



Social Economy in Eastern Neighbourhood and in the Western Balkans

Synthesis report

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March 2018



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Social Economy in Eastern Neighbourhood and in the Western Balkans

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LIST OF ABBREVIATIONS

| | |
|---------------------------|---|
| CAB | Capacity Building |
| CSR | Corporate Social Responsibility |
| CSO | Civil Society Organization |
| EN | Eastern Neighbourhood |
| MoJ | Ministry of Justice |
| NGO | Non-governmental Organization |
| PwD | Person with disability |
| SE | Social Enterprise |
| WB | Western Balkan |
| East 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 prejudice 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. SUMMARY

The mapping study revealed many similarities as well as differences within the same region as well within the two regions included in this study: The Eastern Neighbourhood and Western Balkans.

Reports from EN countries show still considerable influence of the state in business operations, though these countries have been experiencing a transformation from state-driven into market-driven economies. However, trade flows and investments are still considerable with Russia compared to the EU.

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. Doing business in such an environment is not well supported centrally for traditional business let alone for social enterprises. Unfortunately the grey economy, corruption, and political instability are considerable problems in both regions.

The lack of a regulatory framework for social economy development is cumbersome in both regions, not allowing socially driven initiatives full and needed recognition. Among the twelve countries included only two have adopted the Law on Social Entrepreneurship (AL and MD), three more countries developed draft versions to be submitted for necessary approval procedures (XL, MK and GE) but none of the countries have implementation tools. In practice, 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, with few countries having defined other vulnerable groups as beneficiaries of the employment model created by social enterprises.

It can be said that Western Balkan countries do have a few benefits when it comes to the general business environment, putting them into a more favourable situation compared to EN countries: geographical proximity of the EU market, a relatively good business environment, a relatively stable macroeconomic environment and high economic growth, a stable and relatively developed financial system, relatively low costs and skilled workforce, ensured protection of the rights of investors and contracts resulting in the Stabilization and Association agreement, EU and other CEFTA bilateral trade agreements¹.

The social investor community developed more in WB compared to EN. 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. In both regions, initial stage funding is coming from donors in the majority of cases, with the exception of EN countries where many initiatives have been funded with own resources, or family members' money.

Research did not find significant evidence of social enterprises being included into the supply chain of traditional companies or corporations, 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 the project basis and donor funded.

¹ Tosković, J., Adzić, J., Popović, S., Marković, J.: Comparative analysis of the investment environment in the economies of the Western Balkans, Education University, Regional and Business Studies (2016) Vol 8 No 1, 15-27

2. INTRODUCTION

This study is dedicated to social enterprises and the social economy. 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 synthesis analysis of the social economy and social entrepreneurship ecosystem in two regions: Eastern Neighbourhood and Western Balkans. It includes comparison within the countries in each of the regions, emphasising existing similarities and differences that boost or block further social economy development.

The methodological approach is based on the synthesizing of data presented at the country level as part of the country reports developed by key experts in each of the countries and desk research of various mechanisms in place in other countries that foster social economy development.

In this report we set out our preliminary understanding of social economy and its potential impact on the social and societal challenges and how this specific type of economy may contribute to the three-fold objective defined in the Europe 2020 Strategy of smart, sustainable and inclusive growth.

2.1 Definition

For the purposes of this assignment, we use the following social enterprise definition adopted by the European Union:

"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."²

In other words, social enterprise refers to business that has a primary objective to generate positive social or societal impact, independent of their legal form. Social enterprises operate in the social economy, which is a broader concept that includes various legal forms such as social cooperatives, private companies, mutual organizations, non-profit associations, voluntary organizations, charities, and foundations. Social economy employs over 14.5 million Europeans, i.e. the equivalent of some 6.5% of the EU working population. During the economic crisis, social enterprises showed significant resistance, maintaining jobs for the most fragile groups in society, thus proving their social purpose rather than profit maximization.

Social enterprises combine societal goals with entrepreneurial spirit, using entrepreneurial tools to achieve the greater good. They should not be confused with the concept of some kind of social good within traditional companies, such as Corporate Social Responsibility. CSR strategies may indeed contribute to reduction of environmental and social impacts, but it is a non-binding tool independent from the business mission and sometimes misused by big companies for marketing purposes. Thus, it is important to clarify the concept and help individual countries to use it for their medium and/or long-

² http://ec.europa.eu/growth/sectors/social-economy/enterprises_en

term objectives, whether as a tool for community development, especially rural development, as a tool for economic growth, or as a revenue generator for financial sustainability.

Social economy is defined as a specific part of the economy gathering a set of organizations that primarily pursue a social aim and have a participatory approach to governance. Historically those were cooperatives, mutuals, associations and foundations. However, with the development of the concept of social entrepreneurship and social enterprise many other legal entities have joined the group. There is no single legal form for social enterprises: they can be Social Cooperatives, Private companies, Mutual organizations, Non-profit-associations, voluntary organizations, charities, foundations. If they meet three main criteria, any legal entity can be considered as a social enterprise:

- ✓ Social or societal objective of the common good is the main reason for the commercial activity
- ✓ Profits are mainly reinvested with a view to achieving this social objective
- ✓ Method of organization or ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice

3. PREAMBLE

3.1 EU perspective on Social Economy

The European institutions have recognized the impact and contribution social economy brings to economic and social development. Social economy was mentioned within the Single Market Act presented by the Commission in 2011 as one of the twelve levers to boost growth and strengthen confidence. On the basis of the public consultations in 2012 the Commission proposed a second set of actions to further develop the Single Market and exploit its untapped potential as an engine for growth. The Single Market Act II included strengthening of social entrepreneurship, cohesion and consumer confidence as one of the priority actions.

As announced in the Single Market Act of April 2011 the Commission released the Social Business Initiative of October 2011 setting out an action plan to strengthen the role of social business in the Single Market. The SBI has been implemented in close cooperation with the expert group on social entrepreneurship GECES, set up for six years, from 2012 – 2017, with the aim of providing consultations on setting up all the actions mentioned in the SBI, and providing guidelines and recommendations on how to boost social economy and social entrepreneurship development. The unanimously endorsed result of the working group has been compiled within the GECES report: Social enterprises and the social economy going forward, as a call for action to promote an enabling environment for social enterprises and to allow social economy to flourish.

3.1.1 Characteristics of Social Enterprises

RESILIENCE

The social economy sector showed significant resistance to the crisis, maintaining jobs for vulnerable groups and finding other solutions to the crisis. Their ability to survive and even grow during the crisis is based on their specific rules and commitments. People first and labor over capital are values leading to income distribution of social enterprise in a totally different way, a limited return on capital enables: a) more significant investment in the social aim of the enterprise; b) job stability through keeping and integrating vulnerable people in the company as well as lower staff turnover; c) better working conditions for the employees not being scared of losing their job; d) allocation of the surpluses to other socially driven projects/actions; e) more balance between working hours and private life.

The governing model of social enterprises allows consensus through participatory democracy allowing social enterprises to rely on their employees support for their objectives and their implementation. Strict for-profit rules do not apply here helping social enterprises to overcome crises.

EMPLOYMENT AND POVERTY REDUCTION

Social enterprises offer high quality jobs to the most vulnerable members of society, thus enabling their social integration, but also they offer local development, as the majority of the jobs are locally based. Social enterprises create jobs either directly within the organization or through various skill-building, labour inclusion or apprenticeship programs. Since the peak of the financial crisis in 2008 about three million jobs have been lost in the EU. However, the majority of the new jobs were created by innovative, young, dynamic enterprises with a social aim first, thus giving social enterprises a new role to play in the economy. Many of them operate in the area of job creation, work integration or preparing those excluded from the labour market for their inclusion. A research report shows that in 2010 the social economy already provided work to 14.5 million Europeans and, according to the latest estimates, it currently accounts for 10% of jobs in the EU and 8-10% of EU GDP. Work integration enterprise models play a crucial role in social inclusion and poverty reduction of people with a disability or marginalized individuals such as migrants, women, and young people who have dropped out from school. Furthermore, many social enterprises are key actors in the service provision of general interest, especially to vulnerable individuals. These social enterprises address the need of assistance to elderly people, child care, access to housing, access to sanitation and water, healthcare, insurance and other needs.

