

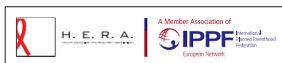
Зајакнување на Ромките преку основање на социјално претпријатие
Проектот е финансиран од Европската Унија



Анализа на потребите за развој на социјални претпријатија во Република Македонија

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јуни 2017



»INCO



**Needs Analysis for the Development of
Social Enterprises
in the Republic of Macedonia**

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May 2017

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Analysis overview



Social entrepreneurship in Macedonia is increasingly perceived as an alternative and innovative model of promoting social inclusion, resocialisation, labour market integration and employing people belonging to vulnerable categories of citizens. However, literature or legislation in Macedonia offers no consensus on what social entrepreneurship truly represents, or which are the most appropriate or applicable models for Macedonia, nor is there a more detailed economic analysis as to the industries which offer potential for development of social enterprises in the future which would be compatible with local market demands, thus making enterprises sustainable in the long-term. In spite of the absence of strategic national documents, when documenting and following the development of social enterprises in Macedonia, we can identify an increasing trend of non-governmental organisations starting to establish social businesses, and part of them already conduct active education on development of social economy and social entrepreneurship. There is increased interest in hiring vulnerable categories of persons: young long-term unemployed persons, people with special needs, women - victims of domestic violence, substance abusers, etc.

In the wider context, social entrepreneurship can be understood as using innovative practices in the production and sales of products and/or services on the local market for generating income which will be used to attain a social/societal mission on a certain territory.

Several publications by different foundations and organisations have been disseminated in the past years promoting the development of social entrepreneurship, in which the present state of play has been captured. One publication issued by the Friedrich Ebert Foundation titled: “Analysis of the situation and challenges to social entrepreneurship in the Republic of Macedonia” has identified 20 potential social enterprises or non-governmental organisations working in the field of social entrepreneurship. Most of them were established with a mission of economic empowerment of certain vulnerable groups, where unemployment is soaring (eg.: Izbor - Strumica, Nega Plus - HERA). Nonetheless, what is still missing is analysis or guidelines as to the industries in which we perceive the development of social enterprises. This brief needs analysis of the development of social enterprises will finally identify the industries in need of social and economic innovations.

This brief analysis pinpoints the industries which, based on the current situation in the Republic of Macedonia, could serve as guidelines for the coming social entrepreneurs and non-government organisations wishing to develop social enterprises on our territory.

Identified challenges:

- lack of appropriate marketing/market analysis on potential development of social enterprises;
- social enterprises are lacking appropriate marketing strategy;
- no access for social enterprises to capital investment funds;
- lack of adequate entrepreneurial staff and skills in the social enterprises.

Suggestions for overcoming challenges:

- national strategic framework with financial and technical support to social enterprises with a concrete budget;
- setting up official network of social enterprises which will develop mentoring system of cooperation and will develop a joint system of sales and marketing of its products and services;
- horizontal cooperation of stakeholders for sustainable development of social enterprises: business community, international organisations, non-governmental organisations, local communities, government institutions and agencies, trade unions, consumers' association, academic institutions and research centres;
- separate capital investments fund for development of social enterprises in Macedonia.

Methodology for development of needs analysis for development of social enterprises



Ana Filipovska, author of the Needs analysis for development of social enterprises in the Republic of Macedonia, has specialized in the area of social economy and social entrepreneurship at the University of Florence, Italy, and has conducted a special research at the Karl Polanyi Institute of Political Economy in Montreal, Canada on how the development of social economy leads to a better economic development of a territory, with over 11 years' work experience in the non-governmental sector and providing concrete support and mentorship for development of social enterprises and entrepreneurs in the Republic of Macedonia. She presently serves as executive secretary of a multi-sectoral body which promotes social entrepreneurship as a means of economic independence of vulnerable categories of persons as a model of sustainability of civil society organisations working on HIV/AIDS and tuberculosis prevention programs in the Republic of Macedonia. Additionally, in the past six years she has worked as a consultant, trainer and mentor of entrepreneurs, vulnerable groups and civil society organisations interested in establishing social businesses and has worked on concrete market analysis for the needs of concrete social enterprises. She has had long-standing experience in the field of employment programs for long-term unemployed, hired by UNDP and the Employment Agency, and has mentored and trained over 1,000 individual entrepreneurs who have established companies in the past 5 years. She is part of the team responsible for drafting the strategy 2020 for development of social economy in the countries of Southeastern Europe.

