



# Institutional structures impeding forest-based social innovation in Serbia and Slovenia

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## ABSTRACT

The potential of forest-based social innovations (SI) can be understood by looking at existing institutional structures, relevant policy programmes and instruments, as well as the roles of the various relevant actors in SI frameworks. The case examples from Serbia and Slovenia aim to understand how existing institutional structures have become embedded in SI over the years as well as where gaps and untapped potential still exist within SI institutional frameworks. The research team conducted a content analysis of policy documents and of in-depth interviews with actors involved in SI with the results indicating a growing interest in SI in both countries despite the still vague understanding of the concept which is often equated with social enterprise (SE). Major factors that drive this interest are external processes, such as Serbia's accession to the EU and gaining access to EU funds for SI in Slovenia. This growing interest is most often articulated by public actors and civil society organisations but is also made manifest by the growing number of SE in each country. In Serbia, one high-profile example is a newly adopted regulation for SE in collaboration with civil society organisations that also establishes national support structures. However, this process lasted more than ten years, during which different challenges arose that revealed various notable informal and formal voids in governance structures for SI. Similarly, in Slovenia, new bodies were established and regulatory documents were adopted through regulations focused solely on SE, a group of activities that is classified as falling within the social-economy sector. Despite the supporting instruments available, and partially due to the rigid understanding of SI and SE, the potential of forest-based SI is not reflected in Slovenia's forestry or social economy sector. Although improvements are being made in both countries, the current situation certainly demonstrates that forest-based SI will likely continue to manifest as hybrid organisations, partnerships and/or projects. They will need to chart a difficult path through existing institutional structures by utilising opportunities under the mantle of rural development or social economy until each State's forestry sector recognises the potential of forest-based SI and provides suitable instruments to support them. In terms of practice, some of the most urgent recommendations made here relate to the need for connecting actors into viable networks to facilitate dialogue and information exchange as well as reap the benefits that come with centralised coordination.

## 1. Introduction

Nowadays, human society is facing multiple crises – climate (IPCC, 2021), biodiversity (IPBES, 2019; Ceballos et al., 2020; WWF, 2021), war (Koubi et al., 2021), hunger (FAO, 2019; UN, 2021) – each of them deepening inequalities in different spheres of life (Alvaredo et al., 2020),

further imposing environmental challenges (IPCC, 2019) and threatening forests (FAO, 2020). Traditional governmental approaches are often not effective in responding to these challenges, which points to a need for creating new ways of addressing them (Copus et al., 2017). States' predominant focus on economic growth, which has traditionally been held up as the most important driver for creating employment and

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alleviating poverty, was challenged in the economic crisis of 2008 and further shaken by the crisis caused by the Covid-19 pandemic. Hence, the last few decades have made it obvious that alternative ways of overcoming complex societal challenges, promoting economic growth and human well-being are needed. These new approaches should be created not only for but with and by citizens (Hubert, 2010). In policy discourse across many States, social innovation (SI) has been presented as a solution to many kinds of old and new social challenges at a time of growing uncertainty and economic pressure on public administrations (Sinclair and Baglioni, 2014; TEPSIE, 2014). As such, SI is now presented as an opportunity for governments to support social wellbeing (Pol and Ville, 2009) by harnessing it as a means to tackle marginalisation (von Jacobi et al., 2017) and a tool that provides transformative potential for research and collective action (Moulaert et al., 2007).

Today SI is garnering interest among organisations, policymakers, foundations, academia and individuals while a growing body of literature is increasingly proving the need for such innovations (Govigli et al., 2020; Neumeier, 2012; Nijnik et al., 2020; Ravazzoli et al., 2021; Sarkki et al., 2019b). Debates about SI occurred in the second half of the twentieth century as a 'political' reaction to technological innovations, and State-supported social reforms (Godin, 2012). Even though SI is not a new phenomenon (Edwards-Schachter and Wallace, 2017), it entered a new phase in which it is seen as offering solutions to not just localised problems but also systemic and structural ones (Nicholls et al., 2015).

Discussions about SI are often obfuscated by the fact it has numerous definitions (Bock, 2012; Cajaiba-Santana, 2014; Hämäläinen and Heiskala, 2007; Howaldt and Knopp, 2012; Phills et al., 2008; Sinclair and Baglioni, 2014) with varied and sometimes vague meanings (Grimm et al., 2013). Many of these definitions are normative and idealistic, assigning high expectations to SI. For example, various authors have argued that SI should not only embrace a range of new institutional arrangements (Turker and Vural, 2017; Živojinović et al., 2019), new decision-making processes (Nijnik et al., 2018), new fields of activity (Živojinović et al., 2020), new actor-relations and interactions (Wittmayer et al., 2017a). Other authors suggest that it is also expected to have positive outputs and meet social needs (Mulgan, 2006; Murray et al., 2010), solve a social problem (Phills et al., 2008) or should enhance societal well-being (Polman et al., 2017). However, some commonality does exist here, as Ludvig et al., 2018a noted, that many authors speak of "new arrangements" linked to societal needs, problems and change. As elaborated by Bock et al. (2016) the European Commission has started to put considerable faith into governmental efforts to promote SI by developing capacity building among citizens and local governments as well as by supporting the development of public-private partnerships within and across local communities. It is, however, questionable if many governments have the ability to provide substantial public funding for these activities or even if they are willing, ready and capable to support such developments by non-financial means (Bock et al., 2016; Bock et al., 2015). Starting from the above-mentioned notions, this paper contributes to the literature on SI by exploring empirical evidence from Serbia and Slovenia, countries that share a joint history but are in two distinct phases of development - the former has an economy in transition where the current state of SI-relevant affairs is a product of the low level of SI development, while the latter is part of the EU and enjoys assured access to various SI-support structures. Grounding its theoretical framework on actor-centred institutionalism and an institutional voids perspective, this paper aims to answer the following research questions:

- What are the institutional and actors oriented factors for the development of forest-based SI in Serbia and Slovenia?
- Which formal and informal institutional voids for forest-based SI exist within analysed institutional frameworks?

By addressing these questions, this paper provides a deeper look into

the framework conditions for forest-based SI in the rural areas of these two countries, contributing to the identification of institutional gaps and opportunities.

This paper is structured as follows: Section 2 introduces the concept of forest-based SI as used here before Section 3 presents the analytical underpinnings of actor-centred institutionalism (Mayntz and Scharpf, 1995; Scharpf, 1997) and an institutional void perspective (Webb et al., 2013). Section 4 presents the methods used in the present research while Section 5 presents the research findings regarding institutional and actors oriented factors as well as the institutional voids in each country. This is followed by a discussion of the results in Section 6 while Section 7 serves as a conclusion and provides recommendations for future research and practice.

## 2. Forest-based social innovation, rurality and role of policies

Most of the scholarly attention focused on SI is related to urban development (Martens et al., 2021) and the reforms of welfare systems at a societal macro-level (André et al., 2013; Brandsen et al., 2015; Evers et al., 2014; Moulaert et al., 2013) or social enterprise (SE). Much less focus has been placed on SI in local and rural context (e.g. Aldea-Partanen, 2011; André et al., 2013; Copus et al., 2017; Dodd and Franke, 2011; Lindberg and Berg Jansson, 2016; Martinelli, 2013), although it must be noted that the branch of literature on SI in rural areas developed significantly in the last three years (Chen et al., 2022; Georgios and Barrai, 2021; Nordberg et al., 2020; Olmedo et al., 2021; Ravazzoli et al., 2021; Richter and Christmann, 2021; Steiner et al., 2021; Vercher et al., 2023; Rogelja et al., 2023). Within the branch of rural studies, a stream on SI in forest-based sector was significantly developed in the past years (Nijnik et al., 2019; Sarkki et al., 2019; Secco et al., 2019; Ludvig et al., 2018a; Rogelja et al., 2018; Živojinović et al., 2019) as a result of SIMRA project (<http://www.simra-h2020.eu/>).

In this paper, we look at SI as a broader process, acknowledging that individual SI manifest through various types of initiatives that could, or could not have, an institutionalised form (e.g. a legal entity). Such an understanding of SI follows the definition used and work done within the frame of the EU's SIMRA project (Polman et al., 2017). Thus, we see forest-based SI as the process of the change in social practices related to forest-based resources that positively influence collective well-being, driven by the voluntary and/or collective agency, triggered by local manifestations of global issues (own elaboration based on Polman et al., 2017 and Secco et al., 2019). Based on this, the present analysis includes concepts of social entrepreneurship and social enterprise, and however, it also includes a broader range of other initiatives and activities that can be identified as socially innovative in certain settings. As such, both SE and SI concepts are referred to, albeit not interchangeably because, despite some similarities, the differences between the two mean they cannot be equated with each other. In this paper the difference between SE and SI is largely immaterial so we tend to refer to SI as much as possible, as a broader term, and then use of SE where specifically needs, as for example in explaining country-specific context.

