

SUSTAINABLE PRACTICES OF THE SOCIAL ENTERPRISES IN THE REPUBLIC OF NORTH MACEDONIA -

THE FIRST STEP IN BUILDING A SUSTAINABLE SOCIETY





This analysis was prepared by the Association for Research, Communication and Development - Public with the support of the American people through the United States Agency for International Development (USAID). The opinions expressed in this analysis belong to the authors and do not express the views of the United States Agency for International Development or the Government of the United States of America.

CIP - Cataloging in Publication

National and University Library «St. Kliment of Ohrid», Skopje 364-3:334.722(497.7)

ILIJEVSKI, Klimentina

Sustainable practices of the social enterprises in the republic of north macedonia - the first step in building a sustainable society / authors Klimentina Ilijevski and Aleksandra Iloska - Skopje: Citizens' Association for Research, Communication and Development – Public, 2019. - 35 pp. : illustr.; 21 cm

Footnotes in the text. - Bibliography: pp. 34-35 ISBN 978-608-65957-9-1
1. Iloska, Aleksandra [author]
a) Social entrepreneurship - Macedonia COBISS.MK-ID 110204682

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LISTA E SHKURTESAVE

SE - Social enterprises

EU - European Union MLSP - Ministry of Labor and Social Policy

1 INTRODUCTION

Historically, the focus of local and regional development is on economic growth with market-oriented strategies aimed at improving economic efficiency by increasing employment, income, productivity, industrialization and public investment (Hudson, 2007; Fasenfest et.al, 1997). However, this relatively narrow focus is increasingly criticized because it does not integrate social needs and global challenges, including sustainability in a broader sense.

In the last decade, the concept of sustainability has been promoted in terms of recognizability and significance among the academic community and public policy. Among other things, the pressure on companies to advance reporting and accountability for the impact both on the economic performance of the shareholders and the sustainability, has increased substantially (Visser, 2002). At the end of 2014, the European Commission adopted the Directive on disclosure of non-financial and diversification information(2014/95 / EU). Member states are given two years to incorporate it into their national legislation. The new legal regulations will play a vital role in encouraging the traditional business sector to proactively engage in meeting the sustainable development goals of the United Nations and the Paris Agreement on climate change. The new directive introduces an obligation for companies with more than 500 employees to also publish non-financial data (social, environmental and economic), while companies with more than 250 employees should only report on the practice of diversification. The introduction of the reporting practice is expected to improve enterprise governance and increase their contribution to a sustainable future. With the new directive, large companies are obligated to publish reports on the policy that they implement in relation to:

- Environmental Protection;
- Social responsibility and employee relations;
- Respect for human rights;
- Anti-corruption and bribery;
- Diversity in the existing boards of the company (in terms of age, gender, education and profession).

The concept of social enterprises is still in development and the practice of applying entrepreneurial practices for advancing society and addressing societal challenges such as pollution, poverty and inequalities is not a novelty.

In the last decade, in the EU and globally, a rapid growth of social enterprises has been identified, which generally operate in accordance with the principles of sustainability. In general, social enterprises are those business entities that promote sustainable development and new ways of doing business relying on local resources, while supporting the creation of new jobs (OECD, 2016: 5). Primarily, they are focused on specific market segments, primarily in the local context, and most often act exclusively at the local level, and rarely at the national level (European Commission, 2014: 33). The potential of social enterprises has not yet been fully exploited, however, the rapid growth of diverse social needs and the emergence of multiple environmental challenges require the need for their more courageous development.

The availability of literature on sustainability and social enterprises, as well as their contribution to sustainable development, is very limited. Most of the available literature focuses on financial sustainability (Sabela and Eid, 2016: 71-89; Jenner, 2016: 42-60), which fails to analyze the sustainability of social enterprises on a larger scale that will also integrate the impact on the society and the environment.

Additional literature provides evidence of the contribution of social enterprises to the protection of the environment (Darby and Jenkins, 2006: 411-431). At present, there are two million social enterprises in Europe, representing 10 percent of the total number of enterprises in the European Union (EU). More than 11 million people in the EU work in social enterprises, representing six percent of the total number of EU employees (European Commission, 2017).

1.1 SUSTAINABLE DEVELOPMENT – STILL A CHALLENGE FOR THE REPUBLIC OF NORTH MACEDONIA

Sustainable development is one of the strategic priorities on a global scale. It is integrated into many strategic documents, such as the Millennium Development Goals and the development and also remains operationalized in the national strategies.

The approach to defining sustainable development is different. There is a wide range of definitions of sustainable development in the literature. It is a concept that integrates a wide range of economic and social problems and environmental concerns (OECD, 2007: 7). Sustainable development will provide permanent benefits per capita thanks to the intergenerational solidarity (World Bank, 1989). Sustainable development begins with sustainable activities (business), which in practice requires business people who will impose aimed at environmental efficiency, innovation and social responsibility.

In order to achieve sustainable development, the European Commission applies indicators that reflect the trends in the socio-economic development, sustainable consumption and production model, social inclusion, demographic change, public health, climate change and energy, natural resources, sustainable transport, as well as trends in the global partnership and good governance. The monitoring of these groups of indicators for the Republic of North Macedonia is conducted by the State Statistical Office, which then calculates them in accordance with a methodology that is harmonized with the methodology of the European Union. Accordingly, these are indicators that are comparable to those of the European countries and serve as a good basis for monitoring the priorities of the national policy for sustainable development. Data for all indicator groups are available from 2000 to 2017.