The Methodology for development of needs analysis for development of social enterprises in Macedonia was conducted through extensive desk research, which included:

- comprehensive analysis of the strategic national documents in the field of economy and collating information in order to assess capacities and industries in which there is potential for development of social enterprises for employing vulnerable categories of citizens. Moreover, many publications of Macedonian institutions in the civil and private sector were analysed, as well as many published by international organisations;
- analysis was made of the present situation in Macedonia regarding possibilities for development and implementation of sustainable innovations in the public sector, which social enterprises may address. All public strategic documents in the field of entrepreneurship published in the past five year have been reviewed and analysed;



Empowering Roma women through social enterprise creation

- appropriate research and analysis was conducted of the existing social innovations in the public sector and services and documents have been reviewed of the practices in European countries especially with regard to the challenges and needs of the aging population and which services may be offered through social businesses, which could then hire vulnerable categories of persons;
- analysis was made of the possible development and application of new social innovations, or replicating the old social innovations from experiences acquired from sustainable social enterprises in Southeastern and Western Europe, in order to prepare better solutions which can be utilized on a local level with the goal of employing vulnerable categories of persons.

National context for development of social economy and social entrepreneurship in Macedonia



Further development of social economy and social entrepreneurship shall contribute to a sustainable development in the Republic of Macedonia. According to the National Strategy for sustainable development in the Republic of Macedonia for 2009–2030, aligned with the definition of the Brundtland Commission (World Commission on Environment and Development), sustainable development has been defined as development which meets the needs of the current generations, without compromising the ability of future generations to meet their own needs. This definition supports the viewpoints on sustainable development in the Republic of Macedonia: “In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations”.

Sustainable development includes three mutually dependant and intertwined dimensions, which are essential to the social economy and social entrepreneurship:

- economic dimension (economic resources, development and growth);
- environmental dimension (natural resources, protection and environmental use of natural resources, protection and sustainable use of nature and prevention and fight against pollution);
- social dimension (social resources, solidarity and fight against poverty).

The Europe 2020 Strategy pays particular notice that development of social economy through development of social entrepreneurship requires parallel work on several interconnected development pillars:

- integrated development – by promoting links between the regional trade and investments, as well as non-discriminatory, transparent and predictable policies;
- smart growth – by committing to innovations and competitiveness to the added value, and not competitiveness at any cost by cutting down on labour costs;
- sustainable growth – by uplifting the level of competition in the private sector, development of



infrastructure, and a more environmental and energy-efficient growth;

- inclusive growth – by placing bigger emphasis on skills development, creating employment and inclusive participation on the labour force market, health and well-being;
- from good governance to growth – by increasing the capacity of public administrations to enhance rule of law and reduce corruption in order to create a climate conducive to development of social businesses and provide public services which are indispensable for economic development.

Industrial sectors which can potentially foster social entrepreneurship in Macedonia, where we see social enterprises and possibilities for employing marginalised persons:

1. Textile industry (garments industry);
2. Agriculture and rural development (agro-business / processing of food);
3. Creative industries;
4. ICT (Information and communication technologies);
5. Energy

Below in the analysis follows a detailed explanation of the separate sectors and development possibilities for social entrepreneurship in each of them. Generally, entrepreneurship in these industries is still underdeveloped, thus social entrepreneurs should bridge the existing gap with the power of innovations.

Competitiveness essential for social enterprises

Competitiveness has been defined as the ability of a country to produce goods and services under free and fair conditions on global markets, at the same time maintaining and expanding the real income of its citizens in the long run.¹ Another definition perceives competitiveness as the set of institutions, policies and factors determining the productivity level of a country. The productivity level, on the other hand, sets the level of prosperity attainable by an economy.²

Although the notion of competitiveness lies in the core of social business development and of business in general, its definition often covers many issues and stretches farther than just to mere measuring. It is clear that competitiveness of an organisation or country depends on a multitude of factors, which are interlinked and cannot be perceived separately.

As the Republic of Macedonia aspires towards sustaining its economic growth, it is important that the state

1 OECD, 2005.

2 Global Competitiveness Report, 2014–2015.



boost its competitiveness. At the same time, as Macedonia won't sustain that competitiveness in the long-run with low labour costs, improved competitiveness through bigger social entrepreneurship, added value and productivity is of crucial importance. This leads to the key topics which fall within the frameworks of the Competitiveness Strategy in a Macedonian context:

- business setting offering possibility for development of social enterprises which are increasingly accepted by the general population;
- industrial policy with separate analysis of the industries in which social enterprises could contribute by concrete social innovations and employ persons from most vulnerable categories of citizens;
- access to markets / international venture and education of social entrepreneurs of sale opportunities;
- entrepreneurial skills that will make social enterprises sustainable and prepared to be adapted in all economic conditions;
- access to funding for capital investments of social enterprises and possibility for development and expansion of capacities and possibilities for additional employment.

All these elements are relevant when speaking of development of social enterprises, which bridge the gap where traditional businesses are not interested in investing and additionally respond to social problems such as: long-term unemployment, requalification and technical preparation of persons from vulnerable categories, as well as support to low-income families.

Development of social economy and social entrepreneurship will facilitate a more rapid implementation of the National Strategy for poverty reduction and social exclusion in the Republic of Macedonia 2010-2020. This aim of this document is to meet the prerequisites for initiating the signing process of the Joint Memoranda on Social Inclusion,³ as well as achieving the Millennium Development Goals,⁴ and envisions:

((1) Increasing new job opportunities on the labour market.

