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2 **“Implications of policy framework conditions for the development of**
3 **forestry-based social innovation initiatives in Slovenia”**

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11
12 **Abstract**

13 Regardless of the crucial role of civil society in social innovation, European Union (EU) social
14 innovation concepts emphasized market-economic features rather than social by prioritizing social
15 business over social movements. By emphasizing the economic features of social innovation, social
16 enterprises, as ventures with both social and economic goals, are frequently associated with social
17 innovation, especially in the developed economies. As an EU member country, Slovenia needed to
18 adjust its policies to the EU social innovation concepts. Bearing in mind the EU interpretation of
19 social innovation and the significance of state policies for its development, our aim is to investigate
20 the policy framework conditions for the development of forestry-based social innovation initiatives in
21 Slovenia. We found out that the prevalent economic understanding of social innovation reflects in
22 Slovenian policy documents by equating social innovation with social enterprise. In this sense, the
23 view of social innovation as both growth engine and a way for solving societal problems translates
24 into explicit statements on social innovation in cohesion policy documents and progresses by
25 operationalization of social innovation through indicators solely on social enterprise. Within the
26 regulatory framework on social entrepreneurship, social enterprise is defined strictly with respect to
27 legal forms, activities, profit sharing and governance, imposing barriers to the registration and
28 development. Similarly to cohesion policy, the Rural Development Programme embraces a market-
29 oriented understanding of social innovation and focuses explicitly on social enterprise. Forest policy
30 documents do not explicitly mention social innovation or social enterprise. This is reasonable for

31 documents adopted before 2011 when social innovation and social enterprises became a part of the
32 prevailing discourse in Slovenia. However, newly adopted forest policy documents also do not
33 integrate either social innovation or social enterprise. As forestry-based social innovation initiatives
34 cannot be officially recognized as such, there are two possible ways for them to develop. The first
35 applies to market-oriented, forestry-based social innovation initiatives that offer new products or
36 services. Such initiatives can register as social enterprises and mobilize resources they can access
37 within the social entrepreneurship regulatory framework and the Rural Development Programme
38 measures explicitly addressing social enterprise. The second way addresses forestry-based social
39 innovation initiatives that are not market-oriented. Those initiatives will have to navigate through
40 policy framework conditions for resources available through the Rural Development Programme and
41 forest policy instruments that target cooperation and networking.

42 **Keywords:** social innovation; forestry; social enterprise; policy conditions; regulatory framework;
43 Slovenia

44 **Highlights**

- 45 • Slovenian policy documents embrace an economic understanding of social innovation (SI)
- 46 • Analyzed policy documents equal SI with social enterprise (SE)
- 47 • Forest policy documents do not explicitly mention SI or SE
- 48 • Market oriented forestry-based SI initiatives can register as SE
- 49 • Instruments for cooperation can support non-market oriented, forestry-based SI initiatives

50

51 **1. Introduction**

52 Regardless of numerous definitions of social innovation (SI), its essence is in bringing positive change
53 and transformations to society (Bosworth et al., 2016; Grimm et al., 2013; The Young Foundation,
54 2012; Hubert, 2010; Mulgan et al., 2007). Positive and innovative change through SI is achieved by
55 the voluntary engagement of civil actors resulting in a change of practices that benefit wider society.
56 In that sense, SI can be defined as “the reconfiguring of social practices, in response to societal
57 challenges, which seeks to enhance outcomes on societal well-being and necessarily includes the

58 engagement of civil society actors” (Polman et al., 2017). Reconfiguring of social practices refers here
59 to the intentional process of change of behavior and actions of a variety of actors, creating new
60 products or services, new relationships, new institutions, and/or new organizational forms. That is
61 why we understand social enterprise (SE) as being one of the possible organizational forms of SI,
62 while we acknowledge that every SE is not necessarily a SI.

63 Although the phenomenon of SI has been familiar for centuries (Edwards-Schachter and Wallace,
64 2017; Baker and Mehmood, 2013), the European Union embraced the term SI less than two decades
65 ago as a promising solution to many contemporary social and environmental problems (economic
66 crises, welfare, migration, rural depopulation, etc.) (Edwards-Schachter and Wallace, 2017; Moulaert
67 et al., 2017; Nicholls et al., 2015; Pisano et al., 2015; Moulaert, 2013). Until 2010, SI was a concept
68 used in innovation systems, community development and social economy research but with a
69 marginal role in the making of EU SI policy (Moulaert et al., 2017, p. 19). After 2010, the European
70 Commission (EC) started shaping the EU SI concept through several documents and initiatives,
71 namely the Social Business Initiative (DG Growth, 2011), Social Innovation Europe (2011), and
72 Social Investment Package (DG Employment and Social Affairs, 2013) (ENSIS – European Network
73 for Social Innovation and Solidarity, 2018.).

