



Social Economy in Eastern Neighbourhood and in the Western Balkans

Country report – Ukraine

January 2018



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TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	5
2. INTRODUCTION	6
3. STATE OF PLAY OF THE SOCIAL ECONOMY IN UKRAINE	7
3.1. Nature and size of the social economy sector	7
3.2. Key sectors for social economy and phases of development of social economy players	9
3.3. Funding and financial tools social enterprises use	11
3.4. Monitoring and evaluation of the financial and social return	12
4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT	12
4.1. Relevant policies, regulatory and institutional framework	12
4.1.1. THE LEGISLATIVE AND REGULATORY FRAMEWORK RELATED TO SOCIAL ECONOMY	12
4.1.2. INSTITUTIONAL FRAMEWORK	15
4.1.3. LINKS WITH EXISTING SOCIAL PROTECTION AND SOCIAL INCLUSION SYSTEMS	16
4.2. Key stakeholders and existing coordination mechanisms	17
4.3. Existing funding strategies for social economy	19
4.4. Type of additional non-financial support to social economy	24
4.5. On-going and planned initiatives addressing social economy issues	26
4.6. Best practices in the country and replicable models	27
5. GAP ANALYSIS AND NEEDS ASSESSMENT	28
5.1. Macro-social factors determining the sector	28
5.2. Access to finance	28
5.3. Lack of relevant skills to access the market	29
5.4. Opportunities and key drivers boosting the development and scaling up of the social economy	29
6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS	30
6.1. Priority sectors for country level intervention	31
7. ANNEXES	34
7.1. Annex 1 - Questionnaire survey	34
7.2. Annex 2 - List of Interviews	39
7.3. Annex 3 – Bibliography	41

LIST OF ABBREVIATIONS

ATO	Anti-Terroristic Operation
BDS	Business Development Services
CAP	Counterpart Alliance for Partnership
CCU	Civil Code of Ukraine
ChF	Charitable fund
ChO	Charitable organization
CS	Civil society
CSO	Civil society organisation
DTEK	Donbas Fuel and Energy Company
EU	European Union
EUD	Delegation of the European Union to Ukraine
GDP	Gross Domestic Product
IDP	Internally displaced person
IE	Individual entrepreneur
NGO	Nongovernmental organization
OPIC	The Overseas Private Investment Corporation
SEs	Social enterprises
SE	Social entrepreneurship
UVCA	Ukrainian Venture Capital and Private Equity Association
UN	United Nations
UNDP	The United Nations Development Programme
UNP	Ukrainian National Platform of Eastern Partnership Civil Society Forum
USAID	The United States Agency for International Development
USIF	Ukrainian Social Investment Fund
WNISEF	Western NIS Enterprise Fund
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. EXECUTIVE SUMMARY

Social entrepreneurship as a part of the social economy still remains a novelty for Ukraine. The terms «social entrepreneurship» and «social enterprise» are not approved legally. The term “social entrepreneurship” tends to be associated with the activities of charities or social integration of disadvantaged and disabled people, and not entrepreneurship. Stereotypes, misunderstandings and lack of awareness negatively affect social enterprises growth and financing prospects and are a pivotal factor in preventing development of relations with partners and prospective customers.

Ukrainian legislation does not provide a definition of social enterprise, doesn't recognize social enterprises, and does not include any specific normative acts regulating the activities of such enterprises. Since the national concept of social enterprise development is absent, it will be important at the initial stages of legitimizing social enterprise to include a definition of the concept which is in line with EU definition and trends.

The Law on social entrepreneurship could play the role of a framework document that define the essence of the subject in question, the basic criteria and procedures for granting the status of a social enterprise to a concrete entity, as well as the main responsibility of government and regional public authorities for promoting social enterprises. Taking into account findings from comparative analysis and policy practice in the country, a targeted law on social enterprises is expected to contribute towards: a) clarity of the concept and legal definition of social enterprises; b) helping public promotion of social enterprises; c) creating a formal definition which will make the design of support measures easier for the public institutions from various sectors; d) collecting official data on SE.

In the last decade, the topic of social entrepreneurship has become more common in public life and scientific research in Ukraine. It is discussed at various events and attracts many NGOs, initiative groups, or simply people active in the area. However, social entrepreneurship in Ukraine is in the early phases of development. Although growth has been achieved in many aspects of its development, social enterprises have not become an integral part of the social, economic, political and cultural contexts of the country. Some basic legal, political, educational and organizational measures can help to create a proper environment for social entrepreneurship and social economy development that can improve the national and regional economies and welfare systems in the Ukraine.

Lack of start-up capital is a significant hurdle for social entrepreneurs. At the same time, although it is never easy to obtain the initial investment, most social entrepreneurs acknowledge that at the expansion or growth stage of the social enterprise lifecycle the shortage of funding is even more acute. The major constraint is the difficulty in accessing growth capital. Lack of information on the societal impact and awareness of “the difference that social enterprises makes” does nothing but suppress interest from private investors and the wider public.

Despite the multiple challenges mentioned above the potential for the Ukrainian social entrepreneurship sector is significant. The main driving forces for the development of the social economy sector in general and social enterprises in particular can be divided into two groups. The first group combines the potential preconditions. These are: the impact of social and political transformation, the great number of social needs unsatisfied by the public or private sector bodies, the limited employment opportunities, the needs for integration into the labour market of certain vulnerable groups of society, the challenge of migration and living conditions of IDPs. The favorable factors that make up the second group of driving forces are: high capacity of many experienced NGOs, which is an important actor playing a role in the undefined Ukrainian social economy, the existing successful practice and experience of SE across Ukraine inspiring people to venture into this new business model themselves, availability of international funding, etc.

2. INTRODUCTION

According to the United Nations country classification Ukraine is a country of transition economy¹. GDP per capita of USD 2097 (see table 1) which is twice less than that in 2008 as well as in 2014. Ukraine has experienced acute political, security, and economic challenges during the past four years. Since the “EuroMaidan”² uprising in February 2014 that led to the ousting of the previous president, the country has witnessed several important events, including Russia’s occupation of Crimea in March 2014 and ongoing aggression in eastern Ukraine. With conflict escalating, Ukraine’s economic and financial situation has deteriorated markedly. With the loss of a major portion of Ukraine’s heavy industry in Donbas and ongoing violence, the economy contracted by 6.6% in 2014 and by 14.3% in 2015, but grew modestly by 2.3% in 2016 and in 2017. The country ranking in the UN Human Development Index is 84th out of 185 countries in the 2016 report³.

Table 1: Ukraine in figures⁴

Ukraine	2016
Population, million	44.9
GDP, current US\$ billion	94.2
GDP per capita, current US\$	2097
Life Expectancy at Birth, years	71.2

Under such a difficult economic and financial situation a state’s ability to perform its social functions properly is limited. In this context, attracting businesses to solve urgent social problems has become more and more relevant.

The niche for the development of social enterprises in Ukraine is significant. According to experts of the All-Ukrainian Resource Centre of Social Entrepreneurship Development “Social Initiatives”, there are important opportunities, which will encourage the creation of an increasing number of social enterprises in Ukraine. Among them are 1) availability of resources that are not used by traditional business, in particular human resource (people with disabilities, internally displaced persons, people who have left prison, young people); 2) consumer loyalty to the product of the social enterprises is growing; 3) social entrepreneurship is supported by international foundations and organizations, which allows the creation and development of a social enterprise; 4) big business is always interested in outsourcing that allows small businesses, including social enterprises, to grow; 5) lack of a law that would regulate social entrepreneurship provides an opportunity to choose the most optimal organizational-legal form for the social enterprise, both in terms of the business model and in terms of the features of taxation⁵.

In addition it should be noted that Civil society (CS) in Ukraine has gone through significant changes since the Euro Maidan in November 2013, Revolution of Dignity in February 2014 and the following war. These include the improvement of the legislative framework, stronger engagement of CS in decision making and policy implementation processes, and a revitalisation of the work of registered civil society organisations (CSOs) and the volunteer movement. These create conditions for social enterprise development by CSOs.

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

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

¹<http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96>

²European Maidan, wave of demonstrations and civil protests in Ukraine, which began on the night of 21 November 2013 with public protests in Maidan Nezalezhnosti in Kiev and led up to the Revolution of Dignity in February 2014

³ UN Human Development Index. Retrieved from: http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf

⁴Source: World Bank <http://www.worldbank.org/en/country/ukraine/overview>

⁵Назарук В. 5 великих можливостей для розвитку соціального підприємництва в Україні : Retrieved from: <http://www.socialbusiness.in.ua/index.php/novyny/v-ukraini/156-5-velykykh-mozhlyvostei-dlia-rozvytku-sotsialnoho-pidpryemnytstva-v-ukraini>

The methodology comprised a mix of desk research, qualitative interviews and documentary analysis. An assessment mission to Ukraine took place in the period from 20-24 November 2017. Formal and informal interviews were conducted with all of the main stakeholders during the mission. The list of individuals interviewed is appended as Annex B. The mission was conducted by Ms. Natasa Gospodjinacki.

3. STATE OF PLAY OF THE SOCIAL ECONOMY IN UKRAINE

3.1. Nature and size of the social economy sector

Given that Ukraine has not passed special social economy laws for the purpose of this study the European approach was applied in which the social economy enterprises and organizations as economic and social actors are distinguished from capital-based companies by a set of specific shared values and characteristics:

- The primacy of the individual and the social objective over capital
- Democratic control by the membership
- The combination of the interests of members, users, and general interest (society)
- The defence and application of the principle of solidarity and responsibility
- Reinvestment of the surplus to carry out sustainable development objectives, services of interest to members or of general interest
- Voluntary and open membership
- Autonomous management and independence from public authorities⁶

According to this set of characteristics the actors of social economy in Ukraine are quite diverse and take several forms:

- Civil Society Organisations
- Cooperatives including agricultural cooperatives
- Associations

Ukrainian statistical data is confusing in terms of aggregated data for all types of CSOs; according to three Ukrainian regulations⁷ CSOs may have 18 legal forms, as well as a non-defined “*other non-commercial companies and institutions legalised pursuant to the law*”⁸.

In 2016, there were 70 321 officially registered CSOs in Ukraine⁹. The majority of the registered CSOs are not active. As the liquidation of a CSO remains a complicated procedure, even after ceasing its activities, a CSO must continue to report their revenues in order to avoid fines¹⁰. This is confirmed by the State Statistic Service: only 23 237 executive bodies of Ukrainian CSOs, i.e. 1/3 of all registered organisations, reported on their activities in 2016¹¹. At the same time citizens’ voluntary associations for mutual assistance do not feel the need for institutionalisation, including the official registration process. It should be noted that the events of the last years led to a surge of interest in the volunteer movement in the country.

The key documents that provide the legal framework for CSO are:

- Law on Public Associations¹² (amended in 2015) regulates the two most popular types of CSOs in Ukraine – public organisations (associations of natural persons) and public unions (founded by legal entities of private law, including other non-governmental organisations, with the possibility of incorporating natural persons);

⁶Social economy: Study for the IMCO Committee (2016) Retrieved from:

[http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578969/IPOL_STU\(2016\)578969_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578969/IPOL_STU(2016)578969_EN.pdf)

⁷ Law of Ukraine on Public Associations (<http://zakon2.rada.gov.ua/laws/show/4572-17>), Law on Charity and Charitable Organisations (<http://zakon3.rada.gov.ua/laws/show/5073-17>) and Law on Professional Unions, their Rights and Guarantees of Activities (<http://zakon3.rada.gov.ua/laws/main/1045-14>)

⁸ Mapping Study. CSO Engagement in Policy-Making and Monitoring of Policy Implementation: Ukraine. Konrad Adenauer Stiftung. Civil Society. Dialogue for Progress. Kyiv. 2014. Available at www.csdialogue.eu

⁹Palyvoda, L., Vinnikov, O., Kupriy, V., etc. (2016). Defining Civil Society for Ukraine – Research Report. Kyiv, Ukraine: CCC Creative Center. Available at <http://www.ccc-tck.org.ua>

¹⁰ Mapping Study. CSO Engagement in Policy-Making and Monitoring of Policy Implementation: Ukraine. Konrad Adenauer Stiftung. Civil Society. Dialogue for Progress. Kyiv. 2014. Available at www.csdialogue.eu. P. 12

¹¹ State Statistic Services. Express Publication on Results of Civil Organisations Activities in 2016. Available at <http://www.ukrstat.gov.ua/>

¹²Law of Ukraine #4572-VI, of 22 March 2012, on Public Associations. Available at <http://zakon4.rada.gov.ua/laws/show/4572-17/>

- Law on Charity and Charitable Organisations¹³ (last amended in 2016) regulates the foundation and work of four types of charity institutions in Ukraine: organisations, associations, foundations and institutions;
- Law on Professional (Trade) Unions, their Rights and Guarantees of Activities¹⁴ (amended in 2015) regulates the trade, labour and professional unions;
- Law on State Registration of Legal Entities, Individual Entrepreneurs and Public Associations¹⁵ (last amended in 2017) provides overall guidelines and procedures for state registration.

