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СОЦИЈАЛНАТА ЕКОНОМИЈА ВО ЗЕМЈИТЕ ОД ЗАПАДЕН  
БАЛКАН**

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IN WESTERN BALKAN COUNTRIES)

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**OPPORTUNITIES FOR ESTABLISHING AND FOSTERING THE SOCIAL ECONOMY IN WESTERN BALKAN COUNTRIES**

**-ABSTRACT-**

The purposes of this study are to investigate current social economy in the Western Balkan countries, as well to make a comparative analysis between the countries of the Western Balkan with European Union countries, basis to action for improvement of the growth and social condition in these countries, with pretend to detect wakened points for each country. The doctoral dissertation has been structured as follows: The first section will review the relevant literature. The second part will investigate the current of stage social economy in Western Balkan countries. The third part will investigate the condition important and situation with social economic in European Countries. The fourth part will present obligation policies and measures for improvement of the situation in regard social economy. And finally, will give the conclusions and recommendations for the findings of this study.

To give an answer to the research questions: Has social development had an impact on improving the well-being of citizens in Western Balkan Countries and European Union Countries? Has there been economic growth in the western Balkan countries? If yes, is it satisfactory this economic growth compared to economic growth in European countries? How much the education system has contributed in improving the socioeconomic situation in the Western Balkan Countries and in the European Union countries? What are the effects of climate change on the development of the social economy? What are the main environmental problems faced by these countries? The outflow of doctors to developed countries is a growing problem? Why also today the citizens of the Western Balkans face poverty, is it the fault of the government or of the citizens themselves? Firstly, it have reviewed the literature to find out what different authors have found in recent researches concerning this area and the methods, models used in collecting, processing and analysing data. The processing of the data of the above-mentioned has been done by the STATA software program, specifically using Descriptive analysis, Correlation analysis, Linear regression analysis, Random-Effect GLS Regression, Fixed-Effect Regression, Hausman Taylor Regression.

Based on the empirical results of this study, it concludes that the R Square designation coefficient is over 95% indicating a much higher relationship between dependent variable

(Social Development) and independent variables (economic growth, education, climate change, environment, health, poverty, social protection, and labour). This coefficient shows that its value is 95.77%. Economic growth, education, climate change, environment, health, poverty and social protection and labour force explain the social development of the Western Balkan countries and 27 European countries during for the period 2009-2019. Environment, health and social protection & labour have a positive impact on increasing the social development while economic growth, education, climate change and poverty have a negative impact on social development.

This research paper highlights an empirical analysis based on real data, statistical reports of the World Bank of the Western Balkan Countries and European Union countries. Given that these results are evident, economic situation in Western Balkan countries have to improve with establishing social economy exactly in key area for the rapid grow of this countries.

**Keywords: Social economy, Economic growth, Western Balkan countries, European Union**

I declare that the doctoral dissertation is an original dissertation that I have made myself.

Handwritten signature of the doctoral student

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I appreciate the completion of the doctoral dissertation as an important step in my life and academic career. Therefore, at the end of this intensive period of studies, I would like to express my sincere gratitude and thanks to those who have supported me in the realization of this research.

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## LIST OF ABBREVIATIONS

*WBC - Western Balkan Countries*

*EU - European Union*

*SE - Social Economy*

*SEE - Social Economy Europe*

*NGOs - Non-Governmental Organizations*

*SDG - Sustainable Development Goals*

*SMEs - Small and Medium-Sized Enterprises*

*SD - Social Development*

*EG - Economic Growth*

*ED - Education*

*CCH - Climate Change*

*EN – Environment*

*OECD - Organisation for Economic Co-operation and Development*

*POV - Poverty*

*SPL - Social Protection & Labour*

*WB - World Bank*

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## INTRODUCTION

Studies on social economics are intended to identify how economic activity affects and is shaped by social processes. So, social economy analyses how modern societies thrive, stagnate, or regress because of their local, regional economy, or global economy. A more accurate concept of social economy emerged over twenty years ago. Nevertheless, the number of socio-economic studies is relatively small. Today, people everywhere in the world are discovering or rediscovering a third sector that exists alongside the private, for-profit sector and the public sector, although its design and definition may vary from one country to another.

The most important innovation for Europe is combining social, labour and economic development policies, together with sustainable development focus on increasing and sustaining the welfare of the people. So, Europe's focus for the near future is the development of the social economy. Therefore, the countries of the Western Balkans should pay more attention to this important issue not only in improving the lives of their citizens, but also fulfilling the goal that these countries have, membership in the European Union.

This dissertation contains a theoretical, historical and empirical overview. The study begins with a theoretical review of social economics, continuing with historical review, expanding further with empirical analysis, econometric evaluation of the hypothesis and study findings and concluding with policies and measures for improvement of the situation in regard social economy.

The purpose of this study is to identify the possibility of establishing and fostering a social economy in the Western Balkans as well as the impact of the main indicators of the social economy: social development, economic growth, education, climate change, environment, healthy, poverty, social protection & labour as an important measure for a better life of the people in these countries. This study will present, both from a theoretical point of view and from an empirical point of view, the relationship between the indicators of social economy. So, it will analyse the trend and current situation economy in six Western Balkan Countries to compare with the trend and current situation economy in 27 European Union countries.



## **Theoretic review about the topics**

This thesis is focused on opportunities for establishing and fostering the social economy in Western Balkan countries, as a better way for the economic development and the convergence of the EU standard.

The term "social economy" first appeared in France during the first third of the XIX century. For a long time, it's meaning was much broader and amorphous than it is today. Anyone can develop their own a priori conception of the social economy, simply by placing more or less emphasis on either its economic or its social dimensions, both of which are wide-ranging (Defourny & Develtere, 2009). The word economy in social economy refers to the concrete production of goods or services by enterprises contributing to the economic development of a community. More precisely, the finality of the economic activity suggests that monetary wealth should be generated through enterprises. The social contribution of an enterprise may be defined as: The promotion of values such as democracy and autonomy; Improved quality of life within a community, Job creation; Social and professional inclusion; Individual and community empowerment; Increased social viability (social solidarity, community mobilization, community access to services, etc.), (First Nations of Quebec and Labrador Health and Social Services Commission, 2020).

The social economy, consisting generally of cooperatives, non-profit and mutual benefit organizations, foundations, and other social enterprises, is a sector which makes a significant contribution to employment creation, social cohesion, sustainable growth, social justice, social innovation, and socio-economic equality. Despite the increasing application of this concept, and initiatives related to it, there are limited data that provide a comprehensive picture of the evolving state of the social economy internationally. Although the social economy is in no way a new phenomenon, measuring and evaluating it has a shorter history. In particular, the production of statistics about the social economy has been fraught with methodological and other challenges. However, there is considerable international interest in quantifying this sector because of increasing developments in social investment, as well as the need to be more explicit in measuring the added value that it may contribute. (Bouchard & Rousselière, 2015).

In the last decade, the term 'social economy' or variants such as 'solidarity economy' have become more widely used in academic and policy discourse, within both developing and developed economies. Most significantly, the understanding of its status has changed in quiet radical ways. The social economy is no longer seen as a historical leftover or of marginal social

and economic value. Mainstream opinion has begun to recognize the potential of the social economy to build social-economic capability and tap latent economic potential based on welfare markets. This new interest joins traditional fringe interest in the social economy as real evidence of post-capitalist possibility based on social participation and an explicit ethic of care (Amin, 2009).

The promise of the Social Economy is that it provides a set of principles, practices, relationships and organizations that will allow individuals and communities to negotiate the new context more successfully, to ameliorate and begin to reverse its worst effects, and to propose and experiment with alternative ways of regulation, organization and delivery (Hall, Smith, Kay, Downing, MacPherson & McKittrick, 2011). Social impact reporting has come to dominate best practice in the social sector over the last ten years. This new performance reporting style forms part of an overall discourse of investment logic that has emerged in social purpose organizations, most of which previously had little interest or knowledge of concepts such as social return on investment or other social impact statistics (Morley, 2016).

Social enterprises are a key component of a healthy social economy. They are one member of the family of social economy organizations. Some social economy researchers define social enterprises broadly and some are more specific, however, they all agree they are businesses with a purpose that contributes back to the wellbeing of the community in a variety of ways. Social economy organizations play a vital role in communities across the country. While the term social economy organizations can be used to refer to the totality of all organizations operating in the social economy, “social enterprises” refers to a narrower band of social economy organizations. An important support for any social economy organization is funding. Social economy initiatives require funding for many purposes as they go through the various stages of emerging, becoming established and evolving (Thompson & Emmanuel, 2012). There is growing international recognition of the importance of the social economy, consisting of cooperatives, mutual and non-profit organizations. The Social Economy provides resilience in financial crises, choice in a plural economy, greater social capital and the means for development of a more democratic and inclusive civil society (Chaves & Demoustier, 2013).

The social economy is made up of a diversity of enterprises and organizations such as cooperatives, mutual, associations, foundations and social enterprises among other forms that can be specific to each country. They are united around the values of: primacy of people and the social objective over capital, democratic governance, solidarity and the reinvestment of most profits to carry out sustainable development objectives. Although the involvement of the

third sector in public policy and service delivery processes has thought to have increased in recent years research in public administration has understandably focused primarily on relationships between the state and third sector. Considerably less attention has been paid to relationships between the third sector and service users; the largely untested assumption is that the third sector is able to act as an effective proxy for service user involvement (Mazzei, Teasdale, Calò & Roy, 2020).

## **Subject of the research**

All Balkan countries face the same problems: insufficient growth, unemployment, low standard of living, lack of various social services, etc., so the Balkans also need social economy to reach its citizens, to identify their needs and to improve their well-being.

The subject of this research are the challenges and opportunities of dynamiting of social economy through the new scientific achievements and good practices, based on collection and production of data related to the social economy of national, regional and international character, specifically it will investigate current social economy in the EU countries and in the Western Balkan countries and will propose policies and measures for improvement of the situation in this regard.

Social economy has to do with the economic factors of society. Some of the social-economic factors include: employment, education, and income. These factors relate to and influence one another. For example, them education will affect them employment, while employment will affect them income. The primary focus of this study is to present regional, national, and international perspectives on the production of data about the social economy.

Considering that economics and social behaviour, as two main pillars of the welfare of society, have an interrelationship between them, as well as given the fact that socioeconomics is the social science that studies how economic activity affects and how it is shaped by social processes. In general, it analyses how modern societies progress, stagnate, or regress because of their local, regional economy, or the global economy, this study aims to:

1. To give a general and theoretical overview of socio-economic interaction, focusing achieving rapid growth, small unemployment and poverty, better social services, social inclusion, better governance and so on.

2. To investigate current social economy in the European countries, focused on the good way of growth, solving unemployment and social exclusion, improving social services, etc.
3. To investigate current social economy in the Western Balkans countries, focused on the good way of growth, solving unemployment and social exclusion, improving social services, etc., as well to make a comparative analysis between the countries of the Western Balkans and Europe.
4. To analyse the current situation of the social economy in the EU, providing a comparative analysis of the perceptions of the social economy in each country and macro-economic data on the social economy in the 27 Member States and the two candidate countries.

In the literature and economic studies of many foreign and domestic authors, there are very few papers that analyse socio-economic interaction, taking into account the impact of the economy, specifically the economic development of society, especially in achieving rapid growth, small unemployment and poverty, better social services, social inclusion, better governance, etc., as well as the impact they have on ensuring the sustainable well-being of the citizens of these countries.

### Research objectives

In order to realize the main purpose of the paper which is to investigate the current social economy in the European countries and in the Western Balkan countries, this research also has its objectives as:

1. To highlight problems related to unemployment or precarious work, rapid growth, social exclusion, discrimination and racism, climate change or the lack of social cohesion etc.
2. To show the importance of investing in social economy.
3. To analyse the impact that social economy brings in achieving rapid growth, social services, governance, social exclusion, employment, social inclusion and poverty alleviation, education, environment, etc., in European countries.
4. To analyse the impact that social economy brings in achieving rapid growth, social services, governance, social exclusion, employment, social inclusion and poverty alleviation, education, environment, etc., in the Western Balkan countries.

5. To analyse the impact that the social economy has on increasing the well-being of the citizens of these countries.
6. To show the opportunity that the social economy brings as an indicator that promotes the implementation of Agenda 2030 and 17 the implementation goals of the center, especially for the achievement of Objective 8 "promote sustainable, inclusive and sustainable economic growth, full and productive employment and work worthy".
7. To propose policies and measures for improvement of the situation in this regard.
8. To give recommendations for improving the state of the social economy in the Balkans, Europe and around the world.

### **Explanation the hypothesis on the thesis**

From the review of the theoretical literature this hypothesis has been raised, which will be tested in the above-mentioned chapters.

**Hypothesis 1:** Establishing and fostering on social economy in Western Balkan countries may be good way to growth, solve unemployment, improved social services etc., for better life of the people in these countries.

Research questions are essential in a scientific paper. They express the purpose of drafting the paper but also direct the research process. To fulfil the purpose of this study, through the examination of the hypothesis, the following research questions have been formulated:

1. Has social development had an impact on improving the well-being of citizens in Western Balkan Countries and European Union Countries?
2. Has there been economic growth in the Western Balkan countries? If yes, is it satisfactory this economic growth compared to economic growth in European countries?
3. How much the education system has contributed in improving the socioeconomic situation in the Western Balkan countries and in the European Union countries?
4. What are the effects of climate change on the development of the social economy?
5. What are the main environmental problems faced by these countries?
6. The outflow of doctors to developed countries is a growing problem?
7. Why also today the citizens of the Western Balkans face poverty, is it the fault of the government or of the citizens themselves?

## **Used method**

For the realization of this thesis is studied, researched and reflected mainly domestic and foreign literature, publications and data from public institutions and international organizations.

The methodology used in the thesis will be a combination of qualitative and quantitative method, using different socio-economic data for Western Balkan countries, as for countries of the European Union. The methods used in this paper are methods commonly used in social research - inductive and deductive method, method of analysis and synthesis, method of abstraction and concretization, method of generalization and specialization, method of description, method of compilation, comparative method. Then, statistical method, historical method, case studies an empirical method.

To realize this research, the methodology consists in collection secondary data. The thesis has been prepared using the analysis of secondary data, which are collected from the World Bank, and the variables being used include period of time 2009- 2019. As far as the econometric model is concerned, the main methods used for analysis are: Descriptive analysis, Correlation analysis, Linear regression analysis, Random-Effect GLS Regression, Fixed-Effect Regression, Hausman Taylor Regression, which are calculated through the STATA program. The main variables that are used are: social development (as a dependent variable) and economic growth, education, climate change, environment, health, poverty, social protection & labour (as independent variable).

## **Expectation outcomes**

The results of this paper will contribute to the strengthening of knowledge, data and information in the field of social economy. Furthermore, this study provides additional evidence regarding the social economy in the Balkans, in European countries and beyond.

The results of this study are important for social economy enterprises and organizations as they help them to priority people and communities over profit, to have inclusive and democratic governance, to reinvest most profits to pursue sustainable development goals, to create quality jobs for all, the provision of socially innovative service, to engage in recycling, reuse and repair of goods, to use the democratic decision-making process and the priority of people and labour on capital in the distribution of income, to guarantee opportunities equal, with a special focus on marginalized communities and minorities (providing services and

training as well as creating employment opportunities for migrants, the homeless, Roma, people with disabilities, etc.), improving the care system health (child care, assistance for the elderly and people with disabilities, and not only), for the government how to make policies for improvement of the situation in regard social economy.

The results of this research will support the idea of fostering the social economy in developing countries as a better opportunity to achieve a sustainable welfare for its citizens since in these countries, especially in the Western Balkans, citizens even in the twenty-first century due to unemployment and poverty are being forced to leave their homeland to ensure a better welfare for themselves and their family. Also this study is important for the integration of the economies of the candidate countries as there will be an of the possibility on for establishing and fostering the social economy in Western Balkan countries, as a better way for the convergence of the EU standard.

In addition, the results of the study will help future researchers in the field of social economics and economic growth.

### **Importance of the thesis**

Special emphasis in this paper is placed on the social economy in the countries of the Western Balkans. This paper is important for all those who want to learn more about social economics especially in the contribution that she brings to: contribution to achieving rapid growth, the contribution to better social services, the contribution to better governance, the contribution to exclusion social, contribution to the goal of employment, contribution to social inclusion and poverty alleviation, contribution to the goals of education, contribution to environmental goals, etc., the last four are also Europe's targets for 2020.

During the research will investigate current social economy in EU countries, investigate the current social economy in Western Balkan countries, will to propose policies and measures for improvement of the situation in this regard as well as it will present an overview of the current situation of the social economy in the EU, providing a comparative analysis of the perceptions of the social economy in each country and macro-economic data on the social economy in the 27 Member States and the two candidate countries, and it will draw useful conclusions about this very important issue in the days of nowadays, which will use European countries and candidate countries for Europe membership.

## **Application of the research results**

Social economics scholars agree on the existence relationship between economy and social behaviour. Taking into account the impact that the social economy has on the integration of the economies of the candidate countries, this study investigates the contribution it brings to better social services, better governance, exclusion social, goal of employment, social inclusion and poverty alleviation, solve unemployment, goals of education, environmental goals and so on.

From the research findings it sees that the social economy as the third sector has evolved everywhere in the world. Countries in which the concept of the social economy is widely accepted: In Spain, France, Portugal, Belgium, Ireland and Greece, the concept of the social economy enjoys greatest recognition by public authorities and in the academic and scientific world, as well as in the social economy sector itself. The first two countries stand out: France is the birthplace of this concept, and Spain approved the first European national law on the social economy in 2011. Countries in which the concept of the social economy enjoys a moderate level of acceptance are: Italy, Cyprus, Denmark, Finland, Luxembourg, Sweden, Latvia, Malta, Poland, the United Kingdom, Bulgaria and Iceland. In these countries the concept of the social economy coexists alongside other concepts, such as the non-profit sector, the voluntary sector and social enterprises. In the United Kingdom, the low level of awareness of the social economy contrasts with the government's policy of support for social enterprises. countries where there is little or no recognition of the concept of the social economy: The concept of the social economy is little known, is in places like: Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands, Slovakia, Romania, Croatia and Slovenia, a group which mainly comprises Germanic countries and those which joined the EU during the last round of enlargement.

As for the countries of the Western Balkans, countries that aspire to membership in the European Union, this sector is not so well known or better to say these countries are not making enough efforts in terms of recognition / development of social economy in the countries of their although recently it has been said that the social economy can contribute to achieving Europe 2020 goals (such as contributions to the employment, contributions to the social inclusion and poverty, contributions to the education and contributions to the environmental).



## **CHAPTER I**

### **THEORETICAL REVIEW ABOUT SOCIAL ECONOMY**

#### **1. Theoretical background of social economy**

The social economy is a tool for achieving rapid growth, small unemployment and poverty, better social services, social inclusion, better governance and so on. Social economy studies the relationship between economy and social behaviour (Restaki, 2006). Social economy challenges us to think in different ways about our economy – the processes and institutions through which we meet our needs. The most important innovation for Europe is combining social, labour and economic development policies, together with sustainable development focus on increasing and sustaining the wellbeing of the people in the Western Balkan countries.

Social economy studies the relationship between economy and social behaviour. It analyzes how consumer behaviour is influenced by social moral, ethic, and other humanitarian philosophies. The social economy examines activity that is related to economics amongst the community and exposes the information to the community, this includes the social enterprise and voluntary sectors. A social economy develops because of a need for new solutions for issues (social, economic or environmental) and to satisfy needs which have been ignored (or inadequately fulfilled) by private or public sectors. By using solutions to achieve not-for-profit aims, a social economy has a unique role in creating a strong, sustainable, prosperous and inclusive society (European Forum on Social Entrepreneurship, 2019).

The social economy is a sector of the market which operates between the public and the private sphere. Despite the efforts of academics, EU institutions, international organizations, national governments and social economy representatives in trying to provide a common analytical framework, a universally accepted definition of the social economy still does not exist. The main analytical difficulties that need to be overcome in attempting to define the social economy are:

- clarifying the distinction between the different forms of social economy activities and
- identifying the differences that exist when comparing these entities, the other private economic players and the public sector (Liger, Stefan & Britton, 2016).

In the last decade, the term ‘social economy’ or variants such as ‘solidarity economy’ have become more widely used in academic and policy discourse, within both developing and developed economies. Most significantly, the understanding of its status has changed in quiet radical ways. The social economy is no longer seen as a historical leftover or of marginal social and economic value. Mainstream opinion has begun to recognize the potential of the social economy to build social-economic capability and tap latent economic potential based on welfare markets. This new interest joins traditional fringe interest in the social economy as real evidence of post-capitalist possibility based on social participation and an explicit ethic of care (Amin, 2009).

Social economics has two related domains of research. Its origins lie in the research of the social economy itself, understood as the third sector in mixed market economies distinct from the private and public sectors, and based on voluntary rather than paid, cooperative rather than competitive, and not-for profit activities carried out within communities, across national economies, and internationally. The social economy is variously referred to as the non-profit sector, the *economie sociale*, *Gemeinwirtschaft*, and the cooperative economy, and has a long history coincident with the rise of market economies and antedating them as well. But social economics has also come to be concerned with the functioning of the mixed market economy as a whole from the perspective of the role that social values and social relationships play in the economy as well as in economics’ representation of it. This social perspective is inspired by the original concern of social economics with the social economy, since their social values and social relationships are prominent and dominate economic values and economic relationships (Davis & Dolfsma, 2008).

Essentially, the social economy is made up of the voluntary, non-profit and co-operative sectors that are formally independent of the state. Their market activities are means of achieving social development goals that transcend the market *per se*. Thus defined, the social economy should be logically considered as a third sector (Browne, 1997).

A very important characteristic of social economy organizations that is deeply rooted in their history is their democratic nature. The democratic criterion is considered essential for a company to be considered part of the Social Economy, as the social utility of these companies is based on their social purpose and on the democratic, participative values that they bring to the running of the company (Monzón & Chaves, 2016).

## **1. Historical review of the literature about the social economy**

Social Economy is a term that first appeared in the scientific literature amid the First Industrial Revolution. At that time, liberal economic theory was already fully preeminent in England and spreading throughout northern Europe. It was a socially complicated time that experienced evermore pronounced economic and social imbalances (Macías, Milán & Marruecos, 2021).

The term social economy probably appeared in economics literature for the first time in 1830. In that year the French liberal economist Charles Dunoyer published a Treatise on social economy that advocated a moral approach to economics. Over the 1820-1860 period, a heterogeneous school of thought that can collectively be termed the social economists developed in France. Most of them were influenced by the analyses of T.R. Malthus and S. de Sismondi, regarding both the existence of ‘market failures’ that can lead to imbalances, and the delimitation of the true subject of economics, which Sismondi considered to be man rather than wealth. However, most of the social economists must be placed within the sphere of liberal economic thinking and identified with laissez-faire principles and the institutions that the emerging capitalism was to consolidate, including capitalist companies and markets. As a result, the thinkers behind social economics in this period did not launch or promote any alternative or complementary approach to capitalism. Rather, these economists developed a theoretical approach to society and what is social, pursuing the reconciliation of morality and economics through the moralization of individual behaviour, as in the model of F. Le Play (Azam, 2003), for whom the goal that economists should strive for was not welfare or wealth but social peace (Carbon, 1972). Social economics underwent a profound reorientation during the second half of the 19th century through the influence of two great economists: John Stuart Mill and Leon Walras. Mill paid considerable attention to business associationism among workers, in both its cooperative and mutualist aspects. In his most influential work, *Principles of Political Economy*, he examined the advantages and drawbacks of workers’ cooperatives in detail, calling for this type of company to be encouraged because of its economic and moral benefits.

In the 1930s, the University of Leuven (Belgium) offered a specialization course on Social Economy (Caeiro, 2008). At the same time, several contributions were made to this scientific and academic concept. This new approach focused on the social aspect of economic activity, which influenced various theorists of the nineteenth century and led to further analysis by other economic thinkers such as Stuart Mill, León Walras, and Charles Gide. This gave rise

to the intellectual endorsement of the cooperative movement as a strong reaction to the capitalist production system that was thought to generate inequality by imposing the power of money, and which, ultimately, turned out to be the genesis of the concept of Social Economy (Chaves & Monzón, 2008). On the other hand, the influence of several ideologies that evolved in the nineteenth century, including French Utopian Socialism, Scientific Socialism, the Cooperative Movement, Trade Unionism and Christian Solidarity (Piechowski, 2002), or its maximum expression, the Encyclical "Rerum Novarum" of Pope Leo XIII (1891), all contributed to a conceptualization related to the production of goods and services which was outside the parameters of the dominant capitalist principles. In Spain, Concepción Arenal (1861) and José Arias de Miranda (1862) were already working on a social economy concept that was directly linked individuals and the State's activity to the provision of social care and charity services (Macías, García & Rumí, 2021).

Like Mill, Leon Walras considered that cooperatives can fulfil an important function in solving social conflicts by playing a great "economic role, not by doing away with capital but by making the world less capitalist, and a moral role, no less considerable, which consists in introducing democracy into the workings of the production process" (Monzón, 1989). Walras' *Études d'Économie Sociale: théorie de la répartition de la richesse sociale*, published in Lausanne in 1896, marks a major break from the original social economy approach identified with F. Le Play's model. With Walras, the social economy became both part of the science of economics and a field of economic activity that is prolific in cooperatives, mutual societies and associations as we know them today (CIRIEC, 2012).

The term "social economy" first appeared in France during the first third of the XIX century. For a long time, its meaning was much broader and amorphous than it is today. Anyone can develop their own a priori conception of the social economy, simply by placing more or less emphasis on either its economic or its social dimensions, both of which are wide-ranging. In the final analysis, any economic phenomenon that has a social dimension, and any social phenomenon that has an economic dimension, could be considered part of the social economy (Gueslin, 1987).

Defourny and Develtere (1997) and Demoustier (2001) retrace the ancient roots of the social economy within Egyptian corporations, the Greek funds for the ritual organization of funerary ceremonies and the Roman colleges of craftsmen. The first guilds appeared in Germanic and Anglo-Saxon regions in the 9th century and, in the 11th century, there emerged the confraternities which responded to objective needs for assistance, reciprocal support and

charity in the shaky early Middle Ages. The corporations (associations organized on the basis of a trade or a profession) and the first *compagnonages* (guilds) developed in the 14th century.

The medieval epoch and beyond was characterized by a very rich associative life, not only in Europe, but also on other continents: the food corporations in medieval Byzantium, the post-medieval guilds in the Muslim countries, the professional castes in India, the confraternities of craftsmen in primitive Africa and in pre-Colombian America (Defourny & Develtere, 1997). These ‘associations’ were created in order to organize and protect communities.

The industrial revolution and the role of ideals in Europe. As Gueslin (1987) asserts, modern forms of social economy came into being as a result of theorizing practical experiences and their institutionalization in the 19th century, while the associative experiences of the 19th century took place in the context of a solidarity practice inherited from the late Middle Ages and the Renaissance. But until the French revolution, the associative organizations remained under the control of the Church or of the State. Clandestine associations-often savagely repressed by the authorities-would contribute to the dissemination of the ‘new’ idea of ‘freedom of association’. It has been argued that the French revolution fostered political equality, meeting thereby the desire of the bourgeoisie. But the material inequality that remained was not dealt with until the 19th century (Hardy, 1979).

The 19th century was, indeed, a formative century for the modern social economy, as it was characterized by an outburst of ideas, concepts, experiences, co-operative, associative or mutual aid practices, institutional and utopian initiatives in reaction to the social brutalities of the Industrial Revolution (poverty and exploitation), the emergence of the liberal philosophies and the actions taken by the state against the workers’ movements or associations. The 19th century especially the second half was also a period of intense experimentation with various forms of social action and initiatives in defence of the weakest segments of the population i.e. the industrial workers whose numbers were growing significantly.

Before being institutionalized at the end of the 19th century or the beginning of the 20th century, the various forms of ‘associationism’ were inspired by a number of visions, ideologies, theories and philosophies, sometimes competing, that influenced the formation of the social economy. According to Defourny and Develtere (1997), the main ideas that played a fundamental role were: 18th and 19th century ‘utopian socialism’ (Owen, Fourier, Leroux, Saint-Simon, Proudhon), that promoted the values of co-operation and of mutual support; Christian socialism that established the ‘intermediary corps’ to combat individual isolation and absorption of individuals by the state, (Defourny and Develtere, 1997) and the liberal

movement that favoured the mutual help associations by praising economic liberty and refusing state interference. These movements were not limited to one country, but spread all over Europe.

Defourny and Develtere (1997) show how all these important ideologies contributed significantly to the emergence of the social economy, but none of them can assert exclusive paternity. For instance, two contradictory tendencies characterized the French approach to the creation of associations: the republican ideal deriving from the French revolution that denied any organized mediation between the individual and the state, and the anti-individualist tendencies that stressed the importance of intermediary structures (Barthe'lemy, 2000). In England, utopian socialism gave birth to many co-operative initiatives, where the community was considered the most appropriate body for achieving a harmonious society (Hardy, 1979). However, each of these initiatives is connected to the specific needs of communities, protecting or promoting particular social relations.

## **2. Recent scientific achievement about social economy**

"Social Economy" as a pioneer of a new vision of wealth focused on people and their environment. This notwithstanding, the authors remain cognizant of the ongoing research and analysis being carried out on many other terms associated with scientific, political, legal, and economic content (Macías, Milán & Marruecos, 2021). In short, as numerous authors point out (Fajardo, 2018; Monzón, 2017; Mendiguren & Etxezarreta, 2015), the imprecision of the Social Economy concept seems more broadly associated with its dissemination and popularization than with research and theoretical debate since the concept of the social economy has been developed fairly homogeneously by both policymakers and social actors. Thus, the term of social economy is still in a pre-paradigmatic stage, in the midst of a change process, a change reflected in the initial drafts of social economy laws of several European countries (Asiminei & Şoitu, 2014).

As already stated in the report prepared by CIRIEC for the European Economic and Social Committee on the Social Economy in the European Union in 2008, the Social Economy has had different theoretical approaches, and has been identified, to a large extent, with other terms such as the third sector, non-profit organizations—proper to the English-speaking world—or the solidarity economy—very widespread in France and Latin America (Monzón & Chaves, 2008).

The development and use of all these new terms "have emerged from the questioning of the hegemonic economic model based on the traditional lucrative enterprise and incorporate a propositional burden that places the social and environmental dimension in a central position in the economy" (Chaves & Monzón, 2018). These dimensions justify the social economy and form the nucleus of the concept.

In the European Union, the fundamental role played by the social economy sector in the economic space is highlighted. The recent Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021, which establishes the Recovery and Resilience Mechanism, contemplates the need to introduce reforms and investments of the Member States of the European Union in the promotion of the Social Economy for this recovery, pointing out as one of the fields of intervention the support to the Social Economy and social enterprises, evincing that political, legislative, and executive efforts are necessary for its development.

### **3. Important on social economy**

The term Western Balkans crept into usage only in the late 1990s to find a new, politically correct term for a region that was no longer Yugoslavia and Albania, but not yet really somewhere else (Bieber, 1999). The institutions of the European Union have generally used the term "Western Balkans" to mean the Balkan area that includes countries that are not members of the European Union, while others refer to the geographical aspects. Each of these countries aims to be part of the future enlargement of the European Union and reach democracy and transmission scores but, until then, they will be strongly connected with the pre-EU waiting program CEFTA (De Munter, 2016).

The Western Balkan Countries include Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. Albania, North Macedonia, Montenegro, and Serbia are EU membership candidates, Kosovo and Bosnia and Herzegovina are potential membership candidates.

The Western Balkans are an integral part of Europe and a geostrategic priority for the European Union (European Commission, 2020). The Western Balkans faces numerous social challenges, and social policy reform thus remains a priority. Efforts focus on construction and modernization of social housing solutions, education, healthcare and judicial facilities, poverty reduction, social integration and cohesion, and social safety (WBIF, 2021).

Absence of a strategic approach towards social economy as well as lack of long-term commitment by the Governments characterize the ecosystem for their development. Social entrepreneurship has been on the agenda of all Governments and various strategic and/or operational decisions have been made. However, none of the countries have a clear strategic direction of social economy further development. Although Albania adopted the Law on social entrepreneurship in 2016, discussed in other countries as well, the Government fails to develop implementation measures to enable registration as well as smooth operations of social enterprises. Kosovo has a draft Law prepared; it is approved in 2018. In spite of regulating the sector by legal act, a strategic approach is still lacking. There is little institutional understanding of the SE sector among the key designated institutions and stakeholders, and even less engagement. The topic is on the margins of the political agenda in all six countries. In the public discourse of the countries, the social economy concept is considered as a social policy of inclusion and/or employment targeting vulnerable groups, in the majority of cases people with disabilities as well as other vulnerable groups such as women, young people, children, elderly persons, Roma, persons with addictions, etc. Stakeholders at national level do not see the concept as a cross sector theme.

Despite the lack of institutional understanding and unfavourable legislative, economic and institutional framework there are examples of successful social enterprises changing the perception towards the sector, and producing a greater social impact. One of the countries with an emerging but notable social economy sector is Serbia, which is a leading force in the region.

The majority of social enterprises functioning as CSOs use grant support from donors to start their activities. Spin-off enterprises established by associations also benefit from donor support. Beyond this initial grant funding in the start-up phase, many SEs are facing significant barriers in raising financing to support their growth. The bulk of funding still comes from donor sources, aid agencies and in some of the countries, such as Serbia, the private sector.

Visibility of social enterprises continues to be a challenge within existing legal structures SEs are using, not providing them equal status as for example NGOs or LLC have. Not having tax exemptions or incentives due to the legal status they operate in, many of the SEs remain unknown to the wider public, though reaching significant impact at the local or regional level.

SEs in the WB mostly use an internal monitoring framework to measure progress and donor reporting formats to record their results and impact. At the organizational level, most of the SEs keep track of the number of beneficiaries they serve, and information related to outcomes of their activities and financial indicators. There is a lack of any systematic



monitoring and evaluation based on international frameworks about the overall impact of social enterprises in each of the WB countries. Thus, the social impact is mostly documented at the level of case-studies and individual best practice, rather than overall impact of SEs within the country.

At the core of the EU are the 27 Member States that belong to the EU, and their citizens. The unique feature of the EU is that, although the Member States all remain sovereign and independent states, they have decided to pool some of their ‘sovereignty’ in areas where it makes sense to work together. European Union include: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. In practice, this means that the Member States delegate some of their decision-making powers to the shared institutions they have created, so that decisions on specific matters of common interest can be made democratically at EU level (European Union, 2021).

The social economy has been closely linked to the history of the European Union since its birth. The Treaties establishing the then European Economic Community recognized cooperatives as one of the business models existing in the Union. Over the years, the European Institutions and Member States have been supporting the social economy thanks to its weight and important presence in society, as it currently comprises over 2.8 million social economy enterprises and employs around 14 million people. Alongside the measures that have been implemented specifically for co-operatives, mutual societies, foundations or, more recently, social enterprises, the EU has been building up an “acquis” of recognition and measures in favour of the development of the social economy as a whole, which is now at the heart of the EU’s main policy initiatives.

From 2020 to the present, the European Commission has included the social economy in its main communications in areas such as the European Circular Economy Action Plan, the Industrial and Small and Medium-Sized Enterprise (SME) Strategy, the initiatives for equality and against discrimination of the Roma and of LGTBIQ people, or the new European consumer agenda, among others. Its weight and relevance have made it a central player in EU flagship and structural initiatives for re-launching economies and in the manner of materializing new forms of long-term economy, promoting inclusive and sustainable models and facilitating business recovery.

The Next Generation Funds that the EU has designed for its post-pandemic rescue plan specifically prioritize the social economy within the most ambitious strategy ever adopted by

Europe to generate smart, sustainable and inclusive growth based on quality employment, productivity, competitiveness and industrialization, fostering digitalization, innovation and research and the green transition to clean energy to achieve a climate-neutral Europe by 2050. Countries such as Spain or France have included the social economy among the priorities of their National Recovery and Resilience Plans to implement the recovery funds.

Furthermore, the social economy forms part of the EU's initiatives to promote change in its production model, such as the European Pact for Skills, for the continuous training of workers, dedicating Industrial Ecosystem No. 14 to promoting entrepreneurship in the social economy (IEMed, 2021).

### **The role of NGOs in the social economy**

Non-governmental organizations (NGOs) are critical change agents in promoting economic growth, human rights and social progress. NGOs are influential because of their expertise and their access to important sources of information. As a result, a significant share of development aid and humanitarian relief is now channelled through such organizations. A non-governmental organization (NGO) is a non-profit group that functions independently of any government. NGOs, sometimes called civil societies, are organized on community, national and international levels to serve a social or political goal such as humanitarian causes or the environment.

Non-governmental Organizations (NGOs) play an important role in the economic development of developing countries. They provide services to society through welfare works for community development, assistance in national disasters, sustainable system development, and popular movements (Roy, Raquib & Sarker, 2017). In order to gain economic sustainability, NGOs through microfinance help the communities to reduce poverty, create jobs, and promote income generation.

NGOs play a critical role in economic development, trade facilitation and building healthy communities through the provision of critical services. The rapid growth and expansion of NGOs worldwide attests to their growing role in the development process. Non-governmental Organizations (NGOs) play an important role in the economic development of developing countries. They provide services to society through welfare works for community development, assistance in national disasters, sustainable system development, and popular movements. In the developing countries, sustainability is linked more closely to issues of poverty and the gross inequalities of power and resources (Hamnett & Hassan, 2003). Non-governmental organizations (NGOs) are essential institutional players in mobilizing regional

economic growth and development, community growth and development, motivating people, and implementing social welfare program(s) to support government effort(s) at the grassroots level. Non-governmental organizations (NGOs) have become essential actors in the social field, particularly in the fight against poverty and social exclusion. They engage in regular dialogue with public authorities with a view to ensuring better implementation of EU initiatives and policies in the EU countries.

The Europe 2020 Strategy for smart, sustainable and inclusive growth sets up a new partnership between the EU institutions, national and regional governments and European stakeholders. The Commission has made it a priority to strengthen these partnerships at European level.

The EU Stakeholder Dialogue taking place in the framework of the European Platform against Poverty and Social Exclusion is vital to this partnership as it brings together:

- EU-level NGOs and social partners in the fields of employment, social affairs and inclusion
- representatives of EU Institutions and other international organizations
- representatives of national, regional and local authorities
- think-tanks and foundations for issues relating to social inclusion (European Commission, 2021).

**The NGO sector in Europe is well-established and provides essential services to the citizens of Europe and to communities worldwide. Below its present some NGOs based in Europe:**

**1) APOPO HeroRATS [apopo.org](http://apopo.org)**

**Antwerpen, Bergium** 

APOPO is an innovative organization that uses specially trained rats to detect hidden landmines in post-conflict areas and to detect Tuberculosis through the power of scent. To date, 105,004 landmines have been destroyed and 81,390 potential TB infections have been halted – all without injuring or killing one single rat.

**2) Člověk v tísni ▪ [clovekvtisni.cz](http://clovekvtisni.cz)**

**Prague, Czech Republic** 

Člověk v tísni provides development assistance to people who are in need caused by disasters and war. With a focus on dictatorial, authoritarian, and transition countries, the NGO

seeks to help people and civil society to assert their freedom by advocating the principles of human rights, freedom, and peace to establish an open-minded environment.

3) **Danish Refugee Council** ▪ [drc.ngo](https://drc.ngo)

**Copenhagen, Denmark** 

The Danish Refugee Council works in more than 30 countries worldwide by providing direct assistance to conflict-affected populations – refugees, internally displaced people, and host communities in the conflict areas of the world. The NGO also advocates on behalf of conflict-affected populations based on humanitarian principles and the Human Rights Declaration.

4) **Naves de Esperanza** ▪ [nde.org](https://nde.org)

**Barcelona, Spain** 

Naves de Esperanza (Mercy Ships) is a fleet of hospital ships crewed by surgeons, nurses, teachers, farmers, and all volunteers, that travel to some of the neediest countries in the world to offer free surgeries. Mercy Ships volunteers also invest 10 months of fieldwork in the development of local medical staff and hospital infrastructure.

5) **Médecins du Monde** ▪ [medecinsdumonde.org](https://medecinsdumonde.org)

**Paris, France** 

Present in France and in 64 countries, Médecins du Monde (Doctors of the World) supports victims of crises and conflicts, promotes sexual and reproductive health risk reduction, and cares for migrant and displaced populations. Nearly 4 million people worldwide benefit from their crisis response and medical programs.

6) **Chernobyl Children International** ▪ [chernobyl-international.com](https://chernobyl-international.com)

**Cork, Ireland** 

Chernobyl Children International help families and communities that still suffer the consequences of the Chernobyl nuclear disaster. Through medical and community development programs, the NGO directly addresses the domino effect of poverty, poor health, and social impact that is the legacy of the disaster (Mansfield, 2021).

## **5. The indicators for the social economy**

The indicators set by the world bank are a unique measure of the social economy. An indicator is a variable that is used to tap a concept, regardless of whether the concept poses as an independent or dependent variable.

### **5.1. Social Development**

Social development is defined as an on-going refinement of existing behavioural patterns, feelings, attitude toward others, and understanding of others (Aalsvoort, 2010). Social development usually refers to improvements in both individual well-being and the overall welfare of society resulting from increases in social capital, typically the accumulation of capacity enabling individuals and communities to work together (Munasinghe, 2004). The concept of social development encompasses at least three connotations developed in the sociological literature. In its most basic form, it is simply defined as improvement in the standard of living of a population. A second approach, while recognizing that the economy constitutes a powerful factor in social development, emphasizes wealth distribution. A third, less economic, perspective identifies social development with the social differentiation arising from the capitalist and industrial transformations that gave rise to the modern world (Filgueira & Filgueira, 2001).

Social development is the promotion of a sustainable society that is worthy of human dignity by empowering marginalized groups, women and men, to undertake their own development, to improve their social and economic position and to acquire their rightful place in society (Bilance, 1997). Social development is equality of social opportunities (Amartya, 1995). Social development is the prioritization of human needs in a society.

Social development is about improving the well-being of every individual in society so they can reach their full potential. The success of society is linked to the well-being of each and every citizen. Social development means investing in people. It requires the removal of barriers so that all citizens can journey toward their dreams with confidence and dignity. It is about refusing to accept that people who live in poverty will always be poor. It is about helping people so they can move forward on their path to self-sufficiency (New Brunswick, 2009).

## **5.2. Economic Growth**

Economic growth is an increase in the production of economic goods and services, compared from one period of time to another. It can be measured in nominal or real (adjusted for inflation) terms. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.

Key takeaways:

- Economic growth is an increase in the production of goods and services in an economy.
- Increases in capital goods, labour force, technology, and human capital can all contribute to economic growth.
- Economic growth is commonly measured in terms of the increase in aggregated market value of additional goods and services produced, using estimates such as GDP.

In simplest terms, economic growth refers to an increase in aggregate production in an economy. Often, but not necessarily, aggregate gains in production correlate with increased average marginal productivity. That leads to an increase in incomes, inspiring consumers to open up their wallets and buy more, which means a higher material quality of life or standard of living. In economics, growth is commonly modelled as a function of physical capital, human capital, labour force, and technology. Simply put, increasing the quantity or quality of the working age population, the tools that they have to work with, and the recipes that they have available to combine labour, capital, and raw materials, will lead to increased economic output (Potters, 2021).

## **5.3. Education**

Education is the process of facilitating learning, or the acquisition of knowledge, skills, values, morals, beliefs, and habits. Education is both the act of teaching knowledge to others and the act of receiving knowledge from someone else. Education also refers to the knowledge received through schooling or instruction and to the institution of teaching as a whole. Education has a few other senses as a noun. Education can be thought of as the transmission of the values and accumulated knowledge of a society. In this sense, it is equivalent to what social scientists term socialization or enculturation (Thomas, 2021).

Educational methods include teaching, training, storytelling, discussion and directed research. Education frequently takes place under the guidance of educators; however, learners can also educate themselves. Education can take place in formal or informal settings, and any

experience that has a formative effect on the way one thinks, feels, or acts may be considered educational. The methodology of teaching is called pedagogy.

Formal education is commonly divided formally into stages such as preschool or kindergarten, primary school, secondary school and then college, university, or apprenticeship. In most regions, education is compulsory up to a certain age. There are movements for education reforms, such as for improving quality and efficiency of education towards relevance in students' lives and efficient problem solving in modern or future society at large, or for evidence-based education methodologies. A right to education has been recognized by some governments and the United Nations (United Nations, 1966). Global initiatives aim at achieving the Sustainable Development Goal 4, which promotes quality education for all.

Education helps people become better citizens, get a better-paid job, shows the difference between good and bad. Education shows the importance of hard work and, at the same time, helps it grow and develop. Thus, it's able to shape a better society to live in by knowing and respecting rights, laws, and regulations (Habitat for Humanity, 2020).

#### **5.4. Climate Change**

Climate change refers to long-term shifts in temperatures and weather patterns. These shifts may be natural, such as through variations in the solar cycle. But since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels like coal, oil and gas.

Burning fossil fuels generates greenhouse gas emissions that act like a blanket wrapped around the Earth, trapping the sun's heat and raising temperatures. Examples of greenhouse gas emissions that are causing climate change include carbon dioxide and methane. These come from using gasoline for driving a car or coal for heating a building, for example. Clearing land and forests can also release carbon dioxide. Landfills for garbage are a major source of methane emissions. Energy, industry, transport, buildings, agriculture and land use are among the main emitters.

Greenhouse gas concentrations are at their highest levels in 2 million years. And emissions continue to rise. As a result, the Earth is now about 1.1°C warmer than it was in the late 1800s. The last decade (2011-2020) was the warmest on record. Many people think climate change mainly means warmer temperatures. But temperature rise is only the beginning of the story. Because the Earth is a system, where everything is connected, changes in one area can influence changes in all others. The consequences of climate change now include, among

others, intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity (United Nations, 2021).

## **5.5. Environment**

Environment means anything that surround us. It can be living (biotic) or non-living (abiotic) things. Living elements that an organism interacts with are known as biotic elements: animals, plants, etc., abiotic elements are non-living things which include air, water, sunlight etc. Studying the environment means studying the relationships among these various things.

The environment is the totality of all the external conditions affecting the life, development and survival of an organism (OECD, 1997). Environment provides food, shelter, air, and fulfils all the human needs whether big or small. Moreover, the entire life support of humans depends wholly on the environmental factors. In addition, it also helps in maintaining various life cycles on earth. OECD work on environment helps countries design and implement effective policies to address environmental problems and sustainably manage natural resources. It examines the linkages between the environment and economic, sectoral or social concerns in the various key topics below (OECD, 2021).

A healthy environment plays a key role in meeting many of the 17 Sustainable Development Goals. With a little over 10 years left to meet the target date of 2030, the world will need to pick up the pace and put greater efforts in finding better solutions to pollution, climate change and biodiversity loss in order to truly transform societies and economies (UNEP, 2021).

## **5.6. Health**

In 1984, WHO revised the definition of health defined it as "the extent to which an individual or group is able to realize aspirations and satisfy needs and to change or cope with the environment. Health is a resource for everyday life, not the objective of living; it is a positive concept, emphasizing social and personal resources, as well as physical capacities (WHO, 1984). Thus, health referred to the ability to maintain homeostasis and recover from adverse events. Mental, intellectual, emotional and social health referred to a person's ability to handle stress, to acquire skills, to maintain relationships, all of which form resources for resiliency and independent living (AFMC, 2016). This opens up many possibilities for health to be taught, strengthened and learned.

The WHO defines health as a state of "complete physical, mental and social well-being and not merely the absence of disease or infirmity." The Centres for Disease Control and



Prevention, along with a range of WHO partners, endorses this definition. Being healthy, in their view, excludes having any disease (WHO, 2019).

In the first decade of the 21st century, the conceptualization of health as an ability opened the door for self-assessments to become the main indicators to judge the performance of efforts aimed at improving human health (2016). It also created the opportunity for every person to feel healthy, even in the presence of multiple chronic diseases or a terminal condition, and for the re-examination of determinants of health (away from the traditional approach that focuses on the reduction of the prevalence of diseases), (HPHR, 2018).

Health is a major priority for the European Union. The EU's health policy complements Members States' policies to ensure that everyone living in the EU is protected from serious cross-border health threats and has access to quality healthcare (European Union, 2021).

### **5.7. Poverty**

Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living. Poverty means that the income level from employment is so low that basic human needs can't be met (Chen, 2020).

Poverty is the state of not having enough material possessions or income for a person's basic needs (Webster, 2013). Poverty can have diverse social, economic, and political causes and effects (United Nations, 2020). When evaluating poverty in statistics or economics there are two main measures: Absolute poverty measures compare income against the amount needed to meet basic personal needs, such as food, clothing, and shelter. Relative poverty measures when a person cannot meet a minimum level of living standards, compared to others in the same time and place. Thus, relative poverty is defined varies from one country to another or from one society to another (United Nations, 2019)

Poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion, as well as the lack of participation in decision-making. In 2015, more than 736 million people lived below the international poverty line. Around 10 per cent of the world population is living in extreme poverty and struggling to fulfil the most basic needs like health, education, and access to water and sanitation, to name a few. There are 122 women aged 25 to 34 living in poverty for every 100 men of the same age group and more than 160 million children are at risk of continuing to live in extreme poverty by 2030 (United Nations, 2020).

## **5.8. Social Protection & Labour**

Social protection, as defined by the United Nations Research Institute for Social Development, is concerned with preventing, managing, and overcoming situations that adversely affect people's well-being (UNRISD, 2010). Social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as unemployment, exclusion, sickness, disability, and old age (World Bank, 2001). Labour market interventions, consisting of both active and passive policies, provide protection for the poor who are capable of gaining employment. Passive programs, such as unemployment insurance, income support and changes in labour legislation, alleviate the financial needs of the unemployed but are not designed to improve their employability (GSDRC, 2010). On the other hand, active programs focus on directly increasing the access of unemployed workers to the labour market (ADB, 2010).

Social protection systems help individuals and families, especially the poor and vulnerable, cope with crises and shocks, find jobs, improve productivity, invest in the health and education of their children, and protect the aging population. Social protection programs are at the heart of boosting human capital for the world's most vulnerable. They empower people to be healthy, pursue their education, and seek opportunity to lift themselves and their families out of poverty.

Social protection helps people become productive and realize their human capital. The jobs agenda is at the forefront of the Human Capital Project. Every month, two million new young people join the work force a challenge compounded by the fact that 200 million people are unemployed and looking for work. Of those working, 65 percent are stuck in low productivity jobs.

Universal social protection coverage includes: providing social assistance through cash transfers to those who need them, especially children; benefits and support for people of working age in case of maternity, disability, work injury or for those without jobs; and pension coverage for the elderly. Assistance is provided through social insurance, tax-funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security (World Bank, 2021).

## 6. Recent world practices of social economy

Social economy is a business model for the future of Balkans, Europe and Worldwide. The emergence and progress of digitalization, block chain, and big data or the global rise of inequalities and job insecurity are trends quickly changing our world, bringing new opportunities but also new challenges and urging to debate about the future that it wants to build collectively. Social innovations, related to the idea of economic progress and well-being, tackle the problems of employment leading to social exclusion and poverty as a consequence of the extreme positioning in favour of economic performance. An alternative economy complements the deficiency of both the market and the State (Harrisson, Széll, & Bourque, 2009).

Social economy contributes about 7% to the world's gross domestic product (GDP)<sup>1</sup>. The social economy is an opportunity and a driver for the implementation of the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) at European and at global level, especially for the achievement of Objective 8 “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work”. The social economy is an essential component of Europe's social market economy. There are 2.8 million social economy enterprises and organizations in the EU, that employ 13.6 million people and account for 8% of the GDP<sup>2</sup>. The social economy is made of a diversity of enterprises and organizations strongly rooted in our Single Market, as cooperatives, mutual, associations, foundations and social enterprises, among other legal forms specific to each Member State, united by common values and features. Enterprises and organizations of all sizes, ranging from SMEs to large companies and groups, that operate in all the economic sectors. The social economy is a driver of innovation and economic and social progress for all, combining economic performance with societal goals and a democratic governance. In 2019 the French and Spanish Governments established a close cooperation to support the development of the social economy at European and global level (Social Economy Europe, 2019). This is a good practice for Western Balkan Countries as they will have the opportunity to engage more in establishing and fostering a social economy.