The term 'social enterprise', at least in the EU context, is associated with 'social business' (European Union, 2014, p. 67) and regarded as a part of the 'social economy' (European Union, 2014, p. 37), an area of economic activity that includes a broad range of organisations, such as co-operatives, non-profit organisations, SE and charities. In particular, "a social enterprise is an organisation that (amongst others) applies commercial strategies to maximise social impacts together with profits" (Ludvig et al., 2019, p.5). Thus, SE has a legal form, an economic market orientation (Johansson and Gabrielsson, 2021) and is not necessarily innovative (Agostini et al., 2016). In contrast, SI is not purely business-oriented/profit driven and it often does not have an institutionalised form as it entails "the process of change itself, a shift from a start-point and an end-point, envisaging a potential reality and bringing together the resources to make that happen. Its novelty is the new reality that is created through this process" (Cunha et al., 2015, p. 169). Such a

process of change includes multiple types of actors that are involved in the creation of the innovation and are affected by its outcomes. According to Ludvig et al. (2019), this is also the case in many SI in the family-forestry context.

SI in rural areas has the potential to transform rural areas (Musunguzi et al., 2023; O'Shaughnessy et al., 2022; Ravazzoli et al., 2021; Steiner and Teasdale, 2019) and foster rural development, thus contributing to sustainable and inclusive economies (Lindberg, 2017). Many studies showed that, in rural areas, SI acts as a 'glue' helping to strengthen the fabric of local communities (Qu and Zollet, 2023; Dalla Torre et al., 2020) as it is driven by common aims and provides an increased sense of belonging to the local area (Olmedo et al., 2021). This has other follow-on positives, such as reduced emigration (Lindberg, 2017) by creating innovative and vibrant rural societies where inventive businesses can thrive (Qu and Zollet, 2023; Umantseva, 2022; Živojinović et al., 2019; Bock et al., 2016). Forest-based SI evolve around using forests as a local resource and, as such, can be related to any aspect of forest planning (Sarkki et al., 2019; Nijnik et al., 2020), management (Rodríguez Fernández-Blanco et al., 2022) and/or use (Ludvig et al., 2019; Rogelja et al., 2023). In this sense, local forest-based SI are often developed from traditional forest practices (Rogelja et al., 2023), the use of forests for recreational purposes (Ludvig et al., 2018a), the provision of non-wood forest products (Weiss et al., 2020; Živojinović et al., 2017) and for community forestry purposes (Ravazzoli et al., 2021). Thus, forest-based SI are focused specifically on the unique challenges and opportunities related to individual forest ecosystems and the communities that depend on them, (Björklund et al., 2017). This focus on a relatively small forest ecosystem and the people who rely on it distinguishes forest-based SI from other manifestations of SI, which may be more broadly focused on macro-level social, economic and/or environmental challenges (Klenk and Meehan, 2018; Rantala and Jokinen, 2020)).

One of the key challenges that rural areas pose for forest-based SI is the lack of infrastructure and resources needed to support the development and implementation of innovative solutions. Supporting SI and development in economic sectors such as forestry, which often operate in and are closely connected to rural and marginalised areas (Nijnik et al., 2019), requires recognition that these areas have structural disadvantages, such as poor resource endowments and are disconnected from markets and networks (Melnykovych et al., 2018). Rural and forest-dependent communities often have limited access to funding, inadequate transport and communication infrastructure, workforces with limited technical expertise and little to no information networks among other things, all of which can make it difficult to initiate and sustain SI (Sarmiento-Parra et al., 2021; Krause et al., 2019; Winkel et al., 2019). Solving these challenges is often beyond the capabilities of local communities, meaning that a transition to a sustainable and just society that embraces more than large urban centres requires across-the-board changes in, for example, markets, governments, science, technology and civil society (Grin et al., 2011).

To address these challenges, forest-based SI actors in rural settings must adopt a community-driven approach that prioritises local participation and engagement. This may involve working closely with local organisations and community members to identify needs and opportunities as well as co-designing solutions that are tailored to the local context (Martinez et al., 2020). Capacity-building activities, such as training and education programmes, supporting local capacity-building and fostering sustainable development over the long-term (Winkel et al., 2019). Such a multi-purpose approach requires a multi-stakeholder perspective on SI and the importance of links between civil-, public- and private-sector actors (Nordberg et al., 2020) as well as the reinvention or transformation of the traditional roles of these actors (Butzin and Terstiep, 2018; Wittmayer et al., 2017a, 2017b). All of this is seen as crucial to SI processes (Tanimoto, 2012; Copus et al., 2017) because, as noted by Copus et al. (2017), SI is both simultaneously dependent on local resources and participation as well as the interconnections

between different types of actors across geographical and organisational boundaries.

At the EU level, various policies, programmes and measures have been set up to promote and support SI (Ludvig et al., 2018a; Rogelja et al., 2018). Some of these policies target specific vulnerable groups, some target societal challenges (e.g. through regional and rural development) while others target institutional change, participation and inclusion of civil society (Ludvig et al., 2018a). In this way, SI cuts across different sectors of economies and territorial units which means it is impacted by and impacts upon multiple policy domains (Secco et al., 2019).

Thus, forest-based SI is actually related to the much broader and dynamic political-economic context (Lukesch et al., 2020), spanning policy domains such as forestry, innovation and agriculture. SI are responding to different forces such as globalisation (Ludvig et al., 2021), urbanisation, marginalisation (Von Jacobi et al., 2017), increasing mobility (Ludvig et al., 2018b), post-socialist transition (Erpf et al., 2020; Živojinović et al., 2017, 2019), European enlargement (Rogelja et al., 2018a) and, last but not least, phenomena such as the global financial crisis (Bock, 2016; Woods, 2012). As such, forest-based SI does not occur in a vacuum and has an inherently political dimension (Nicholls et al., 2015). However, and as mentioned above, the impacts here cut in both directions because the transformative power of SI also impacts policies. "Both directions lead to institutional change in the final outcomes, either in the policy design (bottom-up influence) or in the social innovation (ultimately changes in the actors-institutions relations and the creation of new institutions with the SI)" (Ludvig et al., 2021, p. 1). While macro-level policies seem to be an important instrument for financing SI (Martens et al., 2021), the implementation of such policies is often delegated to a diverse group of actors belonging to different economic sectors and territorial units at the micro-level. This leads to multiple challenges in policy coordination and implementation on the ground given that local actors may have limited resources and capacities for implementation as well as sector-specific biases.

### 3. Analytical underpinnings

The power of SI to transform communities has been acknowledged in the literature, often citing the sweeping changes seen in energy, transportation and agricultural systems (Avelino and Wittmayer, 2016). Given the inherent 'multi-actor' nature of such large-scale innovations and the transitions they trigger, it is fundamentally important to understand the specifics of these in multi-actor and institutional systems (Avelino and Wittmayer, 2016). Drawing on core concepts of the actor-centred institutionalism (ACI) framework (Mayntz and Scharpf, 1995; Scharpf, 1997), the following analysis centres on the two key elements of (1) institutions and (2) actors. In addition, to illustrate the institutional aspects, the institutional void perspective (Webb et al., 2013) was used to highlight the existing gaps in the Serbian and Slovenian settings analysed.

#### 3.1. Actor-centred institutionalism (ACI) framework

A central assumption of the ACI framework is that interactions among actors are structured and their outcomes are shaped, albeit not determined, by the characteristics of the institutional settings in which they take place (Scharpf, 1997).

The ACI framework defines institutions as a system of procedures as well as formal and informal rules that structure social interactions and shape the courses of action that actors may choose (Scharpf, 1997). Thus, the framework suggests that relevant human behaviour is shaped jointly by the constraints, incentives and resources provided by formal and informal institutions that can be, more or less, compatible with each other (Stephan et al., 2015). Accordingly, the present research looked at both the formal and informal institutional factors at respective national levels that support or hinder SI. With regard to the formal institutions,

the focus was on regulatory institutions, such as laws, regulations and strategies (binding and non-binding), as well as the constraints and incentives arising from government regulations. Formal institutions reflect the official 'rules of the game' that affect actors' behaviour by specifying required, prohibited or permitted actions. Informal institutions refer to more implicit, slowly changing, culturally transmitted and socially constructed rules (Scott, 2005). Although not backed by the force of the law, informal rules are nevertheless likely to be respected by actors because their violation can be still be sanctioned, by a loss of reputation, social disapproval and the withdrawal of cooperation and/or rewards (Scharpf, 1997). The realm of informal institutions also houses different cognitive values (post-materialism values (pro-sociality, autonomy, pro-environmental attitudes, volunteering, political activism), neoliberal values (activation and making individuals responsible) and normative values (norms that encourage cooperation based on repeated experiences of supportiveness, joint efforts, helpfulness and friendliness). These various values were analysed here by looking at the organisational culture in the two countries considered.

