



**Social Economy in Eastern Neighbourhood
and in the Western Balkans**

Country report – Belarus

-
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Country report – Belarus

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LIST OF ABBREVIATIONS

SE	Social entrepreneurship
CSO	Civil society organisation
NGO	Non-governmental organisation
SME	Small and medium enterprises
SEs	Social enterprises
SEI	Social Entrepreneurship Incubator
Eastern Neighbourhood	
AR	Armenia
AZ	Azerbaijan
Blr	Belarus
GE	Georgia
MD	Moldova
UK	Ukraine
Western Balkans	
AL	Albania
BA	Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
XK	Kosovo*
MK**	The former Yugoslav Republic of Macedonia
ME	Montenegro
RS	Serbia
WB	Western Balkans

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

** Provisional code which does not prejudge in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place under the auspices of the United Nations

1. EXECUTIVE SUMMARY

The discussions around the development of social entrepreneurship (SE) in Belarus have intensified during the last couple of years in response to new economic and social challenges, cuts of the state budget for the implementation of state social programmes, substantial decrease in international funding for non-profit organisations. Having started as random projects inspired by local CSOs and private initiatives with the aim to secure sustainable solutions for social and environmental problems, this wave of interest soon led to more comprehensive programmes providing education and other opportunities for aspiring social entrepreneurs. Public discussions on the role of social enterprises in the country's economy went all the way from small round tables and seminars to big international conferences and the first of a kind multi-stakeholder Belarusian Social Business Forum on 28 June 2017¹, that united social entrepreneurs, commercial corporations, public institutions, journalists and international experts from within and outside the EU, thus laying a background for the appearance of the ecosystem for social entrepreneurs in Belarus.

The years 2015-2017 were marked with the appearance of new models of social enterprises operating like commercial venues but aimed at solving very concrete problems of local communities; growing interest towards participation in education and internship programmes on SE by aspiring social entrepreneurs and representatives of non-profit organisations; first research in the area, the emergence of three crowd-funding platforms – to be used as financial tools to seek seed funding for social start-ups inside Belarus, and last but not least – the establishment of the Working Group on SE in March 2017, composed of social entrepreneurs, lawyers, researchers, CSOs, representatives of relevant ministries and public institutions, and international programmes working in Belarus promoting social entrepreneurship, and members of the Belarusian Parliament.

Despite the fact that Belarus does not have any specific legislation that would regulate the activities of social entrepreneurs and/or social enterprises, as well as no legal definitions for such terms as “social entrepreneurship”, “social enterprise”, or “social entrepreneur”, the first empirical study conducted by a number of CSOs in 2015-2016² revealed about 200 commercial venues meeting the criteria for social enterprises set up in the [Strasburg Declaration of January 2014](#).³

The lack of a legislative framework that would distinguish social enterprises other commercial venues lays the background for a different interpretation of this phenomenon, and contributes to a poor image of social enterprises among potential clients who often attribute the word ‘social’ to low quality goods and services, preventing local authorities from seeing them as potential partners in solving problems of the local communities and creating more favourable conditions for their operation. The same barriers prevent state and commercial banks from offering financial assistance to them.

Furthermore, the availability of tax and some other benefits for a limited number of providers of employment opportunities for people with disabilities substantially narrows the range of problems that could be solved by social entrepreneurs. The preliminary report prepared by the group of scientists with the Research Institute of the Ministry of Labour and Social Protection suggests the extension of these targeted measures of support to wider groups of enterprises aimed at solving social and environmental

¹https://odb-office.eu/expertise_/social-entrepreneurship/first-belarusian-social-business-forum-victories-and-challenges

²https://by.odb-office.eu/ekspertyza_/sacyjalnaje-pradprymalnicтва/chto-pomogaet-razvivatsya-sektoru-socialnogo-predprinimatelstva-v-belarusi

³http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf

problems or mitigating the risks. Additionally, the report suggests the introduction of terms “social entrepreneur”, “social enterprise”, and “social investor” into Belarusian legislation.

The sector of Social Entrepreneurship in Belarus is just emerging and faces the same challenges as traditional SMEs in the transition countries, aggravated low competitiveness compared to traditional businesses, and lack of consolidated advocacy strategies and platforms for dialogue with the government and commercial companies as well as financial enablers.

Despite all that, Belarusian social entrepreneurs show enthusiasm in mastering new spheres and business tools even in the absence of a SE ecosystem. In this situation, a comprehensive approach towards the support of social entrepreneurs at the level of capacity building including entrepreneurial education, counselling and mentoring support, financial return and irretrievable investment (grants), professional exchange opportunities with other countries of the Eastern Partnership region, Russia and the EU, as well as the promotion of social entrepreneurship among wider circles of Belarusian society would be beneficial for social-economy sector development in Belarus. It would increase the employment rate and integration level among representatives of different vulnerable groups and secure their financial well-being, decreasing the negative impact of the economy to the environment, offering sustainable solutions to the new challenges already from the beginning before they become real threats to the security and prosperity of the region.

2. INTRODUCTION

Belarus is a land-locked country with a population of roughly 9.5 million⁴ situated in the geographical centre of the European continent. Its capital, Minsk, is the 11th largest city in Europe, and Belarus’ main technological cluster, as well as its economic and educational centre. Ethnic Belarusians make up over 80% of the population while the main minority groups are: Russians, Poles, Ukrainians⁵, Jews, Tatars, Roma, Lithuanians, and Letts.

In 2016 the GDP of Belarus reached 168,009 billion USD, ranking 65 in the World Bank’s Rating⁶ or 5,092 USD (4,512 EUR⁷) per capita⁸ with an average net salary of EUR 350 per month in 2017⁹. The service sector accounts for 48.3% of GDP, having grown from 43.5% to 48.3% between 2010 and 2016. The main sources of GDP in the service sector are wholesale and retail trade (22%), real estate (13%) and transportation services (12%). The Information and Communication Technology (ICT) sector in Belarus accounts for some 2.2% of total employment and 5.1% of GDP¹⁰. However, it stands out among other sectors for its high growth in revenue, exports and foreign investment.

The economy has stagnated over the last two and a half years. Lower global prices for the country’s key exports such as petroleum products and potash fertilizer have forced the government to tighten monetary

⁴ <http://www.belarus.by/en/> Official website of the Republic of Belarus.

⁵ <http://www.belarus.by/en/about-belarus/nationality>

⁶ [https://en.wikipedia.org/wiki/List_of_countries_by_GDP_\(PPP\)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP))

⁷ http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public_co Annual statistics review 2017

⁸ <https://myfin.by/wiki/term/vvp-na-dushu-naseleniya-v-belarusi> The ministry of finance of Belarus

⁹ http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/trud/operativnaya-informatsiya_8/srednjaa_zp_2013-po-2014-gg/ Belarusian National Statistics Agency

¹⁰ [http://www.ey.com/Publication/vwLUAssets/ey-it-industry-in-belarus-2017-and-beyond/\\$FILE/ey-it-industry-in-belarus-2017-and-beyond.pdf](http://www.ey.com/Publication/vwLUAssets/ey-it-industry-in-belarus-2017-and-beyond/$FILE/ey-it-industry-in-belarus-2017-and-beyond.pdf)

policy, including moving to a more flexible exchange rate regime, and reduce subsidized lending to state-owned industrial and agricultural enterprises. The government has had some success with deregulation: some administrative and regulatory barriers were lifted, certain tax relief measures were introduced for small and medium enterprises, self-employment opportunities in the domains of traditional crafts and agri-eco-tourism have also been boosted.

According to the Doing Business rating of the World Bank¹¹, the country occupies 37th position when it comes to the criteria of ease of opening a business. A steady improvement in recent years is especially evident if compared to previous positions: 50th in 2016 and 63rd in 2014. This shift happened namely due to a reduction of regulative and administrative barriers by the government.

The private sector of which social enterprises are the integral part remains small. The share of small and medium enterprises that account for 97% of the total number of private enterprises in the country's GDP is 28%.¹² The quantity of SMEs per 1,000 people in Belarus including individual entrepreneurs in 2014 reached 38.3 - this number is comparable to the neighbouring Russia (39), Poland (37), Latvia (35), and Lithuania (32), however their impact is small if compared to the situation in the developed countries.¹³ The majority of SMEs including social enterprises are located in big cities and in the capital of the country, the number of their employees was higher in Minsk and Hrodna Regions while in Mahiliou and Vitsebsk regions it decreased through 2014. In 2015 the quantity of the employees with SMEs throughout Belarus continued to decrease.¹⁴ Overall, the difference in economic development of different regions including employment opportunities and the size of an average salary is substantial. The Constitution of Belarus characterizes the country as a social state, while the economic course of the country is defined as a 'socially oriented' market economy. Fiscal policy in Belarus is equalizing and pro-poor, effectively redistributing income from the rich to the poor.¹⁵ Poverty, according to the international threshold of \$3.1 per day in PPP terms, is fully eradicated. Belarus also has one of the lowest levels of income inequality in the region, with a Gini coefficient of only 0.27. The Belarusian state remains the main provider of social services to the population. However this situation may and has already started to alter following structural changes in Belarus' economy. That may leave social enterprises with more work and yet more niches for development.

After gaining its independence in 1991, the country started a gradual shift from command to market economy. Belarus' leadership chose a slow transition mode with only a few enterprises having been privatized, while some of them were later renationalized, thus resulting in about 70% of all industry of the country remaining state-owned, with state banks accounting for 80% of the banking sector¹⁶.

Being part of the former Soviet Union, Belarus possessed a well-developed industrial base and enjoyed relatively high living standards, if compared to other Soviet States. However the majority of these enterprises are now outdated and have very high energy consumptions levels, producing goods that are hardly compatible on the EU market, their management usually lack necessary business and marketing skills. For that reason, they are currently undergoing the modernization process that has to be finalized

¹¹ <http://russian.doingbusiness.org/rankings>

¹² <http://director.by/home/novosti-ekonomiki/4856-dolya-malogo-i-srednego-biznesa-v-vvp-28>

¹³ <http://www.economy.gov.by/uploads/files/gos-progr-2016-2020/Programma.pdf> State Programme Small and Medium Entrepreneurship in the Republic of Belarus for 2016-2020

¹⁴ <http://www.research.by/webroot/delivery/files/pdp2016r04.pdf> The tendency for the development of small and Medium Business in Belarus.

¹⁵ http://www.beroc.by/webroot/delivery/files/FREEPolicyBriefs_Sep30.pdf Belarusian Research and Outreach Centre, independent think-tank

¹⁶ http://www.nbrb.by/publications/banksector/bs_20170101.pdf

by 2020. The modernized production lines are supposed to focus on the knowledge-intensive sectors of the economy.

Belarus remains the only country in the Eastern Partnership region that never voiced any ambition to join the European Union. Belarus and the European Union signed the Partnership and Cooperation Agreement in 1995, however this agreement has never been ratified by the EU. Belarus is participating in the multilateral track of the Eastern Partnership initiative of the EU, negotiations on a Mobility Partnership were concluded and negotiations on Visa Facilitation and Readmission Agreements are on-going since January 2014. Belarus was subject to sanctions from the EU and other western countries, which were lifted in February 2016. Since then, Belarus, as one of the EU Eastern Partnership countries, has been engaging actively in EU programmes aimed at SME support and regional development.

This study is dedicated to social enterprises and the social economy in Belarus. It is implemented in the framework of the “Social economy in Eastern Neighbourhood and in the Western Balkans: Preparing a methodology/toolbox for EU Delegations” project, funded by the European Commission – DG NEAR. The main objective of this assignment is to identify the conditions and the modality of support to efficiently develop social economy and social entrepreneurship in the Enlargement and Neighbourhood East countries.

More specifically, this report provides an analysis of the social economy and social entrepreneurship ecosystem in Belarus. It includes an assessment of the state of play of social economy in the country, including an assessment of its nature, size and key sectors, as well as an overview and analysis of the regulatory framework, the institutional support, the financing options and the available support structures.

