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THE SCIENCE OF IMPROVING LIVES
GOVERNMENT SUPPORT TO SOCIAL ECONOMY
Andreja Rosandić
REGIONAL CONFERENCE
The road to financial sustainability of civil society organizations
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DEFINITION

"Social enterprises combine societal goals with entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives.

Their main objective is to have a social impact rather than make a profit for their owners or shareholders. They often employ socially excluded persons thus contributing to the social cohesion, employment, inclusion and the reduction of inequalities.

Social enterprise operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives.

It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities."

http://ec.europa.eu/growth/sectors/social-economy/enterprises_en

There is no single legal form for social enterprises (Social Cooperatives, Private companies, Mutual organizations, Non-profit - associations, voluntary organizations, charities, foundations)

Three main pillars:

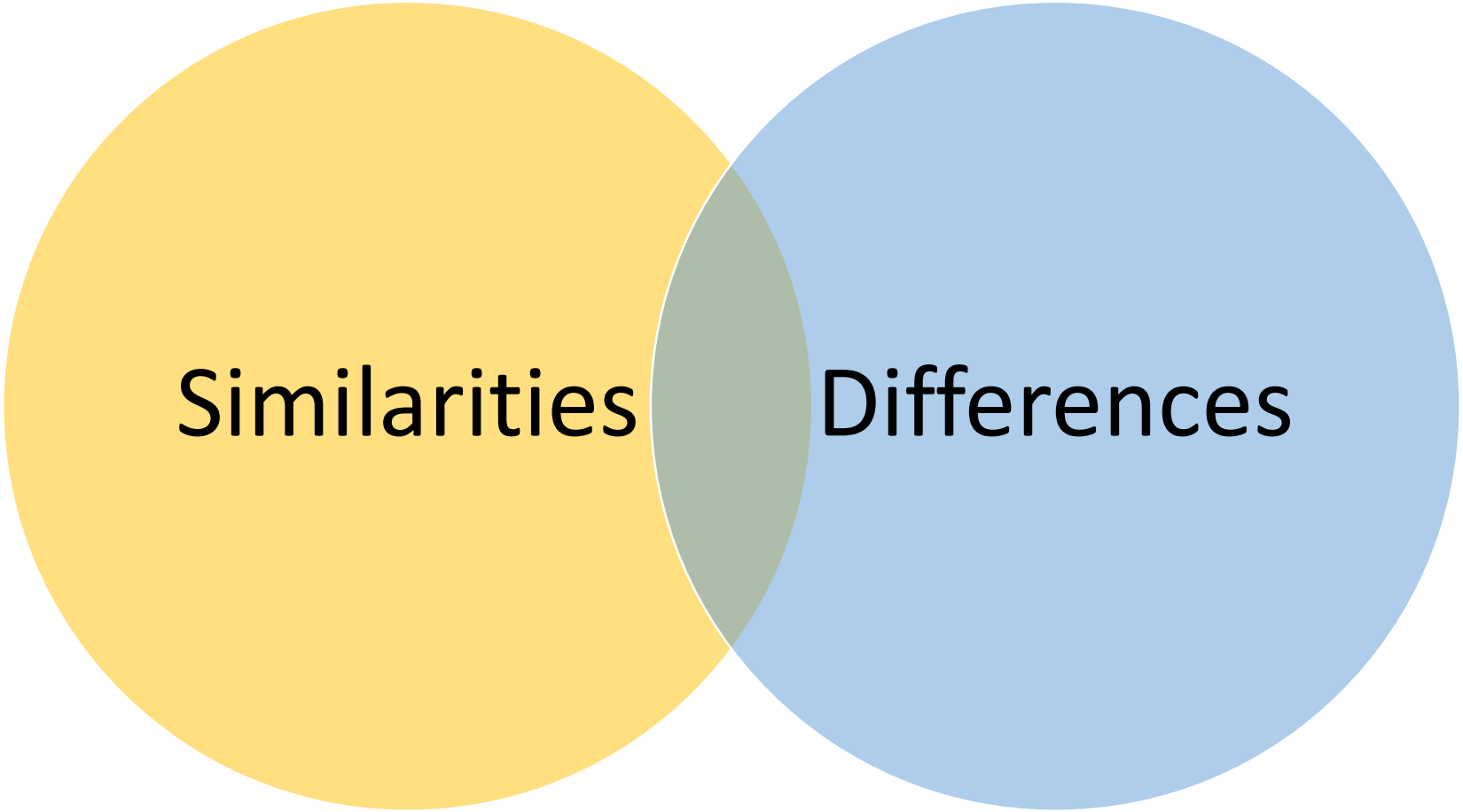
1. Social or societal objective of the **common good** is the main reason for the commercial activity.