When looking at actors, we focused on the roles of the main actors, their responsibilities and perceptions as described by the the ACI framework (Mayntz and Scharpf, 1995; Scharpf, 1997; Baycheva-Merger et al., 2018). The interaction among actors and their institutional environment is a multi-faceted process and actors must not simply respond to the institutional environment in which they are embedded but must modify their environment over time to maintain competitive advantages (Hollingsworth, 2000).

Following the analytical underpinnings of the ACI framework (as written above) we identified the formal and informal rules as two main categories of institutional related factors. They are further divided in policy and legislation, incentives; and organisational culture as sub-categories. Two main categories in actor-oriented factors are roles and attitudes, looked through responsibilities/capacities and perceptions as sub categories. These categories and sub-categories provided the framework for structuring, organising, analysing, and interpreting the empirical data (as used in Tables 2 and 4).

### 3.2. Institutional voids perspective

One strand of the literature assumes that for new socially responsible initiatives, strong and functioning institutional arrangements where government, market and civil society create enabling environments for their establishment and existence are needed (Amaeshi et al., 2014; Rodriguez, 2013; Van Dyck and Van den Broeck, 2013). However, another strand empirically shows that SI usually emerge in fragile institutional environments (Agostini, 2016, Bernardino et al., 2016, Kosmylin, 2017). These somewhat conflicting assessments are further skewed by the fact that the literature on SI focuses largely on developed countries in western contexts (McCarthy and Puffer, 2016). This means much literature deals with different SI situations to those in developing or emerging economies, where poverty, unemployment and diverse social problems are even more pronounced (Agostini, 2016). Few studies have investigated the institutional factors that may affect or shape the emergence and development of SI in less evolved institutional environments (Agostini et al., 2016; Dobele, 2015; Turker and Vural, 2017) that are often characterised by relatively poor legitimacy, embeddedness and enforcement of rules as well as institutions that often fail to properly address societal needs (Rodriguez, 2013). Such institutional failures are the result of institutional voids and key drivers of severe social inequalities. In these types of environments, multiple actors (companies and other types of organisations) turn to new and innovative solutions to mitigate the social problems that have not been sufficiently addressed by traditional sources and means (Agostini, 2016).

When looking at the formal and informal institutions in Serbia and Slovenia the present research identified voids within these (Webb et al., 2013). Formal institutional voids exist if there is a lack of or failure of formal institutions (i.e. laws, regulations, infrastructure and supporting

apparatuses) to facilitate efficient and effective market operations. These can manifest as ill-defined regulations, a lack of well-defined property rights, limited investment sources provided by the State, a lack of formal educational organisations, inadequate provision of specialised information and/or non-participative procedures by governmental bodies, to mention but a few (Agostini et al., 2016; Mair and Marti, 2009; Webb et al., 2013; Živojinović et al., 2019). In contrast, informal institutional voids do not arise from missing norms, values and beliefs but as a result of settings in which there is a lack, suppression or limited manifestation of very specific informal institutions that could support efficient and effective market operations (Webb et al., 2013). These latter voids can and do vary significantly between localities (Agostini et al., 2016; Webb et al., 2013) and are often tied to the durability of informal institutions and specific settings (Roland, 2008). Typically, informal institutional voids lead to issues such as social exclusion and marginalisation, caused by practices such as strict patriarchal-based systems where women are disempowered or situations where dominant societal beliefs allow elites to leverage their own power and misallocate public resources (Živojinović et al., 2019). Different types of voids identified in the literature were considered and used as inspiration to identify voids in the two selected States studied here (presented below in Tables 3 and 6).

## 4. Methods

This analysis used an exploratory research approach with combined deductive and inductive reasoning. We used a comparative case study research design to look into institutional and actor-oriented factors that influence the development of forest-based SI in Serbia and Slovenia. A multiple-embedded case study design (Yin, 2009) was used to analyse both policy framework conditions, as well as the key actors involved in SI systems in these two Western Balkan countries to draw a single set of cross-case conclusions. The Serbian case was built on previous research by Živojinović (2021), while the Slovenian case was based on research by Rogelja (2019). The embedded design mentioned above refers to embedded units of analysis within each context. Within each case, units of analysis included formal and informal institutions that influence SI, as well as actors' roles, namely responsibilities and capacities, as well as their perceptions.

Starting from a deductive formation of categories for analysis based on the theoretical background of ACI, a deductive analysis of relevant policy documents (institutional factors) was then undertaken in partnership with an analysis of in-depth interviews with relevant actors (actors-oriented factors).

To better understand the institutional factors impacting the relevant forest-based SI, a content analysis of relevant policy documents from various policy domains that influence (or could influence) SI in rural areas and forestry was carried out. Following the approach of Ludvig et al. (2018a), Rogelja et al. (2018) and Živojinović et al. (2019), the present research broadened the perspective beyond just forestry policies and actors as support for SI usually comes from numerous sectors because of its cross-sectoral nature. Identified documents were sourced from official governmental websites and screened to identify their relevance. For the content analysis, documents were selected that were explicitly or implicitly relevant for forest-based SI. For Serbia, 23 policy documents (Annex Table A3) were analysed while for Slovenia the number was 21 (Annex Table A4). In addition, scientific or grey publications in both national languages (Serbian and Slovenian) were sourced and reviewed to identify other studies dealing with SI or SE topics in both countries. This approach served as a basis for the triangulation of our results with our content analysis and interviews.

To better understand the current situation involving SI in the two case studies, particularly the gaps and potential within the existing institutional framework and actors' perceptions, in-depth interviews with the main national actors involved with SI were conducted. In the period 2018–2019, we conducted semi-structured interviews following



the protocol containing 10 questions that served as a guide for conversation. Questions were related to the respondents' understanding of the concepts of SI and SE, the content and implications of existing regulations, the enabling and constraining factors for SI, the role of the various organisations in the policy field and what they saw as the future of SI. Some questions were related to the identification of specific SI and/or SE examples respondents were involved with and a discussion of their role in the development of these. Initial respondents were selected based on a policy analysis, previous studies and details gleaned from relevant websites, while others were identified by the snowball technique (especially regarding local-level SI). In total, 33 respondents active in public, private, and civil-sector organisations at either the national or local level were interviewed in Serbia and 32 in Slovenia. Table 1 provides an overview of the type of actors interviewed while the Annexes (Tables A1 and A2) provide the details of the respondents' associated organisations.

In addition to the content analysis and the in-depth interviews, we also used previous studies on SI and SE in Serbia and Slovenia, which helped to both understand the research context as well as compare and validate our results (Branco et al., 2004; Cvejic, 2016; Gartner et al., 2015; Lebedinski, 2014; Koskela et al., 2014; Podmenik et al., 2017; Rogelja et al., 2018; Marinovic, 2017; Rakin, 2017; SEED, 2021; Slapnik, 2018; Spear et al., 2013; Živojinović et al., 2019). Based on the results obtained here and the above-mentioned studies, we gained an in-depth understanding of how institutional systems involving SI and forestry are set up in the two countries and enabled the identification of institutional voids.

## 5. Results

This section presents results divided into two sub-sections – one on Serbia (5.1) and one on Slovenia (5.2). Each of them further presents institutional factors (5.1.1 and 5.2.1 respectively) based on content analysis, actors factors (5.1.2 and 5.2.2 respectively) based on interviews and, lastly, a section on institutional voids (5.1.3 and 5.2.3 respectively) which were derived from the synthesis of results and based on triangulation with previous studies.

### 5.1. Institutional and actor-oriented factors for forest-based SI in Serbia

After the democratic changes that swept through Serbia in 2000, it entered a transition process to establish a lasting democracy and a functional market economy (Živojinović et al., 2017, 2019). This demanding transition process, coupled with events such as the 2008 financial crisis and the recent challenges of the Covid-19 pandemic, have meant that Serbia is still struggling and faces ongoing pressing social problems such as poverty, rising unemployment, regional disparities, persistent corruption and inefficient public administration (Lebedinski, 2014; Marinovic, 2017). The high unemployment rate is one of the largest problems in the Serbian economy, with some 14.8% of the available workforce being unemployed in the first quarter of 2018 (SORS, 2022). All these problems have accentuated the need for innovative strategies that could support recovery and growth to bring further economic reform and positive social change (Marinovic, 2017).