At the moment the non-governmental organizations are an important actor playing a role in the undefined Ukrainian social economy sector. In particular there are numerous discussions on the need to reform social services. One of the possible approaches is to ensure the involvement of NGOs, as representatives of an emerging social economy, in the provision of social services.

According to the Law on Cooperation¹⁶, cooperatives in Ukraine can be set up by individual entrepreneurs or any legal entity which voluntarily unite into one group for common economic activities or other types of activities in order to satisfy their social, economic and other needs and organize themselves along self-governance principles (Article 2).

Ukrainian cooperatives are divided into three types depending on their objectives and nature:

- Producer cooperatives are created by individuals to carry out common production or economic activities in order to achieve profit;
- Service cooperatives are created by natural persons and/or legal entities who come together to provide services, primarily to the cooperative's members but also to other people (though the amount of transactions with non-members cannot exceed 20% of the cooperative's total turnover) for their economic activity;
- Consumer cooperatives are created in order to satisfy the consumption needs of their members.

In terms of types of activity, Ukrainian cooperatives can be garage (storage of personal transport on the leased segment of the land), transport, educational, tourist and medical organizations (article 6). Sometimes they are connected with other fields, such as building or gardening.

Table 2: Number of cooperatives and associations in Ukraine (Without temporary occupied Ukrainian territories of Crimea, and Donetsk and Luhansk oblasts)¹⁷

Legal forms	2013	2014	2015	2016	2017, Dec 1
Associations	3,194	3,234	3,108	2,260	2,375
Cooperatives	33,664	33,806	29,681	25,763	26,926
<i>Including:</i>					
Producer cooperatives/agricultural market-oriented cooperatives	2,459/947	2,647/135	2,646/928	2,321/949	2,248/996
Service cooperatives	20,619	20,62	17,899	17,439	18,623
Consumer cooperatives	771	809	726	730	750

¹³ Law of Ukraine #5073-VI of 05 July 2012, on Charity and Charitable Organisations. Available at <http://zakon3.rada.gov.ua/laws/show/5073-17>

¹⁴ Law of Ukraine #1045-XIV of 15 September 1999 on Professional Unions, their Rights and Guarantees of Activities. Available at <http://zakon3.rada.gov.ua/laws/main/1045-14>

¹⁵ Law of Ukraine # 755-IV of 15 May 2015 on State Registration of Legal Entities, Individual Entrepreneurs and Public Associations <http://zakon4.rada.gov.ua/laws/show/755-15/page>

¹⁶ Law on Cooperation, Retrieved from: <http://zakon3.rada.gov.ua/laws/show/1087-15?lang=en>

¹⁷ Source: The State Statistics Service of Ukraine. – <http://www.ukrstat.gov.ua> [01 12 2017]

According to the Economic Code of Ukraine associations are founded for the coordination of economic activities of enterprises in order to satisfy primarily economic needs of their members, to develop specialization and cooperation, and to pool financial and material resources (Article 120)¹⁸.

None of these types of organizations (different kinds of cooperatives and associations) demonstrate the economic behaviour of fully-fledged social enterprises though. Most of them do not identify themselves as social enterprises. In most cases, cooperatives and associations do not have a continuous production activity (producer cooperatives constitute an exception in this regard). Cooperatives are able to redistribute their profits to their members. Besides, all these types of citizens' unions have a relatively low degree of financial autonomy, because they depend on donations, member fees, grants, government support, etc., and these funders can in some cases directly or indirectly influence the entity's activity. A deeper observation of these organizations shows that, in most cases, they only develop activities within their statutory objectives. As a result, their economic activity is often quite limited¹⁹.

In contrast, a social enterprise is a component of the social economy that is set up exclusively to pursue social aims (such as they are defined in the enterprise's statutes). In Ukraine the terms «social entrepreneurship» «social enterprise» and «social economy enterprise» are not approved legally. However, there are principles in different regulatory and legal sources that allow the creation of enterprises that by international standards can be classified as social ones.

According to an approximate estimate, the quantity of such enterprises in Ukraine equals 700²⁰ (290 of them were founded by non-governmental organizations of people with disabilities). More detailed information about 150 SEs is published in the Catalogue of Social Enterprises in Ukraine²¹. This project was implemented by the NGO "Youth Centre for Social Sector Transformation "SOCIUM-XXI", with financial support from Western NIS Enterprise Fund. The project involved collecting, analysing and sorting information about the social enterprises that currently operate in Ukraine, in order to promote, support and develop social entrepreneurship in Ukraine. As a part of the project activities, a survey of social enterprises in Ukraine was carried out, the results of which were compiled into the Final report and previously mentioned Catalogue of Social Enterprises of Ukraine 2016-2017.

Since in Ukraine there is no law that defines “social enterprise” and its characteristics, the selection of social enterprises for inclusion in the Catalogue took place with consideration of the following definition: social enterprise –an organization (regardless of the legal form), which solves social and / or environmental issues. In addition, an organization must meet at least one of the following criteria:

- Employment of vulnerable groups (ATO veterans, IDPs, people with disabilities, residents of rural areas, etc.);
- Part or all of the profit from activities aimed at support of statutory activities of an NGO / ChO / ChF;
- Part or all of the profit is allocated to finance certain types of services for vulnerable groups / support social, cultural or sport events, projects.

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

Social economy actors in Ukraine are particularly active in the following domains: 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.

The cooperative movement in Ukraine has a long history. In 1899, peasants, intellectuals and clergy organized a local company “Farmer” in Odesk, Zolochiv district. The company soon turned into a powerful institution that had branches in almost every county, operated hundreds of groups and a raft of agricultural experiment stations, and even published its own periodicals.

¹⁸Economic Code of Ukraine. Retrieved from: <http://www.lawkneu.org.ua/wp-content/pravo/Economic%20Code%20Eng.pdf>

¹⁹Bibikova, V. (2015). Social Enterprise in Ukraine, ICSEM Working Papers, 12, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.

²⁰Соціальне підприємництво: від ідеї до суспільних змін. Посібник / Свинчук А.А., Корнецький А.О., Гончарова М.А., Назарук В.Я., Гусак Н.С., Туманова А.А. – К. ТОВ «ПІДПРИЄМСТВО «ВІ ЕН ЕЙ», 2017 – с. 76.

²¹ Catalogue of Social Enterprises of Ukraine 2016-2017. Available at: socialbusiness.in.ua

During the Soviet times, the state and its bodies and structures played the main role in social welfare. Civic organizations (Komsomol, trade unions etc.) and cooperatives (first of all collective farms, or *kolgosp*) were strongly controlled by the government. This overwhelming control guaranteed the smooth functioning of civic organizations, but at the same time hindered the development of civil society in the country, and therefore the social enterprise, as indeed entrepreneurship in general.

The cooperative movement, if not taken into account with *kolgosp*, was not a large-scale phenomenon until the 1988 legislation on cooperatives. In 1988 the Supreme Soviet of the USSR adopted the Law on Cooperatives, allowing them to operate in all branches of industry, agriculture, trade and cultural endeavors. This new comprehensive legislation made dramatic changes to the face of the domestic economy by legitimizing essentially private companies, referred to as “socialist cooperatives”. However, they had nothing to do with social entrepreneurship.

The cooperative movement proved to be the privatization of the *nomenklatura* (the party elite) and legitimation of the illicit businessmen of the shadow economy. The cooperative movement acquired a bad name. Some of the bad reputation is deserved, yet some of it is a consequence of the Soviet dislike of social inequality in a society long accustomed to limiting differences.²²

The interest in social entrepreneurship appeared in Ukraine in the early 2000s. The term “social enterprise” was first introduced into the Ukrainian context by Counterpart International in the late 1990s, when it launched its Social Enterprise Program. During 1999, Counterpart International, Inc., a global partnership organization with its headquarters in the United States, introduced “social enterprise” to Non-Governmental Organizations (NGOs) in Ukraine via a training and grant program that lasted until 2002²³.

A significant contribution to the promotion of social entrepreneurship in Ukraine was made by the Social Enterprise Support Centre, set up in October 2010 at the SESP Association²⁴, and the Resource Centre “Social Initiative” created in September 2012. These Centres were founded under the joint initiative of the British Council in Ukraine, East Europe Foundation, PricewaterhouseCoopers in Ukraine, Erste Bank and the International “Renaissance” Foundation (the project “Development of social entrepreneurship in Ukraine”).

In the last decade, the topic of social entrepreneurship has become more common in public life and scientific research in Ukraine. It is discussed at various events and attracts many NGOs initiative groups or just active people. However, for Ukraine such enterprises still remain a novelty. Among the 150 SEs represented in the Catalogue of Social Enterprises of Ukraine 2016-2017²⁵, 112 SEs were founded over the past 10 years (from 2008 to 2017), of which 66 SEs were registered in 2015-2016. Most social enterprises registered in the Catalogue employ up to 5 people (78). There are 6-10 people in 26 SEs and 11-20 officially employed in 15 SEs. Only four SEs employ more than 100 employees. Some social enterprises are working with only support from volunteers, there are 10 such organizations.

Start-up social enterprises primarily need grant and non-recoverable capital sources until they reach commercial viability. The validation and preparation to scale social enterprises up requires more substantial amounts of capital and resources. Further scaling of SEs might be achieved in the future, but resources should be targeted at projects able to repay it.

The majority of social entrepreneurs registered in the Catalogue said that they are involved in employment of vulnerable groups of people (people with disabilities, ATO veterans, internally displaced people, etc.) – 91 SE. A significant number of SEs generate profits to support organization’s activities – 79 SEs, generate profits to support services for specific groups of population – 60 SEs, and finance certain types of services – 40 SEs. Only 5 surveyed social enterprises indicated that they were engaged in environmental protection or solving ecological problems. Social enterprise are able to perform several types of activities simultaneously²⁶.

²²Privatization and Entrepreneurship in Post-Socialist Countries: Economy, Law and Society 1st ed. (1992) Edition by Bruno Dallago (Editor), Gianmaria Ajani (Editor), Bruno Grancelli (Editor). Palgrave Macmillan; P. 309.

²³ Counterpart International, Inc. was founded in 1965 as the Foundation for the Peoples of the South Pacific, and has been active in NIS countries since 1992. The organization received USAID funds to implement a range of programs in Ukraine and other post-socialist states. The social enterprise program was run by one of Counterpart’s partner organizations, Counterpart’s Alliance for Partnership (CAP). <https://www.counterpart.org/>

²⁴<http://sesp.org.ua/web/sesp/sespEN.nsf/0/BEEB3F7CAF10DA9AC225>

²⁵socialbusiness.in.ua

²⁶Final report: According to findings of the research “Social enterprises in Ukraine”. Law on Cooperation, Retrieved from: <http://zakon3.rada.gov.ua/laws/show/1087-15?lang=en>

3.3. Funding and financial tools social enterprises use

The main sources of financing social enterprises use are their own commercial activities, grants, loans, sponsorships, crowd funding, etc. To establish a social enterprise, founders often use their own funds or attract capital from charitable or grant funds. The recent study as a part of the project “Social Enterprises in Ukraine”²⁷ has identified that 115 social enterprises out of 150 receive from 7% to 100% financing from their own commercial activity, while grants were a source of financing for 56 SEs. The amount of funding from grants may vary from 1% to 85%. Seventeen social enterprises out of 150 were supported by means of credit. The amount of funding from loans ranges from 2% to 70% of SE financing. Sponsorship contributions are used by 25 SEs and they account for 2% to 100% financing of these enterprises. Social entrepreneurs also had the opportunity to indicate "other" sources of funding, used by 40 SEs in the survey and ranging from 2% to 100% of all sources of financing of these enterprises. The "other" sources of funding included contributions from members of the cooperative, charitable contributions, budget funds, own funds, non-material support from partners, targeted financing, and founder investments²⁸.