2. Profits are mainly **reinvested** with a view to achieving this social objective.

3. Method of organisation or ownership system reflects the enterprise's mission, using **democratic or participatory principles or focusing on social justice.**

Eastern Neighbourhood

Western Balkans


Similarities
Differences

GENERAL SIMILARITIES WITHIN THE REGIONS

- Still considerable influence of the state in business operations;
- Changes in government or policy lead to changes in the regulatory framework;
- No recognition of the socially driven initiatives, no tax benefits, lot of administration, inconsistent implementation of regulations;
- Social economy is seen as an inclusion model mostly for people with disabilities;
- Social enterprises are donor funded;
- Absence of coordination, cooperation and exchange of best practices.

GENERAL DIFFERENCES WITHIN THE REGIONS

There are more socially driven investments available in WB;

EN countries - seed funding comes from donors or private money;

Social enterprises are not included in the supply chains;

WB has more advanced CSR;

WB countries already have some support infrastructures - intermediary organizations, incubators, accelerators, training centres, mentoring and coaching programs coupled with funding and networks;

In EN such a structure still not sustainable, provided on a project basis and donor funded.

SUMMARY FINDINGS

The research confirmed the importance of SE in both analysed Reagions and showed the following:

- Majority of the social economy actors are **community-based organizations**, rooted in the local community, knowing and filling the needs of that community.
- Social enterprises **employ significant number of people** coming from vulnerable groups.
- Social enterprises **create locally based jobs** supporting local development.
- Many of the **entrepreneurial solutions are innovative business models** taking care of the environment.

- Social enterprise model encourages **democratic structure** and involvement of all the members/employees to enable all voices to be heard.
- Work integration enterprise model **play crucial role in both regions in social inclusion and poverty reduction** of people with disability or marginalized individuals.

- Many social enterprises are **key actors in the service provision of general interest**, especially to vulnerable individuals.
- Social enterprises **creates more job stability and provide better working conditions** for the employees not being scared of losing their job.
- There are already **many examples of good practice in both regions**.

EU EXAMPLES
FRANCE
UK

FRANCE

- **Law on Social and Solidarity Economy** adopted in 2014 giving the concept of a social and solidarity economy a legal definition.
- The public support system is geared toward **specific types of entities** (e.g. associations) or **specific type of contribution** (e.g. work integration) rather than specific group of organisations defined as social enterprises *per se.*
- Social and solidarity economy **high on the Government agenda**.
- **Public investment bank (BPI)** offers various types of funding instruments including equity investment, loans, guaranties as well as technical assistance at the pre, interim and post investment phase
- National Social and Solidarity Economy Observatory - improvement of the recognition of the social economy through the integration of social economy modules into teaching programmes (72 degree courses on social and solidarity economy in 2012)
- Social considerations or ***social clauses*** integrated into public procurement procedures.
- EU funding systematically **planned** for social economy.
- **Regional governments programmes** numerous and vary in the number, dynamics and scope of government's supported initiatives

FRANCE

- The French eco-system support cooperation between social enterprises and profit-driven companies.
- The social investment market has existed in France for more than 20 years.
- Various financing tools and schemes have been set up due to promote social investment:
  - ✓ There are **tax incentives for social economy/philanthropy**: 50 per cent of donation to NGOs is exempted from taxation. Also, individuals can benefit from a tax credit up to 66 per cent of the donated amount.
  - ✓ **Socially-oriented pension funds**: Since January 2010, it is mandatory for each French company with more than 50 employees to provide a socially-oriented pension scheme to its employees. These pension schemes (FCPES – *Fonds Commun de Placement d'Entreprise Solidaire*) invest from 5 to 10 per cent of their funds in social enterprises or social funds. As of end 2011, socially-oriented pension schemes accounted for more than EUR 1.7 billion from which more than EUR 110 million were invested in social funds or social enterprises (plus EUR 600 million from other sources).
  - ✓ As a part of **Future Investments Programme** (*Programme d'Investissements d'Avenir*), a budget of EUR 100 million has been allocated to fund social enterprises.
  - ✓ The Caisse des Dépôts - a public long-term investor offers significant funding to social economy.
  - ✓ Whole portfolio of financial instruments available to SEs: subventions, guarantees, grants, loans, equity, mezzanine, crowdfunding.

