

SOCIAL IMPACT ECONOMY

GOVERNANCE MODELS AND PATHS FOR DEVELOPMENT IN EUROPE AND THE WESTERN BALKANS



Although some of the ideas and practices that are fundamental to impact investment and social entrepreneurship originated decades ago, it was in 2007 that a group of foundations and investors convened by the Rockefeller Foundation originated the term “impact investing” which was later defined as “investments intended to create positive impact beyond financial return. Extending the idea at the heart of that definition—the creation of social or environmental impact in addition to financial return—to all other economic activities makes it possible to define an impact economy as a system in which institutions and individuals give equal priority to social impact and financial impact when making decisions about how to allocate resources. An impact economy is thus a very different kind of system from a traditional capitalist economy that prioritizes only financial returns. In an impact economy, consumers and shareholders will challenge entrepreneurs and executives to show that they generate their profits in a manner that contributes to the public good.

The mapping study revealed many similarities as well as differences within the same region as well within the two regions included in this study: The Eastern Neighbourhood and Western Balkans. Reports from EN countries show still considerable influence of the state in business operations, though these countries have been experiencing a transformation from state-driven into market-driven economies. However, trade flows and investments are still considerable with Russia compared to the EU. Both regions suffer the consequences of the changes in the government or policy that lead to changes in the regulatory framework making business operations subject to frequent changes. Doing business in such an environment is not well supported centrally for traditional business let alone for social enterprises. Unfortunately the grey economy, corruption, and political instability are considerable problems in both regions.

At Conference organized by UPBEAT HUB on this theme we had opportunity to hear some great experiences and suggestion about this matter by some very knowledgeable and significant speakers from Slovenia, North Macedonia, Romania, United Kingdom, Croatia and Montenegro.

First day of the conference was introducing participants on the following issues:

- Factors that affects the growth on the social economy
- Development of a sustainable social enterprise
- Main features of the social economy ecosystem in the region
- Governance models of social enterprises



In day 2 of the conference we did some great lectures about relevance of the social economy in a way how to become an actor in community and economic development in different countries. Presenters of these topic where terrific Julia Koczanowicz-Chondzynska and Raluca Ouriaghi who explained the following situation with work integration in Romania. The importance of the legal form and the governance model in successful social enterprises did David Ellerman from Slovenia, Lukasz Komuda, Nace Kovac, and Toby Johnson generating ideas on examples from the R2G project. Inspiring and successful models in networking and social economy cooperation was a panel created by Mojca Metelko, Salim Sharif, Sabina Bellione and Gianluca Pastorelli. Kupujmo socijalno (let's buy social) by Miro Mihec emphasizes that our goal have to be- fully activation on our trade balance. The good practice of a Social enterprises cooperation was a lecture about cluser for eco-social innovation and development by Rajko Milic from Croatia.

In parallel sessions we did two panels:

Panel I - Basics for cooperation in the social economy in Montenegro.

Panel II- Regional business cooperation in the social economy sector.



While social impact economy involves “win-win situations” in which the companies and capital markets generate profit and enable social progress, obstacles still exist. These include the difficulty of non-governmental social service agencies of obtaining core-funding for their programs, the arbitrary nature of defining metrics that affect financial institutions’ return on investment, and the limits of using money as a way to value certain things. Transforming traditional social services and philanthropy to profitable solutions in which financial institutions can invest verges on idealism and hinges on a complex combination of factor. However, while still in their nascent stages, impact investing and social innovation hold much potential in the future and could ultimately help bridge the gap between for-profit investments and non-profit solutions.

It can be done.

“DOING WELL AND DOING GOOD”- Social Impact Economy