COMMUNITY DEVELOPMENT

The majority of social economy actors are community-based organizations, rooted in the local community, who know and fulfil the needs of that community. They are providing locally based solution to benefit whole communities, not just the vulnerable groups for whom the enterprise is created. Within the local context public authorities and citizens benefit from their innovative approaches and solutions, that would not be filled otherwise.

DEMOCRATIC STRUCTURE

One of the values of social enterprises is their democratic governing model. Parallel to the one person – one vote principle, the value of active participation in the decision-making process is not dependant on capital ownership. Depending on the legal status social enterprises may have a direct or representative management model. For example, in cooperatives representative management better reflects the operations of such a legal entity. Such a model encourages involvement of all the members to enable all voices to be heard. Democratic structure is a tool to practice true democracy which enables individuals to create their own life. Such empowerment of usually marginalized individuals can be a powerful instrument of social progress.

SOCIAL INNOVATION

Social economy actors base their interventions on local needs, many of them being a catalyst for social creativity developing innovative entrepreneurial solutions to existing problems. They act in various industries, including those where governments have difficulties with financing and providing high-quality and on-time services. The best example to illustrate this is the wide range of home health care services provided by social enterprises to elderly people.

3.1.2 Funding

Social enterprises focus on achieving wider social, environmental or community objectives rather than profit maximization. For that reason, their financing needs differ from traditional business and cannot enter into the existing investment community. Therefore, the social investment ecosystem has already been developed, and has recently been growing though it is still rather nascent. The social investment ecosystem includes providers of impact capital/finance parallel to the social enterprises, plus all intermediaries that bring together the resources, know-how, social capital, skills and expertise and access

to market. Many of the social enterprises globally reported the benefit of such capacity support parallel to funding.

Sources of funding for social enterprises may come in various forms. The most common ones, especially for those in the start-up phase, are from grants coming from National governments, EU, International Aid organizations, or from various type of Foundations. However, the recent GIIN 2017³ report captures the activity of 208 impact investors around the world managing USD 14 billion in impact investing assets. While respondents are largely headquartered in the USA and Canada the research captured investors in almost every region of the world. Furthermore, the report suggest that the greatest amount of capital was allocated to the companies in growth stage, followed by those allocated to the venture stage, while the smallest allocation went to the seed-stage enterprises.

A similar situation when it comes to the level of development of social enterprise as potential investee has been found in the recent EBRD⁴ study for the Western Balkans when it comes to the supply side. Many of the impact investors are not able to find appropriate matches as funding needs of the social enterprises tend to be significantly lower than the investment entry point. Additionally, lack of scale and scalability and potential for impact still lays the challenge for many social enterprises but social investors as well.

3.2 East Neighbourhood culture for social economy development

The general levels of entrepreneurship in Eastern Neighbourhood countries including ones with a social bent is quite low. A general similarity within the region is the rather negative perception that exists with respect to entrepreneurship and business, partly connected to the legacy of an ex-Soviet economy and the influence of oligarchs. As stated in the In-depth analysis of Foreign Direct Investment in the EU and the Eastern Partnership Countries⁵, The Eastern Partnership countries, although they have come a long way since 1989 in transforming themselves from state-driven into market-driven economies, still have less globalised economies and much lower levels of inward and outward investment. There is still a strong cultural preference for employment rather than self-employment, and for public administration rather than business.

All six countries have their origins in the highly integrated and centralised Soviet economy with significant trade and economic ties with Russia and the Commonwealth of Independent State (CIS) area. Additionally, they use the same industrial standards making trade easier compared to trade with the EU. However, the SME sector maintains and develops close economic ties with both areas since losing one of two markets might be harmful to their business operations. This is a delicate balancing act, with which each of the countries deals in its own way⁶.

As social enterprises within the region operate in the market with the same conditions as commercial ones, the SME situation and development influences the social economy sector as well. There is no equal access to procurement opportunities for cooperatives, social enterprises and NGOs, in contrast to large firms which have access to resources with which to compensate for the poor business climate.

Other constraints preventing Eastern Neighbourhood entrepreneurship, including social entrepreneurship, to grow at their full potential include the political instability, high level of corruption and bureaucracy as well as weakness of the law. On the other hand, EN social economy entities are characterized by lack of some basic skills such as: social inclusion skills, entrepreneurial and management skills (marketing and finance, business planning and development, skills for growth and scaling), impact reporting skills.

³ https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf, page XI

⁴ Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESsT, 2017

⁵ [http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/570489/EXPO_IDA\(2018\)570489_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/570489/EXPO_IDA(2018)570489_EN.pdf)

⁶ Ibid

A very nascent eco-system for social economy growth characterize all EN countries, with small variations of existing support infrastructure mostly available for SMEs, not tailor made for SEs. The business development programs for social entrepreneurs are grant funded providing initial capital for mostly the blueprint stage of development.

It seems that official recognition of social entrepreneurship would be very helpful for SEs to become more visible in the eyes of financial institutions, the local authorities and society at large. Eastern Neighbourhood countries are more under State interference, which controls many segments of doing business, as compared to WB. It would be of extreme importance if the new policies are in place, to encourage the development of social economy sector in different spheres and not limit it to the enterprises employing representatives of vulnerable groups, mostly people with disabilities.

The majority of social enterprise actors are registered as companies for their legal status, though initiated by non-for-profit organizations. It seems like in EN countries more socially oriented businesses start their business activities using business forms rather than non-profit forms. Choosing so they enter the area of micro and small and medium enterprises without enough knowledge and skills in the area of doing business, and face a lack of market opportunities due to additional social costs they produce as well as due to small volume of production.

Since social entrepreneurship is not yet widely recognised in the region, SEs are not seen as the producers of social goods by the local authorities, they 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.

There are no systemic monitoring and evaluation measures in place, only donor reporting without real measurement of impact to society at large. At the organizational level most of the SEs keep track of the number of beneficiaries they serve, and information related to outcomes of their activities as well as financial indicators. Lack of success stories available to the wider public additionally impair the public recognition of SE impact.

Socially responsible consumerism is only starting to become popular basically in the non-profit sector and among representatives of 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 the societies in the region.

3.3 Western Balkan culture for social economy development

Absence of a strategic approach towards social economy as well as lack of long term commitment by the Governments characterise the ecosystem for their development. Social entrepreneurship has been on the agenda of all Governments and various strategic and/or operational decisions have been made. However, none of the countries have a clear strategic direction of social economy further development. Although Albania adopted the Law on social entrepreneurship in 2016, discussed in other countries as well, the Government fails to develop implementation measures to enable registration as well as smooth operations of social enterprises. Kosovo has a draft Law prepared, expected to be adopted in the first quarter of 2018. In spite of regulating the sector by legal act, a strategic approach is still lacking.

There is little institutional understanding of the SE sector among the key designated institutions and stakeholders, and even less engagement. The topic is on the margins of the political agenda in all six countries. In the public discourse of the countries, the social economy concept is considered as a social policy of inclusion and/or employment targeting vulnerable groups, in the majority of cases people with disabilities as well as other vulnerable groups such as women, young people, children, elderly persons, Roma, persons with addictions, etc. Stakeholders at national level do not see the concept as a cross-sector theme.