Publicly funded schemes specifically designed for or targeting social economy organisations/social enterprises

Support type	Specifically targeting social enterprises?
Pre-start support (e.g. incubators)	✓
Awareness raising (e.g. awards)	✓
Social entrepreneurship education (e.g. school for social entrepreneurs)	✓
Business support (e.g. business planning, management skills, marketing etc.)	✓
Training and coaching schemes	✓
Investment readiness support	✓
Dedicated financial instruments	✓
Physical infrastructure (e.g. shared working space)	✓
Collaborations and access to markets	✓
Networking, knowledge sharing, mutual learning initiatives	✓

UNITED KINGDOM

- 2001 - UK government created a dedicated Social Enterprise Unit for social enterprise and published first strategy - A strategy for Success
- Changes of the Units, new strategies taking into account social enterprises needs.
- April 2012, **Big Society Capital**, an independent financial organisation – the first of its kind - that aims to support and develop social investment in the UK. It has been supplied with £400 million from England's dormant bank accounts and £200 million from the 4 largest UK high street banks.
- 2012 – **Public Services (Social Value) Act** introduced.
- The Act requires all public bodies in England and some Welsh bodies to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. The aim is to ensure that the public sector's purchasing power is directed at achieving social and environmental benefits as well as financial efficiency.
- Social Impact Bonds and the introduction of a new tax relief for social investment further support SE development.
- The community interest company (CIC) was specifically created in 2004 as a legal form for non-charitable social enterprises. A CIC has the same structure as a traditional company but requires additional special features including a requirement only to act in the community interest, an asset lock and a cap on dividend payments (9,500 registered CICs, as of July 2014)
- There are a number of other legal forms which are available for social enterprises

UNITED KINGDOM

- SEs in most cases eligible for the general support provided to all UK businesses.
- **ERDF/ESF funding** - two major European Funds available for SEs.
- UK government provide **public funding schemes** intended to ensure that there is a 'pipeline' of investable and competent social enterprises with support at each stage of their business development (pre-start, early stage, growth), including dedicated programmes of e.g. training, mentoring, incubation, etc.
- Many initiatives launched relating to social investment, reflecting a change in focus from **'business support'** for social enterprises to a focus on **'growing the social investment market'** and helping to ensure 'investment readiness' among social enterprises (The Social Incubator Fund, The Investment and Contract Readiness Fund, Big Society Capital, The Social Outcomes Fund, Social investment tax relief – 30% reduction of social investment in their income tax bill for that year).
- A broad range of **specialist providers and support networks** available at national, regional and local levels, and provide a wide array of business development support from early (pre-start) through to consolidation and growth.

BACK TO THE REGION
EASTERN NEIGHBOURHOOD
&
WESTERN BALKANS

Legal and Regulatory Framework

	EASTERN NEIGHBOURHOOD
AR	✓ No Law, Concept paper with definition of SE and criteria for recognition – informally document presented to the Government ✓ Employment model
AZ	✓ No Law ✓ Social inclusion model
Blr	✓ No Law ✓ Social inclusion and employment model
GE	✓ **Draft Law** to be presented in Government Q1 of 2018 ✓ SEs are a tool of support for vulnerable groups of people (economic empowerment, rehabilitation, employment, access to social services)
MD	✓ **Law on Social Entrepreneurship adopted in Nov 2017** ✓ Social inclusion, employment, rural and regional development, environment protection, social service delivery model
UK	✓ No Law ✓ Social protection and social inclusion model

	WESTERN BALKANS
AL	✓ **Law on SE released in 2016 under Ministry of Social Welfare and Youth** ✓ Social inclusion model, only NGOs qualify as SEs.
BA	✓ No Law ✓ SEs mentioned in two policy documents: Development Strategy of BiH and Social Inclusion Strategy of BiH ✓ Employment and Social Inclusion model ✓ Republika Srpska is developing Law on SE ✓ SEs are part of the strategic documents
XK	✓ **Draft Law on SE** – expect to be adopted during March 2018 ✓ Allows all legal entities SE status ✓ Social Inclusion model
MK	✓ **Draft Law on SE from 2012, but not yet approved** ✓ Social Inclusion and Poverty Reduction model
ME	✓ No Law on SE ✓ Draft Law suggested in 2013 but not yet developed ✓ Employment of vulnerable groups model
RS	✓ No Law on SEs ✓ Strategy for Professional Rehabilitation and Employment of PwD enables creation of SEs to employ PwD ✓ Social inclusion and employment model

