



EU4Youth

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Social Entrepreneurship in the Eastern Partnership Countries

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List of Abbreviations

ASEA – Association of Social Enterprises of Armenia

CSO – civil society organisation

CSR – corporate social responsibility

EAP – Eastern Partnership

EBRD – European Bank for Reconstruction and Development

EBRD BSO – European Bank for Reconstruction and Development Business Support Office

EU – European Union

LCC – Limited Liability Company

NGO – non-governmental organisation

SE – social entrepreneurship

SEA – Social Enterprises Alliance (Georgia)

T4T – trainings for trainers

TOR – Terms of Reference

UNDP – United Nations Development Programme USAID – US International Development Agency

INTRODUCTION

It has been only mid 2010-ties when social entrepreneurship started to be promoted in the Eastern partner countries and remains new for them. Some, like Ukraine or Georgia, can be considered among the leaders having basic elements of the enabling system in place. Thus, Ukraine has the biggest number of socially and environmentally driven enterprises, different incubation and acceleration programmes for social entrepreneurs to offer in the informal education domain, courses on social entrepreneurship in some universities and business schools, programmes targeting teenagers and school teachers. It is the only country among the six in focus, which has impact investment programme for social enterprises. Ukraine also attempted to introduce legislation on social entrepreneurship twice, but experts developing the sector agree that it would be premature at the current stage and prefer to concentrate on strengthening other elements of social entrepreneurship ecosystem.

There is a clear correlation between the presence of different supported by international donors' initiatives and the development of the social entrepreneurship in each of Eastern partner state. Thus, Azerbaijan, with its limited access by the local CSOs to different funding opportunities has the least developed sector, while Ukraine with many donors investing in SE has progressed and even managed to mobilise the local resources through cooperation with business as well as through crowdfunding. The connection between different international projects promoting SE and the number of new enterprises in Belarus is evident.

The Republic of Moldova became the first country of the Eastern Partnership initiative to introduce terms 'social entrepreneurship' and 'social enterprise' in the legislation, but since other essential elements of the ecosystem, such as quality business education and access to funding are not in place, the dynamics of the sector is slow. In Armenia, the development of social economy has intensified in the last two years with the help of EBRD BSO, the EU Delegation to Armenia and some other donors.

All Eastern partners except for Azerbaijan, have agreed on the criteria for social enterprises that are formalized in different documents: memoranda, concept papers, resolutions, and continue to promote it between different stakeholders and decision-makers.

Trainings offered by different organisations in the Eastern Partnership region do not target youth in particular but young people constitute up to 40 per cent of their participants. All local stakeholders stress that the topic of social entrepreneurship is becoming more and more popular among the younger generation and young people are behind the innovations in the sector. They are more likely to introduce IT technologies, use innovative business models, work in environmental sector, and explore new vulnerable groups. Moreover, young people find the model of social entrepreneurship attractive since it provides employment along with social and environmental impact and helps them to feel more fulfilled.

In 2019, the EU have allocated around seven million euro under its EU4Youth initiative for the implementation of four projects aimed at the promotion of social entrepreneurship in Armenia, Georgia, the Republic of Moldova and Ukraine. These projects will contribute to the development of emerging SE ecosystems in the targeted countries provided they create strong synergies with already established and experience stakeholders in the sector.

ARMENIA

Armenia is the smallest among the Eastern partner countries with 2,8 million population, facing different social, economic and environmental challenges, high unemployment rates, especially among rural population, women, and youth and limited capacity of the government to address them. Social entrepreneurship being a tool for developing sustainable innovative solutions in different areas is in its emerging stage in Armenia, with a small number of social enterprises operating across the country.

The concept of social entrepreneurship has just started to be recognised by different stakeholders, and clear criteria for social enterprises are being discussed. While the sector is gradually growing thanks different supported by international donors' initiatives, the Association of Social Enterprises of Armenia (ASEA) is actively advocating for social entrepreneurs on the national level. New courses for aspiring social entrepreneurs appear within Impact Hub Yerevan, international competitions for social startups extend their mandate to Armenia. At the end of 2019, the European Union awarded two grant contracts within EU4Youth initiative to the organisations that will be developing youth social entrepreneurship in Armenia and Georgia. The expected outcomes of these projects will become new social enterprises and stronger eco-system of SE in the targeted countries.

Despite a vibrant development of social entrepreneurship in the last two years, the sector of social entrepreneurship is not thoroughly researched. There is no database of social enterprises, or detailed analysis of the enabling system. The most recent research dates back to 2016, and was conducted by the Impact Hub Yerevan as part of the project "Support to the EU Delegation in e-Governance and Social Innovation" with the financial assistance of the EU. A desk study analysing the ecosystem of social entrepreneurship in Armenia was carried out in 2018 within the project "Social Economy in Eastern Neighbourhood and in the Western Balkans", again with the EU funding. Both studies name lack of common understanding of what social entrepreneurship is the key challenge to study the sector. The first attempt to start wider discussions of the issue in the country was made by EBRD Business Support Office who initiated the working group and helped the elaboration of Social Entrepreneurship Development Concept Paper. The Concept paper suggested criteria to identify social enterprises in the country, among them being:

- 70% of the total budget being obtained from sales of services/goods;
- Minimum 50% of profits must be reinvested to a social mission;
- Enterprise must not operate in a sector that is prohibited for social entrepreneurship. While such list is not yet finalised, the aim of this criterion is to exclude companies from tobacco production sector, arms trade, other;
- adherence to the principles of ethical business conduct, transparency, and openness; - participatory governance of a social enterprise or inclusive decision making.