74 Regardless of the crucial role of civil society in SI, the EU SI concept emphasized market-economic
75 features of SI rather than social ones in transforming the welfare state (Sabato et al., 2017; Fougère
76 and Harding, 2012; Cools 2017; Fougère et al., 2017) by prioritizing social business over social
77 movements (Moulaert et al., 2017). The EU SI concept focused to a significant extent on efficiency,
78 effectiveness and budgeting of social investments, and relied on metrics and indicators (European
79 Commission, 2013; Jenson, 2017; Moulaert et al., 2017). In that way, the EU SI concept took a rather
80 neoliberal view of SI (Fougère et al., 2017), often undermining the relevance of the broader socio-
81 political context for the development of bottom-up SI initiatives (Demming, 2016; Moulaert et al.,
82 2017). By emphasizing the economic features of SI, social enterprises (SE), as ventures with both
83 social and economic goals, frequently became associated with SI (Szijarto et al., 2018), especially in
84 the developed economies (Chalmers, 2012).

85 As an EU member country, Slovenia needed to adjust its policies to the EU SI concept. Bearing in
86 mind the EU interpretation of SI, and the significance of state policy on SI development
87 (Mikhailovich Sergey et al., 2017; Eriksson et al., 2014) we need to investigate if and how Slovenia
88 integrated the EU SI concept in its policy documents. Indeed, Slovenia started introducing regulations
89 on SI in 2011, first with the Law on Social Entrepreneurship, followed by other strategic documents.
90 As a result of Slovenian efforts, in 2018 there were 258 registered social enterprises (SE), of which
91 just one was registered for forestry related activities (Ministry of Economic Development and
92 Technology, 2018).

93 With the increasing discourse on societal interest in the social and ecological roles of the forest, and
94 the expanding political support for a bio-economy, forest resources have a growing potential for
95 innovation and new business opportunities in a range of fields, including non-wood forest products,
96 tourism and recreation, or new wood-based products (Winkel, 2017; Živojinović et al., 2017; Ludvig
97 et al., 2017, 2016). Innovation support in the forest sector, however, tends to focus on timber
98 production and process innovations and less on social or environmental activities (Weiss, 2013; Weiss
99 et al., 2011; Kubezcko et al., 2006; Rametsteiner and Weiss, 2006).

100 In this paper, we focus on forestry-based SI initiatives, as Slovenia is the third most forested country
101 in the EU, with 58.4% of forests (Zavod za Gozdove Slovenije, 2017). 76% of forests are privately
102 owned and are mostly under managed (Pezdevšek Malovrh et al., 2015). The private forest sector is
103 characterized by a high degree of property fragmentation (314,000 plots owned by 461,000 private
104 owners) and small average size (approx. 2.5 ha) (Ministry of Agriculture Forestry and Food, 2017a;
105 Poje et al., 2016). Private forest owners are mostly inactive and do not manage forests due to the low
106 profitability of activities conducted on a small property (Pezdevšek Malovrh et al., 2015, 2012; Zavod
107 za Gozdove Slovenije, 2017). In that respect, favorable policy conditions could stimulate the
108 engagement of private forest owners in SI initiatives, creating collaborations and partnerships and
109 diversifying their activities for social, environmental and economic benefits. These collaborations and
110 partnerships could spin off new organizational and governance arrangements among state, private and
111 civil actors related to forestry, thus transforming a hierarchically organized forest sector, and shifting
112 the traditional understanding of forestry as a primary production branch of the economy (Liubachyna

113 et al., 2017; Rogelja and Shannon, 2017; Secco et al., 2017; Brukas, 2015; Weiss, 2013; Buttoud et
114 al., 2011).

115 Bearing in mind the potentials of SI in the forestry-based sector, our aim is to investigate the policy
116 framework conditions for the development of SI initiatives in Slovenia. To achieve our aim, we were
117 guided by two research questions:

- 118 1) How is the EU concept of SI reflected in Slovenian policy documents relevant to forestry?
- 119 2) What are the possible implications of Slovenian policy framework conditions for the
120 development of forestry-based SI?

121 We start by describing our qualitative content analysis and interviewing methods. In section 3, we
122 answer our first research question presenting how SI is addressed in Slovenian policy documents,
123 triangulating our findings with interviews and previous studies on SI and SE in Slovenia. In section 4,
124 we reflect on the implications of the policy framework conditions for forestry-based SI initiatives
125 (second research question). In the end, we draw conclusions describing two possible ways for the
126 development of forestry-based SI initiatives in Slovenia.