(2) Combating poverty at national and local level.

(3) Ensuring that every child enrolling in elementary school is prepared and capable of extracting maximum benefits from the years spent in the education process.

(4) Reducing or eliminating instances of dropouts from school or the number of children who will not be prepared to manage life and pursue a carrier when the time comes.

(5) Increased participation in the society, preparedness and lifelong learning opportunities.

3 Joint Memoranda on Social Inclusion (http://ec.europa.eu/employment_social/soc-prot/soc-incl/jim_en.html)

4 <http://www.un.org/millenniumgoals/bkgd.shtml>



- (6) Removing obstacles for participation in social life of individuals which may include poor health, lack of confidence, poor housing conditions, and undesired addictions.
- (7) Eliminating discrimination and inequality caused by gender, race, religion or disability.
- (8) Offsetting the unevenly distributed health protection.
- (9) Providing quality housing conditions for everyone.
- (10) Reducing and eliminating differences among communities in the society and empowering vulnerable and underprivileged communities to function better and acquire knowledge and conditions for this.
- (11) Supporting and encouraging the private sector, alongside social businesses, for their contribution to the well-being of vulnerable communities.
- (12) Promoting and supporting the culture of active citizenship (good governance), which will enable: independent and self-sustainable development, participation in civil society activities in the society and care for the vulnerable communities

Instrument for Pre-accession Assistance (IPA II), which social enterprises may use as initial financial support

The Instrument for Pre-accession Assistance (IPA) is the means by which the EU supports reforms in the 'enlargement countries' with financial and technical help. The IPA funds build up the capacities of the countries throughout the accession process, resulting in progressive, positive developments in the region.⁵ Non-governmental organisations planning to set up social enterprises and existing social enterprises, by means of joint actions and cooperation with social enterprises in Europe can absorb EU funds in sectors related to their business activity.

So far, under IPA II funding for 2014-2020 Macedonia has received 664.2 million €, and the priority sectors which will be receiving this funding are:

- democracy and governance;
- rule of law and fundamental rights;
- environment and climate a action;
- transport;
- social development;



- agriculture and rural development;
- regional and territorial cooperation;
- competitiveness and innovation.

Within the areas indicated above, the financial assistance of IPA II funds may be used for supporting social enterprises through: improving economic competitiveness; increasing productive investments, foreign direct investment; diversifying exports; creating conditions for sustainable economic growth and EU convergence; strengthening the business framework (legal and institutional), also by means of implementing EU single market law.

Competitiveness and innovations fall under the “Socio-economic and regional development” category, for which funds have been earmarked in the amount of 298.8 million €. Of them, 73 million € have been planned for measures/programs for competitiveness and innovations. It is therefore very important that future social entrepreneurs and NGOs wishing to develop social enterprises build capacities for absorption of this European financial support and to develop partnerships with experienced social enterprises in Southeastern, Central or Western Europe.

Public support and initiatives supporting the development of social enterprises

Despite the fact that government bodies, one of which is the Ministry of Labour and Social Policy, have been involved in the development of policies and initiatives for incentivising social entrepreneurship in our country, what is still lacking is public (professional) support for the founding or establishment of social enterprises and state technical and financial support. In the coming period it is imperative that a strategic national framework be developed for supporting the development of social enterprises in the Republic of Macedonia, with a defined action plan and financial framework.

Networks and coordination mechanisms for mutual support to the development of social entrepreneurship

There are unofficial data about existence of civil organisations networks working in collaboration and mutually assisting each other for the development of this sector. Nonetheless, officially and formally there are no data of official networks that would include not only social enterprises but also private businesses, academic institutions and research associations, together with consumer associations, which will jointly coordinate and work on incentivised and sustainable development of social entrepreneurship in the Republic of Macedonia. It is important that official horizontal cooperation be established of all stakeholders on the territory of the Republic of Macedonia for sustainable development of social entrepreneurship.

Support from the network of domestic investors (business angels) for social businesses

Investments of business angels occur when individuals of high net value directly invest in innovative start-



up companies. Such investments occur for amounts between 20,000 and 100,000 EUR, scope which is not covered by venture capital funds.⁶ The networks of business angels help their interaction and the exchange of information and share the risk by co-investing in portfolio of start-up formats. The government should organize exchange of information about angel investments and facilitate networks of business angels. To the angel investors, who are typically minority shareholders, legal protection may be problem. It is also worth considering concrete tax benefits for encouraging angel investments, for instance France had introduced tax benefits on the wealth tax of angel investors. The national strategic framework should explore all possibilities of stimulating domestic investors who are willing to financially support enterprises for creating better inclusive communities on the territory of the Republic of Macedonia.