This work laid the ground for further discussions around the development of social entrepreneurship in Armenia that intensified through 2018-2019.

Today social enterprises operate in Armenia as limited liability companies (LLCs), cooperatives, foundations, and NGOs. Non-governmental organisations were allowed to generate revenues only in 2016, and according to the report prepared by Impact HUB Yerevan, none of the Armenian non-profits managed to turn into financially sustainable enterprises so far, and the percentage of their revenues derived from sales of services and goods is unknown.

The available official register provides information only about the number of registered organisations: foundations, NGOs, cooperatives and commercial companies. It is not possible to say how many of them are social enterprises, or check, what portion of their income LLCs reinvest into NGOs' mission or to the communities' development. That is why a special study is needed to identify the real size of the sector. The only available database for the analysis of the sector is the list of 50 members of the Association of Social Enterprises of Armenia (ASEA). The President of ASEA Satik Badeyan notes that this number does not take into account recent graduates of Impact Hub Yerevan acceleration programme.

Social enterprises in Armenia operate in the areas of culture, tourism and agricultural sector and mostly target people with disabilities and women in rural areas. Startups by youth entrepreneurs aim at innovative solutions and environmental domain but long-lasting successful business cases in these areas are still very few while international experience remains unknown to Armenian innovators. When approached by the author of this overview, coordinator of SAP Up international competition for social startups Vladimir Vainer regrettably admitted that no projects from Armenia were able to make it to the final of the contest in 2019, with innovative solutions and predicted business models being the main criteria for selection.

Legislation

There is no specific legislation for the development of social entrepreneurship in Armenia, however, according to the local experts, such work is being conducted and draft Concept on the Development of Social Entrepreneurship has been prepared by the ASEA. It is now under review by the Ministry of Economy of Armenia. The participants of the working group who elaborated the concept with the help of EBRD BSO consultants agree that developing a law on social entrepreneurship would be premature. Currently, the activities of existing social enterprises are regulated by different legislation depending on the form of their registration.

Education and Training

Education for social entrepreneurs in Armenia is concentrated in the informal domain and is provided on project basis with financial support by different donors. With two new EU-backed initiatives the number of such programmes for disadvantage youth in cross-border regions will temporarily increase. The sustainability of the projects' results will depend on the capability of the implementing organisations to secure funding, including local funding, for the prolongation of the programmes. In the last two years ASEA have been offering education courses for aspiring entrepreneurs and also training for trainers on social entrepreneurs that include online and offline learning, lean and business canvas, measuring social impact and other aspects. They note that Armenian social entrepreneurs lack marketing skills, do not know how to conduct marketing research or even how to prepare a ToR for such research. Given that domestic market is small, social entrepreneurs need to look for ways to export their products abroad but they lack necessary skills and education for it.

There is also a School of Social Entrepreneurs that offers paid courses for aspiring entrepreneurs from all over the country. Though there is no age limitation for the course students, the average age of the participants is 40 years old. The school offers three-month long courses on social entrepreneurship including online and offline modules, and mentoring support. These courses have been running for two years in Armenia and remain self-sustainable, which is a rare case for startups school especially in such economically challenged country as Armenia and is a case for more profound research.

In 2017, the UNDP Armenia, in collaboration with Impact Hub Yerevan and the Catalyst Foundation, launched the first impact accelerator in the country, called the ImpactAim Venture Accelerator, as part

of the UNDP's strategy to use impact investment for the achievement of the sustainable development goals.

This accelerator became a pilot initiative with the potential to be scaled up and be replicated globally. The first call for applications was issued in October 2017, the second one – in March 2018 and was open to companies from around the globe, but in the end, a decision was made to focus on companies based in, or having strong links with Armenia. The Accelerator did not include a funding component for participants. Instead, it focused on maturing the enterprises to a stage where they will be able to attract private investments.

In the area of formal education, a course on social entrepreneurship is presented in American University of Armenia and some other universities.

Access to Funding

A small survey conducted by EBRD BSO of 37 self-proclaimed social enterprises showed that 66% of them were founded with grant, sponsorship, donations money and membership fees. Very few were set up with personal investments of the founders or their families. No other funding except seed grants within different sponsored by donors' programmes are available. The surveyed experts note however, that Armenian diaspora could play a role for the development of social entrepreneurship in the country by developing impact investing, while developing microfinancing with its short return period and high refinance rates would be premature. Crowd funding page for Armenia – GoGetFunding shows no success crowd-funding stories of social enterprises.

Measuring Social Impact

No system to monitor social and environmental impact of social enterprises is in place in Armenia. Social impact reports are not produced by Armenian social enterprises.

AZERBAIJAN

Azerbaijan has the least developed ecosystem of social entrepreneurship (SE) among other Eastern partner countries and the smallest number of active social enterprises. There is no community of social entrepreneurs in Azerbaijan, no studies to assess the size of the sector or surveys to reveal the needs of the local social enterprises have been conducted so far. No working groups of experts on SE, or any other networks have been established. According to Ilyas Farhadli, programme manager at the Idea Lab BAKU, the organisation that provides education and other support to Azeri social startups with the support of the Swedish Government, says that there are only seven social enterprises in the country, and all of them are at the initial stage of development. They operate either in the form of a limited liability company being established by an NGO, or in the form of an NGO and represent small and micro businesses. There is no shared understanding of criteria for social enterprises in Azerbaijan, since the sector is just emerging and the number of stakeholders is very small, while the whole concept of social economy remains unknown to wider circles of the society.

