



Social Economy in Eastern Neighbourhood and in the Western Balkans

Final report

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Authors

Andreja Rosandic (Project Team Leader)

Nataša Gospodjinački (Expert in Programme Formulation)

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LIST OF ABBREVIATIONS

CAB	Capacity Building
CEFTA	Central European Free Trade Agreement
CSR	Corporate Social Responsibility
CSO	Civil Society Organization
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EC	European Commission
EUD	European Union Delegation
EN	Eastern Neighbourhood
EAEU	Eurasian Economic Union
MoJ	Ministry of Justice
NGO	Non-governmental Organization
PwD	Person with disability
SE	Social Enterprise
SME	Small and Medium-sized Enterprise
WB	Western Balkan
GECES	Groupe d'experts de la Commission sur l'entrepreneuriat social - GECES
GfA	Guidelines for Applicants
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. INTRODUCTION

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

More specifically, this report provides synthesis analysis of the social economy and social entrepreneurship ecosystem in two regions: Eastern Neighbourhood and Western Balkans. It includes methodological guidelines summarizing country specific recommendations and general approach on how to structure programmes to develop social economy in the countries involved in the study.

The methodological approach is based on the synthesizing of data presented at the country reports developed by key experts in each of the countries as well as based on the synthesis report that summarizes similarities and differences within the regions and countries.

In this report we set out our preliminary methodological guidelines identifying conditions and modalities of support to develop efficiently social economy and social entrepreneurship in the Enlargement and Neighbourhood East countries.

1.1. Definition

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

"Social enterprises combine societal goals with entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives. Their main objective is to have a social impact rather than make a profit for their owners or shareholders. They often employ socially excluded persons thus contributing to the social cohesion, employment, inclusion and the reduction of inequalities. Social enterprise operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities."¹

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

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

¹ http://ec.europa.eu/growth/sectors/social-economy/enterprises_en

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

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

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

2. STATE OF PLAY IN EASTERN PARTNERSHIP AND WESTERN BALKANS

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

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

Both regions suffer the consequences of the changes in the government or policy that lead to changes in the regulatory framework making business operations subject to frequent changes. Doing business in such an environment is not well supported centrally for traditional business let alone for social enterprises. Unfortunately, the grey economy, corruption, and political instability are considerable problems in both regions.

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

It can be said that Western Balkan countries do have a few benefits when it comes to the general business environment, putting them into a more favourable situation compared to EN countries: geographical proximity of the EU market, a relatively good business environment, a relatively stable macroeconomic environment and high economic growth, a stable and relatively developed financial system, relatively low costs and skilled workforce, ensured protection of the rights of investors and contracts resulting in the Stabilization and Association agreement, EU and other CEFTA bilateral trade agreements².

The social investor community developed more in WB compared to EN. There are more socially driven investments available in WB, both locally present and/or covering the region, while in EN countries the majority of seed funding comes from donors. In both regions, initial stage funding is coming from donors in the majority of cases, with the exception of EN countries where many initiatives have been funded with own resources, or family members' money.

Research did not find significant evidence of social enterprises being included into the supply chain of traditional companies or corporations, though in the WB region CSR is attracting much more public recognition than in EN where CSR is in its infancy.

WB countries already have some support infrastructures in place in the form of intermediary organizations, incubators, accelerators, training centres, mentoring and coaching programs coupled with funding as well as various networks advocating for the interest of social economy actors. In EN such a structure is still not sustainable, mostly being provided on the project basis and donor funded.

In both regions SEs face lack of visibility of their work and impact produced. Only narrow circle of beneficiaries and/or stakeholders are aware of their achievement, failing to raise wider visibility that could lead towards better recognition and in the end growth. Many of the SEs remain unknown to the

² Tosković, J., Adžić, J., Popović, S., Marković, J.: Comparative analysis of the investment environment in the economies of the Western Balkans, Education University, Regional and Business Studies (2016) Vol 8 No 1, 15-27

wider public in both regions, though reaching significant impact at the local or regional level. Recognition schemes for SE could provide the much-needed visibility and awareness about social enterprises; especially among consumers and the business sector. These schemes are more efficient when linked to the public policy/legislative recognition and should be promoted as integral part of the SE policies.

Having in mind the cross-cutting nature of social entrepreneurship which incorporates aspects of economy, social and labor market inclusion, empowerment of vulnerable groups, environment, agriculture, sport, education, culture, innovation and etc., horizontal coordination and responsibility still lack sufficient mechanisms that would be beneficial to utilize the full potential of the sector.

3. RECOMMENDATIONS FOR EU HORIZONTAL SUPPORT

This section of the report concentrates on how the EU can increase its involvement in supporting social enterprises in the Eastern Neighbourhood and Western Balkans: by improving collaboration among international actors and donors to help create better support structures; by strengthening policies and initiatives that promote economic development; by including social enterprise support mechanisms; and by improving access to funding.

All recommendations are formulated in a very clear and straightforward manner and are aimed at the European Commission - DG NEAR, Centre of Thematic Expertise 'CoTE' on Economic Governance, CoTE Civil Society and delegations/regional teams to help them better develop projects on social economy and social entrepreneurship in Eastern Neighbourhood and WB countries.

As explained in the previous chapter, the mapping study revealed many similarities as well as some differences within the same region as well within the two regions included in this study: The Eastern Neighbourhood and Western Balkans. Some main findings are listed below:

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

The text and tables below present Priority areas in order of importance and suggestions for horizontal support to be provided in Eastern Partnership and Western Balkan countries possibly through regional technical assistance programmes.

This report presents also the summary recommendations for each of the analysed regions and specific Country Guidance and recommendations.

3.1. Setting the stage

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 EC takes the lead in setting the approach, the priorities and in defining the roles and responsibilities. Therefore, the development of an Action plan would be necessary to promote social economy and social entrepreneurship in a more structured way. It could envisage five categories of measures:

- ✓ Establishing better coordination and awareness;
- ✓ Supporting better policy and regulatory frameworks definition;
- ✓ Supporting more structured institutional capacity building and capacity building of SE;
- ✓ Improving access to funding for social enterprises;
- ✓ Improving the visibility and recognition of social entrepreneurship.

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 (i.e. awareness and visibility, coordination among national authorities, donors and financial institutions and other stakeholders, capacity building, exchange of experiences and best practices, etc.).

Recommendation: With regards to this a proper programming needs to be launched to address the common needs in both geographical areas. The dialogue should be established among various actors and potential beneficiaries to confirm the identified needs and to start filling in the gaps. Recommendations from Country reports and Country Guidance documents should be considered as well as they provide a thorough analysis of the situation and needs and provide clear suggestions in which areas the most urgent support should be provided.

SE needs to be systematically included in all policy and programming documents (i.e. Country progress reports, Annual plans, Action documents, etc.) and procedures through which EU Delegations can offer support as well as collect impact data on the local programmes funded by the EU should be created. Furthermore, as already indicated in the GECES report and recommendations³, funding should be increased. The support already offered to civil society organisations in the Western Balkan countries and Turkey as well as in the Eastern Neighbourhood should be reinforced as well and opened to actions targeting SE wherever possible.

Dedicated funding should be made available for technical assistance, seed-funding and development of financial products for the different stages of social enterprises' growth.

³ http://ec.europa.eu/growth/sectors/social-economy/enterprises/expert-groups/index_en.htm

Priority areas	Suggested horizontal support in EN and WB countries
Setting the stage	<ul style="list-style-type: none"> ✓ Establish a Technical Working group (EC HQ and EUDs); ✓ Translate various country needs assessments and recommendations into an Action plan which will define the steps, responsibilities, timing and necessary funds; ✓ Include SE systematically in the programming documents i.e. Country progress reports, Annual plans, Action documents, etc.; ✓ Establish a dialogue with Governments in the targeted regions to improve policy, institutional and legal frameworks and ensure better recognition of SE; ✓ Establish a coordination mechanism with all actors (donors, stakeholders, beneficiaries) to better define the needs and reach a consensus on the needed approach; ✓ Open up regional programmes (Civil Society, SMEs, cross-border cooperation, etc.) to SE initiatives and allocate additional financial resources in order to support exchange, capacity building, know-how dissemination, training, etc. ✓ Capitalise on past experiences and ensure additional funds to include specific support for social enterprises and social economy organisations; ✓ Establish coordination mechanisms with various organisations to improve access to funding, enable assistance in accessing EU and private funding, and to establish connections with key consultants and experts; ✓ Strengthen the existing networks and coordination bodies and support the establishment of new ones; ✓ Introduce new initiatives to increase awareness and visibility.

3.2. Coordination

Quite some EC support is already provided in most of the countries, as well as by various other donors and in some cases by Governments and/or national institutions. The EU Delegations are covering SE mainly through CSOs, SMEs and EIDHR calls for proposals. In the absence of a proper needs analysis and social enterprise strategy/action plan, various sections seem not to have a clear understanding of the sector and of the needs that SE have. There is no coordination inside the EUDs to tackle this topic organically. Furthermore, it appears that in the majority of the EUDs there is also no proper coordination with various stakeholders, beneficiaries or implementing agencies. Only a few EUDs have a CSO coordination group. No regional coordination, in both EN and WB, was established so far.

Recommendation: Coordination mechanisms and working groups need to be established between the EC HQ and the EUDs to exchange opinions, experiences, and discuss the way forward.

The dialogue should be established between the EC and Governments on this topic as in many countries the SE is not on the political agenda and it is not seen as a priority. This leads to no improvements in the policy and regulatory frameworks and to fragmented financial support or capacity development.

To start the exchange of best practices and raise awareness, Regional fora should be organised (through existing regional programmes in EN and WB or ad-hoc eventually through a future regional project targeting SE) to gather SE representatives and Government officials to discuss various topics (policy,

legal and institutional, skills, access to markets, funding, coordination, awareness, etc.) and to attract investors and match them with the most innovative social enterprises in a particular country.

Priority areas	Suggested horizontal support in EN and WB countries
Coordination	<ul style="list-style-type: none"> ✓ Provide support in establishing State coordination mechanisms in order to share experiences and results and optimise the provided support. ✓ Encourage the establishment of cross sector coordination bodies and platforms. ✓ Support bottom up social enterprise networks. ✓ Set-up a coordination mechanism between various stakeholders (NGOs, Governments, donors, business, etc). ✓ Gather all relevant stakeholders to form a network or platform for idea exchange. ✓ Provide support, through capacity building and funding to SE support networks and/or coalitions to build trust and sustainability of the sector. ✓ Establish modalities and organize regular meetings and consultations with national and international experts. ✓ Enable professional exchange opportunities among countries in the Eastern Partnership region, the Western Balkans and EU. ✓ Strengthen coordination among international donors and SE support organizations. ✓ Start discussions and exchange of experiences (e.g. study tours, etc.) for exploring the possibility of the introduction of social/environmental criteria during the state procurement process. ✓ Encourage public-private-CSO partnerships in building SE support infrastructure all throughout the EN and WB region. ✓ Governments should include social enterprises as much as possible in the creation of new policies and actions while SE organisations should actively promote and use these opportunities.

3.3. Policy, legal and institutional framework

Absence of a strategic approach towards social economy as well as lack of commitment by the Governments characterises the ecosystem for their development. The frameworks necessary to create, nurture and sustain an environment of social inclusion are in some countries on the political agenda, but the majority of these framework elements are incomplete, unenforceable or poorly understood by institutional stakeholders.

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

As social enterprises within the regions operate in the market with the same conditions as commercial ones, the SME situation and development influences the social economy sector as well. There is no equal

access to procurement opportunities for cooperatives, social enterprises and NGOs, in contrast to large firms which have access to resources with which to compensate for the poor business climate.

None of the countries showed full understanding or any strategic direction to tackle the cross-cutting issues of SEs.

Recommendation: It seems that official recognition of social entrepreneurship would be very helpful for SEs to become more visible in the eyes of financial institutions, the local authorities and society at large.

It would be of extreme importance if policies are in place, to encourage the development of the social economy sector in different spheres and not limit it to the enterprises employing representatives of vulnerable groups, mostly people with disabilities. Positive policies for the SE sector should be embedded not only in employment and social policies but also as part of the economic development, environmental and sustainable agriculture agendas.

Having in mind the cross-cutting nature of social entrepreneurship which incorporates aspects of economy, social and labour market inclusion, sustainable development, environment, agriculture, innovation etc., effective coordination at national and regional level could have a significant and beneficial impact on leveraging the full potential of the sector in each of the countries. Thus, as suggested in the country reports, it is important that all policies recognise the same three key aspects 1) the potential scope of impact of social economy beyond the labour market and social welfare; 2) the cross-cutting character of SE across the sectors of economy, labour, environment, agriculture, rural development; and 3) the need for horizontally integrated legislation to properly recognise, promote and boost the development of SE rather than the perception that it is designed to control and over-regulate SE.

Public policy stakeholders would benefit from investment in technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite for effect institutional support of the social economy. Policy makers need exposure to relevant EU and regional experience and best practice.

Priority areas	Suggested horizontal support in EN and WB countries
<p>Policy, legal and institutional framework</p>	<ul style="list-style-type: none"> ✓ Raise public awareness of the impact SE produces – showcase example of good practice in media; ✓ Start policy dialogues with beneficiary Countries to develop more structured and consistent targeted support to SEs using a horizontal approach by incorporating the SE issue in the economic development sphere, rural development and environment protection spheres; ✓ Provide capacity building activities for the Government and SE to understand the policy and legal requirements and social economy principles in general; Policy measures should include other vulnerable groups when creating policies and strategies; ✓ Study tours for policymakers to expose them to relevant EU and regional experience; ✓ Capacity building of policy makers based on relevant EU and regional experiences and best practices; ✓ Exchange of experience and influence the formation of an enabling policy and legal framework on social entrepreneurship; ✓ SE issues should be addressed through Country Progress Reports, Programming and Annual Plans.

3.4. Skills and access to market

Existing support infrastructure is mostly available for SMEs, not tailor made for SEs. To bridge the entrepreneurial skills gap and strengthen management capacity, the SEs require ongoing technical assistance. It requires that SEs have full access to SME training and mentoring programs whether governmental, CSR run or via donor partnership. Positive experience of the acceleration programs and other similar initiatives should be utilised and replicated in partnerships with other organisations and initiatives.

There is a lack of any systematic monitoring and evaluation based on international frameworks about the overall impact of social enterprises in each of the EN and WB countries. Thus, the social impact is mostly documented at the level of case-studies and individual best practice, rather than showing overall impact of SEs within the country.

Recommendations: Capacity building and mentoring programs would be essential for social enterprises to create viable business models. The EU can provide valuable inputs in the form of ad-hoc technical assistances and/or to use already existing structures providing support to SMEs. Social entrepreneurship should be also included in the school and university curricula to raise awareness of the social impact they provide as well as to stimulate an entrepreneurial socially driven mind-set within the young population.

The EU can also provide valuable input through direct support to intermediary organisations as well as through encouraging public-private-CSO partnerships in building SE support infrastructure.

The capacity building and support services should be decentralised to better serve SEs in smaller towns and rural areas. In addition, municipalities need to be exposed to the concept and encouraged to engage in promoting and developing the sector in their local communities. Positive examples from the targeted regions and the EU can be used where the municipalities have partnered with CSOs to establish social enterprises, are purchasing goods and services from the local SEs etc.

The bottom-up networking of SEs and SE support organisations should be encouraged and supported especially where the limitations of the existing laws or complete absence of the same prevail.

Priority areas	Suggested horizontal support in EN and WB countries
Skills and access to market	<ul style="list-style-type: none"> ✓ Ensure ongoing and more systemic capacity support provided to SE in all stages of development (through accelerators, incubators, intermediary organisations) - (planning, budgeting and process management, etc.); ✓ Capacity building in the area of advocacy, policy development, lobbying and raising awareness; ✓ Capacity development, business trainings, trainings about EU regulations for trade, trainings enhancing financial literacy; ✓ Engage donor community to include extensive business capacity building into their grant schemes; ✓ Provide support to education (high quality courses about entrepreneurship and promotion); ✓ Strengthen business support institutions (entrepreneurship development centres, training centres, advisory institutions); ✓ Exchange of international experiences and regional trainings about tax regimes in each of the countries taking into account social mission of the SEs;

	<ul style="list-style-type: none"> ✓ Strengthen capacities for decisions makers in developing national mechanisms of impact data collection and for SE in designing tools to measure impact on their business models; ✓ Decentralize the capacity building and support services to better serve SEs in smaller towns and rural areas; ✓ Support to creation of an ideation-incubation system needs that can then fit in with other existing pieces of the ecosystem and funding mechanisms; ✓ Stimulate cross-border activities for social economy within each region; ✓ Develop activities that would help SEs find markets and partners in EU and EAEU markets (for Eastern Neighbourhood countries) – expos, visits, etc. and train SEs in satisfying EU regulations for trade; ✓ Organize various events to raise awareness of Venture Philanthropy approach; ✓ Support public, private and non-profit sector to include SEs into their value chain through public media campaign and sharing of examples among various stakeholders. Enable EN and WB countries access to Guide "Buying Social" once released for EU member states.
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3.5. Funding

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

In addition to legislative and financial barriers, the sector faces a number of structural issues, which directly affect the ability of aspiring SE and social entrepreneurs to access capital and markets (in particular public procurement). Often the lack of transparency about the available funding sources and the award processes means that many CSOs and SEs do not participate in the public procurement calls.

The amount of funds for CSO and/or support to SMEs, provided by various donors, is quite substantial, but when it comes to actions related to SE, the available amounts are almost everywhere quite limited. In addition, there are no specific state programmes addressing SE only.