The methodological approach is based on a mix of desk research, qualitative interviews and documentary analysis. An assessment mission in Belarus took place between the 21.12.2017-07.02.2018. Formal and informal interviews were conducted with the main stakeholders during the mission. The list of interviews is indicated in Annex B. The mission was conducted by Andreja Rosandic, Team Leader of the project and Maksim Padbiarozkin, ODB Team Leader in Minsk, and written by Alena Lis, Senior Programme Officer with the ODB in Brussels.

3. STATE OF PLAY OF THE SOCIAL ECONOMY IN BELARUS

3.1. Nature and size of the social economy sector

As social entrepreneurship is not viewed as a separate form of commercial activity by Belarusian legislation, there are no official statistics on the size and the activity of the sector. The pilot and only research published for the time being “Social Entrepreneurship in Belarus”, estimates this number at 201 enterprises¹⁷. Another research project, entitled “Belarus. No Business as Usual” conducted in 2016¹⁸ attempted to analyse the ecosystem of the social entrepreneurship in the country.

According to the research project “Social Entrepreneurship in Belarus”, most of Belarusian social enterprises fully or partially meet the following European criteria:

¹⁷https://by.odt-office.eu/ekspertyza/_sacyjalnaje-pradprymalnictva/cht-pomogaet-razvivatsya-sektoru-socialnogo-predprinimatelstva-v-belarusi Non-profit organisation ODB Brussels official web-page

¹⁸ https://odb-office.eu/files/No%20Biz%20As%20Usual%20eng%20f_0.pdf Non-profit organisation ODB Brussels official web-page. The authors of the research surveyed 15 aspiring social entrepreneurs who had established their businesses in 2015 or had plans to do so about the barriers that prevent them from doing social business.

- 1) being a private commercial entity generating its income from production of goods/services;
- 2) presence of social goals and social motives of economic activity;
- 3) reinvestment of a large percentage of the profits in achieving social goals;

At the same time, unlike European social enterprises, their Belarusian counterparts do not fully comply with the criteria listed below:

- 1) Using social innovations, innovation tools and methods with the exception of newly established enterprises in 2015-2017;
- 2) Democratic governance principles that underlie the very spirit of social entrepreneurship for European companies, in Belarus are perceived more often as only formal.

The most common forms in which social entrepreneurs operate in Belarus are:

- ✓ commercial enterprises established by non-profit organisations to solve problems of their target groups and cover the activities of the founding organisation;
- ✓ commercial enterprises established by individuals to solve social or environmental problems;
- ✓ individual entrepreneurs who define themselves as social and are primarily aiming at solving social problems;
- ✓ religious workshops of the orthodox and catholic church aimed at providing employment and rehabilitation for the representatives of vulnerable groups (such as people with alcohol and drug addiction, people released from prison);
- ✓ joint commercial ventures established with participation of foreign capital to solve social/environmental problems in a sustainable manner, and mostly dependent on the foreign investment.

Similarly, social enterprises work with a number of different socially vulnerable groups: people with reduced mobility, sight and hearing-impairments, mental disabilities, single mothers, former prisoners, people with drug and alcoholic addiction, and senior citizens.

The size of social enterprises in Belarus is usually small. In 2016, 25 out of 201 surveyed enterprises employed as many as 232 people, including part-time staff. The salaries of the staff range depending on the commercial success of an enterprise and very much depends on the employees. For instance people with severe mental disabilities may be able to work only 25%-50% of the time, consequently their salary remain small – 80-150 euro approximately. While more financially sustainable enterprises may offer an average market salary of 300-350 euro and job stability.¹⁹ The majority of Belarusian social enterprises are commercial ventures established by non-profit organisations with the primary aim to employ and integrate people with disabilities. When communicating with the research team, some of the entrepreneurs admitted that decision about goods and services to be produced by their social enterprise were sometimes made after the establishment phase based on the capacities of future employees as well as examples of other social enterprises known to the founders. Needless to say that those decisions were often taken in disregard of the market situation and in the absence of business plans.

Social Enterprises Established by NGOs

¹⁹ The salary of the employees at the social enterprise 'Essential capital is almost 400 euro' which is higher than average salary in Belarus.

According to Belarusian legislation, non-governmental organisations may not conduct commercial activities. At the same time, they are allowed to establish commercial venues and use their profits for the implementation of the statutory goals. During the Soviet Union, NGOs promoting the rights of people with disabilities possessed a solid material base, buildings, equipment, etc. to be used for the establishment of different enterprises.

The majority of commercial enterprises founded by non-profit organisations appeared in the Soviet times or in 1990s. Today, the Belarusian Association of the Disabled has 118 enterprises, Belarusian Association of the Deaf – 11 enterprises, Belarusian Association for the Assistance of Children with Disabilities and Young People with Disabilities – 4 enterprises, Homel Regional Association of the Disabled in Wheelchairs – 1 enterprise, Brest regional Youth Association ‘A Disabled Person and His/her Environment’ – 1 enterprise.

The majority of such enterprises are independent from their founders in terms of operational management, however they have to agree their recruiting policy for top-management positions and the distribution of profits. The key decisions are made by the governing Board of the founding NGOs.

During the interviews conducted in the frames of the research in 2015-2016, the managing directors said they did not care too much about profits since their main goal was to provide employment opportunities to people with disabilities. If the founding organisation’s leadership and the managing directors of a social enterprise are the same group of people, the social mission prevails over the commercial performance, including due to lack of relevant business experience of the management coming from the non-profit sector. In this case, social enterprises often work in survival mode with zero profits and sometimes even a negative performance balance. Losses may be compensated for by the founding NGOs including through cross-subsidy schemes, at the cost of more successful companies in the network. This to some extent repeats the scheme of the state subsidised enterprises the Belarusian government employs for low-profit state-run companies. Founding NGOs also invest in social enterprises. These investments can be on expensive equipment they receive through various grants’ scheme.

At the same time, when invited the managing directors with necessary business experience have no control over the distribution of profits they seem to see their task in ensuring zero losses and gaining some small profits they have no right to reinvest into the enterprise but give back to the founding NGO. Normally, they have a vision of how to improve the performance of the company that has been entrusted to them, but have no tools to do it.

Social Enterprises Established by Individuals or Groups of Individuals

Social enterprises are often founded with the aim of solving social or environmental problems, usually by an entrepreneur or a group of entrepreneurs who have “their own story” and have no connections to a non-profit organisation. They solve a different range of problems, employment and reintegration of people with disabilities or people with drug and alcoholic addiction being among them. The majority of profits are reinvested into the enterprises themselves, strengthening their social impact. If they are financially effective part of the budgets are used for charity. Such enterprises are usually more economically effective than those founded by the non-profit organisations. The founders of such entrepreneurs pay a lot of attention to the use of business instruments, effective marketing and sales strategies, they are more flexible and client-centred if compared to the most distributed social enterprises.

Individual Social Entrepreneurs (Self-employed)

This form of social enterprise has recently appeared in Belarus, following the launch of the programme socstarter²⁰ aimed at the training of aspiring social entrepreneurs and conducted with the support of the MATRA funds (the Netherlands) and the Biz4all blended learning course in the framework of the project Social Entrepreneurship Incubator implemented with the financial support of the European Union²¹. Individual social entrepreneurs create their enterprises (an anti-café²², or a sewing workshop²³) to develop local communities and provide employment opportunities for the representatives of vulnerable groups such as for example young single mothers or other women in difficult situations. They may also offer discounted services to people with disabilities and groups of psychological support of parents raising kids with life-limited conditions or people suffering from cancer and other diseases.

The individual social entrepreneurs establish their companies after conducting market research and interviewing potential customers (early adopters). They choose services and goods they believe will be well-sold by testing their assumptions through lean canvas methodology and creating a minimum viable product. They invest their own resources in the opening of their companies and reinvest the profits into their development.

Social enterprises established by religious organisations

These enterprises differ depending on the church they were founded by, the Orthodox or the Catholic. They can be established in the form of the workshops producing candles and icons, shops, hotels, cafes. Such social enterprises offer jobs for people who have been recently released from prison, people with drug and alcohol addiction, and homeless people who otherwise would face a lot of difficulties in getting employed. Usually, social enterprises founded by the Orthodox Church do not have a separate bookkeeping system in the workshops, which makes it hard to access the financial aspect of their activities.

For this type of enterprises, it is very typical to attract volunteers, while religious motivation of employees is considered very important. Part of the employees' salaries is used to cover their accommodation and food expenses at the monasteries that helps to keep social enterprises economically efficient. All profits from such enterprises are used to cover the needs of the Church.

Joint commercial ventures established with participation of foreign capital

Following the priority of the international donors such enterprises were established in the regions to solve problems of regional sustainable development. They are financed partly or fully by the founding foreign companies. Consequently, they are highly dependent on the foreign partner in strategic management and employment policy.

3.2. Key sectors for social economy and phases of development of social economy players

Belarusian social enterprises operate in various sectors. Thus, the first study revealed that 46% of the organisations in the established register are engaged in the production of goods, 10% – in the sphere of

²⁰ The programme was financed by donors and is no longer available.

²¹ https://by.odp-office.eu/ekspertyza/_sacyjalnaje-pradprymalnictva/programma-inkubator-socialnogo-predprinimatelstva

²² <http://1387.by/> Time Club anti-café 1380 in Babruisk (Mahiliou Region of Belarus) run by individual entrepreneur Natalia Khalanskaya.

²³ <http://silverswan.org/art-boutique/%d0%be-%d0%bf%d1%80%d0%be%d0%b5%d0%ba%d1%82%d0%b5/> International Women's Academy 'Silver Swan' run by an individual social entrepreneur Aksana Shyrko

trade, 44% – with other services including educational services, professional training services, medical services, beauty services, domestic services, and other. Such proportions roughly correspond to the structure of Belarusian GDP.

The enterprises surveyed refer to small and micro-organizations employing up to 10 people (that does not exclude the presence of social enterprises in Belarus that are related to medium sized businesses) are at different stages of the life cycle. The ‘younger’ organisations, as a rule, are engaged in providing services and working in new types of activities, while enterprises established in the Soviet times and early 1990s focus on the production of goods, among them electronic-devices (bulbs, sockets), overalls, shoes, bags, bed linen, ceramic, stationary, souvenirs, candles, clothes with national symbols, toys, and other. The absolute majority of social enterprises working in Belarus employ over 50% of people with disabilities – thus addressing the needs of this group. The income of such enterprises comes from sales of their goods and services, many of them receive subsidies from the state, as well as enjoying small tax breaks and other benefits.

In the last three to five years aspiring social entrepreneurs started to develop their business in new areas such as organic farming and domestic food supplies, environmental protection and sustainable lifestyles. Some Belarusian enterprises use a complex model to make their social business commercially successful establishing two commercial companies (one social and one purely commercial) that help them to increase their social impact, while other business models can combine several different legal entities (for instance, for-profit company + a non-profit organization).

Another key sector where social entrepreneurs provide services is in the area of recycling and reuse of clothes. In the last three years, social projects with the potential to become social enterprises started to appear in the Belarus IT sector. The brightest examples are the IT School for people with hearing impairments ‘*My Freedom*’²⁴ which is validating its business-model and social project *Stourman (Navigator)*²⁵ that was launched in 2017 and is now in its blueprint stage.

Then IT sector in general is embraced by the government in Belarus and has good prospects for the development of social entrepreneurship, especially when it comes to improving employment opportunities for people with disabilities. In the last three years social enterprises started to develop, also in the sectors of fashion, slowly but surely the definition of ‘vulnerable groups’ has been extended, adding migrants, people released from prison, homeless people and other – though these groups are viewed as the most difficult to deal with by surveyed social entrepreneurs. Recent developments in the sector show that new areas and directions are often explored by younger generations of social entrepreneurs, aged 25-35 years.

It should be noted that a big role in the development of the modern-type of social enterprise is played by international projects providing training and mentoring support for social entrepreneurs, internships, fellowships, and study-visits to social enterprises in the EU, the US and countries of the Eastern Partnership region. Currently there are around 30 social enterprises that participated in the different training programmes for social entrepreneurs available for Belarusians²⁶ and who are in the blueprint or validation phase of their development. Some of them have already registered legal entities to conduct entrepreneurial activities.