Despite the lack of institutional understanding and unfavourable legislative, economic and institutional framework there are examples of successful social enterprises changing the perception towards the sector, and producing a greater social impact. One of the countries with an emerging but notable social economy sector is Serbia, which is a leading force in the region.

The mapping studies within the 6 countries of the Western Balkan region revealed significant differences in the size of the sector within the region. Though none of the countries have systemic data collection of the size of the sector, some countries do have estimations as a starting point based on different research, mapping studies, or experts' estimations. The estimation varies from a low of 30 in Montenegro, Kosovo and Bosnia and Herzegovina to a high of 1,196 in Serbia.

The SE sector in WB is nascent and has mostly developed as part of CSOs and projects supported with foreign donor funding. In all Western Balkans countries, the civil society sector has been the driving force for the development of the sector. Existing social enterprises are most frequently incorporated as a) civil society organisations (CSOs), mostly associations or foundations; b) cooperatives, c) Limited Liability Company or Shareholder Company and d) companies for employment of people with disabilities including sheltered companies. Except in Serbia where the majority of SEs are in a form of cooperative (65,64%), in other countries associations lead the way, initiating economic activities within the existing non-profit organization, mostly funded by the national and/or international donors to sustain financial sustainability of the organizations. The other more frequent option is opening a new legal entity in a form of LLC by an NGO.

The majority of social enterprises functioning as CSOs use grant support from donors to start their activities. Spin-off enterprises established by associations also benefit from donor support. Beyond this initial grant funding in the start-up phase, many SEs are facing significant barriers in raising financing to support their growth. The bulk of funding still comes from donor sources, aid agencies and in some of the countries, such as Serbia, the private sector.

Visibility of social enterprises continues to be a challenge within existing legal structures SEs are using, not providing them equal status as for example NGOs or LLC have. Not having tax exemptions or incentives due to the legal status they operate in, many of the SEs remain unknown to the wider public, though reaching significant impact at the local or regional level.

SEs in the WB mostly use an internal monitoring framework to measure progress and donor reporting formats to record their results and impact. At the organizational level, most of the SEs keep track of the number of beneficiaries they serve, and information related to outcomes of their activities and financial indicators. There is a lack of any systematic monitoring and evaluation based on international frameworks about the overall impact of social enterprises in each of the WB countries. Thus, the social impact is mostly documented at the level of case-studies and individual best practice, rather than overall impact of SEs within the country.

Having in mind the cross-cutting nature of social entrepreneurship which incorporates aspects of economy, social and labour market inclusion, sustainable development, environment, agriculture, innovation etc., effective coordination by a national body could have a significant and beneficial impact on leveraging the full potential of the sector in each of the countries. None of the countries showed full understanding or any strategic direction to tackle the cross-cutting issues of SEs. Thus, as suggested in the country reports, it is important that all policies recognise the same three key aspects 1) the potential scope of impact of social economy beyond the labour market and social welfare; 2) the cross-cutting character of SE across the sectors of economy, labour, environment, agriculture, rural development, and 3) the need for horizontally integrated legislation to properly recognise, promote and boost the development of SE rather than the perception that it is designed to control and over-regulate SE. This existing suggestion is the main part of the recommendations of the researchers in this study, included at all three recommendation levels (legal, funding and other infrastructure support).

4. SIMILARITIES AND DIFFERENCES WITHIN EASTERN NEIGHBOURHOOD

4.1 Legal and regulatory frameworks

| Legal and Regulatory Framework | |
|--------------------------------|---|
| AR | <ul style="list-style-type: none"> ✓ No Law ✓ Concept paper with definition of SE and criteria for recognition – informal document to be presented to the Government in spring 2018 ✓ Primary SE focus: integration into the labour force of a socially vulnerable part of the population ✓ Legal entities to perform SE activities: limited liability companies (LLCs), foundations or, more recently, non-governmental organisations (NGOs) and cooperatives. |
| AZ | <ul style="list-style-type: none"> ✓ No Law ✓ Social inclusion model ✓ Legal entities to perform SE activities: Associations and foundations, Companies, Public legal entities, Cooperatives, Family farm associations, Individual entrepreneurs. |
| Blr | <ul style="list-style-type: none"> ✓ No Law ✓ Social inclusion and employment model ✓ Legal entities to perform SE activities: commercial enterprises, commercial enterprises established by public associations (NGOs) or unions, enterprises providing employment to people with disabilities; commercial organizations and individual entrepreneurs, small and medium-sized businesses, religious organizations |
| GE | <ul style="list-style-type: none"> ✓ Draft Law to be presented by Government in the first quarter of 2018 ✓ SEs are a tool of support for vulnerable groups of people (economic empowerment, rehabilitation, employment, access to social services) ✓ Legal entities to perform SE activities: Non-Entrepreneurial, (Non-Commercial), Limited Liability Company |
| MD | <ul style="list-style-type: none"> ✓ Law on Social Entrepreneurship adopted in Nov 2017 ✓ Social inclusion, employment, rural and regional development, environment protection, social service delivery model ✓ Legal entities to perform SE activities: a) SEs focusing on addressing general community problems; b) Integration of SEs focusing on the creation of jobs for vulnerable groups |
| UK | <ul style="list-style-type: none"> ✓ No Law ✓ Social protection and social inclusion model ✓ Legal entities to perform SE activities: Individual entrepreneur, Private enterprise / private organization, Non-governmental organisation, Limited liability company, Agricultural cooperative, Business association of citizens/civic association enterprise, Charitable organisation, Organization of a public association/civic association organisation |

4.2 Access to market

| | AR | AZ | Blr | GE | MD | UK |
|------------------|--|---|--|--|---|---|
| Access to market | <ul style="list-style-type: none"> ✓ SEs still in a stage of relative nascence. ✓ The main sectors with significant SE engagement are culture, tourism, and agriculture. ✓ The major social issues targeted by SEs in Armenia include the labour and social integration of vulnerable individuals (mainly people with disabilities and women in rural communities) as well as the economic development of rural communities and less often selling services to vulnerable individuals. ✓ Majority of SEs lack skills to access the market. ✓ Small size of the SEs makes it difficult for them to access significant market. Focused on Eurasian Economic Union (EEU) where SE concept is not recognized thus social impact does not play a role when accessing that markets. | <ul style="list-style-type: none"> ✓ The majority of SEs in very early phase of development. ✓ The sector mostly consists of SMEs that employ less than 25 people and have an annual income below 200,000azn (EUR 100,000). ✓ Main sectors of SE activities: health, social care, education, tourism, youth and support to SMEs. | <ul style="list-style-type: none"> ✓ SEs operates in various sectors: production of goods, trade, educational services, professional training services, medical services, beauty services, domestic services. ✓ Sector mostly consists of SMEs employing up to 10 people, and are at different stages of development. ✓ The younger organisations 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 employ over 50% of PwD. | <ul style="list-style-type: none"> ✓ The majority of the SEs provide a variety of products and services in the fields of education, healthcare, social services, agriculture, art, culture and social protection, entertainment, professional and scientific and technical activities. ✓ A large part of the production is created by the beneficiaries, among them are persons with disabilities, internally displaced people, artisans, ethnic minorities, persons in conflict with the law etc. ✓ Number of employees ranges from 2 to 25 with average of 9.4 employees, among which 50% marginalized. | <ul style="list-style-type: none"> ✓ SEs in Moldova mostly provide goods and educational and training services in the field of education, environmental protection, inclusion of people with disabilities and child care, agriculture, manufacturing, IT, fashion. ✓ The beneficiaries primarily include the rural population, children and young people, women and people with disabilities. ✓ Majority of SEs are in the early stages of development; mostly combining non-profit activities with economic ones. | <ul style="list-style-type: none"> ✓ SE actors are particularly active in: social security, social and health services, insurance services, banking services, local services, education, training and research, social tourism, renewable energy, consumer services, industrial and agri-food production, handicraft, building, residential environment and cooperative housing, associated work, as well as in the domains of culture, sport and leisure activities. ✓ Mostly involved in employment of PwD, ATO veterans, internally displaced people as well as to generate profits to support certain types of financial services and environmental protection. |