Some social enterprises are financed by crowd funding using *Spilnokosht* – a crowd funding platform in Ukraine²⁹ that contributes to the development of a strong and open society where one can raise money for a project, find start-up capital for social business or money to develop an invention. The purpose of Spilnokosht project is the development of social innovations in Ukraine.

An excellent example of a crowd funding campaign in Ukraine is restaurant “Urban Space 100” in Ivano-Frankivsk. Founded by 100 socially active people who invested USD 1,000 each, the restaurant has quickly evolved into a city development platform providing fertile ground for discussion, presentations, press conferences and film screenings. Urban Space 100 is managed by “23 Restaurants” that charges 20% of the restaurant’s net profit for its management services. The remaining 80% of profit is reinvested with a view to implement social projects. The decision on which ideas to support is taken by the shareholders.

Ukrainians have been actively using opportunities of international platforms for rewards-based crowdfunding, such as Kick Starter, Indiegogo and Go Fund Me. The table below presents statistics from Ukrainian fundraising campaigns on both international and Ukrainian platforms. Although this data does not necessarily show relative impact of the platforms, it shows some funding habits of Ukrainians.

Table 6: Ukrainian and international crowdfunding platforms for Ukrainian fundraising campaigns: important figures³⁰

Platform name	Number of supported campaigns	Funds raised, USD	Number of donors	Year platform established	Average funds raised per campaign per platform, USD (funds raised / no. of supported campaigns)	Average donation per donor per platform, USD (funds raised / number of donors)	Platform fee
Ukrainian platforms							
Ukrainian philanthropic marketplace	1631	3,581,171	514,512	2011	2,195	6.96	0%
Spilnokosht	156	367,551	21,448	2012	2,356	17.14	10-15%
Go Fund Me	20	22,165	550	2015	1,108	40.3	10%
International platforms							
Kick Starter	82	1,458,039	n/a	2010	17,781	n/a	5%
Indiegogo	2,300	750,000	4,500	2008	119	166.67	5%

²⁷Final report: According to findings of the research "Social enterprises in Ukraine". Available at: socialbusiness.in.ua

²⁸Id.

²⁹<https://bigggidea.com/projects/>

³⁰<https://voxukraine.org/en/every-little-bit-helps-en/>

3.4. Monitoring and evaluation of the financial and social return

Besides the usual financial report social entrepreneurs have to show social results, permanently renewing quantitative and qualitative indicators. Social assessment is measured through the implementation of a social mission and spreading of social ideas, as well as the number of recipients of the benefit. There is no unique national measurement system in Ukraine.

The social enterprises that participated in the previously mentioned survey³¹ indicated a variety of ways to measure the impact of their activities. 29 SEs stated as an indicator – the number of employed persons, 28 SEs - number of clients, 26 SEs - surveys, customer reviews, 19 SEs - quality and number of services provided. At the same time, 22 SEs indicated that they were not involved in measuring the social impact of their activities, and 9 more SEs did not answer this question.

The most common form of reporting on social aspects of a social enterprise is a report on its own website or social network - 54 SEs. At the same time, 40 SEs are ready to report to those who request such information, and 35 SEs do not report at all.

Regarding commercial / business reporting, 117 social enterprises submit reports to the state fiscal service in accordance with the organizational and legal status of their legal entity. 15 SEs provide a report upon request, 13 SEs do not report and 5 SEs publish a business report, along with a social activity report on a web page or on social networks³²

4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT

4.1. Relevant policies, regulatory and institutional framework

4.1.1. The legislative and regulatory framework related to social economy

Ukrainian legislation does not provide a definition of social enterprise, doesn't recognize social enterprises, and does not include any specific normative acts regulating the activities of such enterprises. However, there are principles in different regulatory and legal sources that allow the creating of enterprises that by international standards can be classified as social ones:

- Articles 85 and 86 of the Civil Code of Ukraine³³ (hereafter CCU) regulate the activities of non-entrepreneurial organizations set up with or without the goal of making a profit which would later on be redistributed among its shareholders, if those activities correspond to the goals in pursuance of which the organization was created and facilitate their implementation. Non-entrepreneurial organizations under this regulation have the same right as commercial enterprises in terms of economic activities.
- Articles 168-169 of the CCU specify that the government and territorial communities can create public legal entities and private legal entities (entrepreneurial organizations etc.) under the conditions laid down by the Constitution of Ukraine and the law. They can be considered as social enterprises if they solve important social problems.
- Enterprises of citizens' unions (Civil society organisation) can be formed in accordance with Article 112 of the Economic Code of Ukraine³⁴ and with Article 21 of the Law on Citizens' Unions³⁵ for the realization of economic activities with the purpose of fulfilling their statutory goals.
- Non-governmental organizations of disabled people set up according to the Law on Principles of Social Protection of Disabled people³⁶ in Ukraine can create enterprises that carry out commercial and non-commercial economic and other activities not prohibited by law. State support of such enterprises includes privileges for payment of taxes (mandatory payments) (see section 4.1.3).
- Articles 52-54 of the Economic Code of Ukraine specify that subjects of the state and communal sector of the economy can carry out non-commercial economic activities in the spheres where entrepreneurship is forbidden by law. For example, it may be enterprises which provide services in the sphere of state registration of property rights. This concerns particularly: – State enterprises created on the basis of Article 76 of the Economic Code of Ukraine, and operating in the spheres of the national

³¹Catalogue of Social Enterprises in Ukraine. Available at: socialbusiness.in.ua

³²Id.

³³Civil Code of Ukraine. Retrieved from: <http://zakon3.rada.gov.ua/laws/show/435-15>

³⁴Economic Code of Ukraine. Retrieved from: <http://www.lawkneu.org.ua/wp-content/pravo/Economic%20Code%20Eng.pdf>

³⁵Law on Citizens' Unions. Retrieved from: <http://zakon3.rada.gov.ua/laws/show/4572-17>

³⁶Law on Principles of Social Protection of Disabled people. Retrieved from: <http://zakon2.rada.gov.ua/laws/show/875-12>

economy where the majority (more than 50percent) of their production (work, services) is of public interest and cannot, by nature, be delivered on a profit basis.

- Communal non-commercial enterprises created in accordance with Article 78 of the Economic Code of Ukraine. The organ, managing the communal non-commercial enterprise is composed of representatives of a territorial community, and fulfils its functions, presupposed by law.

Cooperatives, as part of the social economy, are regulated under two main laws: the Law on Cooperation³⁷ and the Law on Agricultural Cooperation³⁸. Under the Law on Cooperation, the cooperatives can be established by 3 physical and legal entities (article 7) in a wide array of economic activities. According to article 23 Cooperatives have the right to conduct any economic activity according to the statute and which is not prohibited by law.

The activity of agricultural cooperatives is based on the norms of the Constitution of Ukraine, the Civil, Commercial, Tax and Land Codes of Ukraine, the Law on Agricultural Cooperation and the Law on Cooperation.

There are still some important legal constraints on the development of the social enterprise sector in Ukraine. In particular: the absence of a special law on or at least a legal definition of a “social enterprise”, its organizational and legal forms, the aims and tasks, areas of activity, procedure for creation and functioning. It is also the absence of legally stipulated state support that would meet the current operational requirements of a social enterprise: for instance, relief from state taxes and duties, provision of soft (preferential) bank credit, advantageous rights to take part in tenders (only NGOs for disabled people currently enjoy some state support in the form of tax privileges).

Ukraine attempted to lay down a legal framework for social enterprise. In 2011, Oleksandr Feldman, Deputy of the Fatherland parliamentary faction³⁹, introduced a Draft Law on Social Enterprises and a Draft Law on Amendments to Article 154 of the Tax Code of Ukraine in Respect of Social Enterprise Support into the Verkhovna Rada (Ukrainian Parliament) Committee on Tax and Customs Policy. The first bill defined the “social enterprise” concept and set out the criteria by which an enterprise could be considered “social”. The second bill proposed to exempt social enterprises from taxation of profits derived from the sale (supply) of goods and performance of social work and services⁴⁰. The draft of the law defines a social enterprise as a subject of economic activity, organized by a legal entity or an individual entrepreneur, whose priority is to achieve social results in public health, education, science, culture, environment, social services and support of vulnerable groups. The experts underlined that the main trait of a social enterprise, as defined by the draft—namely to achieve social goals in the fields of public health, social services and others—was too wide and that it did not allow to distinguish social enterprises from traditional commercial enterprises⁴¹.

Oleksandr Feldman also proposed to set up an Intergovernmental Commission for Social Enterprise Support which would determine whether a business is eligible for social enterprise status and whether it satisfies the tax relief criteria. When the first bill was rejected by the Verkhovna Rada Committee on Tax and Customs Policy, Oleksandr Feldman withdrew his second bill.

Clearly, the adoption of social enterprise legislation was premature, and the introduction of tax reliefs and social enterprise status eligibility criteria carried a threat of manipulation and abuse on the part of both traditional businesses and the Intergovernmental Commission.

In April 2015 Oleksandr Feldman again submitted the bill “On social enterprises” to the Committee on Economic Policy of Verkhovna Rada of Ukraine, while almost not changing its content⁴², the bill needed substantial revision and improvements. In particular, the bill presented to the Parliament completely ignores the fundamental principle for social enterprises recorded in the laws and regulatory documents of many countries, and the European Commission. It refers to the prohibition or restriction of profit distribution for

³⁷Law on Cooperation, Retrieved from: <http://zakon3.rada.gov.ua/laws/show/1087-15?lang=en>

³⁸Law on Agricultural cooperation, Retrieved from: <http://zakon3.rada.gov.ua/laws/show/469/97-%D0%B2%D1%80?lang=en>

³⁹The All-Ukrainian Union "Fatherland" or Batkivshchyna is a political party in Ukraine, led by Yulia Tymoshenko.

⁴⁰Smaglyi K., Does Ukraine Need a Social Enterprise Law Retrieved from: <http://www.socialbusiness.in.ua/index.php/novyny/v-ukraini/135-chy-potriben-ukraini-zakon-pro-sotsialne-pidpriemnytstvo>

⁴¹Sheshurjak, J. (2013) ‘Deputaty protivsocial`nykhpredpriyatij’, Jurliha. Available HTTP: <http://jurliha.ligazakon.ua/news/2013/4/26/89322.htm> (Accessed December 29, 2017).

⁴²Supreme Council of Ukraine (2015). Pro sotsialni pidpriemstva. Proektzakonyvd. 04.23.2015 p. N 2710. Avtorzakonodavchoiiniitsiatiivi: narodnydeputatFel`dman, O.B. [On social enterprises. The draft law of Ukraine of04.23.2015 p. N 2710. Author of legislative initiative: MP Fel`dman, O.B.] Retrieved from: http://search.ligazakon.ua/1_doc2.nsf/link1/JH23A00A.html [in Ukrainian].

owners or shareholders of the business and the reinvesting of enterprises profits on its statutory social goals. There is not this important statement in the bill.

Since the national concept of social enterprise development is absent, it will be important in the initial stages of legitimating social enterprises to adopt the EMES European Research Network concept and suitable definition criteria. This would allow a clearer picture, reflecting the situation with social enterprises, and allowing for the elaboration of sector statistics in due course⁴³(OleksandrLyakh, 2017).

In Ukraine, the need to provide the legislative framework for social entrepreneurship is seen from a variety of angles. In the opinion of Vasyl Nazaruk, Western NIS Enterprise Fund Impact Investing Programme Manager, the lack of a law that regulates social entrepreneurship should be seen as an advantage, an opportunity for its development: “Whatever sceptics say, it is indeed a good opportunity for a social enterprise to select the optimal legal form, in terms of both a business model and tax treatment. This means that the social enterprise seed planted could spring up into an NGO’s commercial project to finally produce a public joint-stock company.⁴⁴

In one of his articles, Vasyl Nazaruk quotes Oleksandr Vinnikov, Chair of the Board, European Law Development Network, as saying: “In my opinion, no special law is necessary. What we need are clarifications in the Tax Code and amendments to business law. In Germany, for example, many social enterprises operate as ordinary limited companies with the exception that under law and Articles of Association they may not distribute profit and must reinvest it to implement social projects or pursue social objectives⁴⁵.” In the opinion of Oleksandr Lyakh, the Law “On social enterprises in Ukraine” should play the role of framework documents that define the essence of the subject, the basic criteria and procedures for granting the status of a social enterprise to a concrete entity, and it should be the main responsibility of government and regional public authorities for promoting social enterprises” (Oleksandr Lyakh, 2017).