²⁴http://myfreedom.by/courses/web-design/precourse?utm_source=yandex&utm_medium=cpc&utm_campaign=Programmirovaniye_IT_Obshie&utm_content=5111684811&utm_term=it%20%D1%88%D0%BA%D0%BE%D0%BB%D0%B0&yclid=877790828743117109

²⁵ <https://center1.by/obuchenie/instruktsiya-kak-stat-pilotom-v-proekte-shturman.html>

²⁶ There are three training programmes running in Minsk (2 large-scale and 2 smaller), there are also smaller programmes in Brest and Gomel.

3.3. Funding and financial tools social enterprises use

Income sources for social enterprises can be divided into market sources (production of goods and services) and non-market, such as state subsidies, grants, private donations, and in-kind contributions. Belarusian social enterprises mostly rely on market sources of income, though some state subsidies are available for entrepreneurs who help rehabilitation of people with disabilities, namely:

- ✓ Goods and services produced by enterprises that employ over 50% of people with disabilities are exempt from value-added tax on turnover when sold on territory of the Republic of Belarus;
- ✓ The same enterprises are given priority when participating in a tender for public procurement, but normally they have difficulties to compete with big corporations with large amounts of production;
- ✓ State subsidies are available to entrepreneurs employing people with disabilities under the so-called Programme of Labour Adaptation.²⁷ The subsidy covers a monthly salary, and contributions to social security for the period of six to twelve months. The state bodies responsible for the implementation of this programme are the Committees for Labour, Employment and Social Protection of the City Executive Committees (in other words – municipalities) at the cost of the non-budgetary state fund of Social Protection of the Ministry of Labour and Social Protection.
- ✓ Belarusian legislation provides for the possibility of obtaining a state subsidy for equipment of workplaces for people with disabilities, including for the purchase of machine tools. The local executive authorities are responsible for the implementation of this provision. In 2016 as many as 67 working places compared to a planned 59 were equipped for people with disabilities under this programme in Belarus, the plan for 2017 envisaged the establishment of 66 new working places.²⁸ These numbers are based on the applications received from entrepreneurs. It is important to note that for workplaces for people with disabilities equipped or saved using the Social Protection Fund, employers and organizations must retain them for at least three years after putting them into operation and employing people with disabilities
- ✓ Individual entrepreneurs and organisations have the right to receive a reduced coefficient for rented areas of state (communal) property equal to 0.1 with the number of disabled people working in leased areas amounting to at least half of the total number of employees.
- ✓ There are some socially significant activities that are given some benefits. For example, the profit of commercial companies received from the manufacture of prosthetic and orthopaedic products (including dental prostheses), the means of rehabilitation and servicing of disabled persons is not subject tax.²⁹

The majority of social enterprises were founded by Belarusian NGOs with the aim to of providing employment for people with disabilities, initially being funded with grant support from foreign donors and philanthropists that were attracted by their founding NGOs. They reinvest their profits back into their founding NGOs³⁰ as well as into the production cycle. Given the fact that they are managed by representatives of the non-profit sector or wage-earners, the management of such enterprises often suffers from a lack of strategic business vision, marketing and sales strategies, leading to very small profits and limited social impact. The new models of social enterprises established by individuals or

²⁷<http://ktzszmoik.gov.by/sample-page/adaptaciya-invalidov-k-trudovoj-deyate>

²⁸<http://pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2017/july/24853/>

Belarusian official legal

information portal

²⁹ Sub-point 1.3 of point 1 of article 140 of the Taxation Code of the Republic of Belarus

³⁰ According to the Belarusian legislations NGOs are not allowed to conduct commercial activities.

groups first of all rely on the quality of goods and services they produce rather than state benefits and grant support. At the same time, they also need flexible financial instruments of support to develop their start-ups, introduce innovation and increase their social impact. It is important to mention that due to specific disorders that the staff of social enterprises may have, especially when it comes to mental disorders, their competitiveness is often hampered if compared to traditional small and medium enterprises. Poor marketing and sales strategies add to the low profitability of social enterprises of this type, while minimising expenses including salaries help them to stay afloat. At the same time, the social impact they have should not be underestimated.

To find out about the sources of seed funding for aspiring social entrepreneurs, the author of this research contacted 9 newly established companies (founding years 2016-2017). 6 out of 9 said they used their own means or the capital of their families, two more used grants + their own savings, one used a combination of state subsidy and his own savings.

Financial players in Belarus do not support social enterprises specifically – this is a shared opinion of social business leaders. It is almost impossible for a social enterprise to receive a bank loan. SEs remain nearly fully independent from state financing. Opportunities of receiving (charitable) donations are limited for (social) enterprises by the law. State grants are not available for SEs, and mechanisms of newly introduced state social order³¹ are in their formation phase.

3.4. Monitoring and evaluation of the financial and social return

There is no developed and agreed methodology to measure social and economic effectiveness of social enterprises in Belarus. The only attempt to assess its social and economic effectiveness locally was made by a private unitary company employing people with disabilities ‘*Baran’skie Arabeski*’³² located in the town of Vorsha³³ (Vitebsk Region) in December 2016, which was conducted by them in cooperation with a non-profit organisation Social Business Technology.³⁴

Neither Social Weekend contest organisers nor the founders of the three crowd-funding platforms have resources to monitor the projects that receive support through their schemes with the exception of the most successful cases to be used for PR purposes in the media.

At the same time, when approached social entrepreneurs are ready to provide numbers of people whom they helped via their social enterprise, as is the case for example with “*Nashy Majstry*”. During the first two years of its existence as many as 18 people (10 men and 8 women) went through a rehabilitation path, the enterprise has five full-time employees, four more are on the waiting list and work on short-term contracts and receive psychological support; 39 kids have been returned to their families and are now being raised by sober parents.

4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT

4.1. Relevant policies, regulatory and institutional framework

³¹ <http://www.pravo.by/main.aspx?guid=3871&p0=C21201219&p2=%7B%7D>

³² <http://belapdi.org/forum/viewtopic.php?f=50&t=205>

³³ https://by.odp-office.eu/files/buklet_end.pdf

³⁴ <http://sbt-consult.by/>

4.1.1. The legislative and regulatory framework related to social economy

The analysis of the legal environment of Belarus shows that, on the one hand, there are no legal norms regulating the activity of social enterprises, and on the other, a number of privileges are foreseen for enterprises creating a social good.

Belarus does not have special legislation regulating the activities of social enterprises. There are no legal definitions of the notions "social entrepreneurship", "social enterprise" and "social entrepreneur" in normative documents. However there are legislative documents regulating the activities of enterprises that by some criteria can be classified as social. Overall it is possible to single out six domains of legal regulation of the activities of social enterprises:

- commercial enterprises registered in Belarus;
- commercial enterprises established by public associations (NGOs) or unions for the realization of their statutory goals;
- enterprises providing employment to people with disabilities;
- commercial organizations and individual entrepreneurs registered in the territory of medium-sized, small urban settlements, rural areas and carrying out activities therein for the production of goods, and services;
- small and medium-sized businesses;
- religious organizations in Belarus.

Legal regulations of the activities of commercial enterprises registered in Belarus fall in the framework of civil, financial and business law with the most important documents being the Civil Code of the Republic of Belarus; the Administrative Offenses Code; the Economic Procedural Code, the Criminal Code, the Banking Code, the Investment Code and some other normative documents. Nevertheless, in these documents there is no special regulation of the activity of enterprises with social goals. The procedure for establishing a social enterprise is similar to the creation of any other commercial business entity and takes place on the basis of the Presidential Decree No. 1 of 16.01.2009 "On State Registration and Liquidation (Termination) of Business Entities".

A public association or union can carry out entrepreneurial activity only insofar as it is necessary to achieve their statutory goals for which they were established, the activity should correspond to these goals and be in line with the core activities of the public association (NGO) or union.³⁵ Such activities can be carried out by a public association/union only through establishment of commercial organizations and (or) participation in them. The activities of commercial enterprises established by public associations or unions for the realization of their statutory purposes are not regulated by special legislation. They operate under the same legal rules that govern the activities of traditional business.

Enterprises providing employment to people with disabilities

Preferences for enterprises that are established by people with disabilities or employ this group of people are regulated by the Taxation Code. For example, at the registration stage, the founders of an enterprise are supposed to pay a state fee equal to three basic values (30.5 euros), but if the number of founders with disabilities exceeds 50%, or the founders are public associations of the disabled/organizations of veterans, the registration fee will be reduced to 0.8 of base values (approximately 8 euros). Some other benefits and subsidies for enterprises employing people with disabilities are described in detail in section 3.3 of this research.

³⁵ Article 20 of the Law of the Republic of Belarus No. 3254-XII of 04.10.1994 "On Public Associations" (as amended on 04.11.2013)

On the basis of the Resolution of the Council of Ministers of the Republic of Belarus No. 128 of 02.02.2009³⁶ the state non-budgetary Social Protection Fund of the Ministry of Labor and Social Protection finances activities to ensure employment of people with disabilities. This includes the financing of the Professional Adaptation Programme for people with disabilities, equipment of workplaces for people with disabilities and some other subsidies. Granting rent benefits to enterprises employing over 50% of people with disabilities are regulated by Presidential Decree No. 150 29.03.2012, amended on July 14, 2014.

The Law of the Republic of Belarus "On Public Procurement of Goods and Services" dated 13.07.2012 No. 419-3 [27] regulates the procedure of carrying out tenders for public procurement of goods and services. In accordance with this law, as well as the supplementary Decree of the Council of Ministers of the Republic of Belarus³⁷ a preferential amendment of 25% is applied for goods and services produced at the enterprises with the number of staff with disabilities at least 50 percent. This way prices for their goods and services become more attractive for the organizers of tenders. In cases when two or more proposals are given high scores, the winner will be a social enterprise employing 50% people with disabilities.

Commercial organisations and individual entrepreneurs registered in the territory of medium-sized, small urban settlements, rural areas

Presidential Decree No. 6 of 07.05.2012 "On the stimulation of entrepreneurial activity in the territories of medium-sized, small urban settlements and rural areas" establishes a number of preferences and benefits for the commercial organizations and individual entrepreneurs registered in the territory of medium-sized, small urban settlements, rural areas producing goods and offering different services. These commercial organizations and individual entrepreneurs within 7 calendar years from the date of their state registration have the right not to pay income tax and some other benefits. Potentially social enterprises developing in the area of farming, agriculture, or rural tourism could use these benefits for the development of their business. Currently there are only a few social enterprises working in small urban settlements and urban areas.

Small and medium-sized businesses

In addition to the above-mentioned legislative documents, there is a Law of the Republic of Belarus No. 01.07.2010 "On supporting small and medium-sized enterprises" [32], Presidential Decree No. 255 of 21.05.2009 "On Certain Measures of State Support of Small Businesses". According to these documents, small and medium-sized businesses to which the overwhelming majority of social enterprises belong can enjoy special taxation regimes, simplified accounting, and a simplified procedure for submitting state statistical reports, a simplified procedure for transferring to them state-owned, unused or inefficiently used buildings, equipment and other property. However, none of the documents regulating the support of small and medium-sized businesses specifically mention social enterprises or distinguish enterprises showing social orientation of business.

Enterprises established by religious organizations

Article 32 of the Law of the Republic of Belarus "On Freedom of Conscience and Religious Organizations" (last version of December 22, 2011 No. 328-3) states that religious organizations are non-profit organizations. At the same time, they have the right to carry out entrepreneurial activities to achieve the goals for which they were established, corresponding by their nature to these purposes. Thus,

³⁶ Resolution of the Council of Ministers of the Republic of Belarus No. 128 of 02.02.2009 "On approval of the regulation on the procedure for financing and compensation of expenses for creation and preservation of jobs for disabled persons and regulations on the organization and financing of measures for the adaptation of persons with disabilities to work" (last version from 10/16/2012 No. 993)

³⁷ Resolution of the Council of Ministers of the Republic of Belarus of 22.08.2012 No. 778 "On some measures for the implementation of the Law of the Republic of Belarus" On State Procurement of Goods (Work, Services) "

unlike public associations (NGOs), religious organizations have the right to carry out commercial activities without creating a separate legal entity.