4.3 Access to financing instruments

| | AR | AZ | Blr | GE | MD | UK |
|---------------------------------|--|---|--|--|---|--|
| Access to financing instruments | <ul style="list-style-type: none"> ✓ The majority of SEs have been set up using grants from donor organisations, sponsors or membership fees. ✓ Only a handful of SEs in the country were set up through the personal investments of their founders. | <ul style="list-style-type: none"> ✓ SEs operating through associations mostly started their business with the support of a donor in the form of a financial aid or in-kind contribution. ✓ SEs operate as SMEs mostly started by loans from the government or other institution ✓ Due to the reduction of loans by local banks, pawnshops became more active. ✓ Small loans to SMEs with ranges from 2,300 – 23,000 EUR are issued for a 3 year repayment period, with 6% annual interest. | <ul style="list-style-type: none"> ✓ Income sources for SEs divided into market sources (production of good and services) and non-market, such as state subsidies, grants, private donations, and in-kind contributions. ✓ SEs mostly rely on the market sources of income, though some state subsidies are available for entrepreneurs who help rehabilitation of PwD. ✓ For the majority of SEs funding comes from their own capital or family members, followed by grants, own savings and a combination of state subsidy and SE leader own savings. ✓ Financial players do not support SEs. ✓ SEs are not eligible to receive a bank loan and are independent from state financing. ✓ Opportunities of receiving (charitable) donations are limited for enterprises by the law. ✓ State grants are not available for SEs, and mechanisms of newly introduced state social order are in their formation phase. | <ul style="list-style-type: none"> ✓ The vast majority of the SEs established with grant support from international donors and philanthropists, the Government of Georgia via voucher system, local non-governmental sector, mission-related business activity, loans and crowdfunding campaigns. ✓ Smaller percentage of SEs use newly established Social Credit issued by microfinance organization, providing microloans of up to 1,630 EUR, with repayment period of 24 months and 0% interest rate. ✓ Social enterprises sell products using channels such as retail sales; state voucher system in case of social services and state tenders. | <ul style="list-style-type: none"> ✓ Main source of funding for SEs are grants from the international donor orgs. ✓ Only Austrian Embassy provided tailor-made financial support to one SE enabling them to receive seed funding rather than project support funding. ✓ Grants in some cases are available to commercial enterprises, taking the form of awards, business plan contests, purchase of equipment and/or machinery by international organizations such as UNDP, or covering business consulting services. ✓ No financing from financial markets and/or loans, and only small examples of private investments exist. ✓ Funding by individual citizens or through crowdfunding is increasing. | <ul style="list-style-type: none"> ✓ The main sources of financing SEs use are their own commercial activities, grants, loans, sponsorships and more recently crowd funding. ✓ The "other" sources of funding include contributions from members of the cooperative, charitable contributions, budget funds, own funds, non-material support from partners, targeted financing, and founder investments. |

4.4 Support programmes

| | AR | AZ | Blr | GE | MD | UK |
|--------------------|---|---|--|--|--|--|
| Support programmes | <ul style="list-style-type: none"> ✓ The SME Development National Centre (SME DNC) is the main state business support centre providing free consultation and information support to SMEs. ✓ The Centre also provides additional help to companies in later stages, including more training, information, support for innovation, exporting, participation in expos. ✓ The Association of Social Enterprises of Armenia (ASEA), result of the British Council’s EU-funded Support project to Democratic Governance in Armenia, gathered 33 SEs in an advocacy network. ✓ Donor funded incubator and accelerator for SMEs but UNDP one includes SE as well. ✓ Impact Hub Yerevan provides SE actors with the opportunity to interact with each other and has hosted a few growing social enterprises. ✓ No university-level courses on SE | <ul style="list-style-type: none"> ✓ Around ten business incubators operated by various state bodies (Ministry of Economy, Academy of Sciences) or private business (e.g. mobile operator Azercell), operating on a commercial basis and providing training, capacity building, initial financing and other services. ✓ Existing SEs have not yet identified the need for connecting and networking thus there is no local or national network. ✓ SEs not fully recognised in the education system, rather partly covered within topics of Human rights at one University. However, the Azerbaijan Tourism Institute plans to introduce SE topic as an elective course. ✓ Most of the education on SE happens via non-formal education, through training courses provided by different CSOs with grant funding. | <ul style="list-style-type: none"> ✓ The CAB infrastructure for SE is concentrated in the non-formal and informal education. ✓ Several CSO donor driven programmes, free of charge, offering various support to SEs. ✓ Different CAB offered by business schools, consulting and training agencies, 27 state-run entrepreneurship support centres and 19 incubators of small business. ✓ Private owned hubs offer events, business trainings, lectures and seminars, opportunities of venue rental for entrepreneurs locally. ✓ <i>My Business</i>, live show, launched by the Central Belarusian TV channel–ONT, offering start-ups in mentorship and coaching by Belarusian businessmen, contributed to positive image of entrepreneurs, having only one SE participating. ✓ No SE networks. ✓ SEs not recognised in education system, mostly in non-formal education through training courses provided by donor funded CSOs. | <ul style="list-style-type: none"> ✓ Mostly supported by international donors, tailored consultation services are provided for CSOs, social enterprises, public institutions etc. ✓ Government founded <i>Centre for Social Entrepreneurship</i> has the main mission to promote SE. ✓ Donor supported <i>Pro Bono network Georgia</i> comprising of 17 members orgs is an informal union of Georgian and international companies willing to use their expertise and professional resources for the benefit of the society. ✓ Newly established member-based organization; <i>Social Enterprise Alliance of Georgia (SEAG)</i> unities 20 SE actors has the mission to support the joint interests of the members, awareness raising, experience sharing and the development of the effective cooperation mechanisms. ✓ Educational (high school and university level) programs do not include information about social economy, it is covered by CSOs. | <ul style="list-style-type: none"> ✓ CAB mostly provided via informal donor funded initiatives run by NGOs. ✓ <i>The Organization for Small and Medium Enterprises Sector Development (ODIMM)</i> has potential to provide CAB support to SEs. ✓ There are no formal or informal networks providing support to SEs. ✓ SE not integrated into the formal education system, only informal and non-governmental training initiatives available; mostly not covering business and entrepreneurial aspects such as marketing, sales, operations, finance projections etc. | <ul style="list-style-type: none"> ✓ Business development services have become available to more social economy entities, mostly due to the increasing number of donor initiatives. ✓ No SE networks, rather large sectoral networks usually supported by international donors. ✓ SEs not fully recognised in the education system, most of the education on SE happens through non-formal education mostly through training courses provided with grant funding. ✓ As for formal higher education, social entrepreneurship is integrated with few classes within the curricula in the social and business programs of the universities. |