Hence, in Ukraine the definition of social entrepreneurship is not legislatively formalised. The laws applicable to entities in accordance with their forms of business organisation regulate social enterprise activity. The main forms of business organisation for social enterprises in Ukraine include, inter alia, individual entrepreneur, non-governmental organisation, civic association enterprise, charitable organisation, civic union, private enterprise and private organization, limited liability company, and civic association organisation (see Table 4). Such cooperation is mutually beneficial. NGOs receive a source of finance to achieve their statutory goals. At the same time, individual entrepreneurs can receive grants for the development of entrepreneurial activity, which they could not obtain without cooperation with NGOs. An enterprise works to get an economic result – profit, whilst an NGO works to meet social goals.

Table 4: Legal status of business entities

№	Legal forms	Number in the Catalogue 2016-2017	In which document mission of a SE is stated				
			Cooperation agreement with IE / NGO	Statute	Minutes of the general meeting	Not stated in any document	Other
1	Individual entrepreneur	38	15	1	3	9	10
2	Private enterprise / private organization	22 / 1	3 / 0	8 / 0	0	0 / 1	11 / 0
3	Non-governmental organisation	20	3	13	2	0	2
4	Limited liability company	18	1	9	4	1	3
5	Agricultural cooperative	15	1	12	2	0	0
6	Business association of citizens/ civic association enterprise	12 / 3	0	11 / 2	1 / 1	0	0

⁴³OleksandrLyakh (2017). Institutional aspects of the social enterprises’ sector development (case for Poland and Ukraine). *Geopolitics Under Globalization*, 1, 17-29. Retrieved from: [https://doi.org/10.25161/gg.1\(1\).2017.03](https://doi.org/10.25161/gg.1(1).2017.03)

⁴⁴Nazaruk V. Five Great Social Entrepreneurship Development Opportunities in Ukraine, <http://www.socialbusiness.in.ua/index.php/novyny/v-ukraini/135-chy-potriben-ukraini-zakon-pro-sotsialne-pidpryemnytstvo>

⁴⁵Nazaruk V. Does Ukraine Need a Social Enterprise Act? <http://www.socialbusiness.in.ua/index.php/blog/entry/chy-potriben-ukraini-zakon-pro-sotsialne-pidpryemnytstvo>

7	Charitable organisation	8	1	5	0	1	1
8	Organization of a public association /civic association organisation	5 / 2	1 / 0	3 / 2	0	0	1 / 0
9	Other forms	6	1	4	0	1	0

So far, Ukraine lacks social enterprise experience, practice and understanding, and, above all, a sufficient number of social entrepreneurs who, having united and reached common accord, would defend their interests and develop social entrepreneurship through the making of a law⁴⁶. The elaboration and passage of an imbalanced law may limit the opportunities for social economy, narrowing down its scope or even have an adverse effect on it. The true indicator that social entrepreneurship has gained a foothold in Ukraine is the moment social entrepreneurs get together to exchange experience and influence the formation of an enabling policy and legal framework on social entrepreneurship that might have far-reaching positive consequences in the future.

4.1.2. Institutional framework

The institutional framework of social enterprises, as they are defined above, includes a wide network of public bodies and institutes which influence their activities. The functioning of the entities belonging to one or another SE model in Ukraine is regulated by different institutions, which greatly influences the features of the social enterprises' activities and their effectiveness, competitiveness and possibilities for further development.

According to "The Catalogue of Social Enterprises in Ukraine" the most numerous groups of social enterprises are represented by the legal forms of the individual entrepreneur and limited liability companies. Social enterprises in this category operate within the same legal framework, organizational programs and financial environment as those in which all entrepreneur support businesses (be they social or commercial) operate.

Among the key public institutions that influence the behaviour of the organizations in this category are the Ministry of Economic Development and Trade of Ukraine and the State Regulatory Service of Ukraine that is the central executive body, whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine. Currently, the Service is the national executive authority which is responsible for ensuring an effective dialogue between the Government and business community.

Various public bodies constitute the institutional framework for the activity of social enterprises which were founded for employment of vulnerable groups of people. The most influential are:

- The Ministry of Social Policy of Ukraine, the main body of executive power, which is responsible for adoption, vocational training and employment opportunities for vulnerable groups of people;
- The Ministry for Temporarily Occupied Territories and Internally Displaced Persons of Ukraine, that develops state programs on issues concerning internally displaced persons;
- The Board on Disability Issues, attached to the Cabinet of Ministers of Ukraine, which deals with solving urgent issues of state policy in the field of disabled people's rights and social protection;
- The Committee on Social Policy and Labour of Verkhovna Rada of Ukraine, which provides legislative regulation of the employment sphere and state policy on the social protection of citizens.

As for the financial support, it is mainly directed to enterprises set up by organizations of disabled people. The preferential tax treatment concerns income tax, value-added tax, a fee for trading activities, land use fees, etc. These enterprises also receive direct financial support within regional and local programs on financial support for NGOs of disabled people. More than 30 nationwide NGOs bring together disabled people. Examples include:

- the Ukrainian Society of the Deaf (1992), which supports the professional, labour and social rehabilitation and integration of deaf people into traditional life, and protects their rights and interests;
- the Ukrainian Association of the Blind (1933), which protects its members' interests, promotes their integration, and supports their medical, social and labour rehabilitation.

⁴⁶Zagakailo O. Social Entrepreneurship – an Unappreciated Opportunity // Mirror Weekly, 13 March 2015, http://gazeta.dt.ua/economics_of_regions/socialne-pidpriyemnictvo-neocinena-neobhidnist-.html

The operational activity of the “employment model” entities is under the influence of national, regional and international programs ratified by Ukraine:

- The National Drug Strategy of Ukraine for the period through 2020 (2013), which inter alia provides support to the employment and reintegration of drug addicts under rehabilitation;
- The regional and local programs providing financial support to NGOs of the disabled, which provide NGOs of people with disabilities and non-profit entities belonging to those NGOs with funding;
- The UN Convention on the Rights of Persons with Disabilities (CRPD) (ratified by the Ukrainian Parliament in 2009), which contains obligations assumed by Ukraine, including adaptation, rehabilitation and employment of disabled people, etc.

4.1.3. Links with existing Social Protection and Social Inclusion systems

Similar to many other countries, social entrepreneurship in Ukraine is mainly considered as a tool of social protection and social inclusion. This is due to considerable social disparities in Ukrainian society and also due to the existence of a large number of vulnerable groups within the population. In recent years, internally displaced persons and ATO veterans have been added to the list of these groups. According to the Catalogue of Social Enterprises of Ukraine 2016-2017 the majority of existing Ukrainian social enterprises are involved in the employment of vulnerable groups of people.

The Ukrainian government offers tax preferences to enterprises employing disabled persons. Companies established by public organizations of the disabled are among the entities that legislation provides with certain tax benefits. The content of article 14-1 Law of Ukraine "On the basis of social protection of disabled people in Ukraine" (the Law № 875) states that tax benefits may apply to enterprises established by society for disabled people. That is, if a company which employs people with disabilities is established by other legal entities and individuals, it cannot apply for benefits.

A company must obtain a permit in order to obtain tax benefit. It is issued through procedure after Rules to allow authorization for tax-exempt status use for businesses and organizations of public societies of disabled people, approved by the Cabinet of Ministers of Ukraine from (the Rules number 1010).

According to paragraph 2 of the Rules № 1010, in order to obtain a permit, a company must meet the following criteria:

- 1) The average number of disabled people who have worked for the company during previous reporting (tax) period (usually a calendar quarter), is at least 50% of the number of full-time employees of average staff. It should be defined following instructions on the number of employee statistics, approved by Order of the State Statistics Committee of Ukraine from 28.09.2005 № 286;
- 2) Wages for disabled who are employed in a company must be at least 25% of its total salary costs
- 3) The amount of expenditure for processing enterprises (machining and other types of conversion) of raw materials, components, parts, and other purchased goods (services) used for production of goods (services) directly by enterprises is not less than 8% of the sale price of such goods (services);
- 4) The average monthly salary of disabled employees under full-time equivalent must be not less than minimum wage⁴⁷.

Products of enterprises founded by public organizations of people with disabilities could be included in the public procurement according to the regulations of the Cabinet of Ministers of Ukraine (article 14)⁴⁸.

According to the Law of Ukraine "On the basis of social protection of disabled persons", quotas for the employment of persons with disabilities are obligatory to private and public sectors, as well as to individuals hiring labor. The Law provided a quota for people with disabilities in enterprises at a rate of 4% of the staff. If the number of employees is from 8 to 25 employees, at least one person with a disability needs to be employed (article 19)⁴⁹.

The new draft of the Law “On social services”⁵⁰ considers non-governmental organizations as social service providers (article 14) and hence as important actors in the delivery of social protection services. The law provides a mechanism allowing non-governmental organizations access to the sphere of providing social

⁴⁷ Andrew Brylev Companies of disabled: establishment and tax benefits. Retrieved from: http://n-auditor.com.ua/uk/component/na_archive/75?view=material

⁴⁸On the Fundamentals of Social Security of the Disabled in Ukraine. Retrieved from: <http://zakon3.rada.gov.ua/laws/show/875-12>

⁴⁹On the Fundamentals of Social Security of the Disabled in Ukraine. Retrieved from: <http://zakon3.rada.gov.ua/laws/show/875-12>

⁵⁰Проект Закону України про соціальні послуги. Retrieved from: http://search.liga.zakon.ua/1_doc2.nsf/link1/JH3JZ00A.html

services. It outlines the criteria under which the NGO can be recognized as a service provider (article 16). This segment of the law opens the possibilities for further outsourcing of social services to the NGOs, which is of particular interest to SEs.

Promoting employment to Internally Displaced Persons (IDPs) to provide a source of stable income is a very important task for both public authorities and NGOs. The Law of Ukraine “On Amendments to Some Laws of Ukraine to Strengthen Social Protection of Internally Displaced Persons No. 245-VIII” enacted in March 2015⁵¹ aims to address the IDP employment challenge. The Law envisages a set of measures to facilitate the employment of IDPs. Under the provisions of the Law, a) employers who hire IDPs are compensated for payroll expenses incurred in connection with their employment for up to six months or for up to 12 months depending on the situation in the regional labour market; b) registered unemployed persons are compensated for expenses incurred due to relocation to a locality of their employment, as well as expenses for undergoing medical examination or drug test where the terms of employment so require; c) the list of persons entitled to obtain a voucher to sustain competitiveness through recurrent, specialized and advanced training for occupations and specializations for priority economic activities. Another regulatory instrument aimed at boosting IDP employment is the Resolution of the Cabinet of Ministers of Ukraine On the Plan of Action for Resolution of Employment Problems of IDPs for 2015-2016, providing an in-depth analysis of the challenges facing IDPs in the labour market and a roadmap for measures to secure employment and improve social and labour competitiveness of internally displaced people⁵²

4.2. Key stakeholders and existing coordination mechanisms

Given that there are not any formal mechanisms of coordination in the sphere of social economy development in Ukraine, for the purpose of this study the term stakeholders will be used in its broadest sense to refer to “any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organization”⁵³.

Table 5: Key Stakeholders in the Social Enterprise Ecosystem in Ukraine

Organization	Role
Policy Makers	
Ministry of Economic Development and Trade	The Ministry is a central executive body, is responsible for developing an effective dialogue between the Government of Ukraine and business community, including social economy actors
Ministry of Social Policy	The main body of executive power, which is responsible for adoption, vocational training and employment opportunities for vulnerable groups of people
Ministry of Finance	The Ministry provides the financial basis for the proper delivery of public functions supported by a well-balanced budgetary policy as well as creating favourable conditions for a stable economic development by managing public funds in line with the principles of balance, effectiveness, unbiased approach, integrity, sustainability and transparency. The Governmental Action Plan and Strategy of Sustainable Development "Ukraine-2020" is financed by the Ministry
Ministry of Agrarian Policy and Food	The Ministry has prepared a draft of a single and comprehensive Strategy for agriculture and rural development 2015-2020 that addresses the real needs of the sector through an inclusive consultation process with stakeholders, civil society and international donors. It outlines credible short and medium-term deliverables and includes a detailed implementation plan.

⁵¹ Law of Ukraine On Amendments to Some Laws of Ukraine to Strengthen Social Protection of Internally Displaced Persons [Electronic publication]. Accessible at <http://zakon4.rada.gov.ua>.