4.1.2. Institutional framework

Currently, the support system for social enterprises is rather fragmentary and does not emanate from a single institution. There are some support mechanisms available to social enterprises, but they are not systemic. Since spring 2017, the Research Institute of the Ministry of Labour and Social Protection of Belarus has been studying the ecosystem of social entrepreneurship and the examples of Belarusian social enterprises in order to provide recommendations on the development of the sector for the Ministry of Labour and Social Protection and other relevant ministries. The aim of the research was to study the phenomenon of social entrepreneurship and provide recommendations on whether the development of SE in Belarus should receive state support.

Research and recommendations were prepared in close consultation with the Working Group³⁸ on the Development of SE in Belarus. The group was composed of social entrepreneurs, experts, representatives of Belarusian CSOs, and relevant ministries. The conclusions and recommendations were finalised by the end of December 2017. The Working Group was the result of the joint activities by the Support Programme of Belarus of the German Federal Government³⁹, the ODB Brussels⁴⁰ as part of the EU-funded project Social Entrepreneurship Incubator, and the Research Institute for Ministry of Labour and Social Protection. One of the first recommendations was to introduce into Belarusian legislation the notions ‘social enterprise’, ‘social entrepreneur’, ‘social entrepreneurship’ and ‘social investor’. The research also revealed the need to create a mechanism to identify social problems.

The results of the research, as well as recommendations suggested by the participants of the Working Groups and social entrepreneurs surveyed, were presented at the hearings at the Belarusian Parliament on 20.02.2018 for the members of the Permanent Commission of the House of Representatives on Labour and Social Protection. The representatives of Ministry of Labour and Social Protection, and the Ministry of Economy were also present at the event.

The debates on whether Belarus should develop a separate law on social entrepreneurship or start with targeted measures extending the existing support mechanisms for enterprises employing people with disabilities to other enterprises targeting solving social and environmental problems are still on-going. The representatives of large businesses are expressing fears that the measures, if taken to support SE, should not violate the principle of healthy competition.

Institutional frameworks for CSO funding consist of the procedure of approving of foreign grants by the government in Belarus, which is complicated and may take from 2 months up to one year and even longer. Foreign grants lie either under the Foreign Gratuitous Aid with obligatory registration at the Department of Humanitarian Activities at the President’s Administration of the Republic of Belarus⁴¹ or under the International Technical Assistance which is registered in the Ministry of Economy. The registration of foreign grants provided by international organisations for improving the social and economic situation in the country, environmental situation, combatting the aftermaths of the Chernobyl disaster, etc. foresee several phases: approving of the projects conducted by the Ministry of Foreign

³⁸<https://odb-office.eu/expertise/social-entrepreneurship/analysis-legislative-regulation-opportunities-social-entrepreneurship-belarus>

³⁹<http://ibb-minsk.by/program>

⁴⁰<https://odb-office.eu/>

⁴¹<http://dha.gov.by/>

Affairs, registration of the project at the Ministry of Economy, and the approval of the list of goods and services by the Ministry of Economy.

In November 2017, the Department of Humanitarian Activities carried out a consultation of draft amendments to regulation on Foreign Gratuitous Aid in November 2017. However, the proposed changes did not remove barriers to access of foreign funding. The draft amendments include minor improvements, such as the waiving of the obligation to register membership fees from founders and members residing abroad, removal of limitations on allocation of gratuitous aid to personnel costs (currently maximum 20% of received support), and the easing of the reallocation of the left-over funding without the mandatory approval by the Department.

4.1.3. Links with existing Social Protection and Social Inclusion systems

In 2015 Belarus signed the UN Convention on the Rights of Persons with Disabilities. While the social economy is just being shaped in the country there are no references to the role of social entrepreneurs in the official documents. However, the National Action Plan for the Implementation of the Provisions of the Convention on the Rights of Persons with Disabilities for 2017-2025⁴² foresees the introduction of measures for integration of this group into the labour market, such as:

- 1) increasing opportunities for employment of people with disabilities including with mental disabilities;
- 2) encouraging employers to hire people with disabilities;
- 3) introduction of quotas for employment of people with disabilities;
- 4) development of the Institute of labour for rehabilitation of people with psychophysical disabilities including through the expansion of activities of rehabilitation and labour workshops for the disabled.

Point 6.18 of the Annex to the National Action Plan⁴³ says that the status of social enterprises employing people with disabilities should be consolidated and reflected in the legislation. Additionally, point 15.2 of the same document foresees the development of measures to support such enterprises of the disabled in 2020-2023.

The implementation of these measures should create increased opportunities for social enterprises, the majority of which were established by associations of people with disabilities, to be recognised as one of the key stakeholders in the area.

4.2. Key stakeholders and existing coordination mechanisms

Table 1: Key Stakeholders in the Social Enterprise Ecosystem in BELARUS

Organization	Role
Policy Makers	
The Ministry of Labour and Social Protection	Studies the opportunity to develop specific legislation on social entrepreneurship in Belarus
The Research Institute of the Ministry of Labour and Social Protection	On the request of the Ministry conducts the research of SE in Belarus, participates in the meetings of the working groups and discussions on SE

⁴² <http://www.government.by/upload/docs/file6550643e5a4dcc7d.PDF>

⁴³ <http://www.government.by/upload/docs/file596e927a9109779c.PDF>

The Ministry of Economy	Participates in the meetings of the Working groups on SE
Regional Executives Committees	Provides compensation of salaries to entrepreneurs employing people with disabilities from the fund of the Ministry of Labour and Social Protection
Public Associations of people with disabilities	Advocates for the interests of their target groups, establish social enterprises, participate in the discussions about SE
Funders	
EU	Supports social entrepreneurship via CSOs' project whining CSO-LA call for proposals
UNDP	Will be supporting SEs through its new project «Promotion of employment and self-employment for small and medium towns of Belarus» financed by the EU, if the Ministry of Economy will agree to register the project aiming at the development of social entrepreneurship
USAID Belarus	Supports social opportunities by providing them experience exchange opportunities in the EU, as well as provides small grants for its graduates including for the projects of social entrepreneurs
Belarus Support Programme of the German Federal Government	Co-organises events on social entrepreneurship in Belarus, provides grants (in 2017 three projects were supported) to the CSOs on the programmes educating social entrepreneurs
Support Organizations and Institutions	
ODB Brussels	Non-profit organisation implementing a number of projects aiming at the development of social entrepreneurship in the country, conducts research on SE in Belarus in other countries, organises large-scale events on social entrepreneurship in Belarus, organises study-visits of social entrepreneurs to other states, initiates discussion about SE among different stakeholders, promotes social entrepreneurship in the social media.
Social Weekend	Biggest national competition of social projects connecting active people with social ideas to the local businessmen, provides basic support for social start-ups (education and promotion), as well as mentoring.
Crowdsourcing Talaka	Provides opportunities to for social innovators to collect resources for their projects, offers course for social entrepreneurs (irregularly), co-organises events about social entrepreneurship
Crowd funding platform Ulej	Provides opportunities for social innovators to collect resources for their projects and test their products. The platform is product-oriented. It is not dedicated to charity or social projects specifically but about 40% that are being supported on the platform are social.
Social Technologies of Business	A non-profit consultancy (NGO) which co-organises events on social entrepreneurship, raise the issue of SE in different levels, implements project on rural development.
Council for the Development of Social Entrepreneurship	The Council is composed from the representatives of different actors of the 3d sector described in this table. An informal group meets (irregularly) to discuss the development of SE in Belarus.

4.3. Existing funding strategies for social economy

4.3.1. National public funding schemes

The new version of the Law of the Republic of Belarus "On Social Services" No. 395-3 of 22.05.2000 (last version of 13.07.2012) [36] introduces the concept of the state social order, understood as a mechanism for attracting legal entities (CSOs) and individual entrepreneurs to provide social services to the population and implementation of social projects. Under this law, social services are understood as the actions aimed at helping people in difficult life situations to overcome/adapt to them, while a social project is seen as a project aimed at creating conditions for solving social problems of people in difficult life situation. NGOs and individual entrepreneurs have the opportunity to participate in the provision of social services to the population or the implementation of social projects and to obtain for this purpose public funding from local budgets. Financing is carried out on a competitive basis through state procurement of social services procedure in accordance with the legislation on public procurement of goods and services. Theoretically speaking, the social state order could become one of the mechanisms to support social entrepreneurs as is the case, for example, in neighbouring Latvia. At the current stage, the available data that would make it possible to assess the practical aspects of the state social order's implementation in Belarus is not sufficient.

Besides, the unemployed can receive a one-time state subsidy (which is a lump sum) to compensate his/her expenses connected to starting entrepreneurial activities⁴⁴. The equivalent of this subsidy is equal to 1,000 euro or 2,000 euro in case the entrepreneurial activities are of an innovative nature. The state body responsible for issuing these subsidies are the local executive authorities in different cities. Only one of nine social entrepreneurs who established their social businesses in 2016-2017 surveyed under this research said they had used this subsidy and praised the application process for being not too complicated. Thus, this kind of subsidy can be recommended to aspiring social entrepreneurs who want to start their business.

Approximately half of banks operating in Belarus provide loans to SMEs and start-ups for operating capital, commercial mortgages or the purchase of equipment. Most of these banks take part in the Development Bank of the Republic of Belarus (DBRB)⁴⁵, under which the state elaborates a scheme for financing and implementing socially significant investment projects. In the framework of the programme, as of 2015 start-ups have access to loans in Belarusian roubles with low 7% interest rate. Additionally, the government develops and implements support programmes for SMEs executed via the Belarusian Fund for Financial Support of Entrepreneurs⁴⁶, Belarusian Innovation Fund⁴⁷ and the State Committee for Science and Technology of the Republic of Belarus⁴⁸. To benefit from the scheme, SMEs are conditioned to operation in one or another field related to production of goods/services - mainly export-oriented and import-substituting; development of energy resource-saving technologies; introduction of innovative practices, and other.

The Development Bank of the Republic of Belarus has developed a number of financial instruments to support women entrepreneurship, there are also plans to develop a financial instrument for the support of social entrepreneurship until 2018. However, the main difficulty remains the absence of legal definition for social entrepreneurship and strict criteria when an enterprise can be considered social.

⁴⁴ <https://infobank.by/finansovaya-podderzhka-malogo-biznesa-v-rb/>

⁴⁵ <http://brrb.by/en/about/>

⁴⁶ <http://belarp.by/>

⁴⁷ <http://www.bif.ac.by/>

⁴⁸ <http://gknt.gov.by/opencms/opencms/en/>

The overview of financial support structures for SMEs suggests that it is in its developing phase and will mature, if necessary conditions and support programmes are put in place.

4.3.2. European Union funding

The European Union supports CSOs providing education and seed funding opportunities for aspiring social entrepreneurs through CSO-LA calls for proposals. The first project supported in this framework was – the Social Entrepreneurship Incubator implemented by the ODB Brussels (Belgium-Belarus), TNU Network University (the Netherlands), Public Youth Union New Faces (Belarus), and the World Association of Belarusians “Homeland” (Belarus). The project foresees 150,000 euros of sub-granting for the aspiring social entrepreneurs – graduates of the Biz4all programme.

The European Neighbourhood Instrument (ENI) is currently the key EU financial instrument for the period 2014-2017. From 2014-2017, the EU's assistance package to Belarus under the European Neighbourhood Instrument amounted to €91.5 million.⁴⁹

4.3.3. Social Investors, Social Impact Funds and other socially drive financing institutions

Currently there are no social investors or social impact funds that work in/with Belarus. The European Fund for South-West Europe includes Belarus in its mandate, however no projects from Belarus have been supported yet as per information available on the official web-page.

4.3.4. Private sector

Equity investors, who would support SMEs let alone social enterprises, are not a wide-spread phenomenon in Belarus. Selected entrepreneurs can receive support from their families and friends but it is hard to calculate the size of such assistance. There is only one official community of business angels and venture capital investors — Bavin⁵⁰, which is represented by business angels and venture capital investors from different sectors. The main goal of the organisation is to attract and select innovative projects, help their authors to develop them and present to potential investors as well as offer expertise of their ideas and business-plans. The size of their investment is 24-40 thousand euro, they are primarily aimed at high tech businesses which is not yet the case with social enterprises in Belarus. Currently the group has suspended their activities in Belarus.