Over the last two decades, however, the development and spread of new organizational forms and models have broadened conception of what the social economy means. In particular,

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<sup>1</sup> Social Economy Europe, (2021). Social Economy: A global movement. Available at:

<https://www.socialeconomy.eu.org/the-social-economy/social-economy-a-global-movement/>

<sup>2</sup> Social Economy Europe, (2021). The Social Economy. Available at: <https://www.socialeconomy.eu.org/the-social-economy/>

it begins to recognize its role in promoting a green and social transformation that has the principles of inclusion, equity, and responsibility at its heart - principles we must embrace to achieve the sustainable development goals laid out by the United Nations. In this process, the social economy has ceased to be the poor cousin of the market and state, and instead is emerging as an alternative way to think about and organize the economy and even society.

One can see this transformation of the social economy throughout society, but particularly in the global economic system that is in desperate pursuit of reinventing itself and embracing purpose as its driving force. Today, for example, people see social entrepreneurship less as a particular organizational form and more as a universal method of innovative action aimed at addressing social problems via unconventional approaches. One can also see the transformation in the rapid and pro-social shifts in business models that have occurred in response to challenges provoked by COVID-19, and in the emergence of what some are calling platform corporativism, which seeks to combine elements of values-based action, open innovation, and digitization to pioneer new ways of conducting business (Krlev, Pasi, Wruk & Bernhard, 2021).

### **6.1. On global level**

On the global level, a much more precise conception of the social economy emerged over twenty years ago. Today, people are discovering or rediscovering a third sector that exists alongside the private, for-profit sector and the public sector, although its designation and definition may vary from one country to another. This is happening throughout Europe, North America, the transitional economies of Central and Eastern Europe, and in the nations of the Southern Hemisphere. There is no sharp, well-defined dividing line between this so-called third sector and the other two sectors, but its characteristics still set it apart (Defourny, Develtere & Fonteneau, 1999).

At a global level, the United Nations, firstly, after approving a resolution on the recognition of the role of cooperatives in social development urging governments to put in place promotion policies set up the UN Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE) in 2013. Its aim is to bring together UN agencies and other intergovernmental organizations with a direct interest Sustainability 2020, in the SE as well as umbrella associations of international social and solidarity economy networks. Its position paper Social and Solidarity Economy and the Challenge of Sustainable Development, was key for the recognition of the role that SE plays in the SDG. The International Labour Organization

also adopted a recommendation on the promotion of cooperatives (Recommendation 193/2002). The OECD has contributed to this political discourse with studies and has organized seminars. Local governments around the world built an international network in 2013, together with umbrella and civil society organizations, named GSEF, which is a global network committed to the dissemination of the same political discourse of the promotion of the Social Economy as a means to achieve a transformative, inclusive, and sustainable development. In other continents, other international organizations such as the Southern Common Market (MERCOSUR) Social and Solidarity Program in Iberoamerica have adopted similar positions.

An increasing number of governments throughout Europe have positioned themselves in favour of PPFSEs. Scientific networks, umbrella organizations, and many other civil society networks have also worked and forged alliances and network activities to help mainstream SE perspectives in policy debates. International SE scientific think tanks include the CIRIEC network, the Iberoamerican Observatory on Cooperatives and Social Economy (OIBESCOOP) network, the EMES network, and the United Nations Research Institute for Social Development (UNRISD) network. Social Economy Europe is perhaps the most active representative SE platform in Europe. Other active networks are GSEF and the Intercontinental network for promotion of social solidarity economy (RIPESS), and countless others at local and national levels that have been central in driving forward the SE as a new paradigm agenda. In Spain, the CIRIEC-Spain network, an association of researchers, teachers, and SE platforms, such as CEPES, the national SE umbrella, and several civil society networks have forged the SE political discourse. Spain was, in fact, the first country in Europe to pass a Social Economy Law (2011) and one of the first to approve a national government strategy for the SE (Chaves & Gallego, 2020).

According to the United Nations Secretary General report on Cooperatives in Social Development (2017), the social economy contributes about 7% to the world's gross domestic product (GDP). As the European Commission's reflection paper 'For a Sustainable Europe by 2030' points out, the social economy is an opportunity and a driver for the implementation of the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) at European and at global level, especially for the achievement of Objective 8 "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work", (Social Economy Europe, 2021)

In Europe, the social economy has traditionally been seen as a way to address market failures, such as the financial exclusion of people living in poverty or failures of the state, for

example finding adequate responses to homelessness. In practice this meant creating welfare organizations, cooperative enterprises, mutual aid societies, civic associations, and the like. These types of organizations continue to play an important role in providing social services, advocating for the most vulnerable groups of society and contributing to social cohesion and solidarity.

A significant proportion of Europe's economy is intended to make profits for people other than investors or owners. Known as the 'social economy', it includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises. They operate a very broad number of commercial activities, provide a wide range of products and services across the European single market and generate millions of jobs. Social enterprises are also the engine for social innovation (European Commission, 2019). The Institutions of the European Union have highlighted the relevance and need to promote the social economy in its economic and legislative sphere as an instrument for territorial development. They have managed to develop regulation for the entire European Union, covering specific entities of the social economic such as European cooperatives and foundations. Despite this, there are other entities that are yet to receive uniform regulation through community regulations. This is a process that will legislatively unify different economic agents that are considered part of the social economic.

However, due to the insistence of the European Institutions of the need and benefit of strengthening the social economic in the internal legislations of the different states of the Union, the national legislative developments of countries with similar legal foundations and geographical proximity such as Portugal, Spain and France, have differed, which does not help with an adequate adoption of this type of wealth creation in the intended single market of the Union, with the intervening agents instead being considered as enterprises and organizations of the social economic or not, depending on their own internal laws. This differentiation in the legislation does not aid the adequate adoption of this concept as a way of generating wealth in the single market of the Union (Ruano Manso, 2019).

The governments of all European Union countries give learning the most prominent place on their policy agendas; the European Commission wants Europe to become a knowledge based society; companies across the European Union are no longer interested primarily in profit, but want to be learning organizations; social scientists detect the emergence of a learning society and economists advocate a learning economy (Kuhn, Simons & Tomassini, 2006).

European countries face several barriers to the issue of social economy. The first group of barrier concerns a lack of awareness and understanding of the concept of the social economy, social enterprise and other related concept, in society, in public debate and in academia. This is a very significant barrier for eastern EU such as Hungary, Poland, Slovakia or the Czech Republic. A lack of databases, official statistics and reliable data on social enterprises or the social economy is notes in many countries, from Austria and Slovakia to Sweden. Additionally, there is a need for educational and training programs in the field of the social economy at all levels of education.

A second group barriers concerns leadership and government administration. Corresponds form the countries such as Germany and Malta believe that most of the media and policymakers "do not see the necessity" for a social economy". In some cases, they identify a lack of trust and a rejection of economic activities carried out by non-profit organizations. In some cases, multilevel governments and different ministries do not coordinate on social economy matters. In other cases, the government bodies are deeply dependent on political cycles, e.g., in 2015 the Danish Governmental Bureau for Social Economy Businesses was closed when the governmental changed. Last but not least, bureaucracy and qualitative austerity policies are very significant obstacles to social economy entities 'working with public authorities, e.g., in Italy, Spain and Slovenia.

The first institutional barrier to mention consist of changes in sector regulations that constitute obstacles to the operations of social economy entities. In France and Spain, government changes in complementary social protection regulation have negatively affected mutual health entities in recent years. In some cases, leading them to merge or to change their legal status to that of a for-profit entity. In Italy, the reform of the Banche popular provides that those with assets greater than Euro 8 billion must be transformed into joint stock companies. In Spain, changes in the social security treatment of sports trainers have negatively affected sport associations. In the United Kingdom, the large procurement contracts relegate social economy entities to sub-contracting for large private sector companies. In Finland, the directive on Public Procurement that allowed contracts to be reserved for certain services is not being implemented, so it cannot benefit social economy entities. The second type of institutional barrier concerns new laws and statutes. In Poland and Portugal, the recent changes in cooperatives laws are not considered suitable for cooperatives. In Hungary, the new Social Economy Laws poses a risk for many social cooperatives, created by groups of citizens, which might need to be transformed into another type of organization. In Slovenia and Bulgaria, the social entrepreneurship law excludes different organizations that have been already been

working as social enterprises. In Bulgaria, currently, the law on social enterprises is considered restrictive, as it provides this legal status for only one type of legal entity-cooperatives of a for people with disabilities and specialized enterprises that have described themselves as “social”. In Germany, as social enterprises are characterized as working for the common good, the German law on achieving charitable status is no longer appropriate as it prohibits enterprises with that status from trading in a considerable number of markets, which is a big barrier for new social enterprises (Chaves & Monzon, 2019).

The specific activities performed by a wide variety of different social economy actors across Europe prove that a series of services of general economic interest which, traditionally, would have not been supplied if there had been no public intervention, are currently provided by private undertakings pursuing public service objectives. If the social economy has always been involved in the production of goods and the delivery of services of collective importance, a wealth of examples from this field show that, currently, the entities that are part of this sector are capable of ensuring timely responses to a rapidly changing European socio-economic reality, through innovative and inclusive solutions. In other words, the social economy has been showing its potential to tackle both the inherent deficiencies of the capitalist economies and the upward trend of social inequality and marginalization concerning a large number of people in Europe.

Magdas Hotel: one social enterprise that has recently attracted the attention of experts is the "Magdas Hotel", the first hotel run by refugees in Europe, which opened its doors in Vienna (Austria) in February 2015. This social enterprise aims to support refugees, by providing them with training, enabling them to integrate more easily into the work market. This initiative is particularly significant as it manages to address a compelling social and political issue (the integration of refugees in European society) at the same time as it provides an effective response to market failure (the hotel sector is constantly on the lookout for staff). In terms of its financing, apart from the support of Caritas Austria, this establishment relies on partnerships with museums and private actors. To explain the philosophy underlying the establishment of the Magdas Hotel, the coordinator of this initiative has declared that: "rather than focusing on people's shortcomings, we are focusing on their resources". Furthermore, this undertaking constitutes a replicable idea, given the European dimension of the socio-economic issues that Magdas is tackling.

Le Mat: this is one of the first social franchises in Europe for running hostels, hotels and B&Bs. Each Le Mat is a social enterprise, aiming to create opportunities for local people and their communities, through sustainable tourism. Each Le Mat hotel, hostel or B&B must



be a social enterprise, according to national laws, but must also incorporate pre-established social values. These include employing disadvantaged groups, promotion of the local community and its products, applying environmentally friendly procedures, plus ensuring access to guests that may face barriers in the hospitality sector. Le Mat was first established in Italy but has spread to other European countries, including Sweden.

Le Tech Life Onlus: this social enterprise combines the integration of prisoners and former prisoners back into employment within an enterprise with an environmentally friendly mission. The enterprise specializes in the ecological management of electronic waste. A key driving force underlying the enterprise's success is the cooperation with prisons around Italy, including training while prisoners are still incarcerated. This facilitates the pathway to reintegration of individuals who may otherwise find themselves outside the labour market.

## **6.2. On regional level**

Social Economy is both the agent and the instrument of inclusive and responsible growth in the Union for the Mediterranean Region at varying degrees of progress that correspond to the heterogeneity of the Euro-Mediterranean region in terms of enabling environments and business cultures. The potential for job creation through Social Economy in the MENA Region and the Balkans remains to be largely unexplored in comparison to other regions, which presents an opportunity and poses question marks about the optimal path ahead in order to unleash the potential of a significant private sector player with more than 3.2 million enterprises and 15 million jobs (Social Economy Europe, 2019). The countries of the Western Balkans are currently facing unfavourable social situations, inadequate education, and poor health outcomes, including a number of micro efficiency issues in the context of low investment in the social sector (Matković, 2019).

As far as the environment is concerned, the worst results of environmental performances among Western Balkan group are recorded in the case of Bosnia and Herzegovina. This country has seven indicators in the first priority level, one indicator in the second priority level, and no one indicator in the third priority level. In other words, it lags behind the Western Balkan group in even seven indicators, while exceeds the results of other countries in this group in only one indicator. That all Western Balkan countries and especially Bosnia and Herzegovina need to make a lot of efforts in a future development of its environmental performances (Radivojević, Krstić & Stanišić, 2018).

Emigration from the Western Balkans has been a longstanding problem caused by economic, social, and institutional issues, threatening the development prospects of all countries in the region. Emigration is likely to continue in most of the region's countries for the foreseeable future. The reasons people choose to leave are various, but often fundamentally centre on the difficulties of achieving a high quality of life for themselves and their families if they remain in the region. Historically this has been argued from an economic perspective (limited jobs and low wages), but increasingly a broader picture is emerging in which poor public institutional quality, political uncertainty, and the sub-adequate state of critical social infrastructure (education, health, and housing) are undermining peoples' capacities to build a quality life for themselves and to contribute to the economic and social development of their societies. These emigration trends have resulted in a net loss to the region's population, including highly educated and skilled professionals (a brain drain), which reduces the region's human capital base. A brain drain is reducing the regions' human capital that is necessary for economic growth while existing social infrastructure is failing to improve the human capital of those who remain behind. Brain drain is defined by the European Union "as a region's loss of individuals with high skills and/or competencies (workers/students) due to permanent emigration". For the purposes of this report, these "workers with high competencies" includes both people that are highly educated and those with key vocational skills important for economic development (such as skilled craftspeople and technical workers, etc.). In turn, this is one factor hampering the region's economic competitiveness, ability to increase labour productivity, and capacity for innovation and technological progress, all of which are crucial components for the region's economies to transition to higher value-added sectors and speed up convergence growth paths with the European Union (EU).

Enhancing the education systems at all levels will be critical to ensuring that Western Balkan countries strengthen the human capital of the widest number of citizens to safeguard the region's capacity for sustained economic and social development. Due to the high concentration of labour in low value added sectors, Western Balkan countries are at risk of getting stuck in a low value added growth trap. Moreover, workers in these sectors have a higher likelihood of their jobs being automated or digitalized. Nearly 60% of workers in the Western Balkans are employed in sectors in which jobs have a higher probability of being automated, while not all jobs in these sectors will be automated, they are, however, more exposed to automation. In order to capture the socio-economic benefits (such as quality jobs, higher wages, and improved societal wellbeing) of a transition to more digital and/or higher

value-added economic activities, the existing and future workforce will need to upgrade and develop the right skills and competencies.

Increasing investment to upgrade the quality of existing compulsory education systems will be critical to building the skill foundations of future generations. From pre-primary to secondary level, current education systems in the region face a shortage of qualified teachers and educational material alike. In turn, this contributes to education outcomes that are among the lowest in Europe, with within-country education inequalities seeing wide disparities between socio-economic groups. Moreover, pre-primary education is still not fully available in all countries, exacerbating existing within-country education inequalities (and potentially impacting female labour force participation). On average, the low quality of education systems in the region also may incentivize both individuals and families to decide to move abroad (and not to return) where education systems are better funded, offer wider access, and produce higher student performance results.

Many Western Balkan health systems are falling short in enhancing the human capital potential of their citizens, unlike in many emigrant destination EU countries. Achieving quality and affordable healthcare in the Western Balkans is necessary to strengthen its citizens' health and help improve their well-being, life satisfaction, and ability to productively contribute to the development of societies. However, in many Western Balkan countries, health systems are to varying degrees confronted with issues of resource and quality deficiencies that potentially contribute to sub-optimal health outcomes. The effectiveness of the health systems in some of the region's countries is further strained by various additional factors such as demographic decline (ageing and drops in fertility rates), poor environmental conditions (such as air pollution), and poor health lifestyle choices. In turn, the health systems' shortfalls and lack of equality of access (plus the education shortfalls described in the previous chapter) damage the human capital potential of people in the region. On the other hand, the health systems in migrant destination countries tend to enhance health outcomes that sustain people's capabilities to be productive members of society and increase life-long wellbeing.

Poor and costly housing in the Western Balkans is contributing to exacerbating inequalities and limiting the human capital potential of the region. Housing costs are placing increased pressure on households' already limited incomes, especially for lower-income households. Housing inequalities create a situation where lower-income households may forgo other investments (e.g., education) and have limited capacity to generate inter-generational benefits from homeownership. Moreover, some groups in the region, namely the young, women and minorities, face additional obstacles that impede entry to the housing market,

further challenging their capacity to build a quality life. Importantly, the region's extremely low quality of existing housing may generate sizable adverse human capital effects. Many households, particularly low-income ones, report high rates of overcrowding, poor insulation, and energy poverty, which may create environments where education attainment potential is hindered, and there is a heightened risk of certain diseases and illnesses, which in turn may be placing further strain on existing education and health systems. Housing issues in the Western Balkans underscore the wider social and economic problems that contribute to outward migration. Housing inequality in the region often echoes the greater socio-economic difficulties within the countries, as individuals' inability to find jobs and adequate wages limits their opportunities to save or access financing to obtain decent housing. The inability to afford and find quality housing has also become an increasingly cited rationale among many as to why they are leaving the region, as it prevents their ability to improve the quality of life for their families.

The Western Balkans social situation does not sufficiently support the region's ability to develop and maintain a robust human capital base, particularly in the context of the outflow of human capital via brain drain. For instance, most countries' education sectors face funding and resource shortages that result in sub-optimal education access and outcomes. Insufficient education outcomes, in turn, fail to provide the necessary skills that future generations need to meet the requirements of existing businesses and help develop new ones. The weak health infrastructure in the region is contributing to poor health outcomes for citizens, limiting their capacity to contribute to economic activity as people may exit the labour force prematurely due to ill-health. On top of this, the high cost of housing in the region constrains individuals' already limited budgets and, combined with the low quality of homes, can worsen education and health outcomes. These social infrastructure system shortfalls, alongside economic and governance issues, become another reason that motivates and pushes people to move abroad. In high emigrant destination countries, such as Germany and Austria, individuals can expect that schools, healthcare systems, and even housing options, will be developed to help them meet their full potential and provide for the future wellbeing of their families and children (Council of Europe Development Bank, 2021).

## **7. The sustainable development goal and achievement**

Sustainable Development was first defined as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs,” in the document “Our Common Future” by the United Nations Commission on Environment and Development (Brundtland Commission). SD aims to address humanity’s aspirations of a better life within the limitations imposed by nature (United Nations, 2019). Subsequently, in 1997, the United Nations Agenda for Development building on the Brundtland SD definition and the Elkington triple bottom line approach (people, planet, profit) approach, stated that: “Development is a multidimensional undertaking to achieve a higher quality of life for all people (Elkington, 1987). Economic development, social development, and environmental protection are interdependent and mutually reinforcing components of sustainable development” (United Nations, 1997).

The history of sustainable development, as a concept, promoted by the United Nations has a long path, starting in 1972 at the United Nations Conference on the Human Environment held in Stockholm; it focused on delineating the “rights” of the human family to a healthy and productive environment (United Nations Conference on Sustainable Development, 2020). In 2000, eight international Millennium Development Goals (MDGs) for the year 2015 were established, following the adoption of the United Nations Millennium Declaration. The MDGs lead to the Sustainable Development Goals (SDGs), a collection of 17 global goals designed to be a “blueprint to achieve a better and more sustainable future for all”, which succeeded the MDGs (United Nations, 2020). The SDGs, set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030, are part of UN Resolution 70/1, the 2030 Agenda (United Nations, 2020).

“There are new opportunities for social economy to use platforms based on cooperative economy. We need to give social economy resources – not only technology but also skills”, said Nicolas Schmit, Commissioner for Jobs and Social Rights. There are many opportunities to this issue. Most importantly is awareness of and legislation protection of the health of people from pollution and other harmful activities of business and other organizations (Adams, 2006). In North America, Europe and the rest of the developed world, there are strong checks and programs of legislation in place to ensure that people's health and wellness is strongly protected. It is also about maintaining access to basic resources without compromising the quality of life. The biggest hot topic for many people right now is sustainable housing and how we can better build the homes we live in from sustainable material. The final element is

education - encouraging people to participate in environmental sustainability and teaching them about the effects of environmental protection as well as warning of the dangers if they cannot achieve their goals.

### All goals

The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection (United Nations, 2019). The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests (United Nations, 2015).

Figure 1. Sustainable Development Goals



Source: United Nations, <https://sustainabledevelopment.un.org>

- **No poverty - End poverty in all its forms everywhere**

Poverty has many dimensions, but its causes include unemployment, social exclusion, and high vulnerability of certain populations to disasters, diseases and other phenomena which prevent them from being productive.

- More than 700 million people, or 10% of the world population, still live in extreme poverty. Surviving on less than US\$1.90 a day.
- Having a job does not guarantee a decent living. In fact, 8 per cent of employed workers and their families worldwide lived in extreme poverty in 2018.
- Globally, there are 122 women aged 25 to 34 living in extreme poverty for every 100 men of the same age group.

- **Zero hunger - End hunger, achieve food security and improved nutrition and promote**

Hunger is on the rise again globally and under nutrition continues to affect millions of children. Public investment in agriculture globally is declining, small-scale food producers and family farmers require much greater support and increased investment in infrastructure and technology for sustainable agriculture is urgently needed.

- An estimated 821 million people were undernourished in 2017.
- The majority of the world's hungry people live in developing countries, where 12.9 per cent of the population is undernourished.
- Sub-Saharan Africa remains the region with the highest prevalence of hunger, with the rate increasing from 20.7 per cent in 2014 to 23.2 per cent in 2017.
- In sub-Saharan Africa, the number of undernourished people increased from 195 million in 2014 to 237 million in 2017.

- **Good health -Ensure healthy lives and promote well-being for all at all ages**

Major progress has been made in improving the health of millions of people, increasing life expectancy, reducing maternal and child mortality and fighting against leading communicable diseases.

- 17,000 fewer children die each day than in 1990, but more than five million children still die before their fifth birthday each year.
- An estimated 303,000 women around the world died due to complications of pregnancy and childbirth in 2015. Almost all of these deaths occurred in low- and middle-income countries, and almost two thirds of those were in sub-Saharan Africa.
- Since 2000, measles vaccines have averted nearly 15.6 million deaths.

- **Quality Education - Ensure inclusive and equitable quality education and promote lifelong learning**

Obtaining a quality education is the foundation to creating sustainable development. In addition to improving quality of life, access to inclusive education can help equip locals with the tools required to develop innovative solutions to the world's greatest problems.

- Enrolment in primary education in developing countries has reached 91 per cent but 57 million primary age children remain out of school.
- More than half of children that have not enrolled in school live in sub-Saharan Africa.
- An estimated 50 per cent of out-of-school children of primary school age live in conflict-affected areas.
- 617 million youth worldwide lack basic mathematics and literacy skills.

- **Gender Equality - Achieve gender equality and empower all women and girls**

While the world has achieved progress towards gender equality and women's empowerment under the Millennium Development Goals (including equal access to primary education between girls and boys), women and girls continue to suffer discrimination and violence in every part of the world. Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world. Unfortunately, at the current time, 1 in 5 women and girls between the ages of 15-49 have reported experiencing physical or sexual violence by an intimate partner within a 12-month period and 49 countries currently have no laws protecting women from domestic violence.

- Globally, 750 million women and girls were married before the age of 18 and at least 200 million women and girls in 30 countries have undergone FGM.
- The rates of girls between 15-19 who are subjected to FGM (female genital mutilation) in the 30 countries where the practice is concentrated have dropped from 1 in 2 girls in 2000 to 1 in 3 girls by 2017.
- In 18 countries, husbands can legally prevent their wives from working; in 39 countries, daughters and sons do not have equal inheritance rights; and 49 countries lack laws protecting women from domestic violence.

- **Clean Water and Sanitation - Ensure availability and sustainable management of water and sanitation for all**

Clean, accessible water for all is an essential part of the world we want to live in and there is sufficient fresh water on the planet to achieve this. However, due to bad economics or poor infrastructure, millions of people including children die every year from diseases associated



with inadequate water supply, sanitation and hygiene. Water scarcity, poor water quality and inadequate sanitation negatively impact food security, livelihood choices and educational opportunities for poor families across the world. At the current time, more than 2 billion people are living with the risk of reduced access to freshwater resources and by 2050, at least one in four people is likely to live in a country affected by chronic or recurring shortages of fresh water.

- 1 in 4 health care facilities lacks basic water services
- 3 in 10 people lack access to safely managed drinking water services and 6 in 10 people lack access to safely managed sanitation facilities.
- At least 892 million people continue to practice open defecation.
- Women and girls are responsible for water collection in 80 per cent of households without access to water on premises.
- Between 1990 and 2015, the proportion of the global population using an improved drinking water source has increased from 76 per cent to 90 per cent
- **Affordable and clean energy - Ensure access to affordable, reliable, sustainable and modern energy for all**

Energy is central to nearly every major challenge and opportunity the world faces today. Be it for jobs, security, climate change, food production or increasing incomes, access to energy for all is essential. At the current time, there are approximately 3 billion people who lack access to clean-cooking solutions and are exposed to dangerous levels of air pollution. Additionally, slightly less than 1 billion people are functioning without electricity and 50% of them are found in Sub-Saharan Africa alone. Fortunately, progress has been made in the past decade regarding the use of renewable electricity from water, solar and wind power and the ratio of energy used per unit of GDP is also declining.

- 13% of the global population still lacks access to modern electricity.
- 3 billion people rely on wood, coal, charcoal or animal waste for cooking and heating
- Energy is the dominant contributor to climate change, accounting for around 60 per cent of total global greenhouse gas emissions.
- Indoor air pollution from using combustible fuels for household energy caused 4.3 million deaths in 2012, with women and girls accounting for 6 out of every 10 of these.
- The share of renewable energy in final energy consumption has reached 17.5% in 2015.
- **Economic Growth - Promote sustained, inclusive and sustainable economic growth, full and productive**

Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent working conditions are also required for the whole working age population. There needs to be increased access to financial services to manage incomes, accumulate assets and make productive investments. Increased commitments to trade, banking and agriculture infrastructure will also help increase productivity and reduce unemployment levels in the world's most impoverished regions.

- The global unemployment rate in 2017 was 5.6%, down from 6.4% in 2000.
- Globally, 61% of all workers were engaged in informal employment in 2016. Excluding the agricultural sector, 51% of all workers fell into this employment category.
- Men earn 12.5% more than women in 40 out of 45 countries with data.
- 470 million jobs are needed globally for new entrants to the labour market between 2016 and 2030.
- **Industry, Innovation and Infrastructure - Build resilient infrastructure, promote inclusive and sustainable industrialization**

Investments in infrastructure: transport, irrigation, energy and information and communication technology are crucial to achieving sustainable development and empowering communities in many countries. It has long been recognized that growth in productivity and incomes, and improvements in health and education outcomes require investment in infrastructure

- Basic infrastructure like roads, information and communication technologies, sanitation, electrical power and water remains scarce in many developing countries.
- 16% of the global population does not have access to mobile broadband networks.
- Small and medium-sized enterprises that engage in industrial processing and manufacturing are the most critical for the early stages of industrialization and are typically the largest job creators. They make up over 90 per cent of business worldwide and account for between 50-60 per cent of employment.

- **Reduced Inequality - Reduce inequality within and among countries**

The international community has made significant strides towards lifting people out of poverty. The most vulnerable nations – the least developed countries, the landlocked developing countries and the small island developing states – continue to make inroads into poverty reduction.

- In 2016, over 64.4% of products exported by the least developed countries to world markets faced zero tariffs, an increase of 20% since 2010.
- Evidence from developing countries shows that children in the poorest 20 per cent of the populations are still up to three times more likely to die before their fifth birthday than children in the richest quintiles.
- Social protection has been significantly extended globally, yet persons with disabilities are up to five times more likely than average to incur catastrophic health expenditures.
- Up to 30 per cent of income inequality is due to inequality within households, including between women and men. Women are also more likely than men to live below 50 per cent of the median income.
- **Sustainable Cities and Communities - Make cities inclusive, safe, resilient and sustainable**

Cities are hubs for ideas, commerce, culture, science, productivity, social development and much more. At their best, cities have enabled people to advance socially and economically. With the number of people living within cities projected to rise to 5 billion people by 2030, it's important that efficient urban planning and management practices are in place to deal with the challenges brought by urbanization.

- 95 per cent of urban expansion in the next decades will take place in developing world
- 883 million people live in slums today and most them are found in Eastern and South-Eastern Asia.
- The world's cities occupy just 3 per cent of the Earth's land, but account for 60-80 per cent of energy consumption and 75 per cent of carbon emissions.
- Rapid urbanization is exerting pressure on fresh water supplies, sewage, the living environment, and public health.
- **Responsible Consumption and Production - Ensure sustainable consumption and production pattern**

Sustainable consumption and production is about promoting resource and energy efficiency, sustainable infrastructure, and providing access to basic services, green and decent jobs and a better quality of life for all. Its implementation helps to achieve overall development plans, reduce future economic, environmental and social costs, strengthen economic competitiveness and reduce poverty.

- Should the global population reach 9.6 billion by 2050, the equivalent of almost three planets could be required to provide the natural resources needed to sustain current lifestyles.
- With rises in the use of non-metallic minerals within infrastructure and construction, there has been significant improvement in the material standard of living. The per capita “material footprint” of developing countries increased from 5 metric tons in 2000 to 9 metric tons in 2017.
- 93% of the world’s 250 largest companies are now reporting on sustainability.

• **Climate Action - Take urgent action to combat climate change and its impacts**

Climate change is now affecting every country on every continent. It is disrupting national economies and affecting lives, costing people, communities and countries dearly today and even more tomorrow. Weather patterns are changing, sea levels are rising, weather events are becoming more extreme and greenhouse gas emissions are now at their highest levels in history. Without action, the world’s average surface temperature is likely to surpass 3 degrees centigrade this century. The poorest and most vulnerable people are being affected the most.

- From 1880 to 2012, average global temperature increased by 0.85°C. To put this into perspective, for each 1 degree of temperature increase, grain yields decline by about 5 per cent. Maize, wheat and other major crops have experienced significant yield reductions at the global level of 40 megatons per year between 1981 and 2002 due to a warmer climate.
- Oceans have warmed, the amounts of snow and ice have diminished and sea level has risen. From 1901 to 2010, the global average sea level rose by 19 cm as oceans expanded due to warming and ice melted. The Arctic’s Sea ice extent has shrunk in every successive decade since 1979, with 1.07 million km<sup>2</sup> of ice loss every decade
- Given current concentrations and on-going emissions of greenhouse gases, it is likely that by the end of this century, the increase in global temperature will exceed 1.5°C compared to 1850 to 1900 for all but one scenario. The world’s oceans will warm and ice melt will continue. Average sea level rise is predicted as 24 – 30cm by 2065 and 40-63cm by 2100. Most aspects of climate change will persist for many centuries even if emissions are stopped
- Emissions grew more quickly between 2000 and 2010 than in each of the three previous decades.

- **Life below water - Conserve and sustainably use the oceans, seas and marine resources**

The world's oceans – their temperature, chemistry, currents and life – drive global systems that make the Earth habitable for humankind. Our rainwater, drinking water, weather, climate, coastlines, much of our food, and even the oxygen in the air we breathe, are all ultimately provided and regulated by the sea. Throughout history, oceans and seas have been vital conduits for trade and transportation.

- Oceans cover three quarters of the Earth's surface, contain 97 per cent of the Earth's water, and represent 99 per cent of the living space on the planet by volume.
- Over three billion people depend on marine and coastal biodiversity for their livelihoods.
- Globally, the market value of marine and coastal resources and industries is estimated at \$3 trillion per year or about 5 per cent of global GDP.
- Oceans contain nearly 200,000 identified species, but actual numbers may lie in the millions.

- **Live on land - Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss**

Forests cover 30.7 per cent of the Earth's surface and, in addition to providing food security and shelter, they are key to combating climate change, protecting biodiversity and the homes of the indigenous population. By protecting forests, we will also be able to strengthen natural resource management and increase land productivity.

- Around 1.6 billion people depend on forests for their livelihood, including 70 million indigenous people.
- Forests are home to more than 80 per cent of all terrestrial species of animals, plants and insects.
- Between 2010 and 2015, the world lost 3.3 million hectares of forest areas. Poor rural women depend on common pool resources and are especially affected by their depletion.

- **Peace, Justice and Strong Institutions - Promote just, peaceful and inclusive societies**

The threats of international homicide, violence against children, human trafficking and sexual violence are important to address to promote peaceful and inclusive societies for sustainable

development. They pave the way for the provision of access to justice for all and for building effective, accountable institutions at all levels.

- Among the institutions most affected by corruption are the judiciary and police.
- Corruption, bribery, theft and tax evasion cost some US \$1.26 trillion for developing countries per year; this amount of money could be used to lift those who are living on less than \$1.25 a day above \$1.25 for at least six years
- Approximately 28.5 million primary school age who are out of school live in conflict-affected areas.
- **Partnerships for the goals - Revitalize the global partnership for sustainable development**

A successful sustainable development agenda requires partnerships between governments, the private sector and civil society. These inclusive partnerships built upon principles and values, a shared vision, and shared goals that place people and the planet at the centre, are needed at the global, regional, national and local level. Urgent action is needed to mobilize, redirect and unlock the transformative power of trillions of dollars of private resources to deliver on sustainable development objectives. Long-term investments, including foreign direct investment, are needed in critical sectors, especially in developing countries.

- Official development assistance stood at \$146.6 billion in 2017. This represents a decrease of 0.6 per cent in real terms over 2016.
- 79 per cent of imports from developing countries enter developed countries duty-free
- The debt burden on developing countries remains stable at about 3 per cent of export revenue.

## **8. The sustainable development goal and connection with the social economy**

Sustainable Development (SD) was first defined as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs,” in the document “Our Common Future” by the United Nations Commission on Environment and Development (Brundtland Commission). SD aims to address humanity’s aspirations of a better life within the limitations imposed by nature.

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated, they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Countries have committed to prioritize progress for those who're furthest behind. The SDGs are designed to end poverty, hunger, AIDS, and discrimination against women and girls. The creativity, knowhow, technology and financial resources from all of society is necessary to achieve the SDGs in every context (UNDP, 2021).

The contribution of Social Economy entities (both market and nonmarket) to the Sustainable Development Goals has not gone unnoticed by the United Nations or by other International Organizations, such as the International Cooperative Alliance, Social Economy Europe, The European Economic and Social Committee (EESC) or CIRIEC International.

The United Nations Inter-Agency Task Force on Social and Solidarity Economy noted the importance of the Social and Solidarity Economy, indicating that it could play a key role in achieving the 2030 Agenda and the SDG by promoting inclusive and sustainable development through specific social, institutional, and technological innovations and practices. In addition, it pointed out the connection between the Social and Solidarity Economy and the 17 SDGs that highlighted its potential as an “alternative development model” to address the structural bases on which exclusionary and unsustainable development is based (Moral & Jurado, 2020).

Below are given Six Rights-based Recommendations to Accelerate Action on the Social Development Goals. The main objective of this set of recommendations is to help accelerate the SDGs by leveraging the 2030 Agenda's grounding on human rights and commitment to ending poverty through the promotion of legal, economic and technological empowerment of people including the poor and marginalized groups:

Recommendation - 1: Develop a rights-based National Legal Roadmap (NLR) for each country to effectively leverage the human rights foundation of the 2030 Agenda towards accelerating the SDG implementation.

Suggestion: The Human Rights Guide to the Sustainable Development Goals developed by the Danish Institute for Human Rights that outlines an “SDGs - human rights” mapping can be used along with National Constitutions and related laws as the legal basis of an NLR. Take the Recommendation nos. 2, 3, 4, 5 and 6 mentioned below into consideration when developing an NLR.

Recommendation - 2: Mainstream the promotion and protection of the following eightfold rights into national policies and action plans for implementing the SDGs: Gender Equality, Property Rights, Contract Rights, Business Rights, Labour Rights, Right to an Effective Remedy, Right to Information, and the Right to Development.

Recommendation - 3: Prioritize programs and processes that promote legal, economic and technological empowerment of people (including the poor and marginalized groups) in national action plans for implementing the SDGs.

Rationale for Recommendations 2 and 3: The pillars of the rights-based blueprint SDG Temple of Justice developed by LEEG-net symbolize the eightfold rights referred to in Recommendation - 2, the promotion of which leads to legal empowerment of people including the poor and marginalized groups - a sine qua non for realizing the Goals.

Recommendation - 4: Implement social protection floors for the extension of social security guided by the ILO's Social Protection Floors Recommendation No.202 of 2012 that progressively ensures higher levels of social security to as many people as possible.

Recommendation - 5: Promote business rights (i.e. the rights of businesses) as a means of eradicating poverty. Suggestions: Adopt business-friendly policy, legal and regulatory frameworks capable of promoting innovation, employment and inclusive growth. Develop national action plans to enhance efficiency of business regulations so as to reach and maintain higher scores (preferably over 80) of the Ease of Doing Business (EODB) index developed by Doing Business (World Bank).

Recommendation - 6: Prepare Voluntary National Reviews (VNRs) and other reports on SDG implementation in close coordination with existing national human rights reporting procedures.

For achieving the Global Goals there are too many room for social economy. For Global Goals to be achieved, it is crucial to harmonize three core elements: economic growth, social inclusion and environmental protection. These elements are interconnected and all are crucial for the well-being of individuals and societies. The Goals affect all 7 billion people on Earth and for them to be met, it is crucial that everyone is aware of and have knowledge of them. Only then can we take action and contribute to making the world a better place (Global Goals, 2022).



## **CHAPTER II**

### **THE STAGE AND CURRENT TREND OF SOCIAL ECONOMY IN WESTERN BALKAN COUNTRIES**

#### **1. The theoretical review of the overall socio-economic situation in the end of XX century**

On the eve of transition to multiparty democracy and a market economy, the general situation in the Western Balkan region was very different from what it is today. The region consisted of only two countries: the Socialist Federal Republic (SFR) of Yugoslavia with its six republics and Albania. SFR Yugoslavia was a much larger country in terms of territory and population, it had a much higher GDP per capita, it experienced various market-related economic reforms, developed a unique system of workers' self-management and implemented substantial decentralization of its economy, particularly after 1974. Moreover, after the Tito Stalin conflict in 1948 SFR Yugoslavia developed specific international relations which placed it somewhere between the East and the West,<sup>3</sup> enabling its increasing trade orientation primarily towards the OECD countries (in 1990, 59,8 percent of its exports and 63,7 percent of its imports were to and from developed countries), (Uvalić & Cvijanović, 2018).

By contrast, in 1989 Albania was the least developed country in Europe. After leaving the Council for Mutual Economic Assistance (CMEA), it pursued, for decades, a specific autarkic development strategy idealizing national self-reliance as the main orientation of its economic policy. Consequently, in 1990, Albania was the most closed economy in Europe. SFR Yugoslavia started its transition in the late 1980s with a burden of severe economic problems. Until 1979, the Yugoslav government implemented an ambitious economic growth strategy based on high investment rates and relying increasingly on external borrowing (Uvalic, 1992).

In the 1990s, the Western Balkan countries have largely privatized and liberalized their economies, along with partially aligning with the EU acquis and gradually integrating into the EU single market. The first phase of transition in the Western Balkans corresponded to the first decade in the 1990s, that was characterized by highly unsatisfactory economic performance, including historical records in hyperinflation, long transition-related recessions that were repeated in the second half of the 1990s, modest economic reforms and even reversals of positive changes due to the dramatic political situation, destruction The region has experienced

three main shocks: the transition from a socialist economic system to market economy (which started in 1988-89 in former Yugoslavia and in 1991 in Albania), disintegration of former Yugoslavia (starting in mid-1991) and five military conflicts, while the Federal Republic of Yugoslavia was under international sanctions during most of the decade (from May 1992 to 1996 and again in 1998-99).

The highly unstable political conditions in the WB region had very profound economic consequences. As elsewhere in Eastern Europe, the early transition-related economic reforms also in the WBs brought high inflation, a substantial fall in real GDP, a rise in unemployment and the worsening of other social indicators, but in the successor states of former Yugoslavia these problems were much more pronounced than in Albania or the CEEB countries (Uvalic, 2012). These political events had a very negative impact on economic performance of most WB countries. Albania's stabilization efforts were relatively successful after the implementation of its shock therapy stabilization program in 1992, backed by an IMF stand-by arrangement. Despite the financial crisis in 1996-98 due to the crash of pyramid schemes that again provoked inflationary pressures, from 1999 on inflation has been low. On the contrary, the successor states of former Yugoslavia initially gave priority to the political agenda. Most countries faced extreme macroeconomic instability due to the break-up of the Yugoslav political, economic and monetary union, fuelled further by expansionary fiscal and monetary policies related to the military conflicts.

The 1990s also brought increasing social problems to the WBs – high unemployment, the flourishing of the informal economy and substantial social differentiation. As in CEEB, rising income inequality was partly the consequence of transition-related reforms (e.g. privatization), but in the WBs it was further aggravated by the particularly difficult economic conditions and isolation of countries that were under international sanctions. Instead of contributing to the achievement of the desired political goals, the sanctions in reality facilitated the enrichment of the privileged political and economic elites (Uvalic, 2010).

On the contrary, in the Western Balkans, economic transition has encountered major difficulties, since the general conditions hampered the affirmation of the liberal model. This has certainly been a reflection of multiple factors, starting from substantial delays in transition, highly unstable political conditions in the 1990s, a different, continuously evolving, international environment and uncertainty within the EU about future enlargements (Bonomi and Uvalić, 2019). The fact is that, very differently from all other former Socialist countries now in the EU and even Albania, in the successor states of former Yugoslavia the accomplishments of the liberal economic model still remain to be fully verified. Even after

thirty years, living standards in pre-transition Yugoslavia have never stopped to represent an important point of reference against which to measure present successes. Too frequently it is considered that transition in parts of the region started only in the new millennium, forgetting that the Western Balkans also began their transition in the late 1980s. A decade of political instability, armed conflicts and international sanctions in large parts of the region has left profound and long-lasting political, economic and social consequences (Bonomi, 2020).

By contrast, the application of the same model of integration to the war-torn Western Balkans proved to be considerably less successful in both its socio-economic and political dimension. The overlapping of the EU accession agenda with the challenging processes of nation- and state-building has generated conflicting dynamics in the Western Balkan countries (Keil and Arkan, 2015), where increasing economic, institutional and political integration with the EU has gone hand in hand with prolonged socio-economic regression and backsliding of democratic standards (Bonomi & Reljić, 2017). Progress with transition-related economic and institutional reforms in the WBs during the 1990s has been variable, though generally slower than in CEEB countries. Initially, Albania, and Macedonia implemented some reforms at a faster pace than the other countries and were therefore labelled as the “early reformers”. The unfavourable political conditions in Bosnia and Herzegovina and FR Yugoslavia postponed more radical economic reforms until later, so they have been labelled as the “late reformers” (Bartlett, 2008). These initial differences in transition-related economic reforms have become less accentuated after 2001.

## **2. The theoretical review of the overall socio-economic situation in XXI century**

The new millennium brought many positive developments in all WB countries. Generally, in comparison with the previous decade, the WB countries until late 2008 experienced substantial improvements in most macroeconomic indicators. After 2001, many important economic and institutional reforms were also implemented even in countries that were previously lagging behind. Since the early 2000s, the WB countries have registered relatively rapid economic growth (Uvalić & Cvijanović, 2018). The development of a robust, innovative and competitive private sector is essential for the socio-economic development of the Western Balkans and its regional integration. This requires, in particular, increased investments in SMEs and their capacity to innovate, scale-up and grow.

In the early 2000s, however, the overall political and economic conditions in the Western Balkans were far worse than in the former socialist countries in Central Eastern Europe and the Baltics in 1989. Due to the legacies of the 1990s, potential EU candidates in the Balkans started undertaking the EU integration path with devastated industrial capacities, flourishing of shadow economies and extremely weak states – including dysfunctional public administrations, widespread corruption and twinning of public officials and organized crime figures – along with unsatisfactory education and health systems and many other socioeconomic flaws (Bonomi, 2020).

Fast growth in the WBs during 2000-2008 was to a large extent sustained by the strong inflow of international finance. While economic performance did improve after 2000, the strong growth during 2001-2008, on average for the six Western Balkan countries close to or over 5%, was primarily based on the inflow of foreign (mainly EU) capital (donors' assistance, FDI, bank loans, remittances) often not leading to profound economic restructuring and modernization. Institutions that governments tried to put in place to regulate the markets and safeguard competition were inefficient, frequently leaving free hands to tycoon capitalists to exercise quasi-monopolistic power and extract rent from privatized former socialist enterprises. At the same time, foreign investors that arrived to the region after 2001 have predominantly targeted the non-tradable services sectors (banking, telecommunications, retail trade, real estate), contributing to further deindustrialization, insufficient job creation and limited export growth, leading to the widening of trade deficits. The unsustainability of this growth model in the Western Balkans became fully evident after the global financial and economic crisis severely affected the region in late 2008. The sharp fall in foreign capital inflows and reduced demand for exports in the aftermath of the crisis have led to several recessions in the Western Balkans after 2008 and brought about an initial soaring of public budget deficits, before turning to tough austerity policies, in most Balkan countries under EU and IMF conditionality, parallel with a rapid rise of external debt (Bonomi, 2016).

The process of trade liberalization after 2001 – with the EU and with the other WB countries (the signing of bilateral free-trade agreements that in 2006 were transformed into the CEFTA-2006 agreement) – has contributed to a remarkable increase in the volume of foreign trade during 2001-08, in some cases by four or five times. Rapid growth spurred an increase in imports which was not accompanied by an equally fast increase in exports, given the relatively uncompetitive WB economies, leading to increasing trade and current account deficits (Bartlett & Prica, 2012). Still, the private sector in most WB countries remains relatively undersized, which raises doubts about the effective outcome of recent reforms. Privatization has often not

led to improved corporate governance or to deeper enterprise restructuring, since the new owners often lacked the resources and skills to successfully modernize their firms. Competition policy is often ineffective. Many bureaucratic procedures for doing business have been abolished, but with large cross-country differences: in the World Bank's (update of the Doing Business Report that ranks 190 countries, Macedonia occupies the best position among WB countries (10th), while Bosnia and Herzegovina the worst (81st).

These positive developments in the WBs were sustained by the EU Stabilization and Association Process (SAP) that offered these countries trade preferences,<sup>15</sup> financial assistance (CARDS, IPA, IPAII), contractual relations through Stabilization and Association Agreements (SAA) and prospects of EU membership, which was reconfirmed at the 2003 EU–Balkan Summit in Thessaloniki. The described positive trends were interrupted by the global financial and economic crisis that severely hit the WB economies from late 2008 onwards. The global economic crisis has generally slowed down economic and institutional reforms in the WBs (though also more generally, in the whole transition region), (Bonomi, 2020).

The WB countries have had mounting social problems under the pressure of increasing unemployment, very low employment and participation rates, rising poverty and inequality (Bartlett & Uvalic, 2013). The labour market in the WBs has been characterized by the phenomenon of “jobless growth” and severe long-term structural problems. The restructuring process led to the closure of many firms and loss of jobs, but economic growth was not accompanied by an equally dynamic process of job creation. In recent years, the WBs have been the countries that have registered among the highest unemployment rates in Europe. Long-term and youth unemployment rates have also reached alarming proportions. In 2015, the average unemployment rate of graduates with a higher education diploma in the WBs was 15,6 percent, therefore three times higher than the average of the EU28 (5,5 percent) (Bartlett, Uvalic, Durazzi, Monastiriotis & Sene, 2016). With such high unemployment rates, it is clear that economic growth in the WBs remains below their potential. Recent employment rates of the WB countries have also been extremely low, well below 50 percent, at a time when in the EU the objective is to reach a 75 percent employment rate by 2020.

The WB countries also face a worsening of their social climate, under the impact of further increases in poverty and inequality (Bartlett & Uvalic, 2013). A substantial part of the workforce still works in the more flexible informal sector, preventing the collection of badly needed public revenues. According to some estimates, the level of informal activity, measured as a share of household income, is highest in Albania (52 percent), Kosovo (45 percent) and Macedonia (39 percent), while the Bosnian Federation, Serbia have lower levels of around 18

- 19 percent (Bartlett, 2008). A report on social protection and social inclusion in Albania, Bosnia and Herzegovina, Kosovo, Montenegro and Serbia claim that the major drivers of social exclusion and inequalities lie in labour markets and educational systems; in addition, public insurance-based pension systems are under strain due to negative demographic trends, early retirement practices as well as the labour market situation (Stubbs, 2009). However, social protection benefits in percentage of GDP were lower in the WB than in the EU28 in 2012, for the countries for which data are available (Eurostat, 2017). In sum, negative social trends and weak social safety nets mean that the WBs face considerable obstacles for socio-economic development.

In October 2021, European Union took the initiative to support socio-economic recovery in the Western Balkan.



### Socio-economic recovery



The EU is providing **€761.5 million to support recovery** from the social and economic impact of the crisis, with special attention to the most vulnerable and to providing a lifeline for Western Balkans businesses.



The EU is also providing **€750 million of Macro- Financial Assistance**, in tandem with the International Monetary Fund, to support Western Balkan governments that requested help with balancing the payment crisis.



The EU extended the **EU Solidarity Fund** to the Western Balkan partners that have started accession negotiations.

Within the **€761.5 million** package supporting socio-economic recovery, the EU is providing **€385 million** to ensure survival in the short-term, and recovery in the medium-term of businesses in the private sector. This funding will be channelled through up to 70 local banks in the region to help **Small and Medium Enterprises** in getting more flexible terms for repayments, or easier access to new loans, and to enable entrepreneurs to cope with the immediate effects of the crisis and thrive afterwards. Through the European Investment Bank (EIB), the EU is also providing **€1.7 billion** for additional loans for **public sector investments**, and further credit to enterprises, to help safeguard jobs for the many people working in SMEs in the region.

Focusing on SMEs, start-ups and innovative companies, this EU assistance will in particular be available for innovative businesses, farmers and agri-businesses, rural and tourism enterprises, as well as women- and youth-led businesses. It will provide a lifeline for many people all over the Western Balkans, especially those working in vulnerable and small-scale enterprises (European Commission, 2021).

### **3. Establishing and Development of socio-economic in the Western Balkan**

Social economy research is very important after that the European Union, Western Balkan and the rest of the world are experiencing disruptive technological, social and economic changes. The emergence and progress of digitalization, blockchain and big data, or the global rise of inequalities and job insecurity, are trends quickly changing our world, bringing new opportunities but also new challenges, and urging us to debate about the future that we want to build collectively. Western Balkans needs to develop social economy to improve the well-being of its citizens and to be closer to the European Union.

Europe needs the social economy to reach out to its citizens, detect their real needs and make them part of creating solutions to a number of challenges, such as unemployment or precarious work, social exclusion, discrimination and racism, climate change or the lack of social cohesion. Likewise, the social economy needs the European Union to improve its visibility, as an alliance of virtuous enterprise models, and to support its recognition and development, on equal footing with other forms of enterprise, throughout the European Single Market (Social Economy Europe, 2021). The common values of the social economy, such as the primacy of people and the social objective over capital, democratic and/or participatory governance, reinvestment of most of the benefits to ensure the long-term sustainability of the enterprise and the provision of services to their members and local communities, actively contribute to social cohesion and hence to an innovative, smart, sustainable and inclusive growth, in addition to the creation of quality employment in Europe (Europe Union, 2017).

Figure 2. Social Economy as a new model for the future of Western Balkan, Europe and the World.



*(Source: Social Economy Europe)*

Western Balkans Countries should be more far-sighted, follow in the footsteps of developed European countries, pay more attention to investing in the social economy. The countries of the Western Balkans, in addition to the criteria they must meet for EU membership, must focus more on the social economy, especially on improving the well-being of their citizens. It is known that the future of the state depends to a large extent on the youth, fortunately these countries have a young population, but day by day they are forced to leave their homeland in order to secure a better life for themselves and their family. Statistics show that many cities, especially rural areas, are being abandoned by young people. The countries of the Western Balkans need to think, engage and invest more in this issue as one day it will be too late.

### **3.1. SMEs in the Albania economy**

SMEs are particularly important for the Albanian ‘non-financial business economy’. In 2018, they generated 68.7% of total value added and 80.0% of total employment, significantly more than the respective EU averages of 52.9% and 64.9%. They employed an average of 4.0 people, slightly more than the EU average of 3.7. SME productivity, measured as value added per person employed, was EUR 7 600, significantly lower than the EU average of EUR 41 600.

The COVID-19 pandemic, combined with the policy decisions taken in response to it, have significantly impacted Albania’s economy. Small and medium-sized enterprises (SMEs) in the accommodation and food services sector and in the professional, scientific and technical



activities sector were badly affected in particular, with value added dropping by 14.9% and 12.2% respectively. In contrast, SME value added in the real estate activities sector grew by 8.0%.