127 **2. Methods**

128 We used a qualitative deductive approach in this study, as we started from the already defined
129 phenomenon of SI and strictly defined categories of policy instruments. We focused on the content of
130 policy documents, as they are written and negotiated plans of actions that prescribe policy instruments
131 that should be used for delivery and implementation of the respective policies (Ludvig et al., 2017;
132 Crabbe and Leroy, 2008; Fischer et al., 2007; Knoepfel et al., 2007). According to Vedung (1998, p.
133 21) “public policy instruments are the set of techniques by which governmental authorities wield their
134 power in attempting to ensure support and effect social change”. To distinguish amongst policy
135 instruments, we started from Vedung's (1998) tripartite classification: regulatory, economic and
136 information. We then borrowed from the quadripartite typology of Baldwin and Cave (1999) who,
137 besides regulatory, economic and information instruments, introduced instruments for partnership and
138 cooperation, which we named networking instruments. In this way, we distinguished among
139 regulatory, economic, information and networking instruments, the definitions of which are provided
140 in Table 1.

141 In policy terms, the topic of SI in the forestry-based sector is at the intersection of several policy
142 sectors:

- 143 1) cohesion policy
- 144 2) innovation policy
- 145 3) rural development policy
- 146 4) forest policy
- 147 5) environmental policy.

148 We used these sectors as a starting point for the identification of potentially relevant policy
149 documents. We identified the documents by searching websites of Slovenian governmental bodies.
150 We screened these documents and selected those that were explicitly relevant for potential impacts on
151 SI. In this way, we selected 18 policy documents, on which we applied content analysis.

152 Content analysis is “a research technique for making replicable and valid inferences from texts (or
153 other meaningful matter) to the contexts of their use” (Krippendorff, 2004, p. 18). We applied
154 qualitative content analysis, which is “is a set of techniques for the systematic analysis of texts of
155 many kinds addressing not only manifest content but also the themes and core ideas found in texts as
156 primary content” (Mayring (2000) cited in Drisko and Maschi (2016, p. 85)). Qualitative content
157 analysis includes contextual information, latent content, as well as formal aspects of the analyzed
158 documents. For analysis, we used official documents in the Slovenian language, where we first
159 identified and coded the parts of the documents that:

- 160 1) explicitly use the term SI, or
- 161 2) explicitly use the term SE, or
- 162 3) implicitly refer to SI, in that they address the change of behavior and actions of a variety of
163 actors aiming at the creation of new relationships, new institutions and/or new organizational
164 forms.

165 Within coded parts addressing SI, we then identified and coded explicit policy instruments with the
166 prescribed means for implementation, as well as statements that we understood as formal, but general
167 proclamations on objectives, importance, needs, or instruments without prescribed means for
168 implementation. We extracted coded elements into a standardized table, which enabled a simplified

169 overview of relevant parts of the documents and their interpretation. As all documents we analyzed
 170 are in the Slovenian language, for illustrating our coding method we additionally coded an official
 171 English translation of the Operational Programme for the Implementation of the EU Cohesion Policy
 172 2014-2020 (Annex A). To ensure the validity of our findings, we triangulated our content analysis
 173 results by comparing them with previous studies on SI and SE in Slovenia (see Podmenik et al., 2017;
 174 Gartner et al., 2015; Hren, 2015; Konda et al., 2015) and results from the in-depth interviews. For the
 175 analysis, we applied the coding criteria presented in Table 1.

176 *Table 1. Coding criteria, definitions, and rules*

Coding category	Definition	Coding rule
SI	SI refers to the reconfiguring of social practices with the engagement of civil society actors and aims to enhance outcomes on societal well-being	<ul style="list-style-type: none"> • explicit mention of SI • explicit mention of SE • implicit referral to SI
S	statements refer to formal, but general proclamations on objectives, importance, needs, or instruments	<ul style="list-style-type: none"> • formal, but general proclamations on objectives, importance, needs, or instruments without prescribed means for implementation
RI	regulatory instruments (RI) include all formal regulatory or strategic documents and measures	<ul style="list-style-type: none"> • explicit prescription of regulatory instruments and means for their formulation and/or implementation
EI	economic instrument (EI) include financing mechanisms and schemes	<ul style="list-style-type: none"> • explicit prescription of types of economic instruments and means for their implementation
II	informational instruments are those used for informing, educating, training, and promoting	<ul style="list-style-type: none"> • explicit prescription of types of informational instrument and means for their implementation
NI	networking instruments (NI) are those used for establishing and developing cooperation	<ul style="list-style-type: none"> • explicit prescription of the type of networking instruments and means for their implementation

177 Source: Own elaboration based on Baldwin and Cave (1999), Vedung (1998) and Mayring (2014)

178 *[Please, insert Table 1 here]*

179 We conducted 11 in-depth interviews (E1-E11) in January-February 2018 with experts on SE, rural
 180 development and forest policy. We used the snowball technique for expert identification (Goodman,
 181 1961). We used the analyzed documents to compile the list of bodies responsible for SI. Using the
 182 websites of these bodies, we identified the people responsible for SI in their policy sector - initial
 183 respondents. We contacted them by phone with our request for an interview. In this way we identified
 184 9 initial respondents. Respondents from the initial round who agreed to the interview identified new

185 experts we could talk to, and we repeated this procedure until we stopped obtaining new nominations
 186 (saturation principle). We thus identified 17 potential respondents, 11 of whom agreed to the
 187 interview (response rate 64.7%). The rounds of snowball sampling are presented in Table 2.