Yet another opportunity for Belarusian entrepreneurs working with innovation is the Belarusian Innovation Fund⁵¹ (a private equity and venture capital arm of the Republic of Belarus) established by the Council of Ministers as of November 1998 to intensify state support of innovative entrepreneurial activities in Belarus. However, it does not single out social enterprises.

Aspiring entrepreneurs may receive funding from the existing local and/or investment companies, or use various business events to pitch their ideas to interested parties – such as the biggest completion of social projects and start-ups – Social Weekend⁵². The contest is sponsored by Belarusian businessmen and is held twice a year. It provides seed funding for various local initiatives, from instalment of children's playgrounds to developing a hand. In the last two years, the contest has become more and more oriented towards sustainable solutions offered by social entrepreneurs. The size of the grants is relatively small, for example, in the Final of Social Weekend that took place on 14 December 2017, 16 projects received

⁴⁹ https://eeas.europa.eu/delegations/belarus/15975/node/15975_en Delegation of the European Union to Belarus, official web-page

⁵⁰ <http://www.bavin.by/>

⁵¹ <http://www.bif.ac.by/>

⁵² http://www.socialweekend.by/about_en.html

the total amount of 40,000 BYB (16,877 Euro). This money is a non-returnable investment but taxable by the state (13% income tax). Social Weekend is aimed at social enterprises in their blue print stage – social start-ups.

At the end of 2017, the Moscow-based IT-company SAP-UP extended its contest of social start-ups to Belarus. Altogether 64 social entrepreneur teams participated in it from around the country with 10 projects selected for the final pitch to the jury consisting of social entrepreneurship enablers in Belarus, representatives of business circles and international organisations. The main prize was a non-returnable investment of 20,000 BYB (8438 euro) and was received by the Belarusian Hrodna Hospice to produce clothes for people with disabilities, the second and third prize was an internship in Berlin Impact Lab. The Competition is part of the Corporate Social Responsibility programme of SAP.

In 2015, three crowdfunding platforms: ulej.by⁵³, crowdsource company talaka.by⁵⁴, charity auction maesens.by⁵⁵ were launched in Belarus, showing promising results to date. The amounts of money they aggregate double each year. Talaka and Ulej can be and sometimes are used by social entrepreneurs to test the prototypes of their new products and services.

Those aspiring social entrepreneurs who launched or participated in the crowd-funding campaigns as part of Biz4all (Social Entrepreneurship Incubator⁵⁶) noted that even if they failed to collect the necessary amounts, the campaigns helped to increase their visibility and recognition among the local communities. Therefore, crowdfunding could serve as a good tool to promote social entrepreneurs, their missions, services, and goods.

Belarus does not have its own Venture Capital Fund, but at the end of 2016 the Belarusian-Russian Venture Fund worth 23 million USD was established with 50/50 share of the authorised capital by Belarus and Russia. However this fund is focused on supporting large-scale projects and not SMEs. This can be partly explained by the fact that venture funds in Belarus ask enterprises to guaranty the return of their investment, something that only large enterprises can provide.

4.3.5. Microfinancing

Financial support to social enterprises specifically through micro-financing does not exist in Belarus yet. In terms of sector regulation, there was none until 2014. In line with Decree 325 organisations regularly providing micro-financing services should be included in the single register of microfinance organisations run by the National bank of the Republic of Belarus⁵⁷. As of 15 December 2017 there were 121 entities⁵⁸ on the list, among them – 5 consumer cooperatives, 8 foundations and 108 pawnshops. Only a physical person, members of consumer cooperatives, can borrow money from it, leaving the door open for social entrepreneurs if they decide to join and if their activities cover the sectors of agricultural-ecotourism, crafts and homesteads. The majority of Belarusian social enterprises employing people with disabilities thus remain not eligible. The foundations can provide loans both to individuals and to SMEs for conducting entrepreneurial activities and there is more space for manoeuvre for SEs. Finally, pawnshops provide short-term loans to physical persons only for personal and family needs secured by

⁵³ <https://ulej.by/>

⁵⁴ <https://www.talaka.org/>

⁵⁵ <https://maesens.by/>

⁵⁶ <https://odb-office.eu/expertise/social-entrepreneurship/C2%ABfor-everyone-think-wow/C2%BB-organizing-successful-crowdfunding-campaign-advice-masha-cheryakova>

⁵⁷ <http://eng.belta.by/economics/view/expert-belarus-microfinance-market-will-be-growing-more-professional-9610-2015>

⁵⁸ <http://www.nbrb.by/today/FinLiteracy/pdf/7dnev/mikrofinansirovanie.pdf>

movable property. These types of organisations are not really suitable for social entrepreneurs, including individuals.

Independent experts believe however that micro-financing, if developed further, has the potential to become one of the reliable funding sources for social businesses.

4.3.6. Development Aid Agencies

The United States Agency for International Development (USAID) in Belarus supports CSOs and regional development as well as organises internships to the US on different topics, including on social entrepreneurship. Three graduates of the community connection programme have received support from USAID Belarus for their initiative connected to SE. Apart from that, USAID Belarus provides support for several social enterprises established by the Belarusian Association of Assistance to Children and Young People with Disabilities. Additionally, the International Visitor Leadership Programme of the US department organised a study visit for social entrepreneurs to the United State of America in 2016.

UNDP Belarus, together with the Ministry of economy, will be implementing the project «Promotion of employment and self-employment for small and medium towns of Belarus» financed by the EU. 70% of a 10,000,000 grant is envisaged to be distributed to CSOs, social enterprises and individual entrepreneurs, while 25% will be used for training and coaching services. The project has not received formal approval yet by the Belarusian Government.

4.4. Type of additional non-financial support to social economy

4.4.1. Business Development Services

The advisory support infrastructure for Social entrepreneurs in Belarus is in the development phase and is concentrated mostly in the sector of non-formal and informal education. Currently there are several programmes offering different types of support for aspiring social entrepreneurs run by CSOs.

Biz4all and SEI Youth. My First Business in the framework of the project Social Entrepreneurship Incubator is a 9-month training programme for aspiring social entrepreneurs which is part of the EU financed project Social Entrepreneurship Incubator implemented by the ODB Brussels (Belgium-Belarus) and TNU Network University (the Netherlands). The course offers combined blended learning composed of 27 online modules and over 20 offline trainings that help aspiring social entrepreneurs to develop their business ideas from scratch to the stage of minimum viable product, landing page and collecting seed funding through crowd-funding platforms. The programme offers mentoring support by the trainers of the programme as well as by representatives of Belarusian diaspora from the EU, USA, Russia and countries of the Eastern Partnership Region. The course is practice-oriented, and suggests a proactive attitude from its participants, such as – conducting problem and solution interviews, price interviews, developing a minimum viable product and a landing page of their services and goods, collecting money through crowd-funding campaigns, etc. The course has the capacity to train 140 people for 2 years. Another component of this project was a course on social entrepreneurship for teenagers SEIYouth. My First Business⁵⁹ implemented by Youth organization New Faces jointly with the ODB Brussels. The programme helped to develop entrepreneurial skills and taught the basics of social entrepreneurship to 60 teenagers aged 15-18 years.

⁵⁹ <https://odb-office.eu/expertise /social-entrepreneurship/sei-youth-first-business-where-dreams-turn-real-business-plan>

The training course *School of Social Entrepreneur (Homel)*⁶⁰ for aspiring social entrepreneurs is implemented by two graduates of the Community Connection Programme with the Support of USAID Belarus. The 6 month long course aims to train 30 teams (100 people) from Gomel and Gomel Region, the participants meet for 4-5 hours once per week within three months course. After this period the 10 most promising teams will be selected and will receive mentoring support from business mentors – twice per month. The three best teams will be awarded small grants for the development of their social businesses. Among the mentors of the programme are businessmen and businesswomen from Homel.

The programme *Women Entrepreneurship with Social Accent*⁶¹ (*Brest and Minsk*) is implemented by the Brest Local Foundation for Regional Development in partnership with a number of Belarusian and one German CSO with financial support by the Belarus Support Programme of the German Federal Government. The Programme aims to train 40 women entrepreneurs from Brest and Minsk Region with an overall duration of the training programme – 6 months including short-term internships at Belarusian social enterprises. Under the same project training is available for trainers specialized in social entrepreneurship including the internship in Impact-Hub Berlin.

*Social Entrepreneurship: From examples to self-sustainability*⁶² (*Minsk*) programme is implemented by CSO Healthy Choice with the financial support of Support Programme of Belarus of the German Federal Government. The programme, with an implementation period of August 2017 – December 2018, targets 20 social entrepreneurs and representatives of CSOs who would like to make their services more sustainable. The training programme foresees the conducting of four two-day seminars on sales, PR, marketing, HR, and financial management, a study-visit to Germany and some other activities.

Apart from seed funding the *National Competition of Social Projects Social Weekend*⁶³ offers basic knowledge about social entrepreneurship. Selected in the first round of pitches projects are offered three training days on: 1) rethinking their social/business ideas into the projects; 2) project management; 3) lean canvas, business canvas, design thinking. Besides this the participants get tips on how to promote themselves and their product, establish contacts with the media, and how to pitch.

All listed above opportunities are available free of charge for aspiring social entrepreneurs. The impact of these programmes will be possible to access in one-two years from now, when the graduates start their own business. The challenge remains in the sustainability of donor-supported programmes and projects and the question remains of whether aspiring social entrepreneurs and social innovators will be ready to pay for the services they now receive free of charge.

The first forum of social Business was organized in Minsk on 28 June 2017 with the ambition to become an event uniting social entrepreneurs from Belarus and other countries and the representatives of commercial companies implementing CSR programmes.⁶⁴ The main topic of the forum was to discuss best examples of how big corporations can cooperate with social enterprises and what projects are implemented as part of their CSR programmes in Belarus, Russia, the Netherlands and some other countries.

⁶⁰ <https://www.facebook.com/school.of.social.entrepreneur/>

⁶¹ <http://woman-training.tilda.ws/socialbusiness>

⁶² <http://www.choice.by/projects/socialnoe-predprinimatelstvo/>

⁶³ <http://www.socialweekend.by/>

⁶⁴ <https://odb-office.eu/expertise/social-entrepreneurship/first-belarusian-social-business-forum-victories-and-challenges>

In addition to the opportunities listed above, different courses, trainings, seminars, and programmes on development of entrepreneurial skills are offered by business schools, consulting and training agencies, 27 state-run entrepreneurship support centres⁶⁵, 19 incubators of small business. According to the Ministry of Economy, the number of small business incubators is expected to double by 2020.⁶⁶ However, not all of these incubators and support-centres have web-sites or pages in social networks and information about their services can be obtained either by phone or email.

Private owned Startup Hub “ImaGuru”⁶⁷ offers events, business trainings, lectures and seminars, and opportunities of venue rental for entrepreneurs locally. Annually, it organizes the Global Entrepreneurship Week⁶⁸ with the Support of the USAID Belarus. As part of this event CSOs promoting social entrepreneurship organise international meet-ups and seminars to promote SEI to business circles of Belarus.

The opportunities for the development of IT start-ups is offered by Business Incubator of *Hi-Tech Park Belarus*⁶⁹, *the Centre for Entrepreneurship Support "Technologies of start-ups"*⁷⁰ also contribute to the development of entrepreneurial environment in Belarus.

Besides this, there are a number of courses that try to address entrepreneurs in their prime – Teen Guru (and IT Teen Guru)⁷¹. The purpose of the paid course is to inspire young people to become entrepreneurs and create great new companies, to equip them with all necessary knowledge and skills for innovative entrepreneurial thinking. Another opportunity to develop entrepreneurial skills is *Junior MBA Academy* for 10-12 year olds.⁷² However these programmes do not cover families with low-income, do not touch upon social economy issues, and are only available in Minsk. All three programmes represent the sector of informal education.