Table 1. SMEs in the Albania economy

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	BILLION	SHARE
<b>SMEs (0-249 persons employed)</b>	94.558	99.8%	377.966	80%	2.865	68.7%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	172	0.2%	94.470	20%	1.305	31.3%

Source: European Commission, 2021

## SME-Related Strengths and Challenges

### Key Strengths:

- In 2020, the government drafted a new law on start-ups, which is expected to close the legal gap in the start-up ecosystem in Albania. Support for start-ups will include not only new policies and fiscal incentives, but also the creation of a friendly ecosystem for innovative start-ups in key sectors and fields, with the support of key stakeholders including mentors, incubators and investors. An autonomous agency ‘Start-up Albania Agency’ will also be created (Ministry of Finance and Economy).
- The national government portal e-Albania enables individuals and businesses to easily access public services through a single platform on the internet. Offering a total of 591 e-services, there were 726 280 registered users in 2018, while in 2019 this number rose to 1 028 348 (ICEDA project).
- The government has taken steps to reskill or upskill Albanian citizens. One priority of the National Employment and Skills Strategy 2014–2020 is to offer quality vocational education and training by e.g., promoting entrepreneurial learning.

### Key Challenges:

- Ranking 76th on SME financing and 81st on venture capital availability out of 141 countries (World Bank, Ease of Doing Business 2020), Albania’s financial sector is dominated by banks that are reluctant to lend to SMEs – they perceive the sector to be risky, seek high collateral and have high interest rates.

- Albania ranks particularly low in innovation capability (110th out of 141 in 2019) and R&D (126th) in the World Economic Forum's Global Competitiveness Index. Its innovation system is highly fragmented, with few linkages between academia, science and the private sector, and a weak innovation support infrastructure (despite the emergence of incubators, accelerators and innovation centres in recent years).
- In the World Bank's Doing Business Report, Albania ranks 123rd out of 190 countries on the burden caused by tax payments. The heavy administrative burden characterized by complex procedures and frequently changing tax rules leads to a sizeable informal economy (between 25-50% of GDP).(European Commission, 2021).

### 3.2. SMEs in the Serbia economy

The Serbian economy has been moderately affected by the COVID-19 pandemic. In 2020, GDP declined by an estimated 1%, while total employment increased by 1.9%. SME value added fell by 0.3%. The hardest hit sectors were the accommodation and food services sector and the wholesale and retail trade sector, with SME value added declining by 4.7% and 3.9% respectively. In contrast, small and medium-sized enterprises (SMEs) in the manufacturing sector and in the information and communication sector performed strongly, with value added growing by 4.9% and 4.0% respectively.

In 2018, SMEs generated 57.2% of value added and 66.1% of employment, slightly higher than the respective EU averages of 52.9% and 64.9%. However, the average productivity of SMEs was only EUR 12 800, well below the EU average. Serbian SMEs employed an average of 2.9 people in 2018, significantly less than the EU average of 3.7.

Table 2. SMEs in the Serbia economy

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	BILLION	SHARE
<b>SMEs (0-249 persons employed)</b>	322.658	99.8%	926.175	66.1%	11.856	57.2%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	536	0.2%	475.625	33.9%	8.862	42.8%

Source: European Commission, 2021

## SME-Related Strengths and Challenges

### Key Strengths:

- According to the survey on the access to finance of enterprises (SAFE) carried out by the European Commission/European Central Bank, only 4.5% of SME loan applications were rejected in Serbia in 2019 – significantly below the EU average and a considerable improvement since 2017, when this rate stood at 8%.
- According to the World Bank's Doing Business report, it takes just 7 days to start a business in Serbia, which is below the EU average of 12 days. The cost of starting a business in Serbia as a share of income per capita – which currently stands at 2.3% – is also lower than the EU average of 3%.
- Serbian SMEs benefit from fast and simple export procedures. According to the World Bank, border compliance procedures in Serbia only take 4 hours – half the EU average.
- As reported by the World Bank, Serbia has a strong insolvency framework, rated much higher than the EU average.

### Key Challenges:

- According to the Global Entrepreneurship Monitor, early-stage entrepreneurial activity in Serbia is rather low at 5% – half the EU average. The difference is even greater for female early-stage entrepreneurial activity – it amounts to only 2.8%, against an EU average of 7.5%.
- Inefficient public administration and an unpredictable business environment present a major obstacle to entrepreneurship in Serbia. The widespread shadow economy remains a major impediment to the development of a strong corporate sector. Businesses identify corruption and problems in exercising the rule of law as key obstacles to the investment climate and economic development.
- Serbian SMEs lag behind in the uptake of advanced digital solutions. According to the Statistical Office of the Republic of Serbia and Eurostat, only 27% of them use enterprise resource planning software to share information between different functional areas, compared to 35% in the EU, and only 18% use cloud services (European Commission, 2021).

### 3.3. SMEs in the economy of North Macedonia

Small and medium-sized enterprises (SMEs) in North Macedonia have been significantly impacted by the effects of the COVID-19 pandemic and the policy decisions taken to combat it. In 2020, overall SME value added declined by 8.6%.

The downturn was particularly pronounced in the accommodation and food services sector, with SME value added falling by 10.2%. The wholesale and retail trade sector, the largest sector in terms of SME value added, was also affected, albeit not as severely, with value added down 1.8%. In 2019, SMEs accounted for 65.7% of overall value added and 73.5% of overall employment, far exceeding the respective EU averages of 53.2% and 65.0%. However, SME productivity, defined as value added per person employed, was only EUR 10 900, around one quarter of the EU average of EUR 42 600.

Table 3. SMEs in the economy of North Macedonia

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	BILLION	SHARE
<b>SMEs (0-249 persons employed)</b>	57.604	99.7%	289.689	73.5%	3.163	65.7%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	148	0.3%	104.575	26.8%	1.654	34.3%

Source: European Commission, 2021

#### SME-Related Strengths and Challenges

##### Key Strengths:

- The government has managed to remove some administrative and regulatory barriers over the last decade, as reported by the World Bank's Doing Business Report. The number of tax payments has seen a significant decrease and now stands at 7 – this is 3 less than the EU average and 33 less than a decade ago. In addition, North Macedonia's businesses only take 119 hours a year to pay taxes – 54 less than the EU average.
- According to the National Employment Agency, the number of start-ups that create new job openings has increased in the last 3 years – with an average annual growth rate of 7.38% over this period. According to the State Statistical Office, the number of innovative SMEs increased by 53% in 2014-2020. In recent years, the government has

launched several measures to support innovation in SMEs and start-ups, including grants to support innovation activities in start-ups or low-interest credits to help SMEs with technological investment. The effectiveness of this support needs to be evaluated.

#### Key Challenges:

- According to the National Bank of the Republic of North Macedonia, the country lags behind EU Member States in the share of private equity funding and non-banking sources available to innovative SMEs and entrepreneurs, such as venture capital, equity, mezzanine financing and business angel financing.
- According to the State Statistical Office, SMEs' contribution to the economy's export performance is becoming less significant. In 2018, SMEs provided 26.7% of exports, while in 2016 their exports represented 31.2% of the total.
- Private sector representatives indicate that corruption is a significant challenge that continues to hamper SMEs' capacity to do business. According to data from Transparency International's 2020 Corruption Perceptions Index, people's perceptions of public sector corruption in the country have been worsening since 2014 (European Commission, 2021).

### **3.4. SMEs in the Montenegro economy**

Montenegro's economy has been severely affected by the COVID-19 pandemic and by the measures taken in response to it. In 2020, GDP dropped by an estimated 15.2%, while employment fell by an estimated 7.3%. A major factor in this downturn was a reduction in demand in the tourism sector, a key sector in Montenegro. In 2018, small and medium-sized enterprises (SMEs) contributed 69.3% of total value added and 76.3% of total employment. In comparison, the average SME contributions to value added and employment in the EU were much lower, at 52.9% and 64.9%, respectively. However, SME productivity in Montenegro, measured as value added per person employed, was only EUR 10 100 in 2018, roughly a quarter of the EU average of EUR 41 400. SMEs in Montenegro employ an average of 4.1 people, slightly more than the EU average of 3.7.

Table 4. SMEs in the Montenegro economy

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	BILLION	SHARE
<b>SMEs (0-249 persons employed)</b>	33.760	99.8%	138.839	76.3%	1.401	69.3%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	52	0.2%	43.021	23.7%	0.620	30.7%

Source: European Commission, 2021

## SME-Related Strengths and Challenges

### Key Strengths:

- According to the Global Entrepreneurship Monitor, Montenegro performs well above the EU average in early-stage entrepreneurial activity – both in general and for female entrepreneurial activity.
- The government has delivered a strong policy response to combat low levels of investment in R&D. Recently, it approved a smart specialization strategy for the country as well as an improved regulatory framework to promote innovation.
- Following a new lifelong learning strategy, there has been a substantial increase in enrolment in dual vocational education and training, according to a European Training Foundation report.
- According to an OECD report, the country suffers from an uncoordinated approach in the provision of support measures to SMEs. These have now been merged into a single support mechanism, making it easier for SMEs to access them.

### Key Challenges:

- Montenegrin SMEs face a competitive environment distorted by the informal economy. According to the Informal Economy in Montenegro Report, the informal economy is estimated to total between 26% and 31% of the country's GDP.
- Alternative sources of funding are not available for young companies. Venture capital is practically non-existent and the local business angel network is limited, as reported by Eurostat and the Global Entrepreneurship Monitor. The Montenegro Economic Reform Programme also recognizes that traditional banking finance does not meet the needs of entrepreneurs, start-ups and innovative SMEs.

- Montenegrin companies face a number of challenges related to the administrative burden. As reported in the World Bank's Doing Business report, these include paying taxes – which takes 300 hours a year – and the cost of enforcing contracts, which is above the EU average.

### 3.5. SMEs in the economy of Bosnia and Herzegovina

Bosnia and Herzegovina's economy has been badly affected by the COVID-19 pandemic. The transportation and storage sector and the wholesale and retail trade sector were impacted in particular, with respective decreases of 14.8% and 13.2% in SME value added. The manufacturing sector and the accommodation and food services sector were also hit hard, with SME value added declining by 12.2% and 11.9% respectively. In contrast, the administrative and support services sector performed strongly in 2020, generating an increase of 6.0% in SME value added.

In Bosnia and Herzegovina, SMEs play an important role in the 'non-financial business economy'. In 2018, they generated 62.7% of total value added and 69.1% of total employment, exceeding the respective EU averages by 9.8 and 4.2 percentage points. The average productivity of SMEs in Bosnia and Herzegovina, calculated as value added per person employed, was approximately EUR 14 000 in 2018, significantly lower than the EU average of EUR 41 600. The average of 5.6 people employed by SMEs was significantly higher than the EU average of 3.7.

Table 5. SMEs in the economy of Bosnia and Herzegovina

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	BILLION	SHARE
<b>SMEs (0-249 persons employed)</b>	67.009	99.6%	374.055	69.1%	5.255	62.7%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	233	0.4%	167.659	30.9%	3.124	37.3%

Source: European Commission, 2021

## SME-Related Strengths and Challenges

### Key Strengths:

- According to the World Bank's Doing Business 2020 report, Bosnia and Herzegovina scores relatively high on the 'resolving insolvency' indicator, coming 37th out of the 130 economies analysed.
- The government is developing draft strategic guidelines on harmonization of support for the development of SMEs and entrepreneurship in Bosnia and Herzegovina for 2021-2027. These will complement strategies on helping SMEs and entrepreneurship develop in the entities (the Federation entity and the Republika Srpska entity), together with the Brčko District.
- Since 2016, a working group chaired by the Ministry of Foreign Trade and Economic Relations has continued to improve dialogue and coordination on women's entrepreneurship among policymakers from the entities, as reported by the OECD. The country's performance in terms of women entrepreneurs increased from just above 2 in 2016 to 3.26 in 2019, according to the OECD report 'SME Policy Index: Western Balkans and Turkey 2019'.

### Key Challenges:

- According to the World Bank's Doing Business 2020 report, Bosnia and Herzegovina occupied the 184th position among the 190 countries on starting a business.
- As stated in the OECD's SME Policy Index report, the country does not have a common approach to SME policy planning and implementation. Each entity establishes its own laws and regulations, adding layers of complexity for SMEs.
- Registration procedures differ at entity level. One business registration is not valid for the entire economy: a company registered in the Federation entity, for example, cannot operate directly in the Republika Srpska entity without obtaining additional permits, and vice versa.
- According to the 2019 OECD report on policies in the Western Balkans and Turkey, Bosnia and Herzegovina is the worst performer among the Western Balkan economies on access to finance for SMEs.

## 3.6. SMEs in the Kosovo's economy

The COVID-19 pandemic, combined with the policy decisions taken in response to it, badly affected Kosovo's economy. In 2020, GDP, total employment and value added dropped



sharply. The wholesale and retail trade, transportation and storage and accommodation and food services sectors were particularly affected, with value added declining by an estimated 16.2% in total. The information and communication sector, in contrast, performed strongly in 2020, with value added growing by an estimated 10.5%.

Small and medium-sized enterprises (SMEs) play a particularly important role in Kosovo's 'non-financial business economy'. In 2020, they generated 80.4% of employment, outperforming the EU average of 65.2%. SMEs in Kosovo employed an average of 6.0 people in 2016, significantly more than the EU average of 3.7 people.

Table 6. SMEs in the Kosovo's economy

	ENTERPRISES		PERSONS EMPLOYED	
	NUMBER	SHARE	NUMBER	SHARE
<b>SMEs (0-249 persons employed)</b>	27.537	99.8%	166.205	80.4%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	57	0.2%	40.422	19.6%

Source: European Commission, 2021

## SME-Related Strengths and Challenges

### Key Strengths:

- According to the World Bank's Doing Business report (2019), tax compliance procedures and effective tax rates are more competitive in Kosovo than the EU average. Indeed, the tax system in Kosovo has comparatively few legal requirements for tax reporting compared to other EU countries.

### Key Challenges:

- As reported by the World Bank, Kosovo lags behind the EU average in providing access to finance for SMEs. Moreover, investments by business angels, private equity and other non-traditional forms of financing are very limited.
- As reported by the Kosovo Agency of Statistics, the trend in the number of new business registrations per year has remained flat in recent years, with some 2 400 new business registrations per quarter since 2013.

- As reported by official sources, Kosovo's export performance lags some way behind other economies – in 2020, it had EUR 475 million in exports compared to EUR 3.29 billion in imports (European Commission, 2021).

#### **4. The trend and current social economy in the Western Balkan countries**

Regarding the social economy sector in the Western Balkan countries research throw reviewed literature shows that: Albanian society is built on traditional foundations: family, clan and region are the core social layers. These forms of social capital sustain sometimes-large networks of cooperation. The SE sector in Albania is nascent and estimated to have emerged since 2013 as part of CSOs and projects supported with foreign donor funding. As in most of the Western Balkans countries, the civil society sector has been the driving force for the development of the sector. Even with an unfavourable legislative, economic and institutional framework, Serbia has developed an emerging but notable social economy sector whose principal actors, by their volume, are the cooperatives which also employ the greatest number of people working in SE. From a legal point of view, only those that deal with integration of people with disabilities into the economy might be defined as social enterprises and therefore benefit from tax concessions and state subsidies.

As with the rest of the economy in Kosovo, the social enterprise sector is in the early stages of development. The term social enterprise is not widely understood as is often confused with the dominant pre-conflict state owned enterprises, and as such has negative connotations in the mind of the public. It is primarily the CSOs and the donor community that introduced the concept and actively pushed for the recognition of SEs in order to address both social needs and as an active employment measure. In North Macedonia, from the perspective of the wider social economy, the actors with a potential to grow into social enterprises are quite diverse and take several formal and informal forms: • Civil Society Organizations (CSOs) – mostly the legal forms of associations and foundations • Cooperatives including agricultural cooperatives • Sheltered companies • Sole proprietor and other forms of trade companies • Informal solidarity initiatives and young entrepreneurs in the last decade, the main drivers of the social entrepreneurship in the country were the CSOs. The transition towards a market economy involving the closure of many state owned enterprises has resulted in high unemployment, decline in the government provision of services, increased social disparities and marginalization of certain social groups.

The social enterprise sector in Montenegro is relatively limited; with an estimated maximum of 30 organizations. In general, there is a lack of data-base or any comprehensive research on the size of the sector and the estimates are thus based on mapping exercises realized by several support organizations and interviews conducted during the study. In principle, social enterprises in Montenegro use the following legal forms: 1) non-governmental organizations (NGOs); 2) limited liability companies; 3) sheltered workshops and 4) agricultural cooperatives. As in most of the Western Balkan countries, most of the identified social enterprises are registered as NGOs. According to a 2015 mapping survey conducted by the Centre for development of NGOs (CRNVO) covering 19 of these social enterprises, 16% of them are inactive, 73% (14) were CSOs engaged in economic activity, 5.5% (i.e., 1 respondent) was registered as a limited liability companies established by CSOs and a further 5.5% (i.e., 1 SE was) a sheltered workshop established by CSOs (Rosandic & Kusinikova, 2018).

In spare of literature, the official data shows (presented in table 1 below) in detail social economy in these countries.

Table 7. Social economy indicators in the countries of the Western Balkans

<b>Social economy-Indicator</b>											
<b>Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b><i>SOCIAL DEVELOPMENT</i></b>											
Albania	64.1	62.9	63.6	64.3	61.2	62.5	63.8	64.4	64.8	64.7	64.6
Kosovo	-	-	-	-	-	-	-	-	-	-	-
Serbia	60.3	59.2	59.4	59.9	60.6	60.7	60.4	61.9	62.3	63.1	62.8
North Macedonia	68.5	68.6	67.6	67.4	67.3	68	67.7	67.8	67.8	67.5	67.3
Montenegro	55.8	55.8	55.8	56.5	56.7	58.9	59.4	60.7	61	62.8	62.8
Bosnia and Herzegovina	58.1	58.2	57.6	58.3	58.3	58.2	58.2	58.6	57.8	58.3	58.1
<b><i>ECONOMIC GROWTH</i></b>											
Albania	3.8			3.62	3.5	3.9	3.4	3.9	3.8	4.2	3.8
Kosovo	3.5	3.3	4.4	2.8	3.4	2.7	3.5	3.4	4.2	4.2	4.4
Serbia			4.5	4.4	4.3	4.2	4.1	3.8	3.9	4.2	3.5
North Macedonia	-	-	-	-	3.6	3.3	3.9	2.4	0.2	2.7	2.9
Montenegro	-	-	-	-	-	1.8	3.4	2.9	4.7	4.4	2.9
Bosnia and Herzegovina	-	-	-	-	-	1.1	3.1	3.1	3.2	3.0	3.4
<b><i>EDUCATION</i></b>											
Albania	-	-	-	-	12.1	-	11.3	13.5	12.3	-	-
Kosovo	-	-	-	-	-	-	-	-	-	-	-
Serbia	10.4	10.1	10.1	9.2	-	8.7	8.8	8.6	9.2	8.80	-
North Macedonia	-	-	-	-	-	-	-	-	-	-	-

Montenegro	-										
Bosnia and Herzegovina	-	-	-	-	-	-	-	-	-	-	-
<b>CLIMATE CHANGE</b>											
Albania	4.37	4.59	5.24	4.92	4.91	5.48	4.61	4.53	-	-	-
Kosovo	8.19	8.42	8.36	7.94	8.07	7.26	8.4	8.94	-	-	-
Serbia	45.9	45.7	49	43.8	44.6	37.4	43.9	45.2			
North Macedonia	8.69	8.6	9.3	8.81	7.85	7.53	7.09	7.05	-	-	--
Montenegro	1.63	2.42	2.4	2.21	2.15	2.1	2.24	2.01	-	-	-
Bosnia and Herzegovina	20.7	21.3	23.9	22.3	21.9	19.4	18.6	21.8	-	-	-
<b>ENVIRONMENT</b>											
Albania	28.4	28.3	28.3	28.3	28.2	28.2	28.2	28.1	-	-	-
Kosovo	-	-	-	-	-	-	-	-	-	-	-
Serbia	30.5	31	31	31.1	31.1	31.1	31.1	31.1	-	-	-
North Macedonia	39.4	39.6	39.6	39.6	39.6	39.6	39.6	39.6	-	-	-
Montenegro	58.5	61.5	61.5	61.5	61.5	61.5	61.5	61.5	-	-	-
Bosnia and Herzegovina	42.7	42.7	42.7	42.7	42.7	42.7	42.7	42.7	-	-	-
<b>HEALTH</b>											
Albania	76.2	76.6	76.9	77.3	77.6	77.8	78	78.2	78.3	71.9	71.2
Kosovo	69.6	69.9	70.1	70.5	70.8	71	71.1	71.3	71.6	-	-
Serbia	73.9	74.3	74.5	74.8	75.3	75.3	75.7	75.5	75.9	-	-
North Macedonia	74.5	74.7	74.8	75	75.2	75.3	75.4	75.5	75.6	75.7	-
Montenegro	74.8	75.2	75.5	75.8	76.1	76.3	76.5	76.6	76.7	76.8	-
Bosnia and Herzegovina	75.8	76	76.2	76.4	76.6	76.7	76.9	77	77.1	77.3	-
<b>POVERTY</b>											
Albania	-	-	0.8	-	1.6	1.1	0.9	1.3	-	-	-
Kosovo	3.2	2.5	1.7	0.6	0.3	1	0.7	0.8	0.4	-	-
Serbia				5.3	5.8	6.9	6.6	6.4	5.4		-
North Macedonia	9.8	10.4	9.1	6.9	5.2	4.5	5.5	4.3	4.6	-	-
Montenegro	-	-	-	3.4	3.2	1.7	1.4		-	-	-
Bosnia and Herzegovina	-	-	-	-	-	-	-	-	-	-	-

Source: World Bank, 2020.

According to the data presented in the table above we see:

- 1) A slight increase in economic development in all Western Balkan countries. Economic growth in the Western Balkans accelerated from 2.6 percent in 2017 to 3.8 percent in 2018 and 3.5 percent in 2019. Despite stronger growth in 2018, fewer new jobs were created in the region, reflecting limited dynamism in the private sector. Only 96,000 jobs were created in the Western Balkans in 2018, mostly in industry and services,

compared to 171,200 jobs created in 2017. Unemployment fell in 2018 but remains high, particularly for women and the youth. In some countries, the fall in unemployment stemmed from increased labour inactivity and emigration rather than new jobs (World Bank, 2019).

- 2) Based on the above data, it notes that social development has the same percentage in all Western Balkan countries. To increase this percentage, states need to take a social development approach and invest in people. By investing in people can reduce poverty and improve the well-being of citizens. European countries offer more support to their citizens in order to achieve the desired success while in the 6 countries of the Western Balkans citizens face many obstacles until, they achieve realize their dream and improve well-being for themselves and their family. Every citizen not only in developed European countries but also in the Western Balkan country must has the opportunity to grow, develop their own skills and contribute to their families and communities in a meaningful way.
- 3) According to the data presented in the table above, the six countries of the Western Balkans have recorded economic growth. Albania, Kosovo and Serbia stand at almost the same growth rate while the other three countries North Macedonia, Bosnia and Herzegovina and Montenegro have lower percentages.
- 4) Education is a human right, a powerful driver of development and one of the strongest instruments for reducing poverty and improving health, gender equality, peace, and stability. It delivers large, consistent returns in terms of income and is the most important factor to ensure equality of opportunities. For individuals, education promotes employment, earnings, health, and poverty reduction. Globally, there is a 9% increase in hourly earnings for one extra year of schooling. For societies, it drives long-term economic growth, spurs innovation, strengthens institutions, and fosters social cohesion. Indeed, making smart and effective investments in people's education is critical for developing the human capital that will end extreme poverty. Developing countries have made tremendous progress in getting children into the classroom and more children worldwide are now in school (World Bank, 2020).
- 5) Fortunately, in the countries of the Western Balkans in recent years there has been an improvement in the level of education. Although progress has been made in terms of education, much work is needed to do not only in the aforementioned countries but everywhere in the world. Children with disabilities are often the most marginalized and excluded from educational opportunities, limiting their opportunities to build

independent lives free from poverty. Fifteen percent of the world's population is estimated to have a disability. The exclusion of children with disabilities is severe globally and especially in low-income countries and regions. The problem is not limited to attending school. Children with disabilities face barriers to learning even when they are in school: Too often, schools lack teachers with the adequate training and materials to provide disability-inclusive education, and classroom facilities and learning resources often don't accommodate specific needs (Word Bank, 2020).

- 6) As countries in the Western Balkans continue to grow, so too does their exposure to risk from climate change and natural disasters. Over the last twenty years, living standards have increased six-fold in Bosnia and Herzegovina, nearly three-fold in Albania and in Serbia. More people are finding jobs and wages are rising. The region's future, according to the latest World Bank projections, is bright. However, there are clouds gathering on the horizon. In parallel to this welcome growth, climate and disaster risks are also increasing, putting vulnerable communities in jeopardy. In 2014, it saw historic flooding that caused over €2 billion in damages and losses in Bosnia and Herzegovina (nearly 15 percent of the country's gross domestic product) and over €1.5 billion in damages in losses in Serbia, nearly 5 percent of Serbia's GDP (World Bank, 2019).
- 7) There is no denial of the fact that global warming is happening in front of our eyes: ice sheets in the Arctic are melting and the extreme weather events becomes more and more unpredictable shifting. Many countries are trying to react and have set ambitious plans in order to reduce CO2 emissions before it's too late (Statists Research Department, 2020). Unfortunately, very little has been done for the environment in the Western Balkans. According to the data presented in the table, Albania is the best in this aspect, although in recent years there has been degradation that is being done to this very important sector of the social economy. Cities around the Western Balkans experience some of the highest concentrations of health-damaging ambient fine particulate air pollution in Europe. This series of reports on air quality management examines the nature and magnitude of ambient air pollution (AAP) in Bosnia and Herzegovina, Kosovo, and North Macedonia. People living in Bosnia and Herzegovina, Kosovo and North Macedonia are breathing more toxic air than their neighbours in Western Europe, especially in urban areas and during the winter months when heating-especially residential heating-emerges as the most important source of air pollution.

- 8) The citizens of the Western Balkans and especially those of Kosovo face many difficulties in terms of healing as not only do they not find adequate healing in their country, but due to the non-liberalization of visas, they are unable to travel for healing in the countries of the European Union and beyond. The system offers universal coverage as a constitutionally-guaranteed right and no out-of-pocket expenses-aside from prescription drugs (Department of Health and Social Care, Foreign & Commonwealth Office, and Foreign, Commonwealth & Development Office, 2020).
- 9) The six Western Balkan countries have already achieved poverty reduction but if it compares it with developed European countries, they are still very far in terms of poverty reduction. Even today, citizens in some Balkan countries face a shortage of basic living products. Poverty throughout the Balkan region it can be because of the ethnic conflict and wars. Social protection systems help individuals and families, especially the poor and vulnerable, cope with crises and shocks, find jobs, improve productivity, invest in the health and education of their children, and protect the aging population. Albania and North Macedonia stand better compared to the other four countries of the Western Balkans.

In overall, in the country of the Western Balkans from 2009 - 2019 we can see an improvement in all the above indicators, but still this percentage is small compared to EU countries. As well, despite the lack of institutional understanding and unfavourable legislative, economic and institutional framework there are examples of successful social enterprises changing the perception towards the sector, and producing a greater social impact. One of the countries with an emerging but notable social economy sector is Serbia, which is a leading force in the region.

## **5. Empirical analysis, econometric evaluation of the hypothesis and study findings**

The field of economic science is econometrics. The economic model is a theory, a hypothesis or a set of hypotheses by which economic phenomena can be analysed and predictions made about them.

The reason for using this econometric model is because through this model we achieve the measurement of economic relations and the testing of empirical hypotheses. Through this model we manage to make an in-depth study and analysis of phenomena of dynamic character, which includes measurements, calculations, comparisons, interpretations and comments based

on numbers. In this chapter will present all the results of the research which have been carried out for the verification and the hypothesis presented. The purposes of this study is to investigate current social economy in the Western Balkans countries, as well to make a comparative analysis between the countries of the Western Balkans, basis to action for improvement of the growth and social condition in this countries, with pretend to detect wakened points for each country.

### **Econometric evaluation and hypothesis testing**

The hypothesis of this study is:

**Hypothesis 1:** Establishing and fostering on social economy in Western Balkan countries may be good way to growth, solve unemployment, improved social services etc., for better life of the people in these countries.

For the verification of this hypothesis is apply quantitative method, based on the secondary data of the World Bank reports for the period 2009-2019. The data in these econometric models are data reported on an annual basis. The data are processed in the STATA program and for the verification of this hypothesis we have applied the following statistical tests: linear regression, fixed effect model and random effect and Hausman-Taylor regression.

Table 8. Description of variables for the econometric model - Hypothesis

Variables	Description of the variable	Data source
Dependent variable	Social Development	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Economic Growth	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Education	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Climate change	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Environment	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Health	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Poverty	Annual reports for the above-mentioned indicators of the World Bank
Independent variable	Social protection, and labour	Annual reports for the above-mentioned indicators of the World Bank

Source: Data processing by the author



### 5.1. Descriptive analysis for the econometric model

Through descriptive statistics will describe the statistical data for the variables which are included in the econometric model. Firstly, will be analysed average, standard deviation, maximum and minimum values will be analysed first.

In table 9 are presents descriptive statistics for the variables included in the econometric model. The main purpose of using these analyses is to identify the accuracy of the data, which are taken as a basis for measuring econometric models.

Table 9. Descriptive analysis

Variables	N	Minimum	Maximum	Mean	Std. Deviation
SD	55	55.77	68.63	61.86291	3.856238
EG	38	-4.15	14.64	3.298684	4.823084
ED	39	87.13	115.8	98.93256	6.080929
CCH	48	1.63	49	14.82813	14.76658
EN	40	28.12	61.89	41.30925	12.0892
HE	59	69.64	78.33	75.07017	2.276138
POV	33	0.3	10.4	3.736364	2.90375
SPL	55	52.12073	3.540341	45.29	55.9

(Source: Author's calculations in the STATA program)

The value of Social Development variable is found to be as following: the maximum value is 68.63 (it means, the highest value of “Social Development” in period time of research paper), and the minimum value of Social Development is 55.77 (it means, the lowest value of “Social Development” in period time of research paper) and the value of mean is 61.86 (it means, average value of “Social Development” in period time of research paper) and lastly the standard deviation values is 3.85 (it means, how many the “economic growth” variable are quite close between 55.77 to 68.63 values). While the values of economic growth are: the minimum is -4.15, maximum is 14.64, the value of mean is 3.29 and standard deviation value is 4.82. While the values of education are: the minimum is 87.13, maximum is 115.8, the value of mean is 98.93 and standard deviation value is 6.08. The values of climate change are: the maximum value is 49 and the minimum value is 1.63, while the value of mean is 14.82 and standard deviation is 14.76. The value of environment are: the minimum is 28.12, maximum is

61.89, the value of mean is 41.30 and standard deviation value is 12.08. The values of healthy are: the maximum value is 78.33 and the minimum value is 69.64, while the value of mean is 75.07 and standard deviation is 2.27. The values of poverty are: the minimum is 0.3, maximum is 10.4, the value of mean is 3.73 and standard deviation value is 2.90. And the end, social protection & labour with the values for the maximum of 3.54, the minimum of 52.12, the mean of 45.29 and standard deviation is 55.90.

## 5.2. Correlation analysis for the econometric model

In table 10 shows the values of the correlation coefficient between SD and other independent variables: EG, ED, CCH, EN, HE, POV, SPL.

Table 10. Correlation analysis

Variables	SD	EG	ED	CCH	EN	HE	POV	SPL
SD	1.0000	1.0000						
EG	0.6750	-0.5753						
ED	-0.7836	-0.5063	1.0000					
CCH	-0.6762	0.6408	0.2951	1.0000				
EN	0.8205	-0.2014	-0.8884	-0.2058	1.0000			
HE	-0.3371	0.0166	0.7192	-0.4028	-0.7683	1.0000		
POV	0.3618	0.6795	-0.6640	0.3304	0.7188	-0.8939	1.0000	
SPL	0.9037	1.0000	-0.5574	-0.7761	0.5760	-0.0325	0.0714	1.0000

(Source: Author's calculations in the STATA program)

In this table is presented the correlation with shows the level of correlation between dependent variable and independent variables. Based on the correlation results, the highest positive correlation has been shown by economic growth with (0.67), environment with (0.82), and social protection & labour with (0.90), education has shown negative correlation with (-0.78) healthy (-0.33) and climate change (-0.67) on social development. Based on this result, can see that this econometric made is statistically stable as the value of the error term is at a low level and does not impair the overall accuracy of this model. While the correlation to poverty (0.36), it is not negative but are found in the interval 0.00-0.49, it is can conclude that the term error is high.

### 5.3. Linear regression analysis

Table 11. Results of linear regression analysis

SD	Coef.	Std. Error	t	P>t	95% Conf. Interval	95% Conf. Interval
EG	-0.1672722	0.0882021	- 1.90	0.100	-0.3758371	0.0412926
ED	-0.0266025	0.0986201	-0.27	0.795	-0.2598019	0.2065968
CCH	-0.0505532	0.0448818	-1.13	0.297	-0.1566819	0.0555755
EN	0.4602378	0.1678484	2.74	0.029	0.0633393	0.8571363
HE	-0.0280574	0.7761842	-0.04	0.972	-1.863441	1.807327
POV	-0.154729	0.1770602	-0.87	0.411	-.5734099	0.2639519
SPL	0.8685869	0.1947685	4.46	0.003	.4080327	1.329141
_cons.	8.555298	56.78918	0.15	0.885	-125.7298	142.8404

(Source: Author's calculations in the STATA program)

According to the results in Table 11, can see that all variables are within the 90% -95% confidence interval, except for the variables (education and health). The value of the parameter  $\beta_0$  is at the standard level of significance (p-value = 0.000 <0.05).

The coefficient of determination (R Square) in this case is 96% which shows a very high relationship between the dependent variable and the independent variables. This coefficient shows that for the value 96%, economic growth, education, climate change, environment, health, poverty, social protection and labour in Western Balkan Countries Spain, France, Portugal, Belgium, Ireland and Greece for the period 2009-2019. If the other factors remain constant then the SD value will be 8.55.

However, if assume that it's have an in Economic growth of 1% while keeping the other factors constant, this will affect the reduction of SD for 0.16%. If increase poverty by 1%, keeping constant economic growth, education, environment, climate change, health, social protection and labour, then this will reduce SD by 0.15%. If have climate change growth of 1%, keeping constant economic growth, education, environment, health, poverty and social protection & labour, then this will reduce SD by 0.05 %. These assertions are correct even at the level of 95% reliability (p-value = 0.000 <0.05).

If increase the environment by 1%, keeping constant economic growth, education, climate change, health, poverty, social protection and labour, then this will reduce SD by 0.46%. If have an increase of social protection and labour by 1%, keeping constant economic

growth, education, climate change, health, environment and poverty, then this will affect the increase of SD by 0.86%. These assertions are correct even at the level of 95% reliability (p-value = 0.000 < 0.05).

It is worth noting that according to regression analysis, the greatest effects on social development are of environment and social protection & labour. The main effects on social development is social protection & labour, positive impact can come as a result of the work of non-governmental organizations which in recent years are working hard to reduce poverty and vulnerability by promoting efficient labour markets, reducing people's exposure to risk and increasing capacity to manage economic and social risks, such as unemployment, exclusion, disease, disability and old age.

#### 5.4. Random – Effects GLS Regression

The specification of the dynamic panel model (Random-Effects) to test the impact of social development on the economic growth, education, climate change, environment, healthy, poverty and social protection & labour is as follows:

$$\begin{aligned} LnSD_{it} = & \beta_0 + \beta_1 LnEG_{it} + \beta_2 LnED_{it} + \beta_3 LnCCH_{it} + \beta_4 LnEN_{it} + \beta_5 LnHE_{it} + \beta_6 LnPOV_{it} \\ & + \beta_7 LnSPL_{it} + y_{it} \end{aligned}$$

Given that all the symbols presented in the above econometric model are the same as in the regression analysis, except for the symbol i which represents the code, through which the data were coded on an annual basis divided into 11 groups and the symbol t, representing the period 2009-2019, included in this empirical analysis. In table 12 will present the results of the regression analysis using the random effect.

Table 12. Model results Random – Effect GLS Regression

SD	Coef.	Std. Error	Z	P>z	95% Conf. Interval	95% Conf. Interval
EG	-0.1672722	0.0882021	-1.90	0.058	-0.3401452	0.0056008
ED	-0.0266025	0.0986201	-0.27	0.787	-0.2198943	0.1666892
CCH	-0.0505532	0.0448818	-1.13	0.260	-0.13852	0.0374136
EN	0.4602378	0.1678484	2.74	0.006	0.1312609	0.7892147
HE	-0.0280574	0.7761842	-0.04	0.971	-1.54935	1.493236
POV	-0.154729	0.1770602	-0.87	0.382	-0.5017607	0.1923026
SPL	0.8685869	0.1947685	4.46	0.000	0.4868477	1.250326
_cons.	8.555298	56.78918d	0.15	0.880	-102.7495	119.86

(Source: Author's calculations in the STATA program)

Based on the values presented in the random effect results, the econometric model equation takes the following form:

$$\begin{aligned} \ln SD_{it} = & 8.555298 + 0.1672722 \, it + 0.0266025 \, it + 0.0505532 \, it + 0.4602378 \, it \\ & + 0.0280574 \, it + 0.154729 \, it + 0.8685869 \, it + 0.11 \end{aligned}$$

According to the results in Table 12, can it see that all variables are within the 90% - 95% confidence interval, except for the variable (health with 0.02). The value of the parameter  $\beta_0$  is at the standard level of significance (p-value = 0.000 < 0.05).

The value of the definition coefficient is 74%, which means that for this value the independent variables explain the dependent variable (SD). Assuming that other factors affecting the social economy are constant, then the value of SD will be 8.55. If have economic growth of 1% while maintaining constant education, climate change, environment, health, poverty, social protection and labour, this will increase SD by 0.16% given that this is acceptable as it is within the 95% confidence interval.

If have economic growth of 1%, keeping constant education, climate change, environment, health, poverty, social protection and labour, this will reduce SD by 0.16. If education increases by 1%, keeping constant economic growth, climate change, environment, health, poverty, social protection and labour, this will reduce SD by 0.02%. If climate change increases by 1%, keeping economic growth, education, environment, health, poverty, social protection and labour constant, this will reduce SD by 0.05%.

If the Environment grows by 1%, keeping economic growth, education, health, poverty, social protection and labour constant, this will increase SD by 0.46%. If poverty increases by 1%, keeping economic growth, education, climate change, environment, health, social protection and labour constant, this will reduce SD by 0.15%. If the social protection & labour increases by 1%, keeping economic growth, education, health, poverty, social protection and labour constant, this will increase SD by 0.86%. The results of this model support the hypothesis validation.

### 5.5. Fixed – Effects Regression

One of the most important tests that has a very wide application in statistics for dynamic panel data is the fixed effects model. The main purpose of using this model is because the data are not relevant and, in this analysis, the fixed effects estimator is used referring to the internal regression coefficient estimator. The following table presents the results of the econometric model through fixed effects:

Table 13. Model results Fixed– Effect Regression

SD	Coef.	Std. Error	Z	P>z	95% Conf. Interval	95% Conf. Interval
EG	-0.005961	0.0777631	-0.08	0.942	-0.2058573	0.1939354
ED	0.1661107	0.088379	1.88	0.119	-0.0610747	0.3932961
CCH	0.1475101	0.0649014	2.27	0.072	-0.0193242	0.3143444
EN	-0.8698557	2.521948	-0.34	0.744	-7.35273	5.613019
HE	-1.332557	0.6328631	-2.11	0.089	-2.959383	0.2942696
POV	0.1074323	0.1367023	0.79	0.468	-0.243972	0.4588367
SPL	0.8497147	0.1272147	6.68	0.001	0.5226989	1.17673
_cons.	129.7071	94.42844	1.37	0.228	-113.0289	372.4431

(Source: Author's calculations in the STATA program)

All independent variables are significant at the level of 95% reliability and all parameters are statistically measurable, except for the variable (economic growth with 0.005). The value of the parameter  $\beta_0$  is at the standard level of significance ( $p\text{-value} = 0.000 < 0.05$ ).

The results of this model are in favour of interpreting the hypothesis, resulting in a positive relationship between education, climate change, poverty and social protection &

labour in Wester Balkan Countries. If education increases by 1%, keeping to other factors, this will have the effect of increasing SD by 0.16%. The standard error value for the parameter  $\beta_2$  is 0.08379, which means that this parameter has no standard error value and this comes as a result of positive correlation with SD. Estimator variation of parameter is  $\beta_2 = 0.08379^2 = 0.00702$ .

If the climate change increases by 1% keeping economic growth, education, environment, healthy, poverty and social protection & labour constant, this will have the effect of increasing the value of SD by 0.14%. The standard error value for the parameter  $\beta_3$  is 0.07776 which means that this parameter has no standard error value and this comes as a result of positive correlation with SD. Estimation variation of the parameter  $\beta_3=0.07776^2=0.00604$  and this parameter has statistical significance because the actual value of the Test ( $t_f=2.27$ ) is a value greater than the critical value of this model ( $t_{kr}=1.984$ ).

Environment negatively affects the growth of the social economy, where 1% increase in the environment causes a decrease of SD by 1.33%. The value of the standard error for the parameter  $\beta_4$  is 2.5219 which is a value much larger than the standard error of the other parameters included in this econometric model. Estimation variation of the parameter  $\beta_4=2.5219^2=6.35997$ . Healthy negatively affects the growth of the social economy, where 1% increase in healthy causes a decrease of SD by 0.86%. The standard error value for the parameter  $\beta_5$  is 0.6328 which means that this parameter has no standard error value and this comes as a result of positive correlation with SD. Estimation variation of the parameter  $\beta_5=0.6328^2=0.40043$ . If poverty increases by 1% keeping economic growth, education, environment, climate change, healthy and social protection & labour constant this will have the effect of increasing the value of SD by 0.10%. The value of the standard error for the parameter  $\beta_6$  is 0.1367 which means that this parameter has no standard error value and this comes as a result of positive correlation with SD. Estimation variation of the parameter  $\beta_6=0.1367^2=0.0186$ .

## 5.6. Hausman – Taylor Regression

Statistical data will also be tested through this model, in order to make comparisons with other statistical tests.

Table 14. Model results Hausman – Taylor Regression

SD	Coef.	Std. Error	Z	P>z	95% Conf. Interval	95% Conf. Interval
EG	-0.0297322	0.0709523	-0.42	0.675	-0.168796	0.1093317
ED	0.1686635	0.0863121	1.95	0.051	-0.0005052	0.3378321
CCH	0.1410035	0.0629813	2.24	0.025	0.0175625	0.2644446
EN	0.5570069	1.845848	0.30	0.763	-3.060788	4.174802
HE	-1.307093	0.6177296	-2.12	0.034	-2.517821	-0.0963652
POV	0.093898	0.1326808	0.71	0.479	-0.1661517	0.3539476
SPL	0.8630772	0.1233667	7.00	0.000	0.6212829	1.104871
_cons.	84.707	60.26144	1.41	0.160	-33.40326	202.8173

(Source: Author's calculations in the STATA program)

According to the results in Table 7, can see that all variables are within the 90% -95% confidence interval, except for the variable (economic growth with 0.02). The value of the parameter  $\beta_0$  is at the standard level of significance (p-value = 0.000 < 0.05).

Education positively affects a social economy. According to the data presented in the table above can it see that when education increases by 1% keeping constant economic growth, climate change, environment, healthy, poverty and social protection & labour, the effect will be in increase SD by 0.16. The standard error value for the parameter  $\beta_2 = 0.0863$ , while the estimator variation for the parameter  $\beta_2 = 0.0863^2 = 0.0074$ . The actual value of the T test for this parameter is 1.95 which is approximately the same as the critical value of the T test (1.984).

Also, climate Change has a positive effect on the growth of the social economy. Assuming an increase of 1% in this index, affects the increase of SD by 0.14. The standard error value for the parameter  $\beta_3 = 0.0629$ , while the estimator variation for the parameter  $\beta_3 = 0.0629^2 = 0.00395$ . The actual value of the T test for this parameter is 2.24 which is a value greater than the critical value of the T test (1.984).

When the environment grows by 1% keeping constant economic growth, education, climate change, healthy, poverty and social protection & labour, the effect will be to increase



the SD by 0.55%. The standard error value for the parameter  $\beta_4 = 1.8458$ , while the estimator variation for the parameter  $\beta_4 = 1.8458^2 = 3.4069$ . The actual value of the T test for this parameter is 0.30 which is a value less than the critical value of the T test (1.984).

When healthy grows by 1% while maintaining constant economic growth, education, climate change, environment, poverty and social protection & labour, the effect will be to reduce SD by 1.30. Standard error for parameter  $\beta_5 = 0.6177$ . The estimator variation of the parameter  $\beta_5 = 0.6177^2 = 0.3815$  and the actual value is -2.12.

Poverty positively affects the growth of the social economy. Assuming a 1% increase in this index, it affects the increase of SD by 0.09. The standard error value for the parameter  $\beta_6 = 0.1326$ , while the estimator variation for the parameter  $\beta_6 = 0.1326^2 = 0.1758$ . The actual value of the T test for this parameter is 0.71 which is a value less than the critical value of the T test (1.984).

The results of the Hausman-Taylor Regression model on the impact of social protection & labour on the growth of the social economy are the same as the previous models. When social protection & labour increases by 1% keeping constant economic growth, education, climate change, environment, healthy and poverty, the effect will be to increase SD by 0.86%. The standard error value for the parameter  $\beta_7 = 0.1233$ , while the estimator variation for the parameter  $\beta_7 = 0.1233^2 = 0.152$ . The actual value of the T test for this parameter is 7.00 which is a value much higher than the critical value of the T test (1.984).

## **CHAPTER III**

### **THE STAGE AND CURRENT TREND OF SOCIAL ECONOMY IN EUROPEAN UNION COUNTRIES**

#### **1. The theoretical review of the overall socio-economic situation in the end of XX century**

Social Economy was relatively prominent in Europe during the first third of the 20th century, the growth model in Western Europe during the 1945-1975 period mainly featured the traditional private capitalist sector and the public sector. Identification of the social economy as it is known today began in France, in the 1970s, when the organizations representing the cooperatives, mutual societies and associations created the National Liaison Committee for Mutual, Cooperative and Associative Activities (CNLAMCA). From the end of the Second World War to 1977, the term 'Social Economy' had fallen out of everyday use, even among the 'families' in this sector of economic activity. European conferences of cooperatives, mutual societies and associations were held under the auspices of the European Economic and Social Committee in 1977 and 1979 (EESC, 1986). In June 1980, CNLAMCA published the Social Economy Charter, which defines the social economy as the set of organizations that do not belong to the public sector, operate democratically with the members having equal rights and duties and practice a particular regime of ownership and distribution of profits, employing the surpluses to expand the organization and improve its services to its members and to society.

The rise of the social economy has also been recognized in political and legal circles, both in Spain and in Europe. Six European countries have already passed social economy laws: Belgium, Spain, Greece, Portugal, France and Romania. In 1989 the European Commission published a Communication entitled "Businesses in the "Economie Sociale" sector: Europe's frontier-free market" In 1989, 1990, 1992, 1993 and 1995 the Commission promoted European Social Economy Conferences in Paris, Rome, Lisbon, Brussels and Seville. Subsequently, a number of European conferences have been held. In 1997 the Extraordinary European Council meeting in Luxembourg (known as the Luxembourg jobs summit) recognized the part that social economy enterprises play in local development and job creation. The Council of the European Union has adopted a Resolution on 'The promotion of the social economy as a key driver of economic and social development in Europe (CIRIEC, 2016).

In the United States of America, was one of the first to use the expression third sector, identifying it with the non-profit sector (Levitt,1973). In Europe, the same term began to be used a few years later to describe a sector located between the public sector and the capitalist sector, far closer to the concept of the SE. The Third Sector (TS) has become a meeting point for different concepts, fundamentally the 'non-profit sector' and the 'social economy', which, despite describing spheres with large overlapping areas, do not coincide exactly. Moreover, the theoretical approaches that have been developed from these concepts assign different functions to the TS in the economies of today.

This model was the basis of the welfare state, which addressed recognized market failures and deployed a package of policies that proved highly effective in correcting them: income redistribution, resource allocation and anti-cyclical policies. All of these were based on the Keynesian model in which the great social and economic actors are the employers' federations and trade unions, together with government. In Central and Eastern European countries, linked to the Soviet system and with centrally-planned economies, the state was the only economic actor, leaving no space for SE agents. Cooperatives alone had a considerable presence in some Soviet bloc countries, although some of their traditional principles such as voluntary and open membership and democratic organization were totally annihilated. In the last two centuries, Czech economists came up with social economic approaches without exclusively privileging profitability. A large number of non-profit organizations during the period of the First Czechoslovak Republic followed this tradition, which dated back to the 19th century. The consolidation of mixed economy systems did not prevent the development of a notable array of companies and organizations – cooperatives, mutual societies and associations – that helped to address socially important and general interest issues concerning cyclical unemployment, geographical imbalances between rural areas and the skewing of power relations between retail distribution organizations and consumers, among others.

However, during this period the SE practically disappeared as a significant force in the process of harmonizing economic growth with social welfare, with the state occupying centre stage. It was not until the crisis of the welfare state and the mixed economy systems in the final quarter of the 20th century that some European countries saw a reawakening of interest in the typical organizations of the SE, whether business alternatives to the models of the capitalist and public sectors, such as cooperatives and mutual societies, or non-market organizations – mostly associations and foundations. This interest sprang from the difficulties that the market economies were encountering in finding satisfactory solutions to such major problems as massive long-term unemployment, social exclusion, welfare in the rural 13 world and in run-

down urban areas, health, education, the quality of life of pensioners, sustainable growth and other issues. These are social needs that are not being sufficiently or adequately addressed by either private capitalist agents or the public sector, and for which no easy solution is to be found through self-adjusting markets or traditional macroeconomic policy (CIRIEC, 2012).

## **2. The theoretical review of the overall socio-economic situation in XXI century**

A new concept that has firmly established itself since the start of the 21st century is that of the “collaborative economy”, which refers to very wide range of activities linked to the fields of consumption, production, finance, education, and even governance. While it has previously been pointed out that cooperatives and other social-economy enterprises are not in and of themselves examples of the collaborative economy, the latter does provide an excellent opportunity for expanding the social economy. the social and environmental dimensions of the collaborative economy, which contributes to strengthening ties of solidarity between people, boosting local economies, creating jobs, rationalizing household consumption by pooling the use of certain goods, reducing energy footprints and promoting more responsible and sustainable consumption (CIRIEC, 2016).

Although a series of demutualization’s of major cooperatives and mutual societies has taken place in some European countries, in recent decades, overall, the business sector of the SE (cooperatives and mutual societies) has seen considerable growth, as recognized by the European Commission's Manual for drawing up the Satellite Accounts of Companies in the Social Economy (Barea & Monzón, 2006). Major studies have highlighted the considerable growth of the SE as a whole in Europe. One of the most significant of these, carried out by CIRIEC for the European Commission within the scope of the "Third System and Employment" Pilot Scheme (CIRIEC, 2000), highlights the increasing importance of cooperatives, mutual societies and associations in creating and maintaining employment and correcting serious economic and social imbalances.

After the Soviet bloc crumbled, many cooperatives in Eastern and Central Europe collapsed. Furthermore, they were severely discredited in the eyes of the public. Lately, however, a revival of citizens' initiatives to develop SE projects has been taking place and is being reflected in proposals for legislation to boost organizations in this sector.

Spectacular growth of the SE has taken place in the field of organizations engaged in producing what are known as social or merit goods, mainly work and social integration as well as social services and community care. In this field, associationism and corporativism seem to have reencountered a common path of understanding and cooperation in many of their projects and activities, as in the case of social enterprises, many of them cooperatives, which are already legally recognized in various European countries, including Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom (CECOP, 2006).

In the EU-27, over 207,000 cooperatives were economically active in 2009. They are well-established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' cooperatives in the industrial, building and service sectors. These cooperatives provide direct employment to 4.7 million people and have 108 million members (Cooperatives Europe and CIRIEC, 2020). Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 24% market share. In the EU, associations employed 8.6 million people in 2010; they account for over 4% of GDP and their membership comprises 50% of EU citizens (CIRIEC, 2006).

