

# Regulatory, economical, social and political conditions for Competence Center Setup

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## About the project “SEED2SCALE”

The SEED2SCALE project aims to establish and activate 5 National Competence Centres for Social Innovation (NCCs) in the involved partner Countries: Croatia, Greece, Italy, Romania, and Slovenia. It builds on the legacy of the SEED project developed between 2021 and 2023 in 4 of the mentioned Member States (all except Croatia), where the blueprints for the Competence Centres were outlined in a co-design process involving not only the project partners but also a broader ecosystem of stakeholders. The ambition of SEED2SCALE is to reach a more mature stage of National Competence Centres for Social Innovation with a defined legal framework and effective governance and business models.

During three years (June 2024-June 2027), by adopting the systemic approach, SEED2SCALE implements the following actions to reach the expected outputs:

- the establishment of 5 National Competence Centres for Social Innovation with defined organisational structure, mission, and governance;
- the activation of the Core competencies that each NCC should offer, through a needs assessment, the development of the Competences Portfolio and its testing, validation, and consolidation through the performance of 5 pilot projects in the Partner Countries;
- the collaboration with an extended network of public authorities and national stakeholders in co-designing National Strategies and Action Plans on Social Innovation. This activity includes the effort to involve the private sector in the financial sustainability of Social Innovation policies and actions that will be identified in the National Strategies and Action Plans;
- the development and implementation of Online National Platforms as NCCs resource centre hubs, meaning the online interface where information, services, resources, tools, and best practices will be available and easily accessible (in national languages) for a growing audience of potential beneficiaries;
- the participation in a transnational network of organizations committed to creating NCCs in all EU Member States and the development of opportunities for peer learning and transnational exchange of knowledge.

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## 0. Executive summary

The SEED2SCALE project, supported by the European Social Fund Plus, aims to establish National Competence Centres for Social Innovation (NCCs) in Croatia, Greece, Italy, Romania, and Slovenia. This initiative builds upon previous social innovation frameworks and seeks to create structured, sustainable, and scalable social innovation ecosystems. The Competence Centre in Croatia will function as a hub for knowledge, resources, and collaborative efforts aimed at addressing social challenges through innovative solutions.

This report provides an in-depth analysis of Croatia's regulatory, economic, social, and political conditions relevant to establishing the Competence Centre. It explores the legal framework supporting social innovation, identifying key policies such as the European Social Economy Action Plan (SEAP), Croatia's Public Procurement Act, and the National Strategy for Social Entrepreneurship Development. The findings highlight both opportunities and challenges in the legal and institutional landscape, including regulatory gaps and limited incentives for social enterprises.

The report gives an intro in the critical role of social innovation in addressing Croatia's socioeconomic issues, such as youth unemployment, rural depopulation, and social exclusion. Various grassroots initiatives, academic institutions, and policy efforts have already contributed to the development of a vibrant social innovation ecosystem. However, further alignment with EU standards, investment in capacity-building, and enhanced collaboration among stakeholders are needed to maximize impact.

Financially, Croatia has access to significant EU and national funding sources, including ESF+, InvestEU, and Horizon Europe. The presence of private impact investors like FeelsGood Capital and BOND Network further strengthens the funding landscape. However, bureaucratic hurdles and fragmented financial instruments present challenges that must be addressed through improved coordination and streamlined funding processes.

Based on international best practices from Italy, Portugal, and France, the report recommends key strategies for Competence Centre design. These include establishing a multi-stakeholder governance structure, regional hubs, and a diversified funding strategy. Capacity-building initiatives, digital and green innovation, and transparent governance structures are also emphasized as crucial components for long-term success.

In conclusion, the Competence Centre for Social Innovation in Croatia has the potential to significantly contribute to the country's social and economic development. By leveraging existing strengths, addressing regulatory and financial barriers, and fostering international collaboration, the Competence Centre can play a transformative role in building an inclusive, resilient, and innovative society.



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# 1. Introduction

## 1.1. Purpose of the Report

The report analysis aims to provide a comprehensive overview of the regulatory, economic, social, and political conditions necessary for establishing and operating the Competence Centre in Croatia. Its purpose is to identify and evaluate the legal and regulatory framework, economic opportunities, and barriers to ensure the Competence Centre can be activated and function effectively without contextual constraints. The main objectives are **1) to provide a national landscape of the regulatory, economic and political conditions** and **2) to map and explore social innovation ecosystems in Croatia**. The comprehensive framework describes the main elements of the SI ecosystem in Croatia comprising data about the institutional context and bottom-up initiatives in the country.

## 1.2. Methodology

This report provides an exclusive review of the regulatory, economic, social, and political conditions necessary to establish and operate the Competence Centre in Croatia. The report is based on the information collected from:

- A **desk review** of the regulatory framework, legal documents, national declarations, action plans and strategies, financial mechanisms in Croatia and EU framework and EU papers/action plans and Council Recommendation recommendations. Regulatory and policy review examined Croatia's legal and institutional framework to identify gaps and opportunities for fostering social innovation. This desk review aligns with public discourse analysis.
- **Mapping bottom-up initiatives** and good practices in the Croatian social innovation ecosystem.
- **Online surveys** were conducted to evaluate stakeholders' understanding of social innovation, their skills, prior experiences, and challenges they face in implementing social innovation initiatives.
- **Stakeholder analysis** helped define strategic roles within the ecosystem, ensuring a holistic understanding of different groups' needs.
- **Impact measurement analysis** explored global frameworks and best practices for evaluating social innovation effectiveness.

This methodology ensures a well-rounded assessment, allowing for the development of actionable recommendations to strengthen social innovation efforts in Croatia.



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## 2. The Role of Social Innovation in Croatia

Social innovation plays a crucial role in addressing the pressing challenges faced by the society and it drives transformative changes across various sectors. As Croatia navigates economic, environmental and social transformations, **social innovation emerges as a powerful tool for fostering sustainable development, enhancing community well-being and promoting social inclusion**. In Croatia innovative approaches to social issues are being championed by grassroots organizations and collaborative networks and these initiatives have led to significant advancements in areas such as education, healthcare, poverty reduction, equality and environmental sustainability.

Social innovation in Croatia helps to build a more inclusive and resilient society by leveraging the collective efforts of various stakeholders to challenge existing norms and structures and create innovative solutions for pressing issues. Mainly, it involves developing new ideas, approaches, and solutions that meet the needs of disadvantaged or marginalized groups. Long term impact is evident and key contributions of social innovation can be understood through several key aspects: **1) addressing social challenges** such as unemployment, poverty, an aging population, rural depopulation; employability of young people; **2) promoting economic development** through entrepreneurship and developing local businesses with social goals, such as creating employment opportunities for vulnerable groups and improving community services; **3) fostering civic engagement** through active participation of citizens, community groups in finding solutions to societal problems; **4) environmental sustainability** through initiatives such as reducing waste, improving resource management, and promoting green technologies; **5) improving public services** particularly for marginalized communities.

The Croatian ecosystem for social innovation is gradually evolving, supported by both EU frameworks and local initiatives. As Croatia faces challenges related to its post-transitional economy and demographic shifts, social innovation has become an essential tool for developing inclusive solutions that target vulnerable groups, enhance community development, and promote sustainable growth.

### 2.1. Definition of Social Innovation

Although Croatia does not yet have a national definition of social innovation, it adheres to EU frameworks and guidelines. Social innovation, according to the EU, involves novel solutions to societal problems, which are not only effective but also socially scalable and sustainable. The **Social Economy Action Plan (SEAP)** by the European Commission defines social innovation as any new initiative that meets social needs and creates new social relationships or collaborations. These innovations contribute to the well-being of society by addressing issues such as unemployment, exclusion, and social integration. More precisely, in the Action Plan (2021) social innovation is defined as: "Social innovation offers new ways of producing goods, organizing and delivering services and new forms of civic participation responding to concrete social needs or societal challenges. It changes social relations and can offer new policy approaches, potentially leading to systemic changes. By operating in a bottom-up way and being close to communities, citizens and the problems they face, social economy entities have the capacity to find innovative solutions."



When it comes to SI definition at the national level of the Croatian legal framework, there is only a definition provided in the Croatian Public Procurement Act (PPA) emphasizing the legal basis for all types of procurers to implement all types of innovation procurement. The PPA in Croatia provides an official definition of innovation and of PPI, but not a definition of innovation procurement. In terms of the R&D procurement, the Croatian national legislation for procurement provides an official national definition of R&D for implementing PCP in Croatia. Article 3(9) of the Public Procurement Act provides only the definition of innovation: "the implementation of a new or significantly enhanced product, service or process, including but not limited to processes of production, building or construction, a new method of placing on the market or a new method of organization in business practice, organization of workplace or external relations among others to help address social challenges or to support the Europe 2020 strategy for smart, sustainable and inclusive growth". This definition of innovation is in line with the EU definition, and it is applicable countrywide (PwC, 2024)<sup>1</sup>.