**Table 1**  
Interviewed actors in Serbia (SRB) and Slovenia (SLO).

Actor type	Number of interviews	
	SRB	SLO
Public	10	13
Private	3	3
Civil	14	11
Hybrid	6	5
Total	33	32

Source: Own elaboration.

Even though privatisation processes started after the 1990s, entrepreneurial culture was not initially encouraged or supported and the reluctance of the population to embrace private business initiatives remains quite high (Marinovic, 2017; Živojinović et al., 2017). Social economy models were introduced in 2010 (Marinovic, 2017) to stimulate the emergence of SE and the appearance of SI concepts. Social enterprises were already emerging in an evolving institutional framework, albeit without targeted State support or specialised public-sector partners, as such, the major driving force was (and still is) international donors and Serbia's European Union accession process (Živojinović et al., 2019).

#### 5.1.1. Institutional factors in Serbia

Our content analysis of policy documents in Serbia showed that SI is regulated by diverse laws and strategies, which paints a picture of high sectoral fragmentation and over-regulation for such initiatives. The analysis revealed that only the *Strategy for Social Inclusion of Roma* mentions the term “social innovation/s” directly as a tool to achieve strategy goals, in all the other analysed documents SI is only implicitly referred to.

The term ‘social enterprise’ was first used and defined in the *Law on Professional Rehabilitation and Employment of Persons with Disability* (PWD) (2009). This law introduced SE into the legal system of the Republic of Serbia as a special form of employment. However, its definition is too narrow and it is debilitatingly vague in various other aspects, limiting SE's scope to meet the needs of disabled people while excluding other vulnerable groups in society.<sup>1</sup>

Other laws under which most SI/SE operate are the *Law on Association*, the *Law on Cooperatives* (which has a defined “social cooperative” category), the *Law on Endowments and Foundations*, the *Law on Companies*, the *Law on Churches and Religious Communities*, the *Law on Social Protection*, and finally, the *Law on Volunteering*.

Policy documents dealing with agriculture, forestry, tourism and the environment do not explicitly mention the terms SI/SE. Existing instruments that support networking, information exchanges and financing instruments, as well as policies that promote the LEADER<sup>2</sup> programme, only implicitly address SI/SE. Indirectly, one can relate notions on promotions of female entrepreneurship, inclusion of youth/old population, activation of marginalised rural areas, responding to local challenges as potential fields for developing SI/SE.

In 2022, the *Law on Social Entrepreneurship* was passed by Serbia's parliament after more than ten years of work to develop a means of regulation in the field. This long process and its associated seemingly endless debates revealed the many disagreements about the topic but also how strong the interest from different stakeholders was and still is. Indeed, according to our interview respondents, the current law represents one of the most advanced legal solutions for SE in Europe as it defines the concept of social economy and the conditions for existing entities that already practice social entrepreneurship to acquire SE status and be institutionally recognised. The special importance of regulating this area is reflected in Serbia's desire to develop new financial instruments aimed directly at SE and a commitment to continue working

<sup>1</sup> It is not clear what is the difference between social enterprise and social organisation, what is the share of revenues that need to be reinvested in the business, it lacks precision whether wage subsidy is standard regardless of the degree of disability, and it is unclear how are the provisions of corporate income tax laws and tax exemptions applied to these enterprises (interview reflections).

<sup>2</sup> The acronym in French: Liaison entre actions de développement de l'économie rurale, English translated: Links between actions for the development of the rural economy. LEADER is a European Union local development method which has been used for 30 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas. ([https://enrd.ec.europa.eu/leader-clld\\_en](https://enrd.ec.europa.eu/leader-clld_en)).

**Table 2**  
Institutional (based on content analysis) and actors-oriented (based on interviews) factors for the development of forest-based SI/SE in Serbia.

Factors	Category	Sub-category	Specification	Description
Institutional	Formal rules	Legislation and policy	<i>Main regulations for SI for forests:</i> Law on Social Entrepreneurship Law on Cooperatives Law on Forests	Sectoral fragmentation and over-regulation (as identified in Annex Table A1)
			Public funds	Still limited, mainly focused on technological innovations With the implementation of the Law on Social Entrepreneurship, the creation of targeted public funding mechanisms for SI/SE are expected
			Incentives	Access to civil-society grants Access to international donations Access to financial resources Potential
	Informal rules	Organisational culture	Traditional top-down approach	Traditional top-down approaches are being challenged by the strong bottom-up activity of NGOs and international actors in helping draft the Law on Social Entrepreneurship (an uncommon policy process in Serbia)
			Low political priority	The topic of SI/SE has become more prominent in the last decade and its potential is being realised
	Actor-oriented	Roles	Responsibilities Capacities	<i>Main actors</i> Section for Social Entrepreneurship (Serbian Chamber of Commerce) (since 2022); The Ministry of Labour, Employment, War Veterans and Social Affairs - SIPRU Unit; NGO Sector (e.g. the KoRSE coalition of NGOs) International donors Banking sector
Relatively low capacities of public actors in terms of knowledge, skills and number of employees				Only one public unit (SIPRU) working directly on SI/SE issues The implementation of the Law on Social Entrepreneurship is expected to create specific bodies to deal with the SI/SE development
Perceptions		Perceptions	High capacities and a well-organised civil society coupled with international organisations active in the field of SI	Civil society is unified and supported by active international actors and uses various communication and educational means to support the development of SI/SE
			Increasing capacity for information sharing and networking	More information campaigns and platforms are available

Source: Own elaboration (based on content analysis and interviews in triangulation with existing literature).

on the improvement of other laws to create an even more favourable framework for SE, such as tax benefits and the possibility to participate in public procurement procedures which identify social elements. The way the law was conceived follows the trend in the EU which saw the Action Plan for the Social Economy adopted at the end of 2021. The Action Plan serves as a basis for coordinated action to establish a favourable environment for the development of social economy organisations at the EU level. Although the effects of this law and its implementation will only be known in the years to come, what can be said now is that it represents an important supportive step for the development of SE in Europe.

In Serbia, the still limited legal instruments are accompanied by a lack of public funds for SI (and SE until recently). While new laws are expected to fill this gap, the traditionally poor performance of the State in this regard has been somewhat counterbalanced by highly active civil society and international donors (development agencies and foundations from various countries) who have awarded numerous grants to support a number of Serbia's SI. Furthermore, the local banking sector has been active in introducing credit streams and other means of financial support for small and risky projects, as many SI/SE ventures are in the beginning. Thus, over the years, one can observe there has been a proliferation of such activities in Serbia and many have high expectations for the potential that will be unlocked by EU funds once Serbia's accession process is complete.

This somewhat positive situation is, to some extent, understandable given that this topic was assigned as a policy priority in Serbia and has become increasingly prominent in the past decade with the activity of civil society organisations who have energetically advocated for development of SE in a coordinated way. This has been challenging the existing top-down attitude in policy making where, for example, the last

round of law making saw the State coordinate its efforts with a foreign development agency and in communication with civil society organisations. However, what persists are entrenched sectoral divisions, where the lack of trust and collaboration is still evident in law, a situation that limits the uptake of SE/SI in various sectoral strategies and regulations.

#### 5.1.2. Actor oriented factors in Serbia

Until 2022, there was no public body at the national level that had a primary focus on SI or SE. Some activities in this field were dealt with by a few organisations, however, these organisations and their activities were varied and fragmented with low capacities in this field.

*The Ministry of Labour, Employment, War Veterans and Social Affairs* showed strong interest in supporting the development of the SE concept, as shown by its involvement in drafting the Law on Social Enterprises. However, it was revealed that the ministry lacked an understanding of SE and had internal disagreements on a definition thereof at the beginning, perceiving it just as a tool for creating more jobs. On behalf of the Government of the Republic of Serbia, the ministry signed a contract on Serbia's accession to EU Employment and Social Innovation Programme (EaSI) in 2016. This programme, whose budget for 2014–2020 was €919.46 million, is the EU's main fund in the field of work, employment and social policies and is open to both EU Member States and States with candidate status. The European Commission recommended acceding to this programme directly to the Government of Serbia in the context of the accession negotiations.

In Serbia, the public body which is the most relevant in the field was the *Social Inclusion and Poverty Reduction Unit (SIPRU)* which was formed by the government in 2009 through financing supplied by the Swiss government. The unit's mandate is to strengthen government capacities to develop and implement social inclusion policies based on good

**Table 3**

Details formal and informal institutional voids related to SI in Serbia and the supporting factors required to overcome the cited voids (updated from Živojinović et al., 2019).

