



EU4Youth

BASELINE REPORT IN REPUBLIC OF MOLDOVA

EDITORIAL VERSION

EU4Youth -

UNLOCKING THE POTENTIAL OF YOUNG
SOCIAL ENTREPRENEURS IN MOLDOVA AND
UKRAINE

2020



ProNGO!





EU4Youth

Disclaimers

This Baseline Report has been prepared for the Project: “EU4Youth – Unlocking the potential of young social entrepreneurs in Moldova and Ukraine” with the financial assistance of the EU4Youth Programme of the European Union. The content of this material is the sole responsibility of AXA Management Consulting and can in no way be taken to reflect the views of the European Union.

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Abbreviations:

LLC - Limited Liability Company

SE – Social Enterprise

NGO – non- governmental organization (equivalent non-profit organizations)

SME – small and medium enterprise

SEs – social enterprises

NFBI – Nonbanking financial institutions

MFI – microfinance institutions

INTRODUCTION

The “EU4Youth - Unlocking the potential of young social entrepreneurs in Moldova and Ukraine” project helps to foster the social entrepreneurial potential of young people in Moldova and Ukraine by establishing a favorable ecosystem for social enterprises as well as by inspiring and supporting more young social entrepreneurs to develop and sustain their innovative solutions to the promotion of social inclusion and environmental sustainability across both countries. The project is funded by the European Union under its EU4Youth Programme. The project is implemented by a consortium including the following organizations: Gustav-Stresemann-Institut (GSI), Germany – the lead, Pro NGO! (Germany), AXA Management Consulting (Moldova), ECO-RAZENI Association (Moldova), CONTACT (Moldova), and Egalite International (Ukraine).

The present report was elaborated and designed by the consulting agency BDC Creative (Moldova) in the favor beneficiary AXA Management Consulting (Moldova). The purpose of the baseline report is to carry out a study in the targeted locations in Moldova to establish a baseline against all indicators related to the project. The study will constitute the basis to measure the project performance in Moldova. Even though the baseline study is intended primarily to facilitate the project monitoring and evaluation, it will also be used as an evidence-based lobbying and advocacy tool. Furthermore, the baseline study should test if the identified demographic scope of the study is sufficient in order to create additional indicators for the learning and development of the project. Therefore, this study should act as a guideline for further localization of the project and answer questions about who and what localities shall be included in the project and who and what localities not. The strategic objective is to improve the capacity of youth-owned social enterprises to fight unemployment, reduce migration and contribute to social inclusion and cohesion in the Eastern Partnership regions.

The specific objectives of the project are:

- to improve the legal framework for social entrepreneurship in Moldova and establish this legislation for Ukraine based on Moldova’s best-practices;
- to improve the capacity of young social entrepreneurs in business administration, fundraising and advocacy activities for promoting social enterprises’ interests through the development of a Moldovan-Ukrainian network of young social entrepreneurs;
- to motivate more youth in Moldova and Ukraine to start social start-ups and recognize their contribution to social inclusion and reduction of inequalities;
- to strengthen relevant business support structures for young entrepreneurs in both countries, including start-up funding.

The baseline report is performed by Business Development Capital (BDC) to carry out a study that meets the requirements and needs of the project and provides relevant information for future decisions. The baseline includes a complex analysis using the methods and tools described below.

Table 1. Baseline methodology

The methodology of the study was respected according to initial design (presented in the below table).

Research stage	Methods and tools
Secondary research	<ol style="list-style-type: none"> 1. Perform desktop and documentary research of the Law no. 845/1992 on entrepreneurship and enterprises, completed with Chapter: Social entrepreneurship and social enterprise, statistical data (https://statbank.statistica.md/) and other official reports published on www.antrenoriatsocial.md in order to consolidate the existing legal framework, describe current situation and identify gaps and opportunities; 2. Dynamic and comparative analysis of statistics, especially of economic indicators given in the project Log-frame, as well others suggested by our team of experts;
Primary research	<ol style="list-style-type: none"> 3. Online survey for 70 representatives of target group (see standardized questionnaires for the online survey in annexes); 4. In-depth online interviews with 15 social entrepreneurs (see guidelines in annexes); 5. Online focus group for a group of 15 participants, that include social entrepreneurs, public authority representatives from key identified regions (see guidelines in annexes); 6. Primary data analysis – respondent data analysis and its interpretation in correlation with economic indicators given in the project Log-frame, as well others suggested by our team of experts; 7. Baseline database – a consolidated list of individuals, groups of people and organizations will be integrated into baseline study and serve as the stakeholder database for further project activities;
Recommendations	<ol style="list-style-type: none"> 8. List of good practice – in the light of this study, the expert team will advance a series of recommendations for building a successful network to further develop and provide meaningful support in the social entrepreneurship sector. On the basis of the information collected, reflected and analyzed in each previous chapter, we will formulate a series of good practices and propose useful tools for accelerating the growth of the social entrepreneurship sector.

Some changes can be summarized below:

- Online survey was conducted for a larger number of target group representatives (108 respondents);
- In-depth interviews have exceeded the expected time because of profile of respondent – more experienced entrepreneurs have shared their experience more complex and had supplementary information to deliver on the topic.

1. MACROECONOMIC ANALYSIS OF REPUBLIC OF MOLDOVA

Moldova is a small lower-middle-income economy. Although it is among the poorest countries in Europe, it has made significant progress in reducing poverty and promoting inclusive growth since the early 2000s. The economy has expanded by an average of 4.6 percent annually in the past 20 years, driven by consumption and fueled by remittances. The latter account for 10 percent of GDP.¹

A closer integration with Europe has anchored successive governments' policy reform agendas, but reforms that are good on paper face implementation challenges. A vulnerable political system, a polarized society, low productivity, demographic challenges, skills mismatches, and a high vulnerability to both climate-related and external shocks are Moldova's biggest economic challenges.

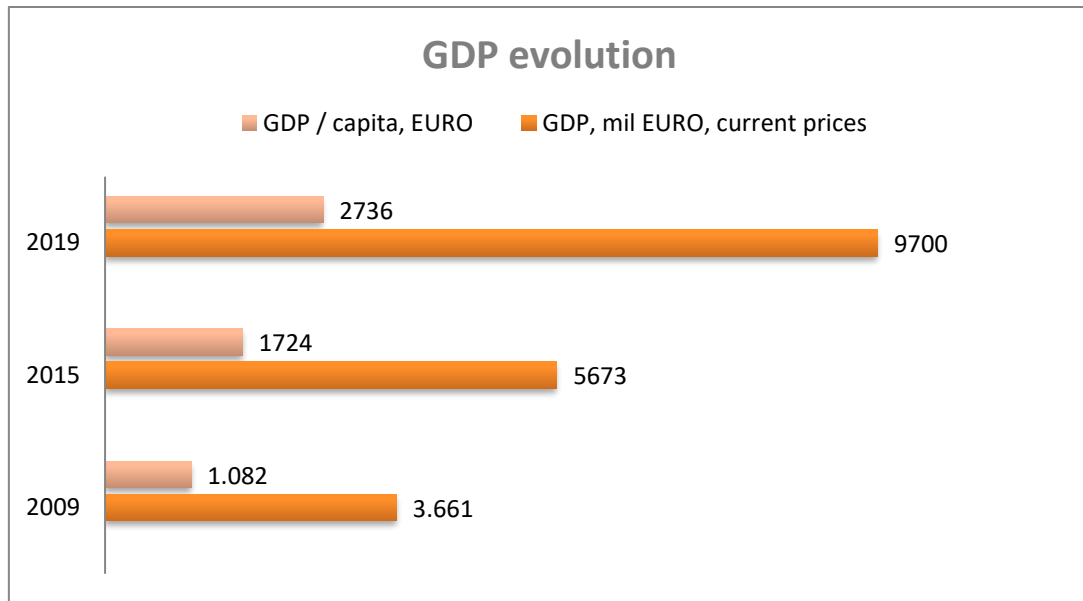
Continued economic stabilization, improved living standards, and the creation of a rule-based environment for businesses are the country's key goals. Moldova's large-scale out-migration, combined with decreasing fertility rates, has led to an alarming decline in the population and increased the share of elderly people.

This puts pressure on the pension system and limits the available labor force and the country's long-term competitiveness.

The evolution of GDP and GDP per Capita during the period 2009-2019 is appreciated positively because of its continuously increasing trend.