Recommendations for business networking of social enterprises, nationally and abroad:

- collection, processing and submitting information relevant for social entrepreneurship;
- establishing and maintaining data base and electronic linkage between regional centres for support to social entrepreneurship;
- implementation of programs in the area of education, training and consultancy services on social entrepreneurship (organizing panels, conference and business forums);
- implementing programs for cooperation of countries in the region and wider on the topic of social entrepreneurship;
- financial support to enterprises through subsidized advisory sessions;
- co-funding development projects in cooperation with domestic and foreign investors and donors;
- cooperation with research institutions, such as the economic and social institutes in Skopje, and proposals for the following four strategic goals:
 1. Increasing employment and development of human capital in the social entrepreneurship area,
 2. Stimulating creativity and innovations within social enterprises,
 3. Stimulating export and promoting international performances of social enterprises,
 4. Improving access to funding and promoting working conditions of social entrepreneurs (setting, infrastructure).

Challenges to financial sustainability of social enterprises

Financial sustainability

All of the established social enterprises have problems ensuring funding for capital investments for developing their social businesses. Most of the funding comes from grants, which are a restrictive and intermittent source. Banks still lack NGO funding policies, since such organisations cannot provide sufficient guarantees for repaying the loans. International donors or national foundations offer one-off grants, limited only to equipment/machinery or building capacities. The intermittent funding deters social entrepreneurs from funding social enterprises. Therefore investments are needed from the state budget, local self-management, or from an investment fund, or capital investment donors for social enterprises. The social enterprises should develop solid business plans and market analysis in order to prove that their products and/or services are in demand, thus generating income which will cover operations costs of enterprises. The lack of funding for development plans and market research that will help identify the demand for products and services may cause problems with sales for social entrepreneurs. Research institutions should unite in supporting the development of social enterprises which are hiring vulnerable groups for a better and inclusive community. Very few social enterprises are ready to sell. And while some local governments began with purchase of products from social enterprises, other still haven't recognized the need for doing so. This is why local policy is needed for providing financial, technical and spatial support to social enterprises, upon the French model, where they have advantage in public procurements made by local governments or any state institution.



Key barriers to financial sustainability:

- lack of investment funds for capital investments for establishing enterprises;
- lack of funding for additional business activities and requalification of persons who are long-term unemployed and/or vulnerable;
- lack of market analysis of the demand of products /services among social enterprises;
- lack of marketing strategy and focus on selling;
- vast competition.

Recommendations:

- creating state of private investments for development of social enterprises;
- cooperation with research and marketing institutions for identifying the needs of social enterprises;
- technical support and mentorship in the area of sales and finance;
- creating a formal network of social enterprises, which will also be able to resell services/ products according to need;
- local and national policy of favouring procurements where bidders are social enterprises employing vulnerable persons.

Strengthening human resources

One of the main internal problems of social enterprises, especially those funded by non-governmental organisations, is the lack of business skills for enterprise management, that is, deficiencies in business planning, business management, sales and finance management. Mere building of capacities won't suffice



in bridging the gap, so what it takes is constant mentorship by experienced entrepreneurs, which might help social enterprises overcome their challenges.

Institutions and policies may only help strengthen human resources in social enterprises by financing programs for capacity building, mentorship and stimulation of social entrepreneurs for innovations. Ultimately, innovations are result of the creative drive of persons. Therefore, developing a set of talented and trained human resources is pivotal for stimulating innovations and economic development in Macedonia. Thus, policies shall ensure that education at all levels prepares people for the labour market, by ensuring capacities which will help social businesses be innovative and competitive. The goal of policies shall be to adapt education policy towards developing skills needed for innovations, improving quality of professional training and promoting lifelong learning as well as greater relevance of university education in terms of the social innovations featured by social enterprises.

Need for capital investments, work equipment and machinery

The existing social enterprises are mainly funded by donors through grants for purchasing machinery and/or equipment. There is no investment fund for supporting social enterprises in capital investments for equipment or machinery or technological innovations. Moreover, there is no additional support for raw materials needed by social enterprises for their inception period during the first year. This is why support is needed from the state or private investment fund for capital investments for development of social enterprises which intend to employ marginalized people.

Improving sales of products and services

What is particularly needed is education and joint coordination for sales of goods and services within the network of social enterprises. Many social enterprises have a problem with demand itself and insufficient knowledge of the local market. What it takes is a joint official platform of the existing network of social enterprises for promoting their services and products and saving funds from individual promotions and marketing. Social enterprises may create joint market and joint placement of products and services at the local market. What is needed is cooperation with business networks and consumers' networks for promoting and recognizing the role and importance of social enterprises as well as the availability of products and services offered to the general population. Furthermore, cooperation should be improved with social enterprises in the region of SEE, especially because this concerns a market which is similar in needs. It is recommended that social enterprises engage in additional cooperation, with the purpose of exchanging experience and practices with the European networks of social enterprises, for instance ENSIE, CECOP, etc.



Challenges for functioning of social enterprises:

- lack of business skills;
- need for additional, high-quality work equipment and appropriate raw materials for work;
- insufficiently developed sales network;
- insufficient promotion and marketing;
- unsatisfactory networking of social enterprises with other stakeholders.