Identified voids	Supporting Factors to Overcome Institutional Void
Newly adopted regulations for social entrepreneurship	Necessary to monitor the implementation of newly adopted regulation
Lack of regulations for social innovations	Law on social entrepreneurship is expected to fill part of this gap, however, SI is still narrowly perceived so the potential of existing law is still limited Absence of targeted public funds for SI – this void is filled with specific funding lines from foreign donors, domestic civil society organisations and the banking sector
Lack of financial mechanisms for supporting social innovations	
Lack of formal educational institutions	No specific counter-factor identified
Non-participative procedures by governmental bodies	
Formal) Varying understanding of the term 'social innovation'	Increased level of communication around the term to emphasise its potential The newly established Unit for Social Entrepreneurship (based on the new law) within the Serbian Chamber of Commerce is seen to cover some of the activities with SE The SIPRU unit and the KoRSE could assist the government in their activities
Absence of institutionalised organisation at the national level and/or intermediary organisations	
Lack of cooperation mechanisms between State organisations and between State and non-State actors	NGOs formed a coalition to coordinate activities (KoRSE)
Inadequate (institutionalised) provision of specialised information	The KoRSE, SENS network and SIPRU serve as platforms to support information exchange
Traditional norms and values constrain more productive resource use	Incentives to sell to export markets assisted by certification programmes Programmes for involving and empowering women, progressive gender-responsible budgeting
The weak position of rural women in the patriarchal system	
Informal) Some accepted levels of corruption/acceptance of political elites' misuse of power for self-enrichment	
Lack of informally institutionalised coordinative mechanisms	No specific counter-factor identified
Lack of trust and solidarity in society	
Apathy within parts of society	

Source: Own elaboration (based on the synthesis of results in triangulation with existing literature).

practices in Europe (SIPRU, 2018). SIPRU has recognised social entrepreneurship as a useful mechanism to promote social inclusion and the economic empowerment of marginalised groups, for the provision of social services and the development of rural and other underdeveloped municipalities. The unit supported the founding of the *Coalition for the Development of Social Entrepreneurship (KoRSE)*, which has become the most active NGO coalition in law creation and continues to be the unit's main partner. In 2012 SIPRU engaged an OECD team to conduct a detailed assessment and a market study on social entrepreneurship and its potential in Serbia to develop an action plan and a national strategy. The OECD LEED study led to a series of recommendations (Spear et al., 2013). However, the government has not taken any steps to support the

initiative or work on developing a national strategy. One of the major successes of the SIPRU team was enabling direct support to SE through the IPA 2013 programme, where €1 million was designated for SE business development. SIPRU is also a member of the Expert Group on Social Economy and Social Enterprises (GECES) of the EU, where it has an observer's role without voting rights. Participation in GECES is valued by SIPRU as a great opportunity for learning and networking (Marinovic, 2017).

The Serbian *Chamber of Commerce* is an independent professional business association promoting the interests of enterprises, entrepreneurship and other forms of organisations involved in economic activities within the Republic of Serbia and bound by common business interests. In 2022, the chamber's frame established the *Section for Social Entrepreneurship* under a new law.

The *Ministry of Agriculture, Forestry and Water Management*, together with the *Ministry of Finance* (which is in charge of entrepreneurship), are responsible for cooperatives, a category of economic entities that has the potential to combat deprivations in rural areas through rural development, rural/eco-tourism and so forth. Another relevant public body was the *Office for Cooperation with Civil Society*.

SI in Serbia are largely local initiatives that often cooperate with local municipalities as they share common goals focused on the development and support of local communities. Public institutions at the local level deal with the identification of needs at the local level and call for tenders to respond to these needs, calls in which different organisations can take part. For now, this cooperation is superficial, irregular and often depends on the disposition of individual public-sector employees and their willingness to search for such cooperation partners (based on interview responses).

Over the years in Serbia, civil society organisations have been recognised as major promoters of and advocates for the development of the SE ecosystem. The *KoRSE* connects active SE and other organisations while its members provide financial and technical support. This coalition is an informal network of organisations which was created in 2010. It was founded by the *TRAG Foundation*, the *European Movement in Serbia (EpuS)*, *Group 484*, the *Association of Citizens Initiative for Development and Cooperation (IDC)* and *Smart Kolektiv*, all of which signed a memorandum of cooperation and established the mission, goals and objectives of the coalition's activities. Each of these organisations was active in promoting and supporting the development of SE and generally promoting the ideas of social entrepreneurship and SI in Serbia.

International donors, such as the EU, the *United Nations Development Program (UNDP)*, the *United States Agency for International Development (USAID)*, the *International Labour Organisation (ILO)*, the *British Council* and the governments of many countries, have played a major role through programmes combining financial and non-financial support (promotions, campaigns, information etc.) to SI. According to the interview responses gathered for this research, it is clear that even more potential support for SI will be unlocked once access to new sources of funding from the EU is secured. In addition to Serbia's international partners noted above, the international banking sector has also played a notable role, particularly *Erste Bank* and the *UniCredit Foundation*, who are distributing grants directed to socially innovative businesses and provide technical know-how and expertise to found such businesses. The *German Society for International Cooperation (GIZ)*, the *Austrian Development Agency (ADA)*, *Catalyst Balkans*, the *Open Society Foundation (Soros)*, the *Rockefeller Fund* and the *Heinrich Böll Foundation* are some of the international organisations that have active roles in the development of SI in Serbia. This latter group of organisations' work is done through different competition programmes (e.g. 'The idea for a better tomorrow', 'Zasad za buducnost', 'Forum Zelenih ideja'), together with the active NGOs (mentioned above) and Serbian national foundations, such as the *Ana and Vlade Divac Foundation*. The Serbian government recognised the importance of effectively developing SI and showed a willingness to draw on the knowledge capacities and competence of these partners when it chose the *GIZ* to lead the development of the Law

**Table 4**  
Institutional (based on content analysis) and actor oriented (based on interviews) factors for the development of forest-based SI/SE in Slovenia.

Factors	Category	Sub-category	Specification	Description
Institutional	Formal rules	Legislation and policy	Law on SE Law on Forests Laws on NGOs Rural Development Programme 2014–2020 (Forthcoming Common Agricultural Policy 2023–2027)) Reserved public contracts	Inadequate and rigid regulations Fragmentation, over-regulation low horizontal and vertical coordination
			Incentives	Access to donations Access to financial resources
	Informal rules	Organisational culture	Potential Varying political priority A top-down approach to SE Low levels of participation Low level of trust <i>Main actors:</i> Ministry of Economic Development and Technology Ministry of Agriculture, Forestry and Food Ministry of Public Administration Ministry of Labour, Family, Social Affairs and Equal Opportunities	Red-tape bureaucracy Sectoral silos
			Roles	Responsibilities Capacities Local intermediaries Banks Council for SE <i>Implementation</i> Local municipalities NGOs CAF Misinterpretation of the term SI State doing business as usual
Actor-oriented	Attitudes	Perceptions	Perceived as related solely to people with disabilities Low awareness of potential in the forestry sector	Social with negative connotation, inadequate terminology due to the socialist culture Reluctance to cooperate Traditional norms and values Distrust

Source: Own elaboration (based on content analysis and interviews in triangulation with existing literature).

**Table 5**  
Dispersed responsibilities with regard to *de jure* forms of SE.

Actor	Responsibility over
Ministry of Economic Development and Technology Ministry of Agriculture, Forestry and Food	<i>De jure</i> SE Private enterprises Cooperatives PFOs* Machinery rings* Study circles* Agricultural commons*
Ministry of Public Administration	Associations Institutes
Ministry of Labour, Family, Social Affairs and Equal Opportunities	Companies for persons with disabilities Employment centres

Own elaboration (based on content analysis in triangulation with the existing literature).

\* not *de jure* SE but with high potential for de facto forest-based SI.

on Social Enterprises, which was adopted in 2022.

### 5.1.3. Identified institutional voids in Serbia

From the analysed documents and interviews we could observe various voids related to institutions and actors of relevance for SI (Table 3). Over the years, one of the main gaps was a lack of regulation for SI, however, a recently adopted law is expected to fill this gap. The lack of structured financial mechanisms was, at least partially, a direct result of the deficiency in regulations and lead to the situation where the absence of Serbian public funds was filled by foreign donations and the

**Table 6**  
Identified formal and informal institutional voids related to SI in Slovenia and supporting factors to overcome these voids.