¹ <https://www.worldbank.org/en/country/moldova/overview>

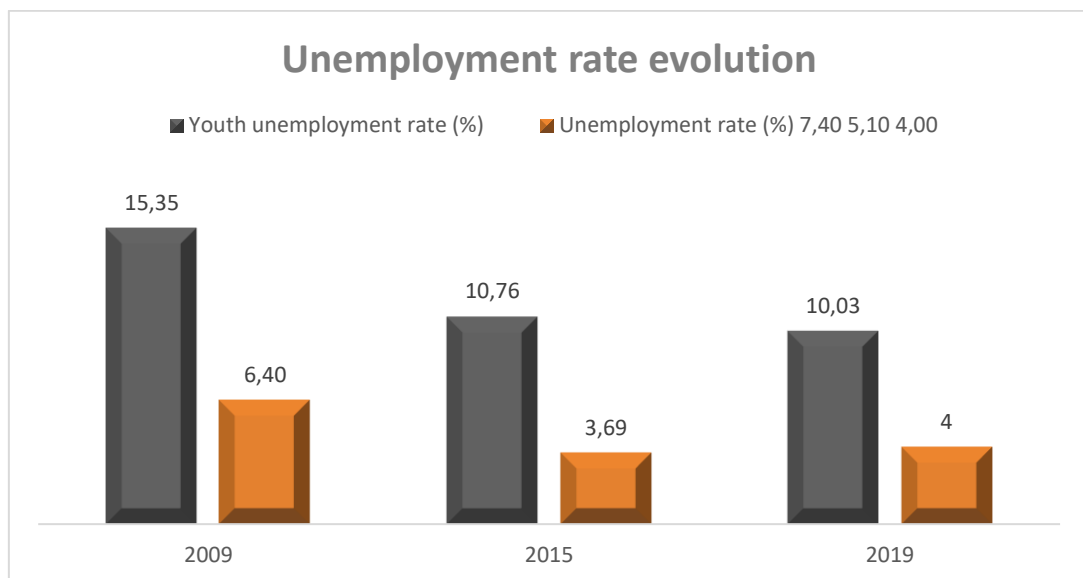
Figure 1. GDP evolution during 2009-2019 periods



Source: <https://statbank.statistica.md/>

Continuously decreasing the unemployment rate is due to the massive immigration of the population. An important fact to mention is the high youth unemployment rate, 10,3% in 2019.

Figure 2. Unemployment rate evolution 2009-2019 periods

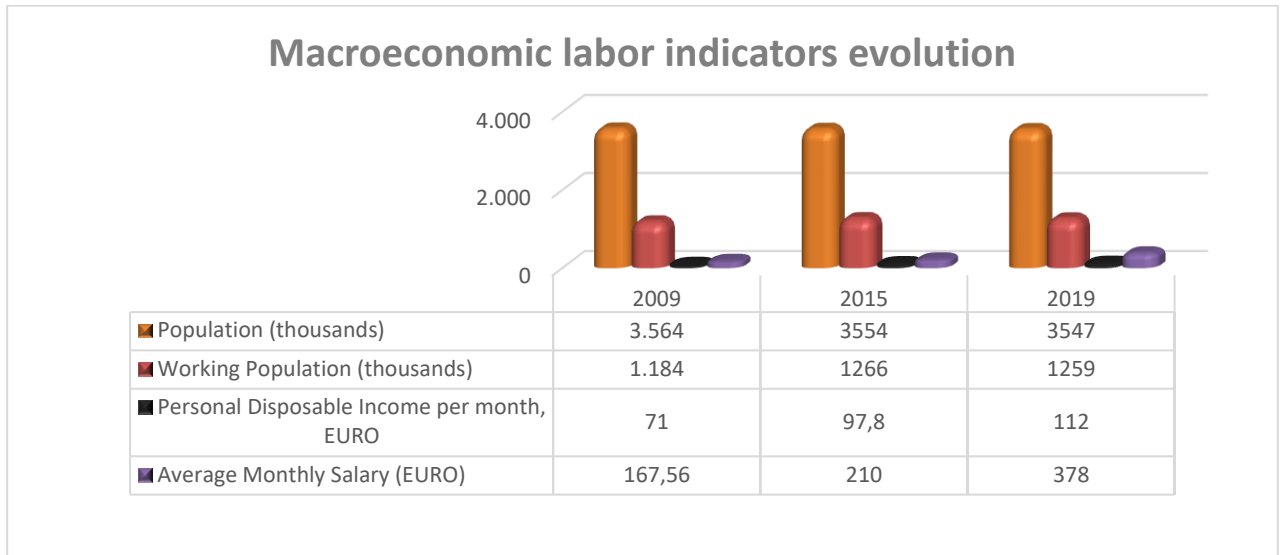


Source: <https://statbank.statistica.md/>

The population in the Republic of Moldova has a negative trend and it is slightly decreasing during the referred period from 3.564 thousand people to 3.547 thousand people. The working population indicator is increasing from 1.184 thousand people in 2009 to 1.266 thousand people in 2015 due to the employment of the population. Even if average monthly salary and personal disposable

income are continuously increasing during the analyzed period, from 2015 to 2019 working population decreased, due to high immigration rate.

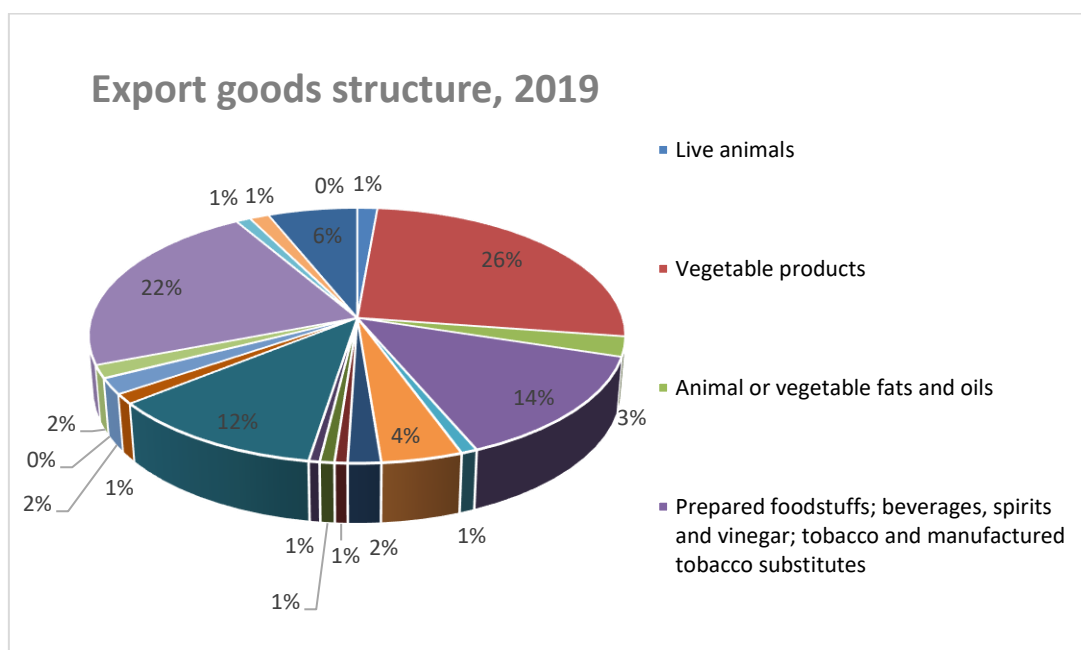
Figure 3. Main macroeconomic labor indicators evolution 2009-2019 periods



Source: <https://statbank.statistica.md/>

Analyzing the trade balance indicators total import (5.169.718 thousand EUR) is twice higher than total export (2.459.465 thousand EUR) in 2019. The main exported goods were 26% vegetable goods, 22% machinery and mechanical appliances, 14% prepared foodstuffs and beverages, 12% textiles.

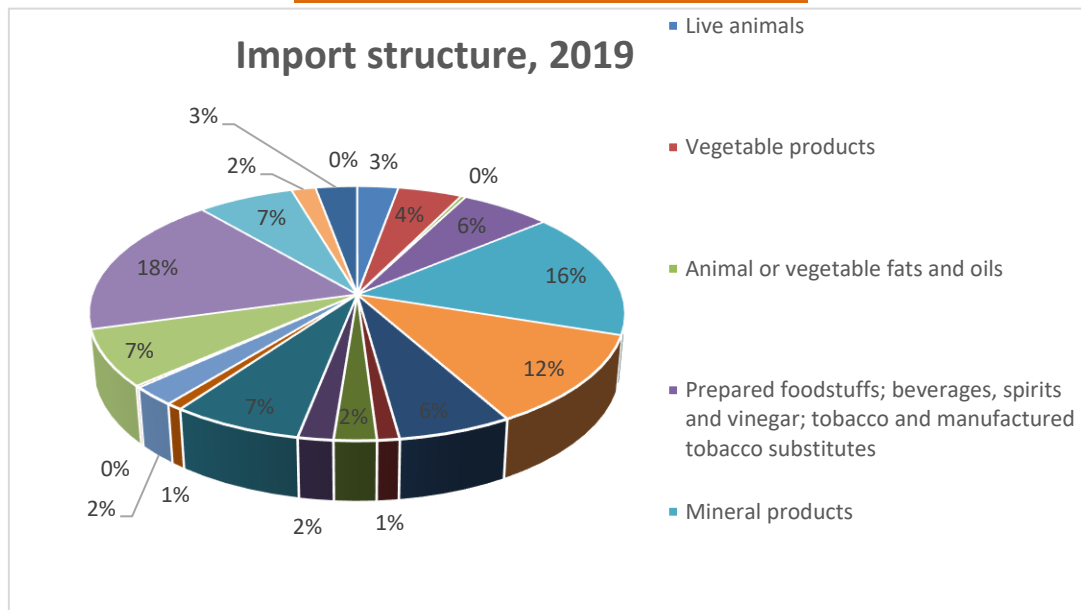
Figure 4. Export goods structure, 2019



Source: <https://statbank.statistica.md/>

The main imported goods were 18% machinery and mechanical appliances, 16% mineral products, 12% prepared foodstuffs and beverages, 12% products of chemical or allied industries.