4.5 Recognition

| | AR | AZ | Blr | GE | MD | UK |
|-------------|--|---|---|--|---|---|
| Recognition | <ul style="list-style-type: none"> ✓ The SE concept not widely recognized and understood. ✓ There have been examples of avoidance of products produced by PwD due to misperception that they may be unhygienic. ✓ SEs face all challenges traditional business are facing (corruption, frequent tax changes, import-export regulations) blocking them to plan growth or expansion. ✓ The main sectors with SE significant engagement are culture, tourism, and agriculture. ✓ Majority of SEs in blueprint stage. | <ul style="list-style-type: none"> ✓ SE is rather new concept which needs both legislative reforms and institutional support. ✓ Public institutions seem to pay more attention to business and social development taken separately and not together as is the spirit of SE. ✓ Due to lack of legal regulation, SEs are not specifically targeted within numerous state programs. ✓ Civil society sector face difficulties in the registration of income from foreign sources (must be registered with the MoJ) that reflects SEs as well, due to the fact majority of funding comes from foreign donors. ✓ The majority of SEs are in very early phase of their development. | <ul style="list-style-type: none"> ✓ No specific legislation to regulate activities of SEs. ✓ No legal definitions for terms such as “social entrepreneurship”, “social enterprise”, or “social entrepreneur”. ✓ Poor image of SEs among potential clients who often attribute the word ‘social’ to low quality goods and services. ✓ Availability of tax and some other benefits for limited number of providers of employment opportunities for PwD substantially narrows the range of problems that could be solved by social entrepreneurs. ✓ The majority of SEs are in early stage of development. | <ul style="list-style-type: none"> ✓ No SE legal regulation. ✓ Neither the normative act nor the central or local level defines social enterprises. ✓ SEs face tax barriers and lack of supportive regulations that further create significant problems in terms of sector development. ✓ No government agencies that are responsible for the support and development of the SE sector. ✓ Scarce development and funding state programs for SEs. ✓ Government tenders do not include social consideration during the procurement procedures. | <ul style="list-style-type: none"> ✓ The concept of social economy not well known and understood. ✓ Specific policies and public support mechanisms targeting the development of social economy and the legal framework is currently being developed. ✓ Law on SE adopted but no implementation measures yet. ✓ The institutional framework not clear. ✓ Coordination and cooperation between the main stakeholders rather low. ✓ No international networks or support intermediary organisations specifically focused on SEs support. ✓ No involvement of diaspora in SE support. | <ul style="list-style-type: none"> ✓ SE concept still remains a novelty. ✓ No definition of SE. ✓ “Social entrepreneurship” tends to be associated with the activities of charities or social integration of disadvantaged and disabled people. ✓ Stereotypes, misunderstandings and lack of awareness negatively affect SE growth and financing prospects. ✓ Legislation does not include any normative acts regulating the activities of such enterprises. ✓ Social enterprises have not become an integral part of the social, economic, political and cultural contexts of the country. |

5. SIMILARITIES AND DIFFERENCES WITHIN WESTERN BALKANS

5.1 Legal and regulatory frameworks

| Legal and Regulatory Framework | |
|--------------------------------|---|
| AL | <ul style="list-style-type: none"> ✓ Law on SE released in 2016 under Ministry of Social Welfare and Youth ✓ Primary purpose of SE is social inclusion ✓ Only NGOs qualify as SEs ✓ No implementation of the Law yet, consequently no SE has been registered yet |
| BA | <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ Draft Law on SE – expect to be adopted during March 2018 ✓ Allows all legal entities SE status ✓ Social Inclusion model |
| MK | <ul style="list-style-type: none"> ✓ Draft Law on SE from 2012, but not yet approved ✓ Social Inclusion and Poverty Reduction model |
| ME | <ul style="list-style-type: none"> ✓ No Law on SE ✓ Draft Law suggested in 2013 but not yet developed ✓ Employment of vulnerable groups model |
| RS | <ul style="list-style-type: none"> ✓ No Law on SEs ✓ Strategy for Professional Rehabilitation and Employment of PwD enables creation of SEs to employ PwD ✓ Social inclusion and employment model |

5.2 Access to market

| | AL | BA | XK | MK | ME | RS |
|------------------|---|--|---|---|---|--|
| Access to market | <ul style="list-style-type: none"> ✓ SEs engage in diverse economy sectors; CSO founded focus on the provision of basic social services, including children with disabilities, health and community services, kindergartens and other social services targeted at vulnerable /marginalised groups. Follows engagement in vocational training including artisanal and agricultural training to vulnerable groups they serve. ✓ Other services include hostel services, catering, tourism and production and trading of artisanal and handicraft products. ✓ For the cooperatives, agricultural production and trading is the most prominent sector. ✓ Majority of operations in Tirana and Shkodër. ✓ The vast majority in the validation stage and a large number remain at or near blueprint stage. | <ul style="list-style-type: none"> ✓ SEs engaged in multiple activities, from graphic design to agriculture, information technology to the delivery of services to marginalised groups, preservation of traditional crafts, and manufacturing, agriculture in rural areas. ✓ Couple of SEs have added-value to their business by developing their unique brands and expanding abroad. ✓ SEs are in their early stages of development, mostly in the start-up phase. While a few have been very successful and are ready to scale, most of the initiatives, even though with promising initial results, are still learning the rules of the market and are working to become self-sustainable. | <ul style="list-style-type: none"> ✓ SE sector is in the early stages of development; blue print and validation phases. Though available public procurement, this is not a funding option frequently utilised by SEs. ✓ Predominant employment model and income generation for vulnerable groups, mission related to CSO. ✓ Economy sectors: production and sale of natural juices, jams, honey as well as stationary and arts & crafts, community development (education, social & health services) and improvements in productivity (agriculture). ✓ The products are often sold in local markets, while most of the social, health and educational services are delivered free of charge or at minimal cost, being grant funded. ✓ Very few SEs have developed products that are widely marketable. | <ul style="list-style-type: none"> ✓ SEs provide products and services in the fields of education, health, culture and social protection. Most commonly, they serve agricultural producers (for the cooperatives), people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma, persons with addictions etc. ✓ 75 associations registered as organisations that perform activities in the sector of “social protection to people in social risk”. | <ul style="list-style-type: none"> ✓ SEs engage in the production of souvenirs, garments, home décor, and merchandising items for businesses. Those focused on services run assistance and day care services for the elderly, or those with disabilities, and all types of assistance services for the elderly. For the cooperatives, the predominant sector is agriculture. ✓ The SEs are in their early stages of development. Most of them are in the stages of developing their business plans or testing their business model in practice. There have been only a few examples of SEs in a stage of validated business model and are exploring strategies for long-term growth and sustainability. | <ul style="list-style-type: none"> ✓ SEs provide a variety of products and services, most commonly serving agricultural producers, people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma etc. ✓ For cooperatives, the predominant sector is agriculture (commodity production and sale), wholesale and retail sale. ✓ The enterprises for employment of PwD are mostly engaged in manufacturing and services such as printing. The predominant economic sectors for associations and foundations are services such as: education and training, tourism and catering and culture and arts. Besides services, they also engage in production and agriculture. ✓ SEs are more equally represented in all four stages of development with an important number of SEs ready to scale-up or in a growth phase. |