## 2.2. Definition of Social Economy

Similar to social innovation, social economy in Croatia lacks a nationally specific definition but aligns with EU definitions. The social economy encompasses a range of organizations, including cooperatives, associations, foundations, and social enterprises, whose activities aim to fulfil societal needs rather than generate profit for private stakeholders. The EU's **Social Economy Action Plan (SEAP)** emphasizes the importance of these organizations in contributing to economic growth, social cohesion, and the transition to a more sustainable economy. Namely, the term social economy refers to "four main types of entities providing goods and services to their members or society at large: cooperatives, mutual benefit societies, associations (including charities) and foundations. They are private entities, independent of public authorities and with specific legal forms" (EU COM (2021), final).

## 3. Croatian Social Innovation Ecosystem Needs Assessment

Social innovation in Croatia plays a vital role in addressing societal challenges and driving transformation across various sectors. It fosters sustainable development, enhances community well-being, and promotes social inclusion amid economic, environmental, and social shifts. Grassroots organizations and collaborative networks are championing innovative solutions in education, healthcare, poverty reduction, equality, and environmental sustainability. By engaging diverse stakeholders, social innovation challenges existing norms and structures to create impactful solutions. It tackles issues like unemployment, rural depopulation, and youth employability while fostering entrepreneurship, civic engagement, and environmental sustainability. Additionally, it strengthens public services, particularly for marginalized communities. Croatia's social innovation ecosystem is evolving, supported by EU frameworks and local initiatives, to build a more inclusive and resilient society.

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<sup>1</sup> PwC (2024). *COUNTRY PROFILE – Benchmarking of national policy frameworks for innovation procurement*. URL:



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### 3.1. Target Group Needs Assessment for the Croatian Social Innovation Ecosystem

Within the Croatian social innovation ecosystem, **four key target groups** have been identified as essential stakeholders: youth, public sector institutions, business sector - impact enterprises and mainstream/tech enterprises, and actors from the social economy (social economy entities). These groups were selected based on their strategic roles in the ecosystem, as emphasized by the European Commission's Social Economy Action Plan (SEAP), which highlights the importance of inclusive stakeholder engagement, capacity-building, and intersectoral collaboration in scaling social innovation. Youth represent the future drivers of change and are crucial for fostering a culture of civic engagement and entrepreneurial thinking. Public sector bodies play a pivotal enabling role through policymaking, funding, and institutional support. Social economy entities play a key role in testing and developing social innovations in response to pressing social needs and challenges, contributing critical knowledge, research, and systemic thinking. Meanwhile, mainstream and impact enterprises help scale these innovations into economically sustainable and socially impactful solutions, supporting long-term transformation and policy development.

The comprehensive needs assessment was conducted among four key target groups – youth, public sector representatives, business sector (mainstream and impact enterprises), and actors from the social economy – each with distinct yet complementary requirements for fostering a thriving social innovation ecosystem in Croatia. As part of this assessment, we conducted quantitative research through an online survey structured around key topics: understanding of social innovation, participants' skills and knowledge in the field, their prior experiences, as well as the needs and obstacles they face in testing and implementing social innovation. Youth, while highly interested in social innovation, demonstrate the lowest knowledge and lack access to financial resources, mentorship, and entrepreneurial skill development, emphasizing the need for foundational education and support as a capacity-building. Public sector actors - mainly local public authorities - though generally familiar with the terminology, show limited understanding and application of social innovation practices, with institutional inertia and insufficient regulatory frameworks posing significant barriers. The business sector, mainly impact enterprises, though already operationalising social innovation principles, struggles with investor access, business model sustainability, and tailored financial instruments. Meanwhile, social economy entities are the most informed and engaged, calling for deeper integration between research and practice, enhanced access to data, and expanded educational offerings. Across all groups, the expectations from the future National Competence Centre include capacity-building programs, targeted financial support, cross-sectoral networking, and a clearer national strategy to anchor social innovation as a transformative force. These findings highlight the urgent need for a coordinated, inclusive, and resource-equipped Competence Centre capable of tailoring its services to diverse ecosystem actors while advancing systemic change in Croatia.

In the following section, you can find a detailed overview of categorised needs and obstacles specific to each target group.

#### YOUTH

- Low awareness of social innovation concepts and a low level of knowledge
- High interest, but a lack of access to education and resources



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- Limited access to mentoring and expert guidance
- Need to develop entrepreneurial/management and innovation skills
- Require financial support to launch initiatives

## PUBLIC SECTOR

- Limited and superficial understanding of social innovation, social economy and social impact
- Unclear legal and regulatory framework
- Lack of specialized knowledge and skills - lack of capacities
- Low political support and prioritisation of SI
- Limited institutional capacity to implement innovations
- Misalignment between stated knowledge and actual implementation
- Minimal involvement in innovation activities (e.g., participatory budgeting, innovative procurement/SRPP)
- Need for intersectoral collaboration and training

## BUSINESS SECTOR: MAINSTREAM/TECH AND IMPACT ENTERPRISES

- Strong awareness of social innovation among impact enterprises, but struggle with:
  - Finding investors
  - Achieving sustainable business models
  - Accessing tailored financial instruments
  - Engaging in research and development
- Need for stronger connections with academia and funding sources
- Need for raising awareness and knowledge among mainstream enterprises about SI and social impact as part of their CSR and core activities

## SOCIAL ECONOMY ENTITIES

- Obstacles: Limited integration with mainstream economic systems
- Need for a stronger connection between research and practice
- Needs:
  - Access to research and case studies
  - Specialised acceleration programs
- Challenges:
  - Fragmented ecosystem
  - Limited visibility and resources (mainly financial resources)

**Sectorally, social innovation in Croatia shows uneven development**, with several thematic areas emerging as more mature or promising. Health, IT, and social service, particularly through digital health initiatives and assistive technologies (e.g., the Krapina-Zagorje Test Bed), as well as education, and clean energy (solar and green systems), demonstrate strong grassroots innovation potential. Tech-focused startups and social enterprises are experimenting with solutions in digital health, assistive technologies,



education, and environmental monitoring. However, many impactful social innovations also operate outside the digital sphere, often rooted in local communities, cooperative models, and grassroots activism. These include circular economy initiatives, inclusive employment programs, social entrepreneurship and social services tailored to marginalised groups. Environmental sustainability and circular economy models are gaining traction, particularly through impact enterprises and green tech initiatives. However, areas such as housing, rural development, and social protection still remain underutilised in terms of systemic social innovation, often limited to pilot projects without sufficient institutional scaling, although there are a few innovative solutions in the area of social services. Notably, innovation in public administration, such as participatory budgeting and socially responsible public procurement, is emerging but still fragmented and not developed enough in Croatia. This sectoral **differentiation points to a critical need for a national strategy** that ensures more balanced development across policy domains and geographic regions, leveraging the Competence Centre as a central node for coordination, capacity-building, and strategic investment.

The maturity of social innovation and innovative projects in Croatia remains in an **early to developing phase**, mostly early stage. While there is growing interest and awareness across various sectors, the ecosystem lacks cohesion, strategic direction, and widespread institutional support. **Many initiatives are still project-based, fragmented, and reliant on short-term funding, without long-term sustainability mechanisms.** Regulatory frameworks and public policy tools to systematically support social innovation are underdeveloped, and cross-sector collaboration is sporadic. Despite these challenges, promising examples exist, particularly in local initiatives, grassroots organisations, and some municipalities, indicating potential for growth. Strengthening education, capacity building, financial support, and policy advocacy could significantly accelerate the institutionalisation and scaling of social innovation in Croatia.

## 3.2. Social impact in the Ecosystem: Social innovation assessment and impact measurement

While social innovation plays positive changes for society, measuring its impact is very significant in understanding and optimizing the effects of social initiatives within an ecosystem. Social innovation creates measurable, positive societal changes by addressing critical challenges in innovative ways. Measuring its impact ensures accountability, continuous improvement, and alignment with broader societal goals. The benefits span from individual empowerment to systemic transformation, contributing to more inclusive, sustainable, and resilient communities.

As stated in the concept of *Social impact measurement and management* (SIMM)<sup>2</sup> by systematically measuring social impact, **organizations can identify areas of improvement, enhance their strategies, and ultimately increase their positive influence on society.**

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<sup>2</sup> Measuring social impact: a new era for the social economy? URL: [https://social-economy-gateway.ec.europa.eu/topics-focus/measuring-social-impact-new-era-social-economy\\_en](https://social-economy-gateway.ec.europa.eu/topics-focus/measuring-social-impact-new-era-social-economy_en)



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Social impact measurement<sup>3</sup> also supports better decision-making by providing clear, evidence-based data on the effectiveness of social innovations. It helps funders and investors assess the value of their investments and ensure that resources are being used efficiently to generate measurable benefits. Additionally, it contributes to transparency and accountability within the social economy, fostering trust among stakeholders.