Figure 5. Import goods structure, 2019



Source: <https://statbank.statistica.md/>

2. CAPITAL ACCESS OF SOCIAL ENTERPRISE IN MOLDOVA

Having an overview on financial market of Moldova in order to identify potential sources of financing for social entrepreneurship sector, specific financial tools are not recognized.

The banking sector operates on the market of the Republic of Moldova according to the requirements of Basel III, therefore the social enterprises do not qualify to be financed at banks.

Nonbanking financial institutions might be available for reimbursable funds. The market structure of nonbanking financial (NBF) is dispersed. According to institutional profile, maturity, strategy and business conditions of each NBF, three basic levels of nonbanking financial institutions might be accessed by SMEs and accordingly social enterprises (SEs) which are a part of SMEs. This categorization is further defined in terms of service coverage, the level of price, competence, and expertise.

Category I: NBFs in the emerging stages consist of majority of leasing companies, microfinancing institutions (MFI), credit and savings associations, informal-sector intermediaries (especially those working in rural areas), and even individuals who provide financial services. These NBFs operate spontaneously to fill market niches and charge very high rates of interest on loans to meet the demand of mostly poor people who work and do business in the informal sector.

Category II NBFs are institutions that are in a full growth and expansion phase, becoming financially self-sufficient, and increasing their outreach to high number of clients who previously had no access to financial services. Such institutions as Credit Rapid, Express Leasing,

Microinvest, and Easy Credit can be considered in this category. The highest strategic priority of mentioned companies is getting considerable profit margin in a very short period of time. The products provided by these companies are oriented to small and very small businesses and consumer lending clients charging high interest rates, high disbursement fee, and monthly maintenance fee and in some cases the fee for the analyses of client application. Usually, the projects are financed in 70% of cases for one-year maturity, and nominal interest rate is calculated to initial capital disbursed.

Category III NBFIs are fully mature financial institutions that are integrated into the formal nonbanking financial sector, either as leasing companies or MFIs. These institutions have the well-defined status on the market; have a strategy, market recognition of their brands. They are registered as MFIs mostly having as main target SMEs or operating mainly in specialized area such as mortgage and afterwards expanding in other areas such as agribusiness financing. Such types of institutions are competing directly with our Company. Among principal characteristics of this category are: (a) redness to adhere to financial-sector discipline; (b) evolving in a manner that enables to follow best practice principles and standards and operate as professional, business-oriented financial institutions; (c) access to seed capital, such as grants that support start-up operations and expansion; and (d) providing quality financial services that are in demand among the SMEs. In this category can be considered the following companies: Prime Capital (a mortgage company with 100% American capital, now starting to diversify its activities via financing agribusinesses, has good clients base, regional network, very visible on the market, has access to long term international resources), Corporatia de Finantare Rurala (mixed capital company which has diversified funding from IFIs, oriented to finance primarily SMEs businesses, good reputation on the market, has a long prove track record in dealing with SMEs, has access to different governmental cheaper funds designed for agriculture sector, has a regional network developed), BT Leasing and Total Leasing |& Finance (both of them 100% foreign investment, deal mostly with leasing operations, oriented to SME sector financing, have very aggressive pricing policy) and MAIB Leasing (the largest leasing operator, a part of the group, mother company being the biggest bank on the market, do to this has access to economical strategic deals such as infrastructure, big projects in production sector jointly with the bank).

As SMEs have access to considerably lower financing sources in all the economies when compared to large enterprises, for the developing countries such as Republic of Moldova this problem is even more actual. The main reasons for lower financing possibilities for SMEs are:

- Lack of/insufficient information regarding particular SMEs for the potential investors;
- Higher administrative and transaction costs;
- Lack of/insufficient pledge;
- Banking sector conservatism and high interest rates;
- Extending access to financial services to the remotest of rural areas in a cost-effective manner;
- The pervasive impression that microfinance is a social system of resource transfers to “beneficiaries” at subsidized interest rates, rather than a part of the financial sector (this impression explains in large part why national enabling environments still restrict MFIs from mobilizing savings and prevent them from achieving financial self-sufficiency due to interest rate ceilings);

- Institutional infrastructure is needed for microfinance, including service providers such as training institutes, accountancy, credit bureaus, and information technologies;
- The ability to serve the “missing middle,” that is, small- and medium-scale enterprises that grow beyond the capacity of an MFI to serve, but are still unable to access financial services from financial institutions;
- The cost of lending in rural areas is relatively high as a result of low population densities combined with low loan volume, poor transportation and communication facilities, which make unit delivery costs very high for small financial transaction and for many larger institutions, which often operate in urban areas, it is not worth the substantial investment required to move into rural areas;
- Successful models of savings and credit associations and village banks have not been developed yet.

Thus, the development of rural markets in Moldova is hindered by several natural factors to include, the high risk associated with the main economic activity-rain fed agriculture – and the difficulties in diversifying away this risk because of segmented markets caused by the above difficulties; and the absence of traditional physical collateral normally required by the banking system. Thus, the cost and risks associated with the delivery of lending services in rural areas is likely to be high, with negative consequence for the outreach and quality of portfolio. These problems overlap with those of microenterprise finance, but the above factors are special problems associated with providing sustainable financial services in rural areas.

Currently, in Moldova are available many programs which offer non reimbursable financial support for general business sector development and for SEs as well (see the summary table below and Annex 3 for detailed information). These financial programs may serve as financial support for social entrepreneurship development because they are aimed for business which has social objectives but they are available for classic business development as well.

Table 1. Programs offering financial support for business sector

Up to 50.000 MDL	Up to 250.000 MDL	Up to 500.000 MDL	Up to 1.000.000 MDL	More than 1.000.000 MDL
START pentru TINERI - Business Voucher	START pentru TINERI - Investment projects competition	Competitiveness Improvement Project	Innovation and technology transfer projects	Femei în Afaceri – Componenta III
Exhibition subsidy	Femei în Afaceri – Componenta II	Post-investment grants	Advance grants for start-up projects	<u>EIC Accelerator Pilot Horizon 2020 - European Commission</u>

Digitalizare IMM - Voucher	PARE 1+1	Advance grants to improve living and working conditions in rural areas	EU4Moldova: key regions	IFAD VII - Financing of infrastructure projects
Diaspora Engagement Hub - Innovative diaspora projects	SME Digitalization	Promoting measures to reduce climate and disaster risks in the water and civil protection sectors to increase the resilience of rural areas	Initiative pilot LEADER – UE 2020	Development of innovative enterprises (DIV)
Diaspora Engagement Hub – The professional return of the diaspora	IFAD VII - Grants to finance measures to adapt agricultural production systems to climate change			
	IFAD VII - Grants for women for business development and diversification			
	Moldova BAS Small Business Support Team			
	Energy Efficiency Projects Co-			

	financing Program			
	Sustainable and climate-resilient communities through women's empowerment			

3. CURRENT SOCIAL ENTREPRENEURSHIP LANDSCAPE IN REPUBLIC OF MOLDOVA

3.1. Legal Framework on Social Entrepreneurship in Moldova

In the broad European conception, the agents of the social economy / social entrepreneurship can be:

- Traditional non-profit forms: - non-governmental organizations (NGOs) - foundations - associations - parishes (forms of organization of religious cults with legal personality in some states)
- Traditional associative economic forms: - cooperatives - mutual societies
- Classical economic forms: - limited liability companies - joint stock companies - public-private partnerships.

Across all EU countries, all these forms are present, their share and place in the social economy phenomenon depending on both the history and culture of that country and the facilities granted to structures assimilated to the social economy. However, certain regional trends are emerging. Thus, the classical economic forms are more common in the Nordic countries, Great Britain and Ireland, the cooperative forms in France, Spain, Portugal and Italy and the non-profit forms especially in the former communist countries of Central and Eastern Europe. In the Republic of Moldova, non-profit forms predominate (public associations, foundations), but also some of the classic forms (LLC, Households).

The basic law governing entrepreneurship activity, including social entrepreneurship, is the Law of the Republic of Moldova on Entrepreneurship and Enterprises. Legal framework is completed by the following Laws and orders:

- Law on Public Associations, No. 837 of 17.05.1996, art. 261.
- Law on Entrepreneurship and Enterprises, no. 845-XII of 3.01.1992, Chapter VI¹
- Law on foundations. no. 581-XIV of 30.07.1999, art. 23¹
- Law on Social Services, no. 123 of 18.06.2010, art. 11 (2)
- Law on Social Inclusion of Persons with Disabilities, no. 60 of 30.03.2012, art. 32, 36
- Law on Employment and Social Protection of Persons seeking Employment, no. 102-XV of 13.03.2003
- LAW No. 223 of 02.11.2017 on amending and supplementing some legislative acts
- GOVERNMENT DECISION No. 1165 of 28.11.2018 on the approval of the Regulation on the organization and functioning of the National Commission for Social Entrepreneurship and the list of types of activity that constitute social entrepreneurship activities
- Order of the Minister of Economy and Infrastructure no. 130 of May 23, 2019 regarding the establishment of the National Commission for Social Entrepreneurship.