188 *Table 2. Snowball rounds*

Round	New nominations	Responded	Not responded
Initial	9	4	5
1st	6	5	1
2nd	2	2	-
Total	17	11	6

189 Source: Own elaboration

190 *[Please, insert Table 2 here]*

191 We used a semi-structured interview with a protocol containing 10 questions that served as a guide for
 192 conversation. Questions were related to the understanding of what SI is, the content of current
 193 regulations, implementation of regulations, enabling and constraining factors for SI, the role of the
 194 organization in the policy field and the future of SI. We asked additional questions only to stimulate
 195 or direct conversation or when we needed a clarification. At the end of the interview, we summarized
 196 the main ideas from the conversation to ensure that we had a proper understanding of the message the
 197 expert wanted to convey. Each expert signed a confidentiality agreement containing a concise
 198 description and the purpose of the research, use of the data and ethical provisions. Interviews lasted
 199 from 45 min to 1.5h. We recorded the interviews and analyzed them directly in NVivo. We then
 200 compared the results of the interviews with our content analysis and previous studies on SI and on SE
 201 in Slovenia.

202

203 **3. How are EU policies on SI reflected in Slovenian policy documents relevant to forestry?**

204 This section presents the results of the content analysis answering our first research question. As we
 205 were interested in SI initiatives in the forestry-based sector, we identified 18 potentially relevant
 206 policy documents at a national level (Table 3).

207 For the detailed results of each policy sector, please refer to Annexes B1 – B5.

Policy sector	Document Name	Type of document	Year	Main body responsible
COHESION POLICY	Slovenia's Development Strategy 2030 (SDS)	Strategy	2017	The Government Office for Development and European Cohesion Policy
	Operational Programme for the Implementation of the EU Cohesion Policy 2014-2020 (OP)	Operational Programme	2014	
	Slovenia's Smart Specialization Strategy (S4)	Strategy	2015	
SOCIAL ENTREPRENEURSHIP	Law on Social Entrepreneurship (LSE)	Law	2011	Ministry of Economic Development and Technology
	Strategy for the Development of Social Entrepreneurship for the period 2013 – 2016 (SDSE)	Strategy	2013	
	Program of Measures 2014-2015 for the Implementation of the Strategy for the Development of Social Enterprise for the Period 2013-2016 (PMSE)	Action Plan	2013	Ministry of Labor, Family, Social Affairs, and Equal Opportunities
	Rules on the Monitoring of the Operation of Social Enterprises (MOSE)	Bylaw	2013	
	Amendments to the SRS 2006 and the SRS 40 (2012) - Accounting solutions in social enterprises (2012) (SRS40)	Accounting standard	2012	
RURAL DEVELOPMENT	Rural Development Programme of the Republic of Slovenia 2014–2020 (RDP)	Programme	2015	Ministry of Agriculture, Forestry and Food, Agriculture Directorate
	Decree on the measure for capital investments and on the sub-measure for the support for investments in forestry technologies, processing, mobilization and marketing of forestry products pursuant to the Rural Development Programme of the Republic of Slovenia 2014–2020 (DCI)	Decree	2015	
	Decree on the implementation of community-led local development in the programming period 2014-2020 (DCLLD)	Decree	2015	
FORESTRY	Resolution on National Forest Programme (RNFP)	Strategy	2007	Ministry of Agriculture, Forestry and Food
	Operational program for the Implementation of the National Forest Programme 2017-2021 (OPNFP)	Operational Programme	2017	
	Action Plan for Increasing Competitiveness of Forest Wood Chains in Slovenia to 2020 "Wood is Beautiful" (AP)	Action Plan	2012	

Policy sector	Document Name	Type of document	Year	Main body responsible
	Forest Act (FA)	Law	1993	
	Management of State Forests Act (MSFA)	Law	2016	
ENVIRONMENT	Framework Program for the Transition to the Green Economy with the Action Plan for the implementation and Plan of activities of ministries and government services 2015-2016 (FPGE)	Programme / Action plan	2015	Ministry of the Environment and Spatial Planning
	Strategic Framework for Climate Change Adaptation (SFCCA)	Strategy	2016	

209 Source: Own elaboration

210 *[Please, insert Table 3 here]*

211 The documents pertaining to cohesion, social entrepreneurship, rural development, and environmental
212 policy explicitly address SI exclusively by statements in the introductory parts, but later refer
213 exclusively to SE. The documents on forest policy address SI implicitly. An overview of how
214 documents address SI according to our coding categories is presented in Table 4.