Identity of the social economy is fortified by a large and diverse group of microeconomic entities based on free, democratic and voluntary and open membership, and created by civil society to meet and solve the needs of individuals, households and families rather than to remunerate or provide cover for investors or capitalist companies. Over the past 200 years, this varied spectrum of organizations (market and non-market, of mutual interest or of general interest) has shaped the Third Sector as identified here through the Social Economy approach (CIRIEC, 2016).

In conclusion, over and above its quantitative importance, in recent decades the SE has not only asserted its ability to make an effective contribution to solving new social problems, it has also strengthened its position as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activity serving social needs, correcting labour market imbalances and, in short, deepening and strengthening economic democracy (Monzón & Chaves, 2012).

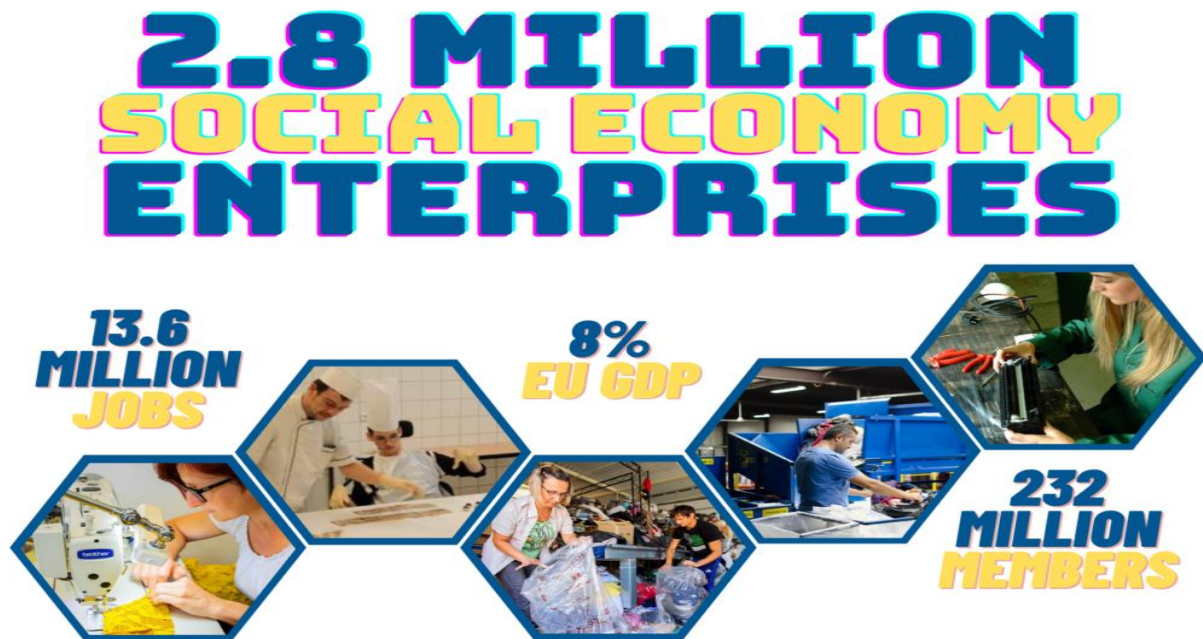
### **3. Important of social economy in the European Union**

In Europe, the social economy has traditionally been seen as a way to address market failures, such as the financial exclusion of people living in poverty, or failures of the state, for example finding adequate responses to homelessness. In practice this meant creating welfare organizations, cooperative enterprises, mutual aid societies, civic associations, and the like. These types of organizations continue to play an important role in providing social services, advocating for the most vulnerable groups of society, and contributing to social cohesion and solidarity (Krlev, Pasi, Wruk & Bernhard, 2021).

Social Economy in the European Union important player for sustainability, fairness, democracy, equality. The social economy has been gaining more and more political visibility in these past years as a model that generates positive outcomes, notably in terms of employment and social cohesion across Europe. Since the social economy is rooted in civil society and has a strong social commitment, these enterprises and organizations offer innovative solutions to the main economic, social and environmental challenges of our time. They are strong allies as they contribute to the achievement of key EU objectives.

According to the European Economic and Social Committee study on the Recent Evolutions of the Social Economy in the European Union there are 2.8 million social economy enterprises and organizations in the European Union, that employ 13.6 million people and represent 8% of the EU's GDP. We work with European institutions to shape the EU's economy based on sustainable development through a European Union which champions on cooperation, democracy, solidarity, respect for diversity, innovation and active citizenship (Socio Economy Europe, 2021).

Figure 3. The Social Economy in the EU – A European success story



Source: Social Economy Europe

The social economy is “a European success story” that has increasingly gained political visibility as a sector that constitutes an important pillar notably in terms of employment and social cohesion across Europe and as key actor for the achievement of the United Nation’s 2030 Agenda for Sustainable Development, setting up the sustainable development goals. In this sense, the European Parliament, the Council of the European Union, the European Economic and Social Committee, Member States, the Commission Expert Group on Social Entrepreneurship and social economy representative organizations have consistently called for the development of an ambitious European policy for the social economy with adequate resources proportionate to its socio-economic weight in the European Union. In 2016, the European Commission adopted the Start-up and Scale-up Initiative containing a section on social economy and social enterprises. On that basis, the Commission has set up and implemented (in 2017 and 2018) a series of actions for the social economy and social enterprises, structured in five pillars (Social Economy Europe, 2020):

1. Access to funding;
2. Access to markets;
3. Improving framework conditions;
4. Social innovation, technologies and new business models;

## 5. International dimension

The most important characteristic of social enterprises is that they combine societal goals with an entrepreneurial spirit. Unlike regular enterprises, social enterprises aim to achieve social impact rather than generate profit for owners and shareholders. Profits can still be earned and thus distinguishing it from non-profit organizations, but the social impact is more important than profits. Social enterprises are about inclusiveness, social cohesion, and addressing social and environmental needs. They often tackle pressing issues such as ecological problems, unemployment, (re)integration into society, gender inequality, problems related to aging societies, and so on, that are common among various regions in Europe. Therefore, SEs can benefit local development and alleviate socioeconomic imbalances while helping local communities (European Union & European Regional Development Fund, 2021).

Social economy enterprises are important because of their:

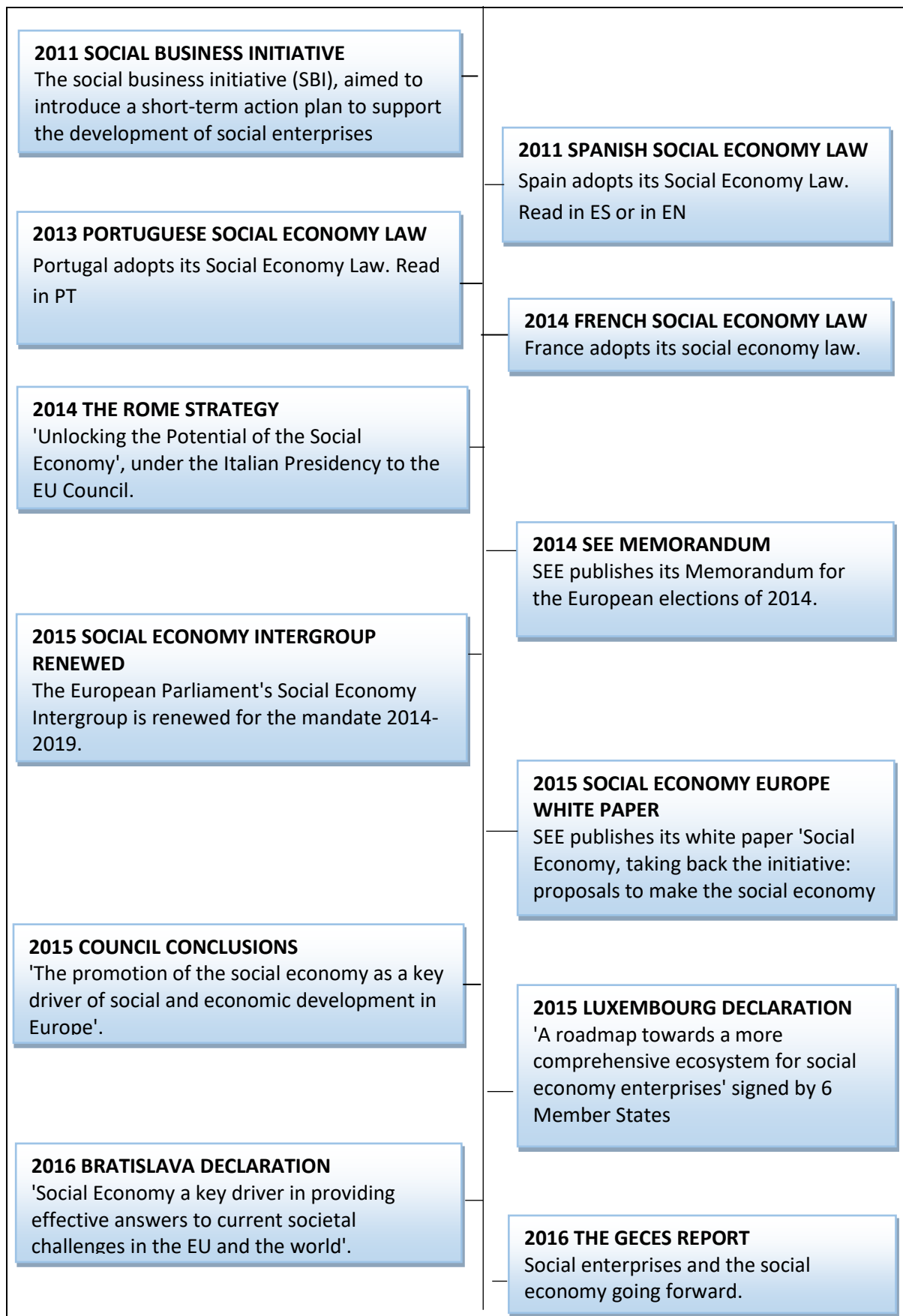
**Membership** - up to 160 million people in Europe are members of social economy enterprises (mostly retail, banking and agricultural cooperatives, as well as mutual societies offering services complementary to social security regimes).

**Objectives** - social economy enterprises contribute to the EU's employment, social cohesion, regional and rural development, environmental protection, consumer protection, agricultural, third countries development, and social security policies.

**Size** - social economy entities are mostly micro, small, and medium-sized enterprises (SMEs).



Figure 4. Important milestones of the social economy in Europe





Source: Social Economy Europe, 2021

### 3.1. SMEs in the EU economy

SMEs play an important role in the ‘non-financial business economy’ of the EU-27. Average SME productivity, calculated as value added per person employed, was approximately EUR 40 000 and the average number of employees was 3.7. For 2021, SME value added is forecast to rise by 5.8%, while a smaller increase of 0.6% is expected for SME employment. Overall, both SME value added and SME employment are predicted to remain below their 2019 levels, by 2.3% and 1.2%, respectively.

The global Covid-19 pandemic, combined with the measures taken in response to it, significantly affected small and medium-sized enterprises (SMEs) in the European Union. Two of the most affected sectors were accommodation and food services, in which SME value added dropped by 37.8% and SME employment by 11.1%, and transportation and storage, which experienced decreases of 16.1% and 0.7%, respectively.

Table 15. SMEs in the EU economy

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	BILLION	SHARE
<b>SMEs (0-249 persons employed)</b>	22.526.457	99.8%	83.397.941	65.2%	3.338	53.0%
<b>LARGE ENTERPRISES (250+ persons employed)</b>	40.843	0.2%	44.591.655	34.8%	2.957	47.0%

Source: European Commission, 2021.

#### SME-Related Strengths and Challenges

##### Key Strengths:

- Indicators related to ‘ease of starting a business’ have substantially improved for most EU Member States. However, various types of regulatory and administrative burden still pose a major challenge.
- Access to finance at EU level has progressed in several indicators over the last decade, especially in terms of public sources of finance and traditional bank lending. However, SMEs believe that the economic outlook marked by Covid-19 has negatively affected their access to finance. Still, only 10% of SMEs report access to finance as one of their main concerns, according to the 2020 SAFE survey.

- Overall substantial progress has been made in key entrepreneurship indicators since 2018/2019, as well as over the last decade. Total early-stage entrepreneurial activity has reached the highest rate recorded. More Europeans than ever intend to start a business in the next 3 years, according to 2019 data, consolidating the significant growth observed in 2018.

#### Key Challenges:

- EU SMEs have stalled as regards their progress in the green transition. As reported in a 2020 Eurobarometer survey, 3 out of 10 SMEs stated that they are/were ‘developing sustainable products and services’ – roughly the same proportion of SMEs that indicated they were offering green products or services in 2015. Around a third of EU Member States do not have support measures in place to help SMEs comply with environmental and energy regulations and green public procurement is still not yet widely adopted.
- Skills, training, innovation and digitalization remain key challenges for EU SMEs. At least one challenge related to skills, innovation and digitalization was identified for 3 out of 4 EU Member States. The lack of adequate access to technical skills or highly skilled workers is a commonly identified challenge. The share of people employed who have ICT specialist skills has declined since 2015 and the share of SMEs providing ICT skills training to their employees has not sufficiently improved (European Commission, 2021).

## **4. Establishing and development of social economy in the European Union Countries**

Regarding the state of the current social economy in the European Union countries we can say that: the main conclusion that is drawn is that the social economy in Europe is very important in both human and economic terms, providing paid employment to over 14.5 million Europeans, or about 6.5% of the working population of the EU-27 and about 8 % in the 15 ‘older’ EU Member States. In countries such as Sweden, Belgium, Italy, France and the Netherlands it accounts for between 9% and 11.5% of the working population. These aggregates underline the fact that this is a reality which cannot and should not be ignored by society and its institutions.

The second noteworthy conclusion is that, with certain exceptions, the social economy is relatively small in the new EU Member States in comparison to the 'older' 15 Member States. Therefore, if the social economy is to develop its full potential in these countries it needs to reach at least the same level as in other countries in the EU. The third conclusion is that the social economy has increased more quickly than the population as a whole in 2002-03 and 2009-10, increasing from the 6% of the total European paid workforce to the 6.5%, and from 11 million jobs to 14.5 million jobs. The fourth conclusion is that associations, foundations and other similar types are the main social economy 'family', comprising most of the social entities / enterprises and about 65% of the employment in this social sector, including both paid and voluntary work (Monzón & Chaves, 2019).

Social economy it covers bodies with a specific legal status (cooperatives, foundations, associations, mutual societies), many of which are also social enterprises in terms of the characteristics referred to above, as well as social enterprises in the form of an ordinary private or public limited company. The specific legal statuses of the social economy are particularly suited to social enterprises as their method of governance favours participation and openness.

#### **4.1. Establishing and development of social economy in old countries in the European Union**

##### **4.1.1. Social Development**

Austria has one of the most advanced and comprehensive systems of social legislation in the world. Health insurance is available to industrial and agricultural workers, federal and professional employees, and members of various other occupational groups. For those without insurance or adequate means, treatment is paid for by public welfare funds. Employers must contribute 4.5% of payroll earnings to a family allowance fund. Family allowances are paid monthly, depending on the number of dependent children, with the amount doubled for any child who is severely handicapped. The state provides school lunches for more than 100,000 children annually.

Denmark was one of the first countries in the world to establish efficient social services with the introduction of relief for the sick, unemployed, and aged. According to the constitution, any incapacitated person living in Denmark has a right to public relief. The system in Finland has evolved gradually in response to social needs. Major benefits include employees' accident insurance, old age and disability pensions, unemployment insurance, sickness

insurance, compensation for war invalids, and family and child allowances. In France, Equal pay for equal work is mandated by law, although this is not always the case in practice. Men continue to earn more than women and unemployment rates are higher for women than for men. Sexual harassment is illegal in the workplace but the laws are limited and the penalties are modest. In Germany, The social insurance system provides for sickness and maternity, workers' compensation, disability, unemployment, and old age; the program is financed by compulsory employee and employer contributions. Old age pensions begin at age 65 after five years of contribution.

In Greece, The Social Insurance Foundation, the national social security system, is supported by contributions from employees, employers and the government. It provides for old age, disability and survivorship. Work Injury and unemployment benefits are also provided. The National Health Service is a social insurance program providing sickness and maternity benefits. Benefits include medical care, hospitalization, medicine, maternity care, dental coverage, appliances and transportation. In Ireland, a social insurance program exists for all employees and self-employed persons, and for all residents with limited means. The system is financed through employee contributions, employer contributions, and government subsidies. Benefits are available for old age, sickness, disability, survivorship, maternity, work injury, unemployment, and adoptive services. There are also funds available for those leaving the workforce to care for one in need of full time assistance.

In Italy, Social welfare legislation in Italy, begun in 1898, was redesigned by law in 1952 and has subsequently been expanded. All workers and their families are covered and receive old-age, disability, and survivor pensions, unemployment and injury benefits, health and maternity coverage. The system is primarily funded by employer contributions, along with employee payments and some government subsidies. Family allowances are paid for primarily by employer contributions, and are determined by the size and income of the family. Despite full legal rights under law, women face considerable social discrimination in Italy. On average, women earn 23% less than men and are underrepresented in management, the professions, and other areas. The unemployment rate for women is nearly double that for men.

In Luxembourg, An extensive system of social insurance covers virtually all employees and their families. Sickness, maternity, old age, disability, and survivors' benefits are paid, with both employee and employer contributing and the government absorbing part of the cost. Birth, maternity, child and education allowances are also provided to all residents. Parental leave and child-rearing allowances are available as well. Women are well represented in politics and the professions. Although legally entitled to equal pay for equal work, in practice women's salaries

are somewhat lower than men's for comparable work. Violence against women is taken seriously by the authorities, and most abusers are prosecuted.

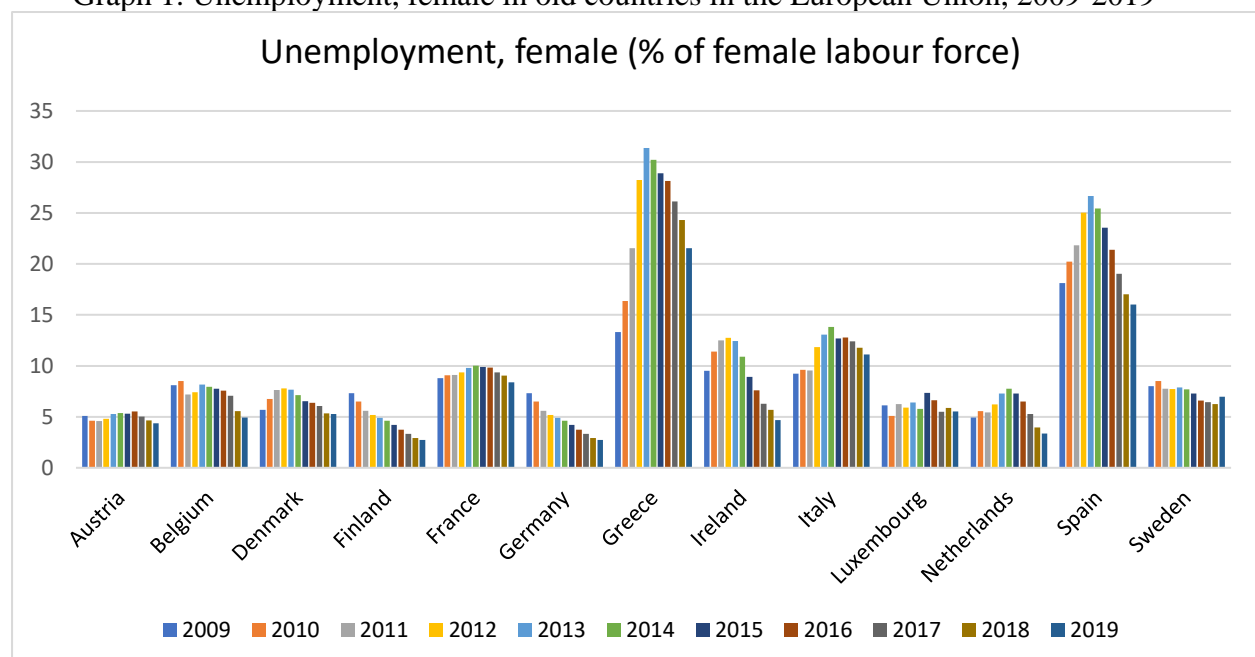
In Netherlands, A widespread system of social insurance and assistance is in effect. All residents are provided with old-age and survivorship benefits. Disability pensions are available to all employees, self-employed workers, students, and those disabled since childhood. Unemployment, accidents, illness, and disability are covered by insurance, which is compulsory for most employees and voluntary for self-employed persons. Maternity grants and full insurance for the worker's family are also provided, as are family allowances for children. Women receive 16 weeks of maternity leave with full pay. Exceptional medical expenses are covered for all residents.

In Portugal, The government-run social security system provides old-age, disability, sickness, and unemployment benefits, family allowances, and health and medical care. The system is funded by payroll contributions from employers and employees. The government subsidizes social pensions for those persons not employed. Retirement is set at age 50 for miners, age 55 for fishermen and seamen, and age 65 for other professions. Medical benefits are provided to all residents, and cash sickness and maternity benefits are provided to employees. Maternity benefits of 100% of earnings and benefits are paid for 120 days for all employed persons. Women have full rights and protections under both the constitution and civil code. According to law, women must receive equal pay for equal work. In practice, however, a salary gap still exists between men and women. Spousal abuse and other violence against women are widespread problems and remain underreported.

In Spain, The social insurance system provides pensions for employees in industry and services, with a special system for the self-employed, farmers, domestic workers, seamen and coal miners. The system is funded through employee and employer contributions, and an annual government subsidy. The fund provides for health and maternity benefits, old age and incapacity insurance, a widow and widower pension, orphan pension, a family subsidy, workers' compensation, job-related disability payments, unemployment insurance and a funeral grant. Retirement is set at age 65, but is allowed at age 64 under certain conditions. Maternity benefits are payable for 16 weeks, and is applicable to adoption as well. Fathers may also take parental leave. Discrimination against women in the workplace persists although it is prohibited by law. Traditional attitudes towards women leads to disparity in hiring practices and in pay. The female rate of unemployment is about twice that for men and the median salary for women was 30% lower than that of men. There are a growing number of women entering the medical and legal professions.

In Spain, Sweden has been called the model welfare state; every citizen is guaranteed a minimum subsistence income and medical care. Social welfare legislation was introduced relatively early and was greatly expanded after World War II. The system is financed partly by insurance premium payments and partly by state and local taxation. Basic benefits are often increased by cost-of-living supplements. Old-age pensions are paid to all residents 65 years of age or older, but an earlier retirement is possible, with a reduction in pension benefits. Medical services and medicines are provided at substantially reduced rates or, in some cases, without charge. In the event of illness, employed persons and women staying at home to raise children receive cash payments and get further benefits according to income. Costs of confinement and maternity allowances for women are covered by health insurance. There is also a national program of dental insurance. Workers' compensation is coordinated with the national health service scheme. This type of insurance, financed entirely by employers, covers work time as well as travel to and from work for all employees. Benefits include free medical treatment, medicines, and appliances. Annuities are paid to persons permanently disabled, and funeral benefits and pensions to dependents are provided in case of death. Public assistance is provided for blind or infirm persons confined to their homes and to people who are in sanatoriums, special hospitals, or charitable institutions. The social services also help meet the costs of rearing children (Nationals Encyclopaedia, 2021).

Graph 1. Unemployment, female in old countries in the European Union, 2009-2019

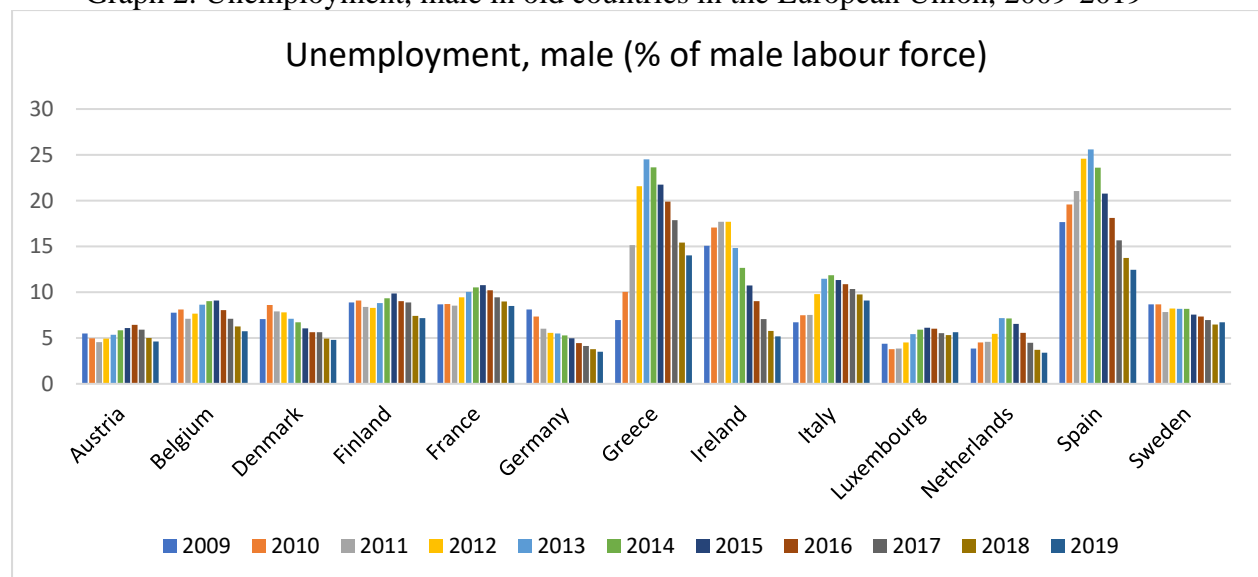


Source: Author



Female unemployment percent during the period 2009-2019 in old countries in the European Union, has been roughly the same in most countries except Greece and Spain where we see a greater increase in female unemployment, while in Germany we can see a downward trend in unemployment during the period of time 2009-2019, this as a result of the increase in the number of employment and that through the employment of emigrants. It should be noted that Germany is finally a haven for immigrants, opening its doors to workers from the Balkans and beyond.

Graph 2. Unemployment, male in old countries in the European Union, 2009-2019



Source: Author

Regarding the percentage of unemployment, male in old countries in the European Union, during the period 2009-2019 is lower compared to the female unemployment rate in these countries except Sweden, where unemployment, male is slightly higher compared to unemployment, female. Greece and Spain result in the highest percent unemployment, male while it see a decrease in unemployment, male in the Netherlands and Luxembourg. In Germany, we also see a trend of decreasing unemployment, male from year to year, as a result of the creation of new jobs and the massive employment of workers from abroad.

#### 4.1.2. Economic Growth

The Austrian economic system can be characterized as a free market economy with a strong social focus by also taking into account the weaker members of society. Austria is a highly developed industrialized country with an important service sector (International Monetary Fund, 2009). Belgium has a well-developed free market economy, based on both

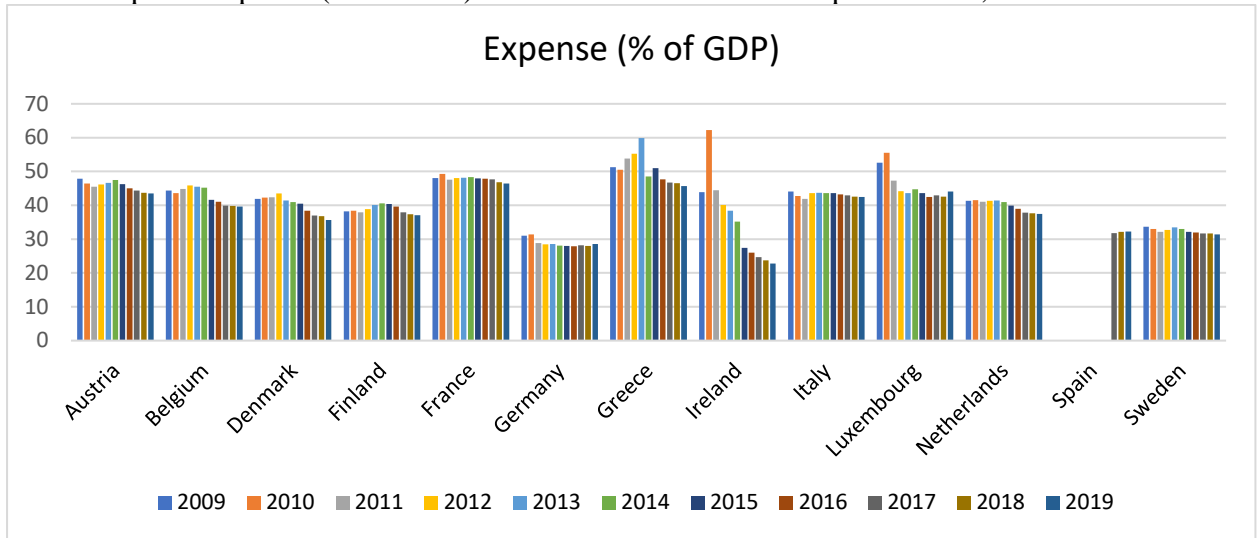
industrial and service sectors. It is heavily dependent on international trade and most of its economic sectors are geared toward exporting products. The nation's exports are equivalent to almost two-thirds of its GNP (Nations Encyclopaedia, 2021). Denmark is one of the most competitive economies in the world. Although it's small, it is one of the most stable economies in the EU. Denmark is a strong and historically stable economy, located at the centre of prosperous Scandinavia. Greater Copenhagen is the largest market in Scandinavia, offering competitive taxation and labour costs and highly skilled employees.

The economy of Finland is a highly industrialized, mixed economy with a per capita output similar to that of western European economies such as France, Germany GDP Annual Growth Rate in Finland averaged 2.10 percent from 1976 until 2021, reaching an all-time high of 8.80 percent in the fourth quarter of 1997 and a record low of -9 percent in the first quarter of 2009. France has one of the largest economies in the world and is the second largest economy in the European Union, behind Germany, with whom France often partnered in order to support the structure of the European Union (O'Neill, 2021).

The economy of Germany is a highly developed social market economy (Mark, 2007). It has the largest national economy in Europe, the fourth-largest by nominal GDP in the world, and fifth by GDP (PPP). In 2017, the country accounted for 28% of the euro area economy according to the International Monetary Fund (IMF, 2017). Italy's economy is a developed industrial economy that ranks as one of the largest in the world. A large and efficient economy has helped Italy attain a spot as a member of the G7 and G8, as well as the European Union (O'Neill, 2021). The economy of Italy is the third-largest national economy in the European Union, the eighth-largest by nominal GDP in the world, and the 13th-largest by GDP (PPP).

The economy of the Netherlands is the 17th largest in the world in 2021 (in terms of Gross domestic product; GDP) according to the World Bank and the International Monetary Fund. Sweden is a competitive and highly liberalized, open market economy. Sweden is the world's 16th wealthiest country. Its Gross Domestic Product (GDP) per capita is just below Germany's in the OECD's rankings. It's a country of high-tech capitalism and extensive welfare benefits. The vast majority of enterprises are privately owned (Milford, 2021).

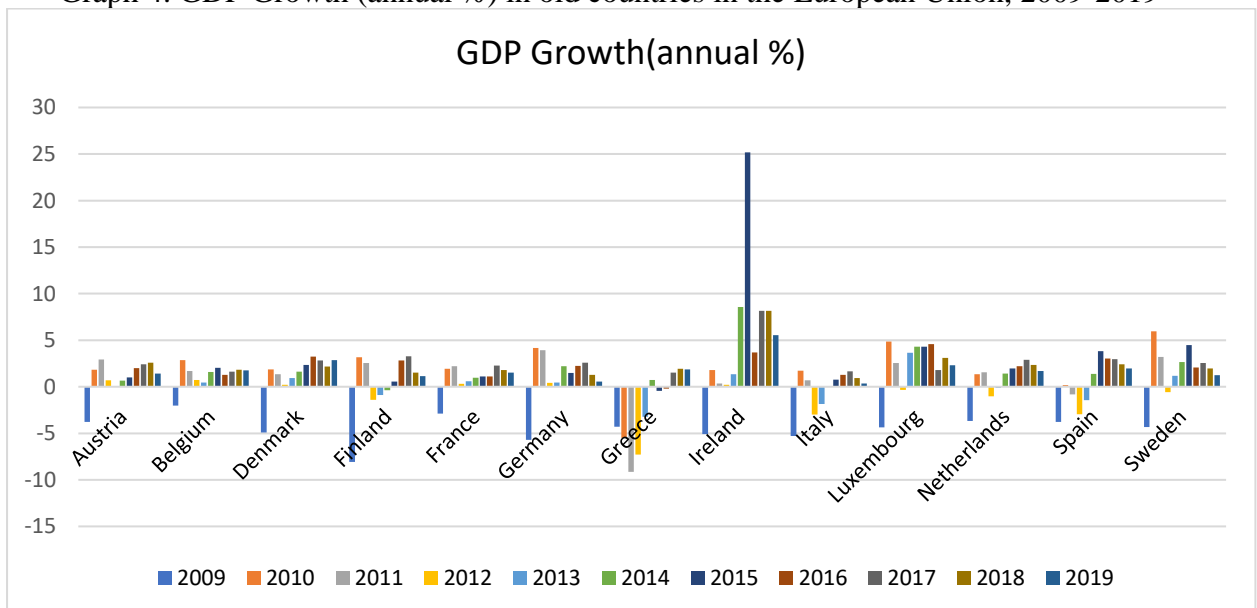
Graph 3. Expense (% of GDP) in old countries in the European Union, 2009-2019



Source: Author

Expense (% of GDP) in old countries in the European Union during the period 2009-2019 have almost the same percentage in Austria, Belgium, Denmark, Finland, France, Italy, Luxembourg, Netherlands and Poland. Greece has higher percentages compared to Germany and Sweden which turn out to have lower percentages in terms of Expense (% of GDP). This means that Greece has created more expenditures in the provision of goods and services in an economy within the period 2009-2019 compared to expenditures created by Germany and Sweden.

Graph 4. GDP Growth (annual %) in old countries in the European Union, 2009-2019



Source: Author

This means that Greece has created more expenditures in the provision of goods and services in an economy within the period 2009-2019 compared to expenditures created by Germany and Sweden. In 2009, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, Netherlands, Spain and Sweden marked a decrease in GDP due to the crisis that occurred in 2008. Most countries from 2010 - 2019 have marked an increase in GDP with the exception of Greece which from 2009-2016 has marked a decrease in GDP while in the years 2017-2019 has marked an increase in GDP. Spain (from 2011-2013) has marked a decrease in GDP, while (from 2010, 2014-2019), have marked an increase in GDP. In Finland (from 2012-2014) there has been a decrease in GDP, while (from 2010-2011, 2015-2019), there has been an increase in GDP. Italy has marked a decrease in GDP (from 2012-2014), while (from 2010-2011, 2015-2019) have marked an increase in GDP. Other countries such as Austria, Belgium, Denmark, France, Germany, Ireland, Luxembourg, Netherlands, Poland and Sweden have recorded GDP growth. GDP growth shows the economy is in solid shape and the nation is moving forward, while GDP decrease shows that the economy might be in trouble, and the nation is losing ground.

#### **4.1.3. Education**

Education is always essential regarding the success of the social and economic future of a country. The quality of education in Austria is quite good, as state schools provide a schooling that is very high in comparison to other educational systems within Europe Austria maintains a vigorous adult education system. Almost all adult education bodies owe their existence to private initiative. The Ministry of Education, under the auspices of the Development Planning for a Cooperative System of Adult Education in Austria, has joined private bodies in setting up projects for enhancing the quality of adult education programs (Venusti, 2017).

Education in Belgium is regulated and for the most part financed by one of the three communities: Flemish, French and German-speaking. Each community has its own school system, with small differences among them. The federal government plays a very small role: it decides directly the age for mandatory schooling and indirectly the financing of the communities. In Belgium, access to education is free until the end of compulsory schooling, that is, until 18 years old. Nevertheless, certain costs of schooling can be charged to the parents.

Virtually the entire Danish adult population is literate. Primary, secondary, and, on the whole, university and other higher education are free. Preschools are operated by private persons or organizations with some government financial aid. Education has been compulsory

since 1814; currently, it is compulsory for children ages 7 to 16. The Danish primary school system, known as the "Folkes Kule," has a nine-year duration and many opt for an additional tenth year. Girls and women comprise almost 50% of those receiving education at all levels. Adult education exists side by side with the regular school system.

The fact that United Nation's Human Development Index puts education in Finland in the list of the most successful educational systems in the whole world says a lot about the way Finnish people care about their future. Finnish education system touches every aspect of moving into adulthood, including effective learning, psychological aspects of studying and much care about a happy childhood. These admirable people respect learning and never get tired of it. Everyone who wants to get an education in Finland has all chances to make this dream come true. Each permanently resident of a compulsory school age in the country has a right to receive the same education as Finns do. The compulsory school age in Finland is from 6 to 17 years. The instructions are provided in the Finnish and Swedish languages.

Most German schools are state run. Schools and kindergartens are the responsibility of the states, not of the federal government. Therefore, though the overall structure is basically the same, it is difficult for a pupil to transfer from one school to another. Attendance at all public schools and universities is free. German universities are above global higher education standards. Students value these universities for the quality of education, hands-on experiences during their studies, opportunities to improve academically during and after studies and most importantly the safe and friendly environment.

Greece is well placed to build a strong and inclusive education system. Strongly affected by the economic crisis, the Greek education system has suffered a series of cuts in public spending (a decline of close to 36% in nominal terms over the past decade), and a recruitment freeze of public civil servants which has impacted wages and resulted in the hiring of new teachers on short-term contracts. This is affecting the quality of schools and the education system as a whole as it deals with an increasingly diverse student body, including high levels of child poverty and a larger proportion of migrant and refugee students (OECD, 2021).

Ireland provides students with one of the best education systems in the world; offering world-class universities, a diverse range of degree options and globally-recognized qualifications. Education in Italy is highly esteemed with a wide range of excellent academic institutions spread across the country where international students are warmly welcomed. Italy has played an important role in academia, fostering the reform of European higher education through the Bologna Process.

Education in Italy is compulsory from 6 to 16 years of age, and is divided into five stages: kindergarten, primary school , lower secondary school , upper secondary school and university. Education is free in Italy and free education is available to children of all nationalities who are residents in Italy. Italy has both a private and public education system (UNDP, 2021).

Although a small country, Luxembourg has become more independent with its resources in recent years. One of the most successful aspects of the nation is its education system. The educational system in Luxembourg is one of the most successful in the world, and for good reason. With well-paid teachers and multiple languages incorporated into the curriculum, there is a high standard for success. The government runs most schools in Luxembourg for free. School is mandatory between ages 4 to 16 years old. Nearly every school is a multilingual melting pot of French, German, Luxembourgish, and some English. Teachers are well-paid. Teachers in Luxembourg earn the highest out of all the countries that are a part of the OECD (Majewski, 2017).

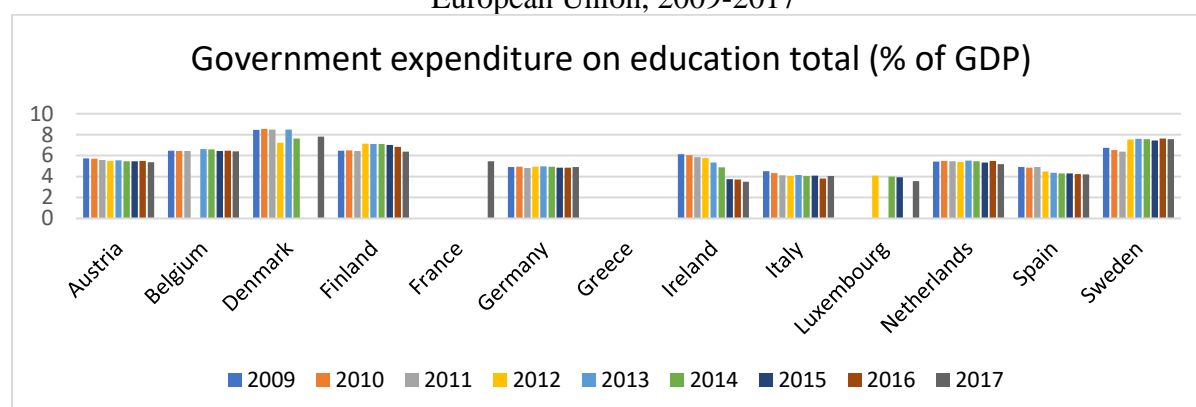
Education in the Netherlands meets all international standards and is well-reputed worldwide. A diploma from a Dutch university provides an opportunity to start one's business and can be very useful in terms of having a successful career in any country of the world. Portugal's higher education system itself ranked the 35th best in the world in the first edition of the QS Higher Education System Strength Rankings. Alongside its top universities, Portugal is also home to several reputable polytechnics, which focus on preparing students for a specific career path. education is free in Portugal and is compulsory up to the age of 18. Public or state schools in Portugal are free, and Golden Visa residents may enrol their child in the local school (Global Citizen Solutions, 2021).

Spain is an excellent educational destination due to the variety of high-quality educational options on offer. From an academic and educational perspective, the Best Schools in Spain hold a much higher than average position in the OECD's annual PISA for Schools ranking. Spain has a number of highly prestigious, long-standing private schools that are a worldwide benchmark and have quality educational programmes and international projection, use innovative methodologies, offer a wide variety of extracurricular activities and possess educational spaces and facilities that favour students' learning (BSS, 2021).

The Swedish education system is ranked among the best in the world. With its emphasis on individual learning and the personal liberty to enrol children in a diverse selection of schools, many perceive Sweden as a country with a phenomenal educational infrastructure. However, Sweden still trails behind other Nordic countries, such as Finland and Norway, in

global education rankings (Cox, 2019). Higher education in Sweden is grant-aided and free of charge. State-funded institutions are not allowed to charge fees. This means that all Swedish students and students from the EU/EEA are educated free of charge (European Commission, 2021).

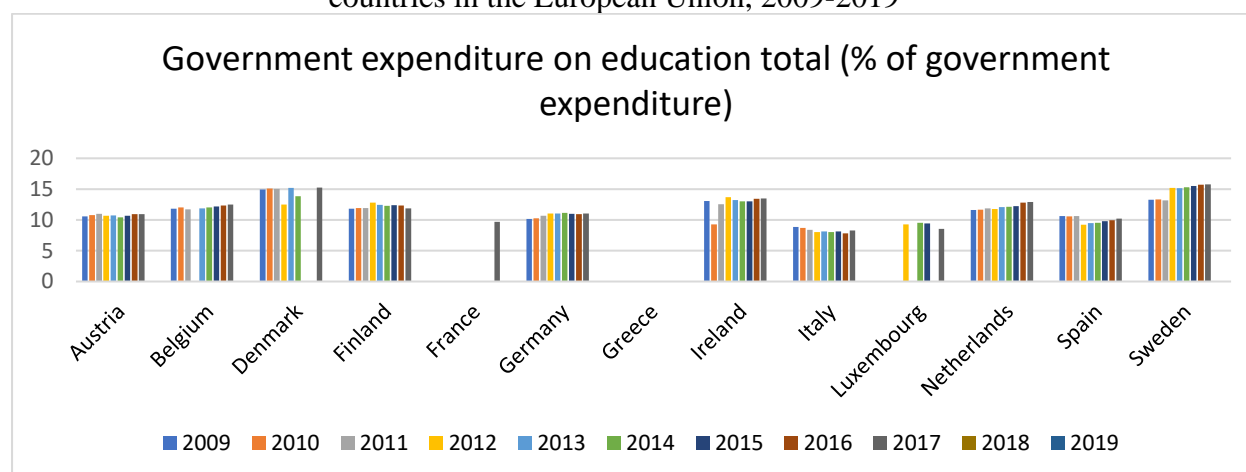
Graph 5. Government expenditure on education total (% of GDP) in old countries in the European Union, 2009-2017



Source: Author

Regarding Government expenditure on education total (% of GDP) in old countries in the European Union during the period of time 2009-2017 the highest are in Sweden as it mentioned above it is one of the best countries in the world in terms of the education system. In addition to Sweden, as we see in the above graph in terms of education, it is also invested in Denmark, Finland, Ireland, followed by Austria, Belgium, Germany, Italy, Netherlands, Spain and Luxembourg. The education system in old countries in the European Union is very good in Europe and in some countries even better in the world, there we can find the best schools and universities to study.

Graph 6. Government expenditure on education total (% of government expenditure) in old countries in the European Union, 2009-2019



Source: Author

Government expenditure on education total (% of government expenditure) have recorded the same percentage in almost all old European Union countries, with the exception of Sweden and Denmark which have recorded higher percentages in terms of Government expenditure on education total. As it mentioned above, the governments of these countries pay special attention to investing in education, since investing in education is a priority of the governments of these countries, at the same time they consider it as the safest investment for the future of the country.

#### **4.1.4. Climate Change**

Austria, located in the European heartland, lies within a temperate climatic zone. Austria's landscapes include major and minor mountain ranges, hills and plains. In the western part of the country the influence of the temperate Atlantic climate is felt more strongly. Consequently, this part is subject to less extreme weather conditions; winters are usually mild and summers rather warm. The west is also characterized by high precipitation. The diversity of topographical and climatic conditions results in a very versatile flora and fauna (AEW, 2021). Climate change in Belgium describes the global warming related issues in Belgium. Belgium has the 7th largest CO<sub>2</sub> emission per capita in the EU. Climate change expose coastal regions to three main types of impact: floods during storms, coastal erosion and loss or movement inland of natural wetlands. Other expected impacts are a rise in groundwater level and the salinization of soil and groundwater.

Climate change is the significant variation of average weather conditions becoming, for example, warmer, wetter, or drier—over several decades or longer. The climate of Finland is characterized by long, cold winters and short, mild, and moderately rainy summers. Winter is long and cold throughout the country; it lasts almost five months even in Helsinki, which lies in the far south (CChF, 2021). France is vulnerable to the impacts of climate change from increase in temperature increasing the risk of heat waves, more intense rainfall increasing the risk of flooding, rising sea levels, and uncertain change in the frequency and severity of storms (CCHKP, 2021).

Climate change in Germany is leading to long-term impacts on agriculture in Germany, more intense heatwaves and cold waves, flash and coastal flooding, and reduced water availability. Despite massive investments in renewable energy, Germany has struggled to reduce coal production and usage. The impacts of climate changes in Greece are expected to be related with changes in the frequency of extreme climate events than to changes in mean



conditions. This is partially attributed to the fact that a change in the ‘mean’ climate could cause disproportional changes in the extreme climate events (C. Giannakopoulos, Kostopoulou, Varotsos & Plitharas, 2009).

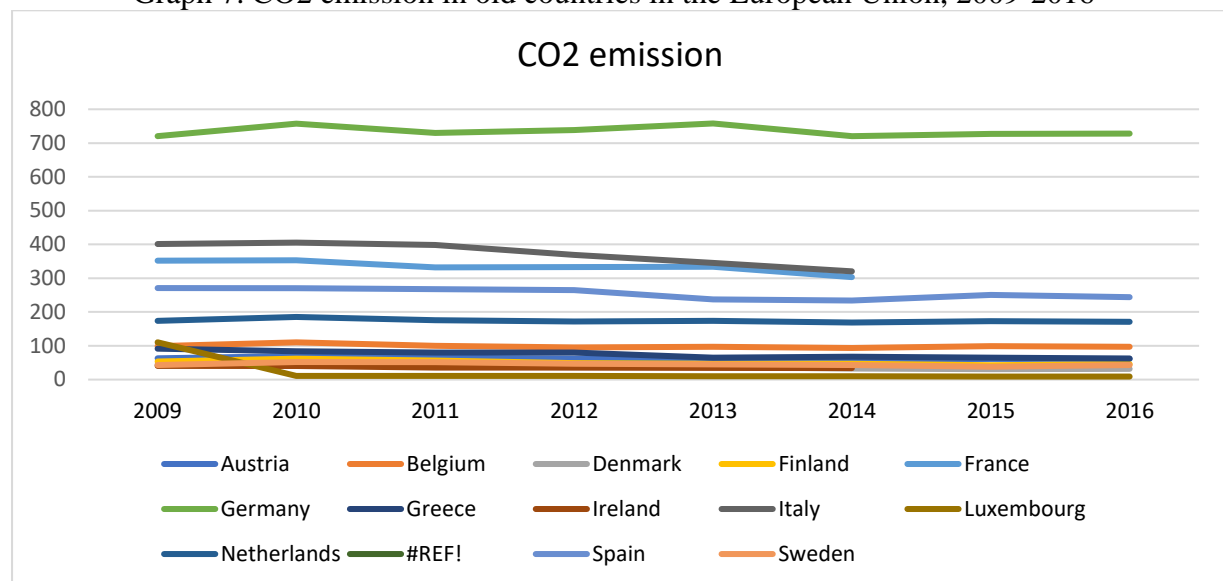
Ireland's climate is changing in line with global trends, with a temperature increase of, on average, 0.8°C compared with 1900. By the middle of this century (2041 – 2060) the average annual temperatures are projected to increase by between 1–1.2°C and 1.3–1.6°C depending on the emissions trajectory. The number of warm days is expected to increase and heat waves are expected to occur more frequently (EPA, 2021). Greenhouse gas emissions are the most significant contributor to climate change in Ireland. Since the start of the industrial revolution, they have increased at an unprecedented rate reaching levels that have not existed on Earth for likely millions of years.

Italy is located in an area identified as particularly vulnerable to climate change. Climate observations already confirm an increase of the average temperature as well as an upward trend in extreme temperatures (World Bank Climate Change Knowledge Portal, 2021). The temperature in Luxembourg has also increased during the winter and this, along with longer frost-free periods, has had a significant impact on the phenology of plants and the life cycles of animals, birds and insects (European Environment Agency, 2021). Climate change in the Netherlands is already affecting the country. The average temperature in the Netherlands rose by almost 2 degrees Celsius from 1906 to 2017. The goal of the Dutch government is to reduce emissions in 2030 by 49%. The Netherlands has the fourth largest CO<sub>2</sub> emissions per capita of the European Union. These changes have resulted in increased frequency of droughts and heatwaves (OWD, 2020). Portugal is vulnerable to the climate change impacts from extreme events associated to lack (droughts) or excess (floods) of rainfall and heat waves. Sea level rise also is a threat to Portugal's coastline where significant amount of its population lives.

Climate Change in Spain has caused temperatures to rise in the last few decades and has caused more frequency in heatwaves annually (World Bank Climate Change Knowledge Portal, 2021). Global warming is happening at an accelerating rate in Spain. In 2020, the average temperature in the country was 1.7 degrees Celsius higher than the average in preindustrial times, between 1850 and 1900. What's more, the rate of warming has accelerated in the last few decades, rising a cumulative 1.3°C in 60 years (Planelles, 2021). Ice cover of lakes in southern Sweden is more sensitive to climate change than those in the north, where mean winter temperatures are below zero most of the winter. Temperature will rise more in Sweden and then the global mean. A rise in mean temperature in Sweden has been estimated of about 0.4°C per 10-year period. Average temperatures increase gradually and climate zones

shift north. There will be an increased number of days with extremely high temperatures (Climate Change Post, 2021).

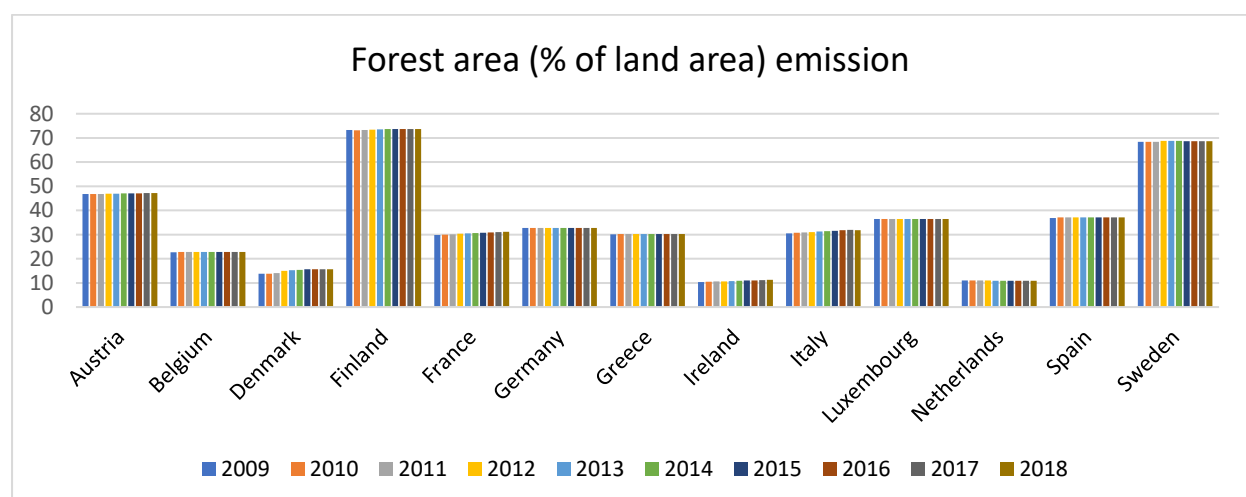
Graph 7. CO2 emission in old countries in the European Union, 2009-2016



Source: Author

Global carbon emissions from fossil fuels have significantly increased everywhere in the world. Regarding CO2 emission in old countries in the European Union during the period of time 2009-2016 it's had this result: Germany, Italy, France and Spain have higher percentages of CO2 emission compared with Austria, Denmark, Finland, Belgium, Ireland, Sweden and Greece. The main cause of climate change is burning fossil fuels such as oil, gas, and coal. When burnt, fossil fuels release carbon dioxide into the air, causing the planet to heat up. Therefore, old countries in the European Union must reduce the percentage of carbon dioxide (CO2), as they are greatly endangering the planet.