Measuring the impact of social innovation requires a nuanced approach that accounts for its multifaceted and context-dependent nature. At the global level, there are over 150 different methods for social impact measurement and management, reflecting the complexity and diversity of approaches used across sectors and regions. The process of measuring the impact of social innovation should be grounded in a Theory of Change, which outlines how specific interventions lead to desired societal outcomes. Monitoring involves systematically tracking key outputs and outcomes using quantitative and qualitative indicators, ensuring that interventions align with their intended goals. Evaluation, on the other hand, assesses whether these outcomes generate meaningful social, economic, and environmental impacts, often using mixed methods such as surveys, case studies, and counterfactual analysis. A crucial aspect is ensuring stakeholder participation, adapting methods to the context of the innovation, and continuously refining strategies based on real-time feedback. By implementing a robust, flexible, and evidence-based evaluation framework, social innovations can demonstrate their effectiveness, justify scaling efforts, and drive sustainable change within the Croatian ecosystem.

In Croatia, the growing emphasis on social innovation has led to the need to ensure sustainable and scalable social change. While there is no national framework for assessing the impact of social innovations, **Croatia can benefit from adopting good examples from EU countries frameworks to ensure that social innovation initiatives lead to tangible, measurable outcomes.** Incorporating SIMM guiding principles such as translate the social mission into a narrative of change, holistic understanding, mind proportionality, put stakeholders at the centre, uphold transparency and strive for continuous improvement can advance capacity building and the national and local level.

### 3.3. Key elements of Social Innovation Ecosystem

Social Economy Action Plan (SEAP) outlines the legal and policy framework needed to support the social economy, emphasizing the importance of enabling a regulatory environment. Understanding that a **social innovation ecosystem refers to the interconnected network of stakeholders, resources and processes that collectively foster the development, scaling and sustainability of social innovations**, key elements of a social innovation ecosystem include:

- 1) **Stakeholders and Actors** – a wide range of stakeholders such as social enterprises, non-profit organizations, community groups, policymakers, businesses, academia and funding bodies in order to meet diverse needs and address complex social issues. In Croatia social enterprises and

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<sup>3</sup> When it comes to impact measurement, the European Commission and the OECD have jointly produced a study entitled “Measure, Manage and Maximize Your Impact: A Guide for the Social Economy” (2024). Key elements from the document that can maximize the positive impact involve: systematic evaluation that includes data collection, analysis, and strategic application of insights to optimize positive outcomes and mitigate adverse ones; empowerment and accountability to make informed decisions, foster accountability and build trust among stakeholders.



NGOs are often focused on employment or marginalized groups, environmental sustainability and community development. However, the coordination among stakeholders is weak, and cross-sector collaboration remains underutilized.

- 2) **Legal and Regulatory Framework** – a supportive and regulatory environment includes policies and laws that promote social innovation. Legal frameworks need to be adaptive to the diverse models of social innovation. In Croatia there is no legal framework that recognizes and supports social enterprises. Croatia benefits from alignment with EU directives, but domestic legal adaptation is slow and inconsistent.
- 3) **Access to Finance and Investment** – access to diverse financing options (grants, investments, crowdfunding) and funding mechanisms tailored to the needs of social enterprises and innovations. In Croatia, EU structural funds are the primary financial source, but application processes are complex and competitive.
- 4) **Knowledge, research and data** – ecosystems thrive on knowledge sharing, research on best practices and evidence-based decision-making which is relatable to the role of universities, think tanks and research institutions. Furthermore, networking platforms, partnerships, and cross-sector collaboration increase the likelihood of innovation by encouraging interdisciplinary approaches. In Croatia some universities offer courses on social entrepreneurship and innovation while formal and non-formal groups offer peer learning and collaboration.
- 5) **Support infrastructure** – including incubators, accelerators, mentoring networks and training programs that help social economy actors to develop their ideas, build capacity and navigate challenges to increase their impact. In Croatia the support infrastructure for social innovation is underdeveloped and it usually depends on projects and external funding (there is no long-term integrated support service).
- 6) **Social impact measurement and evaluation** – needed to assess the effectiveness, scalability and sustainability of social innovations in order to make informed decisions about scaling or improving initiatives. In Croatia there is a growing awareness of the importance of impact assessment but methodological knowledge is limited.
- 7) **Scalability and Sustainability** – besides financial support, systems, partnerships, and policies needed for scaling successful innovations, sustainability can be reached through diversifying revenue streams, fostering long-term partnerships and ensuring that social innovation can adapt to changing circumstances. In Croatia the scaling up successful innovations is difficult due to limited funding, bureaucratic hurdles and weak market access.

By addressing these elements, a social innovation ecosystem can create an environment that nurtures new ideas, supports their development, and ensures their broader impact on society. This integrated approach is essential for creating systemic change and solving complex social challenges.



Croatia's social innovation ecosystem is developing, with increasing recognition of the role that social enterprises, civil society organizations, and public-private partnerships play in addressing social and economic challenges. However, the ecosystem remains fragmented and faces several structural and operational barriers that hinder its growth.

The **Competence Center for Social Innovation in Croatia** will serve as a national coordination hub, connecting diverse stakeholders such as NGOs, social enterprises, policymakers, and academia to foster collaboration. It will support the development of a clear legal and regulatory framework by advising policymakers and aligning national strategies with EU standards. The Center will improve access to finance by mapping funding sources, facilitating partnerships with investors, and promoting innovative financing tools. It will build capacity through training, mentoring, and knowledge sharing, while promoting the use of data and research to inform practice. Finally, it will strengthen social impact measurement and support the scaling of effective innovations by providing tools, expertise, and long-term support mechanisms.

## 4. Regulatory framework

### 4.1. Legal and institutional framework

The legal and institutional framework for social innovation and the social economy ecosystem in Europe is shaped by a range of regulatory documents that provide a coherent structure for supporting social enterprises and innovative models. These frameworks establish the rules, guidelines, and strategies that enable social innovation to thrive both nationally and within the EU. Croatia's regulatory framework for social innovation and the social economy is influenced by both national laws and EU policy documents. Below is a brief description of the key documents impacting this space:

#### i. Social Economy Action Plan by the European Commission (2021)

The Social Economy Action Plan (SEAP), published by the European Commission in 2021, is a key policy document designed to support the growth of the social economy across EU Member States. It outlines specific actions to improve the business environment for social enterprises, promote social innovation, and strengthen their contribution to job creation and social inclusion. By encouraging national and local governments to adopt favourable policies, SEAP emphasizes the need for legal recognition, access to finance, and capacity-building support for social enterprises. It serves as a roadmap for Member States to better integrate the social economy into the broader economic fabric.

#### ii. Council Recommendation on the Social Economy Framework (2023)

Adopted in 2023, this recommendation provides guidance on strengthening the role of the social economy in EU Member States. It encourages the development of tailored national strategies that recognize the potential of social economy actors, such as cooperatives, social enterprises, and foundations, in achieving inclusive growth. The recommendation emphasizes creating an enabling environment that includes legal and financial support mechanisms, enhancing visibility, and fostering social innovation as essential tools for achieving the EU's social and environmental goals. This framework enhances the implementation of the SEAP by encouraging consistent and widespread adoption across the EU.



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### iii. Council Conclusions on Strengthening the role and impact of research and innovation in the policymaking process in the Union (2023)

The 2023 Council conclusions focus on the importance of integrating research and innovation into policymaking to better address societal challenges. They highlight the need for stronger links between research and the social economy, ensuring that evidence-based policies are designed to foster innovation and enhance social impact. The conclusions advocate for creating synergies between research, innovation, and social economy initiatives, ensuring that the outcomes of these efforts contribute to the broader societal goals of sustainability, equality, and social inclusion.

### iv. European Pillar of Social Rights (2017)

The European Pillar of Social Rights, adopted in 2017, sets out 20 key principles and rights aimed at promoting fair and inclusive labour markets, equal opportunities, and social protection across the EU. Among these principles, the Pillar encourages the development of the social economy as a means to foster inclusive growth, promote access to quality jobs, and enhance social welfare. By emphasizing the role of the social economy in achieving these goals, the Pillar serves as a foundation for creating a socially fair and cohesive EU, reinforcing the commitment to social innovation and inclusion within the broader economic context.

### v. Social Business Initiative (SBI, 2011)

The Social Business Initiative, introduced by the European Commission in 2011, aimed to boost the visibility and capacity of social enterprises across Europe. The initiative outlines specific actions to improve the legal and regulatory environment for social businesses, foster access to finance, and enhance their overall impact on society. By focusing on the growth and recognition of social enterprises, SBI has been a driving force in shaping policies that support sustainable social businesses that tackle pressing social and environmental challenges. This initiative was pivotal in establishing the EU's commitment to fostering a thriving social economy and remains a reference point for future developments in the sector.

vi. **National Laws Defining Social Economy Entities in Croatia:** In Croatia, social enterprises, cooperatives, associations, and foundations are recognized as key components of the social economy. National laws, including the **Social Entrepreneurship Act**, provide the legal foundation for these entities to operate, access funding, and engage in innovation.

vii. **The Croatian National Recovery and Resilience Plan 2021-2026** recognizes that innovation-related procurement can be a powerful tool for economic development. Therefore, this reform foresees measures to achieve the best value for public money and greater benefits for the economy and the score for sub-indicator economic policy is 100%. In particular, measure C2.9.R3 'Innovative public procurement' aims at enabling the public sector to procure the most modern technical solutions, innovative products and services and thus creating opportunities for economic entities to find new users of innovative products and services (according to PwC, 2024 in Country Report: Benchmarking of national policy frameworks for innovation procurement).

viii. **The Croatian Education, science and technology strategy until 2025** recognizes public procurement that encourages innovation and innovation partnership (number of tenders and amount of funds, in total



and according to social challenges). Under its indicators for the implementation of Measure 6.5. Promote investment of the innovative economy in research, development and innovation and assign HAMAG-BICRO as the responsible organisation for implementing this measure (ibid).

ix. **Croatia's Smart Specialization Strategy 2029** highlights the strategic importance of innovation procurement: "Public procurement of innovative solutions (PPI) could provide an opportunity for the public sector to facilitate and encourage innovation in industry (ibid).