Legislation

Azerbaijan does not have specific legislation for social enterprises or official definitions of the terms 'social entrepreneur', 'social enterprise', or 'social entrepreneurship'. No attempts to discuss the necessity to introduce such legislation took place in the country so far. The activities of the few existing social enterprises are regulated by different legislation depending on the form of their registration.

Non-governmental organisations in Azerbaijan have the right to conduct economic activities if they reinvest their profits to achieve the statutory goals. After many foreign donors have gradually withdrawn their support following legislative restrictions introduced in Azerbaijan in recent years, many NGOs chose to switch to conducting economic activities to survive. However, bureaucratic obstacles related to registration of income of NGOs is playing a chilling effect on the sector. Despite there is no official data on total income of civil society organisations derived from economic activities, the estimations by civil society experts are that the share of revenues from sales of services and goods by NGOs is less than 10%. Income from entrepreneurial activities of NGOs is taxable in Azerbaijan. At present, there are no tax incentives or exemptions for NGOs. Additionally, they are required to have separate accounting system to conduct economic activities. This is one of the reasons why newly established social startups prefer to be registered as commercial companies that do not have restrictions for profits redistribution and separate accounting demands. These limited liability companies usually belong to individuals that puts a question whether they can meet one of the European criteria for social enterprises – democratic governance and participatory decision-making.

Education and Training

The access for social entrepreneurs in Azerbaijan is limited to the programmes offered by some project – based initiatives including the Baku Idea Lab – a youth organisation offering different services for aspiring entrepreneurs and girls precisely, and organises different events promoting social entrepreneurship. The activities of Baku Idea Lab are funded by the Swedish Government through a service contract. Currently, no EU-financed initiatives in the area of social entrepreneurships are being implemented in the country.

Since non-profit organisations have always played a significant role in promoting social economy and social entrepreneurship, limited access of local CSOs to foreign funding negatively impacts the sector's dynamics. There are no long-term programmes to support social economy in Azerbaijan. The local CSOs have limited access to opportunities of exchange of experience and learning from their counterparts in the EU and Eastern Partnership region. The knowledge of SE the limited number of stakeholders possess was obtained mainly through internship programmes offered by CSOs in the EU member states and sometimes in the Eastern Partners countries, mostly Georgia.

Nevertheless, despite lack of knowledge about social entrepreneurship in Azerbaijan, there were attempts to integrate courses about the basics of social economy in the formal system of education. For instance, social entrepreneurship is part of the curriculum of 'NGOs and Human Rights' programme offered by Baku State University. Extra curriculum course 'Social Enterprise' was introduced by the Azerbaijan Tourism Institute in 2018. However no assessments of these courses have been conducted so far and the number of students enrolled is unknown.

Access to Funding

There are no specifically designed programmes offering funding for social enterprises in Azerbaijan, no by foreign donors, the state, or private business. Crowdfunding is not well developed in Azerbaijan. Microfinancing decreased amid the drop of oil prices and following economic crisis, pawnshops are more popular with aspiring entrepreneur who offer their property (mostly jewelry) in exchange of loans to start their social businesses. Some social enterprises had been established with donors' support in the past but showed no sustainability.

Social Impact Measurement

The local social enterprises do not measure their social impact. Some of them report donations on their webpages, as well as the number of people they served.

BELARUS

Social entrepreneurship remains a novelty for Belarus. Since 2015 the development of the sector has intensified being encouraged by different initiatives offered by CSOs with the financial support from international donors, the biggest among them being the project 'Social Entrepreneurship Incubator' implemented since 01.02.2016 until 31.07 2019 with the EU funding. Social entrepreneurship became a topic raised by this project implementers during different large-scale events dedicated to various aspects of social and economic development. Among them – the Social Business Forum, the National Social Forum, March Meetings of CSOs, Assembly of Business Circles of Belarus, other.

In Belarus, clear correlation is observed between different capacity building programmes, study visits, internships dedicated to social entrepreneurship and the number of new social enterprises established following them.

Since there are no official definitions for social entrepreneurship sector, Belarusian researchers and promoters of social entrepreneurship chose to follow the European criteria and suggested a working definition for social enterprises: 'Social Enterprises is an enterprise that is established with the aim to solve or mitigate social and environmental problems'.

A social enterprises in Belarus:

- 1) is a private venue that can conduct commercial activities regardless the form of its registration (Limited liability company, individual entrepreneur, non-profit establishment¹⁰, foundation, other) with at least 60% of the revenues coming from sales of services and goods;
- 2) reinvests profits to solve social problems;
- 3) works to solve problems of vulnerable groups, the environment or provides vulnerable groups with specific services or good at lower if compared to the market prices/ or even free of charge (with a proportion of free of charge services (goods) clearly indicated in the relevant documentation);
- 4) clearly states its social mission;
- 5) applies democratic management principles and welcomes participatory decision-making.

The fifth criterion is not always met by social enterprises, and is mostly applicable to commercial venues established by civil society organisations (CSOs). Innovative solutions – another important feature of social economy – are also not very well spread among Belarusian entrepreneurs and are mostly applied by young social entrepreneurs who introduce IT solutions¹¹, or work with new vulnerable groups¹², or topics¹³.