	Identified voids	Potential factors to overcome institutional voids
Formal	Red tape bureaucracy	Simplification of procedures, digitalization
	Lack of financial mechanisms for supporting de-facto SI and SE	Increase of financial instruments and funds
	Fragmented and complex legal, fiscal and support systems for SI and SE	Deregulation, simplification
	Dominance of the state actors	Centralization
Informal	Dispersed responsibilities	Strengthening of civil society, participatory processes, redistribution of power
	Lack of coordination body	Centralization Activation of Council for Social Economy
	State doing business as usual	Strengthening of civil society, participatory processes, redistribution of power
	Narrow interpretation of SI and SE	Changing values, capacity building, renaming
	Association with previous regimes	Capacity building, renaming
	Reluctance towards cooperation	Participatory processes, changing values
	Top down, ad hoc imposition of SI and SE concept	Learning from experience

Source: Own elaboration (based on the synthesis of results in triangulation with existing literature).



activities of civil society organisations. Some of these financial gaps were also caused by the lack of formal educational institutions that could address knowledge and skills deficits in this field both at the organisational and broader societal levels. The rigidity of public organisations (e.g. top-down approaches, non-participative procedures by governmental bodies) and sectoral division of activities resulted in uncoordinated activities with limited positive outcomes in the sphere of SI.

The absence of institutionalised organisations at the national level and/or intermediary organisations for SI limited the potential for co-ordinated activities and resulted in the lack of cooperation mechanisms between public organisations and between State and non-State actors. At a practical level, our interviews revealed various obstacles to the development of SI in Serbia, especially when it came to rural areas where forest-based SI are most active. These obstacles relate to traditional norms and values that constrain more productive resource use. Some of these are reflected in the weak position of rural women in the patriarchal system that limits their opportunities to be active because, for example, it is much harder for females to gain acceptance when running a business while recognition and reputation, both essential in business, take longer to achieve. A similar situation exists that limits opportunities for the involvement of young people. Further voids are related to the informal accepted level of corruption in organisations and acceptance of political elites misusing their power for self-enrichment. These are particularly salient in small local communities where people know each other and business-as-usual is deeply entrenched. The lack of trust, solidarity and apathy in parts of society were also identified as general limitations for the uptake of new and risky activities, which are typical characteristics of SI.

## 5.2. Institutional and actor oriented factors for forest-based SI in Slovenia

Slovenia has a longstanding tradition of civic engagement. After gaining full sovereignty from Yugoslavia in 1991 and then joining the EU in 2003, Slovenia has continuously moved towards democratic and market-oriented governance systems and values, enjoying solid economic growth and performing well in meeting its Sustainable Development Goals (SDGs) (OECD, 2022).

Despite this progress, the economic and social context remains challenging. “Slovenia was hit hard by the 2008 global financial and economic crisis and, more recently, by the coronavirus pandemic, with GDP contracting by 4.2% in 2020. Other major concerns are the persisting disparities between Eastern and Western Slovenia and at the subregional level as well as the ageing of the Slovenian population. The latter is putting a strain on the healthcare, long-term care and pension systems, and is leading to a shrinking workforce, where skills gaps are also emerging” (OECD, 2022).

In the 1990s, there were attempts to develop social cooperatives as new forms of self-employment. The idea was to transform work conditions with the help of private, non-profit-oriented initiatives and support emergence of social entrepreneurial projects that would enable unemployed workers to find permanent forms of employment. At the end of the 1990s, the Ministry of Labour, Family and Social Affairs created programmes that would enable the employment of otherwise permanently redundant workers within the framework of these non-profit integration companies. Following European models, the training of the first group of social-entrepreneurial managers also began. Unfortunately, insufficient emphasis was placed on establishing an adequate legal and fiscal system to support this and eventually real-world practice went back to traditional active employment policy and the development of cooperatives died out. (Branco et al., 2004).

From 2000 to 2009 was a period that saw the reintroduction of a social economy and SE that was promoted through various projects, workshops and conferences. This period was also marked by the development of research on the social economy and SE as well as the publication of several studies and books on the topic. Following the 2008 financial crisis and the promotion of SE by the EU, SE gained

political support in the country. In 2009, the first tender of the Ministry of Education and Culture for the development of pilot projects in the field of social entrepreneurship was launched with nine projects subsequently being financed. In 2010, a professional conference on social enterprises – ‘Opportunities and Challenges’ was organised in the town of Murska Sobota (Branco et al., 2004). Social enterprise gained further momentum with the adoption of the 2011 Social Entrepreneurship Act, which was amended in 2018 to bring a diverse group of legal entities under the social economy umbrella term. Today there are 258 SE registered (with legal form of sole trader (s.p.) and entered in the National Register of Social Enterprises) in Slovenia.

### 5.2.1. Institutional factors in Slovenia

When looking into the formal rules, Slovenia is characterised by a plurality of sectoral strategies, programmes and laws that shape the social innovation domain. Those sectors span from cohesion, and social care to forestry and agriculture and others. Regardless of that, only a few of the documents analysed for the present research explicitly mentioned SI (in the social economy, social entrepreneurship, rural development, and environmental policy), and this is mostly done through statements in the introductory parts, without further prescribed policy instruments or instruments aimed exclusively at SE (Rogelja et al., 2018).

In Slovenia, SI is governed by the *Social Entrepreneurship Act*, which was amended in 2018 and saw several big changes. It officially included SE in the domain of social economy “that consists of social enterprises, cooperatives, disabled enterprises, employment centres, non-governmental organisations (societies, institutes, institutions or foundations) that are not established solely to make a profit, but work for the benefit of their members, users or the wider community and produce marketable or non-marketable products and services” (Official Gazette of the Republic of Slovenia No 20/11, 90/14-ZDU-II, 13/18, 2018, Article 2). Although the 2018 amendments did remove the division of SE on two types (so called A and B) (cf. Rogelja et al., 2018), the Act still features strong barriers with respect to the establishment of SE similar to those that existed before the amendments. The Social Entrepreneurship Act defines SE as a non-profit legal entity that acquires the status of a social enterprise if it demonstrates a social character, according to the eleven SE principles. The 2018 amendment also removed:

- restrictions for legal entities working for persons with disabilities,
- the limitation on the fields of activity of SE
- the obligation to employ disadvantaged groups for those SE not aimed at facilitating work integration
- simplified registration
- removed reporting requirements.

Furthermore, the amended law saw the introduction of a 100% non-profit distribution constraint for all SE (independent from their legal form). The Act further prescribes the measures to promote social entrepreneurship, measures to create a favourable business environment, measures to encourage employment and measures to enable access to sources of investment financing for SE.

Financial policy instruments targeting SE are:

- reserved public contracts open to SE
- donations from part of the income tax for SE with the status of non-governmental organisation in the public interest (Irene, 2022)
- micro-credits and investment loans provided by the *Slovenian Export and Development Bank* (SID banka) through financial intermediaries enable SE to obtain micro-loans between €5000 and €25,000 or loans for financing investments in development, research and innovation between €10,000 and €10 million.

Other policy and regulatory documents explicitly relate to forest-based SI through networking, informational and financing instruments while forest policy documents implicitly address SI through provisions

related to private forest owners, their associations and cooperatives.

The new *Common Agricultural Policy* (CAP) for Slovenia is in the pipeline that includes an already prepared Strategic Plan of the Common Agricultural Policy 2023–2027 (SN 2023–2027). Among the several specific objectives, SI and SE are both mentioned without further specifications or details of any supportive measures. The CAP financial policy instruments potentially available to forest-based SI include around €1.8 million for direct payments. The last programme period, which was originally to run from 2014 to 2020, was extended by two additional years and, as a result, the funds for the years 2021 and 2022 were redirected according to the new financial perspective and the extension of the notification for direct payments was done in accord with the first pillar of the CAP.

The *Slovenian Regional Development Fund* supports SE by offering incentives to entrepreneurs, companies and municipalities for rural and regional development (Vlada Republike Slovenije, 2022). There are no measures explicitly targeting SE, yet the fund favours certain social objectives during the selection process through a weighting scheme. Additionally, the fund offers bridging finance to SE in the form of loans valued up to €250,000 per organisation (OECD, 2022).

The *Slovene Enterprise Fund* is a public national fund which supports small and medium-sized enterprises through a variety of programmes including micro-credits, guarantees and start-up incentives. This fund is a recipient of a guarantee worth approximately €5.8 million from EaSI for microfinance operations (European Investment Fund, 2021), of which a portion is dedicated to SE.