215 *Table 4. SI addressed by the documents according to our coding categories*

Document	Coding categories														
	Explicit SI					Explicit SE					Implicit SI				
	S	FI	II	NI	RI	S	FI	II	NI	RI	S	FI	II	NI	RI
SDS	X										X				
OP	X						X	X	X	X					
S4	X					X	X	X	X						
LSE						X	X	X	X	X					
SDSE						X									
PMSE							X	X	X	X					
MOSE							X			X					
SRS40							X			X					
RDP							X					X	X		
DCI										X					
DCLLD											X	X			X
NFP											X				
OPNFP												X	X	X	
AP															
FA											X			X	X
MSFA															
FPGE						X									
SFCCA											X				

216 Source: Own elaboration

217 *[Please, insert Table 4 here]*

218 Cohesion policy documents explicitly address SI by statements on the significance of SI for social
219 integration, poverty reduction and economic development, without indication of policy instruments.
220 While the term SI is present in parts related to the objectives and potentials, in the operational parts of
221 those documents the term SE appears instead of SI. Cohesion policy documents present SE as part of
222 the solution to many contemporary problems, such as job creation, social inclusion, poverty reduction
223 and green economic growth (Annex B1), specifying policy instruments, elaborated in detail within the
224 regulatory framework on SE.

225 While the regulatory framework on SE does not explicitly or implicitly address SI, it explicitly
226 addresses SE with statements, as well as with regulatory, financial, informational and networking
227 instruments. The regulatory framework (Annex B2) features several barriers for SE with respect to
228 each prescribed policy instrument (see also Gartner et al., 2015; Hren, 2015; Podmenik et al., 2017).
229 That is how the Law on Social Enterprises (Official Gazette of RS No.20/2011, 2011) identifies SE as
230 organizations that are expected to show a number of key features (regulatory policy instruments) and
231 puts an emphasis on social inclusion (work integration), thus combining a narrow and organizational
232 definition of SE (Giancarlo, 2017). According to nine experts (E1-E6, E8, E9, E11), the regulatory
233 framework for SE is constraining, as organizations wanting to register as SE need to fulfill several
234 strict preconditions, such as operating in a strictly defined field of activities, employment conditions
235 regarding the category and number of people to be employed, prescribed legal forms, etc. The Law on
236 Social Enterprises recognizes two types of SE:

- 237 1) Type A: The SE is established for permanently conducting social entrepreneurship activities
238 and permanently employs at least one worker in the first year and at least two in subsequent
239 years
- 240 2) Type B: The SE is established for the employment of vulnerable groups (defined in §6), so
241 conducts its activities by permanently employing at least one-third of workers from
242 vulnerable groups.

243 According to nine experts (E1-E6, E8, E9, E11), there are issues with respect to legal entities that can
244 register as SE. One expert [E8] reported a case related to an agricultural holding legally registered as
245 an employment institute (Slo. *Zaposlitveni zavod*) for persons with disabilities. Although this institute

246 operates under the principles of SE Type B, interpretation of §9 of the Law on Social Enterprises (see
247 Annex B2 for elaboration) by the Slovenian Court of Justice was that the institute is not eligible to
248 register as an SE. Six expert reported that limitation of core activities of SE is a barrier to the
249 development of the sector (E1-E5, E9, E10). One expert (E6) had an opposite opinion, claiming that
250 SE must be regulated with respect to activities, as they must be both environmentally and socially
251 responsible.

252 Some financial, informational and networking policy instruments for promoting and supporting SE
253 also seem to be inadequate (see also Gartner et al., 2015; Hren, 2015; Konda et al., 2015; Podmenik et
254 al., 2017; Slapnik et.al, 2016). Although four experts (E1, E5, E6, E9) recognized that the government
255 ensured that sufficient information exists on SE and can easily be obtained through support service
256 organizations, ranging from ministries, governmental agencies at national, regional and local level, to
257 NGOs and incubators (see also Gartner et al., 2015), they also said that the information on SE was in
258 this way fragmented. The major remarks of experts were on financial support and the way it was
259 distributed. Eight (E1-E6, E8, E9) mentioned that the financial means for SE were significant and
260 sufficient as SE start-up projects were able to get subventions totaling Euros 300,000 (Euros 20,000
261 per project). Despite this, those same experts pointed to the lack of adequate financing schemes, such
262 as microcredits and guarantees. As previous studies on SE in Slovenia (Gartner et al., 2015; Hren,
263 2015; Konda et al., 2015; Podmenik et al., 2017) recognized inadequate financing schemes as a
264 barrier to the development of SE, the government undertook steps to improve the situation. That is
265 why in 2016, the Slovenian Enterprise Fund together with the Ministry of Economic Development
266 and Technology announced a public tender for microcredits for SE (Official Gazette of RS No. 19/16)
267 to an amount of Euros 4 million. Microcredits were intended to stimulate entrepreneurial activity
268 aimed at the social activation of vulnerable groups. The amount of microcredit was Euros 1,000-
269 25,000 at a fixed interest rate of 2-5%, which one expert (E8) described as not at all favorable. In
270 addition, SE registered for agricultural or forestry activities were not eligible for microcredits
271 (Official Gazette of RS No. 19/16, 2016, p. 545). Six experts (E2-E6, E8, E9) said that they expected
272 problems related to the SE policy because of a top-down policy development and support (see also
273 Hren, 2015). The current Government Strategic Project P9 (2015-2019) intends to remove the