According to the Law no. 845/1992 on Entrepreneurship and Enterprises, art.1 "entrepreneurial activity" represents the activity of production manufacturing, execution of works and provision of services, carried out by citizens and their associations independently, on their own initiative, on their behalf, at their own risk and under their patrimonial responsibility in order to ensure a permanent source of income."²

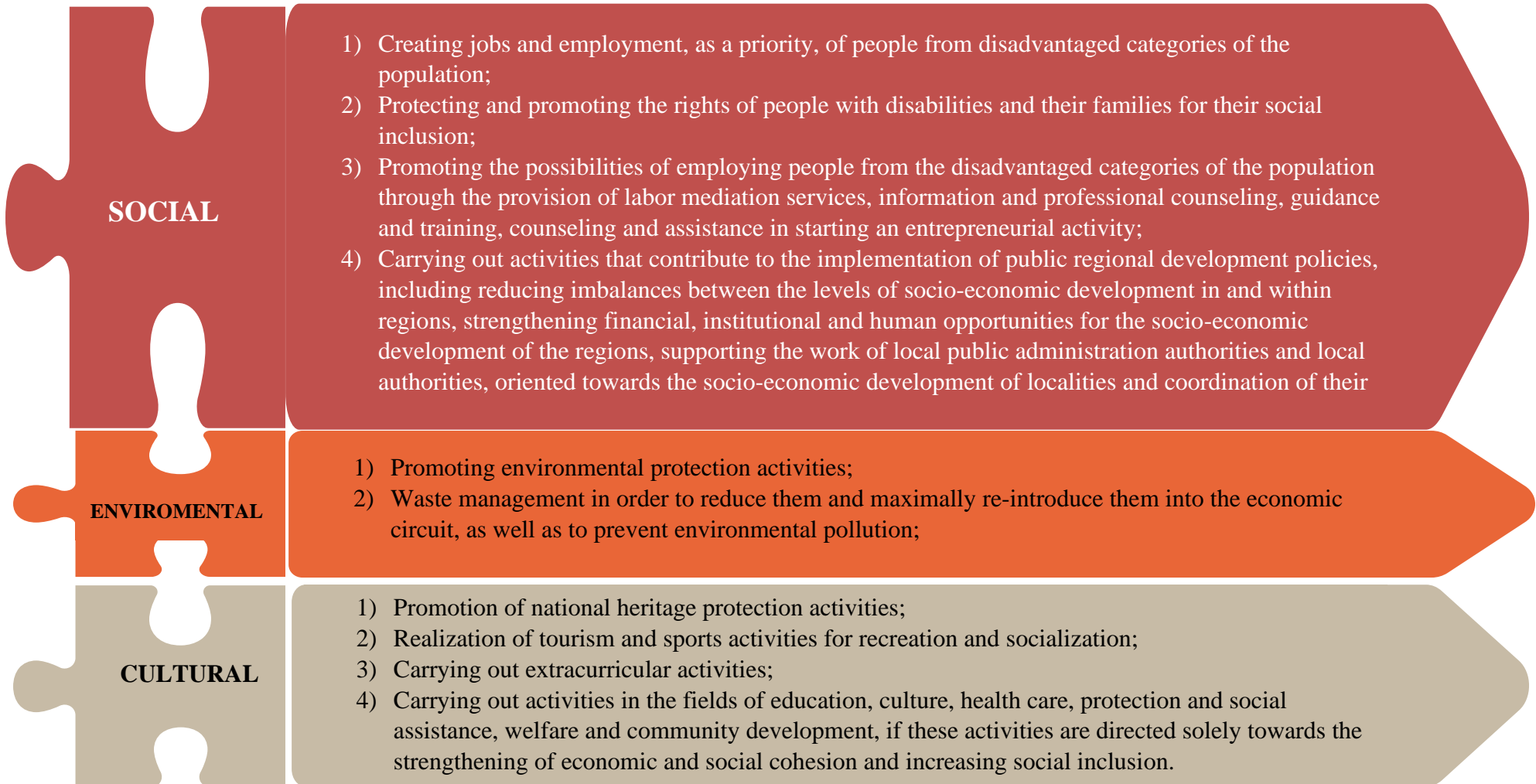
According to the legislation, the entrepreneurial activity can be carried out as a natural person - individual entrepreneur or as a legal person. The most common organizational-legal forms are: limited liability company; individual enterprise; joint -stock company; production cooperative; entrepreneur cooperative; general partnership; limited partnership.

As regards social entrepreneurship, in the Law on Entrepreneurship and Enterprise, in November 2017, a separate chapter on Social Entrepreneurship and Social Enterprise was introduced, which entered into force on June 24, 2018.

Thus, social entrepreneurship is an entrepreneurial activity whose main purpose is to solve social problems in the interest of the community. The list of types of social entrepreneurship activity is established by the Government, a social enterprise is considered the enterprises focusing on at least one of the areas described in the figure presented below.

² Law on Entrepreneurship and Enterprises, no. 845 of 03.01.1992, art. 1

Scheme 1. Social entrepreneurship activity type





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Source: Law no. 845/1992 on entrepreneurship and enterprises, completed with Chapter: Social entrepreneurship and social enterprise

Social entrepreneurship activity can be conducted by social enterprises and social insertion enterprises, focusing on improving living conditions and providing opportunities for people in disadvantaged categories of the population by strengthening economic and social cohesion, including at the level of local communities, by employment, by developing social services in the community's interest, by enhancing social inclusion.

As reported in the “Report on entrepreneurship analysis”, in order to execute the amendments to Law no. 845/1992 on entrepreneurship and enterprises (Monitor of the Parliament of the Republic of Moldova, 1994, no. 2, art. 33), with subsequent amendments and completions, the Public Association "MOTIVATION" Association of Moldova in partnership with the Eco-Razeni Association, contracted an expert who drafted the Regulation of the National Commission for Social Entrepreneurship. The Ministry of Economy and Infrastructure, with the support of the German Agency for International Cooperation, also hired an expert in social entrepreneurship - Angela Achiței, a social economy expert from Romania, who reviewed and validated the final form of the document. We mention the fact that the initial form of the regulation was elaborated by the expert contracted by the “MOTIVATION” Association in collaboration with the members of the coalition for social entrepreneurship from the Republic of Moldova.

By Decision no. 1165/28.11.2018, the Regulation on the organization and functioning of the National Commission for Social Entrepreneurship and the list of types of activity that constitute social entrepreneurship activities was approved. The Regulation contains stipulations concerning the organization and functioning of the Commission, its nominal composition, the method of granting and withdrawing the status of social enterprise or social insertion enterprise, including the procedure for examining the application for the grant of such status, as well as the control regarding the compliance with the status of social enterprise or insertion social enterprise.

According to the Law non-commercial organizations (public associations, foundations, religious denominations and private institutions) limited liability companies and production cooperatives, can operate in terms of a social enterprise after obtaining the status of social enterprise or social enterprise of insertion under Articles 36² and 36³ of Law no. 845/1992 on entrepreneurship and enterprises.

In order to be granted the status of social enterprise or social insertion enterprise, it will be necessary to file to the National Commission for Social Entrepreneurship the dossier containing documents confirming the carrying out of the social entrepreneurial activity. Currently, only 4 social enterprises have applied for the status award³.

³ Referring to the Outcome 3 as examined Logical framework indicator.

The statute is awarded for 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 is obtained from the moment of registration of the syntagma "Social enterprise" or "Social insertion enterprise" in the enterprise incorporation documents and in the State Registry in which the legal entity is registered (see table no. 2 for a detailed description) . The institution empowered with the state registration of individual entrepreneurs and legal entities is the Public Services Agency (Department of Registration and Licensing of Law Units).

According to Regulation on the organization and functioning of the National Commission for Social Entrepreneurship, the Commission is composed of 11 members (chairman, vice-chairman and members of the commission):

1. two representatives from the Ministry of Economy and Infrastructure, one representative from the Ministry of Health, Labor and Social Protection, the Ministry of Agriculture, Regional Development and Environment, the Ministry of Finance and the Ministry of Justice, at the level of Secretary of State, appointed in the manner established by to the relevant minister;
2. a representative of the Congress of Local Authorities of Moldova, appointed in the established manner;
3. 4 representatives of non-commercial organizations carrying out social entrepreneurship activities and of social enterprises, including social insertion enterprises, selected in the established manner.

Therefore, referring to the Logical framework indicator (outcome 1), conclusion is that Republic of Moldova have 4 social enterprises engaged in legislation building process. The most active is recognized Sergiu Gurău, Executive Director of Eco Răzeni Association.