In both regions social investors, social impact funds or other socially driven financing institutions are scarce. However, the already established and available specialized investment fund - European Fund for South East Europe (EFSE) - aims to foster economic development and prosperity in the Southeast Europe region and in the European Eastern Neighbourhood region through the sustainable provision of additional development finance, notably to micro and small enterprises and to private households, via qualified financial institutions. The EFSE Development Facility programme partnered with Partner Lending Institutions (PLIs) including Finance in Motion, an impact investing advisor, to support enterprises from start-up to maturity. Finance in Motion works through local country-based partners in each region.

Recommendations: Social Enterprises should be included in funding mechanisms and programmes related to social inclusion, economic development, rural development and a wide range of employment models including employment of marginalized groups. There is a crucial need for coordination and alignment of the various projects implemented by donor organizations and development partners. Further donor funding will be needed. However, it needs to be more coordinated and need to target financially sustainable models that bring additional value to society.

A more structured approach is needed when developing various action documents or the GfAs as it seems that a proper needs analysis, behind the decision about which sectors should be addressed in various calls, is missing. This might be due to the lack of dialogue and coordination among various stakeholders.

A structured funding mechanism for EU funded projects that contains grant funding for initial start-up and development phases and low interest debt financing for growth and sustainability phases would ensure that projects with potential for sustainability are the focus of support.

Given the potential for private sector organisations to engage with the social enterprise sector, the introduction of broader tax benefits for private sector organisations providing direct support or trade opportunities for SEs would significantly increase the level of engagement of the private sector. Public-private partnerships to leverage private and public funding should also be piloted and encouraged.

The private sector can play an increasing and targeted role in providing not just financial resources but also the commercial relations critical to making social enterprises sustainable. Further support to develop the Venture Philanthropy model could stimulate social economy ecosystem development in both regions, although the Western Balkans region is already advanced in introducing such a model. The Eastern Neighbourhood region could learn from Western Balkans and EU impact investment approaches. As defined by the EVPA (European Venture Philanthropy Association), Venture philanthropy and social investment are about matching the soul of philanthropy with the spirit of investment, resulting in high-engagement and a long-term approach to creating social impact. Examples of good practice to be used as a knowledge resource can be found in the EVPA learning centre⁴.

Funding should also address Governments in building capacity to develop adequate legal frameworks and procurement procedures, education programmes, support mechanisms and monitoring systems for financial intermediaries and social economy enterprises and coordination platforms. TAIEX (Technical Assistance and Information Exchange Instrument) could be used.

Priority areas	Suggested horizontal support in EN and WB countries
Funding	<ul style="list-style-type: none"> ✓ Coordination/networking activities of donor community to enable creation of the Calls including milestone driven funding, clear and achievable roadmap for sustainability, inclusion of the institutional stakeholders in development of funding approaches. ✓ Coordination of various actors to create funding opportunities that suit short- as well as long-term financing needs of the SEs in all stages of development. ✓ Cooperation with and support to social finance providers to create tailor-made financial support for SEs (soft loans, repayable grants, zero interest loans, etc.). ✓ Create grant schemes that would include financial support together with raising business skills among SE leaders, initiate venture philanthropy approach within the countries and provide networking opportunities for both SEs and private sector. ✓ Coordination between donors, private sector and financial institution to introduce new funding mechanism.

⁴ <https://evpa.eu.com/knowledge-centre/publications/vp-si-in-central-eastern-europe-case-studies>

	<ul style="list-style-type: none"> ✓ Strengthen existing SEs for investment readiness to be ready for scaling and entering the pipeline of mature businesses that can take advantage of other types of investment than grants. ✓ Create approach for existing SME support mechanisms to be used by SEs. ✓ Design and launch business competitions such as Start-up weekend, Social Enterprise Competition or various Impact Awards at regional and country level. ✓ Ensure that funding mechanisms to SEs are linked to technical, capacity and/or mentoring support, provided by already proven model of incubators or intermediary organizations. ✓ Support creation of local/national social investment funds managed by successful business practitioners through fiscal measures designed to financially motivate companies to donate portions of their corporate social responsibility (CSR) budgets into these funds.
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3.6. Visibility and promotion

Visibility of social enterprises continues to be a challenge within existing the legal structures SEs are using, not providing them equal status as for example NGOs or LLC have. Not being promoted in the mainstream media, many of the SEs remain unknown to the wider public, though reaching significant impact at the local or regional level. Despite their real contribution to the well-being of the local communities they serve, SEs remain invisible. They are mostly recognized only by a small portion of directly affected or involved stakeholders or beneficiaries within specific communities failing to reach out to the mainstream wider audience.

Building the right enabling ecosystem requires identification of those worthy SEs solving social issues on a regular basis, then raising awareness and visibility of the social and environmental impacts they produce and finally their public recognition. Social economy should be higher on the agenda of the decision makers, being disbursed within the social, employment and economic development strategies and plans.

Recommendations: The social economy sector needs more visibility, recognition and public awareness about the social impact that social enterprises can have for the communities in which they serve. Networks of social enterprises and social economy support organizations should be further developed. They should play a key role in the development of public policies and the promotion of the social economy sector.

Building the capacity of CSOs, public authorities, social enterprises and impact investors to collaborate in a mutually beneficial way is needed. Support should be provided through technical Assistance to the relevant Ministries as well as to mainstream media to raise visibility of the social economy in general.

Priority areas	Suggested horizontal support in EN and WB countries
Visibility and promotion	<ul style="list-style-type: none"> ✓ Design media campaigns to raise visibility of SE actors and improve reputation and enable recognition of SEs impact. ✓ Showcase SEs in media to raise awareness of their impact, showcase wherever possible success stories thus creating positive PR. ✓ Study tours and sharing of good practice from EU can help raise awareness of the SE models as part of technical assistance. Make sure to

	<p>include representatives from media to the study tours to enable them to report on impact success stories.</p> <ul style="list-style-type: none">✓ Organize a series of trainings for media representatives regarding the SE concept and impact.✓ Organise forums, conferences, and networking events through intermediary organizations that could coordinate boosting of SE sector.✓ Develop online platform for exchange of ideas, good practice and knowledge.✓ Develop tools such as social media, networks, press and social advertisements to help raise recognition of the sector.
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4. SUMMARY RECOMMENDATIONS EASTERN NEIGHBOURHOOD AND WESTERN BALKANS

4.1. Eastern Neighbourhood

Eastern Neighbourhood countries are characterized by an unstable economic and political situation without clear understanding of the concept of social economy, social entrepreneurship and social enterprise. All six countries reported a **lack of legal regulation** as an obstacle for further development of the SE sector. Although Moldova has recently adopted the Law on Social Entrepreneurship, implementation measures are still lacking.

The sector **lack business and managerial skills** to grow further and develop from early start-up stage to the more advanced ready to scale or scaling stage.

The vast majority of social entrepreneurs are in the blueprint stage of development, **lacking knowledge of how to access other markets, production capacity and sufficient funding**. Most of the funding is coming from foreign donor organizations without known coordination mechanisms or cooperation among various stakeholders.

Social economy actors are seen as part of social inclusion rather than as part of cross-cutting areas of support to vulnerable groups but as well to other social, economic, political and cultural areas.

The **states do not provide sufficient support to social entrepreneurs** in the form of state subsidies, tax incentives, various funding mechanisms and/or business trainings.

Existing infrastructure for SME support has been recognized, as the majority of SEs have a traditional legal business status, putting them into the same position as traditional companies. However, that fact might be used to help social entrepreneurs to improve or get know-how.

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

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

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

4.2. Western Balkans

In all 6 Western Balkan countries social enterprises need to bridge the **entrepreneurial skill gap and strengthen organizational and management capacity** to be able to prove/validate their business model and reach wider market and potential scaling.

All of the countries do have support mechanisms for Micro and SMEs that might be easily adapted to the social enterprise requirements and needs. This approach require that SEs have **full access to SME trainings, seminars, and mentoring programs**.

Decentralization of the capacity building support, covering rural areas or smaller towns, should be the imperative for further strategic documents and capacity support to be developed.

The EU can provide valuable input through **direct support to intermediary organisations as well as through encouraging public-private-CSO partnerships** in building SE support infrastructure throughout the country.

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

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

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

5. COUNTRY SPECIFIC RECOMMENDATIONS EASTERN PARTNERSHIP

5.1. Summary approach for all countries

This section aims at identifying the best way for the EU to support the development of social economy and consists of country specific recommendations. It shall serve as support for formulating and programming projects and is based on the findings presented in the Country reports.

Summary tables below are developed for each Country and show the state of play in each of the analysed areas (legal, institutional, policy framework, funding mechanisms, coordination, access to markets and skills). They provide also the **recommendations on what needs to be done**. The overview of support provided by the State, donors and/or other organisations (if any) is also provided.

Out of these tables priorities are identified, the score next to them shows the **urgency** and indicates how fast this priority needs to be addressed and in which order of importance and/or sequencing.

Based on this, recommendations are structured in such a way as to list the **areas of intervention in order of importance** (these are the areas which had priorities with highest/most urgent scores), next to them **the priority areas** to be addressed are explained and possible **modalities of support** are mentioned as well.

In the Country reports the detailed recommendations were developed, but here only those which should be addressed by the EC and/or EUDEL are indicated.

5.2. Armenia

5.2.1. Summary and context

Social entrepreneurship is still at an early stage of development in Armenia. Companies operating in the social economy sector in Armenia are not recognised by any status, and there are no comprehensive studies covering this topic. The majority of the several dozen existing social enterprises in the country seem to have been set up using grants from donor organisations. The sector currently consists of a majority of individuals who have a strong background in social issues and non-profit operations, but very little knowledge and experience of business and entrepreneurship.

As yet, there is little engagement by the Government with social enterprises, with only the State Employment Agency having shown some involvement, but the Small and Medium Enterprises Development National Centre is a potential stakeholder for the future. Donor engagement is high with the EU Delegation in Armenia having supported projects since 2014 and the UNDP launching an impact accelerator in 2017. The commercial private sector has not shown much awareness of or interest in social economy for the time being.

A positive phenomenon in Armenia's social entrepreneurship experience so far is that there is an existing network that brings together many social enterprises in the country – the Association of Social Enterprises of Armenia. However, the Association has fulfilled a very small percentage of its true potential and it needs to make some significant changes to its structure and operations in order to have any real impact on the sector. Additional capacity building efforts should focus on the Association of Social Enterprises of Armenia.

For the growth of the sector, there is the **need for an institutional incubator** that would help develop ideas in social entrepreneurship, engage with current and potential social entrepreneurs, and support their teams through the early stages, allowing the most promising enterprises to reach a pre-acceleration or acceleration stage where they can either seek private investment or apply to a financial institution to fund their growth.

There has been some discussion regarding the **establishment of an impact fund**, and the UNDP has taken a few steps in this direction. It would be helpful to the sector as a whole if several international donors coordinated efforts and at least kept each other regularly updated on the range of activities being undertaken to improve financial support to social enterprises.

Additionally, there is great value in exploring a new contingent of individuals as potential social entrepreneurs – existing businessmen and business students. Future programmes promoting social entrepreneurship and incubating new ideas should also involve MBA students and other participants with a similar background.

Despite the shortcomings indicated above, the potential for the Armenian social entrepreneurship sector remains very promising. As the sector grows, emphasis should also be placed on **social impact reporting**, and the necessary **capacity building and awareness raising activities** should be organised to support the publication of impact reports by existing and future social enterprises.

5.2.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ SEs registered as limited liability companies (LLCs), foundations or, more recently, non-governmental organisations (NGOs) and cooperatives. ✓ New law on Associations in force since 2017 that allows NGOs to engage in entrepreneurial activity. ✓ No law on social entrepreneurship, but concept paper being developed. ✓ Advantages available to employers who hire people with disabilities (PwDs) 	Yes	<p>National Assembly</p> <p>EBRD Business Support Office</p> <p>State Employment Agency</p> <p>Ministry of Labour and Social Affairs</p>	<ol style="list-style-type: none"> 1. More clarity needed on taxation of NGOs that receive grants and also engage in entrepreneurial activity. 2. Government engagement is required in the development of concept paper. 3. Regulatory framework needs to undergo revisions and harmonization with the developed concept paper to allow wider scope of SE forms and areas of work, acknowledge entrepreneurial dimension and go beyond PwD employment model;
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. More clarity needed on taxation of NGOs that receive grants and also engage in entrepreneurial activity. 2. Provide TA to officials in further revision of concept paper including all relevant stakeholders. 3. Revision of policies and other regulatory documents to harmonize them. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>4</p> <p>5</p> <p>4</p>

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ Several EU-funded programs engage with the concept of social entrepreneurship ✓ Existing national network that brings together many SEs. ✓ State support to SMEs does not cover social enterprises ✓ There is no specific approach by the state on social enterprises and SME DNC does not undertake any specific activities that would target social businesses 	Yes	<p>SME DNC</p> <p>EU Delegation to Armenia</p> <p>The Association of social enterprises in Armenia – formal network of SEs</p>	<ol style="list-style-type: none"> 1. A State coordination mechanism could be established in order to share experiences, results and optimise the provided support. 2. Network has fulfilled a very small percentage of its true potential and it needs to make some significant changes to its structure and operations in order to have any real impact on the sector. 3. Design specialized support measures for SEs within existing institutional framework such as SME DNC.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. A State coordination mechanism could be established in order to share experiences, results and optimise the provided support 2. EU funded support, coupled with capacity building in the area of advocacy, lobbying and raising awareness to the Association to make some significant changes to its structure and operations in order to have any real impact on the sector. 3. Include SEs in the existing institutional support framework; open a track for SEs within SME DNC. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>3</p> <p>4</p> <p>3</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector (EU, national, other donors, other funds, private sector)</p>	<ul style="list-style-type: none"> ✓ Zero-interest loan (Direct to Social Enterprise) program launched in the country. ✓ Private sector provides occasional support as part of CSR programmes and areas of priority, but most of these efforts remain focused on philanthropy. ✓ Charitable donations and contributions to non-profit organisations are deductible up to 0.25% of gross income. As part of this approach, some companies provide grants to NGOs, either by soliciting applications or responding to unsolicited project proposals. ✓ SEs have very little exposure to the private sector. ✓ Potential to include Armenian diaspora into the 	<p>Yes</p>	<p>Kiva - the international non-profit based in San Francisco</p> <p>Private sector in general</p> <p>HSBC</p> <p>UNDP</p>	<ol style="list-style-type: none"> 1. There needs to be a better developed pipeline that can take advantage of zero-interest loan opportunities. Currently, most of the SEs in the country are not at the stage where Kiva would be the right fit for them. 2. Additional funding (EU) should be directed towards strengthening start-up social enterprises with business skills. 3. Additional EU funding could be used to initiate Venture Philanthropy approach by forming partnerships with private sector. 4. Networking events should be organized to give SEs more networking opportunities with the private sector in order to set up possible partnerships and to support Venture Philanthropy approach. 5. State support to SMEs could be easily utilised by SEs. 6. Create a model of diaspora inclusion

	<p>venture philanthropy approach not fully explored.</p> <p>✓ Accelerator program exists for small group of SEs.</p>			<p>into social entrepreneurial investments.</p> <p>7. Further support to intermediary organizations that run accelerator or incubator programs is needed to broaden the SE pipeline to absorb other financial mechanisms.</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Strengthen existing SEs to prepare them for scaling and entry into pipeline of mature businesses that can take advantage of other types of investment than grants. 2. Create EU grant scheme that would include financial support together with improving business skills among SE leaders, initiate venture philanthropy approach in the country and provide networking opportunities for both SEs and private sector. 3. Create approach for existing SME support mechanisms to be used by SEs. 4. Create a model of diaspora inclusion into social entrepreneurial investments. 5. Further support to intermediary organizations is needed. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>4</p> <p>5</p> <p>4</p> <p>3</p> <p>3</p>

Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<ul style="list-style-type: none"> ✓ Lack of business skills among SE leaders or managers. ✓ Most of the SEs have been set up by NGOs in response to grant opportunities, but a business mind-set has not developed to a sufficient degree yet among these organisations. ✓ No impact report produced yet. ✓ The small size of many of the SEs makes it difficult for them to access significant markets. ✓ Armenia is a member of the Eurasian Economic Union (EEU) which provides SEs direct access to customers in Russia, Kazakhstan and Belarus, but very few could produce at the volume and quality required for such a market. 	Yes, partly.	<p>CODE-SE</p> <p>Impact AIM accelerator</p> <p>Kiva</p>	<ol style="list-style-type: none"> 1. An ideation-incubation system needs to be set up that can then fit in with other existing pieces of the ecosystem like the Impact AIM accelerator or Kiva and other similar funding mechanisms 2. Develop a tool that can be used locally by SEs for impact reporting and train/support the first group of SEs in the use of this tool. 3. Business skills training to help existing SEs find markets and partners in EU and EEU countries – expos, visits and train SEs in satisfying EU regulations for trade.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <p>1. An ideation-incubation system needs to be set up that can then fit in with other existing pieces of the ecosystem and funding mechanisms.</p>				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p>

2. Activities that would help existing SEs find markets and partners in EU and EEU countries – expos, visits, etc. and train SEs in satisfying EU regulations for trade.	4
3. Develop a tool that can be used locally by SEs for impact reporting and train/support the first group of SEs in the use of this tool.	2

5.2.3. Priority sectors

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

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> Policy, legal and institutional framework	<i>Priority area 1:</i> Technical assistance to government officials <ul style="list-style-type: none"> • Revision of concept paper including all relevant stakeholders. • Revision and harmonisation of policies and other regulatory documents. • Harmonize taxation to NGOs that receive grants and engage in entrepreneurial activities with existing taxation to regular companies, taking into account social impact. 	Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.) Other support schemes (indirect management)
<u>Second area of intervention:</u> Skills and access to market	<i>Priority area 1:</i> Capacity building <ul style="list-style-type: none"> • Support to creation of an ideation-incubation system is needed that can then fit in with other existing pieces of the ecosystem and funding mechanisms. • Activities that would help existing SEs find markets and partners in EU and EEU countries – expos, visits, etc. and train SEs in satisfying EU regulations for trade. • Develop a tool that can be used locally by SEs for impact reporting and train/support the first group of SEs in the use of this tool. • Capacity building in the area of advocacy, policy development, lobbying and raising awareness to the Association of Social Enterprises of Armenia. Changes to its 	Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.) Regional programmes (technical assistance, grants, etc.)

	structure and operations are needed in order to have any real impact on the sector.	
<u>Third area of intervention:</u> Funding	<p><i>Priority area 1:</i> Support to SE through adequate mechanisms</p> <ul style="list-style-type: none"> • Create EU grant scheme that would include financial support together with raising business skills among SE leaders, initiate venture philanthropy approach in the country and provide networking opportunities for both SEs and private sector. • Strengthen existing SEs to prepare them for scaling and entering pipeline of mature businesses that can take advantage of other type of investment than grants. • Create approach for existing SME support mechanisms to be used by SEs. • Create a model of diaspora inclusion into the social entrepreneurial investments. • Further support to intermediary organizations is needed 	<p>Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.)</p> <p>Other support schemes (indirect management)</p>
<u>Fourth area of intervention:</u> Coordination	<p><i>Priority area 1:</i> Coordination mechanism is in place</p> <ul style="list-style-type: none"> • Establish a State coordination mechanism in order to share experiences, results and optimise the provided support • Include SEs in the existing institutional support framework; open a track for SEs within SME DNC. 	<p>Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.)</p>

5.3. Azerbaijan

5.3.1. Summary and context

A social enterprise (SE) is a rather new concept for Azerbaijan. There are great opportunities for development of SE in Azerbaijan due to the overall favourable business environment and socially oriented public policy. Nevertheless, public institutions seem to pay more attention to business and social development taken separately and not together as is the spirit of SE.