### 5.2.2. Actor oriented factors in Slovenia

In the field of SI in Slovenia, the main actors at the national level include the EU, the ministries responsible for SE, the Council for Social Economy as well as an assortment of NGOs, banks and local intermediaries. Implementation of policies at the local level is done primarily by local municipalities and NGOs.

From the above list, the EU appears to be one of the main actors and drivers for introducing the concept of SE in Slovenia. Today, it plays a significant role in financing the development of the SE sector through several EU mechanisms (detailed in Section 4.2.1) that disperse funds to Slovenia. Similarly, banks are playing an increasingly important role in financing SE through micro-credits and investment loans.

The regulatory competence for social entrepreneurship is under the competence of the *Ministry of Economic Development and Technology*, having been transferred from the *Ministry of Labour, Family, Social Affairs and Equal Opportunities* in January 2023. In practice, the responsibility over entities that can be regarded as SE or have a potential for forest-based SI is still dispersed across various ministries according to each SE's particular legal form and status (Table 5).

The *Council of Social Entrepreneurship* was established in 2011 to ensure coordination on social entrepreneurship policies and to prepare and monitor the implementation of the Strategy for Social Entrepreneurship Development 2013–2016. With the 2018 amendments to the Social Entrepreneurship Act, this council was transformed into the Council of the Social Economy. It enlarged its composition, now comprised of the Minister in charge of the social economy (President of the Council), ten government representatives from other relevant ministries, two representatives from SE and two drawn from selected cooperatives, one representative from companies employing persons with disabilities and one from the network of employment centres, one representative from local communities, two from social partners, one from professional organisations in the field of social economy and one from civil society. One of the Council's current tasks is to prepare the Strategy for the Development of the Social Economy 2021–31.

Despite the longstanding existence of a plurality of entities performing as de facto SI, the term itself was rarely used in Slovenia before it was formally introduced by EU funding schemes and the 2011 Act on Social Entrepreneurship. However, several interview respondents indicated that SI had existed in Slovenia for a long time as “cooperatives and

common actions in the socialist period”, but were not called SI as such.

In relation to that, all respondents found that the term “social innovation” (“socialna inovacija”) is less than ideal as it has the connotation of being tied to the previous socialistic regime and that it would be more appealing to call them “societal innovations” or “innovations with social purpose”. In addition to this, many respondents perceived SI as related to people with disabilities, while those respondents from the forestry sector stressed that “forestry is a hard and risky job” and, as such, not really appropriate for people with disabilities or marginalised groups (i.e. addictive substance users, convicted persons, etc.).

Based on the processes and developments in the last decade, our result found that the concept of SI had varying political priorities. Currently, the concept has neoliberal, market connotations equalling SI with SE, although, in its normal Slovenian usage, the term SE does not adequately capture the full spectrum of socially relevant issues.

Respondents further stressed that the concept of SI was introduced ad hoc by the State in a top-down manner. Although this period (2011–2018) was characterised by the development of several projects, the convening of SI conferences and offering financial incentives to SE, the support environment was weak, awareness in broader society was low and the facilitating financial instruments inadequate. Thus, while the impetus for defining SI and SE originally came from State actors, it was followed by the introduction of rigid regulatory instruments and inadequate financial incentives in the 2011–2014 period.

Over the years, the identified institutional and actor-oriented factors have failed to close, or even created, significant gaps in Slovenian institutional structures that have led to major identifiable voids.

### 5.2.3. Identified institutional voids in Slovenia

Over the past decade one can observe that in Slovenia, despite statements about official political commitment to developing SI and SE, the policy development process has been relatively slow. There is still no strategy for the development of SE or the social economy, even though that process started back in 2011. The Council for Social Entrepreneurship has been tasked with devising a social entrepreneurship strategy and, although this body was formed in 2011, it was not active until 2018. In 2018, it was reformed into the Council of the Social Economy and held its first meeting as such on 22 April 2022 (Ministrstvo za gospodarski razvoj in tehnologijo, 2022), however, in the time since there have been no new developments.

This inertia serves to illustrate the major formal institutional voids that exist in Slovenia (Table 6), especially those related to its red-tape bureaucracy and its fragmented legal, fiscal and support systems for SI and SE. As is the case in Serbia, some of these gaps were caused by the lack of intermediary organisations (e.g. formal educational institutions) that could better link State bodies and innovators on the ground to fill gaps in knowledge and skills while simultaneously boosting innovative capacities. The rigidity of Slovenia's public entities (e.g. top-down approaches and non-participative procedures by governmental bodies) coupled with long and burdensome administrative procedures only serve to deepen the sectoral siloes and further impede the uptake of SI and SE on the ground. Sectoral divisions and weak interlinkages between non-State actors add to this and result in uncoordinated activities with limited positive and/or unintended negative effects (OECD, 2022).

Driven by the EU, SI in Slovenia was quickly regulated by rigid and inadequate rules on SE (OECD, 2022; Podmenik et al., 2017; Rogelja et al., 2018; SEED, 2021). While spurring on financial incentives and regulations for SE, the policy framework created failed to address a variety of de facto SI forms (SEED, 2021; Slapnik, 2018). In doing so, the financial incentives designed to boost SE resulted in an initial increase and rapidly peaked the number of de jure SE in 2016 (although many of these were not active in practice), they remained unavailable for de facto SI, which is reflected in only 2 SE registered in the field of forestry activities and the existence of de facto SI. While the new Law on Social Entrepreneurship (2018) did remove some of the obstacles, it further

increased the complexity of the legal framework (Annex Table A2) and further fragmented the division of responsibilities while imposing higher administrative burdens, as confirmed by previous studies (OECD, 2022).

Through ad hoc and top-down regulation of social entrepreneurship, the State actors remained the dominant force in the development of Slovenian SE and maintained their practice of business-as-usual, as commented on by some of the interview respondents. Dispersing responsibilities among a plurality of ministries, departments, agencies and hybrid organisations without creating a central coordination body reduced the efficacy of State institutions overseeing SE (Lodge and Wegrich, 2014) and further contributed to the informal institutional voids.

Based on the interviews and previous studies (OECD, 2022; Podmenik et al., 2017; Rogelja et al., 2018; SEED, 2021; Slapnik, 2018), Slovenia's informal institutional voids seem to be rooted in long-standing values associated with previous social and political regimes. The connotation of the word 'social' in social innovation can be negative as it is either associated with previous non-innovative institutions or with 'people with disabilities' or 'social cases'. The forestry sector seems to be dominated by traditional norms and values, is associated with dangerous, demanding and labour-intensive jobs that require able-bodied men capable of handling equipment such as chainsaws and working in difficult terrain.

In short, problems with SE persist. This is evidenced by the many entrepreneurs and would-be entrepreneurs that balk at obtaining an SE status for their businesses due to the rigid rules that are then imposed. This is especially applicable to businesses employing persons with disabilities and employment centres, where these rigid rules jeopardises the uptake and mainstreaming of the SE concept and a specific way of operating socio-economic activities (OECD, 2022). Furthermore, although funding opportunities have nominally increased in the last four years, SI and SE still struggle to access private finance as they are considered too risky by financiers (OECD, 2022; SEED, 2021).

## 6. Discussion

When comparing the development of institutional structures to the development of forest-based SI we observed certain similarities and differences between the two countries. In both countries, the introduction of the concepts of SI and SE was primarily driven by an external influence, namely EU policies that were opening windows of opportunities to access various funds. Serbia and Slovenia also share a socialist history along with its associated norms and values and the development of SI in both States took the same neoliberal trajectory towards SE.

Regardless of these shared traits, the institutionalisation of SE in Serbia took on a more participatory and grass-roots level approach while in Slovenia the concept was imposed ad hoc and in a top-down manner. Nevertheless, the overarching dominance of public actors was manifest in both countries. The dominance of top-down governance combined with administrative inertia and failed or weak decentralisation proved to be challenging for SI that are usually locally based and driven by bottom-up approaches (Lukesch et al., 2020). Strong sectoral divisions limit SI development as these have led to many uncoordinated rules, mechanisms and tools that are hard to comply with and provide reduced functionality (Wegrich and Stimac, 2014), a situation we found present in both countries. These circumstances have sustained an environment that promotes business-as-usual and that actually hinders innovation. This unsupportive business environment becomes even more problematic in traditional and innovation-reluctant sectors such as forestry (Behagel et al., 2019).

