

December 2020

Background information

EU Delegation to Republic of Moldova has started consultation process with various stakeholders from Moldovan country on the post-2020 programming exercise. This document represents the recommendations elaborated by the [European Network of Social Integration Enterprises](#), ENSIE, representing the interests of 29 national, regional and local networks of 'Work Integration Social Enterprises' (WISEs) from 21 European countries, including Moldova, striving for more inclusive and integrated forms of employment at the European level. In the Republic of Moldova, in order to obtain the status of a social enterprise or work integration social enterprise (WISE), it is necessary to report to the National Commission for Social Entrepreneurship the dossier containing documents confirming the carrying out of the social entrepreneurial activity. The statute can be obtained in a period of 3 years, with the possibility of extension if it is proved that the conditions underlying the award of the status have been respected and are obtained from the moment of registration of the syntagma "Social enterprise" or "work integration social enterprise» in the enterprise internal documents and in the State Registry in which the legal entity is registered. Social entrepreneurship remains a relatively new idea in the Republic of Moldova.

However, several initiatives aimed at the development of social entrepreneurship have been initiated and, in some cases, successfully developed in the Republic of Moldova.¹ Law Amendments on Social Entrepreneurship (SE) were adopted and establish the definition of a social enterprise, as well as list available benefits to SEs. Public funding is channeled via direct action grants from certain Ministries (in such areas as culture, youth, economy or environment) or via contracting of social service delivery. With 57% of the population classified as rural and 33% of the population involved in agriculture and a further 15% in agri-processing and marketing in the rural social economy, cooperatives would be expected to play a significant economic and social role in Moldova. In 2016, 448 cooperatives were economically active, 1.4% of all registered enterprises with a total number of 4,331 employees (1.2% of the total number of employees in the Republic).²

In general, the economic environment is mainly seen as a constraint on the continued development of the social enterprise (by reducing public spending which remains the dominant source of income for social enterprises) with potential opportunities to be fully exploited (new areas of activity and market diversification, markets and sources of income). The survival and growth of the social enterprise is also constrained by factors such as the lack of viable business models (especially in the case of social enterprises with traditional nonprofit origin), high dependence on the public sector as a source of income, lack of

¹<http://onestepahead.ge/wp-content/uploads/2019/07/LEGAL-FRAMEWORK-ON-SOCIAL-ENTREPRENEURSHIP-IN-MOLDOVA.pdf>

² https://eeas.europa.eu/sites/eeas/files/md_cso_roadmap_2018_2020_approved.pdf

commercial/entrepreneurship spirit and the managerial and professional skills necessary for the expansion of the activity.³

ENSIE recommendations

WISEs promote and use the work-based learning methodology⁴ in continuing vocational education and training (CVET⁵), addressing mainly people in disadvantaged situations and socially excluded, improving their employability by providing, depending on the situation and on the countries' traditions, the necessary basic, soft or transversal skills, work placements accompanied by job coaching and mentoring etc.

The Moldovan government should choose to support WISEs and thus to favour the integration of disadvantaged people in the traditional labour market.

In fact, by choosing the WISEs model, public authorities can transform the costs⁶ associated with disadvantaged people into a real investment generating both economic and social return as money put in these measures is more than balanced by the financial revenues produced by the disadvantaged people's professional integration. This is the case in France for instance where in 2018, the State decided to fight poverty and social exclusion by investments in integration through an economic activity that develops almost 4,5€ of turnover for 1€ of subsidy⁷.

Finally, according to the latest results of the ENSIE's "[Impact-WISEs](#)" study realised in 2019 (2018 data)⁸, 64.57% of disadvantaged workers have managed to find a job in the same WISE, in another WISE, in the traditional labour market, became entrepreneurs or found qualifying training. This study measures the social impact of WISEs and demonstrates the positive impact they bring to society.

Social enterprises have proven to be essential for providing both work or training alternatives and supporting this target group in employment, especially in the times of the COVID19 pandemic.

Following these considerations about WISEs and the ongoing situation of social economy enterprises, and more specifically WISEs, ENSIE's brings its recommendations focused on three important angles for their development and which are the following: the regulatory and institutional environment, the visibility and better recognition of WISEs and finally the access to finance.

³ *Ibidem*

⁴ Work-based learning (WBL) is a powerful way to support adult learning and human resource development in enterprises.

⁵ CVET is education or training after initial education and training – or after entry into working life aimed at helping individuals to improve or update their knowledge and/or skills, acquire new skills for a career move or retraining and/or continue their personal or professional development.

⁶ The costs linked to the disadvantaged person can be: minimum income, unemployment benefits, health costs, etc.

⁷ On the economic return, please consult the article "[Efficacité économique et efficacité sociale... en même temps !](#)", Fédération des Entreprises d'Insertion, 2018.