274 barriers of SE regulatory framework (Slapnik, 2016), such as division of SE into type A and B,
275 limitations to the SE fields of activities, permanent employment of a certain number of employees,
276 and division of profits and maximum wage that SE can pay to its employees (E1). The envisaged
277 results are a new law on SE, and a strategy on the social economy that should replace the current
278 strategy on SE (Slapnik et al., 2016), but those documents were still under preparation at the time of
279 the research.

280 The Rural Development Programme (Annex B3) is one of the most important instruments for
281 supporting agricultural holdings and private forest owners in their activities (E2, E3, E4, E6, E7, E8,
282 E10, E11). The Rural Development Programme explicitly addresses SE, through statements and by
283 specifying financial instruments within measures M4.1 and M6.4 (Ministry of Agriculture Forestry
284 and Food, 2017b). Although those two measures explicitly support SE, the call for the M6.4 was not
285 open until 2018 (E2, E10). M6.4 introduces financial guarantees as financial instruments, which the
286 Monitoring Committee for RDP discussed in February 2018 (Ministry of Agriculture Forestry and
287 Food, 2018). This will be a new financing mechanism that should transfer part of the risk of non-
288 repayment of the loan from the beneficiary to the financial institution itself and will thus entail a
289 lower cost of obtaining a loan to the final recipient. Guarantees should be introduced after
290 confirmation of the revision of the Rural Development Programme amendments by the European
291 Commission, and the adoption of an implementing regulation of financial instruments by the
292 Government of the Republic of Slovenia. Implementation of the guarantees cannot therefore be
293 expected before 2019 (Ministry of Agriculture Forestry and Food, 2018). Measures of the Rural
294 Development Programme related to forestry do not exclude SE as beneficiaries, but currently SE do
295 not have any advantages (i.e. additional points) when applying. The Rural Development Programme,
296 however, implicitly addresses SI with financial and informational instruments, through measures
297 where associations and cooperatives are eligible to apply as beneficiaries, the most obvious one being
298 M19.1 Community Led Local Development (Ministry of Agriculture Forestry and Food, 2017b;
299 Official Gazette of RS No.42/15, 2015).

300 Forest policy documents do not explicitly address SI or SE (Annex B4). When asked about SI in
301 forestry, four experts (E4, E7, E10, E11) talked about SE making a clear distinction between

302 'primary' forest management activities (timber production and mobilization), and other ('secondary')
303 forestry-based activities (collection of non-wood forest products, tourism, etc.), as they perceive the
304 former as less suitable for SE. "If we are talking about forestry as primary activities, only sanitary
305 works are suitable for SE, as we are talking about people who are not forestry professionals.
306 Professional forestry work is dangerous, it demands equipment and qualifications and it is very hard
307 to draw a line between social and regular entrepreneurship. If somebody is capable of working with a
308 chainsaw and tractor, then it is a regular enterprise, even if you call it social and employ people who
309 were not employed before. But, if we are talking about other activities that are not primary, such as
310 products and services related to traditional knowledge, tourism, etc., those are more suitable for SE,
311 but it is no longer just forestry" (E4). Similarly to the Rural Development Programme, forest policy
312 documents implicitly address SI, through provisions related to private forest owners, their associations
313 and cooperatives.
314 Environmental policy documents only marginally address SI (Annex B5), by implicit statements on
315 cooperation, or explicitly by calling upon the Operational Programme for the Implementation of the
316 EU Cohesion Policy (Governmental Office for Development and European Cohesion Policy, 2015)
317 that again explicitly addresses only SE, and not SI more broadly.

318

319 **4. What are the implications of Slovenian policy framework conditions for the development of** 320 **forestry-based SI initiatives?**

321 In this section we discuss the implications of each analyzed policy field on forestry-based SI
322 initiatives. We do so by reflecting on the two possible ways for their development.