⁵² Plan of Action for Resolution of Employment Problems of IDPs for 2015-2016 [Electronic publication]. Accessible at <http://zakon3.rada.gov.ua/laws/show/505-2015-%D0%BF>

⁵³ Carrol, A. (1993) Business and Society: Ethics and Stakeholder Management. Cincinnati: South Western Publishing.

Ministry for Temporarily Occupied Territories and Internally Displaced Persons of Ukraine	The Ministry develops the state programs on issues concerning internally displaced persons
State Regulatory Service of Ukraine	The Body ensures implementation of the regulatory policy, policy on licensing and permit system, as well as supervision (control) of economic activity including social economy entities
Board on Disability Issues, attached to the Cabinet of Ministers of Ukraine	The Board deals with solving urgent issues of state policy in the field of disabled people's rights and social protection
Committee on Social Policy and Labor of Verkhovna Rada of Ukraine	The Committee provides legislative regulation of the employment sphere and state policy on the social protection of citizens
Funders	
Ukrainian Social Investment Fund	The Ukrainian Social Investment Fund mobilizes resources and directs them in the improvement of social-communal infrastructure and social services
The Ukrainian Venture Capital and Private Equity Association (UVCA)	The UVCA shapes the future direction of the private equity industry by promoting investment opportunities in Ukraine, represents interests of private equity investors to policymakers and improves the investment and business climate in Ukraine
East Europe Foundation Local Economic Development Program	EEF's Local Economic Development Program aims to strengthen partnerships between public and private sectors and create new economic opportunities by developing infrastructure to support social enterprises, introducing new development tools, sharing best practices and supporting other local efforts.
Support Organizations and Institutions	
Ukrainian Association of the Deaf People	The Association supports the professional, labour and social rehabilitation and integration of deaf people into traditional life and protects their rights and interests including the establishment of different types of social enterprises;
Ukrainian Association of the Blind	The Association protects its members' interests, promotes their integration, and supports their medical, social and labour rehabilitation including establishment of different types of social enterprises.
NGO "Social Boost"	The NGO connects the start-up community with the government to solve national challenges and create breakthroughs for developing the economy. Social Boost builds the bridge between civic activists, government and the IT-industry through technology.
Ukrainian Social Academy	The Academy finds the most promising innovative ideas and projects, their effective implementation in practice, as well as the adaptation of the Western approach to social entrepreneurship to Ukrainian conditions and representing different sectors of society who will determine the future of Ukraine.
Foundation for Support of Reforms in Ukraine	Non-financial Foundation promotes the development of Ukraine and improves the material well-being of its citizens by supporting the development and implementation of reforms in Ukraine including social economy issues
Ukraine NGO Forum	The Forum facilitates information sharing, coordination, and advocacy activities in order to enhance the impact and effectiveness of humanitarian and recovery activities in Ukraine

NGO "Centre for Social Leadership"	The Centre develops the social economy in Ukraine. Aggregates social initiatives and social services in Ukraine. Promotes and implements social marketing programs
The Ukrainian Centre for Independent Political Research	The Centre improves the legislative and policy environment to become more conducive to civil society needs; reflects European standards
All-Ukrainian Resource Centre for the Development of Social Entrepreneurship «Social Initiatives»	The Centre shares social enterprise development experience within Ukraine

4.3. Existing funding strategies for social economy

4.3.1. National public funding schemes-

The lack of national funding for social economy entities in Ukraine does not allow CSOs and social enterprises to become the main partners to the state in solving social problems, produce important social goods and provide social services.

Currently there are no specific state entrepreneurship support programmes for socially driven but profit oriented social enterprises. Ukrainian CSOs are mainly funded by solitary local providers from private sector and foreign donors (75-85%). The annual budget of a typical Ukrainian civil society organisation is about 1500-2000 EUR, with only 2-3% of the budget funded by the state⁵⁴.

CSO entitlement to financial support from the state is established by the Law of Ukraine "On Citizens' Associations" and the Budget Code of Ukraine⁵⁵. Today a system is already in place where the state provides financial support for Ukrainian CSOs using several mechanisms⁵⁶. **Subsidies**, a form of government funding aimed at supporting CSO activities in general rather than particular projects. In Ukraine, subsidies are given only to some civil society organisations, for example, organisations for veterans. **Grants**, an allocation of government money on a competitive basis, based on identified priorities. The tendering system is rather new to Ukraine so far. **Social contracts**, when contracts are used in the area of social policy, for example in the case of disabled people CSOs. Government procurements of works and services are based on their respective regulations. One further mechanism is the participation of CSOs and their representatives in actions of government bodies, including different types of small grants provided by national, regional, and local government bodies.

The Budget Code of Ukraine recognises three types of CSOs to which state funding can be allocated, in particular:

- Disabled people and veterans civil society organisations having the all-Ukraine status;
- Civil society youth organisations that are supported to carry out national programmes and activities targeted at children, youth, women, family;
- Civil society culture and art groups having national status.

There are no specific state entrepreneurship support programmes for IDPs and ex-militaries, youth, 50+ etc. The exception is entrepreneurship training provided by the State Employment Service of Ukraine to the registered unemployed. The unemployed can receive a lump-sum unemployment benefit payment to start a business.

At the local level, NGOs receive budget funding using the following procedures:

- Social contracts;
- Public calls for social projects (programmes) implementation;
- Public calls for socio-cultural projects;
- Public calls for projects of civil society and charitable organisations;

⁵⁴<http://www.osce.org/ukraine/86185?download=true>

⁵⁵Budget Code of Ukraine 2542-III dated 21 June 2001 [Available electronically from; <http://zakon.rada.gov.ua/>

⁵⁶ Resolution 1049 of the Cabinet of Ministers of Ukraine "On Approval of the Contest Regulations to Select Programs (projects, events) developed by Public Organizations and Creative Unions, for Implementation of Which Financial Support Is Granted" dated 12 October 2011 [Available electronically from <http://zakon0.rada.gov.ua/laws/show/1049-2011-%D0%BF>]

– Public calls for projects and programmes of non-profit organisations.

It should be noted that close co-operation between CSOs and government bodies on the ground is impossible without the political will of local authorities and adequate support from a community. For instance, Kyiv City Council under its decision⁵⁷ provides about 1.8 million EUR from 2016-2018 for projects developed by CSOs.

4.3.2. European Union funding

Ukrainian legislation does not provide any privileges for the creation and operation of social enterprises. Such enterprises operate in the same legislative field as any other in Ukraine. However, the development of social entrepreneurship in Ukraine is supported. Starting with "*Business for People*", entrepreneurs can expect preferential credits, grants and funding from different International organisations, including European funds and programs⁵⁸. Such funding enables social entrepreneurs to develop their business plan and test their business idea. Besides that, non-financial support from various EU organizations is provided in the form of trainings, instructions, recommendations etc. in relation to various issues relevant to start-ups and the development of a social enterprise.

The peculiarity of supporting social entrepreneurship in Ukraine is the close attention to the eastern and southern regions that are located in or near the immediate area of military actions. In Ukraine, internally displaced persons are now part of the socially vulnerable groups of people. A significant number of them are people of working age who can and want to work. Therefore, many programs and grants are aimed at financing training and raising the entrepreneurship skills of internally displaced persons and ATO veterans.

During 2017, the following funding support schemes were available to the social enterprises:

1. For establishment and support of enterprises, including social ones.

The *International Organization for Migration with EU countries financial support* implements a project to support the employment of internally displaced persons. Within the framework of the project, the organization will receive training for 1,850 people throughout Ukraine. 950 of them will receive grants (up to 1,250 EUR) for professional courses or equipment purchase.

2. For training and information provision

The *Eastern Europe Foundation and the German NGO Child Fund Deutschland* have offered grants to create a platform for the development of social entrepreneurship. The maximum amount of the grant is 300 thousand UAH (€ 10,000). The project should be designed for 6 months with the possibility to extend another 6 months in case of successful completion.

The *German non-governmental organization Starkmacher* grants a 50% scholarship in the Ukrainian Social Academy under the "Management of Social Innovation" program, in which social entrepreneurs, managers, non-governmental organizations, foundations and initiatives with a socially-oriented mission are invited to participate.

The *British Council* has continuously funded training in social entrepreneurship skills and established a social entrepreneurship centre in Kyiv. For promoting the best business practices in the areas required for sustainable development, the *European-Ukrainian Centre for Youth Policy*, with the assistance of the *German Ministry of Foreign Affairs*, launched the Small BIZ Awards 2017. The winners receive advisory and practical assistance in promoting their own affairs.

3. For management of social entrepreneurship development.

⁵⁷http://kmr.ligazakon.ua/SITE2/1_docki2.nsf/alldocWWW/287C58A33FDACB41C2257F7F0072B005?OpenDocument

⁵⁸ The Deep and Comprehensive Free Trade Areas (DCFTA) between Ukraine and EU was provisionally applied since 1 January 2016 and formally entered into force on 1 September 2017. The Ukraine-European Union Deep and Comprehensive Free Trade Areas (DCFTA) agreement allows Ukraine access to the European Single Market in selected sectors and grant EU investors in those sectors the same regulatory environment in the associated country as in the EU.

The Eastern Partnership Civil Society Forum and the European Commission provided grants to non-governmental organizations with projects on social and labour policy and social dialogue. The amount of financing – up to 30 thousand EUR.

The European Commission, within the framework of the "European Neighbourhood Policy" program, is providing grants for projects aimed at promoting employment and active participation of young people in society and the economy.

The British Women's Fund, The BEARR Trust accepts applications from non-profit organizations for funding projects aimed at improving the employment of young people aged 16 to 30 with physical and mental disorders. Projects should be for 6 months. The amount of the grant - up to 3 thousand pounds sterling.

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

Since the Revolution of Dignity, crowdfunding and social impact investment in Ukraine have gained popularity as a fundraising tool for diverse issues, from humanitarian relief for people affected by the military conflict through platforms such as Adopt a Family of a Fallen Ukrainian Soldier⁵⁹ and People's Project⁶⁰, to community development and social innovation like Ukrainian Social Investment Fund (USIF)⁶¹, Vasyl Khmelnytsky's Fund (K-Fund)⁶² and Impact Investing program of Western NIS Enterprise Fund (WNISEF)⁶³.

Ukrainian Social Investment Fund mobilizes resources and directs them towards improvement of social-communal infrastructure and social services. Using partnership between national and local authorities, communities and private and public organizations, USIF solves local urgent needs in an effective and transparent way. Performing its functions, USIF supports community strengthening and facilitates regional capacity building in the effective implementation of social development programs at the community level.

USIF invests funds of international donors in the social sphere in the following fields:

- Promoting reform of social services (drafting legal documents and methodical documents aimed for regulating activities in the field of social services for vulnerable people);
- Formation of innovative models of social services for vulnerable groups (disabled persons, orphans, homeless, elderly, victims of violence, etc.);
- Repair of the social and communal infrastructure in rural areas (kindergartens, schools, health posts, clubs, water supply, roads);
- Capacity building of local communities in solving local problems, increasing their participation in decision making.

K.Fund, as a private fund, was set up to support projects related to education and the economy. Its key goal is to provide support for the sustainable development of an individual in education, information exchange, and in the search for and implementation of new ideas, by providing grants for project implementation.

WNISEF Impact Investing program aims to support early-stage and expansion of private enterprises whose primary objective is to achieve social and environmental impact in Ukraine by providing accessible capital, coaching and mentoring. The goal of the program is to enable entrepreneurs and businesses to address social and environmental challenges via financial investment and sustainable business practices. To fulfil its purpose, this program's strategy is to provide low-interest loans for sustainable social business start-ups and expansion and to mentor social businesses in the process of business plan development and implementation. WNISEF places the initial deposit for the loan and appropriate social enterprises receives the loan. The amount is between 10,000 and 100,000 USD in UAH, the interest rate varies from 5-10% with a repayment term of 36 months⁶⁴.

⁵⁹<http://families.org.ua/>

⁶⁰<http://www.peoplesproject.com/>

⁶¹<http://www.usif.org.ua/en.html>

⁶²http://kfund.ua/en/fund_eng/

⁶³<http://wnisef.org/impact-investing>

⁶⁴<http://wnisef.org/impact-investing>

4.3.4. Private sector

Currently a variety of private financial initiatives to some extent pay attention to social enterprise development in Ukraine. Some of them are assembled into investor networks like UAngel⁶⁵ or Ukrainian Venture Capital and Private Equity Association (UVCA)⁶⁶. Others prefer to provide social investment individually, like the Donbas Fuel and Energy Company DTEK⁶⁷ by involving the local authorities and residents in the development of social programs and assessment of their effectiveness under the principles of mutually beneficial cooperation, set out in the Social Partnership Declaration.