5.3 Access to financing instruments

| | AL | BA | XK | MK | ME | RS |
|---------------------------------|--|--|--|--|--|--|
| Access to financing instruments | <ul style="list-style-type: none"> ✓ Mostly funded by grant/donor funding which is predominantly international, followed by membership fees, corporate donors and finally individual donors. The least funding comes from economic activities. A very small percentage of SE funding comes from public (central and local government) sources, indicating a lack of partnership in the implementation of policies and measures of public interest. ✓ Beyond additional grant funding, SEs in general are reluctant to embark on new financial instruments such as loans or equity funding and lack the financial management skills to do so. Only few are considering tapping into other funding instruments such as business angels, patient loans etc. Overall, Albanian SEs are risk-adverse when it comes to financing. ✓ Commercial lending from banks other than the EBRD/EIB does not exist. | <ul style="list-style-type: none"> ✓ Majority of SEs launched by CSOs, due to the availability of grant funding and professional skills available to them in developing the business plans. Grant funding comes from international organizations and EU. ✓ There is an estimation that many of the SEs fully rely on projects and manage the SE from grant to grant which does not make them sustainable and is generally damaging for the development of the SE sector. ✓ Some SEs have used support from the Mozaik foundation either via the channelled UniCredit Foundation grants or via equity loans. ✓ A few of the SEs have also received local support in the form of small donations and pro-bono advice in setting up the business. Local governments traditionally support the smaller local CSOs in a form of grants. ✓ Very few of the SEs in BiH are utilising other channels of funding such as commercial loans and loans from social investors. | <ul style="list-style-type: none"> ✓ SEs predominantly use grant funding from a broad range of foreign donor programmes, private foundations, bilateral donors, central and municipal government funds. ✓ Some of the SEs are exploring the options of partnering with the business sector mostly by providing in-kind contributions and accessing their supply chains even though it is still on small-scale and sporadic rather than usual practice. | <ul style="list-style-type: none"> ✓ The grant funding from foreign donors and philanthropists remains the dominant source of income for the SEs, founded by associations. ✓ Incomes generated from SEs economic activity represented a small percentage in their overall budget. Being project- and grant seeking- oriented, prefer additional philanthropic or grant support for the expansion of their activities and services. ✓ The grant support is usually coupled with capacity building interventions to assist SE in the development of their business plan and to improve their skills in marketing, sales, branding etc. ✓ The existing SEs seek funding in the range of 3.000 – 50.000 Euro. The Work Integration Social Enterprises (WISE) and SE that provide social and professional integration also seek public funding as subsidies on the salaries and/or social benefits. | <ul style="list-style-type: none"> ✓ SEs continue to be highly dependent on international donor funding, while state support although relatively significant is insufficient. There are some initiatives from the private sector, but they are limited in size and scope. Grant funding obtained directly or indirectly through intermediary organisations using EU funding. ✓ Some SEs used individual and corporate support to purchase the initial equipment needed to launch the entrepreneurial activity. ✓ Beyond donor funding, a severe lack of alternative funding is one of the key obstacles to the growth of social enterprises in Montenegro. ✓ Municipalities provide modest grant funding but also through buying their products and thus supporting them in accessing to the market. | <ul style="list-style-type: none"> ✓ The majority of SEs functioning as associations used grant support from donors to start their activities. Spin-off enterprises established by associations also benefited from donation support. Beyond this initial grant funding, SEs face significant hurdles in raising financing to support their growth. The bulk of funding comes from donor sources, aid agencies and the private sector. ✓ SEs used funding support from the public-sector grants, foreign donors and foundations, national donors and foundations, and grants from companies. Additionally, income comes from membership fees, sales of products or services as well as from provision of social services. ✓ The enterprises for employment of PwD benefit from public subsidies on salaries and purchase of equipment and raw materials. Associations and spin-off companies have also received support in free-of-charge use of business premises. ✓ An increasing number of SEs are ready to absorb loan funding or other commercially available methods of financing. However, SEs have identified the lack of suitable funding beyond the initial start-up and scaling-up phase. |

5.4 Support programmes

| | AL | BA | XK | MK | ME | RS |
|--------------------|--|--|--|---|---|---|
| Support programmes | <ul style="list-style-type: none"> ✓ No real financing model for any but the very earliest stage of SEs. ✓ The public funding is limited and not targeted at the SE sector. ✓ The available active employment measures are not always suitable as the SEs often can't retain the employees for longer periods. ✓ The public procurement policies do not entail reserved contracts for SEs and CSOs, nor include any social and environmental criteria. ✓ The private sector plays limited role in financial support the SE sector. ✓ Partners Albania working on the promotion of SE sector. ✓ Accelerators specifically designed to meet the needs of the SE sector. ✓ A number of new incubators that may have a positive impact on the SE sector, although none of them was set up specifically to support SE. ✓ Not active informal network; Albanian Forum on SE, deepen the lack of network support infrastructure. ✓ SEs not the topic in the formal education system, some private Universities show interest but no action. | <ul style="list-style-type: none"> ✓ The policy framework is underdeveloped and provides limited real support. No legal recognition of SEs ✓ Labour market policies do not match the needs and realities of the SEs. ✓ The welfare system weak with no systematic recognition and innovation in the delivery of public services by SEs and CSOs. ✓ Most of the SE related policies will remain at the level of entities and cantons. ✓ No tax or fiscal incentives for SEs regardless of their legal form. ✓ Republika Srpska has made a positive step in incorporating the SE support in an array of strategic documents; including those on SME development. ✓ No technical or financial support tailor-made for the specific needs of the SE sector. ✓ 12 business incubators may serve SEs if adjusted. ✓ Mozaik as only incubator for SEs. ✓ Coalition for development of SE in BiH serves as a support network, 32 orgs aiming to advocate, promote, support and build cross-sector partnerships. ✓ Social Entrepreneurship Network for Youth Employment (Socent) serves as a platform to promote the existing SEs established by young people or providing employment opportunities for youth. ✓ SE not covered in formal education system rather non-formal. | <ul style="list-style-type: none"> ✓ The legal framework is evolving, the sector enjoys inadequate institutional support. ✓ Total dependence on grant funding, limiting incentives. ✓ A lack of clear nationwide coordination or a defined agenda to develop the social economy among the key stakeholders (relevant ministries at all levels, CSOs, cooperatives, donors). ✓ The decentralisation of delivery of social services to licensed CSOs and SEs is pioneering effort in the Western Balkans. ✓ Domestic private sector and social investment market is minimal, and the debt-financing sector has little engagement with the SE sector. ✓ Two incubators providing support to SEs. ✓ No existing national network of SE rather regional and global network presence via local organization membership. ✓ National Strategy for Entrepreneurial Education and Training in the higher education, adopted but does not cover SE. | <ul style="list-style-type: none"> ✓ The existing legislation allows the functioning of various legal forms as and SE, but no specific recognition of SE thus limiting governments in introducing targeted support and incentives for SE. ✓ Public procurement laws do not include social/environmental considerations nor allow reserved contracts for SE and CSOs ✓ The lack of flexibility of the labour market and social welfare policies as well as certain taxation and fiscal issues create uncertainty in the operations of the SE. ✓ An initial database of SE established. ✓ Public grant-schemes do not exist. ✓ Current support measures to SMEs are not open to SE registered as CSOs and cooperatives. ✓ The advisory support infrastructure has steadily increased in the last couple of years. ✓ No local or national network, but rather connection with regional and international ones. | <ul style="list-style-type: none"> ✓ The fiscal and taxation rules do not provide clear guidance to the start-up SEs ✓ Lack of tax relief and/or incentives on the distribution of profits by for-profit companies established by CSOs ✓ The lack of a legal definition demonstrates a failure to properly recognise SE sector and does not support the growth of SE ✓ No existing network of social enterprises ✓ There are several SE support organisations that are active promoters of the concept and provide support for the majority of SE initiatives in the country. ✓ SE not covered as a topic within the formal education system. | <ul style="list-style-type: none"> ✓ The existing environment tolerates rather than encourages the development of SE. ✓ The majority of government activities and policies are in fact targeted at PwDs. ✓ Law on public procurement includes the social criteria as an added value in the evaluation of tenders, the legislation on inclusive social contracting is yet to be adopted. ✓ The SE financing market is more vibrant compared to the other WB countries. ✓ Vibrant advisory support supported by a combination of international donors and local business angel groups ✓ A broad stream of activities and service available to support SEs. ✓ Two national networks: Social Economy Network and Coalition for the Development of Social Entrepreneurship provide support. ✓ Entrepreneurship included in VET and higher education, but no SE covered formally. |