Graph 8. Forest area (% of land area) emission in old countries in the European Union, 2009-2018



Source: Author

As can be seen in the graph above, Finland and Sweden enjoy the highest percentage of Forest area from the old countries in the European Union during the period 2009-2018, followed by Austria, Spain, Luxembourg and Germany. Climate change has led to fewer forest areas in the land in almost every part of the world.

#### **4.1.5. Environment**

Protecting the environment is an investment in our health and wellbeing. Austria is a favourable location for green clusters, in which companies have established a front-runner position on the global market of environmental technologies. Austria faces environmental challenges such as air pollution and economic barriers with regard to eco-innovation activities and the circular economy. Austria particularly focuses on waste management and recycling practices, reaching one of the highest recycling rates across Europe (European Commission, 2021). Belgium's most significant environmental problems were air, land and water pollution due to the heavy concentration of industrial facilities in the country. Air pollution reaches dangerous levels due to high concentrations of lead and hydrocarbons (Nations Encyclopedia, 2021). Remaining environmental problems in Denmark include air pollution, especially from automobile emissions; excessive noise, notably in the major cities; and the pollution of rivers, lakes, and open sea by raw sewage (Nations Encyclopedia, 2021).

Finland's low population density and comparatively unspoiled natural environment also facilitate nature conservation. The fruits of successful environmental policies are clearly visible around the country. Many polluted lakes and rivers have been cleaned up. Air quality has improved greatly around industrial locations. An extensive network of protected areas has been built up to safeguard biodiversity. Forests – Finland's most valuable natural resources – are managed more sensitively than in the past, and the overall annual growth rate clearly exceeds the total timber harvest (Luukkola, 2021).

In Germany, environmental protection continues to be a major public concern and a high policy priority. This is largely due to pressures on the environment resulting from its high population density, level of industrialization and strong dependence on fossil fuels. Transport and agriculture also continue to generate diffuse pressures on the environment (OECD, 2021). Priorities in environmental policies are set on climate protection, sustainable use of energy and resources, a further reduction of substance inputs to the environment and promoting the transition to a green economy (European Environment Agency, 2020).

Greece's environment faces some major environmental challenges, such as air emissions from transport and electricity power stations, overexploitation of its water resources,

water pollution, degradation of its coastal zones, loss of biodiversity in terrestrial and marine ecosystems and increasing municipal and industrial waste (Valavanidis & Vlachogianni, 2010). Environmental policy in Greece focuses on the promotion of renewable energies and energy efficiency measures that can promote eco-innovation. The country benefits from its substantial natural capital in renewable energies, growth in green and alternative tourism, and innovation in agriculture and the food industry (European Commission, 2019). Plastic waste and the pollution of our air and water are among the top environmental concerns for Irish people. Almost 80% of households cited water pollution as a very important environmental concern, (Mcglynn, 2021). Major environmental issues currently facing Italy include air pollution from energy and heating, transportation and industrial sources, polluted inland waters, acid rain, and insufficient industrial waste treatment and disposal programs (Smith, 2015).

Luxembourg has made progress in decoupling environmental pressures from economic growth, treating wastewater and managing waste and materials. The environment of Luxembourg has been affected by the country's rapid population growth (9% between 2000 and 2007, 34% in economy), its heavy road traffic (75% of fuel for vehicles from outside Luxembourg) and its lack of renewable energy resources (OECD, 2020). The key environmental issues affecting the Netherlands include loss of biodiversity, climate change, and the overexploitation of natural resources. Habitat fragmentation, atmospheric nitrogen deposition, and the loss of farmland bird populations are still being experienced despite national measures to combat these issues. Several of these problems have arisen as a result of the Netherlands' extensive agricultural transport, which has been greatly developed in recent years (Zoppi, 2019).

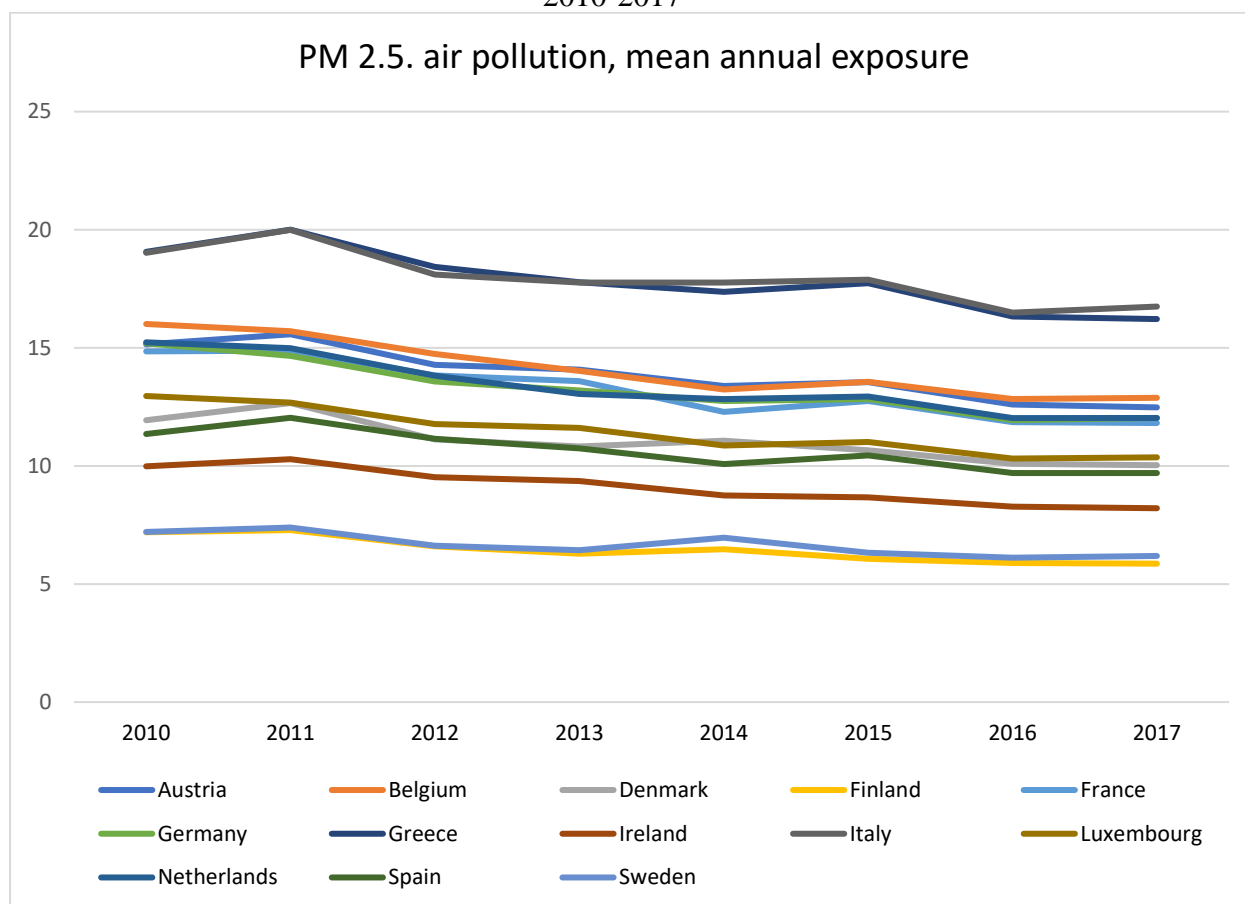
The key environmental issues faced by Spain are:

Deforestation - Extensive forests of Spain have been destroyed over the years due to unplanned cutting, forest fires, and poor farming practices. The attempts to implement reforestation schemes by the government have not been very successful.

Air pollution – Acid rain, the destruction of the Ozone layer and the greenhouse effect are all consequences of the air pollution problem that Spain faces.

Quality and quantity of water nationwide - Industrial and agricultural waste contributes to Spain's water pollution problem, as well as oil tankers that travel to the nation's shores. The Mediterranean Sea is polluted due to dumping of effluents and raw sewage from oil and gas production offshore (Thommas, 2012).

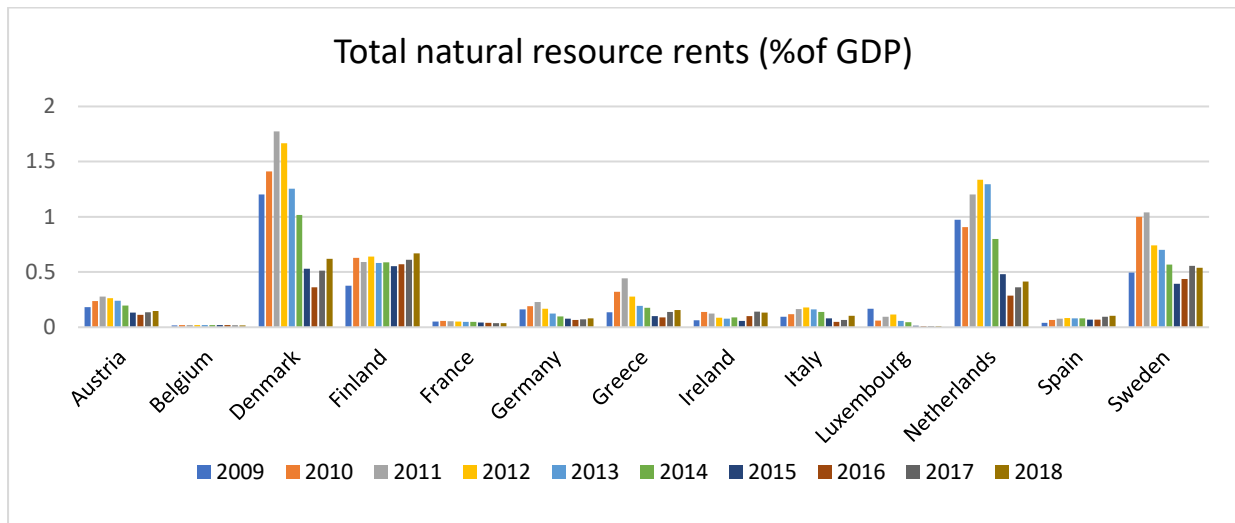
Graph 9. PM 2.5. air pollution, mean annual exposure in old countries in the European Union, 2010-2017



Source: Author

Regarding air pollution in old countries in the European Union during the period of time 2010-2017, we have this result: Italy, Greece, Germany, Netherlands, Belgium, Austria, France, Luxembourg, Denmark and Spain have the most polluted air followed further by Finland, Sweden and Ireland. Air pollution is an important source of morbidity and mortality that is causing respiratory illnesses and other ailments. Not only in Europe but all over the World, air pollution is causing millions of deaths every year due to stroke, heart disease, lung cancer, lung cancer, acute and chronic respiratory diseases.

Graph 10. Total natural resource rents (% of GDP) in old countries in the European Union, 2009-2018)



Source: Author

Total natural resource rents (% of GDP) in the old countries of the European Union during the period 2009-2018. Denmark, the Netherlands, Sweden and Finland have higher percentages of Total natural resource rents (% of GDP), compared to Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg and Spain. Therefore, based on the data presented in the graph, its are seeing how countries have used natural resource rents to increase GDP in their countries. Even environmental pollution may increase GDP through the income generated by industries involved in activities related to mitigating environmental and social impacts.

#### 4.1.6. Health

About 70 % of Austrians report good health, but this proportion is smaller among the lowest income groups. While Austrians are living longer, more years of life are lived with chronic diseases and disabilities than the EU average (European Commission, 2019). Health spending in Belgium increased steadily over the past 10 years and is higher than in most EU countries. In 2015, Belgium spent EUR 3 568 per capita on health care, compared to the EU average of EUR 2.797. Public spending accounts for 77% of overall health spending (close to the EU average). The Danish health system generally provides good access to high-quality care, with comparatively low levels of unmet need for medical care. Challenges remain to tackle important risk factors to health, such as excessive alcohol consumption and rising obesity rates and to improve care (European Commission, 2017). As public healthcare in Belgium is subsidized rather than free, many residents choose to take out a private insurance

policy to top up their state coverage, as well as give them access to private healthcare treatment (Expatica, 2021).

Finland has affordable public health services for everyone who lives permanently in the country. In addition, employers offer occupational health services for their employees. You can also use private health services (Suomessa, 2021). The French enjoy a relatively long life expectancy compared to other European countries, notably because of the good quality of care delivered by the health system (Gee, 2016). The health of Germans is at its lowest in history, according to a new report that found just under nine percent of the population follow a 'completely healthy' lifestyle. And the problem is a lack of movement. On average, Germans spend 7.5 hours sitting per day (DW, 2021). The German healthcare system is a dual public-private system that dates back to the 1880s, making it the oldest in Europe. Today it's doctors, specialists, and facilities make it one of the very best healthcare systems in the world (Expatica, 2021).

Over the past ten years, Greece's health system has undergone a major transformation, slowly moving towards a more modern, efficient and sustainable system. After an initial focus on efficiency enhancing structural reforms and cost reductions, more recent efforts have also focused on introducing and strengthening mechanisms to achieve better outcomes. There is now comprehensive health insurance coverage for all residents and Greece is working on establishing a functioning primary care system. Previous shortcomings, such as fragmentation, excessive pharmaceutical spending, inefficient procurement and weak primary care, are being addressed (European Commission, 2019).

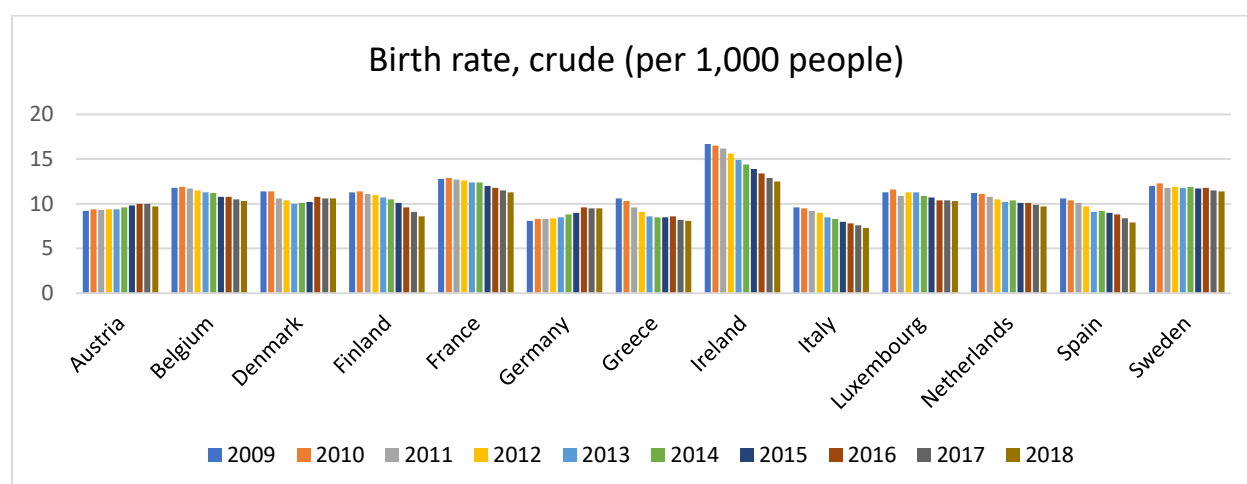
Some 83 percent of Irish people rate their health status as good or very good in 2017, well above the European average of 69 per cent (McGreevy, 2019). Italy is known for its generally very good health system and the very high life expectancy (World Health Organization, 2015), low infant mortality, relatively healthy cuisine and diet, and healthcare system that is ranked 2nd according to World Health Organization (World Health Organization, 2021). and which has the third best medical performance worldwide (World Health Organization, 1997).

Luxembourg, with a population of 502, 000 (Eurostat, 2010 estimate) has one of the best state-funded healthcare systems in Europe. The system is based on three fundamental principles: compulsory health insurance, free choice of provider for patients and compulsory provider compliance with the fixed set of fees for services (Health Management, 2010). Spain has the highest life expectancy in the EU and social inequalities in health are less pronounced than in many other countries. However, many years of life in old age are lived with some

chronic diseases and disabilities, increasing demands on health and long-term care systems. Health spending per capita in Spain is more than 15 % lower than the EU average. While most health spending is publicly funded, direct out-of-pocket spending by household's accounts for a greater share than the EU average. The Spanish health system relies on a strong primary care system, but growing demands arising from the increasing burden of chronic diseases may require more and more efficient use of resources (European Commission, 2019).

Life expectancy in Sweden is among the highest in the EU. The health system performs well in providing good access to high-quality care, but at a relatively high cost. While most Swedish people enjoy good health in old age, a growing number of people over age 65 have some chronic diseases and disabilities, thus increasing demands on health and long-term care systems. The health system faces persisting challenges in providing equal access to care to the population living in remote regions, ensuring timely access to health services and achieving greater care coordination for people with chronic diseases. Portugal's tax-funded National Health Service (NHS) provides universal coverage and a broad range of benefits. There is cost-sharing, with out-of-pocket expenditure being higher overall than the EU average, although more than half of the population is exempt. In January 2019, some municipalities took over new competencies in primary care as a first step towards greater decentralization. Other reforms have focused on improving access to care and tackling shortages in the health workforce (European Commission, 2019).

Graph 11. Birth rate, crude (per 1,000 people) in old countries in the European Union, 2009-2018



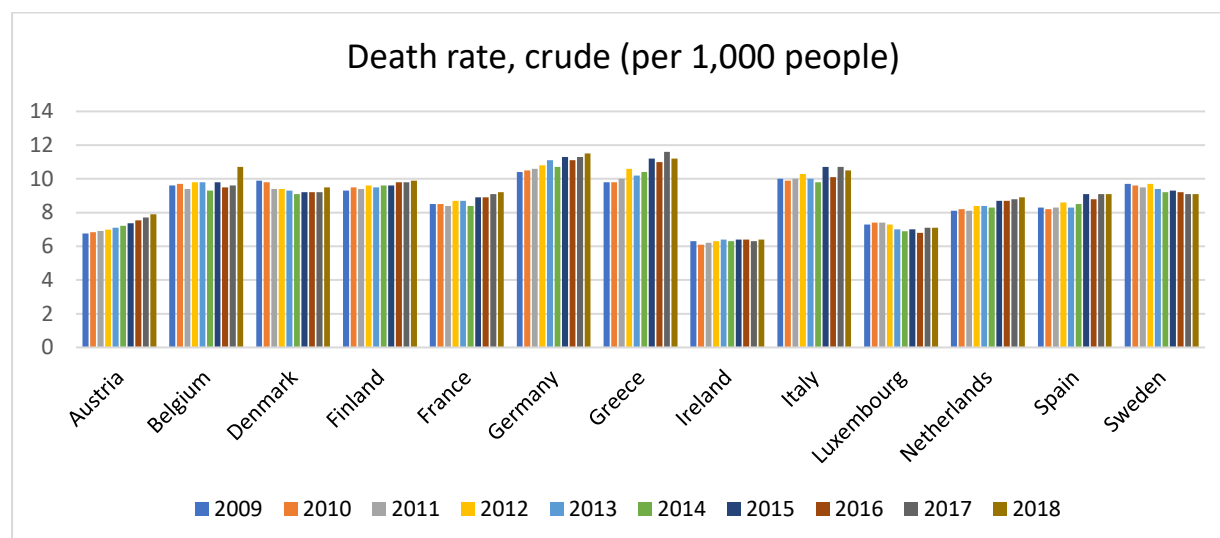
Source: Author

Birth rate, crude (per 1,000 people) in old countries in the European Union, during the period of time 2009-2018. Of all the old countries within the European Union, Ireland has the highest rate, followed further by France, Sweden, Belgium, Denmark, Luxembourg, the



Netherlands, Austria, Finland, Germany, Greece, Italy and Spain. If its compare them year after year it is not that we have any major change, the rate remains almost the same.

Graph 12. Death rate, crude (per 1,000 people) in old countries in the European Union, 2009-2018



Source: Author

Death rate, crude (per 1,000 people) in old countries in the European Union during the period of time 2009-2018. In Austria, Belgium, Denmark, Finland, France, Greece, Luxembourg, Netherlands, Spain, Sweden birth rate is higher than death rate. While in Germany and Italy the death rate is higher than the birth rate. Fortunately, the birth rate in most states is higher than the death rate.

#### 4.1.7. Poverty

223 000 people in Austria (2.6 % of the residential population) are experiencing poverty and social exclusion (as at 2020): they live in 'severe material deprivation', and in addition to a low income, they are also facing exclusion in key areas of life (EAPN, 2020). Poverty among some of the most vulnerable members of Danish society has risen. Poverty in Danish children provides many of the most devastating figures of poverty in Denmark. Child poverty increases by thousands every year. At risk of poverty rate in Denmark was 12.10% in December of 2020 (Eurostat, 2020). The shortage of affordable housing ails low-income people and the homeless. One of the largest contributing factors to poverty in Finland is expensive housing costs, especially in urban areas. Number of people at risk of poverty or social exclusion was 873,000 in 2019. Statistics Finland's preliminary data on statistics on living conditions show that 873,000 Finns, or 16.0 per cent of the entire household population were at risk of poverty or social exclusion in 2019 (Statistics Finland, 2021).

In France in 2018, a total of 1.9 million people were in extreme poverty and a further 170,000 likely to be. Out of those 1.9 million people in extreme poverty and living in ordinary housing, mobile homes or homeless, 35% are children, while 7% are aged 65 or over. Extreme poverty often persists over a long time (Blasco & Picard, 2021). In Germany, the situation is not good, poverty is on the rise. In the last decade, poverty in Greece has grown rampant. Incomes have crumbled over 30 percent and more than one-fifth of Greeks are unable to pay rent, electricity and bank loans. Due to its financial downfall, over a third of Greece's 10-million-person population is in poverty (Krzych, 2020).

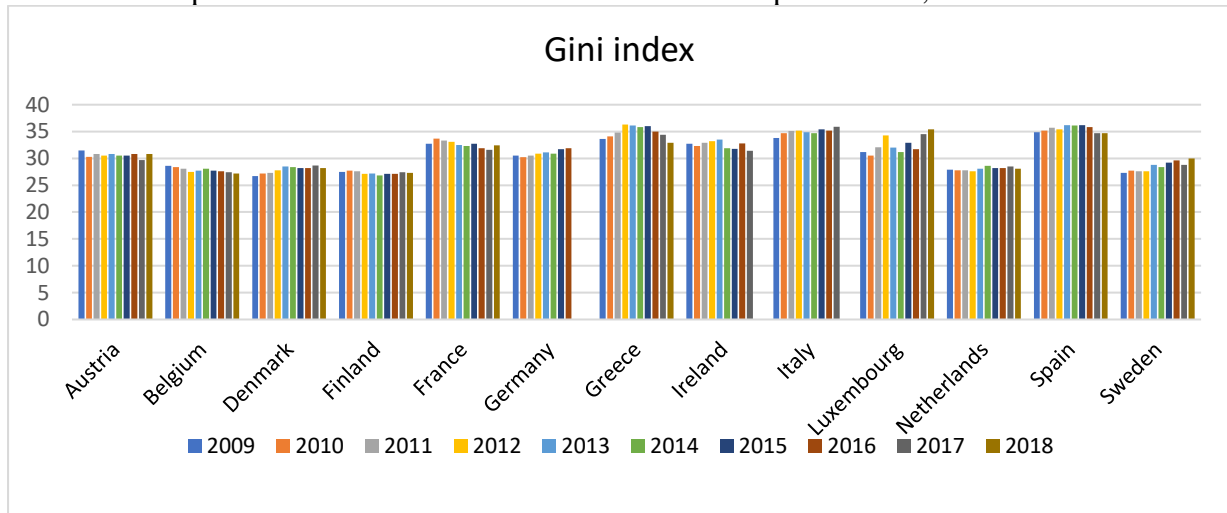
In Ireland, the number of people living in poverty is steadily increasing. Since the beginning of the recession in 2008, the number has risen due to situational factors, such as unemployment and poor health, and exacerbated structural economic inequalities that perpetuate a cycle of poverty in Ireland (Herzog, 2018). The European definition of poverty, which is used to determine the Luxembourg poverty rate, includes people whose income, including social benefits, amounts to less than 60 percent of the country's median income and therefore are unable to afford basic necessities like rent and transportation (Hall, 2017).

Although the Netherlands is one of the richest countries in Europe, there is poverty here, too. Poverty manifests itself in (very) limited financial resources, social exclusion, health problems, and limited access to education. In 2018, 584,000 of the nearly 7.4 million households had to live on low incomes. There are almost 2.6 million people living below the poverty line in Portugal, according to the National Statistics Institute. 487,000 of the citizens living in poverty in the country are under the age of 18. Portugal is one of the most unequal countries in Europe. The wealthy citizens earn an income that is five times higher than other people who are living in poverty (Hamby, 2018).

Children in Spain seem to be more vulnerable to poverty than adults. A 2017 report from the European Anti-Poverty Network (EAPN) found that the child population in Spain has unacceptably high rates in the indicators of poverty. One of the report's most jarring statistics concerning the child population in Spain is that 31.3% of children were "at risk of poverty or social exclusion (Karibian, 2020). When discussing global poverty, most tend to think of cases of extreme poverty. However, poverty exists everywhere, even in prosperous countries. Sweden, a Nordic country in Northern Europe known for its progressive politics, is home to a population of 10.3 million. Although Sweden is a relatively wealthy country, 16.2% of its people are at risk of falling into poverty. Citizens with low-income standards are those whose household income is inadequate to afford necessary living costs. Currently, 6% of Sweden's population (570,000 people) fall under low-income standards. Sweden defines "severe material

poverty” by not being able to afford at least four of the following six components: unforeseen expenses, a week’s holiday per year, a meal with meat or fish every other day, satisfactory heating and housing, capital goods and bills (Fredrick, 2020).

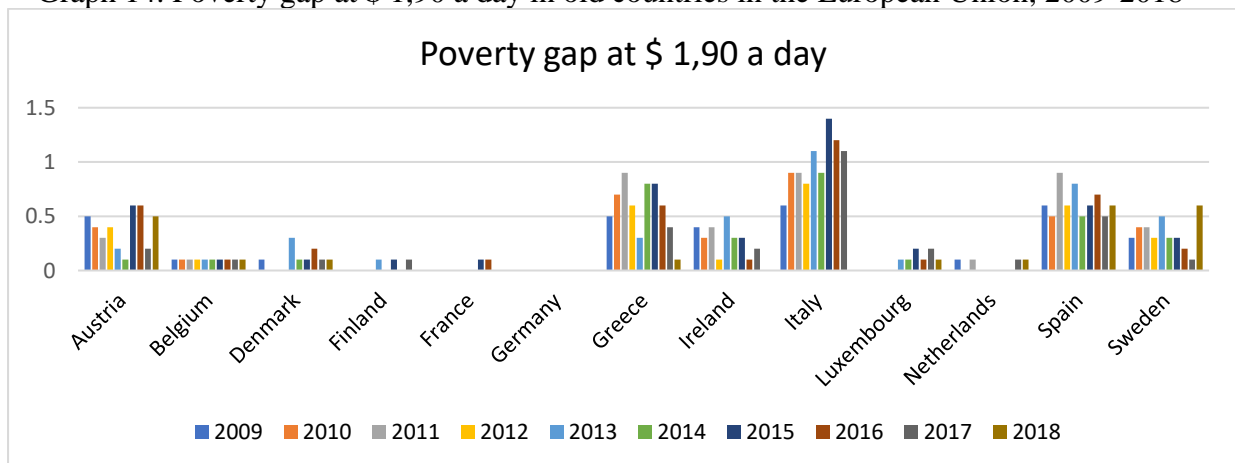
Graph 13. Gini index in old countries in the European Union, 2009-2018



Source: Author

Gini index in old countries in the European Union during the period of time 2009-2018. The Gini index is a measure of the distribution of income across a population. A higher Gini index indicates greater inequality, with high-income individuals receiving much larger percentages of the total income of the population. In a country with a Gini coefficient of 0, everyone receives exactly the same income. A Gini of 50 could mean that half the people share all of the income while the other half get nothing. Old countries in EU have Gini index under 40. Austria, France, Germany, Greece, Ireland, Italy, and Spain have Gini index over 30 while under 30 have Belgium, Denmark, Finland, Luxembourg, Netherlands and Sweden.

Graph 14. Poverty gap at \$ 1,90 a day in old countries in the European Union, 2009-2018



Source: Author

Poverty gap at \$ 1.90 a day in old countries in the European Union during the period 2009-2018. Poverty headcount ratio at \$ 1.90 a day is the percentage of the population living on less than \$ 1.90 a day. In Italy, Greece, Spain, and Austria, have the highest percentage of the population living on less than \$ 1.90 a day, thankfully this number does not exceed 1.4%. While, in Belgium, Denmark, Finland, France, Germany, Ireland, Sweden and Luxembourg we have the lowest percentage (which is from 0% to 0.6%) that live on less than \$ 1.90 a day.

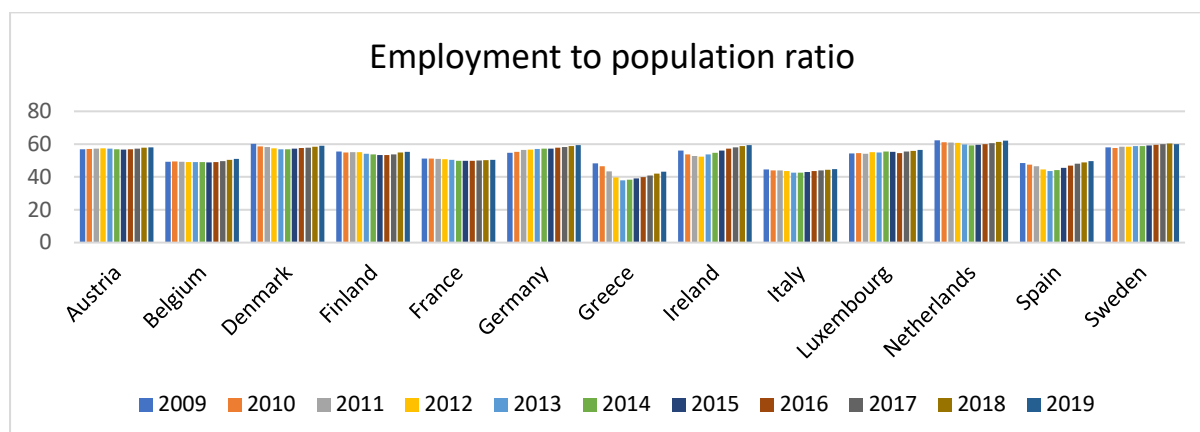
#### **4.1.8. Social Protection & Labour**

Most countries have five sources of funds towards their annual social protection expenses, central government, employers, employees, self-employed individuals, and so-called protected groups (pensioners and people receiving social support). Central government, employers, and employees are the main contributors to social protection funds, with the other two groups representing an average of 3-5% of contributions.

Denmark and Ireland, the central government contributes most of the funds towards social protection, with two other countries (Norway and Sweden) where the government contributes around or a little over 50% for social protection. In the rest of the countries, contributions by employers and employees finance the majority of spending for social protection. Employee contributions are relatively small in Italy and Spain, as well as in Sweden. Switzerland some extent, rely on relatively equal distribution of contributions among the three groups. It is assumed and expected that in all European countries, government has a responsibility to finance at least part of the spending for social programs, although as discussed above, countries differ in the extent to which government serves as the main source of finding. In only Switzerland, the share of employer contributions is lower than that of employees, while in the rest of the European countries, employer contributes a greater share than the employee although there is much diversity in the ratio between the contributions of the two groups.

Denmark and Luxembourg have relatively equal shares of employer – employee ratios, around or less than 1.5, indicating a notion of ‘shared responsibility’ between the two groups for the financing of social protection. A small number of countries such Finland, Italy, Spain, and Sweden, the share of employer contributions exceeds that of employees more than three times, while in the majority of the remaining countries, employers contribute between 1.5, 2 and 3 times more than employees (Kostadinova, 2014).

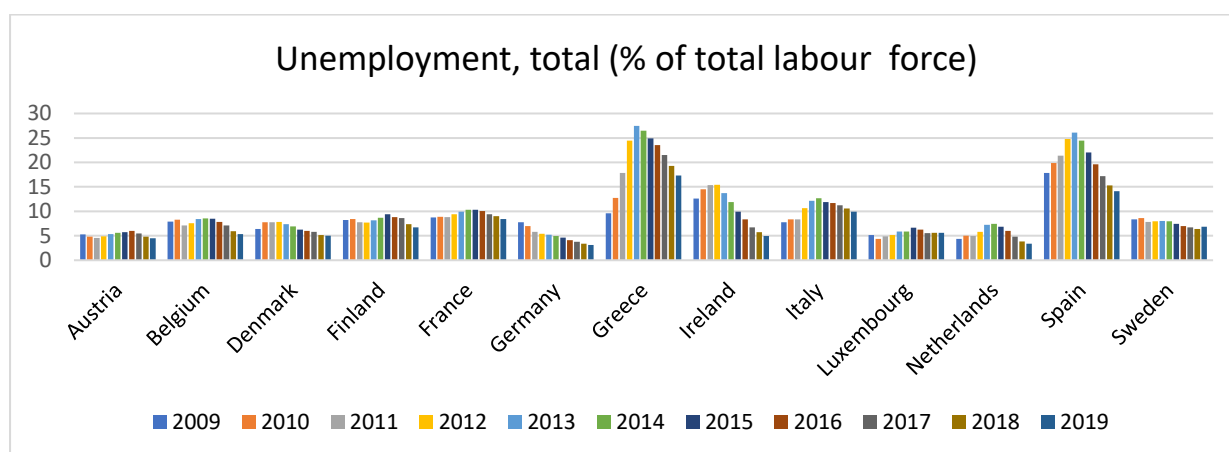
Graph 15. Employment to population ratio in old countries in the European Union, 2009-2019



Source: Author

Employment to population ratio in old countries in the European Union during the period of time 2009-2019. In general, a high ratio is considered to be above 70 percent of the working-age population whereas a ratio below 50 percent is considered to be low. Italy, Greece, Spain and Belgium have employment to population ratio below 50 percent. While Austria, Denmark, Finland, France, Germany, Greece, Ireland, Luxembourg, Netherlands and Sweden has above 50 percent employment to population ratio but no country in the old countries of the European Union has this ratio above 70 percent, means that the above countries have an average ratio in terms of employment to population.

Graph 16. Unemployment, total (% of total labour force) in old countries in the European Union, 2009-2019



Source: Author

Unemployment, total (% of total labour force) in old countries in the European Union during the period of time 2009-2019. Greece, Spain, Ireland and Italy have over 10% the

number of unemployed compared to Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg, Netherlands and Sweden, which have below 10% the number of unemployed. It is worth mentioning that during the period of time 2009-2019, Germany has managed to reduce the number of unemployed from 7.74% in 2009 to 3.14% in 2019, as a result of new policies applied in this country regarding with employment, job creation and the employment of immigrants.

## **4.2. Establishing and development of social economy in new countries in the European Union**

### **4.2.1. Social Development**

Croatia's first pension laws date back to 1922, with most recent changes in 2002. The law provides for a dual system of a social system and mandatory private insurance. Health and maternity benefits, workers' compensation, unemployment coverage, and family allowances are also provided. Women hold lower paying positions in the work force than men even though gender discrimination is prohibited by law. In 2000 legislation was passed to improve efforts to prosecute cases of domestic violence. Rape and spousal rape are grossly underreported, and there is only one women's shelter.

A social insurance and non-contributory old age pension system is in effect for all employed and self-employed persons in Cyprus. It provides unemployment and sickness benefits; old age, widows', and orphans' pensions; maternity benefits; missing persons' allowances; injury and disability benefits. There is a universal system for a family allowance and child benefits. Although women have the same legal status as men, women's groups maintain that the divorce law discriminates in favour of men. Spousal abuse is a serious social problem, and legislation passed in 2000 entitled Violence in the Family Law makes it easier to report and prosecute family violence. Although human rights are generally respected, police brutality continues to be a problem.

Current programs in Czech Republic include old age pensions, disability, survivor benefits, sickness and maternity, work injury, unemployment and family allowances. Employers are required to contribute 19.5% of payroll, while employees contribute 6.5% to the pensions program. In recent years, women have played an increasingly greater role in Czech society and now account for about half of the labour force. Although the principle of equal pay for equal work is generally followed, women hold a disproportionate share of lower-paying

positions. The unemployment rate for women is greater than for men, and only a small number of women hold senior positions in the work force. The Roma minority, officially estimated to number 200,000 to 250,000, face discrimination in housing, employment and often are subject to harassment. Many have been denied citizenship and the rights accorded to citizens. Those without citizenship are not entitled to vote, or receive social security benefits. Racially motivated crime is on the increase. Religious freedom is generally tolerated. The Czech Republic's human rights record is generally good, although judicial backlogs result in extended pretrial detention in some cases and sporadic police violence has been reported.

Current pension systems in Estonia are funded by contributions from employers and the government. Other social welfare programs include worker's compensation, unemployment assistance, survivorship payments, maternity and sickness benefits, and family allowances. Medical care is free for children. Women constitute slightly more than half the work force, and in theory are entitled to equal pay. Although women on average achieve higher educational levels than men, their average pay was lower. Public attention is focused increasingly on the welfare of children in the wake of family crises caused by economic dislocation. Several safe havens for children have been established.

Coverage in Hungary includes relief for sickness, accidents, unemployment, and old age and incapacity, and provides maternity allowances for working women, allowances for children, and payment of funeral expenses. The system is funded by contributions for employees and employers, and the government. Medical care is provided directly to the insured through the public health service.

Women have the same legal rights as men, including inheritance and property rights. They hold a large number of the positions in teaching, medicine, and the judiciary, but generally earn less than men. Women are underrepresented in senior positions in both the private and public sectors. Spousal abuse is a huge problem; approximately 20% of women are victimized. Minority rights are protected by law, allowing for the creation of minority local government bodies for limited self-rule.

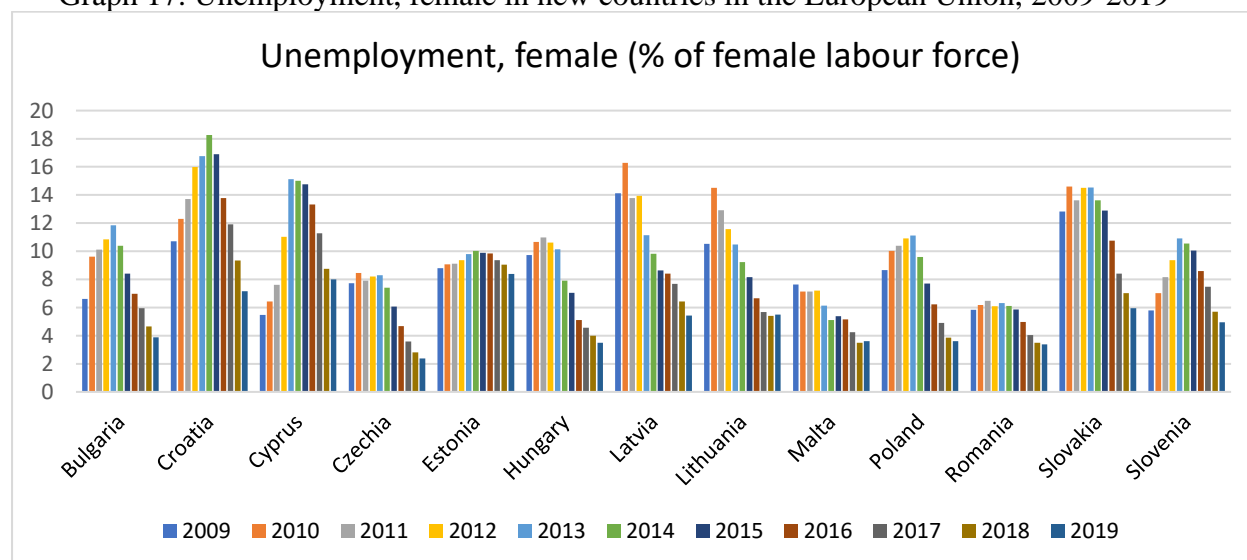
A national system of social insurance covers all of Lithuania's residents. Old age, sickness, disability, and unemployment benefits are paid on an earnings-related basis, from contributions by both employers and employees. Family allowance benefits are provided by states and municipalities to families with low incomes. There is a universal system of medical care, and a dual social insurance and social assistance program for maternity and health payments. Unemployment benefits are provided to applicants with at least 24 months of previous contributions and is paid for a period not exceeding six months. Legally, men and

women have equal status, including equal pay for equal work, although in practice women are underrepresented in managerial and professional positions. Human rights are generally respected in Lithuania, and human rights organizations are permitted to operate freely and openly.

Social security, including social insurance and medical care, covers virtually the entire population in Poland. Old age, disability, and survivors' pensions are provided, as well as family allowances, sickness benefits, maternity benefits, workers' compensation, and unemployment. Employers and employees contribute 9.76% of earnings or payroll toward the pension system; sickness and maternity benefits are funded by employee contributions and government subsidies. Women participate actively in the labour force, but are concentrated in low-paying professions, earning, on average, 30% less than men.

Slovenia's social insurance programs provides old age, disability, survivor's pensions, sickness, work injury and unemployment benefits. The pensions system covers employed persons, members of cooperatives, craftsmen, artists, and farmers. Funds are provided by employee and employer contributions, with any unforeseen deficit covered by the government. The government funds the total cost for some groups of insured including veterans. The age of retirement is variable, depending upon the numbers of years worked. The Health Care and Health Insurance Act provides health care services and sickness benefits to employed persons, pensioners, and citizens with low incomes. A universal system of family allowances provides benefits to families with children with incomes below a specified monthly amount. There is a maternity grant available to all permanent residents in Slovakia to purchase clothing and other necessities for a new-born child (Nationals Encyclopedia, 2021).

Graph 17. Unemployment, female in new countries in the European Union, 2009-2019

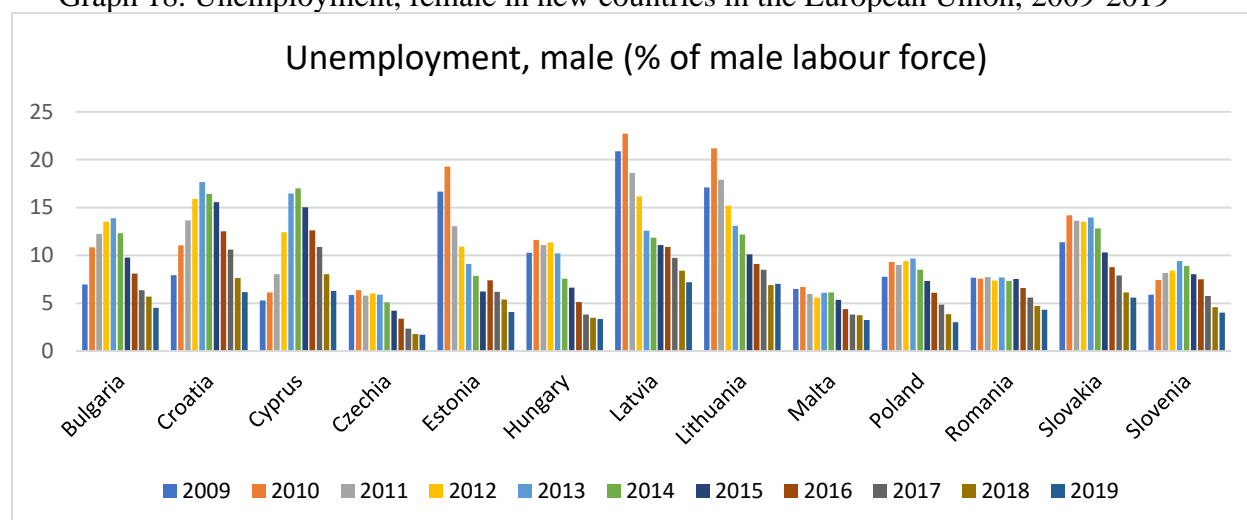


Source: Author



Unemployment, female in new countries in the European Union during the period of time 2009-2019 has resulted to be highest in Latvia, Lithuania, Croatia, Slovakia while lowest in Malta, Poland and Romania. As can be seen in the chart, unemployment female in Cyprus has an upward trend from 2013 to 2016 continuing with a slight decline in 2017 to 2019. While Hungary and Poland have marked a slight decline in unemployment, female year after year. Although the number of employed women has increased compared to previous centuries, this number is still high not only in new countries but also in old countries in the European Union.

Graph 18. Unemployment, female in new countries in the European Union, 2009-2019



Source: Author

Unemployment, male in new countries in the European Union during the period of time 2009-2015 has turned out to be the highest in Latvia, Lithuania, Estonia and Slovakia, while from the period 2015 to 2019 there is a downward trend in unemployment in these countries, this is as a result of the 2008 crisis. While the lowest unemployment, female has resulted in the Czech Republic during the period of time 2009-2019. As can be seen in the graph, most countries are facing high unemployment, not only unemployment, female but also unemployment, male have high percentages, although there is a tendency of falling unemployment from 2016 to 2019, but still these figures remain high.

#### 4.2.2. Economic Growth

The World Bank classifies Bulgaria as an upper-middle income nation. Its economy is powered by construction, mining, services – which include tourism – and agriculture sectors. The global economic downturn ended a run of strong economic growth for the country. The Croatian economy is one of the strongest economies in Southeast Europe. Croatia's economy expanded by 15.8 percent year-on-year in the third quarter of 2021, following an upwardly

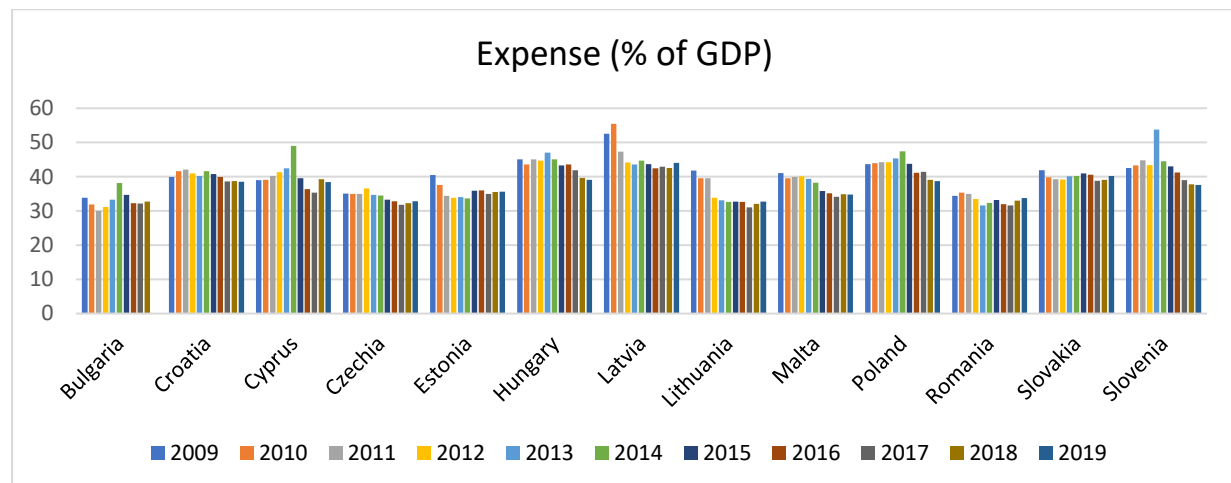
revised record 16.5 percent rise in the previous period. It was the second consecutive quarter of growth following a pandemic-induced recession. GDP Annual Growth Rate in Croatia averaged 2.10 percent from 1996 until 2021, reaching an all-time high of 16.10 percent in the second quarter of 2021 and a record low of -14.40 percent in the second quarter of 2020. GDP Growth Rate in Cyprus averaged 0.62 percent from 1995 until 2021, reaching an all-time high of 9.40 percent in the third quarter of 2020 and a record low of -13.10 percent in the second quarter of 2020. GDP Growth Rate in Czech Republic averaged 0.54 percent from 1995 until 2021, reaching an all-time high of 7.10 percent in the third quarter of 2020 and a record low of -8.70 percent in the second quarter of 2020.

The Estonian economy advanced 8.6% year-on-year in the third of 2021, slowing from an upwardly revised 13.0% surge in the previous period, amid diminishing low base effects last year. Private consumption grew by 8.7 percent (vs 12.7% in Q2), mainly boosted by transport, clothing and footwear, leisure and entertainment, and hotels and restaurants. Hungary has transitioned from a centrally planned economy to a market economy and is considered a high-income country by the World Bank GDP Growth Rate in Hungary averaged 0.63 percent from 1995 until 2021, reaching an all-time high of 9.60 percent in the third quarter of 2020 and a record low of -14.50 percent in the second quarter of 2020. Latvia is a developed country, with a high-income advanced economy. GDP Growth Rate in Latvia averaged 0.91 percent from 1995 until 2021, reaching an all-time high of 6.70 percent in the third quarter of 2020 and a record low of -6.90 percent in the second quarter of 2020. The economy of Malta is a highly industrialized, service-based economy. GDP Growth Rate in Malta averaged 0.92 percent from 2000 until 2021, reaching an all-time high of 6.70 percent in the third quarter of 2020 and a record low of -13.60 percent in the second quarter of 2020.

Poland was one of the fastest-growing economies worldwide pre-crisis and has been the fastest-growing economy in post-crisis Europe. GDP Growth Rate in Poland averaged 0.99 percent from 1995 until 2021, reaching an all-time high of 7.60 percent in the third quarter of 2020 and a record low of -9.20 percent in the second quarter of 2020. The economy of Romania is a high-income mixed economy with a very high Human Development Index and a skilled labour force, ranked 12th in the European Union by total nominal GDP and 7th largest when adjusted by purchasing power parity. Slovakia ranked as the fastest-growing developed economy in the world. The Organization for Economic Cooperation and Development (OECD) forecasts that the Slovak economy will grow at a robust rate of 4.3% in 2019 and by 3.6% the following year, the highest GDP growth rate among OECD economies. Slovakia has been one of the fastest growing economies in Europe. The Slovak economy has grown with 4.2% in

2021. GDP Growth Rate in Slovenia averaged 0.65 percent from 1995 until 2021, reaching an all-time high of 11.90 percent in the third quarter of 2020 and a record low of -9.50 percent in the second quarter of 2020 (Trading Economics, 2021).