In the country, in 2009, within the Ministry of Environment and Physical Planning, a support project for the preparation of a national strategy for sustainable development was implemented. The Strategy has been developed on the basis of the definition of the World Commission on Environment, which defines sustainable development as a development that meets the needs of present generations, without jeopardizing the ability of future generations to meet their needs (Ministry of Environment and Physical Planning, 2010). Effective implementation of sustainable development is, above all, an institutional challenge faced by a large number of governments (OECD, 2007: 7). Hence, it requires global, intersectoral cooperation and international solutions. In the Republic of Northern Macedonia, there is insufficiently developed awareness, understanding and acceptance of the concept and principles of sustainable development. In 2010, the first strategy for sustainable development was adopted, covering the period until 2030. In general, the strategy sets out a comprehensive diagnosis for sustainable development of this country, which is defined as follows:

- 1) Insufficiently developed awareness, understanding and commitment to sustainable development;
- 2) Full commitment to EU membership at the national level;
- 3) The need for comprehensive organizational development and institutional strengthening in all areas of public life, including policy making, preparation of a legal and regulatory framework, strategic planning, administration, monitoring and implementation;
- 4) Transport and infrastructure;
- 5) Sector priorities: health sector, education sector, energy, agriculture and forestry, tourism, waste management, rich natural and cultural heritage.

SOCIAL ENTERPRISES IN THE REPUBLIC OF NORTH MACEDONIA

2.1 SOCIAL ENTERPRISES IN THE REPUBLIC OF NORTH MACEDONIA: CURRENT STATE

There is no comprehensive research for the social enterprises in the country. So far, two surveys1 have been conducted, whose primary focus is civil society organizations with economic activities, while limiting access to knowledge for cooperatives, agricultural cooperatives, crafts, chambers of crafts, providers of social and health care services, as well as the factors in the waste management sector, which can be developed as social enterprises.

The existing legislation in the Republic of North Macedonia does not recognize and regulate social enterprises and social entrepreneurship because there is no common understanding of the concepts. (Ilijevski & Iloska, 2018). Both emerged during the discourse of the third sector and, in general, there is a conceptual confusion when publically discussing them The development of social enterprises in this country is associated with recent developments in the third sector, such as limited financial support for services provided by civil society organizations, decentralization of the social protection system and increased impact and financial support of the donor community.

The entities making up the spectrum of social enterprises in this country are diverse. Despite the absence of specific institutional forms for social enterprises, the existing legal regulation provides for the establishment and operation of entities that can be recognized as social enterprises, such as civil society organizations and foundations, cooperatives, protective companies, chambers of crafts, agricultural cooperatives.

In accordance with the data of the Association for Research, Communication and Development "Public" on the characteristics of the existing social enterprises, it can be concluded that:

- 1) Activity and mission: The social enterprises in the Republic of North Macedonia are mainly directed towards the production and sale of organic products, production and sale of domestic authentic food and other products, recycling and re-use. Moreover, the majority of them are social enterprises for work integration, that is, they usually provide engagement, but also employment of hard to employ people. Some of them follow the needs of the society in terms of lack of certain services, offering services for elderly care, for deinstitutionalization, support for persons addicted to drugs, alcohol and gambling, support and education of women who are pregnant or breastfeeding. Some of these entities are also involved in non-formal education, culture and art, publishing, etc.
- 2) Hybrid business-model: Social enterprises in the Republic of North Macedonia, besides carrying out economic activities, in their operation also use grants, donations, services provided by public institutions and, very rarely, by the municipalities (for example, service for deinstitutionalization, for rehabilitation of people living with addictions or former prisoners, activation of young people from the street, etc.). Some of these entities also use active employment measures, but conducted research has shown that they were not designed according to the needs of the social enterprises.
- 3) Number of employees: existing social enterprises are small entities, which provide employment for a small number of persons, i.e. from one to five persons. The number of entities that have more than 15 employees is insignificant and these are organizations that provide social and health care services.

The association "Public" during the creation of the database was guided by several criteria: the company should have a clear goal that includes precisely defined benefits for the society and

¹"Social enterprises as an opportunity for work integration of vulnerable groups", available at: http://public.org.mk/ images/specijalnite-pretprijatija.pdf and "Ecosystem for social enterprises in Croatia and the Western Balkans", available at: https://www.nesst.org/wp-content/uploads/2017/05/SE-Ecosystem-in-the-W-Balkans-FINAL.pdf

the environment, most of the profits of the company should go back to the society (minimum 51 percent), goods and services should be produced continuously (some of the social enterprises recorded instability in relation to this criterion, so in order to obtain a larger sample, the criterion for income from economic activities is reduced from 20 per cent to 10 per cent), there should be participatory governance within the entities themselves.

RESEARCH METHODOLOGY AND SAMPLE DESCRIPTION

The field research aimed at perceiving the sustainable practice of social practice in the Republic of North Macedonia was conducted in the period between January - March 2018. Given that social enterprises in the country are still in their beginnings and there is still no law defining these entities, this research uses the database of the Association for Research, Communication and Development "Public", which is working on creating an ecosystem for the development of social entrepreneurship in the country. Some of the interviewed SEs do not identify themselves as social economy entities, although they have economic activities which they developed in accordance with the existing Law on Citizens' Associations and Foundations, and use the generated funds in activities that are consistent with their mission.

According to the "Public" database in which 41 social enterprises are registered, all these entities were contacted for the purposes of this research, with three refusing to be included in the assessment of sustainable practices in their legal entities. Accordingly, interviews were made with representatives of 38 social enterprises, spread across all planning regions in the country, with 21 coming from the Skopje region, where the highest presence of social enterprises in the country was recorded, three from the Pelagonia region, four from the Southwest region, two from the Polog region, three from the Southeast region, one from the East region, two from the Vardar region and two from the Northeast planning region.

The main issue of this research is whether and in what way the sustainable practice in running the business model of social enterprises in the country contributes to the development of a sustainable society.

A qualitative research was conducted in order to delve into the sustainablity of social enterprises through a semi-structured questionnaire. At the same time, a desk research was conducted to review the context and the development of social enterprises in the Republic of North Macedonia, as well as the practice of sustainability in the country.

The questionnaire for this research is compiled in accordance with the maturity model for integrating sustainability in projects and project management divided into three segments - economic sustainability, environmental sustainability and social sustainability, adapted to the context in the country in which the research was conducted (Silvi-us & Schipper, 2010).

The maturity model is a practical way to transfer the complex concept of sustainability (people, planet, profits) from theoretical perceptions into practice. This model enables organizations to follow their sustainable progress through the action plan guide (Dinsmore, 1998), and explores to what level - resources, business processes, business models and products / services are taken into account in the various processes related to sustainability.