5.5 Recognition

| | AL | BA | XK | MK | ME | RS |
|-------------|--|--|--|--|--|--|
| Recognition | <ul style="list-style-type: none"> ✓ Majority of SEs focus on the provision of basic social services for people incl. children with disabilities, health and community services, kindergartens and other social services targeted at vulnerable groups. ✓ Others engage in vocational training including artisanal and agricultural training to vulnerable groups. ✓ The SEs providing services other than social are mostly engaged in hostel services and catering, tourism and production and trading of artisanal and handicraft products. Cooperatives engaged in agricultural production and trading. ✓ The vast majority of SEs have never moved beyond the validation stage and a large number remain at or near blueprint stage with few exemptions of scaling. | <ul style="list-style-type: none"> ✓ SEs engaged in multiple activities, from graphic design to agriculture, information technology to the delivery of services to marginalised groups, preservation of traditional crafts, and manufacturing. ✓ Especially in the rural areas agriculture is seen as a suitable sector for social integration of vulnerable groups and is explored by many SE initiatives. ✓ Overall SEs in their early stages of development, mostly in the start-up phase. While a few have been very successful and are ready to scale, most of the initiatives, even though with promising initial results, are still learning the rules of the market and are working to become self-sustainable. | <ul style="list-style-type: none"> ✓ The SE sector is mostly developing in the direction of employment enablement and income generation for vulnerable groups. ✓ Mostly run by CSOs mission related economic activities: a) equality of status for vulnerable groups (social integration and improving the broader society's perception and acceptance of those from vulnerable groups), b) revenue generation of vulnerable groups through production and sale of natural juices, jams, honey, c) stationary and arts & crafts, community development (education, social & health services), d) improvements in productivity (agriculture). ✓ Overall SE in their blue print and validation phases of development. | <ul style="list-style-type: none"> ✓ SEs provide a variety of products and services in the fields of education, health, culture and social protection. ✓ Most commonly, they serve agricultural producers (for the cooperatives), people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma, persons with addictions etc. ✓ Core social mission areas: a) promotion of human rights and social integration of vulnerable groups; b) education and different forms of social innovation; c) economic empowerment of the members and/or target groups; and d) provision of services to specific, often vulnerable, target groups. | <ul style="list-style-type: none"> ✓ SEs engaged in the production of souvenirs, garments, home décor, and merchandising items for businesses. Services focused SEs run various assistance and day care services for the elderly and PwD. Cooperatives predominantly engaged in agriculture. ✓ SEs in their early stages of development, majority developing their business plans or testing their business model in practice. Only few examples of validation stage and exploring strategies for long-term growth and sustainability. | <ul style="list-style-type: none"> ✓ SEs provide a variety of products and services, most commonly serving agricultural producers, people with disabilities, women and youth as well as other disadvantaged groups such as elderly persons, Roma etc. ✓ 7 crucial issues as a core of SE social mission: 1. economic empowerment and employment; 2. environmental protection or sustainable development; 3. Social welfare and education; 4. Protection and development of culture; 5. Education courses and information sharing; 6. Protection of rights and the development of tolerance; 7. Socio-humanitarian assistance. ✓ The economic sectors where SE engage: <ul style="list-style-type: none"> • <u>Cooperatives</u> - agriculture; • <u>The enterprises for employment of PwD</u> - manufacturing and services such as printing; • <u>Associations and foundations</u> - services such as: education and training, tourism and catering and culture and arts as well as production and agriculture. ✓ SEs more equally represented in all four stages of development having 15% in start-up phase; 30% in validation phase, 37.5% preparation for scaling phase and, 17.5% scaling phase. |

6. CONCLUSIONS

6.1 Eastern Neighbourhood

Eastern Neighbourhood countries are characterized by an unstable economic and political situation without clear understanding of the concept of social economy, social entrepreneurship and social enterprise. All six countries reported a lack of legal regulation as an obstacle for further development of the SE sector. Although Moldova has recently adopted the Law on Social Entrepreneurship, implementation measures are still lacking. The sector lack business and managerial skills to grow further and develop from early start-up stage to the more advanced ready to scale or scaling stage. The vast majority of social entrepreneurs are in the blueprint stage of development, lacking knowledge of how to access other markets, production capacity and sufficient funding. Most of the funding is coming from foreign donor organizations without known coordination mechanisms or cooperation among various stakeholders.

Social economy actors are seen as part of social inclusion rather than as part of cross-cutting areas of support to vulnerable groups but as well to other social, economic, political and cultural areas. The states do not provide sufficient support to social entrepreneurs in the form of state subsidies, tax incentives, various funding mechanisms and/or business trainings. Existing infrastructure for SME support has been recognized, as the majority of SEs have a traditional legal business status, putting them into the same position as traditional companies. However, that fact might be used to help social entrepreneurs to improve or get know-how.

The researchers summarized common issues and challenges within the EN region providing targeted recommendation measures to benefit the social enterprise eco-system. Their summary is shown in the table below:

| | CHALLENGES | RECOMMENDATIONS |
|---------------------------------------|--|---|
| LEGAL AND REGULATORY FRAMEWORK | Lack of entrepreneurial mind set. | <ul style="list-style-type: none"> • Revision of legal framework and creation of favourable state policies can be done as part of technical assistance. • Different ministries responsible for social economy implementation while not having clear understanding of what social economy is. A comprehensive training of officials should be the first step to enable them to make relevant decisions and design policy documents. • Develop a Strategy or Action plan defining the term social enterprise, social entrepreneurship, and social investor at the country level. • Improvement of the registration process of grant funding for SEs within countries that apply this model. • Tax legislation would need certain revision in order to introduce tax exemptions for businesses that implement or support social projects. • Introduce country coordination mechanisms to enable more transparent dealing with SE cross cutting issues. • Policy measures should include other vulnerable groups when creating policies and strategies. • Policy documents should stimulate the development of SEs in other sectors such as sustainable regional development, rural development, agri-eco tourism, environment protection, culture. |
| | Lack of strategic approach towards social economy. | |
| | The concept of SE rather new. | |
| | No legal form for SE is an obstacle for SE to receive any state support specifically designed for them. | |
| | Eco-system for SE development not yet in place, allowing various legal forms to perform business activities with social mission. | |
| | Relatively high state interference in the work of business entities. | |
| | The sector's development is hindered by bureaucratic impediments which can be seen both at the local and central levels (corruption, bureaucracy, registering donation, reporting the names of each donor, etc). | |
| | Policy measures mostly directed towards people with disabilities, often neglecting other vulnerable groups as priorities. | |
| | Majority of SEs providing employment opportunities for PwD. | |
| | | |

| | | |
|---------------------------------------|--|---|
| ACCESS TO FINANCE & MARKET | Various tax regimes through the EaP countries but none of them specifically tailor made for SEs. | <ul style="list-style-type: none"> • Develop sectoral public grants schemes for Social Entrepreneurs no matter the legal entity. • Revise tax regimes in each of the countries taking into account social mission of the SEs. • Using the resources of existent business incubators, entrepreneurship development centres, training centres, advisory institutions, accelerators, mentoring, coaching and/or capacity building support to be offered for SE activities. • Corporate Social Responsibility mechanisms should be used to attract corporate sector to communicate and exchange goods and services with SE sector. • Support SEs in strengthening their business activities to raise volume of production to be able to enter big companies supply chains. • More business competition such as Start-up weekend, Social Enterprise Competition or various Impact Awards should be organized by public and private sector, either using intermediary organizations or themselves. • Investment community should be encouraged to develop with the possibility to design finance tools specifically for SEs. • Introduction of other sources of funding than grants funding should be managed in close cooperation with business, microfinance and banking sector. • As part of technical assistance SE sector can be additionally trained in satisfying EU regulations for trade. |
| | Support from private sector in form of mentoring, coaching, venture philanthropy approach or funding SEs is in an early stage and often lacks sensitivity and understanding of the social focus of such enterprises. | |
| | Large commercial companies do not include SEs in their supply chain. | |
| | SEs do not have the required production scale to penetrate and compete on the market. | |
| | Higher cost of production puts SE in an unfavourable situation on the market. | |
| | EU trade regulations are difficult to satisfy even for traditional businesses and let alone for SEs. | |
| OTHER SUPPORT INFRASTRUCTURE | Lack of state incubators and/or accelerators program providing tailor made capacity support, mentoring, business development to social entrepreneurs. | <ul style="list-style-type: none"> • Study tours and sharing of good practice from EU can help raise awareness of the SE models as part of technical assistance. • Public campaigns focusing on social entrepreneurial impact should help raise visibility of the sector, stressing already successful examples of good practice. • Further support development of Forums, conferences, networking events through intermediary organizations that could coordinate boost of SE sector. • Develop online platform for exchange as a starting point for sharing ideas, good practice and knowledge. • CSR programs could include the support to SEs into their agenda by providing mentoring or coaching support and/or including SEs into their production chain. • Tools such as social media, networks, press and social advertisements might help raise recognition of the sector. • Impact measurement should be developed and implemented. |
| | No intermediary organizations that would provide capacity building coupled with funding. | |
| | Network of support for SEs are either non-existent or not fully functional and efficient in terms of representing the interest of SEs, raising awareness and/or visibility of the sector. | |
| | Lack the business, financial and entrepreneurial skills among SE management. | |
| | Support organizations are in majority of the cases project/donor driven thus providing short term support. | |
| | No impact measurement system in place. | |