Currently, no proper mapping of Belarusian social enterprises, or any official register is available. Information about Belarusian social enterprises can be found on the web-pages of different CSOs providing entrepreneurial education, and publications describing business models of BY social enterprises prepared in the frames of different projects.

The first empirical research of the sector 'Social Entrepreneurship in Belarus' was conducted by the ODB Brussels in 2015-2016¹⁴. The study aimed at identifying the number of the enterprises that can meet the European criteria, to distinguish between different types of social enterprises operating in

Belarus. Unfortunately, up to date the document remains the only accessible research of the SE sector in Belarus. According to its findings, as many as 200 enterprises with clear social missions had been revealed in the country. Around 95% of them were enterprises employing people with disabilities, with the majority of

businesses. A dialogue on the development of social entrepreneurship started in the frames of the project and successfully continues upon its completion.

10 Non-profit establishments in Belarus are allowed to conduct economic activities provided the profits are reinvested to achieve statutory goals.

11 'IT Owl' – courses for people with disabilities, 'My Freedom School' – IT design for people with hearing disabilities

12 Centre for Active Ageing target people at the age of 65+

13 First in Belarus shop without packaging promoting conscious consumption – zero.by

14 https://by.odp-office.eu/ekspertyza_/sacyjalnaje-pradprymalnictva/chto-pomogaet-razvivatsya-sektorusocialnogo-predprinimatelstva-v-belarusi

the companies being established by non-profit organisations. The research outlines eight types of social enterprises, compares business models and regulations impacting their activities, studies their needs. A desk analysis of the ecosystem of social entrepreneurship in Belarus was carried out in 2016, entitled 'Belarus, No Business as Usual' analysed the enabling environment of social entrepreneurship and surveyed 15 aspiring social entrepreneurs. The conclusion of the research was that such system was not in place in Belarus.

Both research papers stress a great need for business-education for Belarusian social entrepreneurs since the majority of them are coming from social sector or being pushed to open a commercial venue by personal circumstances. Another challenge social entrepreneurs mentioned was poor access to seed funding, and lack of understanding and support from families and friends – usually first supporters of social entrepreneurs. Absence of relevant legislation was not named among the obstacles that prevent social enterprises from opening their businesses.

Yet another research of Belarusian social enterprises was conducted by the Research Institute for the Ministry of Labour and social protection in 2017 on the order of the Ministry of Labour and Social Protection of the Republic of Belarus with the aim to study the necessity for the development of specific legislation regulating the activities of social enterprises and entrepreneurs. However, the results of the research were not publicised.

Legislation

There is no specific legislation to regulate the status of social enterprises in Belarus. All enterprises that prioritise their social missions over the profits work as regular SMEs. Commercial venues employing over 50% people with disabilities enjoy certain incentives when it comes to taxation, rent of space from municipalities and public institutions, participation in the public procurement, and some other. However, all incentives are spread through different legislative acts, and an aspiring entrepreneur may find it difficult to learn about them. The work to analyse and systemise the available legislation was conducted through 2017-2019 as part of the activities of the Working Group with the project "Social entrepreneurship Incubator" consisting of social entrepreneurs, independent experts, representatives of international organisations, representatives of the relevant ministries. As a result, a draft concept of Law on Social Entrepreneurship was developed. The document however did not make it to the

Belarusian Parliament and was sent back to the Ministry of Labour and Social Protection for further elaboration. The first version of the draft concept offered extending existing for employers of people with disabilities benefits to the enterprises working with other vulnerable groups – women and youth in difficult life situations being among them. It also proposed definitions for the terms ‘social entrepreneur’, ‘social enterprise’ and ‘social investor’. Though the Working Group had not been dissolved, no meetings took place since June 2019.

The EU funded project “Support to Economic Development at the Local Level in the Republic of Belarus” that is implemented by UNDP Belarus and the Ministry of Economy of the Republic of Belarus envisages certain activities to continue developing legislation on social entrepreneurship, but no formal meetings of the group took place in 2019-2020. Most probably that the work on the legislation will be suspended in favour of development of the Law on people with disabilities that is due in autumn 2020.

Education and Training

All existing courses for social entrepreneurs are offered on project basis by CSOs and social entrepreneurs themselves and are funded by different donors including by the EU, MATRA, and the German Ministry of Foreign Affairs. The majority of them cooperate and exchange best experiences and lessons learned, and none of the providers sees youth as their focus. However, young people at the age of 18-31 consist from 20 % to 40% of the participants. An offline course on social entrepreneurship for teenagers of 15-18 years old was offered within the “Social Entrepreneurship Incubator” and is no longer available after the completion of the project.

An important local stakeholder in the area of social economy is the Foundation Dobra (Good) that organises social startups’ competition in Belarus twice per year. It does have an entrepreneurial education component in its education track, but the number of really entrepreneurial projects among the competition winners is really small. Since 2017, German IT giant SAP started to organise contests for social startups also in Belarus as part of their CSR strategy. The competition included two-day long training course on project development and pitch presentation for the selected finalists. However, it is unclear if it will continue in 2020.