⁸ 719 WISEs participated in the study representing 10 European countries and 50,730 workers (38,022 disadvantaged workers). The results of the study vary each year depending on the participating member networks.

Regulatory and institutional environment

- Strengthening of the legal definition of social enterprises and work integration social enterprises in Moldova with fixed criteria that must be reached to be recognized as such; more specifically in guaranteeing a clear definition of the differences between civil society organisations and WISEs.
- The work integration social enterprises are real companies, producing varied and innovative goods or services. They also have the distinction of being companies producing work integration service for vulnerable groups on behalf of national and territorial governments. For this reason, this public service mission should be paid by the public authorities.
- The Moldovan government can also choose to support WISEs and thus to favour the integration of disadvantaged people in the traditional labour market through active labour market measures⁹.
- In July 2015, Moldovan Parliament adopted a new law on public procurement as a commitment under DCFTA¹⁰. For the first time in Moldavian law, the following principles have been included: *"ensuring environmental protection and supporting social programs in the process of contract execution"* (art. 72), *"Procurement of social services and other specific services"* (art. 59) as well as *"The right to participate in the procedures of public procurement contracts can be reserved by the Government to protected workshops and social integration enterprises if the majority of the employees involved are persons with disabilities who, by the nature or seriousness of their deficiencies, cannot carry out a professional activity under normal conditions"* (art.6 §2). These provisions are the only ones that are regulating the sustainable public procurement in the Republic of Moldova. The government, in specific the Ministry of Finance, responsible body to develop specific regulations, needs to increase knowledge and build capacity among public authorities of all levels for promoting the application of this important principle (e.g.: information and training session towards the public authorities; presenting [some foreign good practices](#)...). Also the use of social considerations in the award criteria of the different public calls for tender should be promoted and affirmed.

⁹ The main goal of active labour market policies (ALMPs) is to increase the employment opportunities for jobseekers and to improve matching between jobs (vacancies) and workers (i.e. the unemployed) https://ec.europa.eu/info/sites/info/files/european-semester_thematic-factsheet_active-labour-market-policies_en_0.pdf

¹⁰ Deep and Comprehensive Free Trade Area - https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eap_factsheet_moldova.pdf

- Define a guarantee by the Government of further tax relief to NGOs, CSOs and companies who take a step to become a WISE.

Visibility, recognition, better understanding

- Boost the visibility of social economy enterprises and organisations and their fundamental contribution in economic growth, and their perception within civil society and citizens.
- Promote the convergence and coordination of the different public authorities involved in the promotion of the social economy by defining strategic objectives and benchmarks.
- Promote the coordination among social economy actors.
- To help Moldavian SMEs, in particular WISEs, to scale up, sustainable growth is required: linking and networking them with neighbourhood, but also with European actors will unlock their potential to scale up and provide the means necessary to compete with other (social) business ecosystems.
- Increase cross-border cooperation and mutual learning between WISEs, mainly with neighborhood countries, but also with European WISEs and connected networks.
- Support WISEs in the region to generate social and technological innovations (i.e. continue the digitalisation of the Moldovan society)
- It is important to act concretely, for instance, like increasing the role of social entrepreneurship education in schools.

Access to Finance

- Full exploit the possibility opens by the new Neighbourhood, Development and International Cooperation Instrument (NDICI) to promote decent job creation, creating some specific financing lines for the development of WISEs and social economy.
- Increase the availability of and access to finance for vulnerable groups wishing to launch their own enterprises, micro-enterprises and social enterprises, both in their start-up and development phases, using instrument similar to the **EaSI Guarantee Instrument** within the European Fund for Sustainable Investment (EFSD+).
- Provides **senior and subordinated loans to eligible financial intermediaries** in order to increase their capacity to provide financing to micro-enterprises and social enterprises, as well as mobilizing their own resources to grow their microfinance or social entrepreneurship portfolios, using instrument such as the **EaSI Funded Instrument**.

ENSIE asbl Rue Botanique, 75 B, 1210 Brussels • Enterprise's N°475.190.924

Mail : ensie@ensie.org • Phone: +32 (0) 4 275 53 08

www.ensie.org

In conclusion, there is a need for more public support programs to align with the ambitions of business, particularly as WISEs see access to national market as one of the biggest barriers to scaling up their business. EU intervention also needs to encourage stronger integration and harmonization, reduce fragmentation and inefficiencies, and encourage and stimulate all actors to jointly support WISEs/SME cross-border collaboration. In general for WISEs but also for SMEs to grow and scale up and to take advantage of the single market, an orchestrated approach is needed by all partners.

For more information: Patrizia Bussi, ENSIE's director