Finally, one of the central Belarusian TV channels - ONT - launched a show entitled *My Business*⁷³. It is a live format that offers start-ups in different areas mentorship and coaching by successful Belarusian businessmen. This show can hardly be called a business development service – since the support business start-ups receive very much depends on the personality of a mentor however it contributes to the creation of a positive image of entrepreneurs in Belarus overall and inspires more people to try implementing their ideas. Since 2016, only one social entrepreneur participated in the show.

4.4.2. Local/national and/or Regional Networks

Social economy in Belarus is just emerging and social enterprises do not unite into formal professional networks or associations, probably due to insufficient understanding of common interests and the necessity to advocate them.

⁶⁵ <https://minsk.gov.by/ru/org/783/attach/798f3a6/>

⁶⁶ <http://www.belta.by/economics/view/chislo-biznes-inkubatorov-k-2020-godu-uvelichitsja-vdvoe-minekonomiki-236021-2017/>

⁶⁷ <https://imaguru.by/en/>

⁶⁸ <https://gew.by/en/>

⁶⁹ <http://www.park.by/cat-33/>

⁷⁰ <http://startupweekend.by/>

⁷¹ <https://imaguru.by/en/obuchaysya-u-nas/teenguru/>

⁷² <http://centercomfort.by/programms/junior-mba/>

⁷³ http://ont.by/tv/projects/my_business_2017

The only network of social enterprises that was established with the financial support of Swedish Government is CINGO, aiming at strengthening the organisations of Civil Society/Social economy in Belarus⁷⁴. Within the frameworks of this project social enterprises received professional training, participated in study visits and were encouraged by the organisers to unite in the networks. However, the authors of the project noted that the social enterprises they worked with were not very willing to unite in the networks and many saw each other as competitors, especially if they produced similar goods. The initiative was suspended for around two years due to lack of funding, in April 2018 CINGO resumed its activities on promotion cooperation between local social enterprises.

At the same time, it would be unfair to say that social entrepreneurs in Belarus do not support each other. Some of them buy goods and services from one another, openly share their experience of SE management etc. A good example are free social start-ups including one sustainable social enterprise that joined efforts to establish a Centre for Active Longevity. Individual entrepreneurs also try to visit forums of SEs in neighbouring Latvia, Lithuania, Estonia, and Russia to establish contacts with their counterparts for professional exchanges. Overall, shared understanding of the importance of mutual support as well as advantages of professional networks is maturing.

4.4.3. Academia

Social entrepreneurship has not been yet recognised by the education system. Thus, most of the education on social entrepreneurship happens as non-formal education through training courses provided by different CSOs with grant funding. Its integration in the schools or university curricular is hampered by the fact that SE is not legally recognised. However, should the development of SE in Belarus continue and be recognised by wider society including entrepreneurs and the state, it can become part of the formal education system.

There is only one reported case when social entrepreneurship was integrated in the management and entrepreneurship programmes of the university (the Belarusian State Economic University), and this is rather a private initiative of the teacher who graduated with PHD from London School of Economics. When approached by the research team, she disclosed the plans to open a Master's programme on social entrepreneurship at this university. Currently there is a group of eight university students meeting on a regular basis to discuss social entrepreneurship as their extra-curricular activities with one social start up being developed – *Babushkin Chesnok – (Granny's Garlic)*⁷⁵. The project aims to help local vegetable producers, namely retired people from the countryside, to reach out for new clients in big cities and towns and use the profits to help senior citizens. The project participated in the Social Weekend Programme and continues to receive training in the Biz4all programme of the Social Entrepreneurship Incubator.

Overall, in the formal education system, there is a small number of educational programmes developing entrepreneurial skills. Only one university (Belarusian State Economic University) has, as part of its Master Programme “Business Development Management”, a module concentrated on business ideas and start-ups. Out of 51 state and private universities in Belarus⁷⁶, over 50% have Management programmes: Economics and Management for Enterprises (24 universities) and Business

⁷⁴ <http://soccoop-by.info/en/>

⁷⁵ <http://fmk.bseu.by/new-project-%D0%B1%D0%B0%D0%B1%D1%83%D1%88%D0%BA%D0%B8%D0%BD-%D1%87%D0%B5%D1%81%D0%BD%D0%BE%D0%BA/>

⁷⁶ http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/obrazovanie/godovye-dannye_5/osnovnye-pokazateli-obrazovaniya/

Administration, Economics and Management for Enterprises (5 universities). Proposed courses educate students to become good managers and focus mainly on business processes, rather than developing entrepreneurial thinking, creativity and innovation.

Only two universities – the Institute of entrepreneurial activity and the Belarusian trade and economic university of consumer cooperatives – have entrepreneurship support centres: the Entrepreneurship support centre and an economic club for students in schools and colleges ("Young Entrepreneur") and the Centre of business education. Besides this, there is an incubator of business projects in the Belarusian State University of Informatics and Radio Electronics.⁷⁷

The state programme for the development of SMEs for 2016-2020 foresees measures to develop school business-companies aimed at providing business knowledge and training entrepreneurial skills among pupils of secondary schools. Currently there are 137 such companies in Minsk and the Minsk region of Belarus⁷⁸. School pupils starting from the age of fourteen can participate in these micro-organisations as extra-curricular activities. During education, they study the local market, learn how to organise advertisement campaigns, develop and sell their own products and pay taxes. The programmes of such school campaigns are being developed by schools in cooperation with business development centres. However the classes of school business campaigns are not part of the school curriculum and the participation of pupils in them is up to their parents. The admission and exclusion of pupils from school business companies is also authorized by their parents.

The leading private Business school IPM⁷⁹ offers an Executive MBA at the Business Academy for Owners and General Management Programmes for business owners who are interested in their professional growth to become a top-manager. The cost of participation in this programme however is comparable to those offered by universities in the EU.

Crowdfunding is a new tool of little familiarity for most social entrepreneurs, and they share a large scepticism regarding its use unless pushed by mentors and trainers. To enable (future) social entrepreneurs successfully use crowdfunding, Ulej.by, in cooperation with the students' union of the Faculty for social communication of the Belarusian State University (BSU) in 2016 opened a practically-oriented education programme led by local professionals⁸⁰. The programme is available to students of the BSU exclusively however. Charity auction maesens.by is going through management crisis and may be shut down in 2018, leaving Belarusian Social Entrepreneurs with only two crowd-funding platforms.

4.5. On-going and planned initiative addressing social economy issues

There are no publicly known on-going initiatives that would address the issues of social economy in Belarus on the government level. However, there are signs that enterprises employing over 50% of people with disabilities will receive more attention by the state. The year 2018 will show if the idea of developing a social economy would be backed by the state.

⁷⁷ <https://bi.bsuir.by/>

⁷⁸ <http://www.moiro.by/1/2016.11/16/%D0%91%D0%B8%D0%B7%D0%BD%D0%B5%D1%81-%D0%BA%D0%BE%D0%BC%D0%BF%D0%B0%D0%BD%D0%B8%D0%B8/%D0%9D%D0%B0%20%D1%81%D0%B0%D0%B9%D1%82%20%D0%B1%D0%B8%D0%B7%D0%BD%D0%B5%D1%81-%D0%BA%D0%BE%D0%BC%D0%BF%D0%B0%D0%BD%D0%B8%D0%B8.pdf>

⁷⁹ http://www.ipm.by/?gclid=EAlaIqObChMIIfCug_nS2QIVWJSyCh2p5gYmEAAAYASAAEgJ9bvD_BwE

⁸⁰ <http://ulej.by/school>

4.6. Best practices in the country and replicable models

Among almost 200 social enterprises in Belarus only a few are located in the regions, and not all of them are commercially sustainable. *Selskaya Stolinchshyna* (Rural Stolin) situated in the village of Belavusha (Brest region) is one of those successful examples whose experience can be multiplied not only to other regions of the country but also to the neighbouring states.

In 2011, a non-profit organisation Centre for Support of Entrepreneurship and Rural Development in Stolin Region established a commercial enterprise to solve a problem of the utilization of used greenhouse film in the district with over 10 thousand of subsidiary farms producing agricultural products and throwing away about 400 tons of polyethylene greenhouse film annually. The team started with the small grant of 2,000 USD and used it to conduct a mini-market research that confirmed their assumptions about the problem, and then continued as a small collecting point of polyethylene in the village of *Belavusha*. Despite the awareness raising campaign among the local dwellers about the damage that burning of the film or throwing it away can cause the collected volumes were not sufficient and continued to fall. In this situation, the management of the enterprise came up with the decision to offer additional services to the population. They started to buy new film and sell it at reduced prices to those households that participated in the correct way of recycling; they also sold them quality seeds with a discount. *Selskaya Stolinchshyna*, like many other Belarusian social enterprises, had limited operational capital and was among very few if not the only one who had the courage to borrow money from the bank to develop the enterprise and successfully. In 2016, it finally passed the solvency point and became profitable.

Today, *Selskaya Stolinchshyna* reinvests its profit into the activities of the founding NGO promoting sustainable rural development in the region and developing new and more eco-friendly ways of cultivating. Thanks to a favourable situation on the market in 2016, the social enterprise was able to rent a piece of land where they started to grow blueberries –testing a new direction for the company. The combination of non-profit organisation and the commercial venue helps to keep the entire construct going. Grant money received by the non-profit are used for research and purchasing new equipment, testing new technologies of cultivating crops, etc. while profits from the commercial enterprise help NGO to keep its head above the water when there are no projects running.

Above all, *Selskaya Stolinchshyna* has a measurable environmental impact with almost 90 tons⁸¹ of used plastic film being collected annually. Due to activities of the enterprise the volume of non-recyclable plastic waste in landfills was reduced by 20 %, the toxic load on the environment also decreased preventing small pieces of film to turn into a dangerous microplastic. Finally, the enterprise was able to offer safer alternative to burning plastic debris which had been very popular with the locals endangering their health condition.

5. GAP ANALYSIS AND NEEDS ASSESSMENT

5.1. Macro-social factors determining the sector

In 2017, the Belarusian economy demonstrated positive dynamics after a two-year recession. This was due to improved foreign economic conditions and tight monetary policy. After a three-year fall investment in fixed assets finally showed positive dynamics as well. An important development of 2017

⁸¹ Statistics of the enterprise for 2016

for SMEs was the signing of Presidential Decree #7 aimed at facilitating entrepreneurial activities and minimizing state interference in the work of business entities⁸².

As of 2016 Belarusian businessmen started actively participating in various public councils on how to improve the economic development of the country – an advocacy instrument to create a better operational environment for SMEs. Entrepreneurship overall started to be portrayed more positively in the state-run media if compared to the 2000s, this makes independent analysts and entrepreneurs feel hopeful.

While the eco-system for the development of social entrepreneurship is not yet in place in Belarus (the existing legislation allows the functioning of various forms of social enterprises, but it does not specifically recognise SE) its key driver – social innovators – do not give up their efforts offering sustainable solutions for social and environmental problems.

There are signs however that social entrepreneurship is starting to be seen as a tool for inclusion of vulnerable groups into the labour market, mainly people with disabilities, including by state affiliated bodies. Social enterprises offer rehabilitation/integration and improve the financial situation of the disabled and their family members who can finally start working instead of taking 24/7 care of their diseased relatives, consequently it relieves the financial burden on the state. In this regard social enterprises employing this category of citizens have better prospects of being officially recognised as the actors of social economy. This is the biggest group of SEs in Belarus addressing very important issues, however social enterprises solving problems of other vulnerable groups (people with alcohol and drug addiction, people released from prison, single mothers, senior citizens, refugees, homeless people, etc.) as well as cultural issues, should not be disregarded.

Finally, despite there being only a few social innovators working in the area of sustainable development in the regions of Belarus, the environmental, recreation and agricultural focus of social economy should also be taken into account when the enabling environment for SEI is considered. Social challenges in the regions remain: limited employment opportunities to all categories of citizens, depopulation of rural areas and alcoholism, deterioration of the environmental situations, soil depletion, water and air pollution, etc.

Policy development in the area of social entrepreneurship is taking its first very modest steps. In 2017, the Ministry of Labour and Social Protection tasked its research institute with conducting a study of social enterprises in Belarus and in the world and offering recommendations on the development of SE in Belarus if relevant. In February 2018, the Belarusian Parliament hosted a round-table on social economy where the results of the research were presented together with other reports by representatives of CSOs and independent experts – while being positively acclaimed overall no concrete actions are planned in this regard yet.