The UAngel as a Ukrainian business angels network, provides a platform for regular and social entrepreneurs to meet investors and for investors to locally and internationally syndicate. It is a closed group of high net worth individuals or entities interested in financing start-ups in their early stages of development. The UVCA shapes the future direction of the private equity industry by promoting social investment opportunities in Ukraine, representing interests of private equity investors to policymakers, and improving investment and business climate in Ukraine—about \$407 MLN was invested over the past 5 years. In 2015 the DTEK Company developed a three-year strategy for partnership with the regions in which it has presence for 2016-2018. In conducting its activities, the Company is guided by the following principles: funds must be directed to resolve social problems and/or support vulnerable social groups, or to implement social infrastructure projects; DTEK does not sponsor political or religious projects. The DTEK Model of social investment represents a mutually beneficial relationship between a for-profit company and non-profit social enterprises in the framework of a partnership.

Given that private social investment in Ukraine is an emerging market with huge absorption capacity, a variety of private investment models may be created there in the near future.

4.3.5. Microfinancing

The domestic financial system is dominated by banks which account for about 95% of total financial assets. The banking sector consists of 82 licensed banks⁶⁸, out of which three are state-owned.

According to the available data⁶⁹ banks are the main sources of external financing for the private sector in Ukraine, including social economy entities. Microfinance is not developed and the microfinance segment is mostly served by banks or credit unions, though NGO's are also present. Leasing and factoring also account for negligible amounts. The largest leasing and factoring companies are associated with large banks. Non-bank financial institutions are regulated by the National Regulatory Commission for Financial Markets. The weak institutional and regulatory framework is holding back the development of the sector.

In the absence of state support for microfinance, there are a few institutions offering microcredit to SMEs including social enterprises. There are some institutions filling the microfinance gap in Ukraine, such as: German-Ukrainian Fund (GUF)⁷⁰ – a non-profit financial organization founded by the National Bank of Ukraine, the Ministry of Finance of Ukraine and the German KfW Development Bank to promote micro, small and medium enterprises (MSMEs) in Ukraine. The borrowers from the organization are individual entrepreneurs, micro enterprises (no more than 20 permanent employees), small enterprises (no more than 250 permanent employees), medium enterprises (no more than 500 permanent employees), shareholders of which are German medium enterprises with a share of the authorized capital of around 30-70%. The purposes of the loans are financing of manufacturing, services, agriculture, trade (individual and micro enterprises only) in EUR or UAH up to EUR 25 000, and up to EUR 100 000 (small enterprises); up to EUR 250 000 (medium enterprises) on an interest rate that is determined by partner banks according to the market. Maximum term of the loan is 3 years (for working capital financing), or 5 years (to finance investments in fixed assets).

The finance company *Nadiya Ukrainy*⁷¹ (literally “Hope of Ukraine”) is a microfinance organization established in 1998 to support private entrepreneurs and their families. The company has offices in twelve regions of Ukraine to offer several types of credit, namely express loans, business loans, business loan

⁶⁵ <http://uangel.com.ua/>

⁶⁶ <http://uvca.eu/en>

⁶⁷ http://energo.dtek.com/en/sustainable_development/social_responsibility/

⁶⁸ <https://bank.gov.ua/control/bankdict/banks>

⁶⁹ http://www.eib.org/attachments/efs/economic_report_neighbourhood_sme_financing_ukraine_en.pdf

⁷⁰ <http://guf.gov.ua/en/about>

⁷¹ http://nadezhda.com.ua/?page_id=287

investments, loans for training and agricultural loans with amount from UAH 1,000 to UAH 300,000 (ranging from 29 – 9,000 EUR).

In cooperation with Oshchadbank and Kredobank the Western NIS Enterprise Fund (WNISEF) has launched a low-interest loan program for social enterprises. The goal of the program is to enable entrepreneurs and businesses to address social and environmental challenges via financial investment and sustainable business practices. To fulfill its purpose, this program's strategy is to provide low interest loans for sustainable social business start-ups and for their expansion and to mentor social businesses in the process of business plan development and implementation. There are 3 options for businesses that the Impact Investing Program uses to qualify enterprises as social:

- 1) Employment of vulnerable groups. More than 50% of employees who represent vulnerable populations, and much of the profit is reinvested in the development of the company to create new jobs.
- 2) Employment of vulnerable groups. Less than 50% employees who represent vulnerable groups, and at least 10% of the profit goes to the social aim.
- 3) At least 20% of the profit goes to the social aim.

WNISEF puts up the initial deposit for the loan and the social enterprise receives the loan. The amount is between 10,000 and 100,000 USD in UAH, the interest rate ranges from 5-10% with a repayment period of up to 36 months. The total fund for lending to SEs is about 5 million USD. Up to date 130 applications have been received by WNISEF, 16 out of them were approved, 9 have been financed so far, and 7 were rejected because they did not meet the criteria mentioned above.

4.3.6. Development Aid Agencies

There are several development agencies implementing their grant projects in Ukraine through local partner organizations, directly or indirectly related to social economy. To name some of them:

Economic Opportunities for People Affected by Conflict⁷²

Ukrainian Women's Fund, August 29, 2016 – August 28, 2018

The activity will support job creation and help people affected by the conflict in Donbas to relocate and start new businesses, with special attention to the extremely vulnerable, e.g., people with disabilities. The activity will be implemented in Kyiv, Dnipro, Zhytomyr, Kharkiv, Zaporizhzhya and Vinnytsya Oblasts.

Active Citizens Ukraine⁷³

British Council in partnership with 68 local partner NGOs and youth organisations around Ukraine

Duration: November 2014 – March 2018

Funding: £825,000

The Active Citizens programme facilitates social change by deploying 2,000 trained individuals who are influential within their communities. It works with young people across all of Ukraine, including those affected by the conflict in the east, to develop behaviours and skills which promote intercultural dialogue and conflict resolution. The programme aims to reach more than 300,000 young people.

Creative Enterprise Ukraine⁷⁴

British Council, in partnership with Nesta (UK) and PwC (Ukraine)

Duration: September 2015 – March 2018,

Funding: £90,000

Business skills training for 200 entrepreneurs working in the cultural and creative industries across Ukraine (Kyiv, Kharkiv, Dnipro, Odessa, Lviv and Ivano-Frankivsk). The programme is part of the British Council's global Creative Enterprise programme, delivered in partnership with Nesta.

Ukraine Cultural Skills⁷⁵

British Council, in partnership with various UK and Ukrainian cultural organisations

Duration: April 2015 – March 2018,

Funding: £700,000

⁷²<https://www.usaid.gov/ukraine/economic-growth>

⁷³<http://www.britishcouncil.org.ua/active-citizens>

⁷⁴<http://www.britishcouncil.org.ua/creativeenterprise>

⁷⁵<https://www.britishcouncil.org/cultural-skills-unit>

Capacity-building programme across the main cultural sectors in Ukraine, focusing on the development of the technical and business skills of local cultural operators, through programmes which enhance their internationalisation and their links with UK partners. They run programmes in theatre, fashion, literature and publishing, architecture, design, film and the visual arts; in partnership with leading UK cultural institutions (London Fashion Week, Liverpool Biennial, Sheffield Doc Fest, Young Vic Theatre, Writing West Midlands, BFI, etc).

Ukraine Civil Society Capacity Building Project⁷⁶

Initiative to Support Social Action Ednannia (ISAR-Ednannia)

July 11, 2014 – July 10, 2019

The purpose of the Ukraine Civil Society Capacity Building activity is to improve organizational capacity of Ukrainian CSOs to become stronger citizen advocates and government watchdogs. To achieve this purpose, ISAR will focus on three objectives: 1) organizational development skills of CSOs improved through the NGO Marketplace (mini-grants voucher system, web-portal and regular capacity development forums); 2) NGO Capacity Building Marketplace strengthened as a tool that provides organizational development assistance to civil society; and 3) technical and organizational capacity of ISAR Ednannia increased as an Intermediary Support Organization (ISO) and the Marketplace Administrator.

With the support of the *Government of the Federal Republic of Germany* working through the *German Development Bank (KfW)*, the *International Organization for Migration* conducts 2-day trainings for internally displaced persons in the areas of Self-Employment and Micro-Entrepreneurship, and in the case of successful completion of its own business plans, finances equipment purchases. Successful business plans will be supported by finance (from 650 to 2,500 EUR) for purchases of equipment.

The *Danish Refugee Council*, with the financial support of the *Swiss Agency for Development and Cooperation* and the United Kingdom *Department of International Development*, supports the start-up or renewal of their own microbusiness for internally displaced persons and residents of the Luhansk and Donetsk regions affected by the conflict in eastern Ukraine and provides grants of € 490 to € 810.

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

4.4.1. Business Development Services

During recent years, business development services (BDS) have become available to more social economy entities, mostly due to the increasing number of donor initiatives. The Government of Ukraine initiatives, national and regional, are not widespread due to lack of public funds.

EU4Business: Network of Business Support Centres Ukraine⁷⁷ with its implementation partner of EBRD aims to improve the competitiveness and ability to access finance of Ukrainian SMEs, including social enterprises, through the provision of business advice and capacity building, as well as preparation for financing from the EBRD and other financial institutions. Furthermore, the programme supports the creation of a network of 15 business services centres across the country to support SMEs in accessing the right financing and know-how support for their business. At least 30,000 SMEs and entrepreneurs will benefit from the project.

The UNDP Project “Strengthening Small and Medium Enterprises Business Membership Organizations⁷⁸” with a total budget of US \$1,053,723 accelerates, among other things, the development of BDS for such organizations including women-led business association during 2015-2018.

Some domestic projects supported by international entities also provide BDS to social economy entities. Among them the Youth Entrepreneurship Incubator (YEI)⁷⁹ that provides access for creative young people to a co-working system on favorable terms and supports the development of their business projects by teaching basic principles and skills needed to start and manage their own projects and businesses. The priorities of the project are to train young entrepreneurs, give them knowledge of fundamental principles of SE and skills

⁷⁶<https://www.usaid.gov/ukraine/democracy-human-rights-and-governance>

⁷⁷<http://www.eu4business.eu/programme/eu4business-network-business-support-centres-ukraine>

⁷⁸http://www.ua.undp.org/content/ukraine/en/home/operations/projects/democratic_governance/strengthening-sme-business-organizations.html

⁷⁹<http://www.city-institute.org/index.php/en/projects/70-youth-entrepreneurship-incubator-yei-2015>

needed to start and manage their own business and create a favorable environment for creative youth business projects.

Another project is Social Entrepreneurship as an Innovative Tool of Addressing Social Development Issue implemented by East Europe Foundation⁸⁰, here the basis for social entrepreneurship development in the eastern regions of Ukraine was created including some BDS and infrastructure.

Recently, the Oschadbank has announced the launch of its large-scale support program for SMEs nationwide, both consulting and financial. The program BuduySvoe!⁸¹ (literally “Build Your Own!”) aims to foster the growth of the country’s entrepreneurial cohort. The bank operates domestically through 23 regional branches and over 3 500 operational shops spread across Ukraine. The key goal of the program is to assist SMEs at various stages of their business activity, including social economy entities. By the end of 2020 Oschadbank intends to be listed among the TOP-3 Ukrainian banks in small business servicing by loan portfolio size⁸². This program, through the bank’s educational portal (buduysvoe.com), provides online education, free consultancy, and a variety of useful articles for businesses, which are available to entrepreneurs following registration. Users can take a detailed 60-question test to analyze their entrepreneurial strengths and weaknesses. In addition, after receiving their results, they can then apply for individual information. A pool of thirty mentors, who are already listed on the portal, are available online to offer free and personalized entrepreneurial guidance on a case-by-case basis, while there are also online training courses covering themes such as common legal and tax issues. All mentioned above services are also available for social enterprises.

4.4.2. Local/national and/or Regional Networks

Social economy entities rarely unite within Ukraine, except for large networks usually supported by international donors. They include:

Ukraine NGO Forum⁸³, which is dedicated to both humanitarian and development programming and has the goal to facilitate information sharing, coordination, and advocacy activities in order to enhance the impact and effectiveness of humanitarian and recovery activities in Ukraine.

The charitable organization Caritas Ukraine⁸⁴ comprises 13 regional organizations in different regions of Ukraine. All of them are independent legal entities and are entitled to create local parish organizations of Caritas. This structure allows the development of a network of philanthropic organizations that are unified by a single set of rules but act upon real needs of their regions and local communities. Depending on the latter, different Caritas organizations might focus their philanthropic efforts on different needs.