Ever increasing government attention to the non-oil sector and SME development promises further improvement of the welfare of the population in the future. However, at the community and regional levels this seems to be less operational and therefore SE has more potential to perform in this niche.

Numerous state programmes build a strong coordination and cooperation platform among various stakeholders in social economy, including line ministries, private business, academia and non-governmental organizations. These programmes address the needs of various vulnerable groups as well, including disabled people, minorities, women, migrants, the unemployed, IDPs, refugees and beyond.

With the existent experience of Azerbaijan in running business incubators and providing funding to SME and NGOs, it would be much easier to promote SE set-ups and ensure their development in Azerbaijan. This undoubtedly would require certain **legislative improvements** to boost the sector. In particular, legislative changes are required in order to introduce certain **tax incentives and exemptions** both for the donors and for the beneficiary. At the same time, **simplification of procedures** for registration of income of NGOs from foreign sources can also potentially contribute to the development of the SE in Azerbaijan.

SE in Azerbaijan or the entities with social elements in their activity are in need of both **financial and non-financial support**. Often non-financial support is limited to an administrative support by regional authorities or municipalities. Such support could be addressed for example, by **inclusion of SE** as a separate group into **various state programmes and national action plans**.

SEs often utilize social media to build their relations with beneficiaries as well as to attract funders. A general will of the population to support people in need makes the life of SEs easier at least on the financial side of the question. However, **bureaucratic obstacles** related to registration of income (particularly relevant to individuals and NGOs) play a chilling effect. This also necessitates diversification of income of SEs to reduce dependency on potentially subjective judgment by authorities and to ensure uninterrupted services for the beneficiaries.

Socially-responsible companies show initial interest in supporting individual SEs but it is still in an early stage of development and often **lacks strategic focus**.

Like in other EN countries, there are **no social enterprise networks** in Azerbaijan to provide an exchange of ideas and best practise learnings. This might explain why potential stakeholders do not know much about social enterprises and their needs.

Despite the numerous challenges, the potential for the Azerbaijani SE sector is significant. Mostly these are NGOs, SMEs and young individuals that are the ‘drivers’ of social enterprises in Azerbaijan. It will likely remain the same for a period of time. This picture, combined with further **political, financial and technical support** can help to boost the development of the sector.

5.3.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ SE sector is not specifically regulated in the legislation ✓ Low level of awareness on SE ✓ State does not have SE development strategy and action plan ✓ State does not provide tax benefits or incentives to stimulate SEs ✓ No state institution responsible for SE development ✓ Any foreign source of funding needs to be registered by the MoJ 	No	N/A	<ol style="list-style-type: none"> 1. Adopt the legislative framework for Social Entrepreneurship 2. Increase the awareness of SE 3. Develop state strategy and action plan on SE development 4. Introduce tax benefits or incentives to stimulate SEs 5. Create more favourable institutional framework for foreign funding
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Increase awareness 2. Develop state strategy and action plan 3. Introduce tax incentives 4. Create more favourable institutional framework for foreign funding by simplifying the procedures 				<p>Urgency from 1-5 (5 is very urgent)</p> <ol style="list-style-type: none"> 5 5 4 5

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ No coordination mechanism on SE among governmental, non-governmental, donor and business representatives exist ✓ No SE networks 	No	N/A	<ul style="list-style-type: none"> ✓ Define a state institution responsible for the coordination and the development of social entrepreneurship sector ✓ Set-up a coordination mechanism between various stakeholders (NGOs, Gov., donors, business, etc.) ✓ Gather all relevant stakeholders to form a network or platform for idea exchange
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Define a state institution responsible for the coordination and the development of social entrepreneurship sector 2. Set-up a coordination mechanism between various stakeholders (NGOs, Government, donors, business, etc.) 3. Gather all relevant stakeholders to form a network or platform for idea exchange 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>4</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector (EU, national, other donors,	<ul style="list-style-type: none"> ✓ Different ministries and public agencies finance NGO projects in various areas but no special 		<p>ABAD</p> <p>Various ministries and state agencies</p>	<ol style="list-style-type: none"> 1. Introduce certain tax incentives and exemptions both for the donors and for

<p>other funds, private sector)</p>	<p>terms for SE</p> <ul style="list-style-type: none"> ✓ Public grant schemes are limiting CSO ✓ There are no tax incentives and exemptions for donors and beneficiaries ✓ There are limitations on access of NGOs to foreign funding ✓ SEs start-up funding coming from family and friends, pawnshop loans and rarely from commercial loans or state funding 			<p>the beneficiary</p> <ol style="list-style-type: none"> 2. Simplify procedures for registration of income of NGOs from foreign sources 3. Consider SE as potential applicants for public funding mechanisms
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Simplify procedures for registration of income of NGOs from foreign sources 2. Consider SE for Government grant competitions 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>3</p>

<p>Skills and access to market</p>	<p>State of play</p>	<p>Is what exists already covered by any programmes-donors, government, other.</p>	<p>Programme or donor providing support/funds or TA.</p>	<p>Gaps/needs and recommendations.</p>
<p>What exists in the sector - current situation</p>	<ul style="list-style-type: none"> ✓ Absence of sufficient business skills of SE managers ✓ Social welfare system and business environment are developing separately ✓ Many state programs, private business incubators, university programs and 	<p>Yes, partly.</p>	<p>Around 10 business incubators</p> <p>CSR</p> <p>Universities</p>	<ol style="list-style-type: none"> 1. Create tailor made business training programs for SE within existing infrastructure. 2. Further support to socially responsible companies to invest in SEs. 3. Initiate

	NGOs provide business training support to SMEs ✓ Socially responsible companies are showing interest to support individual SEs, but in an early stage without clear strategic focus.		National Fund for Support to Entrepreneurs	Venture Philanthropy approach by organizing conferences, gatherings, and other type of events
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed				Urgency from 1-5 (5 is very urgent)
1. Provide access to SEs to existing state body business trainings.				5
2. Enable SEs to apply to private business incubator training programs.				4
3. Organize various events to raise awareness of Venture Philanthropy approach				3

5.3.3. Priority sectors

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

With regard to **funding** certain measures can be taken to improve access to foreign financing. 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: Coordination</i> <ul style="list-style-type: none"> Define a state institution responsible for the coordination and the development of social entrepreneurship sector Set-up a coordination mechanism between various stakeholders (NGOs, Gov., donors, business, etc.) Gather all relevant stakeholders to form a network or platform for idea exchange 	Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.) Regional programmes (technical assistance, grants, etc.)
<u>Second area of intervention:</u>	<i>Priority area 1: Policy development, cooperation and awareness</i>	Bilateral envelopes (technical assistance, grants, CFP, twinning,

<p>Policy, legal and institutional framework</p>	<ul style="list-style-type: none"> • Increase awareness • Develop state strategy and action plan • Create more favourable institutional framework for foreign funding by simplifying the procedures • Introduce tax incentives 	<p>direct award etc.)</p> <p>Other support schemes (indirect management)</p>
<p><u>Third area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1: Capacity building and promotion</i></p> <ul style="list-style-type: none"> • Provide access to SEs to existing state body business trainings. • Organize various events to raise awareness of Venture Philanthropy approach 	<p>Bilateral envelopes (technical assistance, grants, CFP, twinning, 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: Funding</i></p> <ul style="list-style-type: none"> • Enable foreign donors to provide grants (note that legal framework needs be changed) • Enable SEs to apply to private business incubator business training programs. <p><i>Priority area 2: Consider SE for Government grant competitions that would include capacity building</i></p>	<p>Government support</p> <p>Other support schemes (indirect management)</p> <p>Government support</p>

5.4. Belarus

5.4.1. Summary and context

The discussions around the development of social entrepreneurship (SE) in Belarus have intensified during the last couple of years in response to new economic and social challenges, cuts of the state budget for the implementation of state social programmes, and substantial decreases in international funding for non-profit organisations. Having started as random projects inspired by local CSOs and private initiatives with the aim to secure sustainable solutions for social and environmental problems, this wave of interest soon led to more comprehensive programmes providing education and other opportunities for aspiring social entrepreneurs. Public discussions on the role of social enterprises in the country's economy went all the way from small round tables and seminars to big international conferences and the first of a kind multi-stakeholder Belarusian Social Business Forum on 28 June 2017, that united social entrepreneurs, commercial corporations, public institutions, journalists and international experts from within and outside the EU, thus laying a background for the appearance of the ecosystem for social entrepreneurs in Belarus.

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

Despite the fact that Belarus does not have any specific legislation that would regulate the activities of social entrepreneurs and/or social enterprises, as well as no legal definitions for such terms as “social entrepreneurship”, “social enterprise”, or “social entrepreneur”, the first empirical study conducted by a number of CSOs in 2015-2016 revealed about 200 commercial venues meeting the criteria for social enterprises set up in the [Strasbourg Declaration of January 2014](#).⁵

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

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

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

Despite all that, Belarusian social entrepreneurs show enthusiasm in mastering new spheres and business tools even in the absence of a SE ecosystem. In this situation, a comprehensive approach towards the support of social entrepreneurs at the level of **capacity building** including entrepreneurial education, counselling and mentoring support, **financial return and irretrievable investment** (grants),

⁵http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf

professional **exchange opportunities** with other countries of the Eastern Partnership region, Russia and the EU, as well as the **promotion of social entrepreneurship** among wider circles of Belarusian society would be beneficial for social-economy sector development in Belarus. It would increase the employment rate and integration level among representatives of different vulnerable groups and secure their financial well-being, decreasing the negative impact of the economy on the environment, offering sustainable solutions to the new challenges already from the beginning before they become real threats to the security and prosperity of the region.

5.4.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> • No special legislation regulating the activities of social enterprises. • There are no legal definitions of the notions "social entrepreneurship", "social enterprise" and "social entrepreneur" in normative documents. • 6 different legal entities may perform SE activities. • The Law "On Social Services" introduces the concept of the state social order, enabling various CSOs to provide social services to people in difficult life situations. • SE actors seen as a tool for inclusion of PwD into the labour market. Other vulnerable groups not covered by documents. 	Yes, partly.	<p>The Ministry of Labour and Social Protection</p> <p>The Ministry of Economy</p> <p>Regional Executive Committees</p>	<ol style="list-style-type: none"> 1. Revision of policies to broaden scope and/or understanding of SE 2. Revision of existing legislation and strategic documents that cover various vulnerable groups and make sure to include them in the policy documents. 3. Revision of existing legislation and strategic documents to stimulate SE development in other sectors (regional development, rural development, agriculture, environment protection, culture) 4. Raise public recognition of the SEs to

				become more visible in the eyes of financial institutions, the local authorities and society at large.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Revision of policies to broaden scope and/or understanding of SE 2. Revision of existing legislation and strategic documents that cover various vulnerable groups and make sure to include them into the policy documents. 3. Revision of existing legislation and strategic documents to stimulate SE development in other sectors (regional development, rural development, agriculture, environment protection, culture) 4. Raise public recognition of the SE impact. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p> <p>5</p> <p>4</p>

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	✓ No coordination mechanism exists.	Yes, partly.	Council for the Development of Social Entrepreneurship under the auspices of the National Confederation of Entrepreneurs	<ol style="list-style-type: none"> 1. Artificially founded donor funded network existed with no real outputs or results. Existing Council may be reinforced and supported to become an advocate for SEs. Additional TA should be provided and guidance given on how to strengthen network. 2. Organize regular meetings and consultations with national and international

				experts. 3. An online platform for exchange of good practice and know-how could be developed.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Explore the potential to use existing Council as an advocate network for SE. Technical assistance could be provided. 2. Organize regular meetings and consultations with national and international experts should be organized. 3. An online platform for exchange of good practice and know-how could be developed. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>4</p> <p>4</p> <p>4</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector (EU, national, other donors, other funds, private sector)	<ul style="list-style-type: none"> ✓ SEs mostly rely on market sources of income. ✓ Seed capital usually comes from founding NGO, families and friends. ✓ Some state subsidies are available for entrepreneurs who help rehabilitation of people with disabilities ✓ Short term donor funded projects support development of SEs 	Yes, partly.	<ul style="list-style-type: none"> ✓ UNDP (financed by EU) project «Promotion of employment and self-employment for small and medium towns of Belarus» aiming at the development of SE. ✓ USAID Belarus provides experience exchange, small grants for its graduates ✓ Belarus Support Programme of the German Federal Government Co-organises events on SE in Belarus, 	<ol style="list-style-type: none"> 1. For the start-up phase donor community could unite and include SEs in their grants schemes, combining grants and extensive capacity building with mentoring, coaching, trainings. 2. Provide TA to Belarusian Development Bank to help them design a financial and capacity building tool specifically for SE.

	<ul style="list-style-type: none"> ✓ Opportunities of receiving charitable donations are limited for (social) enterprises by the law. State grants are not available for SEs, and mechanisms of newly introduced state social order are in their formation phase. ✓ Regional Executive Committee provides compensation of salaries to entrepreneurs employing PwD from the fund of the Ministry of Labour and Social 		<p>provides grants to the CSOs on the programmes educating social entrepreneurs</p> <ul style="list-style-type: none"> ✓ Crowdfunding platforms ✓ Regional Executive Committees 	<p>3. Include SEs into the existing institutional funding schemes</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p>				<p>Urgency from 1-5 (5 is very urgent)</p>
<p>1. For the start-up phase donor community could unite and include SEs in their grants schemes, combining grants and extensive capacity building with mentoring, coaching, trainings.</p>				<p>3</p>
<p>2. Provide TA to Belarusian Development Bank to help them design a financial and capacity building tool specifically for SE.</p>				<p>4</p>
<p>3. Include SEs into the existing institutional funding schemes</p>				<p>3</p>

Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<ul style="list-style-type: none"> ✓Lack of business skills and experience among SEs ✓Lack of knowledge about growth strategies, marketing, 	<p>Yes, partly.</p>	<p>ODB Belarus</p> <p>Social Weekend</p>	<p>1. Include SE in the existing support programs as one of the sub-sections.</p> <p>2. Engage donor community to</p>

	<p>sales and financial management.</p> <p>✓ Prejudice of poor quality of products or services produced by vulnerable groups exist.</p> <p>✓ Different courses, trainings, seminars, programmes on development of entrepreneurial skills are offered by business schools, consulting and training agencies, 27 state-run entrepreneurship support centres and 19 incubators of small business. However, none of the programs are tailor made for SE.</p>			<p>include extensive business capacity building into their grant schemes, including EU support.</p> <p>3. Further support via incubator or accelerator programs should be developed, specifically for SE.</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Include SE in the existing support programs as one of the sub-sections. 2. Engage donor community to include extensive business capacity building into their grant schemes, including EU support. 3. Further support via incubator or accelerator programs should be developed, specifically for SE. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>4</p> <p>4</p> <p>3</p>

5.4.3. Priority sectors

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

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

Priority areas of intervention in order of importance	What needs to be covered -priority areas	Modalities of support
<p><u>First area of intervention:</u></p> <p>Policy, legal and institutional framework</p>	<p><i>Priority area 1:</i> Revision of policies, strategic documents and existing legislation</p> <ul style="list-style-type: none"> • To broaden scope and/or understanding of SE • To include various vulnerable groups in the policy documents. • To stimulate SE development in other sectors (regional development, rural development, agriculture, environment protection, culture) • Include SEs in the existing institutional funding schemes 	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p>
<p><u>Second area of intervention:</u></p> <p>Coordination</p>	<p><i>Priority area 1:</i> Coordination and awareness raising</p> <ul style="list-style-type: none"> • Develop capacities of the existing Council as an advocate network for SE. • Establish modalities and organize regular meetings and consultations with national and international experts. • Enable professional exchange opportunities with other countries of the Eastern Partnership region, Russia and the EU, • Start the promotion of social entrepreneurship among wider circles of Belarusian society. 	<p>Bilateral envelopes (technical assistance, 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> Capacity building</p> <ul style="list-style-type: none"> • Include SE in the existing support programs as one of the sub-sections. • Engage donor community to include extensive business capacity building into their grant schemes. • Further support via incubator or accelerator programs should be developed, specifically for SE. 	<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> Technical assistance to Belarusian Development Bank</p> <ul style="list-style-type: none"> • Support in designing a financial and capacity building tool specifically for SE. 	<p>Other support schemes (indirect management)</p>

	<p><i>Priority area 2: Support to SEs in their start-up phase</i></p> <ul style="list-style-type: none">• Support provided through donor grant schemes, combined with extensive capacity building, mentoring, coaching and trainings.	
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5.5. Georgia

5.5.1. Summary and context

Development of social entrepreneurship in Georgia started in 2008-09 and in this short time period there have been concrete positive results indicating the development of the sector is heading in the right direction. The sector is becoming more and more popular. More and more CSOs, government institutions, business companies, academic institutions and broadcasting companies are interested in the SE concept.