The specificity of this model is that the results can be displayed graphically after answering the questionnaires, which gives a clear overview to what level the organization manages to implement sustainable practices, but also how much "work" it still needs to do in different fields. Figure 1 show the aspects of the model.

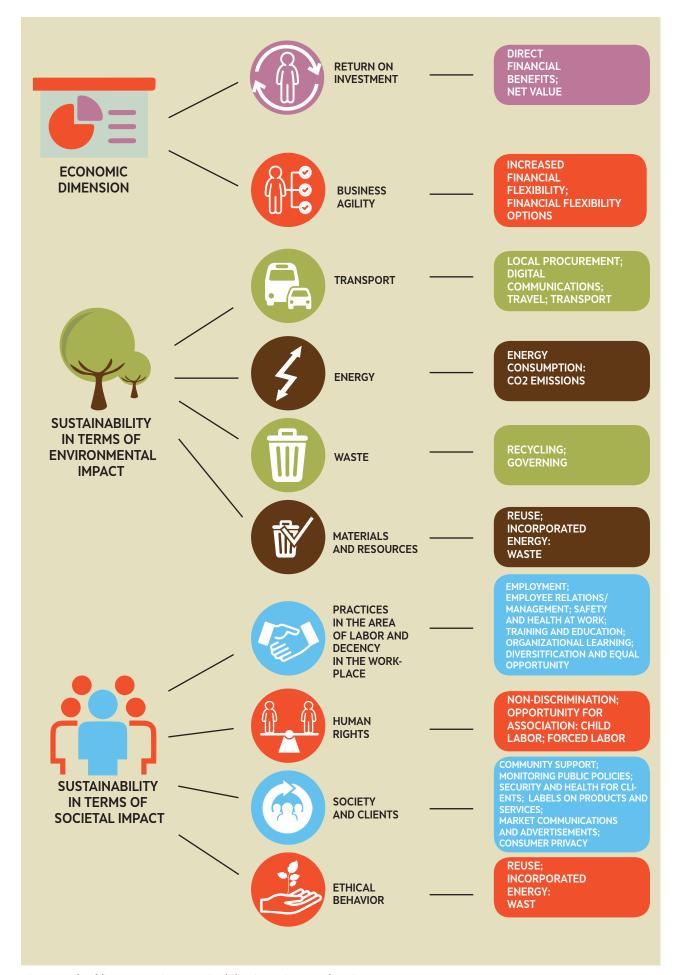


Figure 1: Checklist Integrating sustainability in projects and project management

SUSTAINABLE PRACTICES IN SOCIAL ENTERPRISES IN THE REPUBLIC OF NORTH MACEDONIA

4.1 ECONOMIC SUSTAINABILITY

One of the biggest challenges for social enterprises in the Republic of North Macedonia is economic sustainability. The research shows that, in practice, social enterprises have a hybrid business model that is financially sustainable due to a wider range of sources, such as income from economic activities, active employment measures, grants, donations, services funded by public institutions.

In practice, social enterprises do not have the capacity for greater production and sales or delivery of a service, but they explain that they remain at the same level due to the inability to market products and services. Others as an obstacle to their development cite the lack of investments in the social economy, the lack of necessary machines, the absence of their own space where they can sell their products, which they believe can be obtained from the municipality, lack of human resources, insufficient knowledge for developing business, insufficient marketing and promotion, as well as passivity on their part, ie inadequate development of economic activities and dependence on grants.

In general, existing social enterprises lack a long-term vision to ensure economic sustainability. Some of them are dependent on donor support. Entities acting as associations of citizens would remain functional in this way in the future, providing certain finances for the association through economic activities.

This is a burning issue for us; we don't have a team. I'm employed elsewhere, this is just an additional engagement. And if I do not do something, women do not take the initiative. We need a team, we need people. There is no staff here.

(representative of an SE from the Southwest region)

Only seven of the social enterprises (18.4 percent) are financially self-sustaining, while an additional eleven social enterprises (28.95 percent) are currently not sustainable, but have development, plan and defined objectives for half a year, a year and finally six years when they are expected to become self-sustaining. Most of them were or are part of programs to strengthen the capacities of social enterprises in the country and use active support measures for SEs, or have received a grant for development through the several initiatives to support social enterprises financed by external donors. Some of them include volunteering for the purpose of survival of the SE.

I don't know what to say about this, it's a serious problem. It's the biggest problem. We were supposed to become self-sustaining in three years, but with the employees we have who come from a vulnerable group, we are not able to fulfill the optimum, there are no such prospects.

(representative of an SE from the Skopje planning region)

1) As recommendations for what needs to be done / changed to allow a better self-sustaining environment for their social enterprise, they state: 1) access to finance for social enterprises; 2) support in the placement of their products; 3) specialized funds for newly established social enterprises that have the potential for development; 4) redirection of donor funds and greater financial participation by the local self-government; 5) raising public awareness among buyers about the value of social enterprises; and 6) more active involvement of the Ministry of Economy and the Ministry of Environment and Physical Planning, and not only the Ministry of Labor and Social Policy regarding the development of the social economy in the country, a support center for social enterprises.

There is a need for a support center for social enterprises where I can call when I face a challenge, a center that will meet my needs and have a database of experts that will help in the development of social enterprises and offer special consultations.

(representative of an SE from the Skopje planning region)

Most of the social enterprises are aware that reinforcement of their capacities is needed, especially in the area of financial sustainability and professional development of the teams. As one of the segments that will create an environment that enables the development of social enterprises in the country, the surveyed entities cite the legal framework, as well as the introduction of the idea of social entrepreneurship in the education system, which would increase the sensibility of the youth in relation to this issue and, at the same time, increase the chances for the young population to start a new social business in the future.