All surveyed under this research projects agreed that the official recognition of social entrepreneurship would help them to become more visible in the eyes of financial institutions, local authorities and society at large, and would help to promote the idea of social economy. It is important, as they noted, that if the new legislation is in place, it encourage the development of the social economy sector in different spheres and does not limit it to the enterprises employing representatives of vulnerable groups. The measures of targeted support for social enterprise should not violate the principles of fair completion and rather aim at the compensation of their reduced competition on the open market.

⁸² http://president.gov.by/ru/official_documents_ru/view/dekret-7-ot-23-nojabrja-2017-g-17533/

5.2. Access to finance

In the development phase small and medium businesses in Belarus have very limited access to finances, let alone social enterprises. The authorized capital of SEs is usually provided by the founding NGOs, families and friends, and is small. As a rule, SEs do not have enough operating capital. Since their financial knowledge is usually rather basic very few take the risk of borrowing money from the banks or micro-finance cooperatives. Soft 10-12 % loans available are still too expensive for SEs, while small short-term loans with a high percentage rate are not affordable in principle. Moreover, while social entrepreneurs' awareness about existing opportunities of funding remains low, the financial organisations also refrain from lending money to businesses that are not yet scaling or capable of ensuring mortgage value. On the other hand, Belarusian social entrepreneurs often lack financial and business skills to calculate if the loans could be affordable/useful for the social enterprises.

The absence of a legal definition prevents the financial institutions from designing financial support tools for SE that would meet their needs and risks connected to reduced competition of these commercial companies. There are no national impact investors in Belarus, and no projects have been supported by the European Fund for South-West Europe so far.

5.3. Lack of relevant skills to access market

Being driven by non-profit organisations and people who put social impact before financial sustainability, the Belarusian social enterprise sector lacks business development experience and relevant skills in administration, financial management, and most of all in marketing and sales. Lack of work experience in the commercial sector is to be blamed together with the mentality of SEs' founders for the absence of marketing strategies. Some aspiring entrepreneurs think their social story will sell the product itself; others having provided services free of charge for ages are simply shy to ask for money for the product they offer.

Since social entrepreneurship is not yet widely recognised in Belarus, SEs are not seen as the producers of social goods by the local authorities. Municipalities do not distinguish them from traditional business enterprises. Moreover, being mostly micro and small enterprises with small volumes of production, social enterprises have difficulties in participation in state tenders. Small-scale production also prevents them from fully-fledged competition on the open market.

Another remarkable finding received from different research and interviews with social entrepreneurs is that they often try to avoid mentioning that their enterprises are social since the word 'social' is associated with poor quality, making their products less appealing to the wider public. This is typical for the enterprises employing people with disabilities or providing rehabilitation to persons with alcohol and drug addiction. Some entrepreneurs who made their social mission visible on their electronic profiles were even advised by their clients to delete this information.

While socially responsible consumerism is only starting to become popular basically in the non-profit sector and among representatives of the younger generation the majority of customer choice remains price-driven. At the same time, the idea of social justice and social good is very close to Belarusian society and if a wide promotion campaign in the media including social were to be provided, conscious consumerism may have a very positive impact on the customers' behaviour.

Finally, one more obstacle on the way to the access of SEs to the market is that large commercial companies do not include them in the production chains due to lack of regular communication, poor visibility of SEs, and their passive attitude. The first public discussion on prospects of cooperation between commercial companies and social enterprises took place during the Social Business Forum-2017 in Minsk. Following the forum a group of companies A-100⁸³ and SEs stated negotiations of supplying souvenir products to the petrol stations of A-100. Unfortunately, only one out of 10 participating social enterprises were able to offer a product that would meet A-100 retailers' standard. This example however leaves the social business sector with hope that such practices could be multiplied provided a more proactive approach is employed by SEs.

5.4. Opportunities and key drivers boosting the development and scaling up social economy

The absence of an eco-system prevents the Belarusian social sector from growing both in size and impact wise. At the same time, Belarus has a comparatively high number of social enterprises in the EaP region and social enterprises of new types continue to appear.

Unfortunately, there are no public associations or any official networks of social entrepreneurs in Belarus, no specific information portal that aggregates information on social economy. Since 2015, SE has been more and more often discussed during different events in Belarus, including international events. However, there is no advocacy or lobbying activity that would be carried out by social entrepreneurs themselves and on a regular basis. The joining of forces by social entrepreneurs would contribute to their greater visibility and make their voice stronger for the state institutions and the media. However, this process should be driven by social entrepreneurs themselves. Non-commercial organisations could become part of these networks, as many of them are founders of the social enterprises in Belarus and have long experience in advocacy campaigns. Also, they could help with the development of the methodology for the assessment of social impact of SE, help with attracting international and domestic funding and in the end contributing to their own financial sustainability.

The business development programmes for social entrepreneurs are grant-funded and therefore are not sustainable. Aspiring social entrepreneurs need to have access to tailor made programmes, consultancy and mentorship support in order to develop sustainable business models and not only at the blue print phase but also at the scaling steps. These programmes should be easily accessible by social entrepreneurs throughout the country including in the regions and smaller towns where people have fewer opportunities to afford paid services. It is important that mentors from business are invited to drafts such programmes and coach their participants.

Corporate social responsibility programmes that could include the support of social enterprises have recently started to be part of activities of Belarusian and international companies presented in the country. Large commercial companies do not single out social enterprises from SMEs or NGOS. However, given that social entrepreneurs themselves will take a more proactive approach in offering attractive projects to large business companies – their cooperation could become a possibility. Not only in terms of integrating SEs in the bigger companies' supply chain of production and offering some seed funding but also through providing mentoring support and coaching that would become of the most valuable component of such cooperation.

⁸³ <http://www.a-100.by/>

Foreign development agencies present in Belarus and some other donor programmes did a great job offering Belarusian social entrepreneurs study-visit and experience exchange opportunities with other countries. The surveyed social entrepreneurs find them useful and inspiring. At least two social enterprises were established in 2016 following such visits to the US. Programmes such as Community Connections by the USAID have their own alumni programmes that offer their participants the opportunity to receive grants for the continuation of their activities including on social entrepreneurship. Three projects on SE started to be implemented in 2017 thanks the support of the German Federal Government. Such programmes either help strengthening the exhibiting initiatives in SE or help to multiply the effect.

There are no local impact investors in Belarus yet, charity donations are not encouraged nor in business neither by individuals. The support which is provided by local businesses and individuals to social projects including SE start-ups is not tax deductible and the support of aspiring social entrepreneurs is simply their good will act. It is important that locally driven initiatives such as Social Weekend continues to create incentives for aspiring social entrepreneurs and those who only consider the ideas to start a social business.

Despite the numerous challenges, the potential for Belarusian SE sector is significant. The number of CSOs seriously embarking on SE to sustain their missions and serve target groups is increasing. Young individuals and entrepreneurs are increasingly engaging in developing innovative solutions to societal problems. Local expertise is emerging and there is a growing interest among policy makers and other stakeholders to draw upon the potential. Further political, financial and technical support is needed to use this momentum and boost the development of the sector.

6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS

Social enterprises in Belarus are developing in the challenging SME environment following four years of economic recession, in the absence of enabling legislation, poor access to funding opportunities and low visibility of the social sector among wider society, an insufficient number of supporting business-development structures adapted to the needs of social enterprise, and underdevelopment of the entrepreneurial culture in the country in general. Despite all that, and driven by CSO projects and initiatives as well as individual social innovators inspired by the examples of the neighbouring states and social innovators from the EU and the US, new companies putting social good first and testing business-models to solve problems of their communities in a more efficient and sustainable manner continue to appear.

- **Legislation and policy framework**

Belarus has only started studying the necessity to develop the legislation that would enable the social entrepreneurship sector to grow. The absence of legal terms defining social enterprise, social entrepreneurship, social entrepreneur and social investor prevents social innovators from being recognised as important players when social good of the communities is considered. It does not allow them to be distinguished from other SMEs making the important work they do invisible for the authorities, potential impact investors and financial institutions, as well as the general public.

It is important however, despite the fact that the majority of social enterprises in Belarus are solving the employment and rehabilitation issues of people with disabilities, that the new legislation stimulates the development of social enterprises in other sectors, such as sustainable regional development, rural

development, agri-eco tourism, environmental protection and culture, and would consider a longer list of vulnerable groups.

Another crucial aspect is when talking about targeted measures of support, it is important to remember that they should encourage the development of the social economy sector rather than introduce unfair competition. In this regard it is vital to attract the representatives of traditional business to the discussion of new legislation and support platforms for the open exchange of views and opinions. These platforms are especially effective when they take place in the form of big international conferences and forums, gathering participants from different regions and making their opinions more credible in the eyes of decision makers.

The institutions assigned to the task would benefit from technical assistance in development of the relevant legal frameworks including study visits to the countries where such legislation is in place, regular meetings and consultations with experts in SE from different localities and from the EU and EaP regions. Important would be to support platforms to discuss the needs and challenges of social entrepreneurs.

- **Access to finance**

It is too early to talk about free and regular access of SEs in Belarus to different funding opportunities. Currently, three directions to improve the situation can be taken.

In the absence of impact investors locally and internationally, the donor community could start seeing social enterprises as their beneficiaries on a par with the NGOs. This support however should involve consultancy services, mentorship and coaching or foresee the inclusion of such support within their grant schemes. The evaluation of such a programme's impact should take a cost-benefit analysis of provided support for social start-ups or social enterprises in their scaling phase should be conducted more often.

European impact investment funds should have a closer look at the country with around 200 social enterprises and at least 30 being in their blue print or validation stage, fact-finding missions of such investors to Belarus would be important.

Finally, Since the Belarusian Development Bank is considering the possibility to design a financial tool specifically for social enterprises, relevant technical expertise, local and international, will be needed to run this process. The support of focus groups including economists, social entrepreneurs and financiers would be relevant.

- **Other support infrastructure**

Extensive technical assistance and mentoring should be a pre-requisite in the early stage of development of SE in any country, and Belarus is not an exception. There is no Social Enterprise Support Centre that would offer business advisory services and mentoring to Belarusian aspiring social entrepreneurs. Currently, business-training and mentor support for social innovators is provided by the representatives of the Belarusian diaspora within the EU-funded project Incubator of Social Entrepreneurship and while additional educational opportunities and local mentorship is available under three more grant-supported initiatives with the short-track of support within Social Weekend competition. Different education programmes on SE in Belarus are well-familiar with each other, exchange information, and attend the events of each other. The first attempt to jointly assess the impact of their work will take place in May

2018. If more education initiatives continue to appear for SEI it is important to keep this coordination not only among social entrepreneurs but also among donors who support these programmes.

Since the overwhelming majority of the non-financial support services for SEs are grant-funded it is important to establish a social enterprise development centre that would be sustainable and suitable for social enterprises in different phases of development (blueprint, validation as well as preparing to scale and scaling-up stage), offering different packages of services for SEs, depending on their needs. This centre should encourage innovation and effective use of resources among social entrepreneurs, stimulate the exchange of experience with other accelerators and incubators Europe wide. More attention should be paid to the initiatives from the regions where there are fewer opportunities to access different support centres and bigger challengers within local communities.

While social enterprises remain poorly visible for the majority of Belarusian society, it is important to support the initiatives that promote social economy in the media, bringing the stories of successful social innovators to the spotlight, promoting goods and services offered by social entrepreneurs and the idea of conscious consumerism in the Belarusian society overall.

6.1. Priority sectors for country level interventions

The priorities in each area of support below are listed in such a way as to show the urgency and the sequencing of the needed interventions. It emerges that the most urgent support needed is within the **policy, legal and institutional framework**, followed by the need for **coordination and support in capacity building** through different approaches and modalities. In parallel the need for increased and more streamlined funding will be necessary.

The table below shows the areas of intervention, priority areas and possible modality of support.