Recommendations for improving conditions:

- cooperation with the business community, which may offer free training and mentorship to social entrepreneurs, as part of their social responsibility.
- state or private investment fund, which shall enable capital investments for equipment/ machinery, raw materials for development of social enterprises which will then employ marginalized persons.
- establishing official network among existing social enterprises, which will jointly develop a plan for placement, marketing and promotion of their products and/or services.
- affiliation of our social enterprises in the counterpart European networks and exchanging experiences, practices and participation in joint projects for their sustainable development on a given territory.

Possibilities for development of social enterprises in different industries

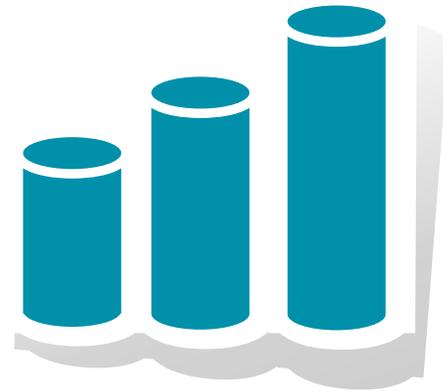
1. Textile industry (garment industry)

The textile industry is one of the leading processing industries in the country, with significant input in national GDP generation, with high absorption rate of labour force and export figures. Unlike business activities, entrepreneurial initiatives of owners in this sector were relatively more visible and more business links were created with foreign partners, paving the way towards further development.

Textile production in the past period, as of 2005 until present, has been marking negative trends - both in production of fabrics and garments, unlike the positive trend of the total industrial production and the processing industry, as a separate area.

According to data on industrial production in 2015 compared to the same period last year, production of fabrics notes production increase of 14.8%, while production of clothes notes a 6.7% increase.

The following groups of textile products most frequently exported from Macedonia are: women's blouses, shirts and tunics, male cotton shirts, trousers, work uniforms, male jackets and blazers, etc. According to data of the State Audit Office, textile industry in 2015 has exported products in the value of USD 596.4 million, which is 13.2 % of the total exports. Nearly 92% of exported produce are exported to EU Member-States, to the USA and the neighbouring countries. In this period companies are mainly engaged in CMT (cut, make&trim) production with foreign partners (Germany, Italy, Holland). Hence, the future development of this branch should turn towards creating own production and not just (CMT) in order to boost competition on the foreign markets.



In order to stabilize textile industry and to start scoring positive trends in economic parameters, several structural changes will have to be made thereto, as it has been done in many European countries. The Social entrepreneurship may help lead to:

- The first step in transitioning to higher stage of custom-made sewing, that is, higher phase of CMT production. This would be made possible firstly if materials are imported directly to Macedonia from countries in the far East, surely upon order placed by the employer-partner from the EU. But this entails suspending custom taxes on basic raw materials needed for the textile production.
- After mastering the first phase, the social enterprises can commence their small production series.
- The third step, perceived in the long run, would be bigger investments in modernizing production capacities and promoting own products.
- It is indispensable that customs taxes for import of raw materials from non-EU countries be suspended, which presently amount to 10%, or to make them equal to the rates for EU exports of raw materials (presently at 7.5%) which would help increase competitiveness of Macedonian products in the EU, and with that of the exports as well.
- Another desired aspect is easier access to favourable funding sources in order to transform CMT production to classical export-oriented production.
- Reducing, i.e. relieving the high fiscal, parafiscal and social taxes on wages, which are calculated on the basis of the national average wage, and not on the person's wage, for which there is no justifiable reason.



2. Rural development – it takes an overall strategy and planning of development of social enterprises⁷

Opportunities which can be potentially used by social enterprises wishing to develop social business in the rural development:

- Increasing demand for rural tourism on the domestic and international market;
- EU support for diversification of economic activities and improving basic services in rural areas;
- Rich tradition in the production of different primary products and processed foods;
- High-level natural protection for agricultural production and production of wooden mass;
- Good image of Macedonian agricultural and food products and in the processing industry in countries in the region;
- The agricultural and food sector is represented by functional associations and chambers of commerce, which are active factors of creation and implementation of development policies;
- Available education capacities and functional education system in the field of agriculture, forestry and food industry;
- High number of preserved rural communities with abundant historical and cultural traditions;
- Presence of road infrastructure with secured access to relatively smaller settlements in rural environments;
- ICT technologies in place providing opportunities for improved access to services and development of new businesses;
- Increased investments in rural infrastructure, including rehabilitated schools and health institutions in the rural areas.