Ukrainian Red Cross Society is a special kind of philanthropic and volunteer organizations with offices in all regions of Ukraine⁸⁵.

All-Ukrainian charitable foundation “The Coalition of HIV-Service Organizations” is a nongovernmental and nationwide organization consolidating 84 organizations from 25 regions of Ukraine working on harm reduction, primary and secondary HIV prevention, and care and support for people living with HIV⁸⁶.

Institutional Crowdfunding is a program of financing operations of nongovernmental organizations on the Big Idea platform⁸⁷. The Big Idea platform is the practical way for the implementation of the program.

School for Community Foundations Program implemented by ISAR ‘Ednannia’ has created an informal network of local philanthropic organizations and community foundations from all regions across Ukraine⁸⁸.

Also, Chambers of Commerce are established in all regions of Ukraine and represent an important economic resource, however, are viewed as acting mostly in the interests of medium and large enterprises.

⁸⁰<http://eef.org.ua/en/programi/mistsevij-ekonomichnij-rozvitok/sotsialne-pidpryyemnytstvo/>

⁸¹<https://buduysvoe.com/>

⁸²<https://eba.com.ua/en/yevropejskij-soyuz-posylyuye-pidtrymku-ukrayinskogo-malogo-ta-serednogo-biznesu-nadayuchy-nove-finansuvannya-vid-grupy-yeib-oshhadbanku/>

⁸³<http://www.ngoforum.org.ua/about/>

⁸⁴www.anticorruption.in.ua

⁸⁵<http://gpu-society.org/uk/projects/c-ucrn>

⁸⁶www.civicexpert.in.ua

⁸⁷bigggidea.com

⁸⁸<http://ednannia.ua/en/programs/we-support-local-philanthropy>

4.4.3. Academia

In Ukraine social entrepreneurship has not been fully recognised in the education system yet. Most of the education on social entrepreneurship happens through non-formal education mostly through training courses provided with grant funding. The most well-known is the School of Youth Social Entrepreneurship in Lviv. The project is implemented by the Municipal Institution of the City (Lviv) in cooperation with the Krakiv City Development Institute and with the financial support of the Ministry of Foreign Affairs of Poland. In 2017 the third course was conducted under the "Polish Development Assistance 2017" program⁸⁹. The priorities of the project are to train young entrepreneurs, give them knowledge of fundamental principles of social entrepreneurship and skills needed to start and manage their own business and create a favourable environment for creative youth business projects. School of Youth Social Entrepreneurship and mentoring programs aim to support social business projects, creating social advertising to promote social entrepreneurship. An additional on-line course has been created on the Prometheus-platform⁹⁰ with the support of the Western NIS Enterprise Fund.

As for formal higher education, social entrepreneurship is integrated with few classes within the curricula in the social and business programs of the universities. A social entrepreneurship course has been included in the master degree program on social work in Chernigiv National Technical University and Nizhyn Gogol State University. This course is also integrated in the curricula of School of Social Work (National University of Kyiv-Mohyla Academy) and Lviv Business School (Ukrainian Catholic University), in Master Degree Program of Department of Entrepreneurship (Simon Kuznets Kharkiv National University of Economics) and a number of other universities.

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

According to the EU report on the Single Support Framework for EU support to Ukraine (2018-2020) Ukraine faces socioeconomic challenges in terms of effective civic participation, inequalities, and lack of good services to citizens. Vulnerable groups like elderly persons, single-parent-households, children deprived of parental care, the rural population, Roma, LGBTI and conflict-affected population and IDPs are exposed to discrimination, lack of access to effective social protection, quality healthcare and education, or are at significantly higher risk of poverty.

The armed conflict puts people living in non-government controlled areas (NGCA), the "grey zone" and on both sides of the line of contact as well as IDPs and host communities at high risk of trauma, poverty and violence while also contributing to societal divides. IDPs continue to face challenges with regard to their access to housing, education, social services and jobs as well as political and civil rights. Women face career and pay disadvantages and are at risk of sexual gender based and domestic violence and trafficking, with lack of persecution.

EU intervention will address these issues through additional measures in favour of civil society that will be made available under this complementary envelope, building on the results achieved through projects under the 2014 Special Measure "Ukraine Civil Society Support Programme".

Funding from this component will be geared towards supporting the role of civil society, including social partners, in building credible and inclusive policy processes, stronger democratic processes and accountability, in sectors other than the priority sectors. This can include measures to promote an environment conducive to civil society participation in public life at all levels, measures to boost domestic transparency and accountability, including of the budgetary process, and to foster civic activism and engagement at local level. Actions supported through this envelope are meant to address a broader range of civil society actors, including by reaching out to smaller and newer organisations, particularly outside the capital city and in conflict-affected areas of Eastern Ukraine, including organisations working on confidence- and peace-building or which are yet to gain traction, like women's rights groups, grassroots movements and independent media. The development of civil society's internal professionalism and capacities, including its capacity to form and sustain associations, networks and coalitions, and improving the delivery of services may also be targeted.

The National SME Strategy 2020 was approved (May 2017) by the Cabinet of Ministers of Ukraine, as well as related Action Plan at the end of 2017. Due to this strategy the inclusive entrepreneurship will be financed

⁸⁹<http://vei.org.ua/>

⁹⁰<https://courses.prometheus.org.ua>

as one of strategic priorities. It includes raising awareness and entrepreneurship knowledge and stimulates inclusive entrepreneurship among youth (15-35 years old) and women (will be granted to 2,000 people). Also conferences on entrepreneurship, including with a regional focus, will be conducted, and the 30 best innovative ideas will be financed.

4.6. Best practices in the country and replicable models

Walnut House Social Bakery

<http://gorihoviydim.com.ua/>

<https://www.facebook.com/pg/HD.Pekarnia/>

Walnut House sees its mission as overcoming poverty through social entrepreneurship. The company has two components: a business component consisting of the bakery, catering and lunch delivery services, and a social component consisting of the Centre for the Integration of Women Facing Difficult Life Circumstances, employment integration of vulnerable groups in Lviv, and provision of meals for the homeless.

Lviv Community Based Organisation Manivci Tourist Club

<http://manivci.org/>

<https://www.facebook.com/manivci.org/>

Manivci Tourist Club organizes training and nomadic life camps (mountains, caves and rivers), tourist trips and competitions, runs sports and cultural events and festivals, and delivers corporate retreat solutions with a view to reinvest profits in the implementation of its social projects. The Club's mission is to promote sports and recreation tourism in Lviv.

Pizza Veterano Restaurant

<http://veteranopizza.com/>

<https://facebook.com/Pizza.Veterano/>

Pizza Veterano is a social entrepreneurship venture that helps ex-combatants of the war in east Ukraine adjust to normal life. Ten percent of Pizza Veterano profit goes toward supporting ATO combatants and their families. ATO combatants enjoy bonuses and discounts. In addition, any diner can pay for a pizza, which is then cooked and delivered to the wounded in hospitals or to the soldiers at the railway station's transit centre. ATO veterans account for the lion's share of staff.

Laska Charity Shop

<http://laskastore.com>

<https://www.facebook.com/laskastore/>

Laska is Ukraine's first charity shop. In addition to used clothing, Laska sells new clothes of more than twenty Ukrainian makes, thereby promoting and supporting the domestic garment industry. Around 40% of the shop's profit is reinvested to support charitable foundations. The lion's share (70% to 80%) of used clothing is distributed to aid the needy. Since its inception, the project has donated UAH 619,668 to charity and provided around 159 tonnes of clothing items to those in need.

CHAS YE!, the First Anti-Cafe in Berdyansk

<http://berdyansk.space/>

<https://www.facebook.com/brd.anticafe/>

The first anti-cafe in Berdyansk is called 'Chas Ye!' ('Take your time'). It is an open art space which one might use for cultural activities, meetings, work, and leisure time. Part of the money earned by the cafe is spent to finance various social initiatives.

NGO MaysternyaMriyi

<https://www.facebook.com/maysternia.mriyi/>

The non-governmental organization 'Maysternya Mrii' is a day-care centre for adult people with special needs. The aim of the organization is to socialize people with mental deficiency, train them in everyday life skills, and deliver art and ergo-therapy. The social enterprise for the herbal tea production has been initiated under the auspices of the workshop, and it will provide an opportunity for such people to become financially independent.

Myti Social Enterprise

<https://sites.google.com/site/socmomemnts/>

<https://www.facebook.com/socmoments>

The Social Enterprise ‘Myti’ (‘Moments’) started in 2015 under the auspices of the NGO ‘100% zhyttya. Kyivs’kyi region’ (‘100% of life. Kyiv region’) which provides complex care to people living with HIV. The enterprise deals with the production and sale of personal hygiene products. The social mission of the firm ‘Myti’ lies in providing employment opportunities to women with special needs and financing the social care support from the charitable organization ‘100% zhyttya.Kyiv’ to internally displaced people, women in difficult straits (handicapped persons, orphans, homeless, low-income, those suffering from domestic violence, natural disasters, catastrophes etc.) and people living with HIV.

Emaus-Oselya Mutual Benefit Society

<http://emaus-oselya.org>

<https://www.facebook.com/EmausOselya>

Emaus-Oselya (‘Emaus-Home’) mutual benefit society is an NGO created for people in difficult straits. The organization’s mission is to help people, who for some reason were abandoned by society, to rediscover a reason to live, and promote the idea of solidarity and mutual help in Ukraine. The commercial side is only one part of the project. Together with the charitable contributions it helps to finance the operation of the homeless shelter and implement various social projects.

5. GAP ANALYSIS AND NEEDS ASSESSMENT

5.1. Macro-social factors determining the sector

Legislation still does not have a definition of social enterprise and does not create the environment whereby all the benefits of this phenomenon could be advantageously used. The term “social entrepreneurship” tends to be associated with the activities of charities or the social integration of disadvantaged and disabled people, and not entrepreneurship. Stereotypes, misunderstandings and lack of awareness negatively affects social enterprise growth and financing prospects and are a pivotal factor in preventing the development of relations with partners and prospective customers.

The business environment – for enterprises in general and for social enterprises in particular – is unfavourable. An unstable economic and political situation, high level of corruption and bureaucracy, and weakness of the law are essential obstacles, barriers, and constraints to the development of entrepreneurship (including social entrepreneurship). Ukrainian businessmen often are under great pressure in unstable conditions.

A lack of specialist business development services also hinders the growth of the social enterprise sector. Most social enterprise support needs are similar to those of mainstream businesses. At the same time, social enterprises have specific features that create complex needs, which require diversified and, at times, tailored solutions.

5.2. Access to finance

Financial resources to launch and operate social enterprises are lacking. SEs find it difficult to access finance from external sources as conventional investors and lenders do not typically understand the dual purpose and hybrid business models of social enterprises. Almost all enterprises that name themselves “social” are unable to operate systematically without financial support. Such support can be obtained either from local donations and public funding or grants from foreign foundations, but given the limited level of government financial capacity and support, the most valuable source of financial support is still represented by international grant-givers. However, the requirements of some competitions, together with the shortage of entrepreneurial skills and information on the part of social entrepreneurs, sometimes prevents them from applying for donations from these sources⁹¹.

Lack of start-up capital is a significant hurdle for social entrepreneurs. At the same time, although it is never easy to obtain the initial investment, most social entrepreneurs acknowledge that at the expansion or growth stage of the social enterprise lifecycle the shortage of funding is even more acute. The major constraint is difficulty in accessing growth capital.

⁹¹Bibikova, V. (2015). Social Enterprise in Ukraine, ICSEM Working Papers, 12, Liege: The International Comparative Social Enterprise Models (ICSEM) Project. P. 9.

Lack of information on the societal impact and awareness of “the difference that social enterprises make” only suppresses interest from private investors and the wider public.

5.3. Lack of relevant skills to access the market

The general levels of entrepreneurship in Ukraine including social one are currently low. The country’s amount of start-ups reflects in part a strong cultural preference for employment rather than self-employment, and for public administration rather than business. In particular, the data on SMEs includes pseudo entrepreneurs, who are de facto employees or fragmented companies. Society currently holds a negative perception with respect to entrepreneurship and business, partly connected with the legacy of an ex-Soviet economy and the influence of oligarchs.

