia and The Republic of Albania (Ilijevski and Iloska, 2019), available at: https://public.org.mk/wp-content/uploads/2019/07/Socijalnite-pretprijatija-niz-prizmata-na-prekugranicnata-sorabotka_Republika-Severna-Makedonija-i-Republika-Albanija-1.pdf

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The purpose of such information on the policy is to offer recommendations to the policymakers so that they can implement adequate measures and strategies for local development through the promotion of the social enterprises. The analysis, on one hand, provides an overview of the current local challenges and opportunities in the targeted regions, and on the other hand, it maps out the capacities and the existing social enterprises, in order for them to be developed as sustainable business models for resolving local challenges.



INTRODUCTION

Restructuring the local economy is one of the biggest challenges at European level, and the need is fuelled by the ongoing segregation processes and the emergence of social exclusion. As a result, a new vision for local development has emerged, which is primarily based on a bottom-up approach to local development policy (Pike, 2006: 17). On the other hand, social enterprises are a model for social innovation in providing well-being for vulnerable groups of citizens, excluded and underdeveloped territories and communities (Spear and Hulgard, 2007).

Targeted regions (South-West, Polog and Pelagonia) face numerous local challenges that will require a multi-sector approach in order to provide long-term and sustainable solutions. Challenges can be located at different levels ranging from demographic, labour market conditions, entrepreneurial ecosystem and environmental protection. All of these local challenges are, in fact, opportunities for the development of social enterprises at local level, driven by real local needs and challenges, whilst ensuring service sustainability and increasing the efficiency of public budget expenditures.

From demographic point of view, most of the regions in the country are facing an aging population, i.e. the national aging index for 2017 is 82.8, indicating the **need to develop services for the elderly**. The Aging Index, which shows the ratio between the number of elderly aged 65 and over and the number of young people aged 0 to 14 in 2017 is less than 60 for the Polog Region, the South-West region has the highest rate, which ranges from 75.1 to 90, while Pelagonia has the highest rate, which is more than 90 and is the highest in the country.

In terms of labour market conditions and population activity, the regions subject to this analysis also face high outflows at the expense of passive poverty reduction measures. In this regard, in 2017, the Polog region has the highest rate of social welfare beneficiaries, where 19.6 households are identified as social welfare beneficiaries over 18 years of age (per 1,000 population), in the Pelagonia region there are 18.5 beneficiary households, while in the South-West the figure is 13.6 beneficiary households, compared to the Skopje region where the rate is 11.6.

The unemployment rate at regional level shows differences compared to the overall rate at the level of the Republic of North Macedonia. The national unemployment rate for 2017 is 22.4, while in the South-West, Polog and Pelagonia regions it is 30.5, 29.0 and 16.3, respectively. From the urban / rural point of view, the highest unemployment rate was identified in the South-West region of the rural area and it is 32.8 (32.6 for men and 33.2 for women). The Pelagonia region has a relatively low unemployment rate of 9.1 in the rural area but also a high unemployment rate of 21.5 in the urban area. The Polog region also has a high rural unemployment rate of 29.7 (28.5 for men and 33.3 for women). The available statistics indicate the need to map the population needs at regional level, develop activation and integration services into the labour market of the passive and long-term unemployed population, and develop incentives to reduce the migration of young populations, as well as encourage the citizens to self-organize in a social enterprise in order to solve local problems.

In terms of entrepreneurship development, according to the State Statistical Office data, the number of active business entities in the Republic of North Macedonia in 2017 was 741,419. Data on the structure of active business entities by regions show that the Skopje region has the highest share with 37.7 percent, while the South-West, Polog and Pelagonia regions participate with 10.13 percent; 11.36 percent and 11.29 percent, respectively, with the majority of entities being microenterprises with one to nine employees. Their share, however, is only one-third of that of the Skopje region (37.7 percent). An additional challenge is the centralization of investments in the country. Analyzed by regions, the Skopje region accounted for 52.4 percent of the total investments in fixed assets (in 2015), while in 2015 the South-West, Polog and Pelagonia regions accounted for 10.2 percent, 6.02 percent and 7.66 percent, respectively, which is almost five times less than Skopje. It is necessary to develop and promote entrepreneurship and entrepreneurial culture locally through local entrepreneurship centres, as well as through increased decentralization of investments in the country. In the efforts to promote entrepreneurial culture locally, the focus should be on start-ups with a strong social mission.