Social Enterprises are the most innovative form of social economy entity. The main drivers of social entrepreneurship development in Georgia were and remain local civil society organizations (CSOs).

The majority of the social enterprises provide a variety of products and services in the fields of education, healthcare, agriculture, art, culture and social protection. A large part of the production is created by the beneficiaries, among them are persons with disabilities, internally displaced people, artisans, ethnic minorities, persons in conflict with the law etc.

The vast majority of the social economic entities in the country established their organizations with grant support from donors and philanthropists.

The biggest contribution to the development of the social entrepreneurship concept in Georgia is from the European Union, other international organizations, the Government of Georgia and the local non-governmental sector. As part of their grants, international and local donors provide capacity building in the form of improving skills and qualifications of social entrepreneurs.

Since 2009, the total amount invested in the social entrepreneurship sector, including SE start-up, sector promotion, capacity building, technical assistance etc. is around 2.4 million Euros.

There is **no legal regulation** of social entrepreneurship in Georgia. Moreover, neither the normative act nor the central or local level defines social enterprises. Further, the situation is worsened by tax barriers and a lack of supportive regulations that create significant problems in terms of sector development. In addition, there are no government agencies in Georgia that are responsible for the support and development of social entrepreneurship.

Central and local government programs aimed at SE development are very scarce. Moreover, there are **no specific budget programs** aimed at developing the sector.

Sources of financing of social enterprises are not diversified. The majority of Social Enterprises do not have more than one source of income. Some of them depend on grants received from international/local NGOs, and another part depends on entrepreneurial activity. Social enterprises do not have **access to flexible loans**, there are very few cases of issuing state grants to social enterprises and to social entrepreneurship sector development. In state procurements there are **no incentives** to encourage SEs to participate.

SEs have problems such as **lack of business skills, limited access to training, undeveloped networks and lack of experience sharing, lack of industrial space** and much more.

In the Country report the detailed recommendations were developed, but here only those which should be addressed by the EC and/or EUDEL are indicated.

5.5.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes- donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ol style="list-style-type: none"> 1. SE sector is not regulated by the law 2. Draft law on SE is in the process of being initiated in the Parliament 3. State does not have SE development strategy and action plan 4. State does not provide targeted support (grants and/or TA) to SEs 5. State does not provide targeted financial and/or tax benefits to SEs 6. No state institution responsible for SE development 	No	EU	<ol style="list-style-type: none"> 1. Further support to decision makers in regulating legal and regulatory framework for SE development 2. Develop state strategy and action plan for SE development 3. Develop targeted support mechanisms for SEs from state side 4. Public procurement should introduce reserved contracts and social/environmental criteria to facilitate SEs' access to market leveraged by societal benefits 5. Establish government agency that will be responsible for the coordination and the development of social entrepreneurship sector
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <p>1. Develop state strategy and action plan on SE development</p>				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p>

2. Further support in creating legal and regulatory framework conducive to further SE development.	5
3. Introduce social/environmental criteria during the state procurement process	4

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ol style="list-style-type: none"> Social Enterprise Alliance of Georgia is established as a joint platform for SEs No coordination mechanism among governmental, non-governmental, donor and business representatives exists 	No	N/A	<ol style="list-style-type: none"> Establish cross sector coordination platform Coordination among international donors should be strengthened Coordination among SE support organizations should be strengthened
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> Establish cross sector coordination platform Coordination among international donors should be strengthened Coordination among SE support organizations should be strengthened. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>4</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector (EU, national, other donors, other funds, private sector)	<ol style="list-style-type: none"> 1. No targeted public funding for SEs 2. Some municipalities implement(ed) SE development programs 3. EU CSOs and Las thematic program 4. Grant funding for SEs available from national and international donors 5. Social Credit provided by Micro finance organization 6. Banking institutions provide no tailored loans for SEs 7. Social Entrepreneurship annual grant program 8. No social and impact investors present 9. Private Sector through CSR providing sponsorship opportunities to SEs or including SE products into their supply chain. 	Yes, partly	<ol style="list-style-type: none"> 1.N/A 2.Tbilisi, Zugdidi, Kutaisi municipalities, as well as Mtskheta-Mtianeti and Shida Kartli region development strategies 3.Development Fund 4.ASB, CSRDG, EPF, CHCA, State agency LEPL Children and Youth Development Fund 5.MFO Crystal 6.N/A 7.The fund Tree of Life (established by the Bank of Georgia) 8.N/A 9.Geocell, Poti Sea Port, TV1 	<ol style="list-style-type: none"> 1. Design State targeted support mechanisms (grants, loans, TA) for SEs 2. Enable SEs' involvement in the already existing entrepreneurship development programs 3. Coordination among donors to enable increase of the volume of targeted funding 4. Create favourable environment for Banking Institutions (banks and micro finance organizations) to introduce targeted (soft) loans for SEs 5. State financial support and banking sector should be accompanied by tailored technical assistance and mentoring 6. Encourage private sector to engage in more venture philanthropy and social investment approach
<p>Priorities: Out of recommendations/needs in the previous table most the urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Create State funding targeted support for further SE development. 2. Donor coordination due to increase amount and type of financial support that should be coupled with capacity building (mentoring, 				<p>Urgency from1-5 (5 is very urgent)</p> <p>5</p> <p>4</p>

<p>trainings, peer exchange, networking, etc.).</p> <p>3. Cooperation with finance institution to create favourable environment for them to create tailor-made financial support for SEs (soft loans, repayable grants, zero interest loans, etc.).</p> <p>4. Initiate venture philanthropy and/or social investment approach by starting to build social impact community.</p>	<p>4</p> <p>4</p>
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Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ol style="list-style-type: none"> SE sector show clear shortage of project management and sector-specific experience (planning, budgeting and process management) Access to market hindered by lack of skills, unfair competition and barriers to enter public procurement Technical assistance is offered by some local and international NGOs Beyond initial start-up phase, SEs rarely receive technical assistance 	Yes	ASB, CSRDG, EPF- provide technical assistance (capacity building trainings) mostly project based	<ol style="list-style-type: none"> Ensure ongoing and more systemic capacity support provided to SE in all stages of development Tailored technical assistance programs for SEs provided by the State SE to have full access to the existing technical assistance programs Additional technical assistance by international donors aimed at building SEs' capacity is needed
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> Ensure ongoing and more systemic capacity support provided to SE in all stages of development Enable SEs to have full access to the existing national and donor funded TA programs 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p>

3. Additional technical assistance is needed by international donors aimed at building SEs' capacity	4
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5.5.3. Priority sectors

The priorities in each area of support below are listed in such a way so as to show the urgency and the sequencing of the needed interventions. It emerges that the most urgent support needed is **capacity building** through different approaches and modalities.

In parallel the need for increased and **more streamlined funding** will be necessary. With regard to this coordination among various stakeholders and funding institutions should be established to maximise the impact and improve prioritisation. The new law is under discussion and for the moment no additional support is needed.

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
<p><u>First area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1:</i> Capacity building to ensure ongoing and more systemic capacity support provided to SE in all stages of development (planning, budgeting and process management, etc.)</p> <p><i>Priority area 2:</i> Tailored technical assistance to support projects aimed at building SEs' capacity</p>	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>
<p><u>Second area of intervention:</u></p> <p>Funding</p>	<p><i>Priority area 1:</i> Create State funding targeted support for further SE development.</p> <p><i>Priority area 2:</i> Coordination and cooperation activities related to funding</p> <ul style="list-style-type: none"> • Donor coordination due to increased amount and type of financial support that should be coupled with capacity building (mentoring, trainings, peer exchange, networking, etc.). • Cooperation with finance institution to create tailor-made financial support for SEs (soft loans, repayable grants, zero interest loans, etc.). • Initiate venture philanthropy and/or social investment approach by start building social impact community. 	<p>Other support schemes (indirect management)</p> <p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p>

<p><u>Third area of intervention:</u></p> <p>Coordination</p>	<p><i>Priority area 1:</i> Coordination, cooperation and exchange of best practices</p> <ul style="list-style-type: none"> • Establish cross sector coordination platform • Strengthened coordination among international donors and SE support organizations • Strat discussions and exchange of experiences (e.g. study tours, etc.) for exploring the possibility of the introduction of social/environmental criteria during the state procurement process 	<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>Policy, legal and institutional framework</p>	<p><i>Priority area 1:</i> Further support in creating legal and regulatory framework conducive for further SE development.</p> <p><i>Priority area 2:</i> Develop state strategy and action plan on SE development</p>	<p>Further State support/ no EU support is needed for the time being</p>

5.6. Moldova

5.6.1. Summary and context

Social entrepreneurship in Moldova is in its earliest development stages and there is no favourable environment for its development. The development of social economy cannot occur in a short period of time and requires a series of consistent efforts.

Nevertheless, it is necessary to initiate necessary measures for the creation of an enabling ecosystem including the **legal and regulatory frameworks, access to finance and markets, business support structures, training and research**, etc.

Social entrepreneurship could provide CSOs with an alternative to donor-funding and lead toward its sustainability. Unfortunately, in the Republic of Moldova, social entrepreneurship is still under-developed. Currently, the Law on Public Associations allows NGOs to develop for-profit activities with the purpose of using the profit for the association's goals.

In practice, CSOs are opening new legal entities due to tax regulations and continue to provide their mission-related services within the for-profit legal form, being founded under the not-for-profit form. There is a definition in the newly approved law but there is still a lack of understanding of the concept and no clear mechanism in place for its implementation.

The country needs a **more strategic approach** on how to develop the ecosystem. Adopting the Law is the first step which needs to be further coordinated.

5.6.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ Law on Social Entrepreneurship adopted ✓ No implementation mechanism in place ✓ Little understanding of the concept among state officials ✓ No fiscal or tax incentives as they are considered too risky from the perspective of tax avoidance and exploitation of such a 	Yes.	Ministry of Economy Ministry of Health, Family and Social Protection	<ol style="list-style-type: none"> 1. The completion of the regulatory framework, particularly through the implementation of the newly approved laws. 2. Technical Assistance to the relevant Ministries should be provided, primarily to create general infrastructure for implementation of the Law on Social Entrepreneurship, to bring a wider cross-sector perspective, to help ministries

	<p>mechanism by regular businesses</p> <p>✓ Low level of trust towards civil society sector</p>			<p>raise visibility of the social economy in general.</p> <p>3. Raise public awareness of the impact SE produces – showcase examples of good practice in media</p> <p>4. Develop a method of aggregating social impact data at national level</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p>				<p>Urgency from 1-5 (5 is very urgent)</p>
	<p>1. The completion of the regulatory framework, particularly through the implementation of the newly approved laws.</p>			5
	<p>2. Technical Assistance to the relevant Ministries should be provided, primarily to create general infrastructure for implementation of the Law on Social Entrepreneurship, to bring a wider cross-sector perspective, to help ministries raise visibility of the social economy in general.</p>			5
	<p>3. Raise public awareness of the impact SE produces – showcase example of good practice in media.</p>			5
	<p>4. Develop a method of aggregating social impact data at national level.</p>			3

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector - current situation</p>	<p>✓ The Moldova Partnerships for Sustainable Civil Society (MPSCS) – first coordination mechanism</p> <p>✓ National Council of NGOs as an informal network of 10-12 NGOs - supported by FHI 360/MPSCS project is active in</p>	<p>Yes, partly</p>	<p>USAID via FHI 360 - a five-year project to tackle the issue of long term sustainability of CSOs in a systemic way</p>	<p>1. Further support to National Council in form of funding, raising knowledge about advocacy and lobbying. Could be provided as part of the EU funding to CSO with capacity building component.</p>

	<p>promotion of SE development</p> <p>✓ No other networks exist</p>			
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <p>1. Further support to National Council in form of funding, raising knowledge about implementation mechanisms, advocacy and lobbying. Could be provided as part of the EU funding to CSO with capacity building component.</p>				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes- donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector (EU, national, other donors, other funds, private sector)</p>	<p>✓ Grants, as most used form of funding, available to NGOs but in some cases also to commercial enterprises (awards, business plan contests, purchase of equipment and/or machinery)</p> <p>✓ There is no financing from financial markets and/or loans, and only small examples of private investments exist.</p> <p>✓ No culture of giving/donating in general.</p> <p>✓ Diaspora seen as a potential source of funding but no strategy</p> <p>✓ Crowdfunding seems to be the</p>	<p>Yes, partly.</p>	<p>UNDP</p> <p>Austrian Embassy – only donor that provided tailor made grants and CAB to one SE.</p>	<p>1. Coordination and alignment of the various small donor driven projects.</p> <p>2. Motivate more donors to provide tailor-made funding to SEs, including capacity building or technical assistance support.</p> <p>3. Develop a strategy of how to include diaspora</p>

	most commonly used source of financing among CSOs, though not yet widely known and used.			
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Coordination and alignment of the various small donor driven projects. 2. Motivate more donors to provide tailor-made funding to SEs, including capacity building or technical assistance support. 3. Develop a strategy of how to include diaspora 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>3</p> <p>4</p> <p>3</p>

Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Programme or donor providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<ul style="list-style-type: none"> ✓ The vast majority of SE managers are self-educated and are selling goods or services locally, at a small scale. ✓ EU trade regulations are difficult to satisfy ✓ The lack of management skills to run a business and the lack of specific business-related skills among SE managers ✓ Difficult to find skilled workers for SE sector, able to understand the social issue of the business and being professional in the area of business. ✓ Social entrepreneurship has not been integrated into the formal education system 	Yes, partly for SMEs not specifically for SEs	ODIMM	<ol style="list-style-type: none"> 1. Review how ODIMM could include SE among their beneficiaries, together with traditional businesses. 2. Develop capacity building and mentoring programs tailor made for SEs. 3. Showcase SEs in media to raise awareness of their impact. 4. Start building support programs in the form of informal trainings, incubators, mentoring and coaching.

	✓ Not many support programs available for SEs in general.			
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Showcase SEs in media to raise awareness of their impact. 2. Review how ODIMM could include SE among their beneficiaries, together with traditional businesses. 3. Develop capacity building and mentoring programs tailor made for SEs. 4. Start building support programs in the form of informal trainings, incubators, mentoring and coaching. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>4</p> <p>3</p>

5.6.3. Priority sectors

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

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

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

5.7. Ukraine

5.7.1. Summary and context

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 enterprise 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 in the initial stages of legitimizing social enterprises 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 defines 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 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 favourable 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.

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.