In Croatia, the governance of social innovation initiatives is shaped by a combination of national and local institutional structures, policies, and programs designed to support social enterprises and innovations aimed at addressing societal challenges. These structures involve public institutions, civil society organizations, and private sector actors working in a collaborative environment.

When it comes to the **Competence Center for Social Innovation in Croatia**, its role is to operationalize and integrate key EU and national policy frameworks to strengthen the social economy ecosystem. It will support the implementation of the **Social Economy Action Plan (2021)** by coordinating stakeholders, facilitating the development of a national strategy, and promoting legal recognition and tailored support for social enterprises in line with Croatia's Social Entrepreneurship Act. In response to the **Council Recommendation on the Social Economy Framework (2023)**, the Center will help design inclusive policies, develop access to finance instruments, and boost visibility of social economy actors at the local level. By aligning with the **Council Conclusions on research and innovation (2023)** and national strategies like the **Croatian Education, Science and Technology Strategy** and **Smart Specialization Strategy**, the Center will foster evidence-based policymaking, support innovation partnerships, and promote public procurement of social innovations. It will also contribute to achieving the goals of the **European Pillar of Social Rights** by enabling inclusive growth, quality employment, and sustainable development, while leveraging opportunities from the **National Recovery and Resilience Plan** to scale socially impactful solutions through innovation-driven public services.

The key institutional structures governing social innovation initiatives in Croatia include: **1) Government institutions** – the Ministry of Labour, Pension System, Family and Social Policy as the key governmental body responsible for social welfare policies and supporting social innovations. **2) Public funding bodies** – the Croatian Agency for SMEs, Innovation and Investments provides various grant programs, investment funds and loan schemes. **3) Non-governmental organizations and civil society** play a crucial role in advancing social innovation by advocating for policies, conducting research and implementing grassroot initiatives. **4) Academia and Research organizations** conduct research, offer training programs and provide expert advice on social issues. **5) Private sector and social entrepreneurs** play a vital role in the institutional landscape of social innovation in Croatia while private investors and venture capital funds become involved in funding scalable social innovation initiatives.

## 4.2. Social and political context

### 4.2.1 Overview of Croatian social challenges and opportunities for SI and SE

Croatia faces a myriad of social challenges that present both obstacles and opportunities for social innovation. High unemployment rates, especially among youth and in rural areas, regional disparities, and



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the social exclusion of marginalized groups such as ethnic minorities and people with disabilities, are significant issues. Additionally, Croatia's social issues, such as poverty and insufficient social protection, demand innovative approaches to address the needs of vulnerable groups. The country is experiencing a shift toward solutions that focus on social impact rather than just profit-making, which presents significant opportunities for the development of Social Innovation (SI) and Social Economy (SE).

The Croatian government has recognized the potential and programs and initiatives that support social enterprises and foster a culture of innovation are increasingly being introduced. For instance, the National Strategy for the Development of Social Entrepreneurship (2015-2020) was a pivotal step towards creating a supportive environment for SI and SE in Croatia. The Croatian government, in line with European Union directives, has placed an emphasis on fostering a more inclusive economy, where the SE plays a critical role in providing sustainable solutions. The expansion of the social economy can create new jobs, improve social cohesion, and empower marginalized communities.

## **Role of civil society, academic sector, institutes, support organizations and other initiatives in fostering SI**

Civil society organizations (CSOs) in Croatia are active in fostering social innovation. Organizations often advocate for policies and implement social innovation projects that address societal issues such as gender equality, youth participation, poverty reduction and social inclusion. These organizations often partner with government bodies, international donors, and social enterprises to promote social innovation and impact, particularly in sectors that require tailored solutions, such as social care, healthcare, and education. Support organizations such as the National Foundation for Civil Society Development provide funding and resources for SI initiatives.

Academic institutions also contribute significantly to social innovation through research, offering courses, and providing expertise. They serve as knowledge hubs for social entrepreneurship and innovation, fostering new ideas and supporting evidence-based policymaking. Research institutions are crucial in measuring the impact of social innovations and ensuring that these innovations are sustainable and effective in addressing the needs of the population

Support organizations such as HAMAG-BICRO (Croatian Agency for SMEs, Innovation, and Investments) and local and regional development agencies provide financial and technical assistance to social enterprises and social innovators. These agencies help social entrepreneurs access funding and scale their solutions, which is crucial for ensuring the sustainability of social innovation projects. Additionally, European Union-funded programs, such as the European Social Fund Plus (ESF+), provide significant opportunities for social innovation projects in Croatia, particularly in areas of job creation, social inclusion, and poverty alleviation.

## **Role of community engagement in driving SI growth**

Involving local communities in the co-creation and implementation of social innovation initiatives ensures that the solutions developed are responsive to real needs. This participatory approach leads to more sustainable, context-specific outcomes. The success of initiatives, such as Social Impact Award, which



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encourages young people to design and implement social ventures, demonstrates how community-driven solutions can create positive social change.

Community engagement fosters collaboration between social enterprises, local businesses, public institutions, and citizens, allowing for a more integrated and inclusive approach to problem-solving. By building trust and shared ownership of solutions, community engagement not only drives the growth of social innovation but also strengthens social cohesion, which is essential for achieving long-term impact.

## Government priorities and policies supporting social innovation

The Croatian government has increasingly recognized the importance of social innovation and the social economy as driving force for addressing pressing social challenges which was defined in the National Strategy for the Development of Social Entrepreneurship (2015-2020). Key policies, such as the **Social Economy Action Plan** focus on creating a favourable environment for social enterprises and supporting innovative models for social welfare. The Social Economy Council of Croatia works to align policies with EU standards, advising on the legal and financial frameworks needed to enhance the visibility and impact of social enterprises.

Furthermore, Croatia has placed a focus on promoting the **European Pillar of Social Rights**, which aligns with social innovation objectives by advocating for equitable access to resources, employment, and social protection. The Croatian government is also participating in EU programs that provide funding and technical assistance to support social enterprises, which has helped the country strengthen its social innovation ecosystem.

## Political stability and its influence on Competence Centres.

A stable political environment provides the necessary support, long-term planning, investment and resources for competence centres to thrive. Competence Centres, which serve as hubs for SI and SE, can leverage government support to build networks, access resources and create impact.

### 4.2.2. Opportunities and barriers

#### Legal opportunities to support Competence Centre establishment

Croatia's legal framework presents significant opportunities for establishing Competence Centres. Laws related to entrepreneurship and public-private partnerships facilitate the creation of institutional structures that support innovation and entrepreneurship. Favourable tax policies and funding programs can be introduced to incentivize the creation of competence centres. Additionally, the government can establish an institutional body to support social enterprises and ensure they have the necessary legal and regulatory framework to operate effectively.

Legal frameworks that encourage public-private partnerships (PPPs) are also beneficial. These partnerships can provide Competence Centres with access to additional resources and expertise, enhancing their ability to drive social innovation. That means, the **Croatian Public Procurement Act provides the legal basis for all types of procurers to implement innovation procurement**. The Directorate



for Trade and Public Procurement Policy within the Ministry of Economy is responsible for public procurement policy, including the policy on innovation procurement. Other than that, the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) has a role to implement activities that foster innovation procurement and innovation in general.

## **Regulatory barriers and gaps impacting the SI ecosystem**

Despite the opportunities, several regulatory barriers impact the growth and scalability of social innovation initiatives in Croatia. One of the primary challenges is the lack of consistent and clear regulations that define the roles and funding mechanisms for social enterprises and Competence Centres. The absence of tax incentives for social enterprises and social innovators creates additional barriers to entry, making it harder for them to access the resources necessary for scaling their impact. Moreover, there are gaps in coordination between various levels of government and the civil society sector, which sometimes leads to fragmented policies that hinder the development of a unified social innovation ecosystem. Greater integration and alignment of national and local policies could address these gaps and improve the regulatory landscape.

Addressing these barriers through improved legal frameworks and policy alignment will ensure that social innovation can flourish and contribute meaningfully to addressing Croatia's social challenges.

## **5. Economic Landscape**

### **5.1 Economic Opportunities**

Social innovation (SI) and the social economy (SE) are rapidly gaining recognition as powerful tools to address complex societal challenges. Croatia, as part of the European Union (EU), is uniquely positioned to leverage various funding mechanisms and institutional support at both the national and EU levels to drive the development of SI and SE initiatives.