Priority areas of intervention in order of importance	What needs to be covered -priority areas	Modalities of support
<u>First area of intervention:</u> Policy, legal and institutional framework	<i>Priority area 1:</i> Revision of policies, strategic documents and existing legislation <ul style="list-style-type: none"> To broaden scope and/or understanding of SE To include various vulnerable groups in the policy documents. To stimulate SE development in other sectors (regional development, rural development, agriculture, environment protection, culture) Include SEs in the existing institutional funding schemes 	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)
<u>Second area of intervention:</u> Coordination	<i>Priority area 1:</i> Coordination and awareness raising <ul style="list-style-type: none"> Develop capacities of the existing Council as an advocate network for SE. Establish modalities and organize regular meetings and consultations with national and international experts. 	Bilateral envelopes (technical assistance, grants, CfP, twining,

	<ul style="list-style-type: none"> • Enable professional exchange opportunities with other countries of the Eastern Partnership region, Russia and the EU, • Start the promotion of social entrepreneurship among wider circles of Belarusian society. 	direct award etc.)
<u>Third area of intervention:</u> Skills and access to market	<i>Priority area 1: Capacity building</i> <ul style="list-style-type: none"> • Include SE in the existing support programs as one of the sub-sections. • Engage donor community to include extensive business capacity building into their grant schemes. • Further support via incubator or accelerator programs should be developed, specifically for SE. 	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Regional programmes (technical assistance, grants, etc.)
<u>Fourth area of intervention:</u> Funding	<i>Priority area 1: Technical assistance to Belarusian Development Bank</i> <ul style="list-style-type: none"> • Support in designing a financial and capacity building tool specifically for SE. <i>Priority area 2: Support to SEs in their start-up phase</i> <ul style="list-style-type: none"> • Support provided through donor grant schemes, combined with extensive capacity building, mentoring, coaching and trainings. 	Other support schemes (indirect management)

Should you need information on the suggested horizontal or regional approach see the final report for this contract (contract details on pg. 2 of this report), a very general overview is provided here:

- The analysis of SE in the Eastern Neighbourhood and in the Western Balkan countries shows that even though there are some differences, the **approach in prioritising the support in both regions could be the same.**
- Due to a **big number of stakeholders, fragmented support and lack of coordination**, it is of a paramount importance that the European Commission takes the lead in setting the **approach**, the **priorities** and in **defining the roles and responsibilities** for **EU horizontal approach**.
- When examining the needs in various countries the **current support** in terms of the format and amounts **dedicated to SE might not be adequate** or sufficient anymore.
- The analysis showed that **some areas should be covered on a country-by-country basis**, but **many priorities could be addressed through regional programmes**

ANNEXES

6.2. Annex 1 - Questionnaire survey

I. Questionnaire for the Delegations of the EU

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. EUDEL Country:
5. Position:
 1. What is the key responsibility of your Section? What programmes/project you carry out?
 2. Is your Section aware of the concept of social economy? If yes, can you provide your definition and/or understanding of the social economy and social enterprise concept?
 3. Is there a law on social economy in the country? Or Strategy or Action plan? If not, under what regulatory framework social enterprises operate? Under whose jurisdiction social enterprises fill in?
 4. Based on your opinion, is there an enabling environment for social enterprise development in the country? Were there any changes in the perception in the past years?
 5. Does your Section have a social enterprise strategy/action plan? What are the key elements, if exist.
 6. What type of programmes or facility EUDEL provide to the Civil Society Organizations in the country? Does your Section contribute to these programmes financially or otherwise?
 7. Are there any support schemes that might be suitable for the needs of the social economy actors? For example, support to women, youth, civil society? Could they be suitable for social enterprises as well?
 8. What type of capacity support exist in the country? Networks, HUBs, network of impact/patient investors, incubators, start-up competitions, mentoring, etc. Are there any synergies with existing support programs within the country?
 9. Does your Section work with foreign partners implementing any social enterprise programme(s)? If not, do you think such partnership might be established?
 10. Are you aware of any special development programme that contribute to the competitiveness or sustainability of social enterprises? Please explain if positive.
 11. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover? Are you aware of any assessment of the size of the sector? If not, what do you think is the reason?
 12. What are in your opinion limitations or challenges preventing social enterprises from obtaining financing?

II. Questionnaire for the Government institutions

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. Government Authority:
5. Position:

B. REGULATORY FRAMEWORK

1. What is the key responsibility of your Government Authority?
2. Is there a law on social economy in the country? Or Strategy or Action plan? If not, under what regulatory framework social enterprises operate?
3. What kind of support social enterprises may receive from the Government bodies (such as that grants, subsidies, incentives, TA). Are there any incentives for companies to employ marginalized individuals?
4. Based on your opinion, is there an enabling environment for social enterprise development in your country? Were there any changes in the perception in the past years?
5. Please assess the importance of the topic to the political and economic agenda of the country.

C. SPECIFIC SUPPORT TO SOCIAL ENTERPRISES

6. Is your Government Authority aware of the concept of social economy? If yes, can you provide your definition of the social economy and social enterprise concept?
7. Does your Government Authority have a social enterprise strategy/action plan? What are the key elements, if exist.
8. Do you support social enterprises directly or indirectly? If yes, what type of support your Government Authority provide: technical assistance, capacity building, financial, access to market, access to capital. Please provide details of such support; range of support, conditions, years of support, type of support (grant, investment, etc...)
9. Are there any support schemes that might be suitable for the needs of the social economy actors? For example, support to micro, small and medium entrepreneurs? Could they be suitable for social enterprises as well?

D. OTHER MAIN STAKEHOLDERS

10. Who are the main stakeholders in the social enterprise eco-system in the country? Are there any support organizations, what type of support they provide, do you cooperate with them in any way?
11. Who are the main donor to the social enterprises (this may include national or foreign foundations, government grant schemes, EU funding, impact investors, individual family support, diaspora, angel investors network, etc.).

12. What are your Government Authority plans for the further social economy development?

E. EU SUPPORT TO SOCIAL ENTERPRISES

13. Are there any EU programmes or facilities that benefits social enterprises in your country? Please provide details, if positive. Does your Government Authority contribute to that programmes financially or otherwise?
14. Does your Government Authority work with foreign partners implementing any social enterprise programme(s)? If not, do you think such partnership might be established?

F. STATE OF PLAY OF SOCIAL ECONOMY

15. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover?
16. How would you assess the level of development of social enterprise sector in general in the country; start-up stage, validation stage, scaling stage?
17. What are the key challenges social enterprises face in the country?
18. What type of support social enterprises need? How do they fill it at the moment?
19. Please provide few examples of good practice of social enterprises in the country?

III. Questionnaire for the funders and supporters

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. Company name:
5. Position:

B. SUPPORT TO SOCIAL ENTERPRISES – SUPPLY SIDE

1. What type of support you provide to social enterprises? Please explain what products or services you offer?
2. What requirements you have in order to provide support to social enterprises?
3. What type of financing instruments you provide do social enterprises? Please explain the range of support, type of support (grant, loan, equity), typical amount, length of the support, additional capacity building attached to the financing, etc.
4. What products or services you offer to SMEs? Could they be suitable for social enterprises, if exist?
5. Do you have any future plans to create a more enabling environment for social economy development in the country or region? Who do you think should be responsible for social economy development within existing Government structure?

6. Would you consider partnering with similar organizations in order to provide additional support? Are you aware of any other support to social enterprises in the country/region?
7. How do you monitor and evaluate the progress of your support/investment?

C. SOCIAL ENTERPRISE NEEDS - DEMAND SIDE

8. What type of financing needs social enterprises usually have? What is the purpose of the support, typical amount they need, type of support they require?
9. What type of business advices, technical assistance and/or capacity building social enterprises typically have. Please explain.
10. What do you see as the key challenges social enterprises face when it comes to financing?
11. What do you see as the key challenges social enterprises face when it comes to capacity support?
12. What do you see as the key challenges social enterprises face when it comes to management and governing?
13. What are the key challenging in accessing the market for social enterprises?

IV. Questionnaire for the social enterprises

Note: Revised version of the questions was used for consultation meetings with the SEs

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

Name:

Email address:

Telephone number:

Social Enterprise:

Position:

B. SOCIAL ENTERPRISE INFORMATION

1. Please explain the mission of your organization/social enterprise?
2. What is your legal status of your social enterprise? How are you registered and under what law? Why did you choose that legal entity? Does it provide any benefits/subsidies?
3. What are the main social issues your organization is working on? Who are your main beneficiaries and/or clients?
4. What was the reason of establishing social enterprise?
5. What products/services your social enterprise is offering to the clients? Who are your main competitors? Who are target customers of your social enterprise?
6. How many people work in your social enterprise? Please specify how many comes from the beneficiary group, how many are full time, part time, volunteers?

C. FINANCIAL INFORMATION

7. What is your annual turnover? Did you have any profit in 2016, or years before? How do you distribute profit, if any?
8. Please evaluate the current financial status of your social enterprise:
 - a. We are losing money
 - b. We are breaking even
 - c. We are generating a profit (surplus of income beyond costs)
9. What tax you need to pay for the commercial activities within existing legal framework?
10. How did you get seed funding for your social enterprise? Please specify the source of funding:
 - a. grant (domestic or international donors)
 - b. own funds
 - c. loan from a bank
 - d. loan guarantee
 - e. support from government funding
 - f. impact investment
 - g. angel investment
 - h. equity
 - i. diaspora
 - j. other (please specify)
11. Please specify the purpose of funding and specify the amount provided including terms of funding:
 - a. operating cost
 - b. cost for the project activities
 - c. employment
 - d. start-up cost
 - e. other
12. Did you get sufficient amount of money to start your business? If not, how did you cover the rest?
13. What type and amount of funding your organization need at this stage of social enterprise development?

D. HUMAN RESOURCES

14. Did you have the necessary skills and experience to start your operations? If not, how did you obtain it? What type of support was provided?
15. What type of expertise and skills your social enterprise currently have? Do you know where you can obtain those?
16. Did you use any consulting support, capacity support, technical assistance, and networking?
17. Would you need additional consulting/mentoring/advisory support in the future? For what purposes? What specific skills your employees need?

E. OPPORTUNITIES WITHIN THE SECTOR

18. Is there an enabling environment for social enterprise development in your country?
19. Did you benefit from a membership in any social enterprise network? If yes, please specify the name of the network and type of support. What would you expect from such a network, what kind of peer support is most needed?
20. Are there any special development programs in your country supporting social enterprises?
21. Is there available EU support infrastructure for social enterprise development in your country?
22. Based on your experience what are the main challenges of social economy sector in your country.
23. Based on your experience what are the key opportunities for social economy in your country.

24. Please estimate the size of the social economy sector. Can you list some of the social enterprises in the country, giving us examples?

6.3. Annex 2 - List of Interviews

Stakeholders are divided into three main groups:

- Group 1: Representative of the public institutions
- Group 2: Representatives of support organisations and funders
- Group 3: Social entrepreneurs

N	Organization	Representative Name Surname	Position
Group 1			
1	The research Institute for Labour and Social Protection	Anna Zakrevskaya	Head of the department of the labour market research, employment and social protection
2	EU Delegation to Belarus	Aliaksei Vavokhin	Project Manager
Group 2			
1	Foundation «Добра» [DOBRA – good] Competition of social projects «Social Weekend»	Alexander Skrabouski	Founder
2	UNDP Belarus	Liudmila Sakalouskaya	Project Manager
3	UNDP Belarus	Zachary Taylor	DRR
4	UNDP Belarus	Maryna Kalinouskaya	Project Manager, Project “Promotion of

			Employment and Self-employment
5	USAID Belarus	Larissa Komarova	Head of the Programme
6	Belarus Support Programme of the German Federal Government	Oksana Elova	Coordinator of social projects
GROUP 3			
1	SE “ЭкаЕжа” (Ecofood)	Nadezha Sobolevskaya	Co-founder
2	SE “Essential Capital	Dmitry Klimkovich	
3	Social Enterprise ‘Nashy Maistry’ (Our Masters)	Vladislav Kovrov	Co-founder
4	Social Enterprise Meteorit + (Gomel)	Oksana Shevchenko	Director of the Social Enterprise Meteorit +

6.4. Annex 3 – Bibliography

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