5.7.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes- donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ No law that defines “social enterprise” and sets characteristics; ✓ Different laws applicable to entities in accordance with their forms of business organisation regulate social enterprise activity; ✓ Non-governmental organizations are an important actor playing a role in the undefined Ukrainian social economy sector; ✓ Cooperatives including agricultural cooperatives and Associations do not define themselves as SE; ✓ In 2011 and in 2015 a draft Law on Social Enterprises was proposed but was not adopted; ✓ Divergent opinions on whether the new Law is needed; ✓ Lack of financial support and other support of the state and local authorities; 	Yes, unsuccessfully	<p>Oleksandr Feldman, Deputy of the Fatherland parliamentary faction – he introduced draft law twice but was rejected both times</p> <p>No other support.</p>	<ol style="list-style-type: none"> 1. Definition of SE is needed; 2. In absence of the national concept of social enterprise development the EMES European Research Network concept and suitable definition criteria could be adopted; 3. Exchange of experience and influence the formation of an enabling policy and legal framework on social entrepreneurship; 4. Clarifications in the Tax Code and amendments to business law are suggested; 5. 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; 6. Awareness and advocacy with Government – now mixing corporate social responsibility with social

				<p>entrepreneurship; SE can cover social services that Government cannot;</p> <p>7. Trainings for Govt. to understand the difference between SMEs and SE</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <p>1. Exchange of experience and influence the formation of an enabling policy and legal framework on social entrepreneurship;</p> <p>2. 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;</p> <p>3. Awareness and capacity building activities for the Government and SE to understand the law and social economy principles in general</p>				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p> <p>4</p>

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector - current situation</p>	<p>✓ Coordination among stakeholders is thematic group on rotation basis with 1 organisation as secretariat;</p> <p>✓ Awareness among population about the role of SE is low</p> <p>✓ Awareness among SE about their potential roles is also not clear</p> <p>✓ Number of govt. and non govt. stakeholders exist;</p>	<p>NO</p> <p>See Country Report page 17-19</p>	<p>N/A</p>	<p>1. Enhance the cross sector coordination body;</p> <p>2. Analysis of needs within community should be conducted;</p> <p>3. Market interventions to develop proper perceptions of SE;</p> <p>4. Awareness among population and SE needs to be raised;</p> <p>5. Prepare environment (social initiatives, visiting SE-looking for success stories)</p>

<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Enhance cross sector coordination body; 2. Awareness among wider population and SE needs to be raised 	<p>Urgency from 1-5 (5 is very urgent)</p> <p>4</p> <p>3</p>
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Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector (EU, national, other donors, other funds, private sector)</p>	<ul style="list-style-type: none"> ✓ Main sources of financing social enterprises use are their own commercial activities, grants, loans, sponsorships, crowd funding, etc. ✓ Currently there are no specific state entrepreneurship support programmes for socially driven but profit oriented social enterprises. ✓ 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 	<p>Yes.</p>	<p>International Organization for Migration with EU</p> <p>Eastern Europe Foundation and the German NGO Child Fund Deutschland</p> <p>German non-governmental organization Starkmacher</p> <p>British Council</p> <p>Eastern Partnership Civil Society Forum</p> <p>European Commission</p>	<ol style="list-style-type: none"> 1. More knowledge and good examples to understand how SE operate; 2. Programme for start-ups is needed; 3. Start-up social enterprises primarily need grant and non-recoverable capital sources until they reach commercial viability; 4. The validation and preparation to scale social enterprises up requires more substantial amounts of capital and resources; 5. Further scaling of SEs might be achieved in the future, but resources should be targeted at projects able to repay it. 6. Grants provided should be based on concrete business milestones to support sustainability;

	<p>without financial support.</p> <ul style="list-style-type: none"> ✓ Financial support from the Government is mainly directed to enterprises set up by organizations of disabled people through subsidies, grants and social contracts. The preferential tax treatment concerns income tax, value-added tax, a fee for trading activities, land use fees, etc. ✓ Predominantly international donors providing grants start-ups and funding to develop their business plan and test their business idea; ✓ There are a number of support funds for SE ; ✓ The UNDP Project “Strengthening Small and Medium Enterprises Business Membership Organizations” accelerates, among other things, the development of BDS; ✓ Oschadbankhas announced the launch of its large-scale support program for SMEs including social economy entities nationwide, both consulting and financial; 		<p>British Women's Fund, The BEARR Trust</p> <p>Ukrainian Social Investment Fund (USIF)</p> <p>Impact Investing program of Western NIS Enterprise Fund (WNISEF)</p> <p>Private sector- UAngelas a Ukrainian business angels network</p> <p>Microfinance -German- Ukrainian Fund (GUF)</p> <p>Nadiya Ukrainy</p> <p>WNISEF</p> <p>and a number of Development Aid agencies</p> <p>See pages in Country</p>	<p>7. Financial support needs to be accompanied by step by step technical assistance and mentoring;</p> <p>8. Coordination among international donors should be enhanced;</p> <p>9. 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;</p> <p>10. Facilitate the establishment of state support schemes or incentives which could facilitate social business development in Ukraine.</p>
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	✓ Large networks and philanthropic organizations and community foundations also provide funding and capacity building to SE		report 19-25	
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Facilitate the establishment of state support schemes or incentives which could facilitate social business development in Ukraine; 5 2. Programme for start-ups is needed; 5 3. Coordination among international donors should be enhanced; 4 4. Grants provided should be based on concrete business milestones to support sustainability; 3 5. Financial support needs to be accompanied by step by step technical assistance and mentoring; 3 6. More knowledge and good examples to understand how SE operate; 3 				<p>Urgency from 1-5 (5 is very urgent)</p>

Skills and access to market	State of play	Is what exists already covered by any programmes- donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<p>✓ Lack of financial literacy skills by social entrepreneurs to access available financing;</p> <p>✓ SE have difficulties with: lack of knowledge, access to markets (no certificates- difficult to sell abroad), state/local government support, sustainability, legislation, promotion/visibility , qualified staff /volunteers, own premises;</p>	Yes.	See Country report pages 19-25	<ol style="list-style-type: none"> 1. Education is needed (high quality courses about entrepreneurship and promotion); 2. Developing culture – early creative entrepreneurs; 3. Capacity development, business trainings especially enhancing financial literacy; 4. Prepare environment (social initiatives, visiting SE-looking for success stories); 5. Business support institutions should be strengthened in the future (entrepreneurship

	<ul style="list-style-type: none"> ✓ Business development services (BDS) have become available to more social economy entities, mostly due to the increasing number of donor initiatives. ✓ 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. ✓ Many programs and grants are aimed at financing training and raising the entrepreneurship skills of internally displaced persons and ATO veterans; ✓ Social entrepreneurship centre in Kyiv was established by British Council; ✓ Online support with mentors to offer free and personalized entrepreneurial guidance on a case-by-case basis, online training courses covering themes such as common legal and tax issues is available. ✓ Large networks supported by 			<p>development centres, training centres, advisory institutions), and should aim at promoting and supporting social enterprises in order to ensure long-term sustainability;</p> <p>6. Decentralise support mechanisms</p>
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	international donors exist. ✓ Training courses provided by the School of Youth Social Entrepreneurship and mentoring programs aim to support social business projects; ✓ Social entrepreneurship is integrated with few classes within the curricula in the social and business programs of the universities			
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed				Urgency from 1-5 (5 is very urgent)
1. Decentralise support mechanisms;				5
2. Business support institutions should be strengthened in the future (entrepreneurship development centres, training centres, advisory institutions)				5
3. Develop SE environment (social initiatives, visiting SE-looking for success stories);				4
7. Education is needed (high quality courses about entrepreneurship and promotion); Capacity development, business trainings especially enhancing financial literacy;				4

5.7.3. Priority sectors

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.)

<p><u>Second area of intervention:</u></p> <p>Policy, legal and institutional framework</p>	<p><i>Priority area 1:</i> Policy development, cooperation 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>Bilateral envelopes (technical assistance, grants, CfP, twinning, 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, twinning, 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, twinning, direct award etc.)</p>

6. COUNTRY SPECIFIC RECOMMENDATIONS WESTERN BALKANS

6.1. Summary approach for all countries

This section aims at identifying the best way for the EU to support the development of social economy and consists of country specific recommendations. It shall serve as support for formulating and programming projects and is based on the findings presented in the Country reports.

Summary tables below are developed for each Country and show the state of play in each of the analysed areas (legal, institutional, policy framework, funding mechanisms, coordination, access to markets and skills). They provide also the **recommendations on what needs to be done**. The overview of support provided by the State, donors and/or other organisations (if any) is also provided.

Out of these tables priorities are identified, the score next to them shows the **urgency** and indicates how fast this priority needs to be addressed and in which order of importance and/or sequencing.

Based on this, recommendations are structured in such a way as to list the **areas of intervention in order of importance** (these are the areas which had priorities with highest/most urgent scores), next to them **the priority areas** to be addressed are explained and possible **modalities of support** are mentioned as well.

In the Country reports the detailed recommendations were developed, but here only those which should be addressed by the EC and/or EUDEL are indicated.

6.2. Albania

6.2.1. Summary and context

The social enterprise sector in Albania is in the early stages of development with the majority of SEs in the start-up and validation phase. The sector enjoys only partial institutional support, an incomplete legal framework, and lack of a proper understanding on what a social enterprise actually is by key institutional stakeholders. Furthermore, as in many other Western Balkan countries, it is marked by dependence on grant funding for start-ups, zero public funding, limited tax relief and a lack of an agreed and properly defined agenda to develop the social economy among the key stakeholders (relevant ministries at all levels, CSOs, cooperatives). These challenges are further exacerbated by low entrepreneurial spirit and solidarity at the macro level. Structural, institutional, and legal reforms are essential if the sector is to grow and contribute fully to the building of a socially responsible and inclusive society.

Foreign assistance and donor support have and continue to contribute to creating the CSO and SE sectors, but they have to invest in the development of internal capacities necessary to make them sustainable and socially relevant. Perhaps the biggest challenge is for existing and future sector stakeholders to demonstrate a commitment to their social missions that is not compromised by the political environment.

The EU can play an increasingly important role in the development of the sector by:

- Increasing the political commitment of the authorities on the issue
- Providing direct support to the SE eco-system.

Positive steps in that direction have been already undertaken by the EU Delegation by **incorporating targeted support within civil society instruments** and considering a **horizontal approach by incorporating the issue in the economic development sphere**.

The EU could consider placing **sector related reform within the Acquis framework**, by doing so forcing the government to take the required actions. At the **institutional level**, greater resources should be provided for **technical support** to institutional stakeholders to build their internal capacities.

Significant technical support is necessary to build the institutional capacities as well as **targeted support** in revision and implementation of **crucial policy initiatives** such as the Law on Social Enterprises.

In addition, we would recommend that the following steps be taken:

- 1) Establish a coordination mechanism with foreign partners and major stakeholders
- 2) Develop an action plan identifying the priorities, necessary funding, timeframe and implementation modalities
- 3) Increase funding dedicated to social entrepreneurship
- 4) Promote synergies between actions of different governmental bodies in order to ensure efficiency of the overall strategic policy framework
- 5) Focus on visibility, awareness raising and recognition of social entrepreneurship, facilitating mutual learning and capacity building.

6.2.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -	✓ Law on SE released in 2016 under	NO	N/A	1. Encourage public dialogue among the various

<p>current situation</p>	<p>Ministry of Social Welfare and Youth, not implemented yet</p> <ul style="list-style-type: none"> ✓ Limited in its scope; ✓ Primary purpose of SE is social inclusion; ✓ Exclusively limited to NGOs who must employ person from vulnerable groups; ✓ Law on social cooperatives is limited to agricultural cooperatives; ✓ No financial and/or tax benefits for SE; ✓ State doesn't have any policies or support measures for SE; ✓ Responsibility lies exclusively with the Ministry of Health and Social protection; ✓ The Agency "Promoting Social Business" was established but has quite limited mandate and outreach 			<p>stakeholders to converge on understanding of the concept;</p> <ol style="list-style-type: none"> 2. Law needs to undergo revisions to allow wider scope of SE forms and areas of work, acknowledge entrepreneurial dimension and go beyond work integration models; 3. Administrative burden and controls have to be balanced to the tax incentives and public funding; 4. Public procurement legislation should be revised to introduce reserved contracts and social/environmental criteria to facilitate SEs' access to market leveraged by societal benefits. 5. Improved policies related to decentralization of public services in various areas where SEs bring particular added value. 6. Adopt more horizontal institutional approach to SE;
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<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Revision of policies to broaden scope and/or understanding of SE 2. Introduce benefits for public support measures and incentives 3. Encourage public dialogue among the various stakeholders to converge on understanding of the concept 	<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p> <p>5</p>
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Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector - current situation</p> <ul style="list-style-type: none"> ✓ A number of gov. and non gov. stakeholders exist; ✓ National Council for CSOs but not focused on SE; ✓ No coordination mechanisms exist; 		NO	N/A	<ol style="list-style-type: none"> 1. Encourage establishment of cross sector coordination body; 2. Support bottom up social enterprise networks
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Encourage establishment of cross sector coordination body; 2. Support bottom up social enterprise networks; 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>4</p> <p>3</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector</p>	<ul style="list-style-type: none"> ✓ No targeted public funding for SE; 	Yes, partly.	See table 1, page 15 for the	<ol style="list-style-type: none"> 1. Introduce co-funding tools to

<p>(EU, national, other donors, other funds, private sector)</p>	<ul style="list-style-type: none"> ✓ Only one impact investor present; ✓ Existing SME financial instruments not available for SE; ✓ Modest engagement of corporate sector; ✓ Predominantly international donors providing grants start-ups; ✓ No other funding instruments such as business angels, patient loans, funding for growth, etc. ✓ Commercial lending from banks other than the EBRD/EIB does not exist. 		<p>complete list</p>	<p>public financing schemes;</p> <ol style="list-style-type: none"> 2. Grants provided should be based on concrete business milestones to support sustainability; 3. Combine initial start-up grants with low interest debt financing or convertible grants; 4. Existing SME financial instruments to be available to SE as well; 5. Financial support needs to be accompanied by step by step technical assistance and mentoring; 6. Creating environment for patient investment community to emerge; 7. Encourage corporate sector to engage in more venture philanthropy approach; 8. Coordination among international donors should be enhanced;
<p>Priorities: Out of recommendations/needs in the previous table most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Grants provided should be based on concrete business milestones to support sustainability; (design) 5 2. Encourage corporate sector to engage in more venture philanthropy approach; (to be developed in parallel with n. 1) 4 3. Combine initial start-up grant with low interest debt financing or convertible grants; 3 4. Open existing SME financial instruments to be available to SE as well; 4 				<p>Urgency from 1-5 (5 is very urgent)</p>

Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ SE sector exhibits a clear shortage of project management and sector-specific experience (planning, budgeting and process management); ✓ Lack of the business management skills/experience necessary to plan for and manage financial, legal, and marketing processes; ✓ Access to essential information sources that are often in the digital domain is challenging for the SEs and CSOs from smaller and rural communities; ✓ Access to market hindered by lack of skills, unfair competition, grey economy, and barriers to enter public procurement. ✓ Capacity building facilities are offered by only a few programmes; (YSB acceleration 	Yes.	<p>Mostly project based</p> <p>YSB (USAID and other donor funding) limited corporative support</p> <p>Partner Albania</p> <p>Donor funded SME business accelerators</p>	<ol style="list-style-type: none"> 1. Ensure ongoing and more systemic capacity support provided to SE in all stages of development (through accelerators, incubators, intermediary organisations) 2. SE to have full access to SME programmes and facilities (accelerators, incubators) 3. Build capacities within intermediary organisations; 4. Encourage cooperation with Municipalities 5. Include SE into supply chain of government and private institutions; 6. Decentralise support mechanisms;

	programmes and Partner Albania) ✓ Limited offering of non-financial support beyond the initial start-up phase; ✓ SME-serving incubators and accelerators are modest and struggling to maintain a certain level of customers			
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed 1. Ensure ongoing and more systemic capacity support provided to SE in all stages of development (through accelerators, incubators, intermediary organisations) 2. SE to have full access to SME programmes and facilities (accelerators, incubators) 3. Include SE into supply chain of government and private institutions				Urgency from 1-5 (5 is very urgent) 5 5 5

6.2.3. Priority sectors

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

In parallel the need for increased and more streamlined **funding** will be necessary. In regards to this coordination among various stakeholders and funding institutions should be established to maximise the impact and improve prioritisation.

The table below shows the areas of intervention, priority areas and possible modalities 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> Policy, legal and institutional framework	<i>Priority area 1:</i> Revision of policies to broaden the scope and/or understanding of SE <i>Priority area 2:</i> Introduce benefits for public support measures and incentives	Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.)

<p><u>Second area of intervention:</u></p> <p>Coordination</p>	<p><i>Priority area 1:</i> Encourage the establishment of cross sector coordination body</p> <p><i>Priority area 2:</i> Support bottom up social enterprise networks</p>	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>
<p><u>Third area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1:</i> Ensure ongoing and more systemic capacity support provided to SE in all stages of development (through accelerators, incubators, intermediary organisations)</p> <p><i>Priority area 2:</i> SE to have full access to SME programmes and facilities (accelerators, incubators)</p> <p><i>Priority area 3:</i> Include SE into supply chain of government and private institutions</p>	<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> Additional financial support through grants (should be based on concrete business milestones to support sustainability)</p> <p><i>Priority area 2:</i> Encourage corporate sector to engage in more venture philanthropy approach (to be developed in parallel with n. 1)</p> <p><i>Priority area 3:</i> Combine initial start-up grants with low interest debt financing or convertible grants</p> <p><i>Priority area 4:</i> Existing SME financial instruments to be made available to SE as well</p>	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Other support schemes (indirect management)</p>

6.3. Bosnia and Herzegovina

6.3.1. Summary and context

The social economy sector is in the early stages of development with most of the identified SEs being in the early or validation stages of their development. Existing estimates point to a rather small sector with around 30 SEs, not including the cooperatives. The existing SEs engage in wide ranging activities including graphic design, agriculture, information technology, delivery of services to marginalised groups, preservation of traditional crafts, and manufacturing.

BiH has a uniquely complicated governance structure and the generally uni-ethnic focuses of its political parties and regional institutions makes the building of a transparent picture on the state of the social enterprise sector almost impossible. The policy framework, while recognising the need and potential behind a vibrant social enterprise sector, is underdeveloped and provides limited real support.

The government and public owned institutions dominating the economy and the prevalence of political patronage makes it difficult for social enterprises whose aim is to serve the needs of vulnerable groups. The level of entrepreneurial activity is low, youth unemployment is among the highest in the world and general unemployment is the highest in the region. While active labour market policies have been designed to reduce unemployment, they could be improved and refined to match the needs and realities of the emerging social enterprises. The welfare system remains weak and while policies related to social services and inclusion do formally allow for a decentralised approach, in practice there is no systematic recognition and innovation in the delivery of public services by SEs and CSOs.