GENERAL CONCLUSIONS

- In EN countries there is still considerable **influence of the state** in business operations;
- Both regions suffer the consequences of the **changes in the government or policy** that lead to changes in the regulatory framework making business operations subject to frequent changes;
- The **lack of a regulatory framework** for social economy development is cumbersome in both regions, not allowing socially driven initiatives full and needed recognition;
- In both regions, social enterprises **do not receive needed public recognition**, **do not enjoy tax benefits**, and are **struggling with administrative burden** and inconsistent implementation of regulations;
- Social economy is seen as an **inclusion model mostly for people with disabilities**;
- In both regions, initial stage funding is coming from **donors** in the majority of cases, and in addition in EN countries many initiatives have been funded with own resources, or family members' money;
- There are **more socially driven investments available in WB**, both locally present and/or covering the region, while in EN countries the majority of seed funding comes from donors or private money;
- Social enterprises are **not included in the supply chain** of traditional companies, corporations or public sector, though in the WB region CSR is attracting much more public recognition than in EN where CSR is in its infancy;
- WB countries already have some **support infrastructures** in place in the form of intermediary organizations, incubators, accelerators, training centres, mentoring and coaching programs coupled with funding as well as various networks advocating for the interest of social economy actors;
- In EN such a structure is still not sustainable, mostly being provided on a **project basis** and donor funded.
- **Absence of coordination**, cooperation and exchange of best practices was identified in both regions.


SUCCESS
STORIES

Georgian Craft Association

Tbilisi, Georgia

Social mission: is to support the economic empowerment of traditional craftsmen by enhancing their product development and awareness through trainings and consultancy services.

Social Enterprise: is a conceptual store that brings together high quality handmade products created by up to 250 traditional craftsmen across Georgia. The products presented at the shop combine Georgian traditional and at the same time innovative elements, that are distinguished with high quality and customized to the customer needs.

Social impact:

- ✓ Employment platform for up to 250 artisans in different regions of Georgia, including different groups (IDP, ethnic minorities, women and young people)
- ✓ SE fully sustainable, running two shops
- ✓ During 15 months their turn-over was 139 700 GEL (equivalent to 45 000 EUR)

Design by Pana

TIRANA, ALBANIA

storytelling furniture

Social mission: provide work to a large number of unemployed, in any way marginalized individuals in Albania, while taking care of the environment at the same time.

Social Enterprise: transforms waste materials or useless items into new materials or products of significantly better quality and for new use (so-called Upcycling). Pana produces furniture for cafes, restaurants, offices or households.