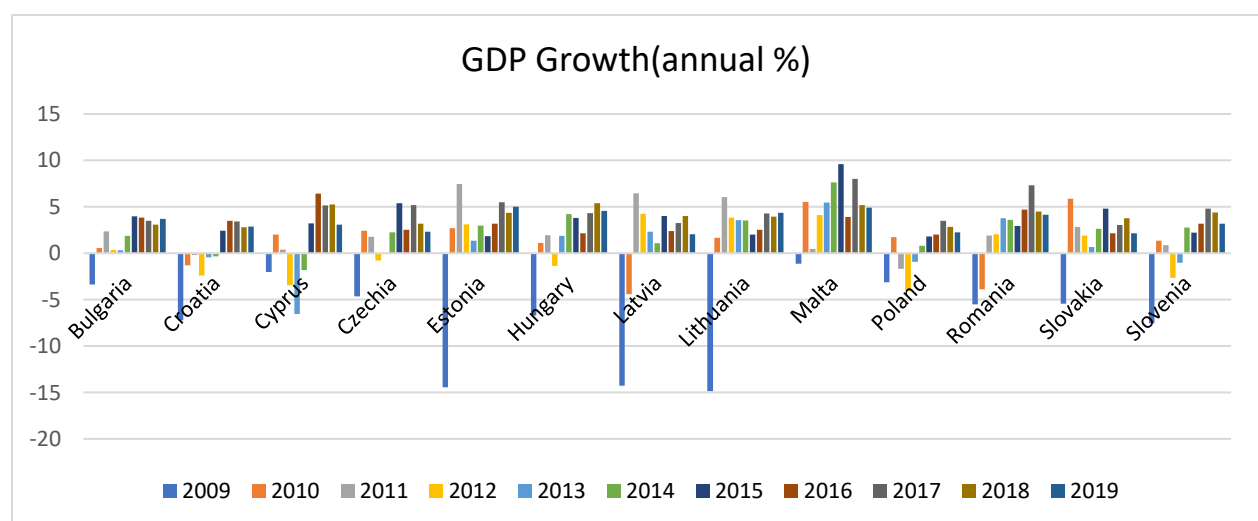
Graph 19. Expense (% of GDP) in new countries in the European Union, 2009-2019



Source: Author

Regarding Expense (% of GDP) in new countries in the European Union during the period of time 2009-2019 have almost the same percentage all the countries except Bulgaria and Romania which have marked decrease in Expense (% of GDP) compared with the aforementioned states. This means that Bulgaria and Romania has created less expense in providing goods and services in an economy within the period 2009-2019 compared to the costs generated by Croatia, Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Graph 20. GDP Growth (annual %) in new countries in the European Union, 2009-2019



Source: Author

GDP Growth (annual%) in new countries in the European Union during the period of time 2009-2019. In 2009, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia marked a decline in GDP due to the crisis that occurred in 2008. Most countries from 2010 to 2019 have marked GDP growth accompanied by greater economic opportunities and an improved standard of material well-being, with the exception of Croatia (from 2010 - 2014), Poland (from 2011-2013) and Hungary (from 2009-2016) have marked a decline in GDP accompanied by contraction of the economy, bad news for businesses and workers of these countries. Reducing GDP causes a recession, which means wage freezes and job losses.

#### **4.2.3. Education**

The Bulgarian educational system falls within the continental European tradition. The main types of secondary schools are: general educational, vocational, language schools and foreign schools. Private schools are also being established and they are beginning to compete successfully with state schools. Education is compulsory until age of 16. Education at state-owned schools is free of charge, except for the higher education schools, colleges and universities.

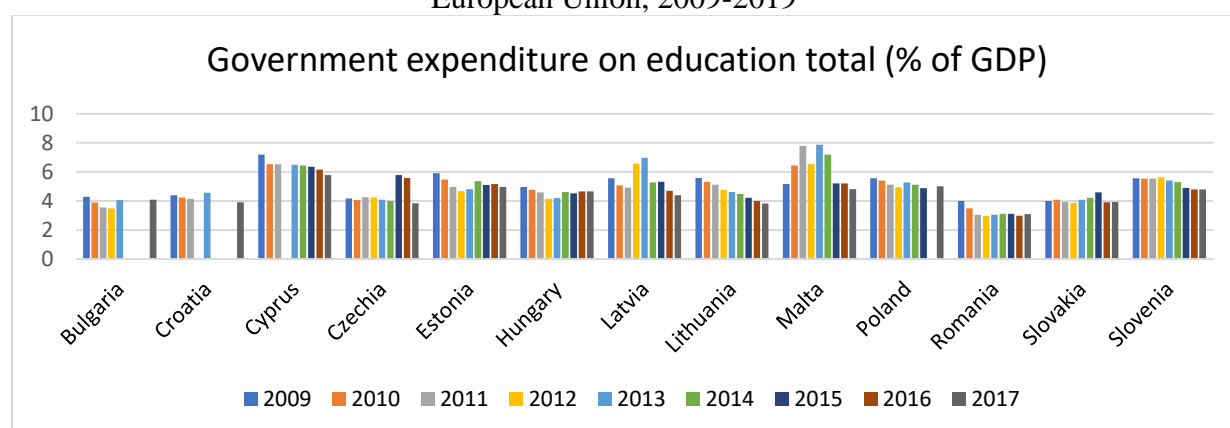
Education in the Czech Republic includes elementary school, secondary school, and post-secondary school. Elementary school is mandatory for children from ages six to fifteen. After that, some students leave formal education altogether, while other students attend a professional or vocational school. The Estonian educational system has been successful in supporting the learning of all students. The student's home socio-economic background has less impact on performance than it does in other countries. Estonia has the lowest level of low-performers in Europe in reading math, science (Henno&Reiska, 2021).

Main aim of education policy in Latvia is qualitative and inclusive education for personal development, human welfare and sustainable development of the country. Education in Latvia is free and compulsory. Compulsory education includes two years of preschool education (usually starting at 5 years old) and a further nine years of primary education (usually until 15/16 years of age). Education system of Latvia is getting more inclusive in terms of ethnic minority children and students with special needs. Latvia has a long and successful tradition of extra-curricular education, called interest-related or hobby education. It is provided in broad areas: arts, sports, technical education etc., and more than 70% of learners between the ages of 3 and 25 and participate in these activities (European Commission, 2021).

The objectives of education in Malta include intellectual and moral development and the preparation of every citizen to contribute productively to the national economy. Malta's education system is very highly rated. Malta mostly follows the British curriculum: children study a wide range of subjects and have mid-year and final exams. The educational system is structured in four stages: pre-primary (ages three to five), primary (ages five to 11), secondary (ages 11 to 18) and tertiary education. Attending school is compulsory up to the age of 16 (GSI, 2021).

Education in Poland is in the midst of a radical transformation. Middle schools—previously the second stage of a three-tier, 6+3+3, school system—have been phased out. The length of the remaining two stages, elementary and secondary, have been extended, from six to eight and from three to four years, respectively. Reforms to vocational and tertiary education are also underway. While these structural changes triggered an immediate flurry of protests from Polish students and teachers—who questioned, among other things, why an education system widely viewed internationally as a undisputed success needs to be reformed in the first place - as of publication, their status is more or less guaranteed. The major changes to the structure of the school system -first rolled out in 2017, just 10 months after the respective legislation was passed - are on schedule for full implementation by 2022 (WENR, 2021). Romania's current education system is relatively new. Under communism, education in Romania was politically-fuelled. The communist revolution in eastern Europe heavily influenced a nationalistic approach to education in Romania. Although these are major improvements, education in Romania still has room for improvement. Many people in rural communities do not have access to quality education and despite obtaining a higher level of education, there is a severe level of pay inequality between men and women in the workforce (Cassin, 2016).

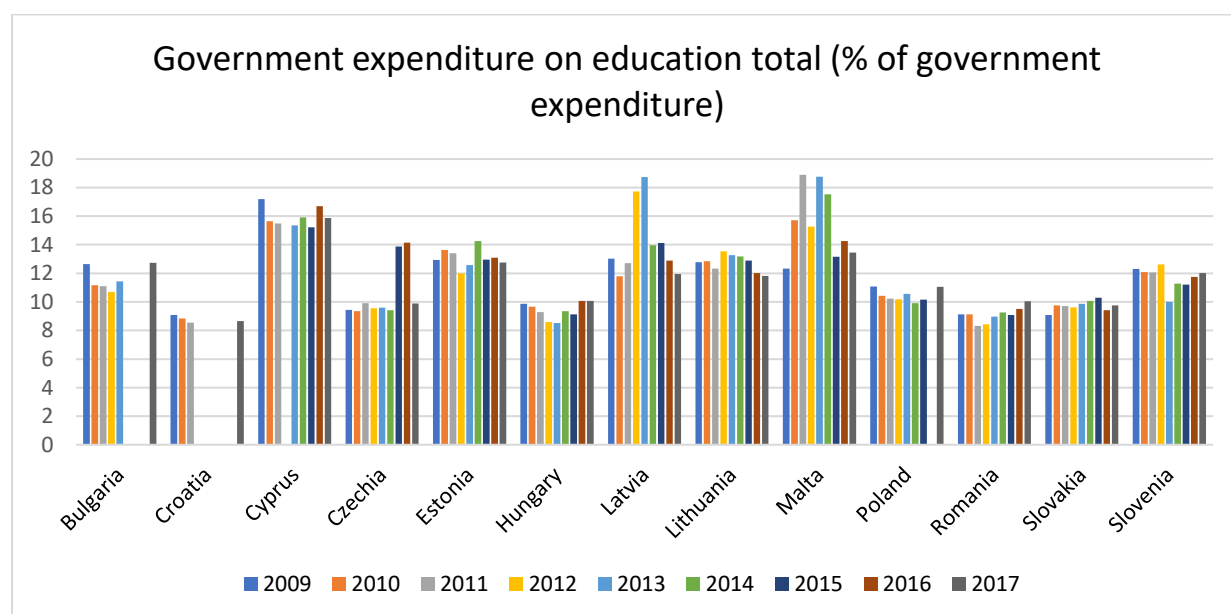
Graph 21. Government expenditure on education total (% of GDP) in old countries in the European Union, 2009-2019



Source: Author

Regarding Government expenditure on education total (% of GDP) in new countries in the European Union, the percentage is the same in all countries, except Malta, Cyprus and Latvia, which for some have marked decrease percent of Government expenditure on education total (% of GDP). The education system in new countries in the European Union is at a satisfactory level even more so with the old countries in the European Union, whose education ranks with the education of the best countries in the world.

Graph 22. Government expenditure on education total (% of government expenditure) in old countries in the European Union, 2009-2019



Source: Author

In terms of Government expenditure on total education, the highest percentages were recorded in: Latvia, Malta, Cyprus, Estonia, followed by countries such Croatia, Czechia, Hungary, Poland, Romania, Slovenia, Slovakia which have invested a lower percentage in terms of government expenditure on education. As can be seen in the data presented in the graph, the governments of the new European Union countries have invested satisfactorily in education, although spending on education is always welcome, as it is known that investing in education is an investment in the society of that country.

#### 4.2.4. Climate Change

The impacts of climate change are already being felt in Bulgaria, with more extreme and anomalous weather patterns, longer and more severe droughts as well as flooding (WWF, 2008). In Croatia the effects of climate change will have impacts on hydrology and water

resources, agriculture, forestry, public health, biodiversity and natural terrestrial ecosystems, marine ecosystems and fish resources, and coastal zones. Warming will be higher in summer than in winter, in some places even exceeding the seasonal mean by more than 2.5 degrees (UNDP, 2007). Given the ongoing decrease in rainfall observed for the last three decades, climate change in Cyprus will result in additional reductions of rainfall of 10-15% over the 2020 to 2050 period. Other public-health concerns linked to the anticipated changes in climate in the region are related to a reduction in air quality. Given the ongoing decrease in rainfall observed for the last three decades, climate change in Cyprus will result in additional reductions of rainfall of 10-15% over the 2020 to 2050 period. Other public-health concerns linked to the anticipated changes in climate in the region are related to a reduction in air quality (THCI-RTI, 2021).

Climate change in Czech Republic has bring rising temperatures, increasing average number of hot days, and more frequent rainstorms are being experienced already. This has resulted in a loss of biodiversity, changes in the water regime, drought events, and more frequent flooding (Climate adapt, 2021). Sea-level rise due to thermal expansion and the melting of glaciers, ice caps and ice sheets may be one of the main impacts of climate change for Estonia. Accelerated sea-level rise could strongly affect the territory of the country because of its relatively long coastline and extensive low-lying coastal areas (Climate Adapt, 2021). Drought has been identified as the main vulnerability for Hungary, with drought occurrences and water management the primary concerns. Other vulnerabilities in the face of climate change, such as the potential impacts on agriculture, food security and soil degradation, stem, in part, from water management issues.

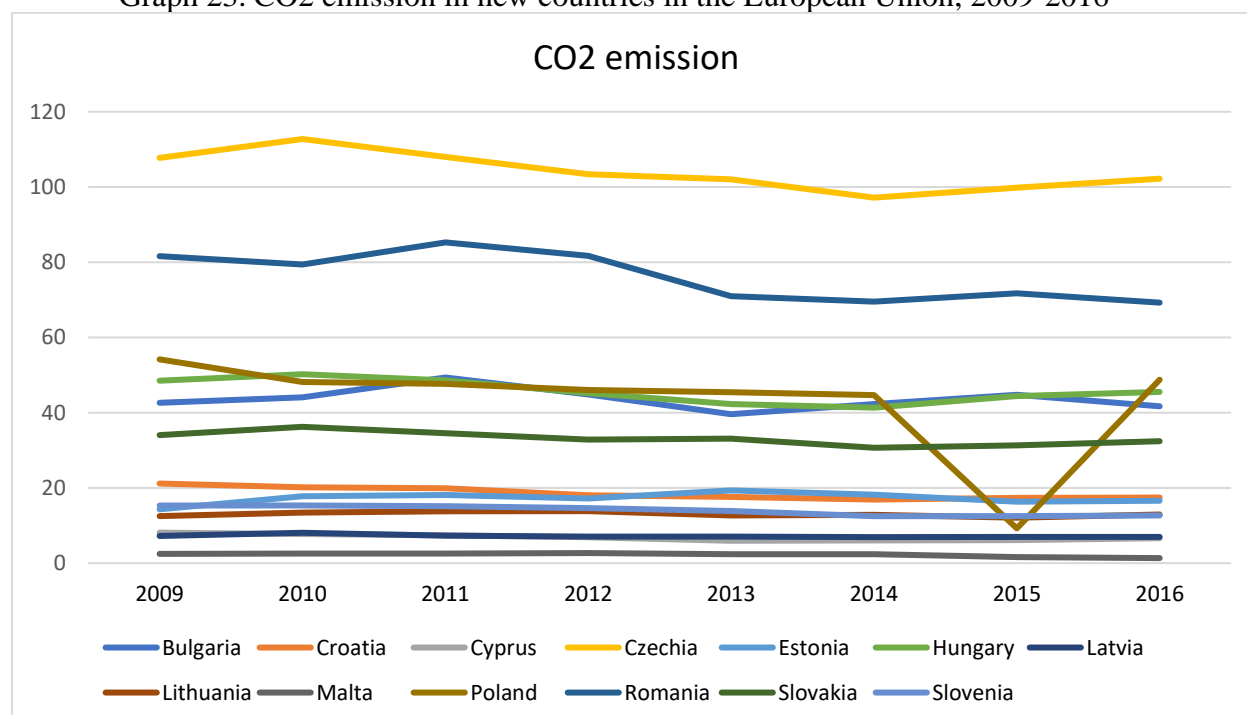
In Hungary, numerous adaptation measures have been identified, prioritized and implemented (UNDP, 2005). Coastal areas in Latvia are exposed to different climate change impacts, the most significantly: Rising sea level, costal erosion. Increase in maximum wind gusts on the seacoast, increase in the number of days with the maximum wind speed. In Lithuania, the Baltic Sea coast region is most vulnerable to climate change. Coast, coastal ecosystems, as well as local population are mostly affected by sea level rise, storm and hurricane winds, sea and Curonian Lagoon water warming and salinity changes (World Bank-Climate Change Knowledge Portal, 2021).

The Maltese islands will suffer a moderate impact from climate change. Land is scarce and its diminution or impoverishment arising out of climate change could have significant effects. The climate of the Maltese Archipelago is typically Mediterranean, with distinct winter and summer season i.e. mild, rainy winters and dry, hot summers (World Bank-Climate Change

Knowledge Portal, 2021). The climate crisis is happening now, in Europe, in 2021. More than ever, Poland is experiencing longer-lasting droughts, sudden heavy rainfall and storms. These changing weather patterns, worsened by climate change, are also increasing the risk of wildfires, crop failures and also affect water quality (Client Earth, 2021). The most relevant possible impacts of climate change in Romania are: modification of vegetation periods, displacement of ecosystems, prolonged droughts, floods. Sectors potentially affected include agriculture, transports, energy supply, water management, health and households (UNDP, 2021).

Climate change in Slovakia has to do with the faster arrival of spring, a longer and hotter summer and more hydro-meteorological extremes like heat waves, drought, storms, windstorms or torrential rain and fires will be more common (Pecho, 2018). Slovenia is vulnerable to the impacts of climate change from extreme weather events, such as heave waves, forest fire, floods, and drought, and changes in climate variables (World Bank-Climate Change Knowledge Portal, 2021). Slovenia boasts a high level of biotic diversity owing to climatic, orographic and pedological variability. Climate change poses a threat to Slovenia's biotic diversity as the numerous, smaller, geographically isolated ecosystems, sheltering endemic species, will be unable to shift in order to adapt to altered climate zones (UNDP, 2021).

Graph 23. CO2 emission in new countries in the European Union, 2009-2016

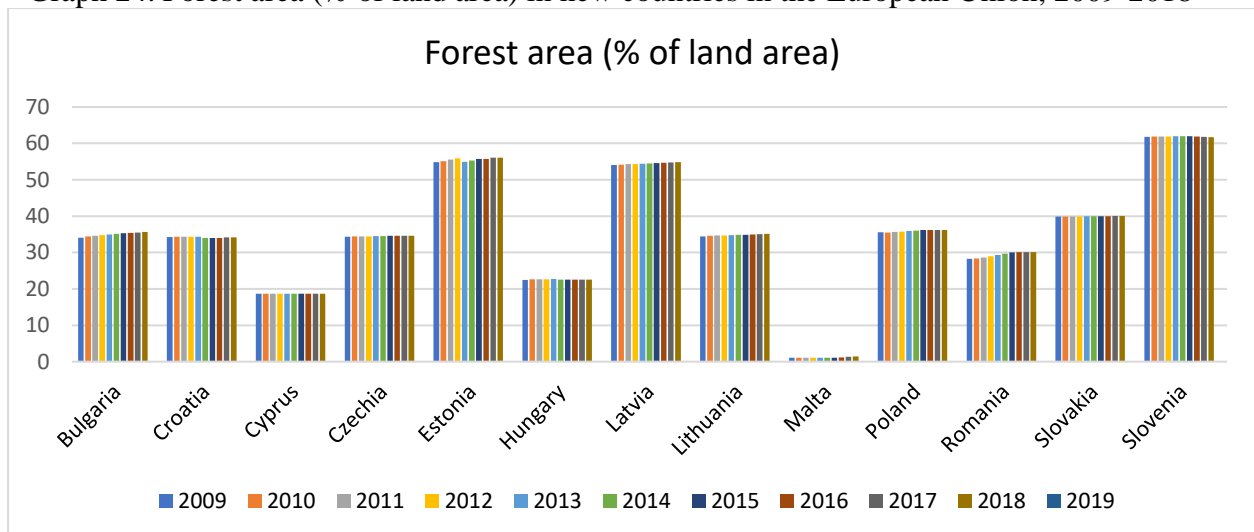


Source: Author



Regarding CO<sub>2</sub> emission in new countries in the European Union during the period of time 2009-2016, have this result: Czechia, Romania, Poland, Hungary and Bulgaria have higher percentages of CO<sub>2</sub> emission compared with Croatia, Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia. In addition to the old countries, the new countries of the European Union are the cause of climate change through the emission of CO<sub>2</sub> are affecting the destruction of the planet Earth. Therefore, this problem must be taken more seriously by each of us by making efforts to avoid climate catastrophe before it is too late.

Graph 24. Forest area (% of land area) in new countries in the European Union, 2009-2018



Source: Author

As can be seen in the graph above, Slovenia, Estonia and Latvia enjoy the highest percentage of Forest area in the new country in the European Union during the period 2009-2018, followed by Slovakia, Czech Republic, Poland, Bulgaria, Croatia, Cyprus, Lithuania, Romania, Hungary and Malta.

#### 4.2.5. Environment

Bulgaria, a member of the European Union, faces serious environmental challenges, including air pollution from industrial emissions, river pollution and deforestation (Reuters, 2020). Air pollution (from metallurgical plant emissions) and deforestation in Croatia are inland environmental problems. Coastal water systems have been damaged by industrial and domestic waste (National Encyclopedia, 2021). The most significant environmental problems in Cyprus are water pollution, erosion, and wildlife preservation. The purity of the water supply is threatened by industrial pollutants, pesticides used in agricultural areas, and the lack of adequate sewage treatment (National Encyclopedia, 2021).

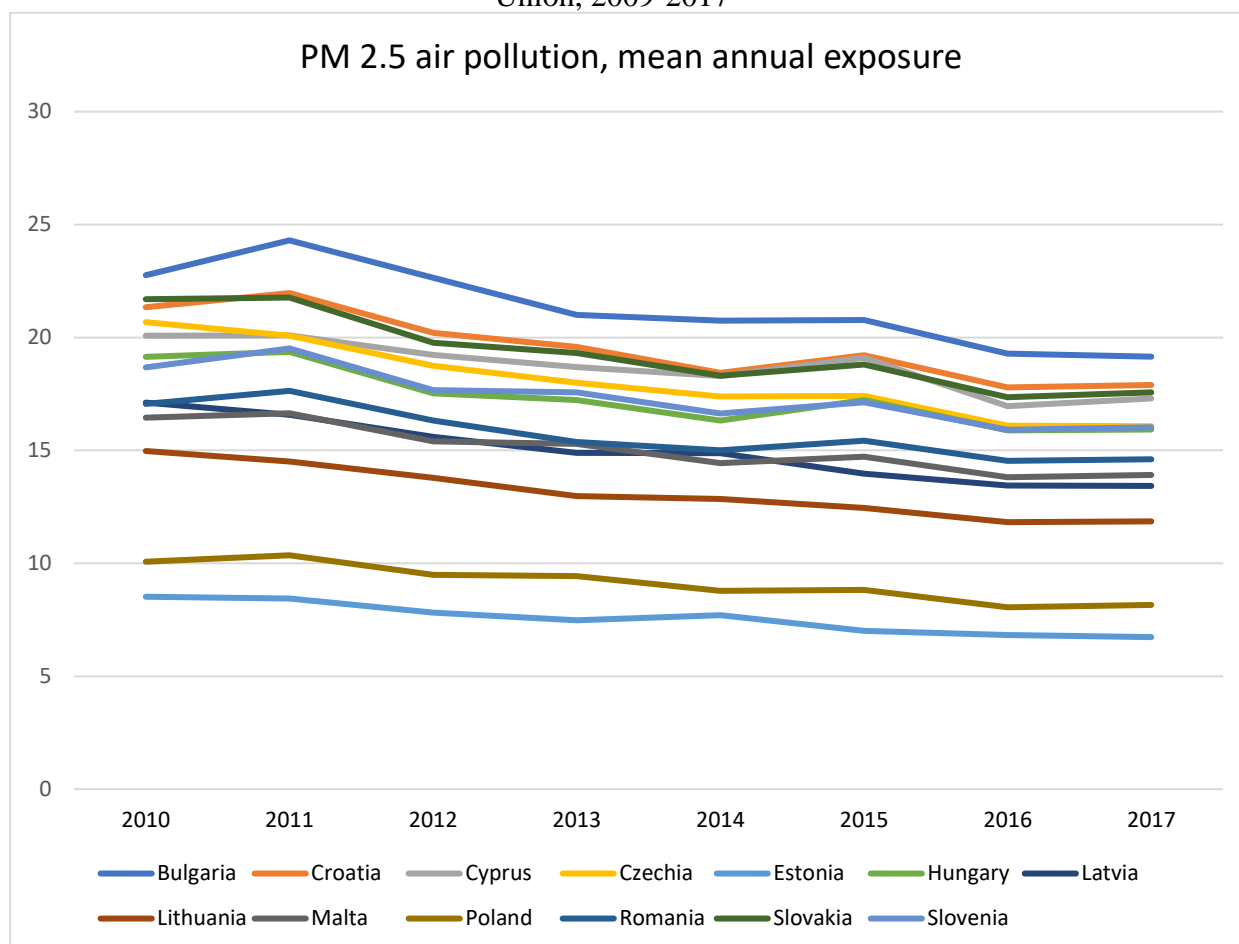
The state of the environment in the Czech Republic is improving. There has been a long-term trend of decline in emissions of acidifying substances, ozone precursors, primary particles, secondary particulate precursors as well as greenhouse gas emissions from the manufacturing industry. Pollution of surface and groundwater has also been following a trend of long-term decline (European Environment Agency, 2015).

Hungary's environmental issues currently include upgrading the country's standards in waste management, energy efficiency, and air, soil, and water pollution to meet European Union requirements. The main natural resources for Hungary include: bauxite, coal, natural gas, fertile soils, and arable land (UNDP, 2021). Air and water pollution are among Latvia's most significant environmental concerns and are largely related to a lack of waste treatment facilities. Cars and other vehicles account for 70% of the country's air pollution. Lithuania's environmental problems include air pollution, water pollution, and the threat of nuclear contamination. Malta's most significant environmental problems include inadequate water supply, deforestation, and the preservation of its wildlife. The country's extremely limited fresh water resources have led to increasing dependence on desalination (National Encyclopedia, 2021).

The main environment and health issues in Poland include water and sanitation, exposure to environmental tobacco smoke and urban outdoor air (WHO, 2009). Air pollution and water pollution caused by industry are serious environmental problems in Romania. The country's factories, chemical plants, and electric power plants depend heavily on burning fossil fuels, a process that emits high levels of carbon dioxide and sulphur dioxide - a key component of acid rain (Naturvern, 2021).

Slovakia has problems with air quality, low levels of waste recycling, but also with the protection of ecosystems. Air pollution alone causes more than 5,000 premature deaths a year in Slovakia. Environmental problems have had an increasing impact on the economy, employment and comfort of the population (Greener Slovakia, 2019). In Slovenia, unlike other Central and Eastern European countries, there are no critical environmental hot spots. However, there are very serious and, in some cases, growing problems, especially as regards water quality, waste management and air and soil pollution.

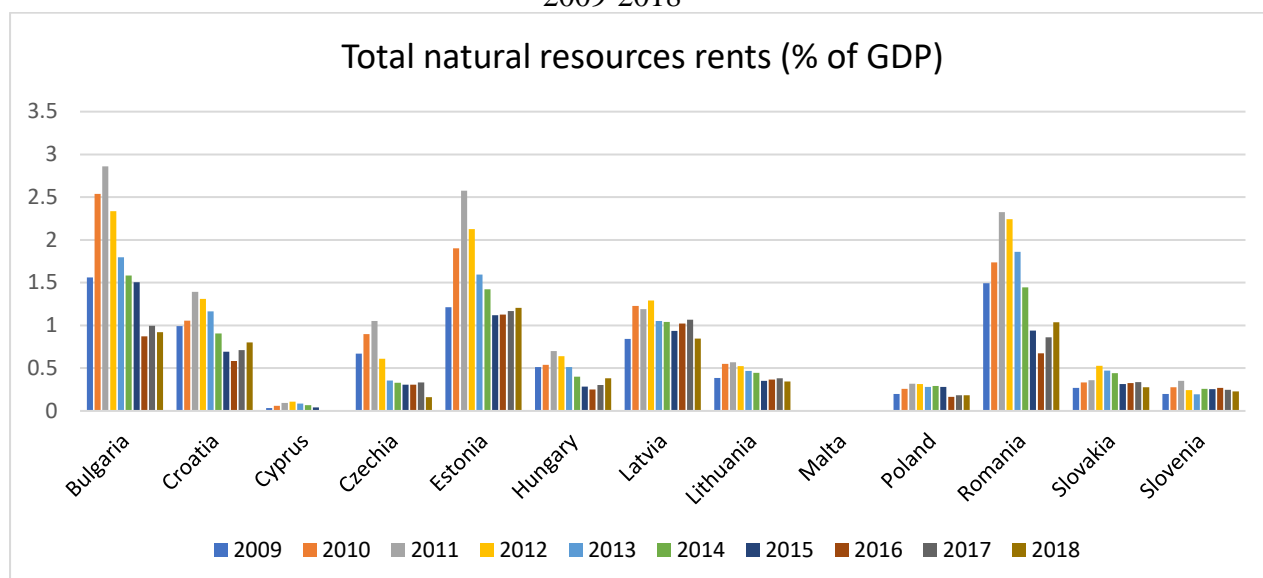
Graph 25. PM 2.5. air population, mean annual exposure in new countries in the European Union, 2009-2017



Source: Author

Regarding air pollution in new countries in the European Union during the period 2010-2017, have this result: Bulgaria, Croatia, Cyprus, Czech Republic, Slovakia, Slovenia, Hungary, Romania, Latvia, Lithuania and Malta have the most air polluted compared with Estonia and Poland. City dwellers in Europe are exposed to pollutants at concentrations higher than the air quality levels deemed harmful to health. For example, fine particulate matter (PM2.5) in air has been estimated to reduce life expectancy in the EU by more than eight months.

Graph 26. Total natural resources rents (% of GDP) in new countries in the European Union, 2009-2018



Source: Author

Total natural resource rents (% of GDP) in the new countries of the European Union during the period 2009-2018. Bulgaria, Estonia, Romania, Croatia, Czechia, Latvia have higher percentages of Total natural resource rents (% of GDP), compared to Cyprus, Hungary, Lithuania, Poland, Slovakia and Slovenia.

#### 4.2.6. Health

The life expectancy of Bulgarians has improved but is still the lowest in the EU. The social health insurance system is compulsory yet in practice there are significant gaps in population coverage and what is offered in the benefit package. Recent reform initiatives have focused on controlling spending and enhancing efficiency, including the introduction of health technology assessment (HTA) for pharmaceutical reimbursement, and trying to shift the health system's focus away from hospital-centered care. Life expectancy in Croatia is improving but continues to lag behind the EU average. Social inequalities in life expectancy appear to be less pronounced in Croatia than in many other EU countries. Recent reform efforts have targeted both primary and secondary care, but with limited success so far. The need to improve quality of care has been recognized, but requires a tangible policy response. Some of the Croatia's counties lack health workers, and migration abroad is another concern. Overall, the Cypriot population is among the healthiest in Europe. Up until recently, health services were delivered through a publicly funded health system, which entitled three quarters of the population to access care free at the point of use and a private health sector that was unregulated and contributed to high out-of-pocket payments. A new General Healthcare System was voted for

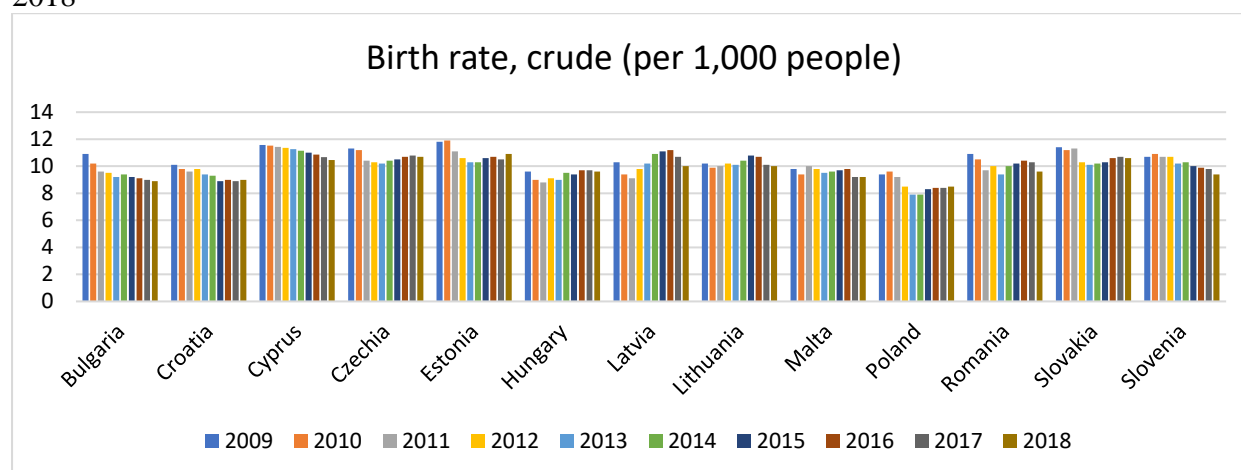
in 2017 and is currently being implemented (as of June 2019). It aims to provide universal population coverage, improve accessibility and address inefficiencies in service delivery.

The Czech Social Health Insurance scheme offers universal health coverage, a broad benefits basket, high levels of accessibility, and good financial protection to its citizens. In general, the health system has been successful in tackling life-threatening diseases but could improve its response to chronic diseases and strengthen disease prevention. Estonia has experienced gains in health status, but gaps between socioeconomic groups are among the largest in the EU. A health financing reform in 2017 provided more sustainable funding to its highly centralized single payer health insurance system, with the potential to reduce fragmentation and increase coordination. Nearly 6 % of Estonians do not have health insurance, and a significant reform of the system would be required to provide coverage for the whole population. Despite improvement over the past 15 years, life expectancy in Hungary continues to lag several years behind most EU countries. Large disparities exist in health status across socioeconomic groups, driven by greater exposure to risk factors and inequalities in access to health care. The Hungarian health system is underfunded, with health spending per capita only about half of the EU average. The Latvian health system is characterized by serious underfunding, which limits access to high quality and timely care for all. Even though the health status of the Lithuanian people has improved over the past ten years, it still remains well below most EU countries, and the difference between men and women is large. Continuous reform has reshaped the Lithuanian health system to meet health care needs more effectively and deliver health services more efficiently. Life expectancy in Malta is high and the population spend on average 90% of their lifespan in good health, longer than in any other EU country. The health system provides universal coverage and access to a comprehensive set of services, but private out-of-pocket payments remain high. While the health status of the Polish population has improved, life expectancy still lags behind the EU average. Risk factors such as smoking, excessive alcohol consumption and low physical activity, together with an ageing population, are adding pressure to an underfunded health system. The Polish government is proposing a set of structural health system reforms to address some of these challenges. The health status of Romanians has improved, but life expectancy at birth remains among the lowest in the EU. Although people are living longer, coverage is not universal and socioeconomic inequalities in health persist. Reform of the health system has been constant but frequently ineffective, due in part to a high degree of political instability.

The health status of the Slovak population has improved since 2000 but still lags behind the EU average. Slovak people live longer but persistent disparities in life expectancy exist by

gender and socioeconomic group. The Slovak health system provides coverage to the entire population, although access to care is more limited in certain regions, and quality and efficiency can be improved in many areas. Slovenia's average life expectancy is above that of the EU and experienced one of its largest gains over the last two decades. The compulsory health insurance system is characterized by low public funding, with a significant role played by complementary health insurance (European Commission, 2019).

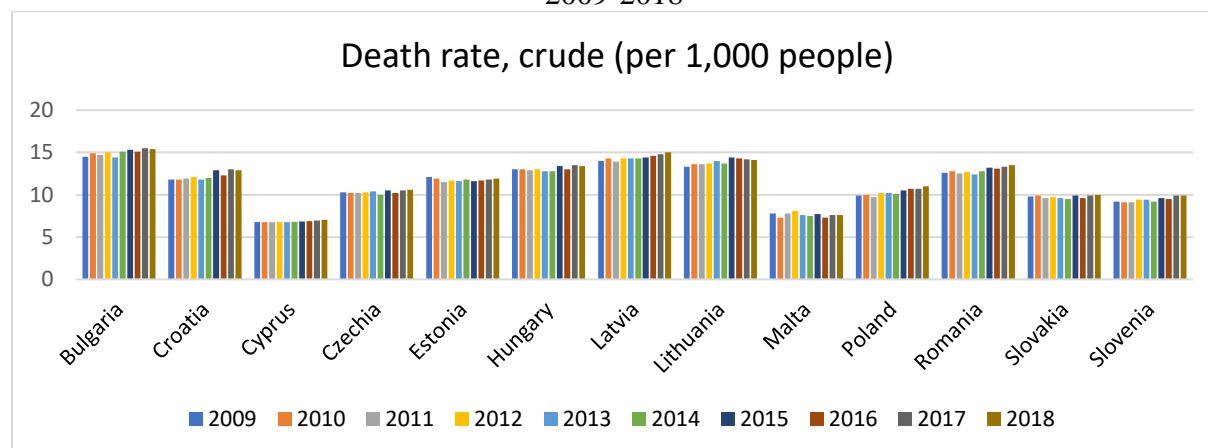
Graph 27. Birth rate, crude (per 1,000 people) in new countries in the European Union, 2009-2018



Source: Author

Birth rate, crude (per 1,000 people) in new countries in the European Union, during the period of time 2009-2018. Birth rate in all new countries of the European Union has very little difference from country to country and from year to year, the rate is almost the same every year followed by a very small change.

Graph 28. Death rate, crude (per 1,000 people) in new countries in the European Union, 2009-2018



Source: Author

Death rate, crude (per 1,000 people) in new countries in the European Union during the period of time 2009-2018. In Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia birth rate is higher than death rate. While in Cyprus and Malta the death rate is higher than the birth rate. Fortunately, the birth rate in most European states is higher than the death rate.

#### **4.2.7. Poverty**

Croatia has high poverty rates. In 2015, an estimated 19.5% of the population was below the poverty line. Further, 15% of people were unable to even afford basic necessities, such as food, shelter and water. Many of the highest rates of poverty are found in small towns and settlements in the east and southeast regions of Croatia, along the country's border with Bosnia and Herzegovina and Serbia (Maskara, 2020). Poverty in Cyprus is not well documented, yet is still considered a major problem by the Cypriot government. Due to strong kinship bonds among extended families, poverty in Cyprus primarily affects those outside kinship networks, such as immigrants, divorcees and singles from small families. In the Czech Republic lives more than 10% people in poverty, which is about 1 million inhabitants. Percentage of children with risk of poverty under 17 is 19%. It is little higher percentage than for people over 65. About 33% of households with one parent and underage children are at risk of poverty (EAPN, 2020). In 2019, Estonia's absolute poverty rate amounted to 2.3 percent, i.e., 0.1 percent less than in 2018. The category of absolute poverty is defined as a severe deprivation of basic human needs, which poses a threat to human psychophysical development (Wanat, 2021).

Fewer people live in poverty in Hungary than the EU average. While the average number of people living below the poverty line in the EU is 17%, this number in Hungary is 14.6%. Fewer people live in poverty in Hungary than the EU average. While the average number of people living below the poverty line in the EU is 17%, this number in Hungary is 14.6%. Many young people feel like they have no future in the country. According to a report by the Hungarian Central Statistical Office, about half of people between the ages of 19 and 30 would like to work abroad (Hall, 2017). Poverty rates are going up. In 2017, 23.3 percent of Latvia's population was at risk of poverty. This increased from a rate of 22.1 percent in 2016. Growth in Latvia's poverty rate is part of an upward trend of poverty since 2010, in which the rate was 19 percent. The growth may be a result of high emigration rates, causing a shrinking workforce (Follette, 2019). Though Lithuania has experienced marked progress since joining the European Union in the early 2000s, it still faces a number of challenges. In the aftermath

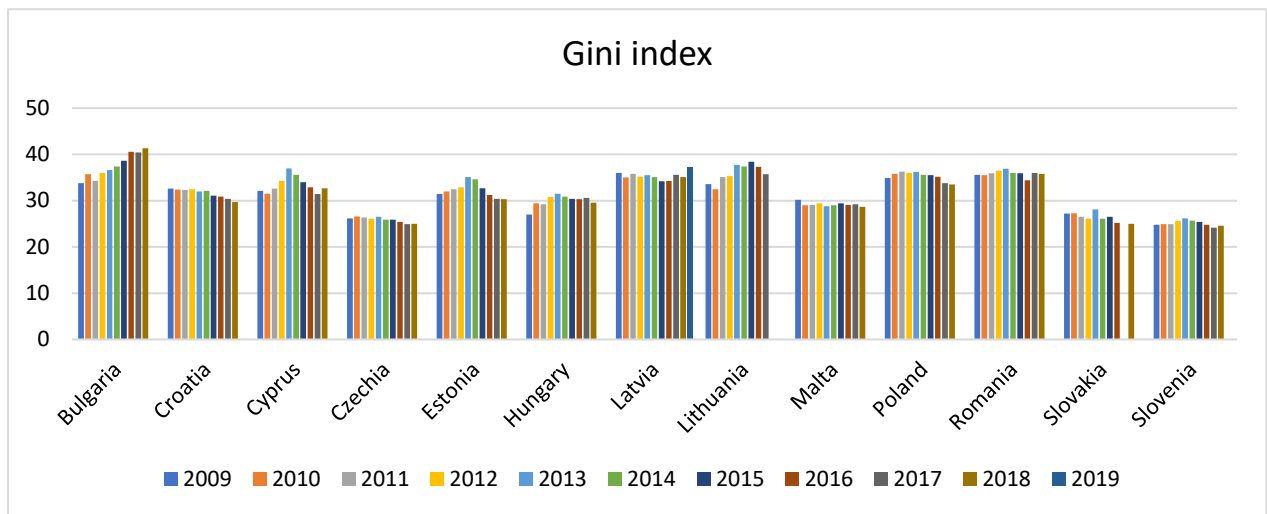
of the financial crisis of 2008, many European countries experienced a spike in poverty. The rise in poverty in Lithuania was among the most significant, and, compared to other European nations, it has not necessarily recovered to its full capacity. Arguably the most significant causes of poverty in Lithuania are those factors that relate to inequality (Zafonte, 2017).

The phenomena of hunger and poverty in Malta, as well as severe material deprivation, results from several factors. These include low income, social exclusion and low work intensity. Nearly half of the Maltese population has indicated an inability to afford even one week of vacation during the year. Individuals living in single family homes face the greatest risk of falling below the median poverty threshold. When there is one less person in the home, there is one less steady income. The cost of food, fuel and medicine increase steadily, despite a recent yet slight increase in job salaries. As a result, those living in impoverished states continue to face the unfortunate repercussions of low-income levels (Pierce, 2017). In 2020, the extreme poverty rate in Poland was around 5% compared to 4% in 2019. This occurred with a substantial decrease in the level of household expenditure. The deterioration of the material situation of some households and the increase in extreme poverty in Poland are associated with the introduction, since March 2020, of the freezing of part of the economy and restrictions in social contacts, in response to the appearance of the coronavirus in Poland (European Statistical System, 2021).

Romania has one of the highest poverty rates in the EU. As of 2016, Romania has a population of nearly 40 percent that is at the risk of poverty. There is a huge gap between the rich and the poor, among the highest in the EU (Winter, 2018). The current population of Slovakia is 5.4 million and 80.7% is Slovak. Slovakia does not have a high percentage of migrants, with only 0.2 migrants per 1,000 persons. Also, less than one-eighth of the population lives in poverty. Although poverty is not as severe in Slovakia as in other countries, poverty affects certain demographics more heavily. Although many Slovaks have these luxuries, minority groups such as the Romani people experience higher poverty rates on average. Poverty in Slovakia directly affects the Romani people, the third-largest minority group. The majority of these communities do not have access to running water, electricity or a proper system for waste disposal. The children within this group are more likely to drop out of secondary school, experience trafficking (prostitution or forced labour) and not receive necessary health care (Young, 2020). According to the 2020 Statistics on Income and Living Conditions (SILC), the at risk of poverty rate in Slovenia was 12.4%. This means that in 2020 about 254,000 people in Slovenia were living below the at-risk-of-poverty threshold, which is about 11,000 more than in the previous year (Intihar, 2021).



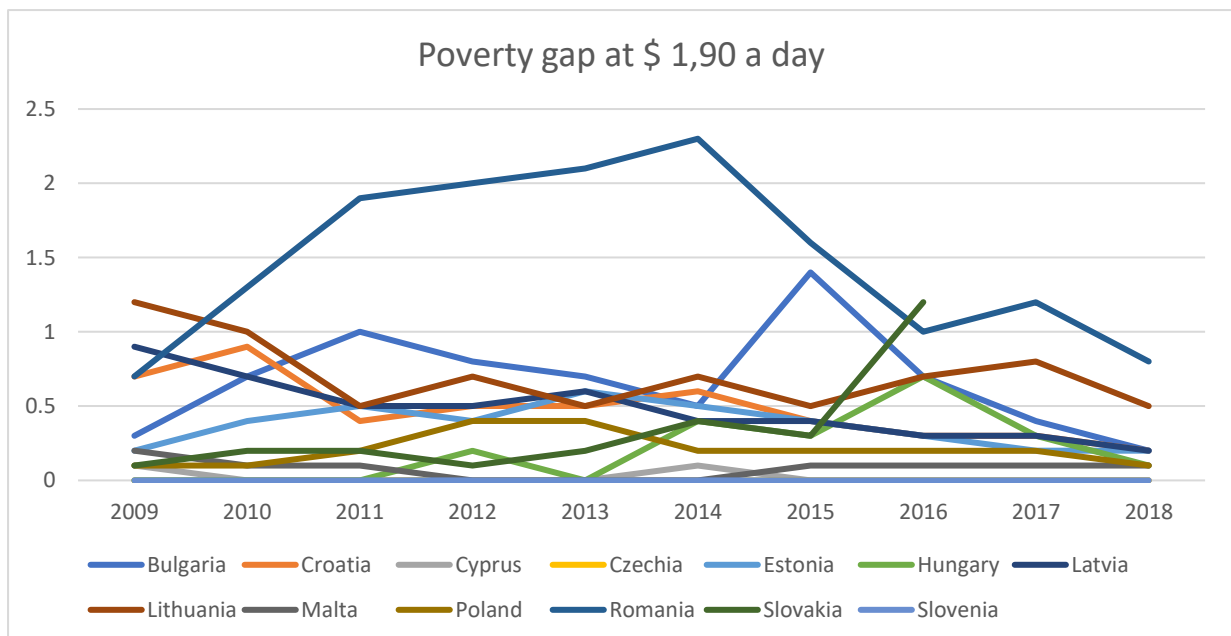
Graph 29. Gini index in new countries in the European Union, 2009-2018



Source: Author

Gini index in new countries in the European Union during the period of time 2009-2018. Gini index measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. New countries in EU have Gini index under 42 and only Bulgaria from new countries in EU has the Gini index over 41 from 2016-2018 while under 30 from 2009-2015. Croatia, Cyprus, Estonia, Lithuania, Poland and Romania, have Gini index over 30 while under 30 have Czechia, Malta, Slovakia and Slovenia.

Graph 30. Poverty gap at \$ 1,90 a day in new countries in the European Union, 2009-2018



Source: Author

Poverty gap at \$ 1.90 a day in new countries in the European Union during the period 2009-2018. Poverty headcount ratio at \$ 1.90 a day is the percentage of the population living on less than \$ 1.90 a day. In Romania, have a higher percentage of the population living on less than \$ 1.90 a day, which ranges from 0.7% in 2009 to 2.3% in 2014. While in Cyprus, Czech Republic, Slovenia, Malta, Estonia, Poland, Slovakia, Bulgaria, Latvia and Lithuania have the lowest percentage (which is from 0% to 0.9%) living on less than \$ 1.90 a day, thankfully this number does not exceed 1%.

#### **4.2.8. Social Protection & Labour**

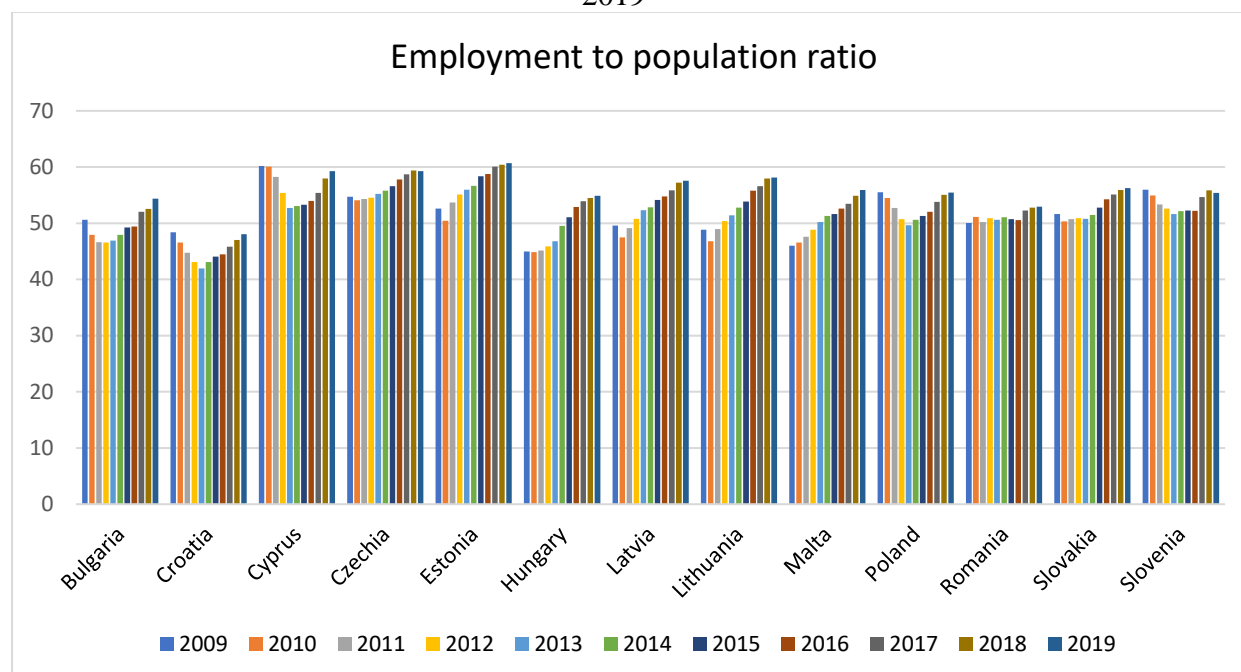
The majority of new member states in the European Union have five sources of funds towards their annual social protection expenses, central government, employers, employees, self-employed individuals, and so-called protected groups (pensioners and people receiving social support). The main contributors to social protection funds are central government, employers, and employees, with the other two groups representing an average of 3-5% of contributions.

The central government in Bulgaria, Cyprus, Malta, and Romania, contributes most of the funds towards social protection, where the government contributes around or a little over 50% for social protection. In the rest of the countries, contributions by employers and employees finance the majority of spending for social protection. In Estonia employee contributions are minimal. Countries such as Croatia, Slovenia, rely on relatively equal distribution of contributions among the three groups. Countries such as Croatia, Slovenia, rely on relatively equal distribution of contributions among the three groups. Bulgaria and Romania are closer to some of the Scandinavian countries, while Hungary, Latvia, and Slovakia resemble Southern European countries such as Spain and Greece. On the other hand, Croatia, Lithuania, and Slovenia have adopted more of a continental model (resembling Germany, France, Austria), at least regarding the share of government contributions for social protection.

It is assumed and expected that in all European countries, government has a responsibility to finance at least part of the spending for social programs, although as discussed above, countries differ in the extent to which government serves as the main source of funding. In only two countries, Croatia and Slovenia, the share of employer contributions is lower than that of employees, while in the rest of the European countries, employer contributes a greater share than the employee although there is much diversity in the ratio between the contributions

of the two groups. In the majority of the remaining countries, employers contribute between 1.5, 2 and 3 times more than employees, while only in Lithuania the share of employer contributions exceeds that of employees more than three times (Kostadinova, 2014).

Graph 31. Employment to population ratio in new countries in the European Union, 2009-2019

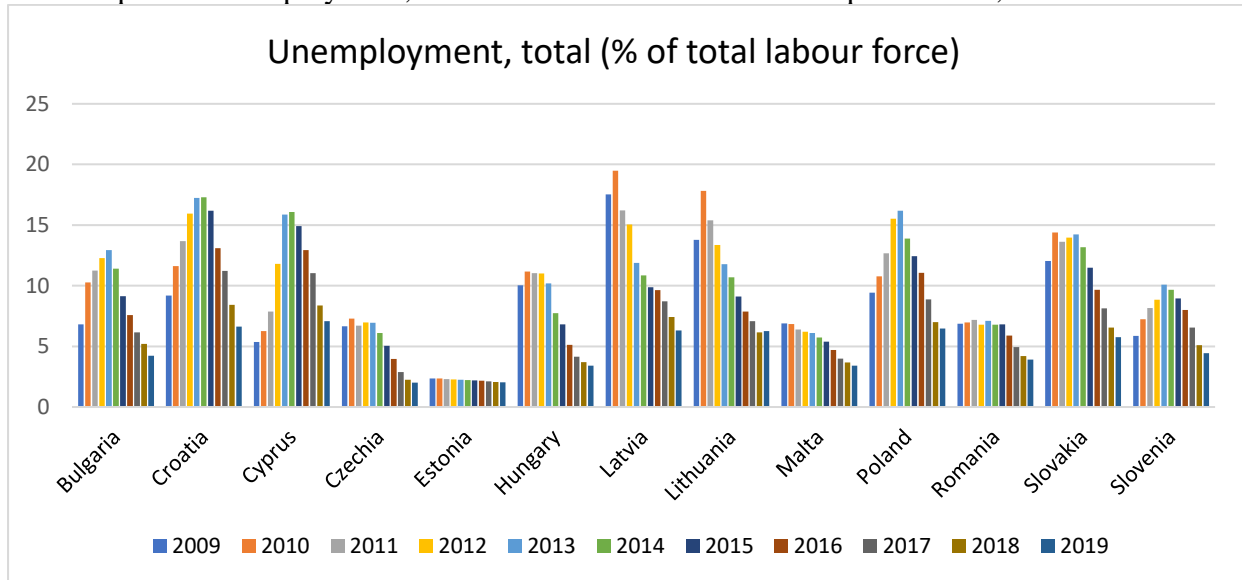


Source: Author

Employment to population ratio in the new European Union countries during the period 2009-2019. From 2009-2019, Croatia has an employment ratio to the population below 50%, it has a low employment ratio to the population. Bulgaria, from 2010-2016, has the employment ratio to the population below 50%, while in 2009, 2017-2019 the employment ratio to the population exceeds 50%, which the during this period of time enjoy an average ratio in terms of employment to the population. Hungary, from 2009-2014, has the employment ratio to the population below 50% while from 2015 - 2019, this ratio exceeds 50%.