The South-West region is one of the least developed regions in the country. According to the State Statistical Office data for 2016, it accounts for 8.02% of GDP. Pursuant to the decision of the Government to classify the planning regions according to the level of development (2018-2023), the development index of the South-West region is 81.4, which is classified as one of the least developed, together with the North-East and the Vardar region. For comparison, the level of development is well under the Skopje planning region index, which stands at 151.0. Industry and energy, commerce, hotels, restaurants and traffic, the financial sector, agriculture and fisheries and other services have the largest share of GDP creation in the South-West planning region. This region covers only 9.59 percent of the total arable land where wheat, corn and potatoes are most produced, and apple orchards, plums, pears and cherries are the major crops. Tourism is of utmost importance for its development, of which the most important are the natural features of Lake Ohrid and the cultural and historical significance of the Ohrid area. The Galichica National Park offers great potential for development of this branch, as well as the mineral and hot springs in the Debar region, which enable the development of spa tourism. The southwest planning region sees its prospects for further development in the promotion of classical tourism and in the development of its alternative forms such as winter, health, monastery, spa tourism and agro-tourism, and there is a potential for organic food production. The configuration of the terrain, including natural-geographical features and mild climate, open up opportunities for harnessing the potential for fruit cultivation. The region also encompasses several high mountains rich in diverse forests, which provides the opportunity to utilize timber in the wood processing industry.

Source: State Statistical Office (Regions of Macedonia, 2018);
Center for Development of South-West Planning Region
<http://www.southwestregion.mk/home.aspx>



METHODOLOGY

This study is based on the following methods: 1) in-depth interviews with representatives of fourteen social enterprises from the South-West, Polog and Pelagonia Planning Region, through qualitative research in order to gain a deeper insight into the development of their social and economic dimension, their management structure, as well as to look into the environment that provides opportunities for their development in the country. The survey was conducted in the period from November 2017 to May 2018; and 2) Desktop Survey for mapping local challenges and opportunities in the South-West, Polog and Pelagonia Planning Region.

The Pelagonia region is one of the most developed in the country. According to the State Statistical Office data for 2016, it participates in the structure of GDP with 10.09 percent. The development index of the Pelagonia region is 91.2, making it one of the least developed regions; however, the level of development is well below that of the Skopje index, which stands at 151.0. The pillars of the region's economy are: agricultural products, agricultural processing, mineral exploitation, ore, and tourism. The Pelagonia valley is the largest plain in the country, i.e. it covers 22.37 percent of the total arable land in the region. It is among the largest producers of wheat, tobacco, potatoes, peppers and apples. The Prespa Lake basin, as well as the specific climate conditions and favourable hydrographic network, are the basic prerequisites for the development of agriculture in this region, which is also the largest producer of tobacco, apples and the largest producer of milk. At the same time, the largest coal deposits are located on the territory of Pelagonia, hence, this region is the largest producer of electricity. The Prespa Lake and Pelister National Park as well as the Krushevo winter tourism centre are the basis for the development of summer, winter and cultural tourism.

Source: State Statistical Office (Regions of Macedonia, 2018);
Center for Development of the Pelagonija Planning Region
<http://pelagonijaregion.mk/>

The Polog region belongs to the group of least developed regions in the country with 7.1 percent of GDP structure. Its developmental index is 82.4 percent. It is characteristic that 15.5 percent of the total population (2017) lives here and it is one of the most densely populated regions with 132.9 inhabitants per square kilometre. It covers only 8.04 percent of the total arable land.

The region is among the largest producers of corn, potatoes, clover, alfalfa and nuts. The rich hydrographic network represents a large hydropower potential, partially utilized through the installed Mavrovo lake hydropower plants. The vegetation features of the Polog Valley and the surrounding mountains create preconditions for the development of agriculture, and in particular livestock breeding, for which the region is famous. The high mountainous terrain, the specific terrain and the climatic conditions make it possible to situate the most famous winter tourist and recreational centres here



RESULTS

The social enterprises are at the stage of development and recognition in the targeted regions. Leaders in the development and promotion of the sector are active CSOs, which see social entrepreneurship primarily through the prism of providing financial sustainability to the services they provide, as well as to the socio-economic empowerment of the end users. All 14 entities analyzed are citizens' associations, one half of which have their own employees, with the number ranging from one to three, and only one social enterprise employing 16 persons. **The largest number, i.e. 10 of the entities are social enterprises for labour integration, but some of them, although they do not have appropriate integration programs,** do not show an awareness for the need of the same. The cooperation of these entities with the business sector, the institutions and the municipality is insignificant and for the time being the external donors are their main supporters, whose support is mainly for project-related activities.

The economic activities of the analyzed social enterprises range from making home-made food and other products, making handicrafts, hotel services and renting rooms, producing pellets and baling plastic. Other entities, which do not focus on work integration, are working on organizing festivals, offering creative solutions or training and translation, renting translation equipment, designing and maintaining websites, renting space, etc. One of the biggest problems they face is the placement of their products and services, but it can be concluded

that most of them do not pay attention to perfecting their product and service, they do not even recognize the importance of building a brand for their social enterprise, and in terms of advertising their products and services, they mostly work spontaneously. Most organizations lack the vision and long-term planning of their financial independence. Most of them state that they need financial resources to grow their business better, but cannot fully explain strategically how to maintain their business in the long run.