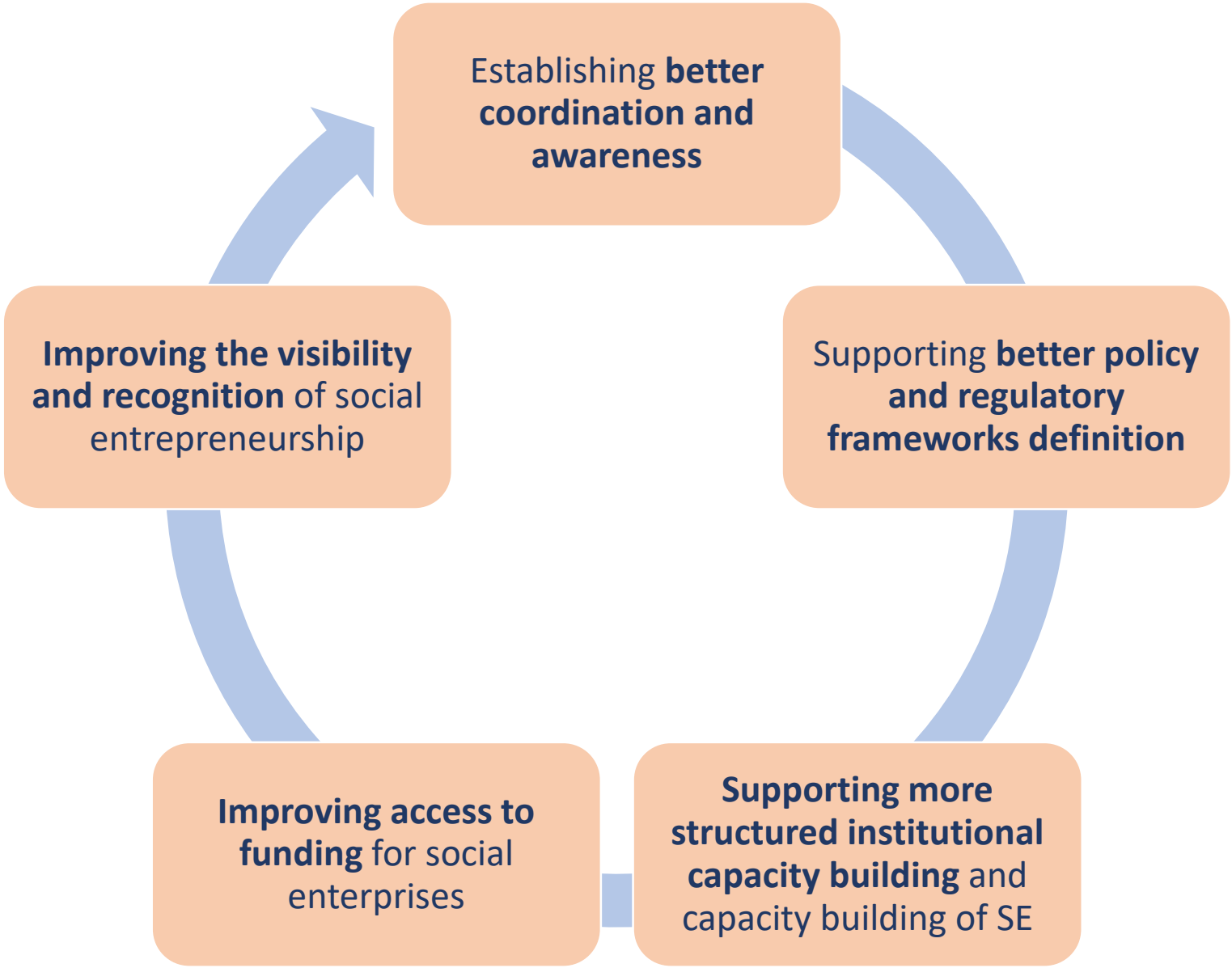
Social impact:

- ✓ Employing 20 people, mostly pensioners, orphans, refugees or otherwise marginalized individuals
- ✓ Low product prices for greater availability to various clients and raising awareness on both issues
- ✓ Recycled materials without any waste used. Small sawmills are made from sawdust
- ✓ Reduction of global pollution by reduction, ie converting existing garbage

A Way Forward

Action plan would be necessary to promote social economy and social entrepreneurship in a **more structured way**.

It could envisage five categories of measures:



MOLDOVA

Areas of intervention in order of importance	What needs to be covered -priority areas	Modalities of support
First area of intervention: **Policy, legal and institutional framework**	Priority area 1: The completion of the regulatory framework, particularly through the implementation of the newly approved laws. Priority area 2: Technical Assistance to the relevant Ministries should be provided, primarily to create general infrastructure for implementation of the Law on Social Entrepreneurship, to bring wider cross-sector perspective, to help ministries raise visibility of the social economy in general. Priority area 3: Raise public awareness of the impact SE produces – showcase example of good practice in media	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)
Second area of intervention: **Coordination**	Priority area 1: Further support to National Council in the form of funding, raising knowledge about implementation mechanisms, advocacy and lobbying. Could be provided as part of the EU funding to CSO with capacity building component.	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)
Third area of intervention: **Skills and access to market**	Priority area 1: Showcase SEs in media to raise awareness of their impact. Priority area 2: Review how ODIMM could include SE among their beneficiaries, together with traditional businesses. Priority area 3: Start building support programs in the form of informal trainings, incubators, mentoring and coaching. Capacity building	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Regional programmes (technical assistance, grants, etc.)
Fourth area of intervention: **Funding**	Priority area 1: Coordination and alignment of the various small, donor driven projects. Priority area 2: Motivate more donors to provide tailor-made funding to SEs, including capacity building or technical assistance support. Priority area 3: Develop a strategy of how to include diaspora	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Other support schemes (indirect management)

#road2sustainability

Thank you!

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