The economic landscape for SI and SE in Croatia is influenced by a variety of sectors and funding sources that facilitate the creation and scaling of social enterprises and innovation-driven solutions.

#### **5.1.1 EU funding Mechanisms**

##### **European Social Fund Plus (ESF+)**

ESF+ is one of the largest EU funds dedicated to promoting social inclusion, job creation, and sustainable employment across Member States, including Croatia. For social innovation and social enterprises, ESF+ provides crucial funding for initiatives targeting vulnerable groups, promoting social inclusion, and developing innovative approaches to societal challenges. The fund supports projects that address unemployment, educational disparities, and social exclusion, with a specific focus on underrepresented groups such as youth, elderly, and persons with disabilities. When it comes to the Competence Center for Social Innovation, this fund will be used to finance capacity building, skills development and inclusion



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programmes. On the other hand, Competence Center can assist social enterprises applying to ESF+ calls and act as a project coordinator, intermediary, and technical support body.

## InvestEU

InvestEU offers financial support to projects across several key sectors, including social economy and innovation. It provides guarantees, equity investment, and advisory services to social enterprises and social innovation projects, particularly those that focus on tackling climate change, advancing digitalization, and improving social welfare systems. Croatia can benefit from InvestEU to scale social enterprises and drive innovative projects across its social economy. The Competence Center can collaborate with financial intermediaries and ministries to guide social enterprises in accessing these funds, prepare investment-ready projects, and build a pipeline of scalable social innovations.

## EaSI Program

The Employment and Social Innovation (EaSI) program supports micro-financing and social innovation projects in areas like employment, social inclusion, and poverty reduction. Through EaSI, Croatian social enterprises can access financial instruments to support their growth, particularly those focused on employment creation and social integration. The program offers technical assistance, policy development, and funding for initiatives that have a social impact. The Center can lead or support project consortia applying for social experimentation initiatives that test new policy models at local or regional levels.

## Horizon Europe Program

As part of the broader Horizon Europe initiative, this program provides funding for research and innovation with a strong focus on solving global challenges, including health, environment, and social issues. Social innovation is explicitly highlighted within Horizon Europe, where projects addressing climate change, digital transformation, and social cohesion can receive substantial research grants. Croatian social enterprises and innovation actors can apply for Horizon Europe funding for projects that combine scientific research and social impact. The Competence Center can be positioned as a research and innovation partner in EU consortia. It can connect Croatian universities, NGOs, and enterprises to Horizon calls that support research-driven social innovation, especially in health, digital inclusion, and community resilience.

## ESIF Fund

In Croatia, there are ESIF funded financial incentives to encourage public procurers to undertake more innovation procurements. Croatia's Smart Specialisation Strategy 2029 allocates for the first time ESIF funding for innovation procurements under the following Thematic Priority Areas:

- 5.1 TPA: Personalized healthcare
- 5.2 'TPA: Smart and Clean Energy'
- 5.3 'TPA Smart and Green Mobility'
- 5.4 'TPA Security and dual use'



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- 5.7 'TPA Digital products and platforms' '(such as EdTech, FinTech and LegalTech).

The Competence Center can promote this Fund through training for public procurers, development of pilot projects, and brokering collaborations between public institutions and social innovators. The Center can play a role in applying these instruments under Smart Specialization Thematic Priority Areas (e.g., digital platforms, clean energy, healthcare).

## Climate-KIC

The Climate-KIC supports innovation projects aimed at addressing climate change through collaborative and cross-sectoral efforts. For Croatia, this funding opportunity supports social innovation initiatives focused on green innovation, sustainable development, and environmental justice. Social enterprises in the country can apply for grants and accelerators within this framework to integrate environmental goals into their business models. The Center will facilitate access to green innovation funding for Croatian social enterprises, particularly in circular economy, climate resilience, and community-led sustainability.

## NewBauhaus Initiative

The New European Bauhaus is an initiative that seeks to connect the European Green Deal with the daily lives of citizens. It focuses on sustainability, inclusion, and aesthetics in transforming the built environment. Croatian social enterprises involved in sustainable urban development and social housing can tap into this funding and innovation network to implement socially impactful, environmentally sustainable projects. This fund is an opportunity for the Competence Center to engage social economy actors in sustainable urban transformation, especially around community housing, cultural revitalization, and environmental justice.

## 5.1.2 Impact Investors and Social Innovation Investors in Europe and Croatia

Investors focused on impact and social innovation play a significant role in funding social enterprises and initiatives in Croatia and the broader European context.

### 1. FeelsGood Capital

FeelsGood Capital is an investment fund focused on providing financial support to businesses with a measurable positive social and environmental impact. It targets social enterprises in Croatia and beyond, particularly those engaged in promoting social inclusion, environmental sustainability, and innovative solutions to social problems.

### 2. BOND Mreža i BAIF

BOND Mreža (the Social Innovation and Social Entrepreneurship Network in Croatia) and BAIF (Balkan Social Impact Fund) focus on providing investment and capacity-building support for social enterprises in the Balkans, including Croatia. These networks facilitate partnerships between investors, social enterprises, and civil society organizations to create an enabling environment for social innovation and entrepreneurship.



### 5.1.3 Government Incentives and Financial Support Structures

Several national government bodies and financial institutions in Croatia provide incentives and financial support to social innovation and social economy projects. These mechanisms aim to foster growth, sustainability, and the scaling of social enterprises.

#### 1. HAMAG-BICRO (Croatian Agency for SMEs, Innovation, and Investments)

HAMAG-BICRO provides financial products and technical support to small and medium-sized enterprises (SMEs), including social enterprises. The agency offers micro-loans, grants, and support services for social innovation projects, helping entrepreneurs navigate the challenges of starting and scaling social enterprises.

#### 2. HBOR (Croatian Bank for Reconstruction and Development)

HBOR offers favourable financing options for businesses in various sectors, including those that have a social impact. The bank provides loans and grants to socially responsible enterprises, with a focus on sustainable development and social inclusion.

#### 3. Micro-finances and the Ministry of Labour

Various micro-financing initiatives, often supported by the Ministry of Labour, Pension System, Family and Social Policy, offer funding and capacity-building for social enterprises. These financial instruments help new social ventures and businesses working in the social economy to access affordable credit and build financial sustainability.

### 5.1.4 Private Investors in Croatia

Private investors, including venture capital firms and impact-focused funds, are increasingly becoming involved in supporting social innovation in Croatia. These investors target businesses that offer innovative solutions with clear social and environmental benefits. Impact investors in Croatia are becoming more prominent in financing ventures that seek both financial returns and positive societal outcomes (ex. Rimac Automobili, Infobip, DM, HEP, RTL, etc.). Additionally, several venture capital firms and angel investors are increasingly looking to support social enterprises that align with their values and investment strategies.

## 5.2 Economic Barriers

Despite the availability of various funding mechanisms, there are several challenges in accessing these resources for Competence Centres in Croatia. Bureaucratic hurdles and complex application processes can deter potential applicants. The process of applying for and managing grants can be bureaucratic, time-consuming, and difficult for small and early-stage social enterprises to navigate. Additionally, national funding programs often lack the coordination required to make funding access seamless for social enterprises. Many funding schemes require a traditional business model or do not adequately support the social innovation dimension. This gap in financial instruments limits the scalability of social innovation



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projects. Additionally, there is often a lack of awareness and understanding of the available funding opportunities. Smaller social enterprises may also struggle to meet the eligibility criteria or provide the necessary documentation for funding applications. Given that social enterprises often focus on long-term social goals rather than short-term financial returns, there is a certain level of risk aversion among some investors and funding bodies.

Coordination among different stakeholders, including government agencies, CSOs, and private sector investors, is often fragmented, leading to inefficiencies and missed opportunities. Addressing these barriers requires streamlined processes, increased awareness, and better collaboration among all stakeholders involved in the SI ecosystem.

## 6. Mapping Social Innovation Ecosystem in Croatia

### 6.1 Public authorities

Public sector initiatives play a central role in shaping the social innovation ecosystem in Croatia. By leveraging technology, collaboration, and open participation, these initiatives aim to improve public services, ensure inclusivity, and address pressing social challenges. Many successful case studies demonstrate how collaborative efforts between public institutions, civil society, and tech-savvy volunteers generate innovative solutions to local challenges. Some of the examples can be found below.

#### **Digital Innovation for Inclusion – "Code for Croatia"**

Code for Croatia is a prominent example of how digital innovation can address social inclusion. This initiative is a collaborative platform that connects volunteers with technology and coding skills with civil society organizations, public institutions, and social enterprises. The goal of the platform is to use open-source technologies to improve public services and solve social problems, such as enhancing access to information for marginalized communities and improving the transparency and efficiency of local governments.