4.2 SUSTAINABILITY IN TERMS OF THE IMPACT ON THE ENVIRONMENT

4.2.1 TRANSPORT AND TRAVEL

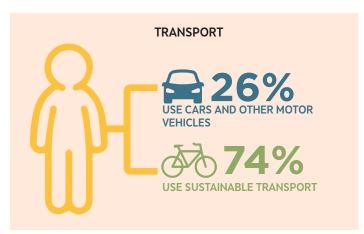
In order to minimize the harmful consequences of transport, it is necessary to separate the economic growth from the demand for transport (State Statistical Office, 2018: 136). In general, in the Republic of Northern Macedonia there is no practice for the development of sustainable transport. According to the State Statistical Office data, there is an upward trend in the total energy consumption in the transport sector. If in 2000 it amounted to 368,000 tonnes, consumption in 2015 almost doubled, reaching 631,000 tons (State Statistical Office, 2018: 136-140). In the country, car transport is still one of the most used, i.e. it represents almost 80 percent of the total passenger transport.

In this context, the maturity model of sustainability suggests excluding the cause of the unsustainability of a process or service, rather than reducing its consequences. Hence, instead of looking for alternative means of transport with less carbon footprint (electric vehicles or biofuels), the goal is to exclude transport if possible. Consequently, apart from green vehicles (bicycle, tricycle, etc.), it is important to innovate in terms of digitizing services (for example, distributing over the Internet instead of analogous distribution of the service) or offering alternative solutions that would minimize transport or exclude it from the business processes.

Social enterprises from the larger cities of the Republic of North Macedonia have developed awareness of the importance of practicing sustainable transport, whereas those from smaller towns and rural areas use sustainable transport, but not as a conscious practice, but the very localized context (proximity) imposes such a way of functioning, which also positively affects their finances.

We usually walk, which is why our office is in the center of the city. We have no official document regarding sustainable transport, but that's just how we are as people.

(representative of an SE from the Skopje planning region)



Graph 2: Practice of transport and travel within social enterprises

Given that the focus of the work of the social enterprises is mainly aimed at the local population, most of them, 73.7 percent, go to work on foot, by bike or by public transport and that is how they usually carry out their daily work obligations. In some of the social enterprises that work mostly with hired people, especially those from the creative industry, individuals finish their work from home and do not use transportation, while they deliver their products via express mail.

However, some of these companies have no developed environmental protection practices, so they try to reduce their transport costs for financial reasons. Most of them are aware that the sustainable transport practices can also affect their positive image in society.

We plan to discuss with the Municipality of Centar regarding bicycle subsidies for caregivers, who visit three customers per day, which will save time and also be part of a brand.

(representative of a social enterprise from the Skopje planning region)

In total, 26.3 percent of the analyzed social enterprises mainly use vehicles for reaching the workplace and completing their daily activities outside the organization, as well as motorcycles and taxis, especially because the measure for support of social enterprises granted them vouchers for fuel. Some try to use shared transport, but part of the SEs are located in areas outside the city where there is no public transport and this makes it difficult for them to operate in a sustainable way.

For some enterprises, the type of work requires them to use a motor vehicle (car and van), and they also show awareness that they need electric vehicles, the price of which is too high for them to be able to afford.

We regularly use a van in our work for the purpose of delivering products to our customers, but we try to achieve the optimum, preparing a schedule of the movement of activities. For example, we try to complete the entire delivery in on or two days during the week.

(representative of a social enterprise from the Skopje region)

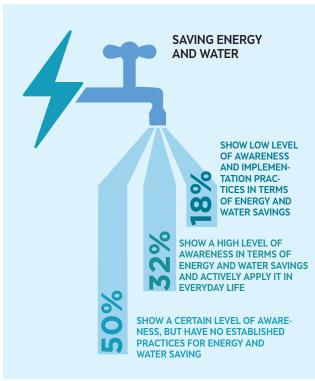
Although 90 percent of the movement of the employees in our social enterprise is by bicycle or on foot, unfortunately, this does not work when we deliver products, especially when it's warm, because the lettuce would not survive.

(representative of a social enterprise from the Skopje planning region)

Although most of these enterprises are also trying to develop a bicycle culture, due to the type of work and distance, they fail to fully implement sustainable transport.

4.2.2 ENERGY AND WATER SAVING AND USING RENEWABLE ENERGY SOURCES

The Republic of North Macedonia is still characterized by high energy dependence, showing an upward trend with 39.9 percent in 2000 and 52.3 percent in 2015 (Makstat database, 2018), which means that the country in the last two decades has not taken measures to reduce energy dependence. Despite the numerous resources available, however, in 2016, in the country, the share of renewable energy in the total energy required is only 15 percent. The improvements on an annual level are minimal, especially considering that in 2000 this percentage was 11 (Makstat database, 2018). In 2015, biomass had the most significant share of renewable energy in the total required energy with 8.8 percent and hydropower which accounted for 5.9 percent in 2015. Besides these two energy sources, geothermal energy, biodiesel, solar energy, wind energy and biogas remain unused in the country.



Graph 3: Energy and water saving

A total of 23.7 percent (9) of the interviewed social enterprises do not have their own premises, that is, they work from home and / or share spaces and show a certain level of awareness in terms of saving energy and water in their work. Representatives of organizations from smaller towns and rural areas do this mainly for financial reasons. Another ten of the interviewed organizations (26.3 percent), that have their own space, also show a certain level of awareness, but have no established energy and water saving practices, nor do they think what to do in order to reduce these costs.

These SEs mainly use electric heating and heating with wood and pallets, and they don't consider the quantity of consumed water a priority due to the nature of the activities they carry out.

Twelve of the interviewed organizations (31.6 per cent) show a high level of awareness in terms of energy and water saving, which they actively practice in their everyday lives.

Some of them also look for alternative operating solutions to minimize these costs.

Part of the activities we carry out are outdoors, which means that we have to camp, so we save energy, water and money. We eat local products supplied by the villagers.

(representative of an SE in the field of culture from the Skopje planning region)

Part of the social enterprises over the course of their operation have recognized their weaknesses in terms of energy and water consumption and created a new practice that is not fully explained and sustainable, but is the beginning of a new way of operation, which is, above all, prompted financial reasons, but with a significant environmental footprint.

We are a hotel and we can't restrict our guests in terms of how much water they spend. But that's why we installed solar panels, which greatly reduced our electricity bills.