6.2 Western Balkan

In all 6 Western Balkan countries social enterprises need to bridge the entrepreneurial skill gap and strengthen organizational and management capacity to be able to prove/validate their business model and reach wider market and potential scaling. All of the countries do have support mechanisms for Micro and SMEs that might be easily adapted to the social enterprise requirements and needs. This approach require that SEs have full access to SME trainings, seminars, and mentoring programs. Decentralization of the capacity building support, covering rural areas or smaller towns, should be the imperative for further strategic documents and capacity support to be developed. The EU can provide valuable input through direct support to intermediary organisations as well as through encouraging public-private-CSO partnerships in building SE support infrastructure throughout the country.

The researchers recognized a lot in common when it comes to the challenges countries are facing as well as recommendations that might benefit social enterprise eco-system development. Their summary shown in the table below:

| | CHALLENGES | RECOMMENDATIONS |
|--------------------------------|--|---|
| LEGAL AND REGULATORY FRAMEWORK | Little political support and fragmented and unresponsive legal framework. | <ul style="list-style-type: none"> • Technical assistance to develop the policies, procedures and human capacities as a prerequisite to effective institutional support for the development of social economy. • Institutional capacity of the relevant policy makers should be part of the TA. • Targeted SE policies should be built through wide consultations, integrating local expertise. • Public dialogue among the various stakeholders is needed to harmonize understanding of social economy model. • Policies on SE sector should be embedded not only in the employment and social policies but also as part of economic development, environmental and sustainable agriculture agenda. Thus, cross-sector local partnerships should be initiated and maintained. • Public procurement policies and implementations measures should be adjusted in order to take into account the social impact in the selection process. • Reserve contracts for CSOs and SEs as well as social/environmental criteria to facilitate SE access to market leveraged by societal benefits should be revised to be in line with EU directives in public procurement. • Provisions for simplified procedures in public procurement for SEs should be envisaged. • Administrative burden and control have to be balanced to the tax incentives and public funding. • Countries should develop more structured and consistent targeted support to SEs using a horizontal approach by incorporating the SE issue in the economic development sphere, rural development and environment protection spheres. • Much greater transparency in the mechanism, criteria and award processes for public funded grants is needed. |
| | Lack of cross-sector coordination and understanding of SE model among relevant stakeholders. | |
| | SE is not highly ranked on the governmental and institutional agenda as part of their strategy for sustainable and equitable development. | |
| | Unclear fiscal and taxation rules that does not provide clear guidance to SEs. | |
| | Lack of consistent technical and/or fiscal support that is tailor made for the needs of the SE sector. | |
| | Lack of recognition of the social impact SEs are providing. | |
| | No recognition of the legislation as part of the broader eco-system development mechanism for SEs. | |
| | Periodical targeted support within various EU instruments in civil society and social inclusion spectrum. | |
| ACCESS TO FINANCE & MARKET | Vast majority of social enterprises operate with grant funding, lacking diversification of the resources putting them at high financial risk in terms of sustainability. | <ul style="list-style-type: none"> • Donors are advised to provide financial resources to help potential grantees develop sustainable project plans and then disburse those resources on a milestone basis. • A structured funding mechanism that would award grant funding for the initial start-up and development phases and low interest debt financing for the growth and sustainability |
| | Lack of absorption capacity by SEs to utilise other funding sources than grants. | |

| | | |
|-------------------------------------|---|--|
| | <p>Financial support donor driven, and project based not utilising the SE needs, rather donor priorities.</p> <p>Lack of continuous and larger-scale engagement by banks, private sector funding</p> <p>Lack of institutional involvement in providing funding.</p> <p>National public grants schemes mostly target only organization working with people with disabilities or on job creation.</p> <p>Available commercial funding products are not suitable for SEs as they are relatively expensive, with high interest rates and repayment deadlines which cannot be serviced by SEs.</p> <p>Lack of incentives for private sector to support SE further development.</p> <p>SEs face challenges accessing the market, being mostly micro enterprises, still not reaching production of scale to penetrate and compete on the market.</p> | <p>phases would ensure that projects with a potential for sustainability are favoured.</p> <ul style="list-style-type: none"> • Funding mechanisms to SEs should be tied to technical, capacity and/or mentoring support, provided by already proven model of incubators or intermediary organizations that can provide such technical assistance. • The SE funding community should increase coordination and develop funding approaches engaging with institutional stakeholders to turn them into active participants in the funding criteria and therefore ensuring a vested interest in the success of the sector. • The creation of local/national social investment funds managed by successful business practitioners could be encouraged through fiscal measures designed to financially motivate companies to donate portions of their corporate social responsibility (CSR) budgets into these funds. • Local level government are encouraged to participate in the in-kind funding by making vacant public properties available either as an in-kind contribution or by charging low rents to SEs. • Partnership with large companies with proven track-record in social enterprise support should be encouraged and initiated. • Repayable grants should be considered as alternative mechanism for finance support to SEs. • Public grants schemes should not be developed only on the employment and social policies but also as part of economic development, environmental and sustainable agriculture schemes. • The introduction of the broader tax benefits for private sector, providing direct support or trade opportunities for SEs is strongly advised. • Further encouragement of companies to include SEs in their supply chain as socially responsible business opportunity and practice is needed. |
| OTHER SUPPORT INFRASTRUCTURE | <p>Lack of monitoring mechanisms to capture social impact and financial return of SEs.</p> <p>Lack of visibility of SEs and their impact.</p> <p>Lack of business management skills (planning, budgeting, sales, marketing) by SE leaders.</p> | <ul style="list-style-type: none"> • Social enterprise communities at the state level should support creation or further support to coordination bodies or networks that would coordinate policies, monitor progress, advocate for the universal adoption of the best practices and increased transparency from state institutions. • The SEs in cooperation with other stakeholders should invest in promoting the idea of SE and showcase wherever possible success stories thus creative positive PR towards SEs in cooperation with media. • Ongoing technical support via support centres, incubators and/or accelerator programs should be encouraged in decentralized manner. • EU can provide valuable input through direct support to sustainable intermediary organizations as well as through encouraging public-private-non-profit partnership in building SE support infrastructure throughout the countries. • SEs should have full access to SME training and mentoring programs whether governmental, CSR run or via donor partnership. • Positive experience of the acceleration program should be utilised and replicated in partnerships with other organisations and initiatives throughout the country. |

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