Currently, domestic social economy entities are characterized by lack of the following:

- Skills for social inclusion –life skills, social skills, and work skills to support entry into the labour market;
- Skills for entrepreneurship and management – marketing and finance, business planning and development, skills for growth and scaling;
- Skills for meeting regulatory and reporting requirements and negotiating with bureaucracies;
- Skills for the development of social enterprises which achieve a sustainable and growing sector.

In Ukraine, social enterprises operate in the market based on the same conditions as commercial ones do. 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.

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

Despite the numerous above mentioned challenges, the potential for the Ukrainian social entrepreneurship sector is significant. The main driving forces for the development of a social economy sector and social enterprise type organizations in particular can be divided into two groups. The first group combines the potential preconditions, these are:

- The impact of social and political transformation;
- The great number of social needs unsatisfied by the public or private sector bodies;
- The need for higher quality of social services;
- The limited employment opportunities;
- The need for new approaches to job creation and integration into the labour market of certain vulnerable groups of society;
- An ageing population and a demographic forecast estimate that the old-age population will grow over the forthcoming decades. This demographic shift puts further pressures on the field of social provision in critical areas such as social protection and social services for the elderly;
- The challenge of migration and living conditions of temporarily displaced persons: policies, inclusion, social aid.

Favorable factors make up the second group of driving forces for the development of the social economy sector and social enterprises. The favorable driving forces are:

- High capacity of human capital and NGOs promoting the employment of vulnerable and under privileged categories;
- The existing successful practice and experience of social entrepreneurship across Ukraine inspiring people to venture into this new business model themselves;
- Availability of international funding;
- Large numbers of experienced organizations in the non-profit sector with years of practice and capacity. Social entrepreneurship will be the next way for them to go. It provides independence from external donors, and long-term sustainability;
- Existing legal regulations that allow implementation of partnerships between NGOs and other economic actors in order to create social enterprises.

6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS

In 2014, over 2,000 social entrepreneurs and stakeholders from across Europe came together in Strasbourg to take stock and agree some key actions for the future. Delegates concluded that: “There is no part of Europe that cannot benefit from social entrepreneurship. At this time of economic crisis and with the challenges of an ageing population, youth unemployment, climate change and increasing inequalities, Europe needs more social enterprises”⁹² Unfortunately Ukraine is far behind in this movement, though as mentioned above, it has good potential for social entrepreneurship development.

Social entrepreneurship in Ukraine is in the early phases of development. Although growth has been achieved in many aspects of its development, social enterprises have not become an integral part of the social, economic, political and cultural contexts of the country.

Some basic legal, political, educational and organizational measures can help to create a proper environment for social entrepreneurship and social economy development that can improve the national and regional economies and welfare systems in Ukraine.

Awareness of social entrepreneurship

Although barriers and constraints of growth in social entrepreneurship are context driven, they typically relate to poor understanding of the concept of “social entrepreneurship” by public servants, the general public, investors and prospective customers.

An important task is to raise awareness of social entrepreneurship, popularize social enterprise ideas and concepts, increase the visibility of social entrepreneurship and knowledge of the principles of social entrepreneurship and communicate to entrepreneurs that social entrepreneurship is an exciting and promising field of activity. Courses on social economy and social entrepreneurship have to be included in the universities’ curricula. Ideally, a social entrepreneurship popularisation block should be added to general entrepreneurship training and consultancy. Setting up an appropriate online platform of a given city / region providing useful information on social entrepreneurship, locally available opportunities, and prospective partners could be a practical solution. A good example is the Social Entrepreneurship in Ukraine web portal at <http://www.socialbusiness.in.ua/>⁹³.

Legislation and policy framework

An ongoing debate remains whether legal regulation of social enterprises is necessary in the existing context. Taking into account findings from comparative analysis and the policy practice in the country, a targeted law on social enterprises is expected to contribute towards: a) clarity of the concept and legal definition of social enterprises; b) helping public promotion of social enterprises; c) making the design of support measures easier for the public institutions from various sectors due to there being a formal definition; d) collecting official data on SE.

The Law on social entrepreneurship could play the role of framework documents that define the essence of the subject, the basic criteria and procedures for granting the status of a social enterprise to a concrete entity, and the main responsibility of government and regional public authorities for promoting social enterprises.

In doing that, it must also be kept in mind the distribution of competences between the central, regional and local public authorities under the current process of decentralization which has to be set by regional and municipal authorities.

Access to finance

Ukrainian social enterprises that participated in the survey for the Catalogue of Social Enterprises of Ukraine 2016-2017 were asked to identify three main difficulties facing their social enterprise. According to the received answers, the main difficulty is: lack of financial support (52 out of 150 enterprises). Namely, there is no or difficult to access to grants or other forms of financial support from funds, partners, investors or state representatives for expansion or establishment of business⁹⁴.

⁹²Empowering Social Entrepreneurs for Innovation, Inclusive Growth and Jobs. Strasbourg Declaration. Retrieved from: http://transitionproject.eu/wp-content/uploads/2014/01/strasbourg-declaration_en.pdf

⁹³<http://www.socialbusiness.in.ua/>

⁹⁴Final report: According to findings of the research “Social enterprises in Ukraine”. Retrieved from: <http://zakon3.rada.gov.ua/laws/show/1087-15?lang=en>

Social entrepreneurs also indicated three main factors that would contribute to the development of their social enterprise. In the first place, there were two factors: financial support and support of the state and local authorities. According to the received answers, financial support is grants or support of sponsors for expansion of social enterprise activity.

The expected support from state or local authorities may include but is not limited to the following: creation of a favourable state policy, programs to support the development of social enterprises, cooperation of social enterprises and representatives of local authorities, state orders, and the provision of preferential conditions for renting premises or support in solving other issues.

Other support infrastructure

The following institutions of supportive infrastructure are essential to strengthen and optimize a social entrepreneurship and social cooperative development process: business support institutions, local/regional/national associations, consortia and groups of cooperatives or social enterprises.

Different *associations* are responsible for enhancing cooperation and partnership with public authorities, non-governmental organisations, businesses and other types networking. *Consortia* are formed to engage in common activities or share their resources to achieve common goals.

Business support institutions should be strengthened in the future (entrepreneurship development centres, training centres, advisory institutions), and should aim at promoting and supporting social enterprises in order to ensure the long-term sustainability of their activity, including the development of new entrepreneurial models and solutions. They can: disseminate knowledge about social entrepreneurship as well as national and international social enterprise best practices through seminars, trainings, round tables, meetings with practitioners, social networks, case study collections; make a list of the most pressing social issues for a city or region and the target groups for social value creation; conducting a preliminary market analysis (in terms of prospective buyers of produced goods or services); identify social enterprise development niches with little or no competition from mainstream businesses with a view to increase opportunities for cooperation and implementation of joint projects.

6.1. Priority sectors for country level intervention

The priorities in each area of support below are listed in such a way as to show the urgency and the sequencing of the needed interventions. It emerges that the most urgent support needed is within the **coordination mechanism** which needs to be established. Further support is needed in the **policy, legal and institutional framework** and some additional support through different approaches and modalities with **capacity building** and **awareness** raising.

In parallel the need for increased **coordination among various funding institutions** should be established to maximise the impact and improve prioritisation.

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

Areas of intervention in order of importance	What needs to be covered - priority areas	Modalities of support
<u>First area of intervention:</u> Coordination	<i>Priority area 1:</i> Encourage establishment of cross sector coordination body and raise awareness among population and SE.	Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.)
<u>Second area of</u>	<i>Priority area 1:</i> Policy development, cooperation	Bilateral envelopes (technical assistance,

<p><u>intervention:</u></p> <p>Policy, legal and institutional framework</p>	<p>and awareness</p> <ul style="list-style-type: none"> • Exchange of experience and influence the formation of an enabling policy and legal framework on social entrepreneurship; • Support creation of a favourable state policy, programs to support the development of social enterprises, cooperation of social enterprises and representatives of local authorities and the State; • Raise awareness and provide capacity building activities for the Government and SE to understand the law and social economy principles in general 	<p>grants, CfP, twining, direct award etc.)</p>
<p><u>Third area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1:</i> Decentralise support mechanisms (capacity building, awareness, information sharing, study tours);</p> <p><i>Priority area 2:</i> Strengthen business support institutions (entrepreneurship development centres, training centres, advisory institutions)</p> <p><i>Priority area 3:</i> Develop SE environment</p> <ul style="list-style-type: none"> • Social initiatives, visiting SE-looking for success stories; • Further support to education (high quality courses about entrepreneurship and promotion); • Capacity development, business trainings especially enhancing financial literacy; 	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>
<p><u>Fourth area of intervention:</u></p> <p>Funding</p>	<p><i>Priority area 1:</i> Support the establishment of a programme for start-ups and facilitate the establishment of state support schemes or incentives.</p> <p><i>Priority area 2:</i> Enhance coordination among international donors</p>	<p>Other support schemes (indirect management)</p> <p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p>

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

- The analysis of SE in the Eastern Neighbourhood and in the Western Balkan countries shows that even though there are some differences, the **approach in prioritising the support in both regions could be the same.**

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

7. ANNEXES

7.1. Annex 1 - Questionnaire survey

I. Questionnaire for the Delegations of the EU

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

A. PERSONAL DETAILS OF RESPONDENT

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

II. Questionnaire for the Government institutions

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

A. PERSONAL DETAILS OF RESPONDENT

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

B. REGULATORY FRAMEWORK

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

C. SPECIFIC SUPPORT TO SOCIAL ENTERPRISES

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

D. OTHER MAIN STAKEHOLDERS

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

E. EU SUPPORT TO SOCIAL ENTERPRISES

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

F. STATE OF PLAY OF SOCIAL ECONOMY

15. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover?

16. How would you assess the level of development of social enterprise sector in general in the country; start-up stage, validation stage, scaling stage?
17. What are the key challenges social enterprises face in the country?
18. What type of support social enterprises need? How do they fill it at the moment?
19. Please provide few examples of good practice of social enterprises in the country?

III. Questionnaire for the funders and supporters

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

A. PERSONAL DETAILS OF RESPONDENT

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

B. SUPPORT TO SOCIAL ENTERPRISES – SUPPLY SIDE

1. What type of support you provide to social enterprises? Please explain what products or services you offer?
2. What requirements you have in order to provide support to social enterprises?
3. What type of financing instruments you provide do social enterprises? Please explain the range of support, type of support (grant, loan, equity), typical amount, length of the support, additional capacity building attached to the financing, etc.
4. What products or services you offer to SMEs? Could they be suitable for social enterprises, if exist?
5. Do you have any future plans to create a more enabling environment for social economy development in the country or region? Who do you think should be responsible for social economy development within existing Government structure?
6. Would you consider partnering with similar organizations in order to provide additional support? Are you aware of any other support to social enterprises in the country/region?
7. How do you monitor and evaluate the progress of your support/investment?

C. SOCIAL ENTERPRISE NEEDS - DEMAND SIDE

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

IV. Questionnaire for the social enterprises

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

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

A. PERSONAL DETAILS OF RESPONDENT

Name:

Email address:

Telephone number:

Social Enterprise:

Position:

B. SOCIAL ENTERPRISE INFORMATION

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

C. FINANCIAL INFORMATION

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

D. HUMAN RESOURCES

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

E. OPPORTUNITIES WITHIN THE SECTOR

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

7.2. Annex 2 - List of Interviews

Stakeholders are divided into three main groups:

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

N	Organization	Representative Name Surname	Position
Group 1			
1	MEDT SME support team - Ministry of Economic Development and Trade	Denis Gutenko Andriy Slabinskiy	
2			
Group 2			
1	European Union Delegation to Ukraine	Iryna Hubarets	
2	European Union Delegation to Ukraine	Boris Filipov	
3	Canada's PLEDDG project, SME development component	Valeriy KOKOT	Senior Expert in Business Development
4	EBRD, Finance and Development	Nadejda Mustea	Regional coordinator for EaP and Cyprus

5	EBRD	Kateryna Rigg	National Program Manager
6	Impact Investing program at Western NIS Fund	Vasyl Nazaruk	Impact Investing Project Manager
7	Ukrainian Philanthropists Forum	Ms Polina Nyukhina	Acting Director
8	East Europe Foundation	Victor Liakh	President
9	FORBIZ	Matthias Halder and Nataliya Balandina	
10	OSCE	Vitalii Bokhniak	
11	British Council	Lyudmila Tatsenko	Head of Education and Society
12	UNDP	Andriy Zayika	Project Manager, UNDP
13	USAID Ukraine	Evgeniya Malikova	Project Management Specialist
Group 3			
1	Teple Misto	Yuriy Fylyuk	CEO

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