(director of an SE from the Southwest region)

Social enterprises that show a higher level of awareness have already made calculations in terms of water and energy consumption, but have also made a plan to change their practices and the method of operationin the future, which is, above all, financially justified in accordance with the small financial turnover that these entities have.

We try to be all in one office in order to reduce the costs to a minimum. We use heating panels so we can turn them off when we are not in the office. We use filtered water to avoid buying bottled.

(representative of an SE from the Skopje planning region)

One of the SEs that deals with cultivation of vegetables even produces its own electricity.

We have a solar hot water system. We also have a 4.5 kw photovoltaic system for producing electricity and we have our own drinking water.

By increasing the capacities of the photovoltaics, we would reduce all costs.

(representative of an SE from the Southeast part of the country)

18.4 percent of the SEs (7) show a low level of implementation in terms of energy and water saving and use wood for heating, whereas others do not have adequate working conditions due to the inability to adequately cool or heat the space .

4.2.3 WASTE

Economic growth, increased consumption and irrational use of natural resources are reflecting negatively on the environment. Increased demand for products and services, without changes in the consumer habits pattern, generates large amounts of waste. On the other hand, consumers, by choosing a model of nutrition, transport or housing, can direct the production model and directly affect the environment (State Statistical Office, 2018).

In accordance with the maturity model, designing a product or service should lead a sustainable business practice and encourage sustainable customer behavior. This implies that not only should the buyer be aware and responsible, refusing to buy unsustainable products (for example, plastic products), but also manufacturers can initiate a practice that favors products and services that will help the buyer to behave sustainably.



Graph 4: Waste management practices

Fifteen of the surveyed organizations (39.5 per cent) have already established a practice for recycling and reusing the materials they use in their work. Most organizations with clearly set recycling and reuse practices recycle paper, plastic and glass.

In some organizations, reusing and repurposing of already used products is part of the mission, such as recycling and reparation of wood and clothing, whereas others promote and develop eco-friendly practice among its clients.

Because we are a very eco-conscious company, we offer the opportunity to reuse the returned glass containers during sales, for which we offer a discount on the product they buy in order to motivate our customers to generate as little waste as possible.

(representative of an SE from the Skopje planning region)

One organization produces and sells greeting cards made of recycled paper, whereas the products of several other organizations and their inventory are made of recycled materials.

Everything you see here as an inventory, either for a cafe, for a shop or for a hair salon, everything is a reusable material. We wandered through landfills to collect old items and give them a new role. Thus, tires became decent seating stools and old pots turned into bathing vessels; we use pallets as seating sofas and tables. This process is very important for us, so when we were forming the center, our friends who made renovations in their homes called us and started giving us the things that they no longer needed, but fitted perfectly here.

(representative of an SE from the Skopje planning region)

23.7 percent (9) of social enterprises either have several established practices, such as recycling only paper or only plastic, or take initiatives at the individual level that have not yet become part of the organizational culture.

We do not have such a policy in our organization, although there is one colleague who is an advocate for healthy environment, but she is just one individual, which does not mean that she will not influence others. But, it is not at the organizational level. Usually, we either give the leftover food from events to disadvantaged individuals or we take it to the office, we try not to throw it away.

(representative of an SE from the Skopje planning region)

Seven organizations (18.4 percent) wanted to introduce recycling and reuse practices, but they all had different reasons that prevented them from taking the initiative such as costs for delivering electronic waste, non-synchronization, lack of tenacity, but they identified ways in which they would eventually apply such practices in their SEs. One of these organizations emphasized that it was already in the process of preparing a plan at an organizational level in terms of what to do with the waste from it's the raw materials.

18.4 percent (7) of social enterprises do not have any recycling and reuse practices, and most of them belong to the service industries and have headquarters in different parts of the country, from large cities to smaller communities.

4.2.4 MATERIALS AND RESOURCES

Sustainability models require a deep insight into the process of their own project, service or product production. Namely, if we analyze the supply chain, as the maturity model of the process performance monitoring requires, we may be able to change or diversify the production process. Thus, a more sustainable process is the one that not only limits the use of unsustainable practices, but also endeavors to eliminate them both from its supply chain and from its subsequent processes.

In general, in the Republic of Northern Macedonia, the public debate and the practice of developing sustainable supply chains are far from accessible and developed. Hence, good practice data and appropriate statistical indicators that cover the overall situation in specific industries are not currently available.



Graph 5: Sustainable practices in the supply chain

The raw materials of six social enterprises (15.8 percent) are already used products that they give a new life to through their work, i.e. they process and prepare them for reuse - old furniture, paper, clothing and food.

Our mission is clear, we continue the life of old clothes, contributing to the reduction of waste.

(representative of an SE from the Skopje planning region)

From the responses provided by 16 social enterprises (42.1 percent), it can be concluded that they have sustainable practices regarding the procurement of materials and products they use in their work, but some of them do this unconsciously, especially those from rural areas that produce fruits, vegetables and herbs, those that produce products made of locally produced products or those that try to buy their working materials from the local business, and thus reduce costs.

Those who are distributors of organic and locally produced food and other products, know the manufacturers and work in accordance with defined standards.

We know the producers of Macedonian products personally, whereas the imported product all have certificates that prove that they come from a small and smart business, without any abuse of the workforce. That's why the prices of our products are high.

(representative of an SE from the Skopje planning region)

The only criteria for one of the social enterprises (2.6 percent), which is developing the initiative with the help of an EU donation, when making procurements, is that the product is produced in the EU, in accordance with the donor's requirements. For six SEs (15.8 per cent) that provide services, the question regarding primary work materials is not applicable, while they also avoided to address the question regarding child labor abuse and excessive and low-paid work related to the procurement of the necessary materials such as office supplies, equipment and food they use. Nine social enterprises (23.7 percent) are completely unaware of this segment of sustainability and explain that as a society we are far from this level of development, that it is very expensive to act sustainably, that it is difficult to track the trace of imported products and that they are skeptical in terms of fair trade markings.