Table 2. Basic features of Social Enterprise and Social Insertion Enterprise

	SOCIAL ENTERPRISE	SOCIAL INSERTION ENTERPRISE
PURPOSE	Social enterprise conducts social entrepreneurship activities to solve the social problems of community interest.	Social Insertion Enterprise creates jobs and employment for people from disadvantaged categories of the population, as a priority.
FOUNDERS	Public associations, foundations, religious cults, private institutions, and / or natural persons.	
LEGAL STATUS	<ul style="list-style-type: none"> • Non-commercial organization with the insertion in the statute about profit bearing activities • Limited Liability Company, Production Cooperative 	

<p>CONDITIONS FOR GRANTING STATUS</p>	<ul style="list-style-type: none"> • To ensure associates equal voting rights, regardless of the participation in the share capital; • To reinvest at least 90% of the profit in achieving the set goals; • To apply the principle of social equity to employees, ensuring fair pay levels, between which there can be no differences that exceed the ratio of 1 to 5; • To have no debts to the national public budget; • expressly stipulates in the constitutive act the areas in which it carries out its activity, as well as the fact that: <ul style="list-style-type: none"> –does not distribute the property acquired from the time of obtaining the social enterprise status from social entrepreneurial activities and more than 10% of the profits between its members and its founders, including in case of reorganization or liquidation; –in the event of liquidation, transfers the assets remaining after satisfying its creditors' claims to one or more social enterprises, social insertion enterprises or non-commercial organizations that have acquired the status of social enterprise or social insertion enterprise. <p>✓ At least 30% of the staff employed in the disadvantaged categories of the population, so that the cumulated working time of these employees represents at least 30% of the total working time of all employees;</p> <p>✓ In the act of incorporation, it is stipulated, as an objective, the creation of jobs and employment, as a priority, of people from disadvantaged categories of the population.</p>	
<p>FACILITIES</p>	<ul style="list-style-type: none"> ○ Free counseling from public authorities and institutions to setting up and / or developing business; ○ The right to participate in the procedures for the award of public procurement contracts, in accordance with public procurement law; ○ State aid through approved state programs in compliance with the relevant legislation 	<ul style="list-style-type: none"> ○ The allocation of some premises and / or land which are in the public property of the administrative-territorial units, in compliance with the provisions of Law no. 436/2006 on local public administration, for the purpose of carrying out the activities for which it has been granted the status of social insertion enterprise; ○ Support in the promotion of products produced and / or supplied, services rendered or works performed within the community, as well as in identifying sales outlets for them; ○ Support in the promotion of tourism and its related activities by capitalizing on the local historical and cultural heritage; ○ Other facilities and tax exemptions granted by the local public administration authorities under the law.

The table presented below may be considered as a guide which summarize Social Entrepreneurship legal framework and highlight the practical aspects regarding social enterprise establishment issues and fiscal facilities applied.

Table 3. Social Enterprise registration

	Social Enterprise Statute	Social insertion enterprise status
Legal form	<p>Should be registered at Public Services Agency</p> <p>(Legal status: Legal entity)</p> <p>The social enterprise is the enterprise constituted by public associations (AO), foundations, religious denominations, private institutions and / or natural persons that carry out social entrepreneurship activities.</p> <p>The status of social enterprise can be obtained by limited liability companies and production cooperatives, consisting of public associations, foundations, private institutions, if they reinvest at least 90% of the profit in carrying out the activities mentioned above, do not have debts to the national public budget, apply the principle of social equity towards employees, ensuring fair pay levels, in which there can be no differences exceeding the ratio from 1 to 5.</p>	<p>Should be registered at Public Services Agency</p> <p>(Legal status: Legal entity)</p> <p>Social insertion enterprises are social enterprises that aim to create jobs and, as a matter of priority, employ people from disadvantaged sections of the population.</p> <p>There are 2 mandatory cumulative conditions provided by law to obtain the status of a social insertion enterprise:</p> <p>a) have, permanently, at least 30% of the employed personnel belonging to the disadvantaged categories of the population, so that the cumulated working time of these employees represents at least 30% of the total working time of all employees;</p> <p>b) expressly stipulates in the act of constitution, as an objective, the creation of jobs and the employment, as a priority, of persons from the disadvantaged categories of the population.</p> <p>The status of social enterprise or the status of social insertion enterprise is assigned by the National Commission for Social Entrepreneurship for a period of 3 years, with the possibility of extension if it is proven that the conditions underlying the allocation of that status are met, and is obtained from when the phrase "Social enterprise" or "Social enterprise of insertion" is entered in the articles of incorporation of the enterprise and in the state register in which the respective legal person is registered.</p>
Enterprise name (example)	<p>The full name of the social enterprise must include, obligatorily, the "name of the company" with the legal abbreviations to which the status of social enterprise will be added, written in the state language.</p>	<p>The full name of the social insertion enterprise will necessarily include the "company name" with the legal abbreviations to which the status of social insertion enterprise will be added, written in the state language, in the incorporation documents.</p>

<p>Share Capital (sum)</p>	<p>Determined by the previous legal form and equal in value to the share capital prior to obtaining the status of social enterprise</p>	<p>Determined by the previous legal form and equal in value to the share capital prior to obtaining the status of social enterprise</p>
<p>Bank account</p>	<p>Obligatory</p>	<p>Obligatory</p>
<p>Registration at Public Services Agency</p>	<p>In order to obtain or extend the status of social enterprise, the limited liability companies, non-commercial organizations and production cooperatives (in the statute of which the commercial activity is indicated) present to ASP a file (on paper at the ASP headquarters) containing the following documents:</p> <ol style="list-style-type: none"> 1. Application for model assignment or extension of status; 2. The minutes of the General Assembly of the members or of the founders by which the amendments and / or completions in the act of incorporation were approved; 3. The act of incorporation of the legal entity; 4. Confirmation regarding the absence of debts to the national public budget; 5. Copy of the identity card of the applicant's administrator or of the delegated person; 6. The declaration on his own responsibility that the applicant fulfills the conditions provided in Article 363 point 1, as the case may be, and point 2 of Law no. 845/1992 on entrepreneurship and enterprises (annex no. 1 and annex no. 2 to the Regulation on the organization and functioning of the National Commission for Social Entrepreneurship approved by Government Decision no. 1165/2018). <p>For non-commercial organizations, in the statute of which the commercial activity is not indicated, first presents to the National Commission for Social Entrepreneurship within the Ministry of Economy and Infrastructure a file containing the above mentioned documents: (on electronic support to the e-mail address: secretariat.comisia.as@mei.gov.md) and then go to ASP to register the changes.</p>	<p>In order to obtain or extend the status of insertion social enterprise, the limited liability companies, non-commercial organizations and production cooperatives (in the statute of which the commercial activity is indicated) present to ASP a file (on paper at the ASP headquarters) containing the following documents:</p> <ol style="list-style-type: none"> 1. Application for model assignment or extension of status; 2. The minutes of the General Assembly of the members or of the founders by which the amendments and / or completions in the act of incorporation were approved; 3. The act of incorporation of the legal entity; 4. Confirmation regarding the absence of debts to the national public budget; 5. Copy of the identity card of the applicant's administrator or of the delegated person; 6. The declaration on his own responsibility that the applicant fulfills the conditions provided in Article 363 point 1, as the case may be, and point 2 of Law no. 845/1992 on entrepreneurship and enterprises (annex no. 1 and annex no. 2 to the Regulation on the organization and functioning of the National Commission for Social Entrepreneurship approved by Government Decision no. 1165/2018). <p>And for non-commercial organizations, in the statute of which the commercial activity is not indicated, first presents to the National Commission for Social Entrepreneurship within the Ministry of Economy and Infrastructure a file containing the above mentioned documents: (on electronic support to the e-mail address: secretariat.comisia.as@mei.gov.md) and then go to ASP to register the changes.</p>

Material liability	Equivalent to that applicable to the legal form prior to obtaining the status of social enterprise	Equivalent to that applicable to the legal form prior to obtaining the status of social enterprise
Form of taxation and facilities	Equivalent to that applicable to the legal form prior to obtaining the status of social enterprise plus: <ol style="list-style-type: none"> a. free advice from public authorities and institutions on setting up and / or developing the business; b. the right to participate in the procedures for awarding public procurement contracts, in accordance with the legislation on public procurement; c. state aid through state programs approved in compliance with the relevant legislation. d. facilities from the local public administration authorities 	Equivalent to that applicable to the legal form prior to obtaining the status of social enterprise plus: <ol style="list-style-type: none"> a. free advice from public authorities and institutions on setting up and / or developing the business; b. the right to participate in the procedures for awarding public procurement contracts, in accordance with the legislation on public procurement; c. state aid through state programs approved in compliance with the relevant legislation. d. facilities from the local public administration authorities

Note!!! There is a difference between fiscal facilities regarding the different legal status prior to obtaining the status of social enterprise. For example, public organizations have the right to attract income taxes from private organizations and individuals (the Law of 2%), based on their status as public organizations. Limited Liability Company (LLC) organized social enterprise are not eligible for this fiscal facility.

According to the “Report on entrepreneurship analysis”, elaborated with the support of the Project “Advising the Government of the Republic of Moldova on economic policies”, implemented by GIZ Moldova with the financial support of the Federal Ministry for Economic Cooperation and Development of Germany (BMZ) and the Swiss Agency for Development and Cooperation (SDC) in September 2019, another important aspect of social enterprise is management. Its quality is expected to be as high as in the classical economic sector, but the main goal of management is not to maximize profit, but to fulfill the social mandate of the organization. This leads to a management approach, based rather on partnership with customers and beneficiaries and to a more participatory way of running the organization. In the EU countries, no problems are reported in identifying and exercising adequate management of social enterprises, while in the countries of the former communist bloc there is a lack of adequate experience in economic management. This is especially because most social enterprises were started by non-profit organizations without much experience in the business management.

Therefore, European countries report numerous successful social enterprises. For example, other European countries have developed social entrepreneurship sector based on a clear legal framework on social entrepreneurship, but in Germany the concept is promoted and educated in schools and Universities.

Main Conclusions

Currently, in Moldova exist organizations with eligible legal forms and corporate objectives which can submit for Social Enterprise status. But, because of limited activity of National Commission of Social Entrepreneurship caused by current pandemic restrictions, the process of Social Enterprise status award stagnates. Moreover, the lack of registration systems and, implicitly, of a centralized record, makes difficult any very precise evaluation.