Latvia, Lithuania and Malta, from 2009-2011, have the employment ratio to the population below 50% while from 2012-2019, this ratio exceeds over 50%. Cyprus, Czech Republic, Estonia, Poland, Romania, Slovakia and Slovenia, from 2009-2019, have an employment ratio to the population of over 50%, which means they have an average ratio in terms of employment to population. Even in the new countries of the European Union none of the countries enjoys a high ratio in terms of employment to population as this ratio in no country exceeds the figure above 70%.

Graph 32. Unemployment, total in new countries in the European Union, 2009-2019



Source: Author

Unemployment, total (% of total labour force) in the new countries of the European Union during the period 2009-2019. The Czech Republic, Estonia, Malta, Romania, and Slovenia have less than 10% of the unemployed. While, Bulgaria from 2009, 2015-2019, the number of unemployed has been below 10% while from 2010-2014 the number of unemployed has passed over 10%. Hungary, Latvia and Lithuania, from 2009-2013, the number of unemployed had over 10% while from 2014-2019, this percentage has fallen below 10%. In Poland, the number of unemployed in 2009 was below 10% to be followed by an increase of over 10% from 2010-2016, then again marked a decrease below 10% from 2017-2019. Slovakia, from 2009-2015, had the number of unemployed over 10%, while from 2016-2019, this percentage has decreased below 10%. Of the 13 new European Union countries, Estonia has the lowest percentage of unemployed, at less than 2.5%.

## 5. The best-case study of social economy in EU countries

In the literature it finds several cases for best studies of social economy in the European Union Countries. Are presented them below the best cases study of social economy in Spain, Italy, Germany and France.

### 5.1. Spain

#### Country Case Study: Spain

Social economy enterprises have traditionally played an essential role in meeting Spanish social needs. They are recognized in the Spanish constitution and are supported by legislation in order to facilitate the establishment of co-operative enterprises and workers' access to ownership. In 1990, the Government established a National Institute for the promotion of the social economy, whose tasks were assumed in 1997 by the General Directorate for the Promotion of the Social Economy and the European Social Fund. In addition, the Council for the Promotion of Social Economy was established in 2001, under the umbrella of the Spanish Ministry of Employment, as an advisory board to the social economy. The decentralization of powers means that similar institutions within each of the territories also help raise the sector's visibility.

The coordination and development of the social economy at a national level has enabled the creation of CEPES-Spanish Business Confederation of Social Economy-in 1992. This business organization acts as a national and cross-sector confederation for institutional dialogues with public authorities, becoming the highest representative of the Spanish social economy. Together with France, Spain is the first Member State where a sector is organized under a common "umbrella" organization, representing the major part of the Spanish social economy enterprises and entities.

As an organization that pools existing economic actions within the social economy model, CEPES is made up of 28 organizations ([www.cep.es](http://www.cep.es)). All of them are national or regional confederations and specific business groups, representing the interests of co-operatives,

**Social  
Economy in  
Spain**

	<p>worker-owned societies, mutual benefit societies, insertion enterprises, shelter employment centers, fishermen's guilds and disability associations, with more than 200 support structures at a regional level.</p> <p>CEPES acts as a spokesman, integrating and organizing all confederated structures. CEPES defines itself as a social and economic partner, operating in the market, with repercussions on society through various actions. It has a personality of its own and applies a corporate model with specific values. CEPES is a member of several consultative committees of the State Administration (Ministries of Employment, Economy and Foreign Affairs) and also of the Spanish Economic and Social Council as well as the European Economic and Social Committee. The role of CEPES in these committees is to defend and represent the social economy in the definition of public social and economic policies.</p> <p>The Social Economy Law defines enterprises operating within the social economy as having primacy of mutual or social benefit statutory goals over generating profits; democratic, transparent and participatory governance; profits mainly redistributed based on the work performed and services rendered by their members, or based on the organization's social benefit goals, where appropriate; independence from public authorities (i.e. voluntary, private legal entities); and a commitment to internal and external solidarity, local development, social cohesion, inclusion and sustainability.</p>
<b>Legal Framework</b>	<p>From 1990 onward, the social economy started to obtain recognition from public institutions. Spain was the first EU Member State to adopt a national law on the social economy.</p> <p><b>Law n. 5 of 2011:</b> on the social economy (Economía Social) this law sets up the legal framework working alongside current legislation in order to increase visibility and recognition of the sector and provide more legal certainty. It defines social enterprise as part of the social economy. Every legal form of the social economy has obtained a specific regulatory framework (please consult the CEPES website: <a href="http://www.cep.es/tipos_de_entidades">http://www.cep.es/tipos_de_entidades</a>)</p> <p>Since the entry into force of the 2011 Law, it has provided the framework for social economy organizations, including associations,</p>

	<p>foundations, cooperatives and mutual associations, which carry out economic activities. It also covers labour associations, shelters, employment centers and integration enterprises. In addition, other historical actors are covered, such as agricultural societies and fisherman societies. The Law n. 5 of 2011 provides a legal definition of the social economy. It also defines its main components, regulating the national representation of the sector before Public Administrations (Central Government and Regional Governments) and also defining measures to foster and develop the sector.</p>
<b>Structures (main types)</b>	<p>As noted above, the Social Economy Law covers a wide range of institutions:</p> <ul style="list-style-type: none"> <li>• <b>CO-OPERATIVES:</b> A co-operative is an enterprise based on a democratic structure and operation. Its activity is developed in compliance with co-operative principles accepted and regulated at regional, national and international levels: voluntary and open adhesion of the members, democratic management, economical participation of members, education, training and information and an interest in the community.</li> <li>• <b>WORKER-OWNED SOCIETIES:</b> Worker-owned societies have a high potential to create businesses. In this type of corporation, the majority of capital is shared by employees/workers. The fact that the workers are also the shareholders encourages self-motivation in entrepreneurial projects. The minimum number of members is three and constitution procedures are similar to those of other companies.</li> <li>• <b>MUTUAL BENEFIT SOCIETIES:</b> These organizations—made up of individuals—have a non-profit nature. With a democratic structure and management system, they provide voluntary insurance as a complement to the social security system.</li> </ul> <p><b>SHELTERS EMPLOYMENT CENTRES:</b> These companies combine economic feasibility and market participation with a social commitment to groups with more restricted access to the job market. Their staff includes people with disabilities (it has to be over 70% of total employees). They develop productive and competitive capacities to introduce their products into the market.</p>

	<ul style="list-style-type: none"> <li>• <b>INSERTION ENTERPRISES:</b> Insertion companies are defined as “learning structures, in business corporate form, that aim at ensuring job market access to disadvantaged groups by developing a productive activity. To that end, an insertion process is designed with a standard labour relationship”. The staff must consist of a number of insertion employees, from 30 to 60%, depending on the region. Eighty percent of the profit is re-invested in the company.</li> <li>• <b>FISHERMEN’S GUILDS:</b> These are sector-based, public-law organizations of a non-profit nature. They represent the economic interests of fishing boat builders and fishing workers and operate as an advisory and collaborative body in the corresponding administrations in the area of sea fishing and fishery planning. Their goal is to meet their members' needs and to contribute to local development, social cohesion and sustainability.</li> <li>• <b>DISABILITY ASSOCIATIONS:</b> The main aim of this associative movement is to provide services where the profit-making sector fails to do so. This is usually the case with sectors referring to people’s fundamental rights, particularly with regard to vulnerable groups, like disabled individuals. Other features include innovation in the way social problems are dealt with and the defence of social, legal and administrative changes, aimed at protecting the rights and liberties of those with disabilities, as the necessary basis for diversity, plurality and tolerance.</li> <li>• <b>FOUNDATIONS:</b> these are non-profit organizations whose equity is dedicated to a general interest objective in the long term, through the will of their creators. Social Economy Foundations must fully comply with the aforementioned social economy principles, contained in Law 5/2011.</li> </ul>
<b>Role of Social Economy</b>	<p>The social economy is a growing sector that has shown a great capacity to create and maintain employment in times of crisis. For instance, it has created 29 000 new enterprises and 129 000 in the last 7 years. Job losses in the social economy have been 6,5% lower than the rest of business in times of crisis. Awareness of social economy is rising, as the majority of social economy enterprises’ population is not brand new and as there is a large diversity of sectors and activities in which social enterprises are active. This entrepreneurial model is composed in Spain by companies</p>



	<p>ranging from small enterprises to business groups acting in all economic sectors. The main features of the social economy in terms of social and economic development are:</p> <p>The creation and maintenance of jobs.</p> <ul style="list-style-type: none"> <li>• The fostering of entrepreneurial spirit by the creation and consolidation of enterprises.</li> <li>• The promotion of social innovation, especially through workers' buyout of enterprises in crisis.</li> <li>• The improvement of the living conditions of vulnerable populations, in particular through employment opportunities.</li> </ul> <p>Local and regional development</p>
<b>Good practices</b>	<p>There are some data showing the economic and social performance of the social economy in Spain:</p> <ul style="list-style-type: none"> <li>• The final agricultural production of co-operatives represents 60% of the total production at national level.</li> <li>• There are 17 000 workers' co-operatives acting in all economic sectors, providing more than 300 000 jobs.</li> <li>• The market share of consumers' co-operatives has grown from 4% to 15% in the last 20 years.</li> <li>• Credit co-operatives' credit portfolio (EUR 96 000 billion) has increased 6% since the beginning of the crisis.</li> <li>• Thirteen percent of the Spanish population live in houses promoted by co-operatives.</li> <li>• There are more than 560 schools, high schools and universities under the form of educational co-operatives. These co-operatives are run by 15 000 teacher members of co-operatives and provide educational services to 300 000 students.</li> <li>• The health co-operative model, where doctors and health staff are members of the co-operative, accounts for more than 35 000 employments and their turnover is near EUR 1 500 billion.</li> </ul>

- Twenty-five percent of the insurance market share is in the hands of 371 mutual benefit societies. These societies manage 38 billion euros and associate 2 500 000 people.
- There are 12 000 labour societies, employing 63 300 people.
- Sea co-operatives and fisherman guilds group more than 10 000 vessels. They employ 35 000 people. There are many social economy good practices. As examples of cross– sectoral business groups, there is Mondragon Corporation<sup>3</sup> or the National Organization for Blind People (ONCE)<sup>4</sup>. Moreover, there are performant experiences of social economy enterprises in several economic sectors:
  - Bank: Cajamar<sup>5</sup>, Caja Laboural<sup>6</sup>
  - Consumers: Eroski<sup>7</sup> Consum<sup>8</sup> and UNIDE<sup>9</sup>
  - Health: Cooperativa LAVINIA- ASISA<sup>10</sup>
  - Agricultural: Coren<sup>11</sup>, DCoop<sup>12</sup>, Central Lechera Asturiana<sup>13</sup>, Feiraco<sup>14</sup>
  - Education: Gredos San Diego<sup>15</sup>
  - Housing: Larcovi<sup>16</sup> Some remarkable mutual benefit societies are Lagun Aro<sup>17</sup> and Mutualidad General de la Abogacía<sup>18</sup>. Social insertion enterprises, such as Engrunes<sup>19</sup> or Formació y Treball<sup>20</sup> are also relevant and provide examples of good practice, as well as ILUNION<sup>21</sup>, or the business group of ONCE, composed of shelters and employment centers and active in several economic sectors.

<sup>3</sup> <http://www.mondragon-corporation.com/eng/>

<sup>4</sup> <http://www.once.es/new/otras-webs/english>

<sup>5</sup> <https://www.cajamar.es/en/comun/>

<sup>6</sup> <http://about.labouralkutxa.com/us/>

<sup>7</sup> <http://www.eroski.es/>

<sup>8</sup> <http://www.consum.es/>

<sup>9</sup> <http://web.unide.es/>

<sup>10</sup> <https://www.asisa.es/seguro-privado-de-salud/empresa>

<sup>11</sup> <http://www.coren.es>

<sup>12</sup> <http://www.dcoop.es/en/>

<sup>13</sup> <http://www.centrallecheraasturiana.es/en/know-us/milk-is-our-life/>

<sup>14</sup> <http://feiraco.es/en/>

<sup>15</sup> <http://www.larcovi.es/>

<sup>16</sup> <http://www.gredossandiego.com/Inicio.aspx>

<sup>17</sup> <http://www.seguros lagunaro.com/>

<sup>18</sup> <http://www.mutualidadabogacia.com/>

<sup>19</sup> <http://www.engrunes.org/index.php?idioma=es>

<sup>20</sup> <http://www.formacioitreball.org/es/>

<sup>21</sup> <http://www.ilunion.com/en>

<b>Obstacles</b>	<p>The financial sector has also been adapting to overcoming <b>access to finance</b>. Notable examples include organisations such as Creas that provide venture capital to create social value, LaCaixa that provides seed funding for social enterprises' early steps, Banesto that provides entrepreneurship platforms for promoting and supporting social entrepreneurship and innovations initiatives, StoneSoup Consultancy which has pioneered social impact bonds market and UpSocial, proposing to create a fund for social R&amp;D in Spain.</p> <p>The sector has been striving for <b>increased recognition</b>. This was one of the factors behind the Social Economy Law passed in 2011. In addition, 54% of social enterprises report that they have at least one indicator to track social impact. The most frequent indicator is related to employment and to the lives affected by them. Some universities also offer master's degree programs that focus on social entrepreneurship as an emerging business trend.</p>
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## 5.2. Italy

Country Case Study: Italy	
<b>The Social Economy in Italy</b>	<p>In Italy, the social economy emerged in the 70s and further consolidated its presence in the social, economic and entrepreneurial system of the country, throughout the following decades. Principally aiming at addressing shortages in social service supplies by both the Italian public and the private sector, the Italian social economy includes:</p> <p>All private socio-economic initiatives (institutions with or without legal personality) that: produce goods and services (for both market and non-market purposes); feature a non-profit character (cannot directly or indirectly redistribute profits and revenues among members); focus on values of solidarity, trust, reciprocity, collaboration, collective effort; and aim at the reinforcement of social cohesion.</p> <p>Compared with other (profit) economic initiatives, social economy actors in Italy have to balance their economic activity with the social aim of providing services of general interest, in particular with regard to the needs of vulnerable groups (e.g. immigrants, aged population, drug-users,</p>

	<p>long-term unemployed, homeless). To enhance their efficiency, they rely on: higher intrinsic motivations (ensuring a mix of incentives for all stakeholders); the development of innovative entrepreneurial practices; and higher resources supplied for free (voluntary work, donations). In Italy, the social economy is fully integrated into the welfare system, providing a series of important services of general interest.</p>
<b>Legal Framework</b>	<p>From 1990 onward, a series of legislative interventions expressly recognized the concept of public benefit organizations, establishing the necessary legal framework to support social economy activities (e.g., through the provision of tax benefits and other advantages) and regulating the institutional forms of different categories of Italian social economy actors. Through a complex web of specific and ad hoc legislation, Italian legislators progressively identified and regulated the main categories of organizations operating in the social economy sector. The main legislative interventions adopted to promote the culture, practice and role of social entrepreneurship include:</p> <ul style="list-style-type: none"> <li>• Law n. 266 of 1991: which affirms the social value and function of volunteering, promotes its development, safeguards its independence and pluralism and regulates organized volunteering, aid and solidarity interventions performed by a group or an organization (not by individuals).</li> <li>• Law n. 381 of 1991: establishing a unique legal framework for social co-operatives, which are categorized into two types. The first type operates in the areas of recreation, health, social assistance and education. The second category of social co-operatives involves those co-operatives that are primarily engaged in programmes, activities and services related to labour force integration, providing stable work and remuneration to disadvantaged and marginalized people in the labour market.</li> <li>• Law n. 383 of 2000: which introduced social promotion associations and regulated their possible sources of funding. These may include heritages; donations; public procurements; entries deriving from entrepreneurial activities, such as the provision of goods and services; as well as self-financing initiatives directed at the achievement of the association's social goals (Article 4, Law n. 383 of 2000).</li> </ul>

	<ul style="list-style-type: none"> <li>• Law n. 155 of 2006: which introduced a new type of economic actor, consisting of the social enterprise. The 155/2006 Law established the requirements that a particular enterprise must meet in order to be labelled as a social enterprise. Eligibility criteria introduced by the law are: the organization's private nature; the performance of an entrepreneurial activity directed at the production of social utility goods and services; the absence of the profit goal; the objective to act in promoting common interests. It has to be noted that social enterprise is neither a new legal form nor a new type of organization. Regardless of their internal structure, all organizations meeting the eligibility criteria set by the 155/2006 Law may be included within this new legal category. In the context of the current Italian legislative framework, organizations recognized as "social enterprises" can present different legal forms and institutional settings. Provided that they comply with the eligibility criteria and formal registration requirements set forth by the 155/2006 Law, social enterprises can be structured and operate as: <ul style="list-style-type: none"> <li>• Co-operatives - consisting of firms owned by employees, producers or customers. These organizations are regulated by article 2511 and followings of the Italian Civil Code;</li> <li>• Business corporations - which are investor-owned firms regulated by the fifth book of the Italian Civil Code (art. 2247 ff.);</li> <li>• Traditional non-profit firms - (i.e. associations and foundations) regulated in the first book of the Italian Civil Code. In all the aforementioned cases, the applicable Italian law is a general law and not a particular law applicable to a specific (or unique) form of social enterprise. Specific sets of legislation apply, among others, to "social co-operatives" (Law, 8 November 1991, no. 381); "voluntary organizations" (Law, 11 August 1991, no. 266), and "social promotion associations" (Law, 7 December 2000, no. 383)</li> </ul> </li> </ul>
	<p>Data made available in 2014 by the National Institute of Statistics (ISTAT), show that as of the 31st of December 2011, there were 301 191 active social enterprises in Italy (+28%, compared to 2001) formally employing 680 811 workers; 270 769 external collaborators; and 5 544</p>

<b>Size and indicators</b>	<p>temporary workers. In addition, there are 4 758 622 volunteers involved in the Italian social economy (+43.5%, compared to 2001). The entrepreneurial dimension of the social economy (represented by the organizations formally employing workers) registered an increase compared to 2001 (+9.5%).</p>
<b>Structures (main types)</b>	<p>Despite the variety of institutional and operational structures that, under national law, social economy actors can use to operate within the market, the main social economy organizational models in Italy are:</p> <ul style="list-style-type: none"> <li>• Social enterprises: the requirements are: a) being a private organization; b) performing an entrepreneurial activity involving the production of social utility goods and services. Social enterprises must engage in regular production and exchange of goods and services that have a social utility and that seek to achieve a public benefit purpose, rather than generate profit. An organization is considered a social enterprise if it generates at least 70% of its income from entrepreneurial activities; c) acting for the common interest and not for profit. Social enterprises do not distribute profit, directly or indirectly, but rather invest it to further their main statutory (non-profit) goal, or to increase their assets. In order to be defined as a social enterprise, an organization needs to simultaneously hold all the aforementioned attributes. The structure of social enterprises is subject to these general principles: correct and efficient management, transparency, an “open door”, participation, worker protection.</li> <li>• Co-operatives - consisting of firms owned by employees, producers or customers.</li> <li>• Social co-operatives - they are subject to the same rules applied to other co-operatives, according to the Italian Civil Code as well as subject to a distinctive framework legislation (Law 59/1992). In many ways, social co-operatives are quite distinct from traditional co-operatives, as they exhibit a number of related properties such as: paid employment; limited profit distribution; and democratic management structures. Attempting to establish a unique role for them within Italian civil society, Law 381 designates for social cooperatives the responsibility to pursue the common good vis-à-vis the provision of benefits for third parties. Despite</li> </ul>

representing economic oriented entities with designated economic goals as a means to social ends, social co-operatives tend to subordinate economic productivity to the realization of collective social benefits. Currently, social co-operatives are the sole social enterprises that can distribute limited profits to their members. This exception stems from the combined rules of art. 17, para. 3, Law 155/2006, of art. 3, Law 381/1991 and of art. 2514, Civil Code. The main activities covered by social co-operatives include: consumer co-operatives; agricultural co-operatives; credit co-operatives; home construction co-operatives; transport co-operatives; editorial co-operatives; social co-operatives.

- Non-profit organizations - include both market and non-market units. Market units are those that mainly derive their revenues and incomes from operating in the market, through the production of goods and services. Social economy market-units are concentrated in specific economic sectors, such as: economic development and social cohesion; health care; social assistance and civil protection; education and research. Non-market units mainly depend on public procurement and constitute the 69.4% of the Italian non-profit sector. Two main groups of social economy institutions can be identified:
  - o Public Utility organizations: oriented towards the delivery of services of general utility and devoted to increasing general welfare. These organizations represent the 61.8% of the total number of Italian non-profit organizations.
  - o Mutuals: oriented towards the delivery of services, targeting interests and needs of the organizations' members, or specific groups of individuals. Mutuals represent 38.2% of the total number of Italian non-profit organizations. Mutuals are particularly present in the following sectors: development cooperation, philanthropy and volunteering (97.4%); health care (92. %); social assistance and civil protection (90.6%); education and research (82.7%).

- Voluntary organizations - can be registered and non-registered in regional registers and are established on the basis of the freewill of their members who are not entitled to any type of financial remuneration. The primary goal of volunteering organizations is the promotion of rights and

	<p>the delivery of socially relevant activities and services, directed to non-members or the community as a whole.</p>
<b>Role of the Social Economy</b>	<p>In Italy, the main sectors of activity covered by the social economy include culture, sport, leisure, civil protection and social assistance, education and research, philanthropy, healthcare, economic development and social cohesion, fundamental rights protection and politics.</p> <p>In terms of aspects linked both to the existing national legislative framework and to the particular role played by social enterprises in Italy, the Italian social economy is substantially different from that of other EU Member States. It has been observed that the peculiarities of the Italian social economy might result in a new institutional structure of the so-called “third sector” and of the relationships among its players.</p> <p>In general, the social economy continues to play an important instrumental role in the competitive Italian welfare system. Social economy organizations are particularly well suited to further social incentives and social capital development, as well as to link economic and social policies at different levels of governance (e.g. national, regional, local).</p> <p>In addition, the social economy in Italy is an important source of entrepreneurship and jobs in areas where traditional “investor driven” enterprise structures may not always be viable, because of low profit rates and high labour intensity.</p>
<b>Good practices</b>	<p><b>Le Mat</b> – Uses franchises to set up and run hotels and hostels based on common standards. The franchise supports a certain way of travelling, aimed at supporting local communities and also providing employment to disadvantaged groups.</p> <p><b>Le Tech Life Onlus</b> – This social enterprise combines the integration of prisoners and former prisoners back into employment within an enterprise with an environmentally friendly mission. The enterprise specializes in the ecological management of electronic waste. A key driving force underlying the enterprise’s success involves the cooperation with prisons around Italy, including training while prisoners are still incarcerated.</p>



	<p><b>Marcora Law</b> – allows redundant workers to use their accumulated unemployment benefits to capitalize a buyout co-operative.</p>
<b>Obstacles</b>	<p>In Italy, the needs and difficulties of social economy actors have changed over the years. Having come a long way from providing marginal social services, to their current full integration in the Italian welfare system, social economy organizations now face a set of strategic challenges.</p> <p>The rapid growth of the social economy is not supported by proper institutional development and an increase of competent management base. There is a need for the improvement of internal organization processes. The status of social enterprise triggers additional obligations, including the workers' participation in the decision-making process, as well as the transaction costs associated with the amendment of the status, as well as traditional reporting requirements. There is a lack of proper accreditation for social economy actors in terms of monitoring the quality of their work.</p> <p>Any perspectives for the development of non-profit organizations also need to consider the financial context, in order to provide sustainability within continuity and strategy of actions. Modalities to having access to credit and loans for third sector organizations are mainly based on profit criteria.</p> <p>In addition, it is not clear what is presently the underlying benefit in operating as a social enterprise, given that the latter is not afforded any specific tax or financial benefits. There is an increasing dependence on public authorities in articulating their goals and activities</p>

### 5.3. Germany

Country Case Study: Germany	
<b>The Social Economy in Germany</b>	<p>Co-operativism boomed in rural and urban areas, together with mutual assistance societies, in the middle of the 19th Century. German associations developed interactions with the state. In contrast, the rise of social enterprises was slower in Germany than in other more liberal welfare</p>

	states, due to the stronger welfare state <sup>22</sup> . The term ‘general interest economy’ is more recognized in Germany than the term social economy.
<b>Legal Framework</b>	<p>Despite the long tradition of social economy entities in Germany (in particular, co-operatives), there is no specific legal framework on social entrepreneurship in Germany. Specific acts do however exist.</p> <p>Legal stipulations for co-operatives were for the first time established within the Civil Law Code in 1889 and for associations in 1872. Germany has no special legal form in the context of which social entrepreneurs can pursue activities. They can thus take the legal form of other social entities, such as co-operatives, foundations and associations. They can also be public liability companies<sup>23</sup>.</p> <p>In 2006, the German Co-operatives Act was revised; it added a strong social and cultural element to the mission of co-operatives. This legal change was seen as promoting new types of social enterprises, away from the traditional areas of work integration, social integration and social services, to include cultural and social purposes.</p> <p>The trend is still for social enterprises to use the legal forms characteristic of associations, co-operatives and foundations; a number of social enterprises have adopted a limited liability status (GmbH). In 2013, the “Gesetzes zur Stärkung des Ehrenamtes” of 21 March 2013 introduced the status of limited liability company, with a social mission having been introduced (gGmbH). In order to qualify as a GmbH, an entity must fulfil a number of conditions, including having a non-profit purpose. However, GmbHs are still covered by limited liability company law.</p>
<b>Size and indicators</b>	<p>In 2009-10 there were 7 415 co-operatives, 328 mutuals and 505 984 associations.</p> <p>In 2009-10 co-operatives employed 830 258 people, mutuals 86 497, associations 1 541 829 people.</p>
	<p>Key entities are foundations, voluntary associations, co-operatives. In addition, volunteer services and agencies; social firms for disadvantaged people; alternative enterprises within the women's movement and the</p>

<sup>22</sup> Wolf, M. 2014. The State of Social Entrepreneurship in Germany. Seforis Country Report.

<sup>23</sup> Zimmer and Bräuer. 2014. The Development of Social Entrepreneurs in Germany.

<b>Structures (main types)</b>	environmental movement; self-help organizations; socio-cultural centers; work integration companies; local exchange and trading systems; neighbourhood and community enterprises (Monzon & Chaves, 2012).
<b>Role of the Social Economy</b>	<p>Co-operatives have recently moved into the areas of business administration consulting, IT business, accounting, laboratory business, quality assurance, training and human resource development, as well as activities in the fields of waste disposal, recycling and environmental protection. Their core concepts can be flexibly applied to the most diverse industry structures.</p> <p>Social enterprises active in the field of education, work integration, societal inclusion and social services may take a third sector legal form. Many social enterprises are active in the environmental field (such as sustainable energy or sustainable consumption) and these tend towards a market-based legal form.</p> <p>The social economy also provides volunteer services and agencies; social firms for disadvantaged people; alternative enterprises within the women's movement and the environmental movement; self-help organizations; socio-cultural centers; work integration companies; local exchange and trading systems; neighbourhood and community enterprises. These organizations play an important role in assisting the disadvantaged in society.</p>
<b>Good practices</b>	<p>The Social Impact Lab in Berlin is designed to facilitate collaboration and incubate ideas. This collaboration space acts as a hub and the scholarship programme helps many social businesses get off the ground. Twenty percent of the city's GDP currently flows through the creative and cultural industry.</p> <p>The energy sector is in the hands of large corporations in many countries but in Germany the Renewable Energy Act and feed-in tariffs that favours community ownership over corporations has increased the acceptance levels of renewables. This approach suggests that rather than large central power stations there should be a large number of smaller power generators that allow community involvement.</p>

<b>Obstacles</b>	There are ongoing discussions about governance structures so that social enterprises may balance societal contribution and financial sustainability.
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## 5.4. France

Country Case Study: France	
<b>The Social Economy in France</b>	<p>The social economy in France is generally referred to as “Economie Sociale et Solidaire” (social and solidarity economy). The concept has existed in the country since the 19th Century and the sector employs approximately 10% of all the country’s employees<sup>24</sup>.</p> <p>Social economy actors drew up a charter for the social economy in 1980 soon before being recognized officially in December 1981 with the publication of a decree setting up a delegation fully dedicated to the social economy. More recently, the sector has been given a high profile with the creation of a ministry dedicated to the social economy in 2012 and an updated legal status in 2014, with the adoption of Law 201-856 on the Social and Solidarity Economy.</p> <p>The social economy is mostly represented in sectors such as finance, insurance, social activity, education and health. However, some forms of the social economy, such as the AMAPs (Association pour le Maintien d'une Agriculture Paysanne) and SCIC (Société Coopérative d'Intérêt Collectif) also mean that other sectors such as agriculture and wider sectors are represented.</p>
<b>Legal Framework</b>	<p>The main legal Framework in France is the recent loi n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire.</p> <p>The main aims of the law are to:</p> <ul style="list-style-type: none"> <li>• Ensure the recognition of social and solidarity economy as an innovative and sustainable means of entrepreneurship, ensuring more private and public funding;</li> <li>• Strengthen networks of the social economy;</li> </ul>

<sup>24</sup> INSEE figures available at [http://www.insee.fr/fr/themes/detail.asp?reg\\_id=99&ref\\_id=eco-sociale](http://www.insee.fr/fr/themes/detail.asp?reg_id=99&ref_id=eco-sociale).

	<ul style="list-style-type: none"> <li>• Empower employees, in particular by allowing them to be informed when their enterprise is at risk of closing down and thus being able to create a co-operative to rescue it without the immediate need to find the necessary capital;</li> <li>• Create a co-operative “shock” to encourage the development of job creation;</li> <li>• Reinforce local policies to encourage the sector’s development.</li> </ul>
<b>Size and indicators</b>	<p>In 2013, the social and solidarity economy represented 10% of total employment in France. This represented approximately 2.3 million people. Both the volume and the number of employees in the sector have been growing steadily since at least 2009. There are clear regional and local differences; the share of social economy employment is much higher in rural regions such as Limousin and Basse Normandie (17% and 16.4% respectively) when compared to urban ones, with only 8.6% of employment stemming from the social economy in Ile-de-France. The sector also represents roughly 10% of the country’s GDP.</p>
<b>Structures (main types)</b>	<p>The main types of actors in the social economy are:</p> <ul style="list-style-type: none"> <li>• Associations—the largest type of actor accounting for the bulk of employment (1.8 million).</li> <li>• Co-operatives (around 21 000), which can include very small Sociétés Coopératives et Participatives or large banks such as the Crédit Coopératif, member of tBCPE.</li> <li>• Mutual organizations, which operate mainly in the health, social care, insurance and pensions sectors, covering approximately 38 million people in the country;</li> <li>• Social enterprises, which can operate in all areas of activity and may generate a profit;</li> <li>• Foundations (in 2014 there were 2 229 foundations and 1 842 endowment funds so in total some 4 000 foundations and funds), whose role is generally to fund activities and organizations operating in the social economy.</li> </ul>
	<p>Traditionally, the social economy in France concentrated on a few distinct sectors. A study conducted for the French Statistical Institute</p>

<b>Role of the Social Economy</b>	<p>(INSEE) showed that 81% of employment in the social economy focused in 10 sectors, which only accounted for 20% of the country's total employment (including social actions, sports, entertainment, art and creative arts, insurance, financial sector, agriculture and employment). This is mainly due to the fact that these sectors represent areas where neither the private profit-making sector nor the public sector could adequately cater for existing needs.</p> <p>With the introduction of the 2014 law, the role of the social economy is expected to widen. One particularly interesting example is the SCOP (société co-operative et participative), an enterprise in which employees hold the majority of the company's share capital. Employees elect the management team, actively participate in decision-making, manage the company and share its profits, in accordance with the democratic economic principles of co-operatives. The 2014 law introduced the concept of SCOP d'amorçage, where employees forming a cooperative can take a majority share of an enterprise, while having up to 7 years to become majority shareholders. This is expected to be used for high profile cases, for example when a multi-national decides to close down a factory in France (such as the Fralib or Lejaby factories).</p>
<b>Good practices</b>	<p>Terre de liens brings together a network of associations, which supports access to land to farmers and informs the public on land and agricultural issues; it is a solidarity investment company open to citizens' savings. The accumulated capital is used for buying farms where diversified agri-rural activities can be developed. The Foundation of Public Utility can receive donations and legacies and can buy land to maintain their agricultural use in a sustainable way, while facilitating intergenerational transmission by enabling new farmers to come in.</p> <p>SCOP d'amorçage (see above).</p>
<b>Obstacles</b>	<p>One of the recurring issues involves access to finance. Given the nature of the actors in the social economy sector, organizations do not have collaterals and therefore have very little or no access to the normal streams of access to finance.</p>

## **CHAPTER IV**

### **OBLIGATION POLICIES AND MEASURES FOR IMPROVEMENT OF THE SITUATION IN REGARD OF SOCIAL ECONOMY**

#### **1. European Union obligation policies and measures in regard of social economy**

European Union obligation policies and Regarding the legal and regulatory framework for the social economy in European Union countries we can say that these countries have established a legal framework.

In Italy, Law n. 381 of 1991 establishes a unique legal framework for social cooperatives, which are categorized in two types. The first type of social cooperatives operates in the areas of recreation, health, social assistance and education. The second category of social cooperatives are primarily engaged in programmes, activities, and services related to labour force integration, providing stable work and remuneration to disadvantaged and marginalized persons in the labour market.

The Law n. 155 of 2006 introduced a new type of economic actor, the social enterprise. The Law establishes the requirements that a particular enterprise must meet in order to be labelled as a social enterprise. Eligibility criteria introduced by the law are: private nature of the organization; the performance of an entrepreneurial activity directed at the production of social utility goods and services; the absence of profit as a primary goal; the objective to promote common interests. It has to be noted that social enterprise is neither a new legal form nor a new type of organization. Regardless of their internal structure, all organizations that meet the eligibility criteria set by the 155/2006 Law may be included within this new legal category. Under the current Italian legislative framework, organizations recognized as “social enterprises” can present different legal forms and institutional settings. Provided that they comply with the eligibility criteria and formal registration requirements set forth by the 155/2006 Law, social enterprises can be structured and operate as Cooperatives - Business corporations - Traditional non-profit firms - (i.e. associations and foundations).

In Spain, Law n. 5 of 2011 on social economy (Economía Social) lays down the legal definition of social economy and defines the guiding principles and common values of enterprises and organizations in the social economy that confer them distinct and specific character with regard to other types of commercial companies and organizations. Cooperatives,

mutual benefit societies, foundations and associations engaged in an economic activity, worker-owned societies, integration enterprises, sheltered employment centres for disabled people and fishermen's associations are part of the Social Economy. Law n. 5 of 2001 does not interfere in the particular normative framework ruling each legal form in the social economy. The Spanish Law leaves the door open to new other forms of social economy that must be governed by the guiding principles set forth in the Law.

There is no legal recognition of "social enterprises" in the Spanish national laws system. The existing legal forms of enterprises that comply with the criteria of "social enterprises" as stated by the European Commission, are Social Economy enterprises; these are the integration enterprises, sheltered employment centres and social initiative cooperatives. The Law also recognizes the importance of Social Economy to the socio-economic development in terms of job creation and the maintaining of employment that characterizes social economy. Therefore, the Law provides the commitment of public authorities with the development of measures in favor of social economy as a task of general interest.

The implementation of the Law by the Government has given rise to different measures in favor of the promotion, development and visibility of social economy and its operators. The Spanish Government adopted in June 2015 a Social Economy Development Plan. This Plan breaks down the initiative into 32 measures with a specific budget in favour of the ensemble of the social economy and of each one of social economy components. The Law defines the dialogue between social economy representative organizations and public administrations. The inter-sectoral presence of social economy in all economic sectors requires the participation of their representative organizations as a social partner in all fora or committees where public policies are designed and debated.

In France, one can mention the 2014 law on Social and Solidarity Economy. Apart from organizations traditionally considered part of the social and solidarity economy due to their legal status (associations, mutual, cooperatives, foundations), the law is also including no statutory organizations operating under a commercial status which have adopted operating rules like democratic governance, search of social utility, limited distribution of profit by statutory rules, existence of collective reserves, etc. Social utility, as defined in the law, is not a legal definition that could be understood on a general level but is related to a set of criteria to assess whether a firm can or cannot be considered as serving a social purpose and therefore be included into the realm of SSE as a non-statutory member.

On 23 November 2016, the Luxembourg Parliament passed draft law n° 6831 introducing a new type of company, the Société d'Impact Sociétal ("SIS"). The purpose of this



new law is to set up an appropriate legal framework for companies with a social or societal objective in Luxembourg, creating a favourable environment for their business development. This new legal framework intends to fill a legal gap in particular for non-profit organizations (“ASBL”) engaged in economic activities and that currently operate out of the scope of the law of 21 April 1928 on ASBL.

In France, the 2014 Law on SSE provides a clear definition of the legal regime on subsidies, in order to avoid confusion or abuse and to limit the use of calls for tenders which hinder the initiative of not-for-profit organizations. It also implements a range of funding instruments for social economy organizations in order to create alternatives to bank loans and to secure their development: it improves the attractiveness of loan notes issued by associations (titters associates) and creates certificates mutualists et parities, which are mid-way between shares and bonds, and which mutual funds can issue to get financed.

Portugal has seen two major initiatives taking a leadership role in developing the social investment market: the Portuguese Social Investment Taskforce and Portugal Inovação Social. The latter is a catalyst entity for social investment through the use of structural funds. Endowed with € 150 Million from ESF, it has a mandate to drive the development of the social market over the next 5 years (development of a social innovation fund, a social impact bond programme, a capacity programme and a venture philanthropy programme).

In Lithuania, in addition to state support schemes in the form of subsidies (state aid), social enterprises have a right to receive public support under other legal acts, including those establishing support of small- and medium-sized enterprises (SMEs), as well as the social programmes financed from the State budget and monetary funds. Under Article 5 of the Lithuanian Law on Corporate Income Tax (adopted in 2001, amended in 2013), social enterprises benefit from a zero-tax rate.

In June 2014, the Danish Parliament passed the "Act on Registered Social Enterprises". The Act allows interested enterprises to receive an official seal of approval as a "registered social enterprise" from the Danish authorities. The Act is the first of its kind in the European Union. The purpose of the registration scheme is to make it easier for customers, investors and others to find social enterprises. In addition, the scheme paves the way for monitoring the development of social enterprises in Denmark and targeting specific legislation at registered enterprises. In order to register, an enterprise must meet five criteria applying to social enterprises. Since 2015, registered social enterprises are published on the website of the National Centre for Social Enterprises. The Danish Business Authority manages the registrations.

In Finland, the Arvo-liitto association was established in December 2014 with 12 founder enterprises. It is a member of the Confederation of Finnish Industries, which gives social enterprises a voice in the tripartite social dialogue. The new French Law of 2014 aims to make it easier to recognize all social economy organizations, and to structure the various networks of the National Council of Social Economy Regional Chambers (CNCRES – Conseil National des Chambres Régionales de l'Economie Sociale) and the regional chambers (CRESS).

In the following we are presenting the 20 policy measures for regards social economy:

**Policy Measure 1. Advance towards a European legal framework for all social economy enterprises and organizations.**

Such a legal framework will provide social economy enterprises and organizations with legal certainty and unlock their potential to grow and to fully operate cross-border in the single market, in line with the requests of the European Parliament's Report on the Single Market Strategy (2015/2354(INI))<sup>7</sup>:

Social Economy Europe therefore proposes to introduce a European Commission recommendation establishing the main principles and characteristics of the social economy, as well as its main legal forms: cooperatives, mutuals, associations, foundations, paritarian institutions and social enterprises (action 1).

The European Union has the sufficient *acquis* to establish a common understanding or an operational definition of the social economy that could serve as a basis for the development of public policies at EU and Member State level. As stressed by the report of the European Expert Group on Social Entrepreneurship (GECES)<sup>8</sup>, the principles and values of the social economy established in the Social Economy Charter of the CEP-CMAF<sup>9</sup> are an excellent basis to develop legal and policy frameworks at European and Member State level.

Priority 1 Establish a common understanding of social economy enterprises and organizations in Europe whereas a low level of recognition is enjoyed by social economy enterprises at European level, and whereas most of these enterprises are not recognized by a European-level legal framework, but only at national level in some Member States, with different legal forms; whereas this lack of an EU legal framework hinders the capacity of such enterprises to operate cross-border within the internal market;

**Policy Measure 2. Set-up a European Communication Strategy to improve the visibility of the social economy**, consisting of the following actions:

The annual organization of a European Day of Social Economy Enterprises (action 2). Since 2016, the European Economic and Social Committee has been organizing an annual European Day of Social Economy Enterprises: the impact of this event could be strengthened by involving in its organization the European Commission and social economy representative organizations. Furthermore, the Commission could invite Member States to organize similar events at national level.

Consolidation of EU Presidency conferences on Social Economy (action 3), by including the social economy in the common agenda of the Member States holding the Presidency of the Council of the EU that work together closely in groups of three, the so-called “trios”, in order to ensure the organization of at least one EU Presidency Conference on the social economy over an 18-month period.

- Extension of the European Social Economy Regions pilot project (action 4) aiming to raise awareness -at local, regional and national level- about the social economy as an entrepreneurial model based on shared values (primacy of people and of the social objective over capital, democratic governance etc.) contributing to a smart, sustainable and inclusive growth and to the implementation of the European Pillar of Social Rights, and the achievement of the SDGs across the European Union and worldwide.
- Elaboration by the European Commission of reports and studies on the trends and evolutions of the social economy in Europe (action 5). Taking into account the positive results of the European Commission studies on different social economy forms such as mutuals or social enterprises, SEE proposes to the European Commission to include a specific chapter on the social economy in its Annual Report on European SMEs.
- Development-in close cooperation with Member States and social economy representative organizations- of training sessions on social economy addressed to public authorities at EU, national, local and regional level (action 6). Such training will allow public servants to improve their knowledge about social economy enterprises and organizations and their capacity to take into account this socio-economic reality in the design of policies and regulations on industry, enterprise support, employment, provision of social services, state aid or public procurement, among other policy areas.

**Policy Measure 3. Foster social economy entrepreneurship, by encouraging the inclusion of the social economy in the curricula of all levels of education and training.**

Education and training are key factors in the preparation of young people for the new social, technological, economic or environmental challenges that are shaping the current and future developments of the labour market, and in building a society based on the core values of the European project.

The dissemination of social economy entrepreneurship through all levels of education is an excellent tool to promote a more socially responsible, sustainable and participative corporate culture based on the primacy of people over capital.

Furthermore, it is observed that youth entrepreneurship is growing in particular in the regions that have included the social economy in the education curricula and which have to adapt to a changing environment. Therefore, it is proposed to the European Commission to:

- Carry out a study on social economy entrepreneurship education in Europe, covering all levels of education and training (action 7). The study will serve to identify best practices, as well as to establish guidelines on the promotion of social economy education at Member State level.
- Set up a voluntary method of coordination between Member States, coordinated by the European Commission, to perform peer reviews, improve the exchange of good practices and the implementation of the guidelines on the promotion of social economy education (action 8), especially in new areas demanding new skills, the incorporation of new technologies and the promotion of innovation.
- Support the promotion of social, technological and environmental innovation in education, in collaboration with social economy organizations and through European programmes on education and research, via (action 9):
- Develop a European methodology of satellite accounts for the social economy (action 10) which will measure the whole of the social economy and its diversity of organizational forms: cooperatives, mutuals, associations, foundations, social enterprises and other forms recognized in the national social economy regulations. This common methodology should be co-created by Eurostat and national statistical authorities in cooperation with social economy representative organizations, leading to the production of comparable statistics of the social economy at national and EU level;
- In line with the current efforts of Eurostat, set up a pilot project carried out by different national statistical authorities with experience on the social economy to test the

development and implementation of a European common methodology of social economy satellite accounts (action 11);

- Publication by Eurostat of European social economy statistics (action 12);

**Policy Measure 5. Develop and implement methodologies to value the impact of social economy enterprises and organizations**

Taking into account the different initiatives that have emerged to measure and value the economic and social impact of social economy enterprises, it would be important to strengthen the coordination among them at EU level in order to:

- Systematize the different techniques;
- Spread their application by social economy enterprises and organizations and public authorities;
- Be able to document, quantify and compare the impact of the social economy on the socio-economic development of the EU.

**Policy Measure 6. Eliminating legal and administrative barriers for social economy enterprises and organizations in the Single Market.**

To ensure that social economy companies are able to fully participate in the Single Market, the Commission shall ensure that European legislation, when drafted or revised, takes into account the different business models including the diversity of social economy enterprises. Consequently, the Commission is invited to:

- Carry out an impact assessment when legislation is drafted or revised to ensure that it is appropriate and proportionate for all business models, including social economy enterprises (action 16);
- Draw up a study to identify the main legal and administrative barriers faced by social economy enterprises and organizations within the Single Market, and propose possible solutions at the EU level (action 17);
- Propose recommendations to facilitate the cross-border activities of social economy companies in consultation with the European organizations for cooperatives, mutuals, foundations and associations (action 18).
- Propose the necessary legislative reforms to increase the number of European Cooperative Societies (i.e., cooperatives using the Statute for a European Cooperative Society<sup>20</sup>) (action 19);
- Implement, in collaboration with Member States, pilot projects for boosting cross border cooperation between social economy enterprises and organizations (action 20);

- Carry out a study on the concept of limited profitability (action 21).

**Policy Measure 7. Set-up a financial ecosystem for social economy enterprises and organizations:**

Access to finance is a key element of any public policy aiming to boost social economy. There are currently several EU financial instruments that support social economy enterprises, such as the microfinance and social entrepreneurship axis of EASI and the European Fund for Strategic Investments, that promotes investment in social economy projects as one of its priorities. Furthermore, the proposed Invest EU programme includes social economy under its social investment and skills policy window.

**Policy Measure 8. Promote the creation of high-quality jobs by social economy enterprises and organizations.**

The creation and preservation of high-quality jobs is one of the main contributions of the social economy to the socio-economic development of Europe and to the effective implementation of the European Pillar of Social Rights. Therefore, any European policy for the social economy shall, in coordination with social economy's social partners and representative organizations, support the capacity of these enterprises and organization to create jobs for all. Specific support is needed to help social economy enterprises to develop their full potential in generating employment opportunities for disfavoured groups. One group that requires specific attention is people with disabilities, which represent 15% of the EU's population. In this area, SEE proposes the following actions:

- Identify through a comparative study, the incentives and policy measures at Member State level in favour of the creation of quality jobs by social economy enterprises and organizations (action 24). Such a study would serve to improve the exchange of best practices among Member States.
- Set up a structured peer review system between Member States, coordinated by the European Commission, to facilitate mutual learning and the exchange of good practices to support the creation of high-quality jobs by the social economy (action 25). As part of this exercise, attention should be paid to the special challenges that disfavoured groups such as people with disabilities face in their access to the labour market. The forthcoming review of the European Disability Strategy due in 2020 should be leveraged to that effect.
- Incorporate the Social Economy into the economic and social priorities of the European Semester, aiming to generate greater integration and coordination at European level of

the policies to boost employment through the social economy, in line with the European Pillar of Social Rights (action 26).

**Policy Measure 9. Set up at EU-level support and accompanying services for social economy enterprises and organizations and for social economy entrepreneurs.**

The social economy is not fully incorporated into the work agenda of the business advisory services promoted by the European Commission. This is the case of the Enterprise Europe Network that supports SMEs in strategic areas for their competitiveness, such as internationalization, innovation or Research and Development. Therefore, it is a priority to increase the collaboration of social economy organizations that have advisory and support services for entrepreneurs at the local and regional level, with all the initiatives of the European Commission aimed at promoting competitiveness and business growth (scaling-up). In this respect, SEE proposes to:

- Boost cooperation between social economy structures providing support and accompanying services to entrepreneurs and the Enterprise Europe Network (action 27), to increase the internationalization of social economy enterprises and their participation in projects related to research and development.
- Conduct a mapping and a study of good practices in the field of services to social economy enterprises and entrepreneurs provided by the various support and representative organizations (action 28).
- Facilitate the networking at European level of local and regional structures providing support and accompanying services for social economy SMEs, as well as of social economy's social partners (action 29).

**Policy Measure 10. Improve and reinforce the digital skills of the social economy and foster its development in the emerging sectors.**

Digitalization, the adoption of advanced technologies or the incorporation of artificial intelligence are leading to the emergence of new demands and ways of working, producing and providing services. Moreover, new sectors and business models based on technology are also on the rise. The implementation of policy measures and actions to facilitate the incorporation and adaptation of workers and entrepreneurs of the social economy to this new context should be part of the new EU initiatives for the period 2021-2027 in order to:

- Increase the competitiveness of social economy enterprises by improving their creativity and innovation, as well as the acquisition of new skills, technologies and resources;

- Boost the uptake of new skills and technologies in social economy enterprises to strengthen their competitiveness and their capacity to provide effective solutions to the emerging social, economic and environmental challenges;
- Promote decent working conditions in the new forms of work that are emerging with digitalization (sharing and collaborative economy). This could be achieved through the promotion of social economy business models, based on participation, solidarity and equity.

**Policy Measure 11. Promote responsible public procurement at the national, regional and local levels through reserved contracts and social considerations, foreseen in the new generation of public procurement directives.**

The new generation of public procurement directives adopted in 2014 incorporates social and environmental considerations and includes reserved contracts that facilitate the access of social economy enterprises to public purchasing.

The European Commission plans to launch actions to inform and train national, local and regional authorities on the application and use of these new instruments. Furthermore, the Commission also plans to update the “Buying Social” Guide and the guide on economic services of general interest. Social Economy Europe very much welcomes these initiatives and expresses its willingness to collaborate with the Commission. In this regard, SEE invites the Commission to:

- Organize national events on the transposition into national legislations and the implementation of the social considerations and other instruments (aiming at fostering the access of social economy enterprises and other SMEs) introduced by the new generation of public procurement directives (action 34);
- Ensure the participation of social economy experts in the elaboration of guidelines for the implementation of the measures foreseen by the Directives, as planned by the Commission (action 35).

**Policy Measure 12. Evaluate the impact of the Structural Funds 2014-2020 on the promotion of the social economy.**

- In order to identify innovative or reference projects that allow new lines of work to be incorporated in the implementation of future funds (action 36).
- In line with the proposal for a regulation on the European Social Fund Plus, integrate the social economy among the funding priorities of the European Fund for Regional Development (action 37).



**Policy Measure 13. Ensure the participation and consultation of the social economy representative organizations in the preparation, execution, monitoring and evaluation of future cohesion policy.**

- Through the establishment of standardized participation and consultation mechanisms to be applied in all Member States (action 38).
- In line with policy measure 1023, strengthen the actions supported by the ESF and the ERDF in favour of the incorporation of new technologies in production processes, management and/or service provision by the social economy and the workers' acquisition of new capacities to adapt to the new social, technological and environmental challenges that will shape the labour market (action 39);

**Policy Measure 14. Prioritize the use of European cohesion policy funds to create poles of local socioeconomic development through innovative clusters with the participation of the social economy, by:**

- Identifying and studying EU clusters lead or formed -among other- by social economy actors, that are recognized and promoted through local/regional development strategies such as the Smart Specialization Strategies (action 40);
- Support the replication of this type of initiatives in other European regions (action 41).