Product packaging

In the context of the product packaging, product and process management can do much in the efforts for more sustainable processes. Accordingly, the question arises as to whether the packaging may change from plastics to glass or paper, that is, in materials that have greater recycling opportunities and whether the packaging can be completely disposed of so that the clients may receive the product in their own packaging that they will bring to the place of sale.

Fourteen of the interviewed SEs (36.8 percent) have no products, whereas twelve (31.6 per cent) have no packaging for their products. Six social enterprises (15.8 percent) pay attention to the packaging in which they pack their products and state that they use biodegradable packaging materials, with a representative of one social enterprise emphasizing that they are suspicious of the biodegradable packaging offered on the Macedonian market and that are still looking for an appropriate solution. Six SEs (15.8 per cent) were primarily driven by the price when making packaging decision, whereas others made such decisions due to lack of information.

Only five of the social enterprises (13.1 per cent) have labels indicating that their products follow the concept of sustainability, such as an organic production sign, locally manufactured products labels and labels indicating that the purchase of a particular product means support and development of programs for certain marginalized groups, however the packaging of these products is not always and biodegradable.

4.3 SUSTAINABILITY IN TERMS OF SOCIETAL IMPACT

4.3.1 PRACTICES IN THE AREA OF LABOR, DECENCY IN THE WORKPLACE AND RESPECT FOR HUMAN RIGHTS

In sustainable organizational entities, employee-focused procedures (for their professional development, etc.), as well as the procedures for protecting their health and well-being, are an important segment of the operation, and their implementation is measurable.

The purpose of the employment procedures is to ensure that any new employment in an organization is conducted through an open, fair and consistent procedure, without discrimination and conflict of interest and with respect for diversity. The procedure for assessing employee performance, in turn, exists to recognize the individual achievements of employees, whereas the policy for professional development of employees places the focus on the professionalization of each employee, which will in the long run also ensure the institutional development of the organization itself.

Existing social enterprises in the Republic of North Macedonia are small entities, with a small number of employees, ranging from one to five people. The number of entities that employ more than five people is small, and it is even smaller for those that employ more than 15 people. A total of 125 persons are employed in these entities, 79 of whom are women and 46 are men and most of them are between 29 and 45 years old. These entities promote diversity in the employee structure. In mixed ethnic environments, the employee structure in terms of nationality is mixed - Macedonians, Albanians, Roma, Vlachs, however the Macedonian nationality is still dominant. In Ses with more than five employees, there is diversity in terms of the level of education - people with no secondary education, with completed secondary education, with completed higher education, with masters and with doctorates, however, the group of employees with higher education is dominant.

Given that most of the social enterprises in the country include vulnerable groups in their ranks, the approach and working with them imply greater investment not only to their professionalisation, but also to creating habits and facilitating simpler integration. Thus, the challenge of social enterprises when it comes to employment, adaptation, monitoring and development of most of the employees in the process of integration at the workplace is much greater, and hence, these processes are subsidized by the state in many European countries. Part of the active employment measures allow this in our country as well, however additional analysis is needed to identify why they are not adequately used by social enterprises (with the exception of those intended for the protective companies).

As high as 65.8 percent (25) of social enterprises do not have any procedures within the organization, with seven of them having developed only certain labor rights or professional rulebooks and an ethical code. Only five SEs (13.15 percent), all of which have more than ten years of experience in the civic sector, have employment and health and safety at work procedures, which they try to properly implement in their work, whereas five (13.15 percent) SEs have employment procedures, but not health and safety at work procedures. Three SEs (7.9 percent) have procedures, but they do not respect them.

Training, education and organizational learning

PROFESSIONAL TRAININGF EMPLOYEES



Fourteen social enterprises (36.8 percent) attend trainings that are free, but they also allocate a budget for trainings that they deem necessary for their employees. Only two of these social enterprises have a employee development plan.

Every employee knows exactly what is expected from them, we have prepared a plan in terms of the type of training each of them is supposed to attend. Some trainings cost us a lot, but we are aware that we need them and that we must plan a development budget.

(representative of an enterprise from the Skopje planning region)

Seventeen social enterprises (44.8 percent) mainly try to attend trainings that are already covered by a donor but do not allocate their own funds for this purpose, whereas the decision to visit the training is made by either the executive director or the initiative comes from the employee who wants to visit the training or the team of the social enterprise jointly decides which employee is most suitable to visit a specific training.

Some of these social enterprises working with people with disabilities estimate that the focus of their work is becoming a reality in the country and continuously gain opportunities for capacity building, which they actively and have significant benefits in their development, others receive mentoring support financed by donors, which includes a plan for employee development, which should be realized in the future. One social enterprise (2.6 per cent) attended trainings online. The other six social enterprises (15.8 percent) do not practice training and development of employees.

In 63.2% (24) social enterprises, there is a high level of sensitivity in terms of improving the working atmosphere in the organization, paying attention to anti-discrimination and avoiding interpersonal conflicts. Some of them also have anti-discrimination rulebooks and attended trainings on interpersonal conflicts, while others, when recruiting an employee, include a set of issues that concern the sensitization of topics and groups with whom they work, and if the candidates are not sensitized regarding these issues, they will not enter the shortlist. Others, however, pay attention to improving the working environment by giving out rewards, selecting a worker of the month and a worker of the year.

Specificity in the approach and realization of the obligations is noted in the social enterprises for working integration, which work with vulnerable groups. They have a significant task in society - they prepare vulnerable people for the labor market, for which they are not compensated by the state (which is necessary for certain vulnerable groups) and this slows down their development. On the other hand, most of these enterprises do not have developed programs for inte-

gration of the vulnerable group they work with, so they implement the activities spontaneously, which is also an obstacle in the development of the social enterprise.

We have a great atmosphere, we enable women, mostly Albanians, to get out of the house, work together, socialize, laugh, which means a lot to them. Otherwise, we'll suffocate.

(representative of a social enterprise from the Southwest region)

One of the social enterprises registered as LLC has its own association of citizens, but both entities cooperate for easier integration of the group they work with. According to their practice, only those individuals who are already open to change and who are ready for work are involved in the social enterprise.