“Solferino” is a hotel and staff education centre, which can be found within the Skopje city Red Cross. It is located on the shores of Lake Ohrid, in Struga and is a place where you can organize seminars, trainings, team building activities....

Established in 1966, its primary role was to be a children’s resort, and since 2004 its facilities have been providing hotel services. In its legal form it is a citizens’ association. Inter alia, the income Solferino generates serves to support and develop the Red Cross of the City of Skopje and the programs and projects implemented within the organization that are connected to the community, that is, for support of the elderly, socially vulnerable categories, blood donors, children with disabilities ... The percentage of the entity’s total annual turnover from economic activities is 100%. At the time of the survey, Solferino has 16 permanent employees, half of whom are vulnerable citizens.

Apart from the professional team of cooks, waiters and receptionists, the enterprise employs homeless people, single mothers, LGBT community members, women victims of domestic violence, and people who have unwillingly found themselves on the margins of society.

The social enterprise makes purchases of fruit and vegetables strictly from local farmers, who are domestically produced and mainly organic. Solferino donates surplus food and other products to the penitentiary in Struga, the kindergartens and the city hospital. The food residues are collected and given to local cattle breeders, in return for fresh meat and dairy products and eggs for the needs of the enterprise.

“Krushevo Woman” is a model of social enterprise, which aims to enhance women’s economic independence, increase social inclusion, and at the same time stimulate local economic growth in Krushevo. In fact, it is a model based on bringing together individual women producers of home-made, ecological and traditional products from Krushevo. Under the brand “It’s home-made, it’s from Krushevo” with the appropriate logo, label and attractive packaging, today, more than 40 different brands can be found. Jam made of blackberries, raspberries, aronia and forest strawberries, dried forest fruits, ecological teas, liqueurs of various kinds of forest fruits, St. John’s Wort Oil, home-made dough layers, tarhana, various pine and herb syrups and Krushevo pastry specialties are just a part of the rich variety of products. The main customers are still tourists in Krushevo, and the promotion of the company is still made through the website www.odkrusevo.mk and with the participation in fairs and bazaars.



RECOMENDATIONS

In order to develop the potential of social enterprises to respond to local challenges and opportunities and to foster local, socio-economic growth, **the local self-government** in the targeted regions **should**:

- Strive for establishing common plans and strategies for the development of the regions in the country, organizing joint events, education and investment in infrastructure. One of the priorities of local self-government should be the promotion of entrepreneurial culture, with a focus on developing start-ups with a strong social mission that will work to address local challenges.
- Build its own capacities for carrying out the “reserved procurement” envisaged in the new Law on Public Procurement (Official Gazette of the Republic of North Macedonia No. 24/2019) and report transparently on their implementation and on the achieved results;
- Recognize the role and capacity of existing social enterprises and develop local social enterprise strategies to achieve faster democratization at local level, along with economic growth, based on the principles of solidarity and participation;
- Develop local economic development strategies that recognize social enterprises as an integral and important part of the local economy and as a mechanism for achieving sustainable development based on the Global Sustainable Development Goals;

Since social entrepreneurship is an emerging sector in the country and its capacity still remains unrecognized and unused in fostering local socio-economic growth, **public policy makers should:**

- Build the capacity of the Centres of Planning Regions to recognize the role and capacities of social enterprises in implementing the objectives and principles set out in the Law on Balanced Regional Development;
- Foster partnerships and networking at local, municipal and social enterprises in a particular region;
- Provide participatory development of the new strategy for balanced regional development by involving all stakeholders, including representatives of social enterprises and their beneficiaries. At the same time, the strategy should recognize the social economy as a mechanism for transforming the local economy. The strategy should be accompanied by a clear action plan, including a monitoring and evaluation plan. The first strategy for balanced regional development refers to the period 2009-2019, but no progress reports have been published so far;
- Prioritize balanced regional development in public policy.

The social enterprises should:

- Join networks in the planning region depending on the area of activity and to jointly emerge in the market;
- Develop services in the social sphere (such as services for the elderly, services to promote the employability of vulnerable categories of citizens) where there is a need and space for private providers of social services;
- Be encouraged to use financial instruments (active measures, loans) that are adapted to the conditions of operation of the SE in the country;
- Be encouraged to exchange experience with the business sector in terms of business planning, branding, conquering markets, building products and services;
- Encourage partnerships between SEs, traditional businesses and the municipality in developing innovation.