Successful development of social enterprises in the Republic of Moldova is not possible without an explicit, complex legal framework on social entrepreneurship activity and clear methodology of all regulations' execution.

Social entrepreneurship in Moldova is in its early stages of development and cannot grow without a series of constant efforts and sustained by all actors involved. In addition to the legislative framework, it is necessary to initiate concrete measures to create a development-friendly ecosystem: access to various financing instruments and markets, business support structures, human resources development and research, differentiated fiscal and non-fiscal facilities by types of social enterprises etc. This requires some important steps:

- Elaboration of a public policy document or a national program for the development of social entrepreneurship
- Harmonization of secondary legislation with the Law on Social Entrepreneurship
- Piloting programs such as: grant administrator schemes that include: training / mentoring / funding / promotion / impact measurement
- Elaboration of a National Strategy for the Development of Social Entrepreneurship accompanied by a multi-annual action plan
- Periodic data collection / research / evaluation / human resources development.⁴

3.2. Current Social Entrepreneurship Structure In Moldova

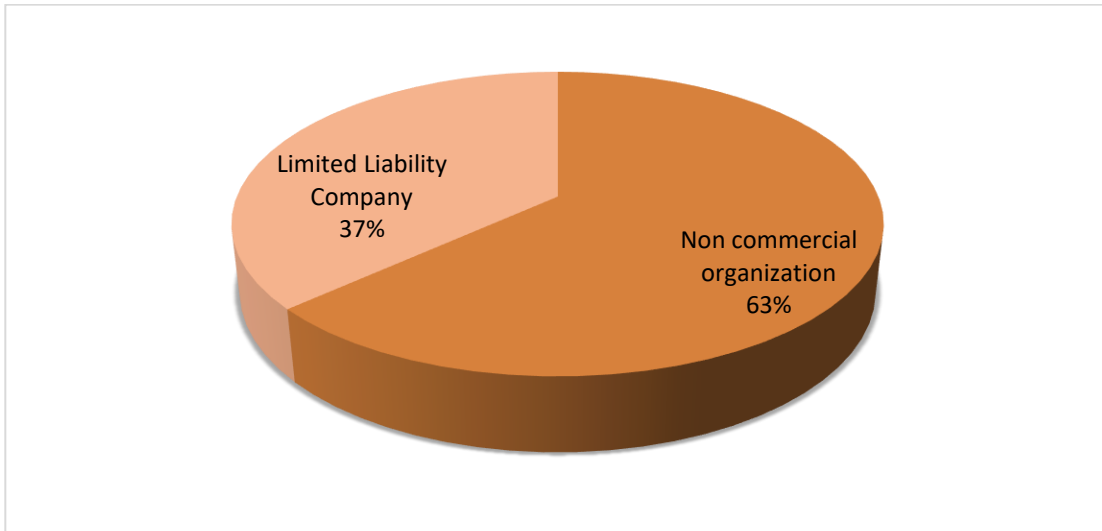
The catalogue of social enterprises in Republic of Moldova counts 48 entities. The catalogue was formed by Eco Razeni Association⁵ in order to monitor social entrepreneurship in Republic of

⁴ "Report on entrepreneurship analysis", elaborated with the support of the Project "Advising the Government of the Republic of Moldova on economic policies", implemented by GIZ Moldova with the financial support of the Federal Ministry for Economic Cooperation and Development of Germany (BMZ) and the Swiss Agency for Development and Cooperation (SDC) in September 2019

⁵ www.antreprenoriatsocial.md

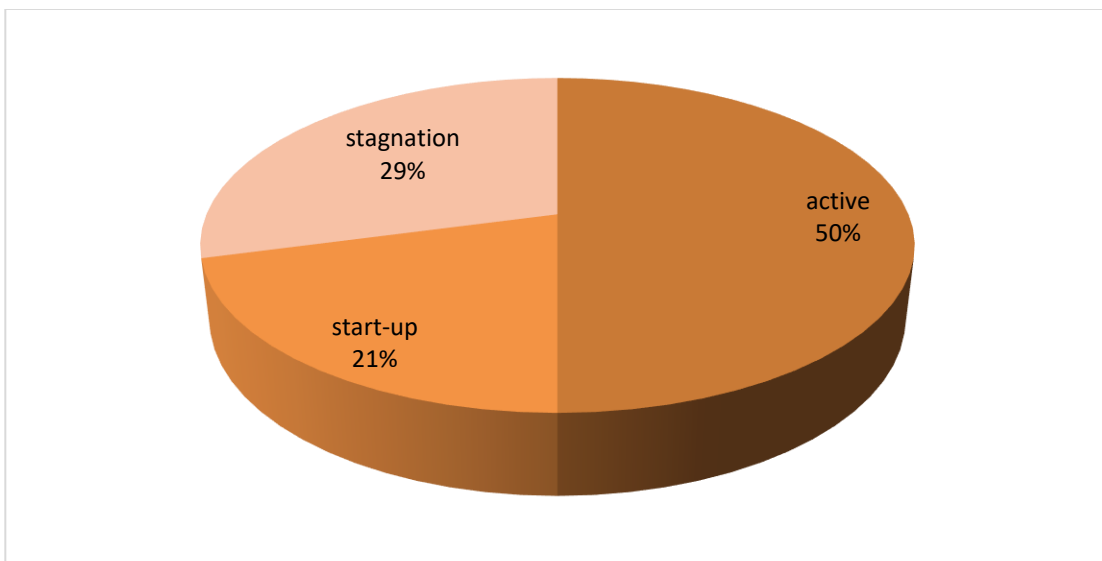
Moldova. Therefore, in Moldova 18 enterprises (37%) have legal form Limited Liability Company, other 31 (63%) are non-commercial organizations.

Figure 6. Social enterprises' structure by legal status



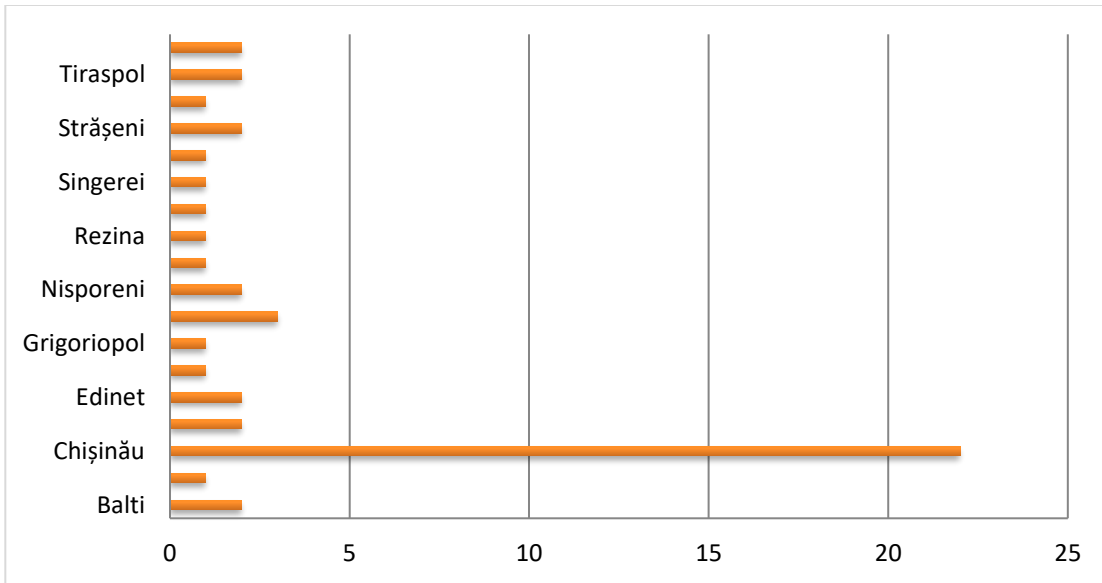
According to their stage of development, active social enterprises are categorized in 50% active, 21% are start-ups and 29% are in stagnation phase. For enterprises stagnation stage of development represents a critical period, when entrepreneur should decide on two further scenarios of development: redesign of business or bankruptcy.