The observed shortcomings which social enterprises will have to overcome by implementing innovative solutions are:

- Dual structure of agriculture with high share of small farming businesses with very limited and small production capacities per economy;
- High degree of parcelized farming and private forest land, with limited access to water and paths to the parcels;
- Low level of education, inadequate qualifications, business and managerial workforce skills in agriculture and among rural population;
- Lack of seasonal workforce in agriculture and ageing workforce in rural environments;
- Outdated equipment and means of work, and application of old technologies;
- Insufficient varieties of plants and breeds of animals;
- Lack of own capital and aggravated access to loans, especially for the small farming businesses;
- Weak integration of food chains and lack of vertical and horizontal integration;
- Low productivity in agriculture and food industry;
- Significant portion of old low forest trees;
- High stake of farming products with low added value (uncultivated or semi-processed products) in the export structure of farming and food products and insignificant diversification per export destinations;
- Underdeveloped system of professional training in farming, food industry and forestry and insufficient access to high-quality advisory services;
- Weak integration of research capacities for development of agriculture and forestry and slow tempo of innovations in the farming and food sectors;
- Population ageing, negative growth of population and migration outside the rural environments, especially of the young and female population;
- Reduced workforce availability in rural environments (low education status, absence of entrepreneurial spirit);
- Rural poverty and social exclusion;
- Weak access and low quality of education services for the rural population (schools, health and social protection, ICT penetration, relaxation and recreation);
- Degraded or absence of basic infrastructure (roads, water supply and sewage);
- Insufficient social capital for local development.



Recommendations to social entrepreneurs wishing to establish social enterprises in rural development in Macedonia:

- Establishing social cooperatives upon the Italian model, by uniting farmers and cattle breeders and diversification of economic activities for improving basic services in rural areas;
- Integration of research capacities for development of agriculture and forestry and working on innovations in the agricultural and food sector;
- Requalification of long-term unemployed and persons with low education status for jobs in agriculture;
- Engaging joint farming cooperatives for increasing production capacity and more quality services and joint capital investments invested in new machinery/equipment and joint placement and promotion;
- Engaging social enterprises for integrating food chains through horizontal integration of all stakeholders.

3. Environment

Benefits potentially available to social entrepreneurs for establishing social enterprises and protection of the environment:

- favourable agro-environmental potential;
- rich biodiversity;
- diverse soil and high natural value of the arable land;
- long-standing usage of traditional sustainable practises in agriculture;
- increased awareness of the environment;
- new technologies for energy saving and production of renewable energy;
- big interest in applying agro-environmental practices and organic farming production.



Observed weaknesses for which the social enterprises will have to seek adequate solutions, through targeted efforts and private sector models:

- intensive urbanisation of agricultural land;
- destruction of natural habitats through different processes such as draining, cultivation, construction activities and use of fertilisers and chemicals;
- unsustainable use of chemicals in agriculture;
- inefficient use of natural resources, including exploitation;
- inadequate water use for irrigation and inefficient systems with major water losses, etc.;
- permanent trend of soil degradation, especially under the pressure of monocultures;
- high risk from forest damage due to natural disasters;
- receding areas under pastures and degradation of hilly pastures;
- global climate changes and risks related to natural disasters (i.e. floods, accidents, fires, draught);
- loss of biodiversity;
- increased pollution due to use of artificial products which saturate the soil, industrial activities, transportation and tourism;
- use of commercial breeds and varieties, leading to the disappearance of traditional and autochthonous breeds and varieties.

Recommendations

- Social enterprises which will introduce organic practices of traditional and autochthonous breeds and varieties in agricultural production and preservation of the environment.
- Work in eco-tourism and promoting natural beauties and local businesses in the rural areas.
- Social entrepreneurs should focus on innovations in efficient systems for irrigation in agriculture in order to prevent water loss.



4. Creative industries

The term „creative industries“ covers a broad spectrum of activities, which include cultural industries and all cultural or artistic, scientific technical and technological productions based on skills and knowledge. Creative industries are type of activity which includes production and market exchange of ideas in the field of culture, arts, science, technology, technical equipment, most often incarnated into concrete material products, information and services.⁸

Research indicate that the Republic of Macedonia has a solid potential for development of the strategy for creative industries. This potential is visible in the following areas:

- Cultural and historic monuments from different historic periods (pre-history, ancient history, medieval history);
- Potential for utilizing and promoting creative potentials of human resources (of individuals and groups) in different areas such as marketing, design of every type, software and digital technology in general, classical forms of artwork etc.;
- Developed system of institutionalised formal and informal education, which is one of the pre-requisites for human resource development;
- Natural attractions and rarities (mountains, caves, rivers, lakes), attractive but comparable to similar ones in other parts of the world;
- Rich cultural tradition, which can be the basis for some new forms of tourism and development of handicraft (especially the rare and authentic ones).

In takes an idea and funding to start up a business in the creative industries, but also knowledge, ability and skills (knowledge of the up-to-date marketing and management skills, but also of the ideological matrix of the new global order and knowledge in building new lifestyles).