Ninety percent of all members of the association are victims of domestic violence. In addition to having psychotherapists and specialists with whom we cooperate, we also know what can be expected from people who are in the position of a victim. At the beginning, we relied heavily on them, but this reflected negatively on the image of both the firm and the organization. Therefore, the women we choose to be part of the company have already passed through the filter of the association of citizens, we have noticed their progress and that is why they work in the company. Those, however, who do not work on themselves, we refer them to more appropriate expert services to adequately overcome their problems. So, everyone who is part of the firm first pass through the sieve of the association of citizens.

(representative of a social enterprises from the Skopje planning region)

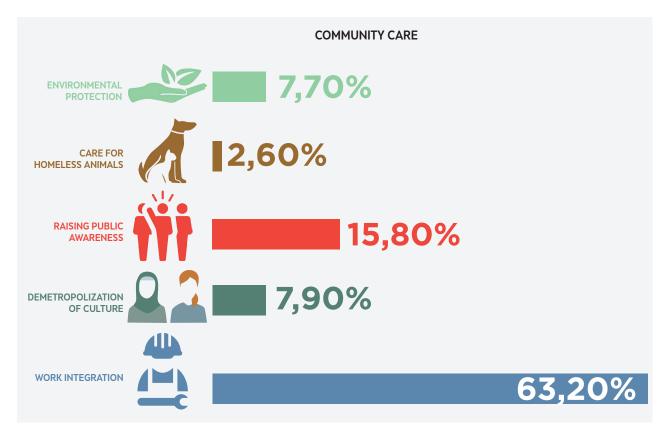
The absence of clear integration programs, in certain social enterprises for working integration, creates a problematic working atmosphere. Three SPs (7.9 percent) stressed the tension that is being created and the powerlessness they feel, not always finding a way to overcome the problems. Many times I have come close to give everything up and leave – said a representative of an association of citizens, which as one of its programs includes its own SE through which it generates income for the purposes of the association.

Six social enterprises (15.8 percent) emphasized the need for a better work atmosphere, the lack of team building, the failure to find the right employees at all times, that is, the lack of dedication to this segment of operations, four social enterprises (10, 5 percent) completely neglected this segment, and one SE (2.6 percent) deemed the issue irrelevant because it only has one employee.

4.3.2 SOCIETY AND CLIENTS

Community support

In the Republic of North Macedonia there is no detailed statistical overview of the contribution of different entities to the community and society. While in the business sector this is a practice that is in a development phase and represents untapped potential, in the civil sector the very regulation that regulates it imposes the need for a clearly defined social mission. Сустомер care as a practice is implemented in the business sector, but it is more driven by business goals rather than the motive for community development.



Graph 7: Care for the community

10.5 percent (4) of the interviewed SEs demetropolize culture by bringing it closer to citizens from the local communities, and even entering rural areas; one of these organizations focuses on promoting cultural heritage. 15.8 percent of the SEc (6) raises public awareness of various socially important issues within their social mission or give free consultations and advice to people who need it but can not afford it, one SP takes care of stray dogs (2.6 percent) and at the same time informs the public on the importance of pet care, and 7.9 percent (3) make positive impact on the environmental protection education with their actions.

Most of the SP interviewed, 24 (63.2 percent) are for work integration and their investment in society involves economic and social reinforcement of various marginalized groups. At the same time, they raise public awareness of the challenges and needs faced by marginalized people, and they also influence policy in relation to this issue. Three of them include integration and environmental protection in their mission. Six of the social enterprises for work integration integrate vulnerable groups of women from different groups - Roma women, women from rural areas, socially excluded women. Such inclusion for them also means social and economic reinforcement. Some of these SEs also affect institutional change in terms of employment programs. The fact that women are both engaged and socialize is good for all of us - said one representative from the Pelagonia region. Four of the SEs for work integration integrate people with mental disabilities, one SE integrates individuals with physical disabilities, some of which have played an important role in Macedonian society in the process of deinstitutionalization of people with mental disabilities. Four more integrate socially disadvantaged citizens and homeless people, three of which actively practice or encourage volunteering.

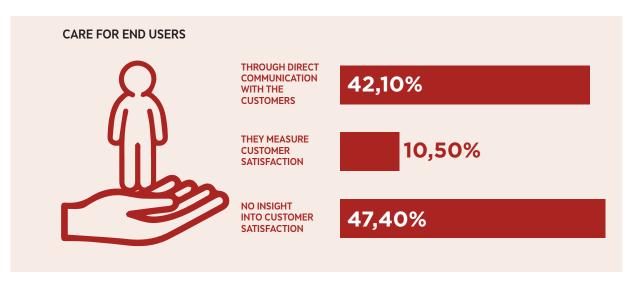
Working with disadvantaged people is both complex and highly motivating, so when there are not enough funds, the majority of the activities are performed voluntarily together with the team and by involving external volunteers

(representative of an SE from the Skopje planning region)

Two of the SEs for work integration focus on drug, alcohol and gambling addicts, two focus on

single mothers, one focuses on people with psychiatric problems, another focuses on the integration of disadvantaged young people and four on people who make handicrafts.

Customer satisfaction



Graph 8: Care for end users

Eighteen of the interviewed social enterprises (47.4 percent) have no insight regarding customer satisfaction and concerns of the buyers about their products and services, and only four SEs (10.5 percent) have developed mechanisms such as conducting surveys and research on a yearly or biyearly basis.

The other 16 SEs (42.1 percent) explain that they maintain personal communication with their customers at the points of sale or communicate with them online, some of them thank the regular customers by giving away small gifts or by giving thank-you letters to firms and individuals that buy larger quantities. One SE has a policy that if someone is not satisfied with the provided educational classes, the enterprise will return the money after the training.

We constantly communicate with the users of our services and their families, so we immediately learn about the deficiencies in our work and try to react quickly.

(representative of an SE from the Skopje region that provides elderly care services).



In general, social enterprises in the country have defined sustainable practices both in terms of environmental protection and in terms of contribution to society, and what is also striking is that they, albeit entities with the highest understanding and awareness of sustainability, at the same time struggle with their economic sustainable.