Figure 7. Social enterprises' structure by stage of development



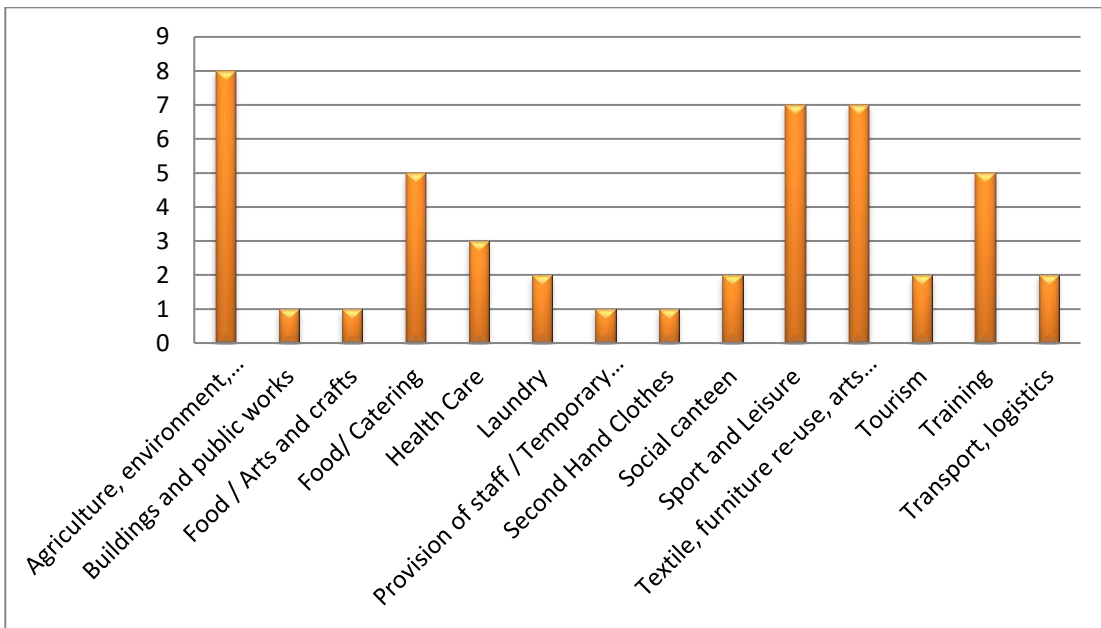
According to their location, social enterprises are mostly located in Chisinau, capital of Moldova, approximately 54%. The other 46% of them are spread in localities in the North and Central parts of Moldova.

Figure 8. Social enterprises' structure by location



Social enterprises have different field of activity. Despite their diverse activities the most important are presented in the figure below. The most explored field by social enterprises is agriculture, which arguments the agricultural specific of the country.

Figure 9. Social enterprises' structure by field of activity



3.3. Existent Infrastructure For Social Entrepreneurship In Republic Of Moldova

In Moldova exists several organizations that are offering training and informational support for Social Entrepreneurship:

1. Keystone Moldova Training Center, launched on March 24, 2016, was developed as a social entrepreneurship activity with the support of Moldova-Soros Foundation. The profits from the Training Center activities are redirected to support community living of people with intellectual and psycho-social disabilities that have left residential institutions.

Through its social mission, Keystone Moldova Training Center offers prospective customers the possibility to contribute directly to the improvement of lives of people with intellectual disabilities and their families! You can find more information regarding the Training Center on the Facebook Page instruiri.md(external website)

Contact information

Albișoara 42/1 Street, Chisinau, Republic of Moldova
 Tel./fax: +37322 85 69 62, 85 69 61, +373 68 522 933

E-mail: instruiri.md@gmail.com



2. Ecovisio is a non profit organization which dedicates its work to gradual realization of the full potential of Moldova and its neighborhood as a model region for sustainable development. For this purpose we run educational and empowerment programs for individuals, create and advocate for viable examples of ecological and social innovations and boost cooperation between changemakers through networks' development. Ecovisio put high emphasis on cooperation with other actors of sustainable development in Moldova and abroad - such as environmental NGOs, educational institutions, ministries, both national and foreign, embassies, companies and international organizations

Contact information

Tel: +373 79456612

E-mail: info@ecovisio.org

Web site ecovisio.md

EcoVisio President JULIAN GRÖGER

3. Organization for Small and Medium Enterprises Sector Development (ODIMM) is a public institution that started its activity 12 years ago with a great deal of determination to support entrepreneurship in the Republic of Moldova.

ODIMM has become a serious and trustworthy supporter of those eager to start a business by accessing programs designed for them, offers them the opportunity to develop their business to make it prosperous and functional both, in the country and abroad. At the same time, through various credible ways, it also supports existing companies. If you want to succeed in entrepreneurship, learn from us how to avoid certain pitfalls and save time to make money.

Contact information

134 ȘTEFAN CEL MARE ȘI SFÂNT boulevard, Chisinau, Republic of Moldova

Fax: + 373 (22) 29 57 97

Tel: [+373 22 225 799](tel:+37322225799)

E-mail: office@odimm.md

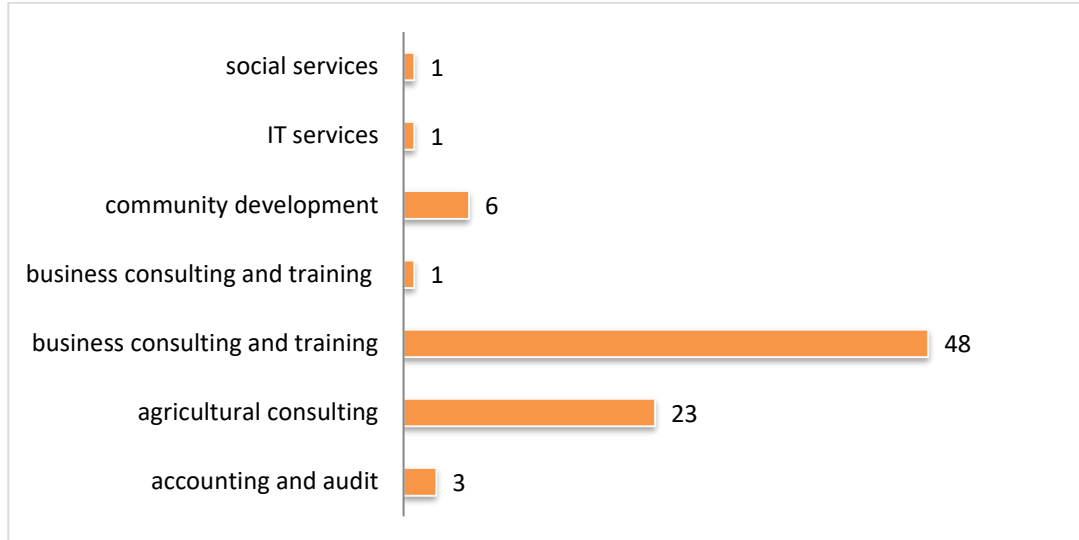
Web site odimm.md

General director: Costin Iulia

In order to offer consulting support for potential entrepreneurs, a list of organizations was formed (see annex 1). 48 out of 84 organizations have the role of information centre and offer business consulting and training for entrepreneurs in general. 23 out of 84 organizations are aimed to offer

consulting services for agricultural sector. 6 of them serve for community development implementing different local projects. Others have a more specific role and offer IT, social and audit services.

Figure 5. Consulting organization for entrepreneurs



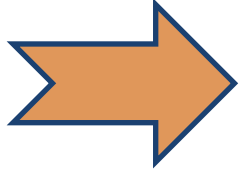
Business incubators

In Republic of Moldova exist 11 business incubators (see annex 2). The Network of Business Incubators of Moldova (RIAM) is a cooperation platform created through a voluntary understanding of its members, in order to promote the role of Business Incubators in economic development and their recognition at national and international level.

Business incubators contribute to:

- Promoting the principles of business incubation among the population and especially for novice entrepreneurs;
- Expanding the development capacities of Business Incubators and their residents;
- Strengthening the absorption capacity and efficient use of public / donor funds.

Therefore, business incubators create a favorable environment for social entrepreneurship.



In conclusion, the existing infrastructure constitutes an important basis for the development of social entrepreneurship on the one hand, and on the other hand it is a source of potential social entrepreneurs because the beneficiaries or users of these organizations represent the target audience.

3.4. Social Entrepreneurship Communication Infrastructure

The tables presented below reflect people (ambassadors, journalists, bloggers, vloggers) and institution (media channels, online press, communities) who promote social entrepreneurship in

Moldova or ever had talks related to this topic. Therefore, more than 35 journalists and bloggers/vloggers contribute towards a positive environment for Social Entrepreneurship (related to the indicator headed in Logical Framework).

3.5. Project Indicator Analysis

In order to have a more efficient approach to the project and to give practical sense to the study, an online survey was conducted during the period of 13/05/2020 – 22/05/2020. 107 respondents have been registered. According to the historical development of social entrepreneurship in Moldova reasonable was to involve experienced social entrepreneurs / social initiatives in order to represent better target group of the project. Target group represent 18-35 years old young people, NGO leaders, social entrepreneurs. Youth representatives were asked to complete first 10 questions, ONG leaders, social entrepreneurs were asked to complete the whole questionnaire.

The first objective of the survey was to identify the young people's general perception about entrepreneurship, the reasons that would lead them to enter into social business, and the main impediments to engaging in such activities.

The questionnaire contained questions regarding:

- Profile of respondents;
- Young people's perception on entrepreneurship;
- Their opinion about qualities required for business success;
- Their opinion about factors that hinder the business success in the Republic of Moldova and the necessary support to be provided to young people for business development.
- Young people's preference to assimilate the information about social entrepreneurship.

The second objective of the survey was to identify young people with entrepreneurial potential. The online survey was disseminated through youth organizations members and beneficiaries, but not only.

The third objective of the survey was to discover the real situation of social entrepreneurship in Moldova and conclude the existing experience of active social entrepreneurs.