According to results of data analysis obtained through a survey conducted for the needs of mapping creative industries in the Republic of Macedonia, issued in July 2009, most prevalent creative industries in the Republic of Macedonia are: advertising (13.9%), publishing (12.6%), artistic handicraft (10.9%), film-making (9.6%), painting (8.3%), modern art (7.8%), architecture (7.4%), software (7%). Other cultural industries are also present but with a lesser share than the mentioned ones. The most common product of creative industries are services and information dissemination. Almost half the different types of creative industries (covered by the research) have on staff one to four persons (47.4%), then come those with 10-24 employees (21%), then companies with 5-9 employees (15.8%), from 25 to 99 employees (12.1%) and only 2.8% of companies have over 100 people on staff. Most of the employees are on open ended job-contracts (56.5%). Most of



the creative industries products (70%) are earmarked for the foreign and domestic market, whereas 29.4% are creating products exclusively for the domestic market. Essentially, many of the creative industries aren't specialized in certain target groups and to them it makes no difference if their consumers are individuals or institutions. 46% of their products are export-oriented, most often placed via direct exports (57.7%), but also via brokers (42.3%). Export takes place via institutions (25.9%), individually (20.7%) or through companies (19%). Most creative industries (77%) cooperate with institutions in the field of culture, 64.8% with civil associations, 50.2% with economic institutions, and only 24.8% cooperate with political institutions. The mentioned cooperation most often refers to: participation in joint projects, that is, businesses (76.5%); exchange of services (73.5%); exchange of information (68.7%) and administrative support (51.3%). For most products of the creative industries there is primarily average demand on the domestic market (52%). Only 25.3% of the respondent institutions said there was high demand, whereas 21.8% of them said there was low demand.

Challenges

Most of the creative industries included in the research (60.2%) have no problems with the supply of raw materials and semi-final products. 63.9% of them supply their tools and work equipment nationally, whereas 57.3% have to import them from abroad. Half of them, (50.2%) do not have all the necessary tools i.e. means of production, whereas the other half (49.8%) have all they need. Most often representatives of creative industries are dissatisfied with laws and secondary legislation which regulates affairs in the culture industries (86.1%). Almost the same number of respondents (84%) said there were no special benefits or favorabilities in the law which regulates work of companies in the creative industries. With regard to copyright, 63.4% of the respondents feel unprotected, whereas staggering number of 58.3% points out they had been faced with cases of misuse of authors' rights by different entities. Although 52.5% have not had cases of unauthorised sales of their product by other entities, still there is high percentage (47.5%) of those who have had that experience in the past. 53% of the creative industries have discovered counterfeits of their products on the market.



Recommendations for development of social enterprises in the field of creative industries:

- Servicing, training and professional development for stakeholders in cultural tourism development activities, whose projects will be followed up as models which will then be replicated in all other and similar or identical regions;
- The proposed projects should enable and demonstrate exceptional level of servicing of customers and visitors;
- Establishing unity based on good practices, resolved problems and identified trends, which contribute mostly to the development of creative industries for the purpose of cultural tourism and heritage;
- Technical assistance through programs enabling economic development, especially in the field of original products and unique products coming from certain regions;
- In this sector, most employees are on open-ended contracts, but there is quite a big number of workers who are on temporary contracts (for instance, on certain projects). Organisations in this sector most often have from 10 all the way to 100 employees (depending on the nature and mandate of the companies). There is an astounding number of professional and qualified workforce employable in this sector, however, it is under-utilized;
- Technical assistance through programs enabling economic development, especially in the field of original products and unique products from certain regions;
- Enabling favourable loans by the state in the area of protection and promotion of cultural heritage;
- Enabling tax benefits by the state in the area of protection and promotion of cultural heritage;
- The state should facilitate bigger and more developed participation in the sector for implementation of all types of public policies (cultural, educational, scientific, artistic, those pertaining to rural development and spatial planning, etc.).



5. Energy - need for structural changes with regard to energy sources and prices⁹

Countries in the region, as signatories to the Energy Community Agreement, had made a commitment to reforming the energy market and regional integration, which need to be implemented in an adequate and timely manner so as to attain optimal benefits: sustainable, safe, secure and accessible energy services.

Consolidated conclusions in the energy sector, which social entrepreneurs interested in this sector intend to work on:

- Production of heating and electrical energy, energy sources should be replaced by increased use of gas and renewable energy sources.
- Structural changes in the industry should be encouraged so as to favour those industries which do not utilize large quantities of electrical energy and which have overall lesser impact on the environment.
- Energy efficiency, both from the producer and the buyer, needs to be improved, through targeted programs, education, training and awareness raising.
- The clean development according to the Kyoto Protocol should be used as an additional tool for implementing projects for reducing greenhouses emissions and incentivising rural development.

6. ICT (Information and communication technologies)

The purpose of the ICT dimension (information and communication technologies) is to additionally increase cooperation for an improved social and economic development in South Eastern Europe and to use the entire potential of the information and communication technologies to stimulate innovation, economic growth, and regional competitiveness and to improve quality of coexistence.