Social Entrepreneurship is not taught at Belarusian schools. The first and the only programme on social entrepreneurship for the time being at a higher school level was introduced in Sukhoi State Technical University of Homiel in 2019 by the graduate of Biz4all programme for aspiring social entrepreneurs within the “Social Entrepreneurship Incubator”. A 30-hours-long course (equal to one credit) became part of specialization “Economy and Management at small and medium enterprises” and is attended by 15 students. Since the course is popular with post-graduates and is considered the innovation by the university administration the possibility to include it in other programmes is being discussed.

School campaigns and other activities developing entrepreneurial qualities and skills of the younger generation are not in place with the exception of rare private initiatives by school headmasters.

Access to Funding

Access to funding for Belarusian social entrepreneurs is limited to their own savings and those of their families, small seed-funding packages (up to 7.000 euro) were available for the social startups within the ‘Social Entrepreneurship Incubator’ and some other projects.

Additionally, two crowd-funding platforms exist in Belarus, talaka.by and ulej.by., and can potentially be the source of seed funding for aspiring social entrepreneurs through their talakosh and MolaMola

products. However, no open data available about the amount of such funding or the quantity of social entrepreneurs who have ever attempted it.

Bank loans are available for social entrepreneurs under the same conditions as for other SMEs in Belarus. No cases when a bank loan would be approved for a social enterprise are known. Despite the development and launch in 2019 of a special financial product for social entrepreneurs by the Development Bank of the Republic of Belarus, no social entrepreneurs were able to receive the money. The biggest challenge for them remains lack of credit history, lack of property for collateral and short return period for the loans offered by Belarusian banks.

Measuring Social Impact

Measuring social impact is a new topic for Belarus. The necessity to measure it has been discussed during a number of round-tables and seminars through 2017-2020, but there is no shared understanding how the impact should be measured, if Social Return on Investment methodology (SROI) would be applicable in Belarus at the current stage of the sector development, or should there be a simplified system to measure social impact and verify its indicators to start with.

Very few Belarusian social enterprises make efforts to measure their impact, even less report about it publically. Those who measure provide number of vulnerable groups' representatives they employ or have helped the adaptation (integration), amount of taxes paid to the state by the employed people, proportion of 'disability pensions' saved as a result, number of parents of the disabled young people who were able to get their jobs back. If a social enterprise is working on the adaptation of drug and alcoholic addicts, they calculate number of persons in long-term remission, amount of their debts paid back to the state, number of children who were returned to families from the orphanages (Social Enterprise Nashy Maistry). When speaking about social enterprises working to solve environmental problems, they calculate the amount of second-hand clothes collected and redistributed to those in need (Charity Shop Kali Laska), number of tons of used plastic film from greenhouses collected from the population (Social Enterprise 'Rural Stolinschyna'). Some try to assess the so-called non-monetised effects of their enterprises such as improved self-esteem and health conditions of their clients (Centre for Active Ageing). However, such measuring is possible only for the well-established social enterprises of at least three-four years of operation.

The first attempt to help social innovators become aware, measure and manage their own impact was made within the project implemented by Estonian NGO PRAXIS in cooperation with the local consultancy NGO with the financial support by the Estonian Ministry of Foreign Affairs. The results of the work were presented in February 2020 in Minsk. The project concentrated on the ways CSOs and social enterprises can manage their desired impact already at the planning stage.

GEORGIA

Like in majority of the Eastern partner countries social enterprises are not officially recognised in Georgia, however the sector is being developed with the help of international donors and local private investors. According to Giga Tichivili, Youth Social Entrepreneurship Programme Manager at the Center for Strategic Research and Development of Georgia – one of the lead stakeholders in the sector, there are about 90 social enterprises in the country, and about 50 are actively engaged in different programmes and projects organised in Georgia.

Another large stakeholder, the Social Enterprises Alliance Georgia (SEA) provides information about 47 social enterprises in the country – the members of the Alliance.²⁰ SEA's mission is to foster the

environment in which social enterprises can thrive, ensuring sustainability of existing enterprises and initiating new social enterprises. The organisation cooperates with international donors, Georgian businesses and financial institutions.

Most of Georgian social enterprises operate in a form of an NGO, since the Georgian legislation allows them to conduct economic activities. In case when economic activities become a 'substantial source of funding' for CSOs they are obliged to open a limited liability company (LLC). However, the proportion of the revenue when an NGO should move forward with establishing a commercial company is not defined in any official documents. Some social enterprises, for whom profits from their economic activities become the main source of funding chose to open an LLC for management purposes. Some social enterprises also use the form of cooperatives to conduct their activities.

A comprehensive research or a mapping of social enterprises has not yet been conducted, and all information about them is available only through contacting experts and on the webpages of the NGOs developing the sector. Many of them believe that the adoption of Law on Social Enterprises will foster the process of SE development in Georgia and will make social enterprises more visible for different local and international stakeholders.

Legislation

Georgian legislation does not regulate the activities of social enterprises. Despite being named a mechanism for support to vulnerable groups and facilitation of innovations at some national and local strategies by the Government, the terms 'social entrepreneurship' or 'social entrepreneur' are not defined in the official documents. The draft law was for the first time suggested by the Center for Strategic Research and Development of Georgia in 2015. The law offered the introduction of a separate legal entity for social enterprises, like in the UK. However due to Georgia's transition to the Estonian economic model the draft law had to be elaborated further in 2017 and now suggests to grant status of a social enterprise to the organisations meeting the following criteria, regardless their form of registration. Thus, a social enterprise must:

1. be established to achieve social goals in the areas of - social care, social adaptation, poverty reduction and alleviation, promotion of employment of vulnerable groups in the community, education, healthcare, culture, sports and environmental protection;
2. engage in entrepreneurial activity and the major part of its revenues must be generated from the entrepreneurial activity;
3. reinvest not less than 70% of its profits in the activities targeted at achieving social objectives envisaged by the Statute;
4. be governed by democratic principles and the change of charter and statutory goals shall be allowed by at least 80% of the vote;
5. not to be directly or indirectly connected or subordinated to the state or local self-government body.