The EU integration process is expected to improve the overall context and force through the prerequisite policy changes that will support a vibrant social economy in the medium term. The challenge of policy gaps at the state level indicates that in the near future most of the policies related to social entrepreneurship will remain at the level of entities and cantons. This could possibly hamper the impact, creating overlaps in the interventions and the use of limited resources. On the other hand, it is also an opportunity to take a proactive approach at local levels and build the sector on a bottom-up basis through cross-sector local partnerships.

The existing legislation, while not being completely restrictive to the functioning of SEs, does not legally recognise them. Furthermore, the unclear and inconsistent interpretation of the legislation related to economic activities of CSOs creates additional burden for CSOs to register commercial companies even though they are often not prepared for such an endeavour. Because they are legally required to register as limited liability companies, they can hardly access the majority of the government funding available for CSO; especially valuable at the local level. Over the last years, the Republika Srpska has made a positive step in this direction by incorporating the development and support of social entrepreneurship in an array of strategic documents, including those on SME development. There is no technical or financial support tailor-made for the specific needs of the SE sector.

Significant technical support is necessary to build the **institutional capacities** as well as targeted support of **crucial policy initiatives**. The social economy could enjoy a higher priority within the acquis and this could be the tool necessary to stimulate and encourage ownership of the issue amongst the politicians at all entity levels.

A **robust national coordinating body** that collects and maintains essential data about the sector, advocates for policy changes and monitors their implementation, and drafts a comprehensive needs analysis, would contribute greatly to the development of the sector.

6.3.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓The existing legislation, does not legally recognise SEs. ✓Unclear and inconsistent interpretation of the legislation related to economic activities of CSOs creates burden for CSOs to register commercial companies. ✓Republika Srpska has incorporated the development and support of social entrepreneurship in array of strategic documents including those on SME development. ✓ No tax or fiscal incentives for SEs regardless of their legal form. ✓While the general cooperative law does not limit social cooperative, it doesn't recognise nor promote them either. ✓Policy documents related to social inclusion stipulate that social entrepreneurship can play an important role in the employment and 	Yes, partly.	<p>Depending on the entity and canton level.</p> <p>Social inclusion policies.</p>	<ol style="list-style-type: none"> 1. Policy recognition of SEs could enable the development of a structured approach to promote the sector and its stakeholders. 2. Development of singular standardized definition and cross BiH policy platform for SE development would be essential with flexibility to reflect regional priorities. 3. Initiate consultations mechanisms among various policy actors and CSOs to encourage the understanding, acceptance, adjustments and further creation of favourable terms for SEs further creation of broader social impact. 4. Creation of Federal SE database.

	social integration of socially marginalized groups.			
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Provide technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite for effective institutional support of the social economy. 2. Coordinate various entity and canton state institutions to jointly work on SE cross policy platform. 3. Revise sectoral strategies and policy document to include social enterprises as actors in those policies. 4. Provide technical assistance to create federal SE database. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>5</p> <p>4</p>

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector - current situation</p>	<ul style="list-style-type: none"> ✓ Several CSOs took a lead in forming support networks. ✓ Networks advocate for an enabling environment for social entrepreneurship, promote SE, support CSOs in developing their social businesses and build cross-sector partnerships. ✓ No cross-sector coordinating mechanism 	<p>Yes, with donor support.</p>	<p>Coalition for development of social entrepreneurship in BiH “Zajedno mozemo vise”</p> <p>Social Entrepreneurship Network for Youth Employment - Socent</p> <p>Employment</p> <p>Coalition of Marginalised Groups in BiH - KOMA</p>	<ol style="list-style-type: none"> 1. Create national coordination body to monitor and evaluate and further support development of the SE sector. 2. Encourage SE support network and/or coalitions to build trust and sustainability of the sector. 3. Design media campaign to raise visibility of SE actors and improve reputation and enable recognition of SEs impact.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p>				<p>Urgency from 1-5 (5 is very urgent)</p>

1. Create national coordination body to monitor and evaluate and further support development of the SE sector.	5
2. Initiate SE support network and/or coalitions to build trust and sustainability of the sector.	4
3. Design media campaign to raise visibility of SE actors and improve reputation and enable recognition of SEs impact.	5

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector (EU, national, other donors, other funds, private sector)</p>	<ul style="list-style-type: none"> ✓SEs are legally required to register as limited liability companies for economic activities outside their core mission; thus they can hardly access the majority of the government funding available for CSOs which is especially valuable at the local level. ✓SE funding focused on capacity development through start-up support, technical assistance and the promotion of the concept of social entrepreneurship. ✓All existing SEs have been founded and operate with grant funding. ✓Social investment market is nascent. ✓Microfinance made a significant contribution to the inclusion of 	<p>Yes, partly.</p>	<p>Check Table 1: Key Stakeholders in the Social Enterprise Ecosystem in Bosnia in the Country Report</p> <p>Mozaik Foundation – the most influential SE supporter</p> <p>Few regional social impact investors</p> <p>YSB</p>	<ol style="list-style-type: none"> 1. Donors are advised to redesign their calls for proposals to include a clear and achievable roadmap for sustainability. 2. Provision of technical support to incorporate sustainability into project proposals as part of the design of their calls. 3. Donors should consider disbursement of funds on a milestone driven basis. 4. EU funded projects that contain grant funding for initial start-up and development phases and low interest debt financing for growth and sustainability phases would ensure that projects with potential for sustainability are

	<p>vulnerable groups into the economy; however, they do not provide specialised products for SEs and are mostly out of reach for the existing SEs.</p> <p>✓ Commercial banks are not engaged beyond philanthropic support.</p> <p>✓ Private sector plays a limited role, mostly with in-kind support at the local level.</p> <p>✓ Public funding sources offer financing and technical support to companies that employ PwDs, but there is very limited support for other types of enterprises.</p> <p>✓ SEs are rarely sub-contracted by public institutions even though the legal possibilities exist.</p>			<p>the focus of support.</p> <p>5. Coordination of EU funding with the EBRD Advice to Small Business programme should be considered when SE receives second phase of financing to support sustainability.</p> <p>6. Support to intermediary organizations that provide financing tied to technical assistance.</p> <p>7. SE funding community should increase coordination and develop funding approaches that engage institutional stakeholders.</p> <p>8. State should introduce broader tax benefits for private sector to increase their engagement in SE sector.</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Coordination/networking activities of donor community to enable creation of the Calls including milestone driven funding, clear and achievable roadmap for sustainability, inclusion of the institutional stakeholders in development of funding approaches. 2. Create coordination mechanisms of EU funding with the EBRD Advice to Small Business programme. 3. Introduction of broader tax benefits for private sector in order to increase their engagement in SE development. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>4</p>

Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<ul style="list-style-type: none"> ✓ SE sector shows shortage of business project management skills, sector-specific experience (planning, budgeting and process management) necessary to plan for and manage financial, legal, and marketing processes. ✓ SEs need access to technical skills for their strategic development, market orientation and branding as well as investment planning. ✓ Technical assistance and mentoring is project based and does not provide long-term advice and mentoring to the SEs in all their stages of development. ✓ The mainstream business incubators are not yet providing significant support. 	Yes, partly.	Business development services offered by Mozaik's Social Business Incubator YSB	<ol style="list-style-type: none"> 1. Map social economy needs of each entity and a subsequently develop coherent, coordinated and sustainable strategy in capacity building for SEs for all stakeholder groups (focused on decentralising the capacity building and support services, making funds available to better serve SEs in smaller towns and rural areas). 2. Further support to intermediary organizations with built-in self-sustainability plan. 3. Provide access for SEs to the existing SME support mechanism.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Mapping and development of coherent, coordinated and sustainable strategy in capacity building for SEs. 2. Create a strategy for support to incubator programs and intermediary organisations based on positive examples that include self-sustainability plans. 3. Provide access for SEs to the existing SME support mechanism. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>5</p>

6.3.3. Priority sectors

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

In parallel the need for increased and more streamlined **funding** will be necessary. With regards to this coordination among various stakeholders and 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> Policy, legal and institutional framework	<i>Priority area 1: Technical assistance</i> <ul style="list-style-type: none"> • Provide technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite for effect institutional support of the social economy. • Revise sectoral strategies and policy documents to include social enterprises as actors in those policies. • Coordinate various entity and canton state institutions to jointly work on SE cross policy platform. • Provide technical assistance to create federal SE database. 	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Regional programmes (technical assistance, grants, etc.)
<u>Second area of intervention:</u> Coordination	<i>Priority area 1: Coordination</i> <ul style="list-style-type: none"> • Create national coordination body to monitor and evaluate and further support development the SE sector. • Initiate SE support network and/or coalitions to build trust and sustainability of the sector. <i>Priority area 2: Visibility and awareness</i> <ul style="list-style-type: none"> • Design media campaign to raise visibility of SE actors and improve reputation and enable recognition of SEs impact. 	Regional programmes (technical assistance, grants, etc.)
<u>Third area of intervention:</u> Skills and access to market	<i>Priority area 1: Capacity building</i> <ul style="list-style-type: none"> • Mapping and development of coherent, coordinated and sustainable strategy in capacity building for SEs. 	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)

	<p><i>Priority area 2: Support mechanisms</i></p> <ul style="list-style-type: none"> • Provide access for SEs to the existing SME support mechanism. • Create a strategy for support to incubator programs and intermediary organisations based on positive examples that include self-sustainability plans 	<p>Regional programmes (technical assistance, grants, etc.)</p> <p>Other support schemes (indirect management)</p>
<p><u>Fourth area of intervention:</u></p> <p>Funding</p>	<p><i>Priority area 1: Coordination/networking activities of donor community to enable creation of the Calls including milestone driven funding, clear and achievable roadmap for sustainability, inclusion of the institutional stakeholders in development of funding approaches.</i></p> <p><i>Priority area 2: Create coordination mechanisms of EU funding with the EBRD Advice to Small Business programme.</i></p> <p><i>Priority area 3: Introduction of broader tax benefits for private sector.</i></p>	<p>Regional programmes (technical assistance, grants, etc.)</p> <p>Other support schemes (indirect management)</p>

6.4. Kosovo

6.4.1. Summary and context

Kosovo has undertaken a long and slow transition to an independent state. Having signed the Stabilisation and Association Agreement with the EU in 2015, Kosovo is making significant progress in its ambition to become a fully-fledged member of the EU. The social welfare system in Kosovo is underdeveloped, underfunded and suffers from structural weaknesses that hamper its effectiveness and its ability to affect meaningful change in the social status of vulnerable groups. Entrepreneurship culture is rather low and the economy is heavily reliant on remittances and international donor contributions. Social entrepreneurship is a relatively new and underdeveloped concept within Kosovo. Nevertheless, SEs are emerging mostly within the civil society sector and indicate untapped potential to boost an entrepreneurial and innovative spirit and self-sustainable solutions for community development. The existing legislation is somewhat enabling for social entrepreneurship permitting Civil Society Organisations (CSOs) to earn income from the provision of services or the trading/sale of goods and to tender for government service and supply contracts, albeit with unclear taxation rules. Any profit made must be made from delivery of services reflecting their core mission, and reasonable in amount. The cooperative movement is weak, and the legal framework is limited to farmers' cooperatives, thus omitting recognition and the allowing of social cooperatives and other types of mutual.

A new targeted Law on Social Enterprises is in the drafting phase and pending adoption in the first quarters of 2018. It is expected to be complemented with a set of SE benefits and support measures. While the law indicates political will to recognize the SE sector, their focus seems to be in the spectrum of social and labour market policies, thus omitting to recognise its cross-sectoral nature and the wider potential for equitable and sustainable economic development. The decentralisation of social services and the process of licencing CSOs/SEs is in place and if properly funded and implemented presents a unique opportunity for the development, growth and potential sustainability of social services that social enterprises supply.

Most of the existing SEs are young and financially and technically unprepared for sustainable growth initiatives. Virtually all SEs need **access to technical skills** for strategic development, **market orientation and branding** as well as **investment planning**. Progress is being made in building out the infrastructure necessary to support it and there is increased interest by intermediary CSOs. There is no existing SE network in the country which hampers the building of SE sector identity, peer learning and joint advocacy.

Significant technical support is necessary to build the **institutional capacities** as well as **targeted support of crucial policy initiatives**. Social inclusion will inevitably take a greater priority within the acquis as Kosovo makes greater progress in the accession process.

6.4.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	✓ The law had its first parliamentary reading in December 2017 and is expected	Yes, partly.	IPA	1. Revise the Law and policy documents to strengthen the entrepreneurial and innovation

	<p>to be approved by the parliamentary commission in Q1 2018.</p> <ul style="list-style-type: none"> ✓ Ministry of Labour and Social Welfare responsible for further bylaws and implementation mechanisms. ✓ The draft Law allows that legal entities receive a status of social enterprise regardless of their legal form within two main categories. ✓ Draft law limits its scope mostly to employment and integration of vulnerable groups and limiting the space and recognition for wider social innovation and solidarity-based economy. ✓ Predominant focus on serving disadvantaged groups providing predominantly social services. 		<p>National funding</p>	<p>dimension of SE.</p> <ol style="list-style-type: none"> 2. Enable SEs to be included in range of social purpose activities. 3. Revise law on public procurement and introduce simplified procedures for SEs and expand social contracting to other areas. 4. Revision of the cooperative legislation to allow cooperatives to organise beyond agriculture the emergence of social cooperatives which would be integrated in the SE policies. 5. Technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite to effect institutional support of the social economy. 6. Acknowledgment and promotion of positive experiences at municipality level. 7. Policymakers need exposure to relevant EU and regional experience and best practice. 8. Raise visibility of SE actors.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite to effect institutional support of the social economy. 2. Revision of the Law and policy documents. 3. Revision of the Law on public procurement. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p> <p>5</p>

4. Revision of the cooperative legislation.	5
5. Acknowledgment and promotion of positive experiences at municipality level.	4
6. Study tours for policymakers to expose them to relevant EU and regional experience.	4
7. Raise visibility of SE actors.	5

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ Ministry of Labour and Social Welfare is the designated institution for the policy in this area ✓ No cross-sector horizontal body responsible for coordination of support infrastructure and the interaction between the public sector and SEs. ✓ Inconsistencies in policy approach and the quality of interactions within different Ministries. ✓ No network of social enterprises and/or SE support organisations. 	Yes, partly.	Kosovo CSR Network NGO LENS (related to legislation)	<ol style="list-style-type: none"> 1. When bottom-up initiative of SEs to network emerges, support national network to enable more mission driven approach to SE. 2. Create National Coordination body to coordinate policies, monitor progress, advocate for the universal adoption of best practices and increase transparency from state institutions.
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed				Urgency from 1-5 (5 is very urgent)
<ol style="list-style-type: none"> 1. Open new donor funding scheme after SE networking initiative has been launched by the SEs. 				4

2. Support coordination of state institutions by creation of the national coordination body.	5
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Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector (EU, national, other donors, other funds, private sector)	<ul style="list-style-type: none"> ✓Lack of consistent technical or financial support tailor made for the need of the SE sector. ✓Majority of SEs are operating under the auspice of a CSO thus unable to access long-term sustainability funding. ✓Grant funding predominant way of seed funding, leaving SEs in the project base mentality. ✓Donor driven funding initiatives. ✓Microfinance organisations do not provide specialized products for SEs. ✓Banks do not interact with SEs, only one example of Raiffeisen via its foundation. 	Yes, partly.	<p>Yunus Social Business</p> <p>USAID Projects</p> <p>UNDP</p> <p>State Employment Agency</p> <p>EU Funding (mostly IPA)</p> <p>International Organization of Migration</p>	<ol style="list-style-type: none"> 1. Coordination of donor community is needed to enable inclusion of the requirements for a clear and achievable roadmap for sustainability in future calls, public or private. 2. Donors are advised to jointly finance a full countrywide needs analysis that will highlight the critical short term, medium term and long-term financing needs and then redesign their calls for proposals accordingly. 3. Include technical support to develop sustainability tools by SEs into the donor criteria. 4. Creation of new funding mechanisms for SE (debt financing, convertible loans). 5. Support introduction of broader tax benefits and financial incentives to private sector to stimulate their more active engagement in SE sector development.