#### **Innovative Health Programs: "Zdravko"**

In the health sector, Croatia has seen several grassroots initiatives aimed at improving healthcare accessibility and addressing health disparities. One such initiative is the Zdravko project (at first, it was a public campaign to preserve health "ZdravKo Drijen"), which leverages digital tools and mobile health applications to improve health education and remote healthcare access for underserved communities. This program exemplifies the role of digital innovation in social impact and the growing importance of technology to deliver more inclusive healthcare solutions.

#### **Innovation Procurement (IP) and Strategic Public Procurement**



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This is a market-shaping innovation. It shifts the public sector's role from simply *buying* existing products to buying *solutions* to public problems. This allows public authorities (like a City or County) to tender for services that require innovative, customized solutions to social or environmental problems (e.g., procurement of a new, digitally-enabled home care service or a modular energy-efficient solution), giving social innovators a chance to scale their novel ideas into long-term contracts.

Examples of regional and local context of social innovation public institutions:

- **Regional Coordinator of Sisak-Moslavina County** (and similar regional bodies, like REDEA): These regional development agencies are crucial for translating national/EU strategies into local development projects, including those focused on social cohesion, job creation, and social services. They often act as the initial point of support for grassroots social innovation.
- **Udruga gradova HR** (Association of Cities): Represents the interests of local self-government. Since social services and community needs are fundamentally local, this organization is key for understanding how cities adopt and scale social innovations in their public service delivery.
- **Zaklada ReCed Istria** (Foundation ReCed Istria): While a foundation, it often plays a public-service role at the regional level, often collaborating closely with public authorities to support civil society and local development initiatives.

## 6.2 Academia

Academic institutions in Croatia serve as vital engines for social innovation, fostering research, education, and interdisciplinary collaboration. By developing specialized programs, conducting impactful research, and partnering with other sectors, universities and research centers nurture the next generation of social entrepreneurs and innovators. This section covers institutions of higher education, research organizations, and academic programs that contribute to social innovation through education, research, and training.

### 1. Master's Program in Social Innovation at the University of Zagreb

The University of Zagreb's Faculty of Social Science and Humanities offers a Master's program in Social Innovation; a key academic initiative aimed at training the next generation of social innovators. This program, one of the first of its kind in Croatia, is designed to provide students with the knowledge, skills, and tools necessary to create and implement innovative solutions to social problems. The curriculum covers a wide range of topics, including social entrepreneurship, impact measurement, sustainable development, and the role of digital technologies in social innovation. By combining theoretical insights with practical experience, the program fosters a new wave of social entrepreneurs and innovators equipped to tackle societal challenges.

### 2. Institute for Social Research in Zagreb

The Institute for Social Research in Zagreb is another institution engaged in social innovation. It conducts interdisciplinary research on social issues such as poverty, inequality, and social



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exclusion, contributing to evidence-based social policy and innovation. The Institute's research output helps inform social innovation strategies, supporting policymakers, NGOs, and social enterprises in developing effective interventions.

3. **RIT Croatia** - An international campus offering programs such as Web and Mobile Computing and Information Technology and Analytics, which include components of social innovation and community engagement.
4. **University of Zagreb** - Provides a Bachelor study program in Electrical Engineering and Information Technology, developing competencies to analyse and solve engineering problems with potential social innovation application.

## 6.3 Social Economy Ecosystem (private sector)

Grassroots and entrepreneurial initiatives are at the heart of social innovation in Croatia. Driven by passionate individuals and dynamic organizations, these projects focus on addressing local needs, promoting sustainability, and empowering communities. Incubators, competitions, and living labs provide platforms for creative problem-solving, piloting new ideas, and building scalable solutions that make a real difference in society. This section features grassroots, entrepreneurial, and community-driven initiatives emphasizing innovation, inclusion, and sustainability.

### Impact Hub Zagreb

Impact Hub Zagreb is one of the most prominent incubators and hubs supporting social innovation and entrepreneurship in Croatia. Established in 2014, it functions as a collaborative workspace, a community platform, and an accelerator for social enterprises. The Impact Hub fosters a variety of social innovation projects, focusing on key areas such as education, social inclusion, environmental sustainability, and youth empowerment. Impact Hub Zagreb provides mentorship, networking opportunities, and funding support to social entrepreneurs and has successfully supported the development of several high-impact social enterprises.

### Social Impact Award Croatia

The Social Impact Award (SIA) in Croatia, an annual competition for social entrepreneurs and innovators, encourages young people to create and scale ventures that have a positive social impact. The award is a platform for youth-driven social innovation and promotes the development of sustainable businesses with a focus on social problems such as unemployment, poverty, and environmental degradation. In collaboration with universities, SIA serves as an incubator for social enterprises and provides access to training, funding, and expert advice.

### SMION - Innovation & Startup Programs

SMION's ecosystem development consulting service is designed to foster innovation and entrepreneurship across three critical sectors: AgriFoodTech, HealthTech, and GreenTech. A significant focus of SMION's service is education and training. They offer tailored workshops and programs to equip



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participants with the skills and knowledge necessary to drive innovation in industry-specific applications. These initiatives often integrate emerging technologies with practical applications, such as precision agriculture, telemedicine, and renewable energy solutions. Additionally, SMION provides specialized courses and certifications that enable individuals and organizations to stay ahead in these rapidly evolving sectors. Another core aspect of their service is the support they provide for startups. Through incubation, mentorship, and access to funding, SMION helps startups turn innovative ideas into scalable businesses. Community development is another cornerstone of SMION's approach. They are committed to building strong local ecosystems by fostering collaboration between academia, industry, and entrepreneurs.

### **Social Enterprise & Circular Economy: Humana Nova**

The Socijalna zadruga Humana Nova (Social Cooperative Humana Nova) is a flagship example of a work integration social enterprise (WISE) in Croatia, tackling social exclusion and environmental issues simultaneously. They created a sustainable, non-profit business model centered on the circular economy to provide employment for highly marginalized individuals, primarily people with disabilities and long-term unemployed individuals from excluded groups. They collect, sort, and reuse/recycle textile waste (diverting over 5,000 tonnes to date) and use these materials to produce new, high-quality, and innovative textile products (sustainable fashion). By reinvesting all profits into the cooperative, they create new jobs and developmental opportunities. Over 50% of their 56 employees are people with disabilities, directly integrating them into the workforce and community and boosting their quality of life.

### **Assistive Technology for Inclusion: E-Glas**

**E-Glas d.o.o.** is a technology-driven company founded by scientists with a clear social mission: to help people with disabilities achieve greater independence. They develop assistive technology (AT) solutions that use intelligent computer systems to give voice and control to people with severe motor or speech impairments. Some of the core products include: Serwantess (formerly Servus): An electronic home assistant that allows people with disabilities to control their home environment (lights, appliances, heating) using voice commands or minimal physical movement and Kokolingo: A digital platform for articulation therapy designed to assist in speech development. They directly enhance the **independence and quality of life** for people with disabilities, transforming complex problems of daily living into manageable tasks through technology. They also host the major **ATAAC conference** (Assistive Technology and Augmentative and Alternative Communication) to further knowledge-sharing in the field.

### **Community-Led Energy Transition: Zelena energetska zadruga (ZEZ)**

The Zelena energetska zadruga (ZEZ) (Green Energy Cooperative) represents an innovative social approach to the energy sector, focusing on community ownership and climate resilience. They empower citizens to become co-creators and investors in the energy transition through the cooperative model, addressing both energy poverty and climate change. Some of the initiatives include: EZ Sunce (ZEZ Sun): This initiative enables citizens, businesses, and local communities to jointly invest in community-owned solar power plants (e.g., on public building roofs) and Addressing Energy Poverty: A portion of the profits from these community-owned projects is often reinvested into programs that help vulnerable citizens



install solar panels or improve energy efficiency to combat energy poverty. This model democratizes energy production, provides a non-speculative financial return for members, and uses community assets to create local social and environmental value, placing citizens at the heart of the energy system.

The mapping of Croatia's social innovation ecosystem highlights how collaborative engagement among public authorities, academia, and the social economy drives meaningful progress in tackling societal challenges. (The mapping document is also part of the project Seed2Scale as Deliverable 7.1 and the Report on this is available as Annex I to this document.) Public sector initiatives—illustrated by digital inclusion campaigns, innovative healthcare programs, and strategic procurement—demonstrate the growing capability of local and regional governments to foster inclusive, technology-driven solutions and to create enabling environments for grassroots initiatives. Academic institutions underpin this progress by educating future leaders, advancing interdisciplinary research, and facilitating the practical application of social innovation throughout society. Meanwhile, the private and civil sectors—spanning dynamic incubators, social enterprises, and cooperatives—translate community needs and sustainability objectives into entrepreneurial breakthroughs and new economic models. Together, these actors not only respond to pressing social needs but also create a robust foundation for Croatia's ongoing transition toward an inclusive, sustainable, and innovation-oriented society.

## 6.4 European Innovation Scoreboard – Croatia

The European Innovation Scoreboard (EIS) is an annual ranking that assesses the innovation performance of EU member states. The scoreboard evaluates countries on several key indicators, including R&D investments, entrepreneurship, digital innovation, and the effectiveness of innovation ecosystems.