Additionally, the current formal institutions of relevance for forest-based SI in both countries are characterised by over-regulation and are subject to high degrees of fragmented responsibility stemming from various policy domains. This becomes obvious when considering the broader perspective as forest-based SI is regulated primarily by a

number of different sectoral policy documents, meaning that there is a lack of a strategically-oriented plan of how to support various kinds of SI (Živojinović et al., 2019). As policies are under the auspices of various actors, responsibilities are shared, and various policies are not always coordinated in a coherent way (Hogl et al., 2012; Wegrich and Stimac, 2014). The complete absence of a central coordinating body for SI at the national level, namely a body that would have effective oversight of the integrating tasks needed to be undertaken for the development of this sector, is seen as a significant obstacle. Indeed, many of the interview respondents understood that SI initiatives are usually developed bottom-up and are not always dependent on national structures, meaning that a central coordinating body that could facilitate the integration of different activities would be beneficial. This finding is in line with other studies that highlight the importance for SI of creating a coordinated and supportive business environment that is coupled with coherent policy instruments (Ludvig et al., 2021; Lukesch et al., 2020).

Furthermore, a lack of (continuous) financing mechanisms is also challenging for SI. As such, existing instruments need to be better coordinated and innovative financial mechanisms should be designed and offered to meet the particular needs of SI business models. In Serbia, the currently high level of interest from the civil sector in this topic, combined with highly supportive international donors, means that many funding sources exist to help drive the potential for policy and system change. In Slovenia, the civil society sector is growing and numerous funds and other financial instruments have been activated in the last few years (OECD, 2022; Razvojna Agencija Pomurje, 2020). This is also a positive development and seems to bode well for the future if it continues.

In both countries SE as a concept is more recognised than broader concept of SI, even we could observe limitations in SE definitions and understanding as well. Local ambiguity surrounding the concepts of social enterprise/entrepreneurship and SI is seen as another major obstacle that prevents this field from development (OECD, 2022). One of the main obstacles is a narrow understanding of the terms 'social innovation' and 'social enterprise' and a negativity that is erroneously associated by many in former-Yugoslav States with the region's socialist past involving State-owned enterprises (Gartner et al., 2015; OECD, 2022; Podmenik et al., 2017; Rogelja et al., 2018a; SEED, 2021).

Looking further at the existent informal voids, the lack of trust and loss of solidarity (as values) in society is seen as a contributing limiting factor for SI's development. This is exacerbated by the persistence of strong traditional roles, values and stereotyping, especially in rural areas where communities are not particularly open to risky and new initiatives that go beyond business-as-usual. As for supporting SI being open to risk is crucial. Existing distrust of NGOs activities by the State and an unsupportive business environment for bottom-up enterprises limit the capacity and potential for both countries to effectively develop SI. The absence of a systemic approach, no long-term planning and a number of "failed support programmes" as a result of the often-changing governments were also seen by interview respondents as discouraging the uptake of SI.

Forest-based SI are additionally challenged by the observably low interest in the forestry sector for such innovations. In both countries, their forestry sectors seem to be dominated by public actors determined to adhere to the prevailing traditional norms, a view reflected in the perceptions of interviewed actors and existing literature (Liubachyna et al., 2017; Štěrbová et al., 2019; Weiss, 2013). A relatively large number of small-scale private forest owners are another characteristic feature of the forestry sectors of both countries (Weiss et al., 2018). This limits the potential of forest-based SI as those owners are often not wholeheartedly engaged in forestry as their forested parcels of land are kept simply as a capital investment for family (Matilainen et al., 2019; Weiss et al., 2019).

Identified institutional voids in both countries result in impeding conditions for *de jure* SE and ignorance of *de facto* SI. For that reason, forest-based SI will probably continue to manifest as hybrid

organisations, partnerships or projects financed through rural development policies and, in a limited number of cases, through forestry or other relevant policy domains.

On a more positive note, the present research was also able to identify some common conditions that could foster SI development in both countries. First, there is increasing interest within a segment of society to engage with SI as a result of a need and/or a passion for the specific products and services SI can provide. Second, knowledge capacities are increasing over time, especially in terms of technical know-how (how to run a business, market development, client preferences, etc.) as well as access to communication and information technology. External support for SI, particularly in form of donor support and knowledge sharing by NGOs in Serbia and EU funds available in Slovenia, is providing opportunities to engage with and establish SI activities. Third, the plurality of legal forms under which SE and SI could operate can be seen as a fostering factor, if done correctly. Over the years, an increasing number of successful cases ('best practice') is creating a critical mass that is now starting to provide a stimulus for would-be entrepreneurs to engage in similar activities.

With regard to the approaches used in the present research, the combination of an actor-centred institutional framework and institutional voids was used to broadly analyse the institutional set-up (of both actors and institutions) while simultaneously helping to identify the specific gaps and nuances within these frameworks for SI in both countries. As such, this study was not intended to delve into a more detailed analysis of specific policy processes, thus the potential of other theoretical approaches, for example, sociological institutionalism (Healey, 1998; Peters, 1999) and policy arrangement (Arts et al., 2006), should be highlighted as having value in this field going forward. These approaches could reveal much detail on the formulation processes and intra-organisational analyses in the implementation of policies. More research on the interests and power relations of and between specific actors, the direction of existing discourses and narratives as well as in-depth analyses and evaluations of specific policy instruments could also be undertaken. In terms of methods used here, the strength of a case study approach involving two countries is that it allows a detailed understanding of the specific factors at play and the possibility of making a meaningful comparison between the two. Having said that, employing a higher number of cases could lead to more robust generalisations and confirmation of what was observed from the relatively small number of cases analysed here.

## 7. Conclusions

Grounded in actor-centred institutionalism and an institutional voids perspective, we analysed institutional structures for the development of forest-based SI in Serbia and Slovenia. Our findings indicate that, in the last decade, in analysed countries dynamic arenas for the development of both SI and SE was present. In both countries, the concept of SI is interchangeably used with the concept of SE, which was transposed into policies that were drafted as a result of following the EU's lead. Although the concept was introduced in different ways (bottom-up in Serbia, and top-down in Slovenia), both countries seem to follow a similar path trajectory by promoting a neoliberal and still narrow understanding of SI.

In both countries, relatively recent changes introduced new formal institutional structures through regulatory frameworks aimed at SE, although they did so in different manners. Regardless of the differences in the approach, the policy field for forest-based SI in Serbia and Slovenia is highly fragmented, overregulated and suffers from a lack of suitable and easily accessible financial instruments. SI field is dominated by the plurality of actors drawn from the public, private and civil sectors, yet the capacities to develop SI of some actors, especially those drawn from the public and forestry sectors, are still relatively low. Informal traditional structures further hinder the realisation of the full potential of forest-based SI due to the, inter alia, ambiguity of the term

as well as longstanding forestry and rural norms and values.

To conclude, forest-based SI initiatives in Serbia and Slovenia are embedded in these complex and dynamic institutional frameworks, which is characterised by significant voids created by institutional and actors-oriented factors. While official policies and laws in the domains of social economy and rural development to some extent support and promote SI (mostly through SE), forest policies in both analysed countries do not effectively recognise either SI or SE. In both countries, most of the actors struggle to grasp the notion of SI or they equate it with SE. Additionally, most forestry actors believe both concepts are largely unsuitable and of low relevance for forestry. Although improvements in these mindsets are being made in both countries, the persistence of the situation suggests that forest-based SI will continue to manifest itself in hybrid organisations, partnerships and/or projects. Individual SI will need to navigate the existing institutional structures, at least in the short term, by utilising opportunities made available through rural development or social economy schemes until the forestry sector in each country recognises the potential of forest-based SI and provide suitable instruments to support such endeavours. In terms of practice, some of the most urgent recommendations relate to the need for connecting actors into viable and effective networks to facilitate dialogue and information exchange as well as the need for both countries to establish a centralised coordinating body to oversee the development process at the national level. Furthermore, amendments to regulations to embrace and support a plurality of *de jure* forest-based SI initiatives, as well as various *de facto* forms, coupled with the simplification of procedures, or even deregulation where possible, would likely accelerate the development and uptake of SI in both countries.

## CRediT authorship contribution statement

**Ivana Živojinović:** Conceptualization, Methodology, Investigation, Formal analysis, Writing – original draft, Writing – review & editing, Visualization. **Todora Rogelja:** Conceptualization, Methodology, Investigation, Formal analysis, Writing – original draft, Writing – review & editing, Visualization. **Gerhard Weiss:** Writing – original draft, Methodology, Writing – review & editing, Supervision. **Alice Ludvig:** Writing – original draft, Methodology, Writing – review & editing, Supervision. **Laura Secco:** Writing – original draft, Methodology, Writing – review & editing, Supervision.

## Declaration of Competing Interest

For all authors, there is no conflict of interest, no financial or personal relation to people or organisations that could have influenced our work.

## Data availability

Data will be made available on request.

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## Appendix A. Supplementary data

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