323 While cohesion policy documents introduced the term SI, in their operational parts the term SI
324 changes into the term SE. Similarly, other analyzed policies explicitly address exclusively SE. This
325 understanding of SI reflects a predominantly economic interpretation related to SE, thus highlighting
326 the entrepreneurial more than social aspects of SI. Indeed, seven experts (E1, E5, E7, E8, E9, E10,
327 E11) understand SI in the terms of SE. "Well, SI is not a defined term in Slovenian legal order. I
328 would maybe divide it into two words, and start from innovation, which, to me, is something new,
329 innovative, which is recognized *on the market*, meaning that somebody is willing to pay something

330 for it, so it has some economic value, which can be monetary or not. Social means that it provides a
331 wider benefit for society” (E1, emphasis added). Analyzed policy documents reflect the same market
332 understanding of SI, as the term SI does not appear at all, but the focus is on SE. Additionally, eight
333 experts (E1-E6, E8, E9) stated that in general, perceptions of SE are negative. SE has a negative
334 connotation, as the term ‘social’ relates to social aid, subsidies and socialism, so SE is not connected
335 with innovation, creativity and entrepreneurial spirit (see also Gartner et al., 2015; Hren, 2015;
336 Wilkinson, 2014).

337 The regulatory framework on SE is strict and narrow, as it constrains registration and operating of SE
338 to a significant extent (see also Gartner et al., 2015; Podmenik et al., 2017; SloHraSocionet, 2015;
339 Hren, 2015; Wilkinson, 2014), including SI initiatives registering and operating as an SE. Indeed,
340 almost all experts (except E7 and E10) stressed that conditions for registration of SE are mostly
341 unreasonable and limiting and that even legal entities that fulfill requirements of the SE regulatory
342 framework often choose not to register as SE, although they are socially innovative.

343 Experts highlighted the high potential of the Rural Development Programme for the development of
344 SI in forestry and agriculture, again mostly through SE. The measures M6.4 (*Diversification into non-*
345 *agricultural activities*), M9 (*Setting up of producer groups and organizations*) and M19.1
346 (*Community Led Local Development*) could offer the best possibilities for agricultural holdings and
347 private forest owners to engage in forestry-related SI initiatives, but two of them were not
348 implemented at the time of this research.

349 The main barrier to supporting market-oriented SI initiatives through the Rural Development
350 Programme is that farmers and most agricultural holdings are not eligible to register as SE (the only
351 legally recognized form of SI), as they are usually not registered as non-profit legal entities. Three
352 experts (E2-E4) highlighted that there were proposals for a change to the Law on Social
353 Entrepreneurship that would allow agricultural holdings to register as SE, but these proposals were
354 not accepted. The same experts stressed that interest by agricultural holdings in registering as SE is
355 still very low, mostly because of the additional administration and accounting requirements they
356 would face, and the strict conditions prescribed by the regulatory framework on SE. Nevertheless, a
357 certain number of agricultural holdings are registered as SE. Also, all cooperatives already operate

358 under the non- profit principle and the regulatory framework does not treat them as SE. “The problem
359 is that our policy-makers concentrated on those two types of SE (Type A and Type B: clarification
360 added), which we were against, and this does not really target the purpose of SE or, a better term to
361 use, socially responsible enterprises, which have a wider social impact. In this way, it is really hard to
362 operate as an SE in agriculture or forestry. Yet, we have many agricultural holdings and companies
363 that are socially innovative, it is just that they are not called SE” (E3).

364 Experts (E4, E7, E9, E10, E11) see the potential of SI in forestry with respect to increasing
365 cooperation among private forest owners, strengthening the value chain from resource to final
366 product, encouraging new commercial activities related to non-wood forest products and services
367 related to tourism, recreation, tradition and culture. At the same time, they stressed the importance of
368 monitoring of all those activities to ensure that the forest resources are not overused. Two experts (E7,
369 E10) did not find that forestry-related regulation creates barriers to the development of SI. They
370 pointed out that the regulatory framework for forestry does support the establishment of legal entities
371 that are eligible for registration as SE, such as associations, machinery rings, and study circles. All
372 these organizations already exist and operate in Slovenia, and five experts (E4, E7, E9, E10, E11)
373 pointed out that they are all SI. Beyond that, one expert stressed that forestry is all about SI, as it is
374 based on the principle of sustainability and provides benefits for the whole of society and future
375 generations (E7).

376 While associations, cooperatives and agricultural commons might in some cases be non-market,
377 forestry-based SI initiatives, the current social entrepreneurship policy framework is not favorable to
378 their development. The forest policy framework supports cooperation among private forest owners by
379 regulatory, informational, financial and networking instruments, but the problem of inactive private
380 forest owners and their associations persists in Slovenia (Pezdevšek Malovrh and Laktić, 2017).