There are extensive joint features of priority needs in SEE and those of the EU for developing a single digital market, fast and ultrafast internet access, interoperability and standards, increased confidence and security, research and innovations, increased digital skills and literacy and expanding ICT benefits for integrating most of the marginalised levels of the society.



According to this dimension, several main actions are available:

- Support to innovations led by ICT in the public sector for further modernisation of the public administration;
- Development and increasing levels of interaction and accessibility of electronic public services and online accessibility and interoperable electronic public services at the national level and across SEE;
- Development of regional broadband infrastructure aimed to ensure fast internet access to all;
- Promoting network security and data protection in the SEE region;
- ICT training for the public administration and for registration of citizens;
- ICT for the inclusion of marginalized groups (women, people with special needs, rural underprivileged persons, Roma, etc.) and transfer of know-how.

The vision and strategic goals of the innovations policy 2012–2020¹⁰ have been defined in four segments:

- Improved preparedness of the business sector and social businesses for introducing innovations;
- Strengthening human resources for innovations;
- Creating regulatory environment for supporting innovations;
- Increased knowledge and information flows between stakeholders in innovations;
- Increasing awareness of social entrepreneurs for them to use social and economic innovations in their operations.

The expenditures and activities related to innovations should not be perceived as an expense but as an investment. Business research conducted by the OECD review of the National Innovations' System¹¹ found evidence that Macedonian companies who have ventured innovations in the 2008-2010 period have increased their profits or turnover. Although companies link innovations to increased risk, they should understand that, unless they bring in innovations, they are also exposed to the risk from losing their competitive edge. Raising awareness about innovations in social entrepreneurship seeks systematic and coordinated effort by the main stakeholders in the national innovations system – including the government, business associations and universities.

10 National Strategy for Innovations 2012–2020

11 OECD, 2012.



Recommendations:

- A highly innovative and simulative measure is incentivising partnerships, measure which brings social businesses together with research institutions and the local government in the industrial sector.
- Social businesses with social innovations should be enabled to use the Fund for Innovations and Technological Development, which is established in order to provide additional funding sources to small and medium-sized enterprises, with special emphasis on innovations. The fund offers grants for innovations, technical assistance to companies for facilitating access to regional funds, conditioned loans, equity investments, financial grants for research and development, etc.
- Technical assistance (consulting services) in order to facilitate their access to outsourced services, such as opinion research and development, testing, design, market research, business consulting for developing business plans or feasibility studies.
- Public research institutions should be encouraged to implement social business needs analysis. This may take up several forms, including those of joint research projects (conducted in partnership with social businesses, enterprises or clusters) and contractual research. Presently within the frameworks of the Program for scientific research activities, as part of the technical and technological development in the Republic of Macedonia, support has been envisioned to research and development, which includes cooperation between small and medium enterprises and academic institutions.¹²

Recommendations for sustainable growth of social enterprises in Macedonia



1. Providing professional support to social enterprises in Macedonia

Mapping all relevant stakeholders which could be a source of quality technical support and mentorship, such as professional support to the development of social enterprises for employing vulnerable categories of persons. What is needed is a centre for building the capacities and mentorship of social enterprises in the long run. Moreover, providing advisory services by business consultants and/or entrepreneurs with specially adapted training programs for the needs of social enterprises is crucial. Another necessity is a centre where social entrepreneurs would receive all information about the concrete financial and technical support which is available to them.

2. Support to providing business premises for social enterprises in Macedonia

Supporting employment of vulnerable persons for the needs of social enterprises by offering them business premises (which are at the disposal of local governments). Additional provision of premises for exhibitions and promotion of services and/or products placed by social enterprises themselves, in order to boost visibility and increase awareness of end users of the benefits of social enterprises in a region.

3. Networking of social enterprises in Macedonia, cooperation with networks in Southeastern, Central and Western Europe

We must take into account the fact that we are at the very beginnings of the development of social enterprises. There hasn't been a formal network of social enterprises in Macedonia so far, and it is therefore important to have it set up and that it further cooperates with bigger networks of social enterprises in the Balkan region, but also to exchange practice and experiences with networks in Central and Western Europe. This will be an additional possibility to jointly apply for European funds for further development of social enterprises, with a view to employment of vulnerable categories of persons.

4. Support to research in the field of social entrepreneurship

It is necessary to have support in the form of research and analysis which will serve social enterprises be informed of where they could best focus their economic and social activities, based on the local market demand. It takes market research for development of social enterprises, but also research regarding the evaluation of economic and social benefits generated by the social enterprises themselves.



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(Footnotes)

1 Национална стратегија за иновации на Република Македонија 2012–2020.

Оваа публикација е изготвена со помош на Европската Унија. Содржината на публикацијата е единствена одговорност на Х.Е.Р.А. – Асоцијација за здравствена едукација и истражување, Insertion et alternatives – Group SOS и Општина Центар и на никаков начин не може да се смета дека ги одразува гледиштата на Европската Унија.

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