The draft law does not offer any tax incentives for social enterprises, however it advocates for preferential treatment of such enterprises during state procurement services, suggests allowing allocation of grants for the development of economic activities by NGOs (that is currently forbidden). In 2019, the law was once again initiated by the Parliament but no plenary sessions have been conducted to discuss it so far.

Education and Training

Entrepreneurial education is offered by non-formal providers, among them being Center for Strategic Research and Development of Georgia, Social Enterprises Alliance Georgia (SEA) that are funded by different donors including the EU, as well as local and international business present in Georgia, such as the Bank of Georgia who prefer to support providers of SE education rather than enterprises directly. Both organisations offer incubation and acceleration programmes for aspiring social entrepreneurs including youth entrepreneurs, organise awareness raising trainings in different regions of the country and idea search competition. Regrettably, the two organisations have no institutional funding and the programmes they offer are project based.

Center for Strategic Research and Development of Georgia contributed to the development of first in Georgia programme on social entrepreneurship in Ilia State University of Georgia (bachelor's level). It is a practical course orienting its graduates towards establishing their own social enterprises. The course is brand new and started to be taught in September 2019.

Two programmes within the framework of EU4Youth initiative will cover activities in Georgia and Armenia through 2019-2023, with the total amount 3.325.000,00 euros. Both projects aim at the development of entrepreneurial potential of young people from the two countries in the field of social entrepreneurship, and will contribute to social cohesion, employment, inclusion and reducing inequalities.

Access to Funding

The main sources of funding for Georgian social enterprises remain grants under different supported by donors programmes and initiatives. There are no impact investment programmes in Georgia.

Among the donors who have supported social enterprises in Georgia in different periods are: the EU, Swedish Government, Swiss Government, German Government, US Government, Japanese Government, and Georgian government through support to CSOs promoting social entrepreneurship.

Commercial organisation Crystal provides micro-loans with 0% interest rate to Georgian social enterprises as part their Corporate Social Responsibility (CSR) strategy. The programme was developed within the EU funded project implemented in 2016-2019 by the Center for Strategic Research and Development of Georgia. Some Georgian banks give grants to Georgian social enterprises infrequently also as part of their corporate social responsibility (CSR) programmes. Crowdfunding is not very well developed in the country.

Measuring Social Impact

Planning, measuring and verifying social impact remains a challenge for social enterprises. According to the local experts, very few organisations are measuring it in Georgia, others have difficulties on how to even plan it. The awareness raising activities about the importance of measuring social impact are conducted by the Center for Strategic Research and Development of Georgia, who is the member of Brussels-based European Venture Philanthropy Association (EVPA). EVLP's manual on planning, measuring and management of social impact was translated into Georgian, and is being promoted in the country.

REPUBLIC OF MOLDOVA

Social Economy has started to develop in the Republic of Moldova quite recently. Unlike in Belarus or Ukraine, it does not root back to the end of 1990-ies – beginning of 2000-ties. In the last five years, social entrepreneurship has been developing here with the support of foreign donors and international organisations, among them being UNDP, East Europe Foundation, USAID, and the Austrian Embassy to the Republic of Moldova who helped the transformation of a number of local CSOs into commercial venues – social enterprises. Up until now, donors' support through different projects and in some cases through tailor-made programmes for SEs remains the only source for establishing new social enterprises.

However, when it comes to formalized definitions for social enterprises, the Republic of Moldova demonstrates certain progress if compared to other Eastern partner countries. A separate chapter on Social Entrepreneurship was included in the Law on Entrepreneurship and Enterprise of the Republic of Moldova. According to the law, social entrepreneurship is defined as an entrepreneurial activity whose main purpose is to solve social problems in the interest of the community. These social enterprises need to clearly pursue a social objective and reinvest 90 % of their profits in achieving it. Additionally, the Law offered a definition for the term 'integration social enterprise' and defined it as a venue that must focus on creating jobs for vulnerable groups of population with minimum 30% of their employees belonging to this category and 90 % of profits reinvested.

The discussions with the government on the development of social economy in the country were initiated by the CSOs working in the social services sector that were mobilised around an online platform Initiative for Social Entrepreneurship in Moldova with a view to make the local non-profits less dependent on donor support and sponsorships. However, despite the formalisation of the definitions the concept of social economy and social entrepreneurship remains new and to a large extent unclear for many stakeholders in the country.