**Policy Measure 15. In order to boost the impact of EU funds on the development of the social economy, SEE invites all Member States to make the social economy one of their funding priorities under the new Multiannual Financial Framework 2021-2027, and especially under the ESF+. Therefore, SEE proposes to the European Commission to:**

- Strengthen the existing mechanisms for the exchange of best practices and coordination between the ESF Managing Authorities (such as the ESF Social Economy Thematic Network) and other public authorities managing funds that are of key importance for the development of the social economy (action 42).
- Furthermore, integrate social economy representative organizations in the abovementioned coordination mechanisms and networks to disseminate best practices in funding the social economy through EU and national funds (action 43).

**Policy Measure 16. Social Economy Europe considers that the efforts of the European Commission to promote social economy in the international dimension of the European Union should continue after 2018, and invites the Commission to undertake the following actions:**

- Include the promotion of the social economy among the priorities of the EU External Investment Plan through its three pillars: European Fund for Sustainable Development, technical assistance and improvement of the investment climate (action 44);
- Integrate the social economy among the funding priorities of the new Neighborhood, Development and International Cooperation Instrument (NDICI) (action 45);
- Support the adoption of a United Nations resolution on the promotion of the Social Economy (action 46);
- Encourage third countries' governments to include the social economy in their national strategies to achieve the Agenda 2030 as a key driver to achieve most of the Sustainable Development Goals (action 47);
- Further promote the inclusion of the social economy in the agenda of the international fora as a key partner for the implementation of the 2030 Agenda for Sustainable Development and for the achievement of the Sustainable Development Goals. For instance, by strengthening the United Nations Taskforce on Social and Solidarity Economy (UNTFSSSE) (action 48);
- Promote the social economy enterprise model in third countries and elaborate studies on its situation and potential to contribute to sustainable economic and social development (action 49);
- Support the inclusion of the social economy in the trade agreements signed with third countries or regional economic unions (action 50);
- Promote conferences with international investment organizations and donors to support the development of the social economy at global level (action 51);
- Promote in the G20 specific policies to support the social economy (action 52);
- Support third countries aiming to elaborate social economy legal and policy frameworks (action 53);
- Disseminate good practices on how the diversity of enterprise models contributes to economic stability and to enhance fair competitiveness (action 54).

**Maintain and strengthen the working fora on social economy of the Commission, the European Parliament, Member States and the EESC through the following actions (policy measure 17):**

Re-establishment of the European Parliament's Social Economy Intergroup during the next parliamentary mandate 2019-2023 (action 55)

- Formalization of the European Commission's Task Force on Social Economy, in line with the recent creation of an informal Task Force (action 56).
- In line with the European Commission's decision, maintain and strengthen its Expert Group on Social Economy and social enterprises as an open forum for dialogue between experts of the social economy including representatives of the social economy representative organizations (action 57)
- Strengthen the activities of the European Economic and Social Committee Social Economy Category and Permanent Study Group on social economy enterprises (action 58)
- Strengthen the Monitoring Group of the Luxembourg Declaration (action 59)
- Invite the Committee of the Regions to create a working group on social economy (action 60)

**Policy Measure 18. Ensure the monitoring and evaluation of the Action Plan, through:**

- The creation of a Committee to monitor and assess the implementation of the Action Plan, which would be composed of the Directorates General of the Commission involved in the development of the social economy, Member States and of social economy representative organizations (action 61)

**Policy Measure 19. Facilitate a permanent political dialogue between EU institutions and social economy representative organizations), through:**

- The establishment of a structured political dialogue between high-level representatives of the European Commission and social economy representative organizations. This structured dialogue would serve to explore the possible role of the social economy in the strategic policies of the Commission (action 62)

**Policy Measure 20. Promote the participation of social economy representative organizations in the EU intersectoral social dialogue and support their recognition as social partners at national level, when needed through:**

- A European Commission study on the participation of the social economy representative organizations in the social dialogue (sectoral and inter-sectoral) at EU and Member States level (action 63)
- On the basis of the conclusions of the above-mentioned study, develop in consultation with the European social economy organizations guidelines to promote the participation of the social economy in the European inter-sectoral social dialogue and in the national social dialogue instances (action 64) (Social Economy Europe, 2020)

### **1.1. Obligation, direction, recommendation for the member EU countries**

European legislation on the social economy received a boost with the adoption of European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI)). This Resolution called on member states to improve the visibility of the social economy through, among other measures, adopting legislation to recognize and promote the SE. For this, the Parliament considered that such law needs to be based on the specific shared values of the SE. It identifies these values with those proclaimed in the Charter of the Social Economy adopted in 2002 by the organizations representing SE enterprises in Europe, now known as Social Econ.

The social economy sphere has been forged over the years. Initially, the Commission's Communication on "Businesses in the "Economie Sociale" sector: Europe's frontier-free market" (SEC(89) 2187)) included cooperatives, associations, mutual societies and foundations, but it was soon found that not all the organizations included in these families wished to be considered part of the SE, while other actors that did identify with the SE did not take these forms (Opinion of the EESC on The Social Economy and the Single Market, (2000/C 117/11)). Unsurprisingly, therefore, the European Parliament's 2009 Resolution on Social Economy included a further family within the SE: social enterprises (Whereas clause H). This addition was ratified by the European Commission in its Communication Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation, adopted on 25 Nov. 2011.

However, social enterprises have been regulated in various Member States without considering their membership of a more general category such as the SE. This is the case of the social enterprise laws of Finland (Law 1351/2003 of 30 December 2003), Italy (Law 118/2005 of 13 June 2005), Lithuania (Law IX-2251/2004 of 1 June 2004), Slovenia (Law 20/2011 of 7 March 2011) and Denmark (Law 711/2014 of 25 June 2014), and of the Community Interest Companies Regulations 2005 (S.I. 2005/1788 of 30 June 2005) in the United Kingdom.

Other Member States do include social enterprises in the SE model. This is the case of Belgium in relation to Social Purpose Companies (Social Purpose Companies Law of 13 April 1995) and of Luxembourg in relation to societal impact companies (Law introducing Societal Impact Companies of 12 December 2016).

Also, a number of laws regulating the SE in EU countries include social enterprises within this category. This is the case of Spain (Law 5/2011 of 29 March 2011, on Social

Economy), Portugal (Law 30/2013 of 8 May 2013, the Basic Law of the Social Economy), France (Law 2014-856 of 31 July 2014 on the social and solidary economy), Romania (Law 219/2015 of 23 July 2015 on the social economy) and Greece (Law 4430/2016 of 31 October 2016 on the social and solidary economy), as we will see below.

This is also the tendency followed by the EU and confirmed in the Conclusions of the Council of the European Union of 7 December 2015 on the promotion of the social economy as a key driver of economic and social development in Europe (1507/15, SOC 711/EMPL 464), which as well as cooperatives, mutual societies, associations and foundations, also includes “newer forms of social enterprises” as forms of organization of the social economy.

The following pages give a comparison of the legal provisions concerning the SE in some of the legislation enacted in Europe. We have chosen to reflect only national laws, which are shown in chronological order, from the longest-standing (Spain) to the most recent (Greece). Consequently, regional-level laws are not shown, although they cannot be ignored. Prominent among these are the SE regulations of the Belgian regions of Wallonia (Decree 20 of November 2008), Flanders (Decree of 17 February 2012) and Brussels (Order of 26 April 2012), as well as the Social Economy Law of the Spanish region of Galicia (Law 6/2016 of 4 May 2016). It will be seen that the laws outlined in the table share many identifying features and it may be mentioned that although some employ only the expression ‘social economy’ while others add ‘solidary’, there are no major differences in their intended scope.

The aim of all these laws is to define and identify the SE and the enterprises that may be included in this category, regulate the institutional organization of the SE and establish measures to promote and foster it. These laws see the SE as a particular form of entrepreneurship, characterized by the aims it pursues and the way it organizes itself and acts. The aims pursued are mainly of public or collective benefit and are socially relevant. The other characteristics of this particular type of entrepreneurship are identified with what are known as the principles and values of the SE, which are expressly stated in these laws: priority of people over capital, convergence of the interest of the collective and public benefit, democratic and participatory governance, economic management that is open and oriented towards favouring the pursuit of the social objective rather than profit distribution (reinvestment of most of the profits or indivisibility of mandatory reserves), autonomy and independence from the authorities, and promotion of solidarity, both internally and with society, favouring local development, social cohesion, integration of disadvantaged persons and/or environmental sustainability, among others.

Social economy enterprises are usually identified with cooperatives, mutual societies, associations and foundations, which have a legal form that guarantees the aims and principles of the SE, as well as other legal forms, normally partnerships or capital-based companies, which have provided proof of meeting these aims and principles and have been accredited and registered as SE enterprises. All the jurisdictions examined provide for an administrative body in charge of supervising and fostering the SE and a body, composed mainly of representatives of the authorities and of SE enterprises, which is entrusted with ensuring promotion of the SE.

As regards promoting and fostering the social economy (SE), some laws are more detailed while others require supplementary legislation, such as the Spanish Social Economy Act, which was updated by Law 31/2015 of 9 September 2015 on promoting and fostering the SE. All the laws highlight the need to remove the obstacles that hinder the creation or continuance of SE enterprises and the pursuit of their activities; to incentivize training, research and dissemination of the SE; and to encourage funding and entrepreneurship in this sector. They also usually include specific measures to favour work integration social enterprises in particular, such as tax exemptions, reserved contracts or social clauses in public procurement.

In adopting these measures, the member states are following the recommendations of the European Parliament and helping to shape a more sustainable social and economic Europe.

**Recommendation for the member EU countries, as it follows:**

- to recognize the specific contribution of social economy and social enterprises in particular to the socioeconomic development of a Member State, in numerous sectors of activity;
- to recall of the guiding principles and values of social economy ;
- to highlight the fact that setting up public policies should be marked by the cooperation between economic actors, civil society actors, and Member States at different level of territorial governance to develop (co-construct) and operationalize (co-produce) policies centred on the general interest.

These practices provide a major opportunity for democratizing "public-policies making" by introducing forms of governance based on the participation of different parties in the scheme.

- to mention that by establishing such a framework, policy makers adopt a systemic vision of the contribution that they can make to growth, competitiveness and social cohesion.
- legal forms to be contained in the framework.

- policy measures initiated at different levels of national, regional and local administration to stimulate the development of social economy and social enterprises.
- instruments to structure a favourable and coherent institutional context for the development of social economy and social enterprises (CIRIEC, 2016).

## **1.2. Obligation, direction, recommendation for candidate countries in the EU: Albania, Serbia, North Macedonia and Montenegro and two potential countries: Bosnia and Herzegovina and Kosovo in the EU**

The rule of law is a crucial aspect of democratic transformation and the key benchmark against which progress towards membership is assessed by the EU. In this respect, progress among the countries of the Western Balkans has varied considerably. The Western Balkans' operational cooperation with EU Member States and EU agencies has continued to improve. However, credible progress in the rule of law area remains a significant challenge, which often correlates with a lack of political will, continuing existence of clear elements of state capture, and limited progress on judicial independence (European Commission, 2020).

Albania, the Republic of North Macedonia, Montenegro, Serbia and are candidate countries. Negotiations are held with each candidate country to determine their ability to apply EU legislation (*acquis*) and examine their possible request for transition periods. An underlying principle of the negotiations is that countries have to fully transpose and implement the EU legislation by the time of accession. Transitional measures can be granted essentially for investment-heavy directives, provided that the measures are limited in time and scope and do not create distortion of competition for the EU single market. These are mainly in the field of waste, water, industrial pollution and air quality. No transitional periods are granted to horizontal legislation (Environmental Impact Assessment, Access to information etc.) and nature legislation.

Albania applied for the EU membership in April 2009 and received the candidate status in June 2014. In April 2018, the Commission issued an unconditional recommendation to open accession negotiations. In March 2020 the members of the European Council endorsed the General Affairs Council's decision to open accession negotiations with Albania and in July 2020 the draft negotiating framework were presented to the Member States.

Serbia applied for the candidate country status in December 2009. The candidate country status was granted in March 2012. On 21 January 2014, the first Intergovernmental Conference took place, signalling the formal start of Serbia's accession negotiations. The screening exercise for Chapter 27 – Environment took place in 2014 and the screening report

has been adopted by the Council in December 2016 without an opening benchmark. The Presidency invited Serbia in December 2016 to submit its negotiating position for Chapter 27, which Serbia did in February 2020.

The Republic of North Macedonia was declared a candidate country in December 2005. Since October 2009, the Commission has continuously recommended to open accession negotiations with North Macedonia. In 2015 and 2016, the recommendation was made conditional on the continued implementation of the Pržino agreement and substantial progress in the implementation of the 'Urgent Reform Priorities'. In March 2020, the General Affairs Council decided to open accession negotiations with North Macedonia. The decision was endorsed by members of the European Council. In July 2020 the draft negotiating framework was presented to the Member States.

Montenegro submitted the application for EU membership in December 2008. The candidate status was granted on 17 December 2010. The opening of accession negotiations took place in June 2012. The accession negotiations for Chapter 27 - Environment were opened on 10 December 2018. Bosnia-Herzegovina and Kosovo are countries/entities which have a clear prospect of joining the EU in the future but have not yet been granted candidate country status. Stabilization and Association Agreement (SAA) negotiations with Bosnia and Herzegovina were opened in September 2005 and on 16 June 2008, Bosnia-Herzegovina and the European Union signed the Stabilization and Association Agreement. The SAA entered into force in June 2015.

The country has submitted in February 2016 its application to join the EU. In September 2016, the Council invited the Commission to present an Opinion on BiH application. The Commission adopted its Opinion (Avis) on the EU membership application of Bosnia and Herzegovina on 29 May 2019. In 2008 the EU repeated its willingness to assist the economic and political development of Kosovo through a clear European perspective. The Stabilization and Association Agreement between EU and Kosovo has been initiated in July 2014 and entered into force in April 2016 (European Commission, 2021).

In Albania, social economy engages in diverse economy sectors; CSO founded focus on the provision of basic social services, including children with disabilities, health and community services, kindergartens and other social services targeted at vulnerable /marginalized groups. Follows engagement in vocational training including artisanal and agricultural training to vulnerable groups they serve. Other services include hostel services, catering, tourism and production and trading of artisanal and handicraft products. For the cooperatives, agricultural production and trading is the most prominent sector. Majority of



operations in Tirana and Shkoder. The vast majority in the validation stage and a large number remain at or near blueprint stage.

In Serbia, social economy provides a variety of products and services, most commonly serving agricultural producers, people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma etc. For cooperatives, the predominant sector is agriculture (commodity production and sale), wholesale and retail sale. The enterprises for employment of PwD are mostly engaged in manufacturing and services such as printing. The predominant economic sectors for associations and foundations are services such as: education and training, tourism and catering and culture and arts. Besides services, they also engage in production and agriculture. SEs are more equally represented in all four stages of development with an important number of SEs ready to scale-up or in a growth phase.

In North Macedonia, social economy provides products and services in the fields of education, health, culture and social protection. Most commonly, they serve agricultural producers (for the cooperatives), people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma, persons with addictions etc. 75 associations registered as organizations that perform activities in the sector of “social protection to people in social risk”.

In Montenegro, social economy engages in the production of souvenirs, garments, home décor, and merchandising items for businesses. Those focused on services run assistance and day care services for the elderly, or those with disabilities, and all types of assistance services for the elderly. For the cooperatives, the predominant sector is agriculture. The SEs are in their early stages of development. Most of them are in the stages of developing their business plans or testing their business model in practice. There have been only a few examples of SEs in a stage of validated business model and are exploring strategies for long-term growth and sustainability.

In Bosnia and Herzegovina, social economy engaged in multiple activities, from graphic design to agriculture, information technology to the delivery of services to marginalized groups, preservation of traditional crafts, and manufacturing, agriculture in rural areas. Couple of SEs have added-value to their business by developing their unique brands and expanding abroad. SEs are in their early stages of development, mostly in the start-up phase. While a few have been very successful and are ready to scale, most of the initiatives, even though with promising initial results, are still learning the rules of the market and are working to become self-sustainable.

In Kosovo, social economy activities, from graphic design to agriculture, information technology to the delivery of services to marginalized groups, preservation of traditional crafts, and manufacturing, agriculture in rural areas. Couple of SEs have added-value to their business by developing their unique brands and expanding abroad. SEs are in their early stages of development, mostly in the start-up phase. While a few have been very successful and are ready to scale, most of the initiatives, even though with promising initial results, are still learning the rules of the market and are working to become self-sustainable. SE sector is in the early stages of development; blue print and validation phases.

Though available public procurement, this is not a funding option frequently utilized by SEs. Predominant employment model and income generation for vulnerable groups, mission related to CSO. Economy sectors: production and sale of natural juices, jams, honey as well as stationery and arts & crafts, community development (education, social & health services) and improvements in productivity (agriculture). The products are often sold in local markets, while most of the social, health and educational services are delivered free of charge or at minimal cost, being grant funded. Very few SEs have developed products that are widely marketable (European Commission, January 2018).

Figure 5. Legal and Regulatory framework for Social Economy in the Western Balkan Countries

Legal and Regulatory Framework	
Albania	<ul style="list-style-type: none"> <li>✓ Law on SE released in 2016 under Ministry of Social Welfare and Youth</li> <li>✓ Primary purpose of SE is social inclusion</li> <li>✓ Only NGOs qualify as SEs</li> <li>✓ No implementation of the Law yet, consequently no SE has been registered yet</li> </ul>
Serbia	<ul style="list-style-type: none"> <li>✓ No Law on SEs</li> <li>✓ Strategy for Professional Rehabilitation and Employment of PwD enables creation of SEs to employ PwD</li> <li>✓ Social inclusion and employment model</li> </ul>
North Macedonia	<ul style="list-style-type: none"> <li>✓ Draft Law on SE from 2012, but not yet approved</li> <li>✓ Social Inclusion and Poverty Reduction model</li> </ul>
Montenegro	<ul style="list-style-type: none"> <li>✓ No Law on SE</li> <li>✓ Draft Law suggested in 2013 but not yet developed</li> <li>✓ Employment of vulnerable groups model</li> </ul>
Bosnia and Herzegovina	<ul style="list-style-type: none"> <li>✓ No Law</li> <li>✓ SEs mentioned in two policy documents: Development Strategy of BiH and Social Inclusion Strategy of BiH</li> <li>✓ Employment and Social Inclusion model</li> <li>✓ Republika Srpska is developing Law on SE</li> <li>✓ SEs are part of the strategic documents</li> </ul>
Kosovo	<ul style="list-style-type: none"> <li>✓ Draft Law on SE – expect to be adopted during March 2018</li> <li>✓ Allows all legal entities SE status</li> <li>✓ Social Inclusion model</li> </ul>

Source: European Commission, 2018.

As can be seen in the table above in the six countries of the Western Balkans has little political support and fragmented and unsupportive legal framework.

In Albania, the frameworks necessary to create, nurture and sustain an environment of social inclusion are on the political agenda but the majority of these framework elements are incomplete, unenforceable or poorly understood by institutional stakeholders. Positive policies for the SE sector should be embedded not only in the employment and social policies but also as part of the economic development, environmental and sustainable agriculture agendas. At present, the adopted Law on Social Enterprises is limiting, narrowly seen as a social policy instrument, and does not address the larger picture of the sector. Furthermore, it can jeopardize public recognition and growth of the existing social enterprises. Firstly, public dialogue among the various stakeholders is needed to harmonize understanding of what constitutes social enterprises and social businesses. Then, the law needs to undergo revisions in line with the above-mentioned principles to allow wider scope of SE forms and areas of work, acknowledge entrepreneurial dimension and go beyond work integration models. Administrative burden and controls have to be balanced to the tax incentives and public funding that need to be introduced. Public procurement legislation should be revised to introduce reserved contracts and social/environmental criteria to facilitate SEs' access to market leveraged by societal benefits. SEs would also benefit from improved policies related to decentralization of public services in various areas where SEs bring particular added value. Public policy stakeholders would benefit from investment in technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite for effective institutional support of the social economy. Policy makers need exposure to relevant EU and regional experience and best practice. The EU can play a crucial role in strengthening the Entity Government's commitment to the principles of social entrepreneurship as developed by the EU's Social Business Initiative (SBI) as well as through technical assistance projects (European Commission, March 2018).

In Serbia, there is still no law on social economics but there is a Strategy for Professional Rehabilitation and Employment of PwD enabled and a model for social inclusion and employment. In, North Macedonia, since 2012 there is a draft law on social economy, a law that has not been approved so far. There is no law on social economy in Montenegro either, although a draft law was suggested in 2013, but it has not been drafted yet. In Bosnia and Herzegovina, there is no law on social economy. The social economy is included in: Development Strategy of BiH and Social Inclusion Strategy of BiH and there is a model of employment and social inclusion. In BiH, Republika Srpska is developing Law on SE. In

Kosovo, the law on SE has existed since November 2018 and allows all legal entities the status of SE. Also, there are a Model of Social Inclusion.

In all six Western Balkan countries social enterprises need to bridge the entrepreneurial skill gap and strengthen organizational and management capacity to be able to prove/validate their business model and reach wider market and potential scaling. All of the countries do have support mechanisms for Micro and SMEs that might be easily adapted to the social enterprise requirements and needs. This approach requires that SEs have full access to SME trainings, seminars, and mentoring programs. Decentralization of the capacity building support, covering rural areas or smaller towns, should be the imperative for further strategic documents and capacity support to be developed. The EU can provide valuable input through direct support to intermediary organizations as well as through encouraging public-private-CSO partnerships in building SE support infrastructure throughout the country.

**Recommendation for the candidate countries: Albania, Serbia, North Macedonia and Montenegro and two potential countries: Bosnia and Herzegovina and Kosovo in the EU, as it follows:**

- Technical assistance to develop the policies, procedures and human capacities as a prerequisite to effective institutional support for the development of social economy.
- Institutional capacity of the relevant policy makers should be part of the TA.
- Targeted SE policies should be built through wide consultations, integrating local expertise.
- Public dialogue among the various stakeholders is needed to harmonize understanding of social economy model.
- Policies on SE sector should be embedded not only in the employment and social policies but also as part of economic development, environmental and sustainable agriculture agenda. Thus, cross-sector local partnerships should be initiated and maintained.
- Public procurement policies and implementation measures should be adjusted in order to take into account the social impact in the selection process.
- Reserve contracts for CSOs and SEs as well as social/environmental criteria to facilitate SE access to market leveraged by societal benefits should be revised to be in line with EU directives in public procurement.
- Provisions for simplified procedures in public procurement for SEs should be envisaged.

- Administrative burden and control have to be balanced to the tax incentives and public funding.
- Countries should develop more structured and consistent targeted support to SEs using a horizontal approach by incorporating the SE issue in the economic development sphere, rural development and environment protection spheres.
- Much greater transparency in the mechanism, criteria and award processes for public funded grants is needed (European Commission, 2018).

## **2. European Union policies for the establishing and fostering of social economy**

Developed European countries use different policies for the establishment and fostering for social economy. Below we present some policies for the establishment and fostering for social economy that have been applied to European Union Countries. In June 2014, the Danish Parliament passed the "Act on Registered Social Enterprises". The Act allows interested enterprises to receive an official seal of approval as a "registered social enterprise" from the Danish authorities. The Act is the first of its kind in the European Union. The purpose of the registration scheme is to make it easier for customers, investors and others to find social enterprises. In addition, the scheme paves the way for monitoring the development of social enterprises in Denmark and targeting specific legislation at registered enterprises. In order to register, an enterprise must meet five criteria applying to social enterprises. Since 2015, registered social enterprises are published on the website of the National Centre for Social Enterprises. The Danish Business Authority manages the registrations.

In Ireland, the Spark National Social Enterprise award is a competition that involves student social entrepreneurs identifying a social issue and, facilitated by their lecturers, exploring and critiquing current responses and offering new ideas to address these issues. Creating a space for students to imagine, think, apply and act as social entrepreneurs is a valuable learning experience for them and could possibly result in a society-changing innovation. The Awards are intended to facilitate, recognize and reward creativity and innovation among students working on a diverse range of social issues that may lead to the creation of a social enterprise.

In Belgium, HEC-ULg set's itself as a pioneer among French-language Belgian universities by proposing, from the 2010-2011 academic year onward, a special orientation on

the "Social Enterprises Management" within its Master programme in Management Sciences. This special orientation gives students the analysis and management capacity, operational tools and a network for their future career in a social economy enterprise.

In Sweden, Companion is a development agency focused in particular on creation of and/or on the assistance to cooperatives (in Sweden: cooperative economic associations). It operates all over Sweden and has offices in 25 different places. In Gothenburg and the Västra Götaland region, Companion plays a role as catalyst and works hand in hand with both the City, the ten districts of Gothenburg and the Region of Västra Götaland. The ongoing partnership has given Companion resources to develop advisory and support services for entrepreneurship in the social economy. In 2012, 67 companies started with the assistance of Companion, including more than 50% cooperatives and seven work integration social enterprises. Together, Companion and local authorities took the initiative to establish a global agreement between the social economy and the city of Gothenburg which consists of seventeen commitments. One of these commitments is to develop new financial solutions for social enterprises. This gives the existing Kreditgarantiförening, a cooperative association providing finance to social enterprise, the opportunity to grow. The association was set up by Companion in cooperation with other social economy actors in Västra Götaland and the Region of Västra Götaland. The city of Gothenburg has just decided to allocate 10M SEK (approx. 1M EUR) to finance social enterprises. Finally, the existing partnership between Companion, Gothenburg city and the region of Västra Götaland has resulted in the creation of an incubator for work integration social enterprises.

In France, I. – The "Pôles territoriaux de coopération économique" (PTCE) two are groups of enterprises from the social and solidarity economy located in the same territory, that are associated with enterprises having ties with regional public authorities, research centers, universities and training organizations. These PTCE aim at creating and boosting innovative and social projects that are locally sustainable by mutualizing their strengths. Their selection is carried out by the French government via call for proposals.

### **3. Measures for the fostering of social economy**

Fostering the social economy is not a simple matter, since this is used to define a complex world and a system of relationships which governs the life of the Third. The Third System refers to a diverse array of organizations, outside the public and traditional private

sectors, encompassing co-operatives, mutuals, associations, foundations, charities, voluntary and non-profit organizations.

**In the following are presenting some measures for the establishing of the social economy:**

Measures aimed at the legal form as a private player:

1. Law on Social Economy (Romania)
2. Agreement for the solidarity enterprise of social utility (France)

Measures aimed at recognizing SE enterprises as policymakers, an interlocutor in the public policy processes:

3. State Committee for SE Development and Incorporating SE into the mainstream public policies at the national and regional level (Poland)
4. Social Economy Europe (EU), the EU-level representative organization of the SE
5. Territorial clusters of economic cooperation

Measures focusing on raising awareness and spreading knowledge of Social Economy:

6. The «Concept» and Social Economy Action Plan (Bulgaria)

Measures promoting training in Social Economy:

7. National agreement between Education Ministry and Pupil cooperatives networks (France)

8. University research/teachers' network (France and Spain)

Measures focusing on access to funds:

9. The European Social Fund (EU)—EaSI EuSEF
10. Entrepreneurship funds: Braserio financial tool (Belgium)

Measures focusing on business support (consultancy, networking, incubators, mentoring, etc.):

11. SE platforms at the national level: CNCRES, CEPES, and CEPS (France, Spain, and Portugal).

Unlike the first generation of policies aimed at Social Economy, where instruments were mainly budgetary and based on tax benefits, the new generation of PPFSE presents a more diversified typology. It has particular impact on some areas such as, firstly, the legal and cognitive recognition of this public policy space, the articulation of mechanisms for social dialogue and public-community participation in public policies, the greater complexity and systematization of policies through wide-ranging strategies and plans, the establishment of favorable ecosystems based on technical and financial support entities and instruments and, finally, preferential treatment for SE entities as suppliers to public administrations.

The main objective of the first group of policies is to include Social Economy as a major new public policy area in institutional frameworks. Through legal measures, it consolidates institutionally the concept of Social Economy as a large third sector located between the public sector and the for-profit private sector (Monzon & Chaves, 2008). This sector requires a holistic conception of public policy to address it. These policies have materialized in the new national legislation on Social Economy passed over the past decade in the following countries: Spain, National Law 5/2011 on the Social Economy, Greece Law 4430/2016 on Social and Solidarity Economy (2016), Portugal National Law 30/2013 on the Social Economy, France National Law 2014-856/2014 on the Social and Solidary Economy, and Romania Law 219/2015 on the Social Economy. There have also been regional Social Economy laws (in the Belgian regions of Wallonia, Brussels, and Flanders), and laws with similar names and content such as social enterprises (Solorzano, Guzman, Savall & Villajos, 2018) like the Netherlands' Law on Social Enterprises (2012), Luxembourg's Law 2016 regarding the creation of companies with a social impact, and the Riforma del Terzo Settore in Italy in 2016. Finally, several bills on the subject are underway in other countries, and other institutional initiatives, such as systems of accreditation, have emerged in this period, revealing an increasing interest in this field among governments. The French Agreement for solidarity company of social utility is among these accreditation systems. Both the French Agreement and the classifications of entities made by the Italian Riforma legally delimit the areas considered of special socio-economic interest and give them preferential treatment in the policy of promoting SE.

A second group of new-generation policies are those in the cognitive field. They aim to implement the SE framework in society, in the education and research system, and in the SE sector itself. Measures 6, 7, and 8 shown above refer to this type of policy. The "Concept" and Social Economy Action Plan of Bulgaria intends to make this public policy area visible to its own public administration, to society and to the SE sector. The French National Agreement between Education Ministry and Pupil cooperative networks intends to introduce the creation of Social Economy contents in the entire educational field, so that its values and forms of entrepreneurship are accepted and understood from adolescence to the university level. Promoting research on the Social Economy and generating discourse and stories, through events, conferences, master's degrees, networks, and doctoral teaching, contribute to extending and strengthening the vision (frame) and the social imaginary related to Social Economy.

A third group of policies refers to governance, development, and implementation. The preferred option is to involve civil society and SE actors in the co-construction and co-production of policies, instead of these being conceived solely from public administration. The



concept of partnership between government, SE, and other stakeholders ensures that real needs and priorities are met. The deployment of mechanisms for social dialogue and public-community participation in public policies is a common feature, in some formalized cases, such as the State Committee for Social Economy Development and Incorporating SE into the mainstream public policies on the national and regional level in Poland (see higher), the Conseil Supérieur de L'Economie Sociale et Solidaire in France, or the CASES Cooperativa António Sérgio para a Economia Social—public interest cooperative in Portugal. These are participative and consultative bodies that involve SE platforms with government representatives in policymaking processes. Other forms of partnership and co-decision have also been implemented on a more informal basis.

The fourth group of new-generation PPFSEs includes strategies or plans of broad scope, conceived with greater complexity and technical systematization than first-generation policies. They constitute major agreements between different actors, mainly between the government and SE representatives, but also include other civil society actors such as trade unions, grassroots associations, and universities. They include over a long-term period a stable relationship between the actors, stable funding frameworks, strategic objectives and fields to develop, and new means and evaluation indicators (Chaves & Monzon, 2018). Strategies have been deployed at both state and regional levels. Among the former are the Action Plan for the Social Economy (2014–2015; 2016–2017) of Bulgaria, the National Programme for the Social Economy of Poland, the Strategy for the Social Economy of Spain, the Multi-Annual Programme to Support Work Integration Social Enterprises of Sweden, and the Strategy for the Development of Social Entrepreneurship in the Republic of Croatia (2015–2020). Among the regional cases, we find those developed in various cities and regions of Spain, such as Andalusia, Murcia, Madrid, the Balearic Islands, Barcelona, Valencia, and Galicia.

A fifth group of policy innovations refers to the establishment of sets of technical, informational, and financial support instruments in the territory; these form favorable ecosystems for the creation and development of Social Economy entities. Business support entities for consultancy, networking, incubators, mentoring, and financing have been created. Some of them are public bodies that allocate funds and services. They depend on new national government bodies, such as the Ministry for Social Economy (e.g., in France, Luxembourg and Spain) or sub-ministerial bodies, such as the Secretary of State for Dialogue with Civil Society and Social entrepreneurship within the Prime Minister's Cabinet (Slovenia) or the Social Economy and Public Benefit Department within its Ministry of the Family, Labour, and Social Policy in Poland. In other cases, this business support network is financed by public funds but

operated by SE private entities or platforms. This is the case of the cooperative and social enterprise federations and associations throughout Europe. Finally, hybrid entities have been created, such as the Agencies Conseil for the Social Economy created by the Belgian Walloon regional government, which are development agencies coordinated at the regional level in order to boost SE organizations (OECD/EU, 2017 & Chaves, R.; Monzon, 2018). Another innovation in the ecosystem instruments is the French Regional economic cooperation clusters (PTCE) (Chaves & Gallego, 2020).

## **CONCLUSION AND RECOMMENDATION**

The impact that the social economy has on increasing the well-being of citizens is very important for a strategic development of the social economy in the future. The countries of the Western Balkan can achieve this only through the establishment and fostering of the social economy and specifically through: economic growth, social development, education, climate change, healthy, environment, poverty, social protection & labour.

For to study the opportunities for establishing and fostering the social economy and its impact on the development of the third sector in different countries (developed and developing) are realized studies by various authors who have stimulated numerous scientific and professional debates regarding the effect of social economy on increasing and improving the well-being of citizens.

The socio-economic situation in the Western Balkan countries compared to European countries does not leave much to be desired. The wars that have taken place in these countries and the unstable political conditions have affected the situation of the social economy to be not good. The social economy in the countries of the Western Balkans mainly remains unknown compared to European countries. None of the countries have a clear strategic direction of social economy further development, compared to European countries which are working more and more every day to promote the social economy in its economic and legislative sphere as an instrument for the development of the territory.

At the same time, these countries have managed to develop regulations, for the whole of the European Union, covering specific subjects of the social economy, such as cooperatives and European foundations. In Europe, the social economy has been gaining more and more political visibility in these past years as a model that generates positive outcomes, notably in terms of employment and social cohesion across Europe. There are 2.8 million social economy enterprises and organizations in the EU, employing 13.6 million people and accounting for 8% of GDP. Currently, Europeans see the social economy as a business model for the future of Europe.

The Western Balkans has clear aspirations to improve its economic competitiveness and integrate further into Europe but in the countries of the Western Balkans the situation with the social economy and the achievement of the Global Development Goals is bad. Citizens face many barriers to realizing their dreams because these states usually do not offer sufficient support in order to helping people so they can move forward on their path to self-sufficiency.

For the testing of this hypothesis data are collected for: social development, economic growth, education, climate change, environment, healthy, poverty, social protection & labour. The data are collected from the annual reports of World Bank, and the include period of time 2009- 2019. The main conclusions result from the analysis of the trend, comparative analysis, as well as from the empirical analysis of these indicators of social economy.

There is no system of social legislation here, citizens are not involved in insurance: in the event of an accident at work or health insurance, which is thought to be vital for every individual. Traditional attitudes towards women continue, discrimination in society and in the workplace has not been eliminated. Although every time it 50% of women's commitment is mentioned in each sector, but this really does not stand: they have lower positions than men, at the same time there is a wage gap between women and men, they have unequal access to higher education and inheritance, denying you the right in education and inheritance. Unfortunately, in some countries women are reluctant to have children due to barriers they face at work such as: maternity leave, medical benefits, health care at work, job loss (which is more present in the private sector), discrimination and regulation of breastfeeding at work.

Economic growth is quite low in these countries, people earn low income and spend less money, this prevents them from getting out of poverty and gaining improved living standards. A vital part of regional development is the creation and maintenance of high-quality education systems. The education sector in the Western Balkans has made progress, but education remains a sector at high risk for corruption and political influence, especially in higher education. Another unique feature of the education systems of the Western Balkans is their level and distribution of school resources. Expenditures on education in the region are low, especially given the significant infrastructure investments that many schools need. In addition, costs are uneven. Schools with admissions of students with more socio-economic advantages tend to enjoy greater resources than schools with more disadvantaged student admissions, which may contribute to uneven learning outcomes. Results from the International Student Assessment Program (PISA) show that learning outcomes in the region have improved over time, but that the improvement has not been equal. Some students are performing similarly to students from European Union countries, while others are far behind.

Climate change in the Western Balkans show alarming increase of temperature over the whole territory, due to CO<sub>2</sub> emissions. The problem of air pollution in the Western Balkans has taken alarming measures, people are dying every day as a result of air pollution (one of the biggest environmental pollutants are old cars and heating of homes) but this is being encountered in deaf ears from the governments of these countries. In terms of health, the

citizens of the Western Balkans face many difficulties. Although the citizens of Serbia and Northern Macedonia are better off in this sector, but still for this sector needs greater investment. Citizens still do not enjoy health insurance, they are obliged to pay all health expenses themselves and in cases when they do not have enough income they choose not to be treated, thus endangering their lives.

Today, the six countries remain among the poorest in Europe. Poverty is rampant throughout the Balkan region due to the ethnic conflict and wars that have plagued the region. Unfortunately, even today there are citizens in the Western Balkans who do not have the capacity to meet personal needs, such as food, clothing and housing due to the poor social, economic and political situation in their country. In these countries citizens are facing unemployment as high as a result of lack of jobs. After the last global financial crisis of 2008, the Western Balkans region has had for five years a continuous increase in employment with an average annual rate of 2.8%. It is worth noting that these countries before the COVID 19 crisis, also faced labour shortages and pressure to increase wages, labour shortages have been pronounced in Serbia and Northern Macedonia in the manufacturing and transport sectors. While Montenegro had labour shortages in tourism. Unfortunately, the Covid 19 crisis found the Western Balkan states with one-half of the population at working age inactive. Although progress has been made in this sector, the citizens of these countries still face great difficulties in terms of employment in this region and the target for employment are developed European countries.

**Based on comparative analysis for establishing and developing social economy in old and new countries in the European Union, follow these results:**

- Unemployment, male is higher in new countries in the European Union during the period 2009-2015 compared to Unemployment, male in old countries in the European Union. Unemployment, male in new countries in the European Union during the period of time 2009-2015 has turned out to be the highest in Latvia, Lithuania, Estonia and Slovakia while the lowest unemployment, female has resulted in the Czech Republic compared in old countries in the European Union, it Greece and Spain result in the highest percent unemployment, male while it sees a decrease in unemployment, male in the Netherlands, Luxembourg and Germany. As it mentioned above, most countries are facing high unemployment, not only unemployment, female but also unemployment, male. Although there is a tendency of falling unemployment from 2016 to 2019, but still these figures remain high. In terms of Female unemployment percentages in new countries in the European Union is higher compared to in old

countries in the European Union, especially in Germany we can see a downward trend in unemployment during the period of time 2009-2019, this as a result of the increase in the number of employment and that through the employment of emigrants. Although the number of employed women has increased compared to previous centuries, this number is still high not only in new countries but also in old countries in the European Union.

- Regarding expense (% of GDP) in new countries and old countries in the European Union during the period of time 2009-2019, it has these results: Croatia, Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia have almost the same percentage except Bulgaria and Romania which have marked decrease in Expense (% of GDP). While from old countries, Greece has higher percentages compared to Germany and Sweden which turn out to have lower percentages in terms of Expense (% of GDP). In 2009, most old countries in European Union marked a decrease in GDP due to the crisis that occurred in 2008, while from 2010 - 2019, most these countries have marked an increase in GDP with the exception of Greece which from 2009-2016 has marked a decrease in GDP. This means that Greece has created more expenditures in the provision of goods and services in an economy within the period 2009-2019, the economy of this state for a long-time lost direction. Also, new countries in the European Union also marked a decline in GDP due to the crisis that occurred in 2008. While, most countries from 2010 to 2019 have marked GDP growth accompanied by greater economic opportunities and an improved standard of material well-being, with the exception of Croatia, Poland and Hungary.
- The education system in old countries in the European Union is very good and, in some countries, even better in the world. In terms of investment in education leads Sweden further followed by Denmark, Finland, Ireland, Austria, Belgium, Germany, Italy, Netherlands, Spain and Luxembourg. Regarding Government expenditure on education total (% of GDP) in new countries in the European Union, the percentage is the same in all countries, except Malta, Cyprus and Latvia, which for some years have marked increase percent of Government expenditure on education total (% of GDP).
- Regarding CO<sub>2</sub> emission in old countries in the European Union during the period of time 2009-2016 it's have this result: Germany, Italy, France and Spain have higher percentages of CO<sub>2</sub> emission compared with Austria, Denmark, Finland, Belgium, Ireland , Sweden and Greece. While, regarding CO<sub>2</sub> emission in new countries in the European Union during the period of time 2009-2016, have this result: Czechia,

Romania, Poland, Hungary and Bulgaria have higher percentages of CO<sub>2</sub> emission compared with Croatia, Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia. In addition to the old countries, the new countries of the European Union are the cause of climate change through the emission of CO<sub>2</sub> are affecting the destruction of the planet Earth. Therefore, all countries in the European Union must reduce the percentage of carbon dioxide (CO<sub>2</sub>), as they are greatly endangering the planet. From the old countries in the European Union the highest percentage of Forest area have Finland and Sweden while from the new countries in the European Union the highest percentage of Forest area have Slovenia, Estonia and Latvia.

- Air pollution is causing millions of deaths every year, not only in Europe but all over the World. Regarding air pollution in old countries in the European Union: Italy, Greece, Germany, Netherlands, Belgium, Austria, France, Luxembourg, Denmark and Spain have the most polluted air followed further by Finland, Sweden and Ireland. While regarding air pollution in new countries in the European Union Bulgaria, Croatia, Cyprus, Czech Republic, Slovakia, Slovenia, Hungary, Romania, Latvia, Lithuania and Malta have the most air polluted compared with Estonia and Poland. As a result of air pollution, the health of European citizens is becoming more and more endangered.
- Birth rate in all old and new countries of the European Union during the period of time 2009-2018, has very little difference from country to country and from year to year, the rate is almost the same every year followed by a very small change, except Ireland has the highest rate. In most countries from the European Union birth rate is higher than death rate except in Germany and Italy from old countries in EU and Cyprus and Malta from new countries in EU, where the death rate is higher than the birth rate. Fortunately, the birth rate in most European states is higher than the death rate.
- Old countries in EU have Gini index under 40. Austria, France, Germany, Greece, Ireland, Italy, and Spain have Gini index over 30 while under 30 have Belgium, Denmark, Finland, Luxembourg, Netherlands and Sweden. While, new countries in EU have Gini index under 42 and only Bulgaria from new countries in EU has the Gini index over 41 from 2016-2018 while under 30 from 2009-2015. Croatia, Cyprus, Estonia, Lithuania, Poland and Romania, have Gini index over 30 while under 30 have Czechia, Malta, Slovakia and Slovenia. In Italy, Greece, Spain, and Austria, have the highest percentage of the population living on less than \$ 1.90 a day, thankfully this number does not exceed 1.4%. While, in Belgium, Denmark, Finland, France, Germany, Ireland, Sweden and Luxembourg we have the lowest percentage (which is

from 0% to 0.6%) that live on less than \$ 1.90 a day. While in new countries in EU, it has these results regards poverty gap: in Romania, have a higher percentage of the population living on less than \$ 1.90 a day, which ranges from 0.7% in 2009 to 2.3% in 2014. While in Cyprus, Czech Republic, Slovenia, Malta, Estonia, Poland, Slovakia, Bulgaria, Latvia and Lithuania have the lowest percentage (which is from 0% to 0.9%) living on less than \$ 1.90 a day, thankfully this number does not exceed 1%.

- As in the old countries also the new countries in EU have an employment ratio to the population of over 50% and below 50%, which means they have an average ratio in terms of employment to population. None of the countries in the European Union enjoys a high ratio in terms of employment to population as this ratio in no country exceeds the figure above 70%. In the most countries in old and new in the EU has decrease below 10% and some increase above 10% with the exception of Estonia which has the lowest percentage of unemployed, at less than 2.5% and Germany from the old countries in EU has managed to reduce the number of unemployed from 7.74% in 2009 to 3.14% in 2019.

**Based on the empirical results of the hypothesis the main findings of this study are:**

- The results of the correlation analysis show a positive relationship between social development and the value of economic growth (0.67), which means that the growth of economic in Western Balkan Countries has caused an increase in social development.
- In the middle of environment and social protection & labour, exist a positive high connection (0.82) and (0.90), where the growth of the social economy has caused an increase in social development in Western Balkan Countries during the time period 2009-2019.
- Based on this analysis, it turns out that we have a negative relationship between education (-0.78), healthy (-0.33) and climate change (-0.67) and social development, where the education growth, healthy and climate change will cause decrease of Social development and the opposite.
- Based on empirical results through econometric models it can be concluded that: according to the results of the model Random – Effects GLS Regression, environment, social protection & labour have had a positive impact on the establishing and fostering of the social economy, while economic growth, education, climate change, health and poverty have had a negative impact. According to the results of the model Fixed – Effects Regression, education, climate change, poverty, social protection & labour have



had a positive impact on the establishing and fostering of the social economy while economic growth, environment and healthy have had a negative impact. Courses according to the results of the model Hausman – Taylor Regression, education, climate change, environment, poverty, social protection & labour have had a positive impact on the establishing and fostering of the social economy, while economic growth, and healthy have had a negative impact.

- Environment is one of the indicators that affects the level of social development, which has a direct effect on social economy. The results of econometric models show that this variable is significant at the level 95% of reliability and if we have a 1% increase in the value of the environment this will affect the increase of social development by 0.46%. Also, social protection & labour is at the standard level of significance which shows that an increase for 1 unit of this index will affect the increase of social development by 0.86%.

**That according to modern theoretical achievements, own research, modern practices and recommendations of the EU for candidate countries to strengthen the social economy are the following things:**

- 1) Recommended, promoting and creating a social economy.
- 2) Creating the right framework for the social economy to thrive: developing policy and legal frameworks, social economy and state aid, better access to markets (socially responsible public procurement) and promoting the social economy at regional and local levels.
- 3) Opening opportunities for social economy organizations to start up and scale up: business support and capacity building, improving access to funding, maximizing the contribution of the social economy to the green and digital transitions and boosting social innovation.
- 4) Making sure the social economy and its potential are recognized.
- 5) It is recommended member states to adopt or update their social economy strategies and measures in cooperation with social economy stakeholders.
- 6) To open a new EU Social Economy Gateway to provide a clear entry point for social economy stakeholders, other relevant actors and individuals seeking information on relevant EU funding, policies and initiatives.
- 7) It is recommended, European Union and Member States to implement of the UN Agenda 2030 and Sustainable Development Goals.

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## APPENDIX

### Empirical results of the hypothesis

summarize SD	EG	ED	CCH HE	POV SPL	
Variable	Obs	Mean	Std. Dev.	Min	Max
SD	55	61.86291	3.856238	55.77	68.63
EG	38	3.298684	4.823084	-4.15	14.64
ED	39	98.93256	6.080929	87.13	115.8
CCH	48	14.82813	14.76658	1.63	49
HE	59	75.07017	2.276138	69.64	78.33
POV	33	3.736364	2.90375	.3	10.4
SPL	55	52.12073	3.540341	45.29	55.9

correlate SD	EG ED CCH	EN HE POV	SPL				
(obs=15)							
SD	EG	ED	CCH	EN	HE	POV	SPL
SD 1.0000							
EG 0.6750	1.0000						
ED -0.7836	-0.5753	1.0000					
CCH -0.6762	-0.5063	0.2951	1.0000				
EN 0.8205	0.6408	-0.8884	-0.2058	1.0000			
HE -0.3371	-0.2014	0.7192	-0.4028	-0.7683	1.0000		
POV 0.3618	0.0166	-0.6640	0.3304	0.7188	-0.8939	1.0000	
SPL 0.9037	0.6795	-0.5574	-0.7761	0.5760	-0.0325	0.0714	1.0000



Source	SS df	MS	Number of obs =	15
	F( 7, 7)	= 72.72		
Model	154.545656	7 22.0779509	Prob > F	= 0.0000
Residual	2.12534467	7 .303620667	R-squared	= 0.9864
	Adj R-squared	= 0.9729		
Total	156.671001	14 11.1907858	Root MSE	= .55102
SD	Coef.	Std. Err. t	P>t [95% Conf.	Interval]
EG	-.1672722	.0882021 -1.90	0.100 -.3758371	.0412926
ED	-.0266025	.0986201 -0.27	0.795 -.2598019	.2065968
CCH	-.0505532	.0448818 -1.13	0.297 -.1566819	.0555755
EN	.4602378	.1678484 2.74	0.029 .0633393	.8571363
HE	-.0280574	.7761842 -0.04	0.972 -1.863441	1.807327
POV	-.154729	.1770602 -0.87	0.411 -.5734099	.2639519
SPL	.8685869	.1947685 4.46	0.003 .4080327	1.329141
_cons	8.555298	56.78918 0.15	0.885 -125.7298	142.8404

Random-effects GLS regression	Number of obs =	15
Group variable: CODE	Number of groups =	3
R-sq: within = 0.7436	Obs per group: min =	4
between = 1.0000	avg =	5.0
overall = 0.9864	max =	6
	Wald chi2(7) =	509.01
corr(u_i, X) = 0 (assumed)	Prob > chi2 =	0.0000
SD Coef. Std. Err.	z P>z [95% Conf.	Interval]
EG -.1672722 .0882021	-1.90 0.058 -.3401452	.0056008
ED -.0266025 .0986201	-0.27 0.787 -.2198943	.1666892
CCH -.0505532 .0448818	-1.13 0.260 -.13852	.0374136
EN .4602378 .1678484	2.74 0.006 .1312609	.7892147
HE -.0280574 .7761842	-0.04 0.971 -1.54935	1.493236
POV -.154729 .1770602	-0.87 0.382 -.5017607	.1923026
SPL .8685869 .1947685	4.46 0.000 .4868477	1.250326
_cons 8.555298 56.78918	0.15 0.880 -102.7495	119.86
sigma_u 0		
sigma_e .35384234		
rho 0 (fraction	of variance due to u_i)	

Fixed-effects (within) regression	Number of obs = 15
Group variable: CODE	Number of groups = 3
R-sq: within = 0.9225	Obs per group: min = 4
between = 0.9937	avg = 5.0
overall = 0.8540	max = 6
	F(7,5) = 8.50
corr(u_i, Xb) = -0.9868	Prob > F = 0.0158
SD Coef. Std. Err.	t P>t [95% Conf. Interval]
EG -.005961 .0777631	-0.08 0.942 -.2058573 .1939354
ED .1661107 .088379	1.88 0.119 -.0610747 .3932961
CCH .1475101 .0649014	2.27 0.072 -.0193242 .3143444
EN -.8698557 2.521948	-0.34 0.744 -7.35273 5.613019
HE -1.332557 .6328631	-2.11 0.089 -2.959383 .2942696
POV .1074323 .1367023	0.79 0.468 -.243972 .4588367
SPL .8497147 .1272147	6.68 0.001 .5226989 1.17673
_cons 129.7071 94.42844	1.37 0.228 -113.0289 372.4431
sigma_u 9.2320439	
sigma_e .35384234	
rho .99853315 (fraction	of variance due to u_i)
F test that all u_i=0: F(2, 5) =	5.99 Prob > F = 0.0471

. xthtaylor SD EG ED CCH EN	HE POV SPL CODE, endog(EG)	
Hausman-Taylor estimation	Number of obs =	15
Group variable: CODE	Number of groups =	3
	Obs per group: min =	4
avg =	5	
max =	6	
Random effects u_i ~ i.i.d.	Wald chi2(8) =	61.85
Prob > chi2 =	0.0000	
SD Coef.	Std. Err. z P>z [95% Conf.	Interval]
TVexogenous		
ED .1686635	.0863121 1.95 0.051 -.0005052	.3378321
CCH .1410035	.0629813 2.24 0.025 .0175625	.2644446
EN .5570069	1.845848 0.30 0.763 -3.060788	4.174802
HE -1.307093	.6177296 -2.12 0.034 -2.517821	-.0963652
POV .093898	.1326808 0.71 0.479 -.1661517	.3539476
SPL .8630772	.1233667 7.00 0.000 .6212829	1.104871
TVendogenous		
EG -.0297322	.0709523 -0.42 0.675 -.168796	.1093317
TIexogenous		
CODE -2.213397	7.864042 -0.28 0.778 -17.62664	13.19984
_cons 84.707	60.26144 1.41 0.160 -33.40326	202.8173
sigma_u 6.5461158		
sigma_e .22840425 rho .99878406	(fraction of variance due to u_i)	