Croatia has seen improvements in its innovation performance over the years, particularly in digital innovation, but still faces challenges in fully exploiting its innovation potential. According to the 2021 European Innovation Scoreboard, Croatia is categorized as a "**Moderate Innovator**," indicating that while there are emerging strengths, the country still faces challenges in fostering innovation-driven growth. Some of **Croatia's strengths in the innovation ecosystem** include its capacity for knowledge diffusion, digital public services, and the growing number of startups, particularly in the IT and social innovation sectors. However, Croatia **faces challenges** in terms of research and development investments, innovation-friendly infrastructure, and the integration of innovation across traditional industries. This indicates the need for more robust policy initiatives and support structures to accelerate Croatia's transformation into a leading innovator in Europe.

## 6.5 EU Innovation Procurement Policy Framework Benchmarking (2024)

According to PwC's Country Report (2024) "Benchmarking of national policy frameworks for innovation procurement", in the benchmarking of national innovation procurement policy frameworks across Europe, **Croatia is at the 19th position** of the overall ranking with a total score of 26.44%. The country significantly improved its position (from 28th to 19th) and its total score (from 9.3% to 26.44%) compared



to the previous benchmarking. However, the country's performance is still below European average of 33.05%, as it is below European average on 7 of the 10 indicators. Out of the 30 countries analysed, Croatia is one of the low performers. As Croatia has implemented just one quarter (26.44%) of the policy measures to establish a comprehensive policy framework for innovation procurement, a strong reinforcement of the policy framework is still required in Croatia for it to realize its full potential.

## 7. Recommendations for Competence Centre Design

The establishment of a Competence Centre for Social Innovation (CCSI) in Croatia requires a well-thought-out design that aligns with both national and international best practices. The following recommendations are based on the analysis of Croatia's regulatory, economic, social, and political conditions, as well as successful models from other European countries.

### 7.1. Alignment with National Conditions

*Key insights for integrating SI ecosystem strengths into the Competence Centre model.*

To ensure the Competence Centre's success, it is important to align its design with Croatia's unique social innovation (SI) ecosystem strengths and challenges. The following key insights should guide the integration of the SI ecosystem into the Competence Centre model:

- 1. Leverage Existing Grassroots Initiatives:** The Competence Centre should build on the existing initiatives by providing them with additional resources, mentorship, and networking opportunities. This will help scale their impact and ensure that the Centre is rooted in local realities.
- 2. Strengthen Collaboration Between Stakeholders:** The Competence Centre should act as a hub for collaboration between government institutions, NGOs, academia, private investors, and community groups. By fostering cross-sector partnerships, the Centre can create a more cohesive and integrated SI ecosystem.
- 3. Focus on Key Social Challenges:** The Competence Centre should prioritize addressing Croatia's most pressing social challenges, such as youth unemployment, rural depopulation, and social exclusion. By focusing on these areas, the Centre can demonstrate its relevance and impact, attracting both public and private support.
- 4. Adopt EU Standards and Best Practices:** While Croatia lacks a national definition of social innovation, it aligns with EU frameworks. The Competence Centre should adopt EU standards and best practices, such as those outlined in the European Social Economy Action Plan (SEAP). This



will ensure that the Centre is aligned with broader European goals and can access EU funding opportunities.

5. **Promote Digital Innovation:** Croatia has shown strengths in digital innovation and the Competence Centre should prioritize digital innovation as a key area of focus, leveraging technology to address social challenges and improve public services.
6. **Ensure Financial Sustainability:** The Competence Centre should explore diverse funding mechanisms, including EU funds (ESF+, InvestEU, Horizon Europe), national grants, and private investments. Additionally, the Centre should consider innovative financing models, such as social impact bonds, to ensure long-term sustainability.
7. **Community Engagement and Co-Creation:** The Competence Centre should adopt a participatory approach, involving local communities in the design and implementation of social innovation projects. This will ensure that solutions are context-specific and have a higher chance of success.
8. **Capacity Building and Training:** The Competence Centre should offer training programs and capacity-building initiatives for social entrepreneurs, policymakers, and other stakeholders. This will help build a skilled workforce capable of driving social innovation in Croatia.

## 7.2. Best practices from other countries

### Italy

Torino Social Impact - A robust **cluster model** and an EU-focused open platform cluster.

- TSI is a cluster organisation based in Turin, Italy, dedicated to driving positive social change through collaboration and innovation. The organisation brings together a diverse network of stakeholders, including SMEs, non-profit organisations, government agencies and academia, all united by the common goal of addressing societal challenges.
- TSI acts as a cluster management organisation promoting high-tech social entrepreneurship in the Turin area (regional hub in Italy; See - <https://www.clustercollaboration.eu/content/torino-social-impact-piedmont-italy>). Over the years, the open platform of Torino Social Impact has continued to grow and has attracted a wide range of up to now over 290 members, including companies committed to corporate social responsibility, start-ups with a social mission, non-profit organisations and academic institutions specialising in social research.
- The Torino Social Impact Cluster is therefore the ideal vehicle to raise awareness of the issue, as it is an open platform with more than 260 actors and is anchored in many European projects. As the City of Turin is a partner and co-initiator of the cluster, Turin society benefits from the results achieved within the framework of the cluster. This case study of the Piedmont region and the



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Torino Social Impact cluster illustrates how the regional representation and the cluster organisation in Turin are strengthening the innovative capacity of the Piedmont region with different approaches.

Italy tested the “regional hub” and “regional cluster” model of NCC on social innovation and social economy/social impact. Clusters offer fundamental advantages for regional innovation systems that other actors do not. They repeatedly play the role of intermediaries by bringing together enterprises (especially SMEs) and research and innovation actors and thereby enable enterprises to increase their innovation capacity. In addition, their technical depth makes it easy to bring the needs of a region's enterprises closer to policymakers. The example of Torino Social Impact shows that a cluster does not have to be involved in the political decision-making system of the region in order to bring benefits to the region and the sector and to strengthen its innovative capacity. The strong involvement of the platform at the European level also generates added value for the whole region.

**Portugal** - PSI Portugal (See: “Building local ecosystems for social innovation – PSI case”, OECD, 2021)

- Portugal Social Innovation (PSI) is a pioneering government initiative, currently under the direct responsibility of the Portuguese Ministry of Planning. This initiative is the first of its kind in Europe. The goal of this initiative has been not only to support the development, scaling and financing of new solutions for social problems but rather to create an enabling eco-system for social innovation.
- PSI experience highlights key success factors for building a dynamic ecosystem of innovation:
  - *Central Public Structure*: Establishing a well-resourced public entity with a clear mission is critical. It should promote social innovation and impact investment, foster partnerships, mobilize investment, and monitor experimental projects addressing societal challenges.
  - *Cross-Sector Coordination*: Non-sectorial governmental collaboration is essential to address complex social issues innovatively, as these often span multiple sectors.
  - *Flexible Financing*: An adaptive financing model is crucial. Combining instruments tailored to different project life cycles and co-financing with public and private sources ensures sustainable funding.
  - *Strategic Partnerships*: Engaging municipalities, companies, foundations, associations, and entrepreneurs fosters a collaborative ecosystem and strengthens impact.
  - *Regional Engagement*: Regional representatives play a pivotal role in connecting with territories, maintaining dialogue with local stakeholders, and nurturing regional innovation ecosystems.
  - *Incubator Activation*: Promoting and financing social innovation incubators, in partnership with municipalities, drives social and micro-entrepreneurship development.



- *Simplified Cost Models:* Simplified cost methodologies minimize administrative burdens, which can hinder small or inexperienced organizations. Avoiding complex, real-cost approaches encourage broader participation.

## France

Avise is a non-profit organisation based in Paris since 2002. Its mission is to develop SSE & social innovation in France by supporting project leaders & helping to establish an ecosystem favouring their development. It coordinates action programmes covering every stage of social enterprise's life cycle.

## 7.3 Key Recommendations for competence centre design

Based on the insights from Croatia's SI ecosystem and international best practices, the following recommendations are proposed for the design of the Competence Centre:

1. **Establish a Multi-Stakeholder Governance Structure:** The Competence Centre should be governed by a board comprising representatives from **government, academia, NGOs, and the private sector**. This will ensure that the Centre is responsive to the needs of all stakeholders and can leverage their expertise and resources.
2. **Create Regional Hubs:** To ensure that the Competence Centre reaches all parts of Croatia, regional hubs should be established in key areas, particularly in rural and underserved regions. These hubs will act as **local centres of innovation**, fostering community-driven solutions.
3. **Develop a Comprehensive Funding Strategy:** The Competence Centre should develop a diversified funding strategy that includes EU funds, national grants, private investments, and innovative financing models like social impact bonds. This will ensure **financial sustainability** and **reduce dependency** on a single funding source.
4. **Focus on Capacity Building:** The Competence Centre should offer training programs, workshops, and mentorship opportunities for social entrepreneurs, policymakers, and other stakeholders. This will help build a **skilled workforce** capable of driving social innovation in Croatia.
5. **Promote Digital and Green Innovation:** The Competence Centre should **prioritize digital and green innovation** as key areas of focus. This aligns with EU priorities and can help Croatia address both social and environmental challenges.
6. **Ensure Transparency and Accountability:** The Competence Centre should adopt **transparent governance practices** and establish clear metrics for **measuring impact**. This will build trust among stakeholders and ensure that the Centre is accountable for its outcomes.
7. **Foster International Collaboration:** The Competence Centre should actively seek **partnerships with other European Competence Centres** and international organizations. This will provide opportunities for knowledge exchange, peer learning, and access to additional funding.