	<ul style="list-style-type: none"> ✓ In-kind support from private sector via CSR Kosovo initiative. ✓ Government funding lacks transparency. 			
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Donor coordination. 5 2. Coordination with financial institution to introduce new funding mechanism. 4 3. Introduction of tax benefits and financial incentives to private sector. 4 				<p>Urgency from 1-5 (5 is very urgent)</p>

Skills and access to market	State of play	Is what exists already covered by any programmes- donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector -current situation</p>	<ul style="list-style-type: none"> ✓ Lack of business project management and sector-specific experience (planning, budgeting and process management) and lack of the business management skills/experience necessary to plan for and manage financial, legal, and marketing processes. ✓ Capacity building, peer exchange and networking still nascent and depending on donor funding. ✓ The support available to SMEs not accessible to SEs registered as CSOs. ✓ The educational system does not create 	<p>Yes, partly.</p>	<p>EU has funded two social business incubators in Mitrovica and in Gracanica</p> <p>The Innovation Centre Kosovo</p> <p>Create Foundation</p> <p>Forum for Civil Initiatives</p>	<ol style="list-style-type: none"> 1. Further Technical assistance, training and mentoring appear to be a universal need for SEs. 2. Provide support to intermediary organizations (support centres, incubators and accelerator programs). 3. Enable SEs to access SME capacity building support infrastructure.

	a new supply of trained SE managers.			
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed				Urgency from 1-5 (5 is very urgent)
1. Enable further technical assistance, training and mentoring for SEs using existing state infrastructure and through public-private partnerships at local level.				5
2. Enable further technical assistance, training and mentoring by donor organizations, including EU funding.				4
3. Create support system for SEs (intermediary organizations that would combine funding with capacity building support).				4

6.4.3. Priority sectors

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

In parallel the need for increased and more streamlined **funding** will be necessary. With regards to this the coordination among various stakeholders and 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
<p><u>First area of intervention:</u></p> <p>Policy, legal and institutional framework</p>	<p><i>Priority area 1:</i> Technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite to effective institutional support of the social economy.</p> <p><i>Priority area 2:</i> Revision of the Law and policy documents.</p> <ul style="list-style-type: none"> • Revision of the Law on public procurement. • Revision of the cooperative legislation. <p><i>Priority area 3:</i> Awareness and visibility</p> <ul style="list-style-type: none"> • Acknowledgment and promotion of positive experiences at municipality level. • Study tours for policymakers to expose them to relevant EU and regional experience. • Raise visibility of SE actors. 	<p>Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>

<p><u>Second area of intervention:</u></p> <p>Coordination</p>	<p><i>Priority area 1:</i> Support coordination of state institutions by creation of the national coordination body and support donor coordination.</p>	<p>Regional programmes (technical assistance, grants, etc.)</p>
<p><u>Third area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1:</i> Technical assistance</p> <ul style="list-style-type: none"> • Enable further technical assistance, training and mentoring for SEs using existing state infrastructure. • Enable further technical assistance, training and mentoring by donor organizations, including EU funding. <p><i>Priority area 2:</i> Create support system for SEs (intermediary organizations that would combine funding with capacity building support).</p>	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p> <p>Other support schemes (indirect management)</p>
<p><u>Fourth area of intervention:</u></p> <p>Funding</p>	<p><i>Priority area 1:</i> Coordination with financial institution to introduce new funding mechanism.</p> <p><i>Priority area 2:</i> Open new donor funding scheme after SE networking initiative has been launched by the SEs.</p> <p><i>Priority area 3:</i> Introduction of tax benefits and financial incentives to private sector.</p>	<p>Regional programmes</p> <p>Other support schemes (indirect management)</p>

6.5. Macedonia

6.5.1. Summary and context

Social entrepreneurship has seen a significant uptake in Macedonia in the last couple of years. A growing number of organisations are identifying themselves as social enterprises or have embarked on establishing social enterprises⁶. Public institutions increasingly understand the concept and importance of social entrepreneurship and have acknowledged the role of public policies in the promotion and development of social economy.

Support programs and organisations are emerging and provide valuable support to young social enterprises. Recent developments in this area coupled with the socio-economic context clearly indicate potential for the development of social entrepreneurship; in particular through increased **cooperation between the stakeholders**. Nevertheless, the sector is just emerging and is facing numerous challenges; both internal and external, leaving the sector vulnerable. Further support is of high importance to help the sector develop, become more resilient and achieve tangible social changes.

A new law on Social Entrepreneurship is being drafted with technical assistance from the EU, to be introduced in the end of 2018. This new draft law includes a broader definition of the concept, in line with the EU definition and trends. The Ministry of Labour and Social Policy is piloting active support measures for social enterprises that offer grants to social enterprises meeting the prerequisite criteria.

The public policies and especially the legislation need to take into consideration the various stages of development of SE and the sector as a whole. It is recommended that the policies take into consideration the existing needs but at the same time be visionary, allowing **innovation** and focusing on the **long-term potential** of the sector. This requires a **horizontal approach and coordination** between the public policies on social entrepreneurship as the sector is equally relevant for the social sphere, the economy and the environment.

Start-up social enterprises primarily need **grant and non-recoverable capital sources** until they reach commercial viability/break-even. The resources should be targeted at the projects able to repay it, with more beneficial commercial terms perhaps augmented by philanthropic sources for the seed or development capital. It is recommended that stakeholders **develop financial instruments** that are appropriate and affordable for the existing social enterprises and take into account how they are likely to grow in the future.

Existing SE in the market will need **resources for financial and operational management capacity-building** to support their growth and prepare them to be investment-ready.

Capacity building may take place independently and be provided by specialised programmes or support organisations, whose purpose is to provide knowledge, skills and expertise to these enterprises.

The sector needs to focus on access to finance and development of human capacities. Unlike other countries in the Western Balkans, the EU in Macedonia has already provided valuable support to the development of policies and direct support to social enterprises. It can still further increase its strategic role in developing a **comprehensive and multi-fold ecosystem** for social entrepreneurship.

⁶ For the purposes of this research the definition adopted by the European Union has been used: "Social enterprises combine societal goals with entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives".

6.5.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ The process of drafting the law on social entrepreneurship started in 2012. ✓ Designated Ministry of Labour and Social Policy (MLSP) expects it to be brought to the parliament at the end of 2018. ✓ SE concept seen as a tool for labour market inclusion of vulnerable groups. ✓ The existing legislation allows the functioning of various forms of social enterprises. ✓ Scope of the proposed law broadly in line with the EU definition and includes an acknowledgment of the wider role of social entrepreneurship. ✓ No tax incentives yet but envisaged in the draft Law. ✓ Legislation on social contracting is underdeveloped ✓ Public procurement does not include social/environmental considerations nor 	Yes.	<p>EU funded project “Fostering Social Entrepreneurship”</p> <p>Ministry of Labour and Social Policy (on the active labour measures)</p>	<ol style="list-style-type: none"> 1. Provide additional funding support to utilisation of the potential of existing SE database to use it for sector analysis. 2. Adopt targeted strategy on SE development. 3. SEs should be higher promoted on the agenda of sustainable and equitable development. 4. SEs should be embedded not only in the employment and social policies but also as part of economic development, environmental and sustainable agriculture agendas, new paradigms in entrepreneurship and management education. 5. Issue could be addressed through the Country progress reports, Programming and Annual Plans thus strengthening the political commitment. 6. A technical assistance combining foreign

	allow reserved contracts for SEs.			<p>expertise to bring wider cross-sector EU perspective with domestic-based expertise would be beneficial to further develop the enabling policy framework.</p> <p>7. SE further support should be included in the Programmes related to economic reforms (in particular SME and entrepreneurship development), environment and sustainable agriculture.</p> <p>8. Design media campaign to raise visibility of SE actors and improve reputation and enable recognition of SEs impact.</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p>				<p>Urgency from 1-5 (5 is very urgent)</p>
	<ol style="list-style-type: none"> 1. Technical assistance to regulate legal framework and develop policies taking into account horizontal institutional and policy coordination. 2. Technical assistance to support further use of existing SE database. 3. When creating new programming take into account the findings and recommendations of EU funded project "Fostering Social Entrepreneurship". 4. Design media campaign. 			<p>5</p> <p>4</p> <p>5</p> <p>4</p>

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ No SE network exist. ✓ Accelerator programs expanding their offer to SE providing wide range of support from training and workshops to more tailor-made and individual coaching, mentoring and knowledge sharing opportunities. ✓ No cross-sector coordination mechanism except for Working group and Steering Committee established within TA project. 	Yes, partly.	EU IPA	<ol style="list-style-type: none"> 1. Encourage establishment of cross-sector coordination mechanism for SE development 2. Support bottom-up SE network initiatives to raise visibility and to advocate for the sector. 3. Support creation of Social responsibility training centre as a network of like-minded professionals.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Encourage establishment of cross-sector coordination mechanism for SE development. 2. Support bottom-up SE network initiatives to raise visibility and to advocate for the sector. 3. Support creation of Social responsibility training centre. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>4</p>

Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the	✓ SEs in the early stage of	Yes.	Yunus Social	1. Create financial instrument available for SEs

<p>sector (EU, national, other donors, other funds, private sector)</p>	<p>development prefer grant funding as start-up capital.</p> <ul style="list-style-type: none"> ✓Lack of repayment capacity for other forms of financing. ✓Lack of tailored start-up and growth funding for SE. ✓Grants available are project-bound and dependent on foreign donor priorities. ✓Public grant-schemes do not exist. ✓Public procurement is not conducive to supporting SE access to market and social contracts are rare practice in the country. ✓Current support measures to SMEs are not open to SEs registered as CSOs and cooperatives. ✓There are no local social market investors, although the financial services market is well developed, with a strong focus on SMEs from the banking sector and microenterprises in the non-banking sector. ✓Commercial and microfinance financing not suitable for SEs. ✓Private sector still sees their support to 		<p>Business</p> <p>HUB Skopje/CEED</p> <p>Microfinancing institutions members of the Alliance of MFI</p> <p>State Employment Agency</p> <p>Agency for financial support of agriculture and rural development (agricultural cooperatives)</p> <p>EU Funding (Civil Society Facility, IPA, EIDHR)</p> <p>Macedonian Bank for Development Promotion</p>	<p>needs that need to be accompanied with technical assistance potentially providing a low cost debt facility (with a portion of forgivable debt).</p> <ol style="list-style-type: none"> 2. Create incentives for financial institutions to support SE development. 3. Encourage tenders coordination to decrease SE dependency on grants by development of funding approach through specialized financial instruments. 4. Introduction of broader tax benefits and financial incentives to private sector for their more active engagement in SE sector development. 5. Encourage EU support to SEs also through programs for economic development, environment and sustainable agriculture.
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	SE as charity rather than socially responsible business opportunity and practice.			
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Create financial instruments and capacity building tailor made for SEs needs in different stages of development with milestones and goals to reduce grant dependency. 2. Create incentives for financial institutions to support SE development. 3. Technical assistance for financial institutions to develop funding approach through specialized financial instruments. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p> <p>4</p>

Skills and access to market	State of play	Is what exists already covered by any programmes- donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<ul style="list-style-type: none"> ✓ Shortage of project managers with the skill set to efficiently plan, budget and successfully manage business development process. ✓ Lack of business management skills to plan for and manage a more diverse financing structure. ✓ SEs face challenges in accessing the market due to low scale of production to penetrate and compete on the market. 	Yes.	<p>Mostly donor driven support:</p> <p>NGO Konekt</p> <p>CEED Hub</p> <p>Mladiinfo/Social Impact Lab</p>	<ol style="list-style-type: none"> 1. Provide mentoring, training, workshop, coaching support in the areas of developing sustainable business plans to business financial management and planning, legal advice, marketing strategy, branding etc. 2. Further support to accelerator programs for them to reach scale and to be able to meet the ongoing appetite of the SE 3. Further support to intermediaries should be provided in a way to create favourable and supportive

				infrastructure for SEs. Any support to intermediaries needs to build-in sound, long-term financial sustainability strategy beyond donor support
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Enable further technical assistance, training and mentoring for SEs using existing infrastructure. 2. Include capacity building for SEs (business knowledge) in EU funding. 3. Enable SEs to have full access to accelerator training and mentoring programs. 4. Create support system for SEs with diverse offer and decentralized (intermediary organizations that would combine funding with capacity building support). 5. Develop support measures for intermediary organizations based on sustainable approaches and mutual coordination. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>5</p> <p>4</p> <p>5</p> <p>4</p>

6.5.3. Priority sectors

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

In parallel the need for increased and more streamlined **funding** will be necessary. With regards to this the coordination among various stakeholders and funding institutions should be established to maximise the impact and better 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
<p><u>First area of intervention:</u></p> <p>Policy, legal and institutional framework</p>	<p><i>Priority area 1:</i> Technical assistance</p> <ul style="list-style-type: none"> • Regulate legal framework and develop policies taking into account horizontal institutional and policy coordination. • Support to further usage of existing SE database. • Design and implementation of media campaign. 	<p>Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>
<p><u>Second area of intervention:</u></p> <p>Coordination</p>	<p><i>Priority area 1:</i> Support bottom-up SE network to raise visibility and to advocate for the sector.</p>	<p>Regional programmes (technical assistance, grants, etc.)</p>

<p><u>Third area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1: Capacity building</i></p> <ul style="list-style-type: none"> • Enable further technical assistance, training and mentoring for SEs using existing infrastructure. • Include capacity building for SEs (business knowledge) in EU funding. • Enable SEs to have a full access to accelerator training and mentoring programs. • Create support system for SEs with diverse offer and decentralized (intermediary organizations that would combine funding with capacity building support). <p><i>Priority area 2: Support for creation of Social responsibility training centre.</i></p>	<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: Technical assistance for financial institutions to develop funding approach through specialized financial instruments.</i></p> <p><i>Priority area 2: Create incentives for financial institutions to support SE development.</i></p>	<p>Other support schemes (indirect management)</p>

6.6. Montenegro

6.6.1. Summary and context

According to the 2016 EU assessment of accession progress, Montenegro has the highest level of preparedness for membership among the negotiating states. The country has experienced relatively stable economic growth nevertheless accompanied with challenges in the form of social inclusion, unemployment (particularly among vulnerable groups) and poverty. In such a context, the Montenegrin social enterprise (SE) sector itself is relatively small even for a country with a limited population. It is a nascent sector with an estimated 20-30 SEs operating in the country, with the majority of them being established by civil society organisations. The identified social enterprises are in their early stages of development, either developing or validating their business models. As such they have a limited impact and are considered as a marginal segment of civil society. However, individual SEs showcase the potential to impact upon social inclusion and sustainable development, especially in local communities.

The SE sector benefits from **limited political support** and its perception is disputed among the relevant stakeholders. There is **little institutional understanding** of the sector among the key designated institutions. The **legislative environment is not supportive** for the development of the SEs. The Law on NGOs establishes strict limitations to the economic activities with unclear fiscal and taxation rules, which does not enable the growth of entrepreneurial activity crucial for SEs survival in the open market. Cooperatives do not constitute a prominent part of the SE spectrum. They are limited by legislation focused on agriculture cooperatives which does not recognise social cooperatives. The potentially positive impact of social entrepreneurship is recognised by the National strategy for Employment and Human Resources (2012-2015), the Strategy for Cooperation with NGOs and the Strategy for sustainable development 2030. Still, specific **policy measures are missing**. The targeted SE law, strategy and action plan were drafted in 2013, however, they were not adopted (in part due to disagreements amongst stakeholders) and to all intents and purposes, this initiative has been stopped. There is no clear governmental direction on the issue and it seems that the institutions are waiting for the Prime Minister to appoint a responsible body. Given the lack of developments on the legislative side, it is clear that the issue of social entrepreneurship is not on the government agenda and without concerted **advocacy** from stakeholders and the EU, that situation is unlikely to change in the near term.

Given the relatively small size of the sector, it is of little surprise that there is a **lack of the prerequisite skills** necessary to develop social enterprises. Among these, **business & financial management skills** are particularly lacking and going forward will hinder sector development. Although the SE sector is in its infancy and does not enjoy sufficient governmental and institutional support, progress is being made in building out the infrastructure necessary to support it. CSO actors such as fAKT, CRNVO, the Local Democracy Agency Niksic and the business incubator BSC Bar have created a positive environment for the development of SEs, providing skills development and other key services. There is **no existing SE network** in the country and the Montenegrin SEs do not participate in regional or EU SE networks which limits their opportunities for peer-learning and joint advocacy.

The SE sector faces a fairly bleak funding landscape as literally all social enterprises have been founded with and continue to rely on donor funding. There are **no support mechanisms** specifically designed to support SEs and those that do access funds do so by accessing support aimed at promoting active employment measures for vulnerable groups and civil society. Concerns exist about the transparency of the award process and the follow up **monitoring**. Beyond grant funding, a financing model for any but the very earliest stage of SE development does not exist, **banks are not engaged**, and private sector funding sources have shown little interest in the sector.

Structural, institutional, and legislative reforms are necessary. Social economy as a whole faces serious challenges related to legislation and **access to finance**.

The EU can support the development of the sector by providing much needed **technical assistances** as well as **direct support** in building a sustainable SE eco-system. The EU could play a crucial role in placing social economy on the policy agenda of the Government, clearly focused on EU accession and

policy convergence. One approach to this could be to **place sector related reform within the Acquis framework**, and by doing so, forcing the government to implement the required actions.