Since there is no systemic data collection or any mapping of social enterprises in Moldova, it makes it difficult to make any assumptions about the size of the sector, and the main areas social enterprises work in. No surveys or needs' assessment of aspiring entrepreneurs have been conducted and publicized. There are no institutional long-term programmes that would support the development of social entrepreneurship in the country and all data collected was received either from donors who funded short-term programmes on the promotion of social entrepreneurship among NGOs to ensure their greater financial sustainability or from CSOs working for/with people with disabilities. According to their assessment there were from 18 to 150 social enterprises in Moldova in 2016-2017. Since the majority of these enterprises are registered as NGOs it is unclear what percentage of their revenue is derived from sales of goods/services and if they fully satisfy the European criteria for social enterprises. Among other popular with social enterprises registration forms are limited liability companies (LLCs), and foundations. The known Moldovan social enterprises provide education including environmental, various services for children, ensure employment and adaptation of people with disabilities. The most successful Moldovan social enterprise was founded by a non-profit organisation Eco-Razeni. Eco-Razeni established a catering company with the support from the Austrian Government in 2012. The mission of this social enterprise is to create opportunities for young people in the community development and inclusion/professional integration of young adults with disabilities. The social enterprise employs over 20 people with disabilities and is considered the largest in the sector.

Legislation

Apart providing definitions and listing criteria for social enterprises, the Chapter on Social Entrepreneurship lists the activities that can be conducted by them. It states that a Special Commission

must be established to approve the legal status of a social enterprise for three years. However, by the end of 2019 such Commission has not been established.

The Moldovan government envisaged certain tax incentives, rental benefits, mentoring from public institutions, and other support measures for social enterprises. At the same time experts note, that the authorities are still very cautious about offering any substantial financial stimuli for social enterprises for the fear that they may be misused by traditional business companies. In the absence of other essential elements of the social entrepreneurship ecosystem, being entrepreneurial education including mentoring, SE personal enablers, financial institutions, creating a legal framework along will not be able to ensure the growth of the sector.

Education and Training

The only education available for aspiring social entrepreneurs is offered by non-formal education providers on a short-term basis. So far, no incubation or acceleration programmes for social entrepreneurs have been organised in Moldova. The available small training programmes lack strong business development component, financial management, marketing, sales, and other important elements of entrepreneurial education.

Two projects promoting social entrepreneurship among the youth will be implemented in Moldova in partnership with Ukrainian, Romanian and German organisations with the financial assistance from the EU as part of the EU4Youth initiative in 2020-2023. One of the project “Social Innovation Impact – a strategic partnership” envisages organising awareness raising campaign about social entrepreneurship and establishing Social Innovation Labs in Moldova and Ukraine to offer information, professional capacity building and developing start-ups by Moldovan and Ukrainian youth as well as organising Social Impact Award competition. The second project ‘Unlocking the potential of young social entrepreneurs in Moldova and Ukraine’ targets improving the existent legal framework for SEs in Moldova and establishing legislation for social enterprises in Ukraine based on Moldova’s best practices; improving capacity of SEs in business administration, fundraising and promotion of SEs’ interests via development of Moldovan and Ukrainian network of young social entrepreneurs, strengthen relevant business support structures for young entrepreneurs in both countries, including start-up funding. The overall budget of the two projects is 3.325.669,83 euro. Since the two projects target the same group of people in Moldova in Ukraine strong synergies must be established between them in order to avoid overlap and duplication of the activities and ensure greater outreach to the youth in focus.

Access to Funding

The majority of funding to social enterprises come through different donors, among them UNDP, USAID, the EU. Tailor-made support through grants to social enterprises directly in the past was provided by the Embassy of Austria to the Republic of Moldova. Organisations supported within UNDP project showed low level of sustainability, for that reason the programme was not repeated.

There are no special financial instruments for social entrepreneurs offered by Moldovan banks, no impact investing programmes are existent in the country. Crowdfunding is not yet very popular source of seed funding among social entrepreneurs. Moldavans prefer donating to religious organisations and charities working with children, while the concept of social enterprises and the impact they produce is not very well known to the local public.

Public money is available for CSOs through some programmes by the government, and theoretically speaking, they are also available for social entrepreneurs. However, no good cases are known so far.

Measuring Social Impact

Donors and organisations that provide support to social enterprises use their own methodologies to monitor and evaluate social enterprises that are mostly limited to project level monitoring and do not include the economic activities of social enterprises. The monitoring and evaluation of the social impact is usually inherited from CSOs who mostly measure the number of beneficiaries served, number of disadvantaged people employed, job opportunities created, and some qualitative outputs related to the improvement of the quality of life of beneficiaries served.

UKRAINE

It is a shared opinion by many Ukrainian and international stakeholders, that 2014 became a turning point for the development of social entrepreneurship in the country. Deterioration of life conditions and a growing number of internally displaced persons (IDPs) and ATO veterans caused by war conflict with

Russia keep posing new challenges before the government and the local communities. Lead experts and stakeholders developing the sector in Ukraine note, that many social enterprises appear in the areas where 'no hope to receive support from the government is left' and creating a commercially successful venue becomes the only way for representatives of vulnerable groups to have their problems solved.

The role of youth for the promotion of social entrepreneurship is becoming more and more important. While older generation representatives are mostly developing social enterprises providing employment for people with disabilities, younger people focus on bringing in innovations and offer environmentally friendly solutions for different societal problems. New social enterprises appear in the area of recycling like (Ukraine without Waste), upcycling, urban development (Urban Space), and other.

Stakeholders involved in entrepreneurial education note, that it is equally important for young people in Ukraine to be commercially successful and have a meaningful job. For this reason, education and training courses on social entrepreneurship are becoming very popular with students.

Since there is no official status for social enterprises in Ukraine, all estimations about the size of the sector are approximate and differ from one expert to another. According to Vasyl Nazaruk, Impact Investing Programme Manager at Western NIS Enterprise Fund (WNISEF), there are about 1500 social enterprises currently operating across the country.