Croatia's social innovation ecosystem is evolving, but it faces fragmentation, limited institutional support, and financial challenges. While grassroots initiatives and collaborative networks are advancing solutions



in education, healthcare, and environmental sustainability, systemic barriers hinder their full potential. The establishment of a Competence Centre for Social Innovation (CCSI) can serve as a central hub, fostering collaboration among government, academia, NGOs, and private sector actors. By leveraging EU funding mechanisms and aligning with international best practices, Croatia can create a sustainable and inclusive innovation ecosystem. The Competence Centre should prioritize capacity-building, financial accessibility, and policy advocacy to institutionalize and scale social innovation efforts. Strengthening regional engagement, digital innovation, and impact measurement frameworks will further enhance the ecosystem's resilience and effectiveness. A well-structured Competence Centre has the potential to transform Croatia's approach to social innovation, ensuring long-term societal impact and sustainable development.



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## 8. Conclusion

This report has provided a comprehensive analysis of the regulatory, economic, social, and political conditions necessary for establishing and operating a Competence Center for Social Innovation (CCSI) in Croatia. The goal of this analysis was to identify the challenges and opportunities within Croatia's social innovation (SI) ecosystem, map the existing landscape, and propose strategies for the sustainable development and impact of the Competence Centre.

**Regulatory Framework:** Croatia's regulatory environment for social innovation is shaped by a combination of national laws and EU policy frameworks. Key documents such as the European Social Economy Action Plan (SEAP), Croatia's Public Procurement Act and the National Strategy for Social Entrepreneurship Development (2015-2020) provide a foundation for supporting social enterprises and innovation. EU mechanisms like the European Social Fund Plus (ESF+), InvestEU, and Horizon Europe provide crucial financial support. However, challenges such as fragmented policies, insufficient tax incentives, and gaps in coordination between stakeholders hinder the growth and scalability of social innovation initiatives. EU mechanisms like the European Social Fund Plus (ESF+), InvestEU, and Horizon Europe provide crucial financial support.

**Role of Social Innovation:** Social innovation is a critical tool for addressing Croatia's pressing social challenges, including youth unemployment, rural depopulation, and social exclusion. Grassroots organizations and collaborative networks have been instrumental in driving positive change in areas such as education, healthcare, and environmental sustainability. The Competence Centre must build on these strengths to foster inclusive, sustainable, and resilient communities.

**Economic Landscape:** Croatia has access to various EU and national funding mechanisms, including ESF+, InvestEU, and Horizon Europe, which can support social innovation projects. Private investors, such as FeelsGood Capital and BOND Network, also play a significant role in financing socially impactful initiatives. However, bureaucratic hurdles, limited awareness of funding opportunities, and risk aversion among investors pose significant challenges that must be addressed.

**Best Practices from Other Countries:** International models, such as Italy's Torino Social Impact Cluster, Portugal's Social Innovation Initiative, and France's Avise Network, offer valuable insights into designing a successful Competence Centre. Key lessons include the importance of multi-stakeholder collaboration, flexible financing, regional engagement, and capacity building.

Access to finance remains a major barrier, with EU funds serving as the primary financial source, though complex and competitive application processes limit accessibility. Universities, think tanks, and collaborative platforms contribute to knowledge-sharing, yet formalized training and mentoring structures remain underdeveloped. Additionally, impact measurement frameworks in Croatia are still evolving, limiting the ability to assess and scale effective initiatives. Strengthening support infrastructure, including incubators and accelerators, will be critical to nurturing long-term growth in the social economy.

The Competence Center for Social Innovation in Croatia presents an opportunity to bridge these gaps by serving as a national coordination hub. It will facilitate policy development, enhance access to funding,



and foster a culture of collaboration among stakeholders. By aligning with EU frameworks, adopting best practices from leading models like Torino Social Impact and Portugal Social Innovation, and prioritizing sustainability, Croatia can advance systemic social change. Implementing structured impact measurement, fostering regional engagement, and promoting digital and green innovation will further strengthen its social innovation landscape. With sustained effort, Croatia can transition from fragmented, short-term initiatives to a dynamic, resilient, and scalable social innovation ecosystem that drives long-term societal impact.

## Next Steps and Future Work for NCCs

To ensure the successful establishment and operation of the Competence Centre for Social Innovation in Croatia, the following steps are recommended:

- 1. Establish a Multi-Stakeholder Governance Structure:** The Competence Centre should be governed by a board comprising representatives from **government, academia, NGOs, and the private sector**. This will ensure that the Centre is responsive to the needs of all stakeholders and can leverage their expertise and resources.
- 2. Create National/Local/Regional Hubs:** To ensure that the Competence Centre reaches all parts of Croatia, regional hubs should be established in key areas, particularly in rural and underserved regions. These hubs will act as **local centres of innovation**, fostering community-driven solutions.
- 3. Develop a Comprehensive Funding Strategy:** The Competence Centre should develop a diversified funding strategy that includes EU funds, national grants, private investments, and innovative financing models like social impact bonds. This will ensure **financial sustainability** and **reduce dependency** on a single funding source.
- 4. Focus on Capacity Building:** The Competence Centre should offer training programs, workshops, and mentorship opportunities for social entrepreneurs, policymakers, and other stakeholders. This will help build a **skilled workforce** capable of driving social innovation in Croatia.
- 5. Promote Digital and Green Innovation:** The Competence Centre should **prioritize digital and green innovation** as key areas of focus. This aligns with EU priorities and can help Croatia address both social and environmental challenges.
- 6. Ensure Transparency and Accountability:** The Competence Centre should adopt **transparent governance practices** and establish clear metrics for **measuring impact**. This will build trust among stakeholders and ensure that the Centre is accountable for its outcomes.
- 7. Foster International Collaboration:** The Competence Centre should actively seek **partnerships with other European Competence Centres** and international organizations. This will provide opportunities for knowledge exchange, peer learning, and access to additional funding.

Croatia's potential to foster social innovation lies in leveraging its existing strengths, aligning national strategies with international best practices, and strengthening collaborative networks. The establishment of a Competence Centre for Social Innovation is a critical step toward addressing pressing social challenges, promoting sustainable development, and scaling innovative solutions.



By focusing on creating a supportive regulatory environment, improving access to financing, fostering community engagement, and ensuring effective collaboration among stakeholders, the Competence Centre can play a transformative role in building an inclusive, resilient, and innovative society in Croatia. The Centre's success will not only benefit Croatia but also contribute to the broader European social innovation ecosystem, demonstrating the power of collaborative, community-driven solutions to address complex societal challenges.



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## Annex I

### Stakeholders' mapping and engagement - CROATIA REPORT

This report provides an in-depth mapping of national stakeholders in Croatia aligned with the quadruple helix model, integrating key stakeholders essential for the development and promotion of social innovation and NCC. The quadruple helix framework encompasses:

1. **Research and Academic Community:** Universities and research institutes contribute to knowledge generation and education in social innovation. A notable initiative is the University of Zagreb's plan to establish a master's program in social innovation.
2. **Public Sector:** This includes public authorities, managing authorities, development agencies, and local bodies that influence the regulatory and funding landscape.
3. **The ecosystem of Social Economy and Social Entrepreneurship:** Encompasses entities such as social enterprises, associations, foundations, cooperatives, and the private sector, including SMEs and limited liability companies.

Our focus has been on mapping social economy entities and social enterprises. Although "social enterprise" is not defined under a legal form in Croatia, it is recognized within the third sector (e.g., associations, foundations, cooperatives) and through private companies with a social mission. Social innovation is predominantly understood in the context of the social economy and corporate social responsibility (CSR), contributing significantly to achieving social and environmental goals.

Key findings include:

- **Public Authorities and Decision-Makers:** Mapping identified significant national and regional stakeholders essential in policy, funding, and regulatory frameworks.
- **Research Institutions and Universities:** Several institutions actively engage in social economy and innovation research or education (technological or social innovation), with promising developments such as the master's program at the University of Zagreb.
- **Support Organizations and Social Enterprises:** Numerous hubs and intermediate organizations act as incubators and accelerators for social innovation and social enterprises. SEs have embraced socially innovative solutions, particularly in processes and business models, to address societal challenges and advance sustainable development.

The study assessed stakeholders' motivations and their necessity to engage with the National Competence Centre in Croatia. It revealed an untapped potential for collaboration and awareness building, especially since "social innovation" is not yet formally recognized at the national level among ministries and government entities. Our next steps involve direct engagement through conversations and interviews to enrich this stakeholder database and foster deeper collaboration.



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