6.6.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ No legal framework for SEs as well as no rules on operations and funding of SEs. ✓ National SE strategy and approved policy document not developed. ✓ Little institutional understanding of the concept. ✓ SE seen as a tool for labour market inclusion of vulnerable groups. ✓ Mostly CSOs engage in economic activities up to EUR 4,000, above which new commercial entity needs to be established. ✓ Any income generated within the NGO above the threshold is to be transferred to the state budget. ✓ Lack of tax relief and/or incentives on the distribution of the profits by for-profit companies established by CSO. 	NO	N/A	<ol style="list-style-type: none"> 1. It is important to clarify the definition of SE and provide legal and public recognition of the sector. 2. Raising awareness among the main stakeholders and clearly defining the concept is needed to allow the development of the sector. 3. The concept should be integrated horizontally all throughout the different sectoral policies in the areas of economic development, employment and social inclusion, sustainable development and agriculture agenda. 4. Public procurement procedures should be adapted in order to take into account social impact in the selection process. 5. Targeted SE policies should be built through wide consultations, integrating local expertise

				<p>complemented with international comparative experience.</p> <p>6. Raise visibility of SE actors.</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p>				<p>Urgency from 1-5 (5 is very urgent)</p>
<p>1. Technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite to effective institutional support of the social economy.</p>				5
<p>2. Inclusion of the wider audience in the process of consultations when developing policies and strategic documents.</p>				5
<p>3. Acknowledgment and promotion of examples of good practice.</p>				4
<p>4. Study tours for policymakers to expose them to relevant EU and regional experience.</p>				4
<p>5. Media campaign to raise visibility and recognition of the impact SEs produce.</p>				5

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector - current situation</p>	<p>✓ Several SE support organisations that are active promoters of social entrepreneurship and provide networking opportunities.</p> <p>✓ No SE networks, nor SE participate in any regional or international network.</p> <p>✓ No coordination mechanisms exist.</p>	<p>Yes, partly with no real coordination, rather gathering and information sharing.</p>	<p>Juventas</p> <p>Fund for Active Citizenship (FAKT)</p> <p>Centre for development of NGOs (CRNVO)</p> <p>Local Democracy Agency Niksic</p> <p>BSC Bar</p>	<p>1. Encourage establishment of cross sector coordination body.</p> <p>2. Support bottom-up SE national network to improve visibility and advocacy by SEs.</p> <p>3. Encourage coordination and cooperation among SE support organisations.</p>
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p>				<p>Urgency from 1-5 (5 is very urgent)</p>
<p>1. Open new EU donor funding scheme to create SE sector national</p>				4

network. 2. Support coordination of state institutions and other stakeholders by creation of the national coordination body.	5
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Funding and financial tools	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector (EU, national, other donors, other funds, private sector)</p>	<ul style="list-style-type: none"> ✓SEs are able to access funding through active employment measures, grants for CSOs and other SME support measures. ✓SE not eligible for public procurement nor investment or debt funding. ✓All SEs operate with grant funding. ✓Lack of diversification of the SE resources, putting them at risk of unsustainability. ✓Banks and private sector are not engaged. ✓Microfinance available on the market but only to SEs from BCS Bar (business incubator). No SE applied to their incubator support. ✓Government funding lacks transparency and efficiency. 	<p>Yes, partly.</p>	<p>EU funding</p> <p>Yunus Social Business</p> <p>Table 1 of the Country Report Montenegro: Key Stakeholders in the Social Enterprise Ecosystem in Montenegro compiles a full list of funding institutions</p>	<ol style="list-style-type: none"> 1. A structured funding mechanism that would award grant funding for the initial start-up and development phases and low interest debt financing for the growth and sustainability phases would ensure that projects with a potential for sustainability are favoured. 2. Greater transparency is needed in the mechanisms, criteria, and award processes for public funded grants. 3. Create a network of incubators across the country, based on the BCS Bar positive experience using sustainable funding model for incubators. 4. Municipal authorities could include SE into the local supply chain. 5. SE funding community should increase coordination and

				develop funding approaches engaging with institutional stakeholders to turn them into active participants in the funding criteria and therefore ensuring a vested interest in the success of the sector.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Coordination between donors, private sector and financial institution to introduce new funding mechanism. 2. Develop sustainable model of incubation support. 3. Support intermediary organizations to provide capacity building coupled with financial support. 4. Grants provided should be based on concrete business milestones to support sustainability (design). 5. Encourage corporate sector to engage in more venture philanthropy approach. 6. Open existing SME financial instruments to be available to SE as well. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>4</p> <p>4</p> <p>5</p> <p>4</p> <p>5</p>

Skills and access to market	State of play	Is what exists already covered by any programmes- donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<ul style="list-style-type: none"> ✓Lack of business skills among SE leaders or managers. ✓Many SEs do not have marketing or sales plan, dependant on grants. ✓Lack of SE branding in general stop them from expanding. ✓Lack of trust among CSO and media. 	Yes, partly.	fAKT CRVNO, ALD	<ol style="list-style-type: none"> 1. Further support to intermediary organization is needed to build their expertise to properly serve the sector and to enable coverage for towns and rural areas. 2. Provide access to SME resources for SE. 3. Design media campaign to raise visibility of SE actors.

Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed	Urgency from 1-5 (5 is very urgent)
1. SEs should be granted with a full access to SME trainings and mentoring programs, whether governmental, CSR run, or donor driven.	5
2. Design funding model to strengthen intermediary organizations to be able to provide capacity support to SEs throughout Montenegro.	4
1. Design media campaign to raise visibility of SE actors and improve reputation and enable recognition of SEs impact as well as to build trust and increase mutual interest in cooperation among CSO and media.	5

6.6.3. Priority sectors

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

In parallel the need for increased and more streamlined **funding** will be necessary. With regards to this coordination among various stakeholders and 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> Policy, legal and institutional framework	<i>Priority area 1: Technical assistance</i> <ul style="list-style-type: none"> • Development of policy positions, procedures and human capacities that are a prerequisite to effective institutional support of the social economy. • Inclusion of the wider audience in the process of consultations when developing policies and strategic documents. • Acknowledgment and promotion of examples of good practice. • Study tours for policymakers to expose them to relevant EU and regional experience. • Media campaign to raise visibility and recognition of the impact SE produces. 	Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.) Regional programmes (technical assistance, grants, etc.)
<u>Second area of intervention:</u> Coordination	<i>Priority area 1: Coordination</i> <ul style="list-style-type: none"> • Support bottom-up SE national network to improve visibility and advocacy by SEs. • Support coordination of state institutions by creation of the national coordination body. 	Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.)

<p><u>Third area of intervention:</u></p> <p>Funding</p>	<p><i>Priority area 1:</i> Support to SE through adequate mechanisms</p> <ul style="list-style-type: none"> • Coordination between donors, private sector and financial institution to introduce new funding mechanism. • Open existing SME financial instruments to be available to SE as well. • Develop sustainable model of incubation support. • Support intermediary organizations to provide capacity building coupled with financial support. • Encourage corporate sector to engage in more venture philanthropy approach. 	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Other support schemes (indirect management)</p>
<p><u>Fourth area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1:</i> Capacity building</p> <ul style="list-style-type: none"> • Ensure full access for SEs to SME trainings and mentoring programs, whether governmental, CSR run, or donor driven. • Design funding model to strengthen intermediary organizations to be able to provide capacity support to SEs throughout Montenegro. 	<p>Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>

6.7. Serbia

6.7.1. Summary and context

As Serbia moves inextricably towards EU accession, it has had to deal with significant economic and social structural challenges. Notwithstanding, social entrepreneurship does very much exist, predominantly in the form of organised cooperatives, associations and enterprises employing people with disabilities. Although no legal definition exists in Serbia, which would enable formal classification, it is estimated that there are currently 1,200 social enterprises. The serious institutional, legal and economic challenges have impeded the optimal development of the sector. Nevertheless, vibrant social enterprises have been established and have grown in recent years. While most of them are still in their start-up and validation stage of development, there is a growing number of SEs that are prepared to scale-up and are looking for commercially viable opportunities to grow their business.

In the latest developments, the new draft Law on social entrepreneurship which was originally scheduled for 2017 has been pushed back to form part of the 2018 program. The legislation seems to be driven more by the need for regulating the sector and controlling it, as opposed to an enablement and support to the sector's growth. In such circumstances, SEs themselves are concerned that the law could create additional barriers. On the issue of incentives, it is recognized that a range of incentives might be appropriate. Options such as reserved public procurements, subsidisation of employment and a portfolio of potential tax incentives are being considered.

CSO and SE stakeholders increasingly advocate for the development of a national strategy and action plan for the sector and for the introduction of viable support measures that would support sector growth prior to the introduction of the proposed new law. It is recommended that they should be accompanied by careful consideration of targeted legislation that will recognise the full spectrum of social enterprises regardless of their legal status and of the economic sectors in which they operate. To achieve this, **technical assistances** needs to be provided to the **institutional stakeholders**, especially the designated Ministry, to build the capacities necessary to properly understand, legislate for and support the growth of the SE sector. Greater trust needs to be built between all the actors, in order to encourage sharing and proper leveraging of vital information, much of which already exists in the market.

The Serbian SE sector benefits from a range of innovative financing models; albeit in pilot stage. Banks are trying out hybrid finance solutions designed to reflect the unique dynamics of the sector and the private sector is actively engaged through CSR activities which include both technical support and providing access to commercial markets.

It is clear however that the entire SE sector requires **technical assistance, grant and non-recoverable capital sources**, in the first instance and in the second instance, **more comprehensive financing infrastructure** to kick-start growth in the sector. Existing SE in the market needs **financial capacity building** to support their growth and prepare them to be investment-ready; while the increasing number of start-ups will most likely continue to require **grants and donations**. Proper legal recognition of SEs will support further scaling of the SE sector as it will provide clarifications on the concept for the various stakeholders beyond the sector and will streamline and horizontally integrate support efforts.

Civil society has been the primary driver behind the existing SE ecosystems. Two SE networks have been established (The Coalition for the Development of Social Entrepreneurship and the Social Economy Network of Serbia) which articulate the interest of the sector and advocate for enabling policies in the area. **Strategic support to the networks is needed to strengthen their role** as key counterparts to the institutions in SE policy development. Beyond the networks, **support is needed for decentralised support infrastructure** to stimulate SE growth in smaller towns and rural areas.

6.7.2. State of play, recommendations / needs and priorities

Policy, legal and institutional framework	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ There is no law on the SE sector ✓ No national strategy and approved policy documents ✓ Law on Professional Rehabilitation and Employment of People with Disabilities is the only Law mentioning SEs ✓ Primary purpose of SE in existing policies is social inclusion of PwD ✓ No public support measures or benefits for SEs beyond employment of PwD ✓ Ministry of Labour, Employment, Veterans and Social Affairs is assigned with responsibilities related to the legislation on social entrepreneurship 	Partly.	SIPRU (Social Inclusion and Poverty Reduction Unit) – member of the working group that supports Law development Ministry of Labour, Employment Veterans and Social Affairs	<ol style="list-style-type: none"> 1. SE should be higher ranked on the governmental and institutional agenda as part of their strategy for sustainable and equitable development. 2. Law needs to undergo revisions to allow wider scope of SE forms and areas of work, acknowledge entrepreneurial dimension and go beyond employment of PwD model. 3. Public procurement policies should be adapted to include social impact in the selection process. 4. Strategy on SE that provides vertical and horizontal integration of policies linked to social economy should be adopted. 5. Help in creating fiscal measures designed to financially motivate companies to donate portions of their CSR budgets into these funds.
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed				Urgency from 1-5 (5 is very urgent)

1. Revision of national policies and public procurement procedures to broaden scope and/or understanding of SE.	5
2. Policy makers need to be exposed to relevant EU and regional experiences and best practices to use as part of their capacity building	5
3. Help in creating fiscal measures designed to financially motivate companies to donate portions of their CSR budgets into SE funds.	4

Existing coordination mechanisms	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector - current situation	<ul style="list-style-type: none"> ✓ Two leading players actively connecting active social enterprises and other actors in the sector ✓ Other individual organizations actively promote SE ✓ No cross-sector coordinating mechanism for development of SE 	Yes, partly	Coalition for the Development of Social Entrepreneurship SENS – Social Economy Network Serbia	<ol style="list-style-type: none"> 1. Further capacity support to existing networks to enable them to “sit at the table” as key counterparts to the authorities and the EU in the development of public policies and the promotion of the social enterprise sector. 2. Municipalities should be encouraged to participate in boosting SE sector by making vacant public property in exchange for low rents. 3. Further coordination among SE actors and state institution in raising recognition of the SE sector.
Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed				Urgency from 1-5 (5 is very urgent)
<ol style="list-style-type: none"> 1. Further capacity support to existing networks. 2. Municipalities should be encouraged to participate in boosting SE sector by making vacant public property in exchange for low rents. 3. Further coordination among SE actors and state institution in raising recognition of the SE sector. 				5 3 4

Funding and financial tools	State of play	Is what exists already covered by any programmes- donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
<p>What exists in the sector (EU, national, other donors, other funds, private sector)</p>	<ul style="list-style-type: none"> ✓ Grant and/or subsidy funding is the preferred form of early stage funding for SEs ✓ There is an increased number of SEs in Serbia that are willing and able to absorb hybrid and loan funding ✓ Debt or equity financing is challenging for many SEs due to not being prepared for commercial realities ✓ A lack of tailored start-up and growth funding for SE still present, though many players have appeared. Particular gap identified between start-up phase funding (usually grants) and scale-up phase funding (over 150,000 EUR). 	<p>Yes, partly.</p>	<p>Low-cost debt facility coupled with mentoring and training by Este Bank</p> <p>UniCredit bank</p> <p>Various donors</p>	<ol style="list-style-type: none"> 1. Coordination of various actors to create funding opportunities that suit short- as well as long-term financing needs to the SEs at all stages of development 2. Removing the obligation of micro finance organisations to disburse funds via commercial banks 3. Introduce the concept of repayable grants 4. Support the creation of local/national social investment funds managed by successful business practitioners.
<p>Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed</p> <ol style="list-style-type: none"> 1. Coordination of various actors to create funding opportunities that suit short- as well as long-term financing needs to the SEs in all stages of development. 2. Removing the obligation of micro finance organisations to disburse funds via commercial banks. 				<p>Urgency from 1-5 (5 is very urgent)</p> <p>5</p> <p>3</p>

3. Introduce the concept of repayable grants.	4
4. Support the creation of local/national social investment funds managed by successful business practitioners.	4

Skills and access to market	State of play	Is what exists already covered by any programmes-donors, government, other.	Write which programme or donor are providing support/funds or TA.	Gaps/needs and recommendations.
What exists in the sector -current situation	<p>✓SE sector shows a relative shortage of project management and sector-specific experience (planning, budgeting and process management) and a lack of business management skills/experience necessary to plan for and manage financial, legal, and marketing processes</p> <p>✓SE leaders lack the financial and economic literacy necessary to build and run successful operations</p> <p>✓SEs often lack standardized and sound business model focused on sustainable market model; rather they still think in terms of projects.</p> <p>✓Many SEs lack sufficient commitment to sales.</p>	Yes, partly.	<p>Erste Bank provides mentoring to their client SEs</p> <p>Delta Foundation provides capacity building</p> <p>Smart Kolektiv runs Smart Academy for SEs</p>	<ol style="list-style-type: none"> 1. Enable SEs to have full access to SME training and mentoring programs 2. Create long term support to SEs, rather than one-month trainings. 3. Encourage creating strategic partnerships with mainstream companies in specific aspects of their business such as branding, promotion etc. where they might lack knowledge. 4. Decentralize the capacity building and support services to better serve SEs in smaller towns and rural areas. 5. Develop support measures for intermediary organizations 6. Encourage further public-private-CSO partnerships in building SE support infrastructure all throughout the country.

Priorities: Out of recommendations/needs in the previous table the most urgent priorities to be addressed in order of importance are listed	Urgency from 1-5 (5 is very urgent)
1. Enable SEs to have a full access to SME training and mentoring programs.	5
2. Create long term capacity building or mentoring support to SEs, rather than one-month trainings.	4
3. Encourage creating strategic partnerships with mainstream companies in specific aspects of their business such as branding, promotion.	4
4. Decentralize the capacity building and support services to better serve SEs in smaller towns and rural areas.	4
5. Develop support measures for intermediary organizations.	5
6. Encourage further public-private-CSO partnerships in building SE support infrastructure all throughout the country.	4

6.7.3. Priority sectors

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

In parallel the need for increased and more streamlined **funding** will be necessary. With regards to this the coordination among various stakeholders and funding institutions should be established to maximise the impact and better 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> Policy, legal and institutional framework	<i>Priority area 1:</i> Revision of national policies and public procurement procedures to broaden scope and/or understanding of SE. <i>Priority area 2:</i> Capacity building of policy makers based on relevant EU and regional experiences and best practices. <i>Priority area 3:</i> Help in creating fiscal measures designed to financially motivate companies to donate portions of their CSR budgets into SE funds.	Bilateral envelopes (technical assistance, grants, CFP, twinning, direct award etc.)

<p><u>Second area of intervention:</u></p> <p>Skills and access to market</p>	<p><i>Priority area 1: Capacity building</i></p> <ul style="list-style-type: none"> • Develop support measures for intermediary organizations. • Enable SEs to have full access to SME training and mentoring programs. • Create long term capacity building or mentoring support to SEs, rather than one-month trainings. • Decentralize the capacity building and support services to better serve SEs in smaller towns and rural areas. • Further capacity support to existing networks. • Support to Municipalities in boosting SE sector by making vacant public property in exchange for low rents. 	<p>Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p>
<p><u>Third are of intervention</u></p> <p>Coordination</p>	<p><i>Priority area 1: Coordination among SE actors and state institution in raising recognition of the SE sector.</i></p> <p><i>Priority area 2: Establish partnerships</i></p> <ul style="list-style-type: none"> • Encourage creating strategic partnerships with mainstream companies in specific aspects of their business such as branding, promotion. • Encourage further public-private-CSO partnerships in building SE support infrastructure all throughout the country. 	<p>Bilateral envelopes (technical assistance, grants, CfP, twinning, 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: Coordination related to funding</i></p> <ul style="list-style-type: none"> • Coordination of various actors to create funding opportunities that suit short- as well as long-term 	<p>Bilateral envelopes (technical assistance, grants, CfP, twinning, direct award etc.)</p>

	<p>financing needs of the SEs in all stages of development.</p> <p><i>Priority area 2: Funding</i></p> <ul style="list-style-type: none"> • Introduce the concept of repayable grants. • Support the creation of local/national social investment funds managed by successful business practitioners. • Remove the obligation of micro finance organisations to disburse funds via commercial banks. 	<p>Other support schemes (indirect management)</p>
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7. ANNEXES

7.1. Bibliography

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