However, their approach, the practices they carry out, the impact they have on the local community are a step forward in creating a sustainable society.

One of the biggest challenges for social enterprises in the Republic of North Macedonia is economic sustainability. The research shows that, in practice, social enterprises have a hybrid business model that is financially sustainable due to a wider range of sources, such as income from economic activities, active employment measures, grants, donations, services funded by public institutions. The conducted research shows that only 18.4 percent of the social enterprises in the country are economically sustainable, while others are donor-dependent or financially unsustainable in the long run.

With regard to environmental sustainability, sustainable transport practices have the greatest contribution. As high as 73.7 percent of the employees and workers in the social enterprises go to work and fulfill their daily work obligation on foot, by bike or by public transport and try to minimize the use of motor vehicles. About 40 percent of the social enterprises have already established a practice for recycling and reusing the materials they use in their work. Additionally, 31.6 percent show a high level of awareness in terms of energy and water saving and they actively practice this in their everyday life, and some even produce their own electricity. For some of them, reusing and repurposing already used products is part of the mission, such as recycling and reparation of wood and clothing, others promote and develop environmental practice among its customers, whereas the products of several other organizations i.e. their inventory is exclusively made of recycled materials.

Regarding sustainability in terms of the impact on the society and the community, social enterprises in the Republic of North Macedonia have clearly defined social missions. Most of them, that is, 63.2 percent are for work integration and their investment in society involves economic and social reinforcement of various marginalized groups. The social missions of other SEs include demetropolisation of culture, raising public awareness of important social issues, protection of homeless animals and the environmental protection.

In general, social enterprises in the country are small entities, with a small number of employees, ranging from one to five, that is, they provide employment for a total of 125 people, 79of whom are women and 46 are men, most of them aged from 29 to 45. The conducted research confirms that entities promote diversity in the employee structure, not only in terms of gender, but also in terms of nationality and level of education. In mixed ethnic environments, the employee structure in terms of nationality is mixed - Macedonians, Albanians, Roma, Vlachs, however the Macedonian nationality is still dominant.

In SEs with more than five employees, there is diversity in terms of the level of education - people with no secondary education, with completed secondary education, with completed higher education, with masters and with doctorates, however, the group of employees with higher education is dominant.

There is room for promoting good governance within social enterprises. **As high as 65.8 percent (25) of social enterprises do not have any procedures within the organization,** with seven of them having developed only certain labor rights or professional rulebooks and an ethical code. The survey confirms that existing social enterprises have developed institutional awareness of organizational and professional development, but it rarely comes from the real needs of the employees and the organization and is not strategic and planned for the long-term. The donor community still determines the capacity building for social enterprises, i.e. 44.8 percent of the existing SEs attend trainings that are being imposed by the donor community.

The challenge for social enterprises remains building long-term relationships with clients. As high as 47.4 percent have no insight regarding customer satisfaction and concerns of the buyers about their products and services, while only 10.5 percent have developed mechanisms such as conducting surveys and research on a yearly or biyearly basis. Other SEs receive notes about

their products and services through direct contact with the end users.

42.1 percent of the SEs have sustainable practices regarding the procurement of materials and products they use in their work, but some of them do this unconsciously, especially those from rural areas that produce fruits, vegetables and herbs, those that produce products made of locally produced products or those that try to buy their working materials from the local business, and thus reduce costs.

Only five of the social enterprises (13.1 percent) have labels indicating that their products follow the concept of sustainability, such as an organic production sign, locally manufactured products labels and labels indicating that the purchase of a particular product means support and development of programs for certain marginalized groups, however the packaging of these products is not always and biodegradable.



The survey confirms that social enterprises have the capacity to develop as local engines for implementing the global sustainable development goals. However, it is necessary to integrate the potentials of all entities and build credible partnerships with appropriate information with other entities in the business spectrum and with the public policy makers.

6.1 RECOMMENDATIONS FOR PUBLIC POLICY MAKERS

- 1) Restructuring the way the development policy is created into a new vision, which is primarily based on a bottom-up approach to development policy from local to national level. Developing policy to promote the sustainability principle and to raise awareness of global sustainability goals at the level of all sectors.
- 2) Encouraging financial instruments for economic sustainability of social enterprises, such as reserved funds; omitting the "lowest price" criterion that deters social enterprises from participating in public procurements and promoting a public procurement concept based on the sustainable development principles;
- 3) Opening financial funds (grant lines) for sustainable practices that encourage the restructuring of production and sales processes in the SE (experimental grants for development and practice through the Innovation Fund);
- 4) Develop a monitoring matrix for all aspects of sustainability of social enterprises. The matrix should be mandatory for public finance users to support the development of social enterprises.
- 5) Encouraging partnership and networking at the local level, at the municipal level and at the level of the SE in a specific region for achieving the Agenda 2030 for sustainable development;
- 6) Raising public awareness among buyers about the value of social enterprises.

6.2 RECOMMENDATIONS FOR SOCIAL ENTERPRISES

- 1) Encouraging the restructuring of the production and sales processes in the SP (preferences for sustainable processes of production and sale of services and goods);
- 2) Development of the process of labeling and giving rewards for sustainable practices in the SEs, which will have a dual purpose, raising public awareness and developing the management teams of the SE regarding the need for reorientation towards sustainable practices;
- 3) Encouraging innovative / investment thinking in the social economy among managers of SEs;
- 4) Raising public awareness among buyers about the value of social enterprises;
- 5) Building partnerships with municipalities and the business sector at the local level for pilot innovation with a sustainable impact on the community.

6.3 RECOMMENDATIONS FOR OTHER PARTICIPANTS IN THE ECOSYSTEM

- 1) Including SEs in their own system of procurement of raw materials, processing of parts, provision of certain services, outsourcing, transport, etc.;
- 2) Providing support for the placement of their products, which are produced in a sustainable way;
- 3) Providing support in human resources for development and innovation (mentoring schemes, volunteering, internship, workplace training);
- 4) Joint application for grants programs for social innovations and investments in the social economy (as a prerequisite for grants programs);
- 5) Encouraging mutual partnership between the SE and the traditional business in the development of social innovations.



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