In April 2019, in the framework of the OSCE project: "Prevention of Human Trafficking in Ukraine through the Economic Empowerment of Vulnerable Persons", a Working Group was established to elaborate a concept on the development of social entrepreneurship. Its participants agreed on five criteria for social enterprises, and their conclusions are shared by the majority of other stakeholders in the country. The five criteria are as follows:

- 1) a social enterprises must be a self-sufficient profitable business regardless the form of its registration (LCC, individual entrepreneur, charitable organisations, cooperative, other);
- 2) availability of social mission (purpose) a social enterprise is working to achieve is obligatory. The social mission must be clearly formulated, written down and evident for other people;
- 3) reinvesting of profits to achieve social impact is obligatory and must also be formalized. The percentage can of reinvested profits can differ. For example, some Ukrainian enterprises reinvest 80% of their profits, others – 100%,

4) measuring and reporting on social impact at least once per year is obligatory; 5) democratic governance and participatory decision making at a social enterprise.

Legislation

Ukraine does not have special legal framework to regulate the activities of social enterprises, and the terms 'social enterprise' or 'social entrepreneur' remain unrecognised officially. Social enterprises are regulated by existing legislation that is specific to how an enterprise is legally registered. These forms may include individual entrepreneurs, limited liability companies, non-governmental organisations, charitable organisation, agriculture cooperatives and some other. This freedom in choosing an organisational and legal form that suits the social enterprises best in terms of business model and taxation is seen as advantage (!) by many experts.

There is no consensus among different Ukrainian stakeholders developing social entrepreneurship in the country whether a separate law is needed for the domain. Some fear that the law could add to additional burden by establishing a new controlling body and create a field for manipulation and abuse from the side of traditional businesses. They also believe that a complex law may not be needed for the development of the ecosystem of social entrepreneurship at a current stage, with a small number of social innovators.

They say, that while tax and other benefits are available for enterprises established by organisations of people with disabilities, no expansion of the sector is observed.

Education and training

Most programmes educating social entrepreneurs are concentrated in the non-formal education domain. Non-formal education providers offer different pre-acceleration and acceleration programmes, strong mentor component and seed-funding opportunities. They target potential social innovators without age limitation meaning that the youth is included in their focus.

There are also specific programmes for teenagers and school pupils. For example, ChildFund Deutschland and East Europe Foundation offer courses on social school entrepreneurship, for school teachers who then teach their pupils and encourage them to open social enterprises in schools.

Programmes for aspiring social entrepreneurs include business development components, as well as specifically related to SE training: on social business/lean canvas, financial planning, marketing and sales, story-telling, basics of social impact management, and other. The duration of such courses starts from free months. The providers of such education offer combined, online and offline classes, encourage networking and peer learning among its participants, link them to potential investors.

At the same time, WNISEFF managers note that 80% of social startups applying for the loans under WNISEF Impact Investing Programme cannot calculate their cash flow or create financial forecast for two years, meaning that there is still a room for improvement in the sector.

At the university level, courses on social entrepreneurship are integrated in the curricular of different social and business programmes. Kyiv-Mohylana Academy was the first one to introduce courses on social entrepreneurship in the system of formal education as part of School of Social Work at the National University. The number of courses on SE within system of formal education increased following the implementation of the EU-funded 'Social Entrepreneurship: Achieving Social Change from Bottom Up' implemented by Ukrainian Philanthropists Forum that assist Ukrainian universities interested in integration social entrepreneurship courses in their curricular.

Access to Funding

Many experts and stakeholders in the area of social entrepreneurship agree that startup social enterprises need grants and non-refundable capital sources until they reach a break-even. Since money is expensive for startups, this could be a problem resolved by the donors. Currently, among the key investors that support social entrepreneurs with various tools are: WNISEF, programmes of the U.S. Embassy in Ukraine (small grants), EBRD, UNDP Ukraine, OSCE Project Coordinator in Ukraine (OSCE PCU), IOM, Canadian PLEDDG Project, European Commission (EC), EEF, IRF. They offer grant programmes and loans for social enterprises. There are also various investment funds, venture philanthropists, private foundations and regional state funds that foster social entrepreneurship development; as well as numerous accelerators and incubators that specialise in preparing and launching social enterprises.

Currently there are no state-support programmes for enterprises with social missions in Ukraine. Social contracts are available for CSOs working with people with disabilities, theoretically, social enterprises being among them. There are no state support entrepreneurship programmes for IDPs, and ex-militaries, the youth, senior citizens of 50+ years old, and other vulnerable groups.

Crowdfunding started to be used by social entrepreneurs for collecting seed funding. There is a Ukrainian platform Spilnokosht, the purpose of which is to develop social innovations in Ukraine. Additionally, Ukrainian social innovators actively use international crowd-funding platforms, such as KickStarter, Indiegogo, Go Fund Me.

Measuring Social Impact

There is no unique social impact measurement system in Ukraine. Most common form of reporting about social aspects of businesses are the reports on the social enterprises webpages or in social networks. Such reports usually show a number of representatives of vulnerable groups employed, number of clients, customers' reviews, quality and number of services provided. Some social enterprises produce social impact reports once or twice per year. However, the issue of verification of social results remains unsolved. Ukrainian auditors do not offer social audit, while SROI – social return on investment is a costly method and is not affordable for local organisations mostly presented by small and even micro enterprises.