381 Approximately 50% of private forest owners do not manage their forests and are not willing to join an
382 association (Pezdevšek Malovrh et al., 2017, 2015). On that problem one expert (E4) pointed out that
383 the organization of the forestry sector is inadequate to proactively engage with private forest owners
384 because their advisory service is mostly directed at timber harvesting, sanitary cutting, and training on
385 work safety with chainsaws. According to that expert, the lack of motivation and advice to private

386 forest owners on other income possibilities (i.e. non-wood forest products, recreation, tourism, etc.) is
387 one of the main causes for their inactivity.

388 Although policy framework conditions prioritize market-oriented SI initiatives, examples of non-
389 market, forestry-based SI initiatives do exist in Slovenia. For example, the cases of Study circles and
390 the Charcoal Land initiative are both SI and have been operating in Slovenia for decades. The former
391 engages inhabitants of rural areas, public and non-governmental actors in deliberative, life-long
392 learning aimed at preserving traditional knowledge while obtaining new skills (Bogataj and Del
393 Gobbo, 2015). The latter is a cooperation among private forest owners with public actors aiming to
394 stimulate local development and prevent youth migration through the practice of charcoal burning
395 (Miklič, 2010; MIZKS, 2012). Although those two examples are SI initiatives, it is probable that
396 under the current regulatory framework they will not be institutionalized as such. Yet, both are finding
397 their way through regulations and the search for funding to continue operating.

398 **5. Conclusions**

399 With this study, we found that the prevalent economic understanding of SI reflects in Slovenian
400 policy documents by equating SI with SE. In this sense, the view of SI as both “growth engine”
401 (Fougère et al., 2017, p. 826) and as a way to solve societal problems translates into explicit
402 statements on SI in cohesion policy documents and progresses by the operationalization of SI through
403 instruments solely for SE. That is why policy documents of cohesion policy address SE as a
404 contributor to employment, social inclusion, sustainability, green and circular economy, and cohesion.
405 Further on, this understanding of SI in the form of SE becomes even more explicit in the regulatory
406 framework on SE, especially through the division into two specific types, namely SE as enterprises
407 for the delivery of products and services of general market interest, and SE as enterprises for the
408 employment of vulnerable groups. Within the regulatory framework, SE is defined strictly with
409 respect to legal forms, activities, profit sharing and internal governance, imposing barriers to the
410 registration and development of SE. Although the Slovenian government is currently working on
411 creating a less restrictive regulatory framework on SE to remove barriers, the fact that the strategy on
412 SE will become part of the strategy on the social economy indicates a strengthening of the economic
413 understanding of SI as a means to reduce state expenditure by creating a market arena for

414 organizations guided by social objectives. Similar to cohesion policy, the Rural Development
415 Programme embraces the market-oriented SI and focuses on SE. Two Rural Development Programme
416 measures entitle SE as beneficiaries, but other measures do not explicitly address SI or SE. Forest
417 policy documents do not explicitly mention SI or SE. This is reasonable for documents that were
418 adopted before 2011 when SI or SE became part of the policy discourse in Slovenia. But newly
419 adopted forest policy documents also do not integrate SI or SE. Contrary to forest policy documents,
420 environmental policy documents again explicitly address SE with one statement and refer to cohesion
421 policy for implementation.

422 As SI is about a reconfiguring of social practices through the creation of new products or services,
423 new relationships, new institutions, and/or new organizational forms, it is much broader than SE. SE
424 is just one of the possible organizational forms SI can take. As policy documents equate SI with SE
425 and mostly target economic growth and social inclusion, the framework conditions do not
426 comprehensively support SI initiatives. The only formal way for an SI initiative to obtain support is to
427 register as an SE, but even then the regulatory framework for SE is rather restrictive and demanding,
428 so many SI initiatives choose not to do so. Policy instruments exist that implicitly address SI
429 initiatives, and these target networking, information exchange and financing (i.e. associations,
430 subventions, information hubs). This becomes especially evident in the Rural Development
431 Programme measure on Community Led Local Development (Bosworth et al., 2016). Regulatory
432 framework on forestry implicitly addresses forestry-based SI initiatives, through measures that
433 support cooperation among private forest owners, and the creation of associations.

434 We conclude that existing policy framework conditions do not comprehensively address SI initiatives.
435 The framework supports the establishment of SE, so non-market, forestry-based SI initiatives cannot
436 be institutionalized as such. Because of this, forestry-based SI initiatives have two possible ways to
437 develop. The first applies to market-oriented, forestry-based SI initiatives that offer new products or
438 services. Such initiatives can register as SE and mobilize resources they can unlock within the SE
439 regulatory framework and within the Rural Development Programme measures explicitly addressing
440 SE. The second way addresses forestry-based SI initiatives that are not market-oriented. Those
441 initiatives will have to navigate through policy framework conditions, using their own capacities to

442 apply for resources available through the Rural Development Programme and forest policy
443 instruments that target cooperation and networking, such as support for the establishment of
444 producers' organizations, cooperation through associations and future "Forest Dialogue".

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