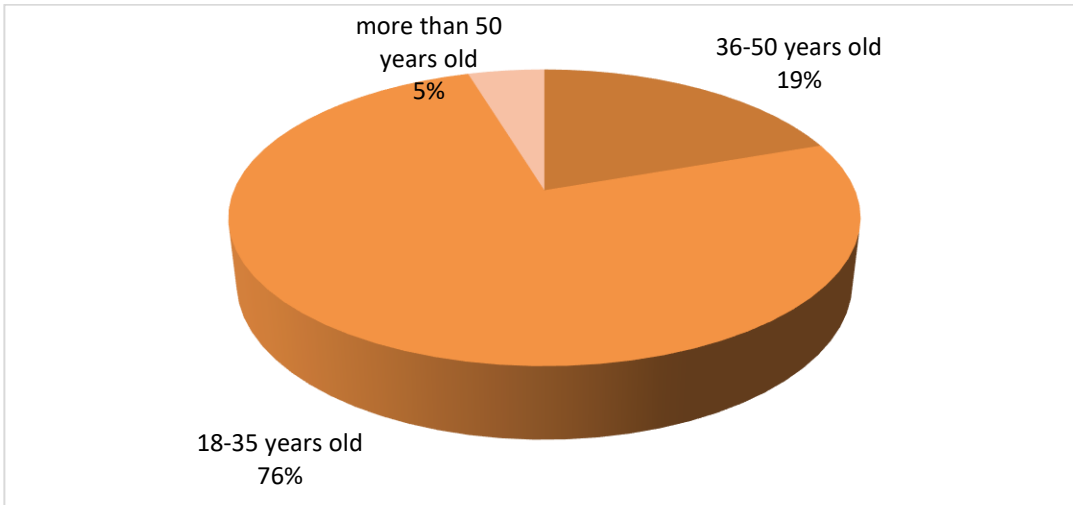
For data collection and processing the Google forms were used.

Respondent profile

Online questionnaire was disseminated through our partners (youth organization, business hubs) from different regions of Republic of Moldova.

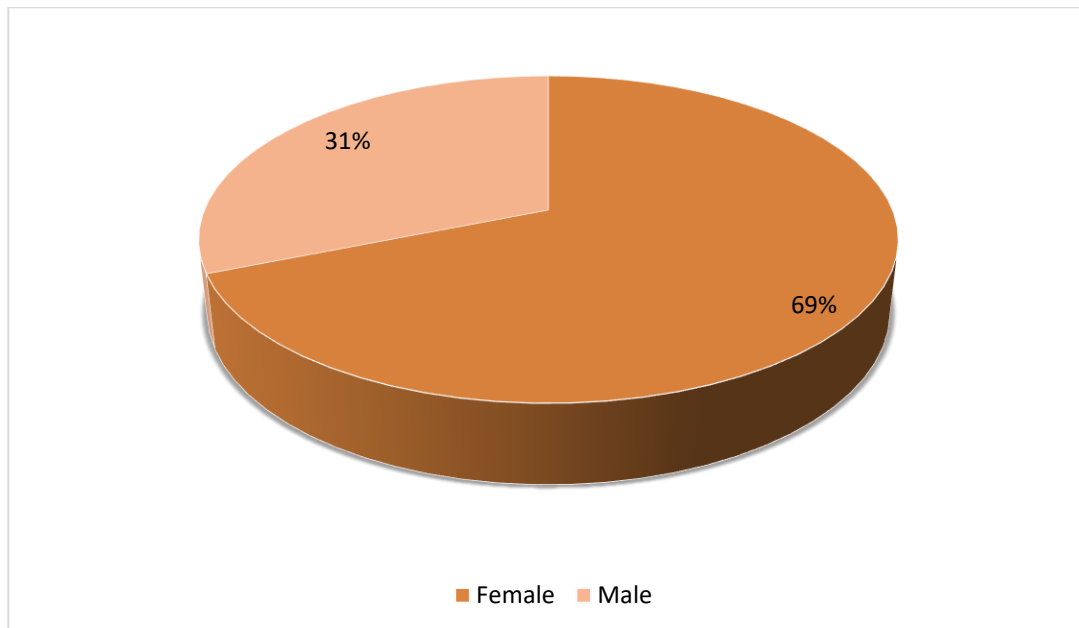
81 young people from different areas of Republic of Moldova have participated to the survey, which represent 76% of total. Other 24 % are representatives from other age range people (19 % are 36-50 years old and 5 % more than 50 years old).

Figure 10. Age of respondents



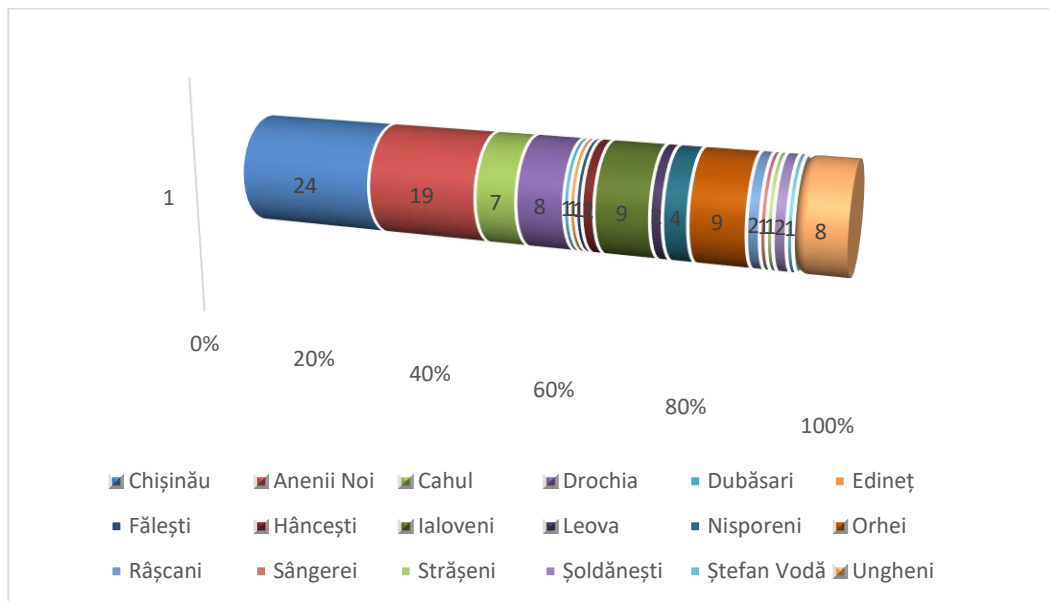
According to survey results, 69% of all respondents are women and 31% are men.

Figure 10. Gender of respondents



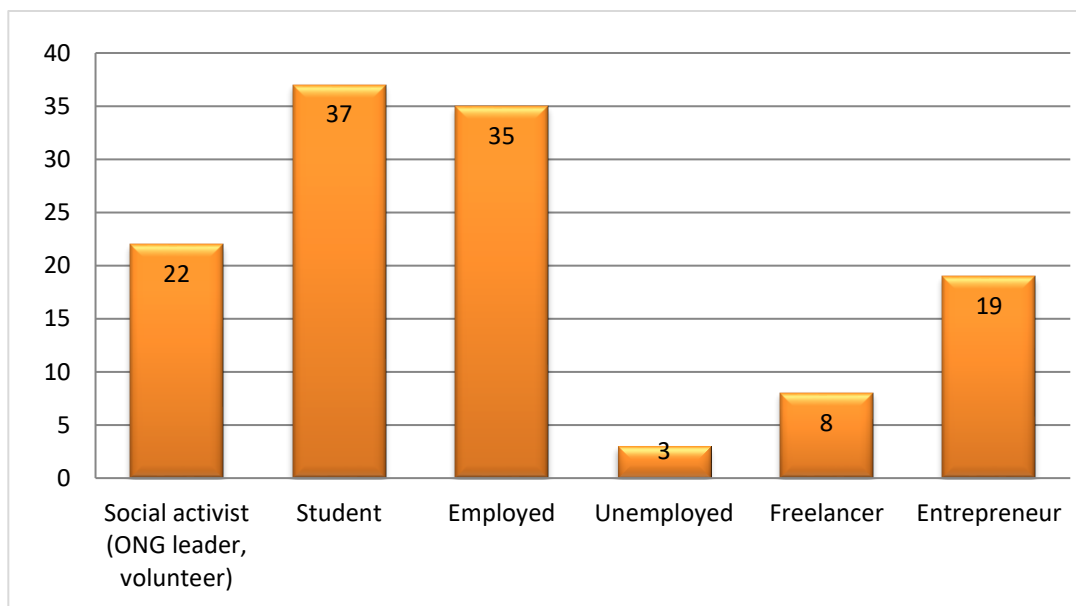
In order to identify the areas where young people are more proactive and are more interested in social entrepreneurship several districts are highlighted Chisinau 23,4 %, Anenii Noi 17,8%, Ialoveni 8,4 %, Ungheni 8,5 %, Drochia 8,5%, Orhei 10,3%, Cahul 6,5%, Nisporeni 3,7%. It is observed that young people are more proactive in districts where they have supportive institutions: youth organizations, business hubs, business incubators.

Figure 11. Territorial habitation of respondents



Regarding the current occupation, most of respondents are students (34,6%), 32,7% - employees, 19,6% entrepreneurs, 20,6% social activists (Ong leader, volunteer), 7,5% freelancers, and 3 % of them are unemployed. As well, respondents mentioned that they can have supplementary roles in society and combined forms of occupation, for example they may be employed and be social activist, or student and social activist.

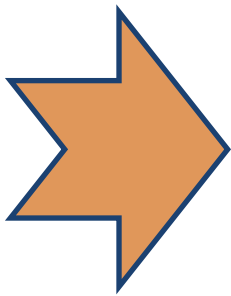
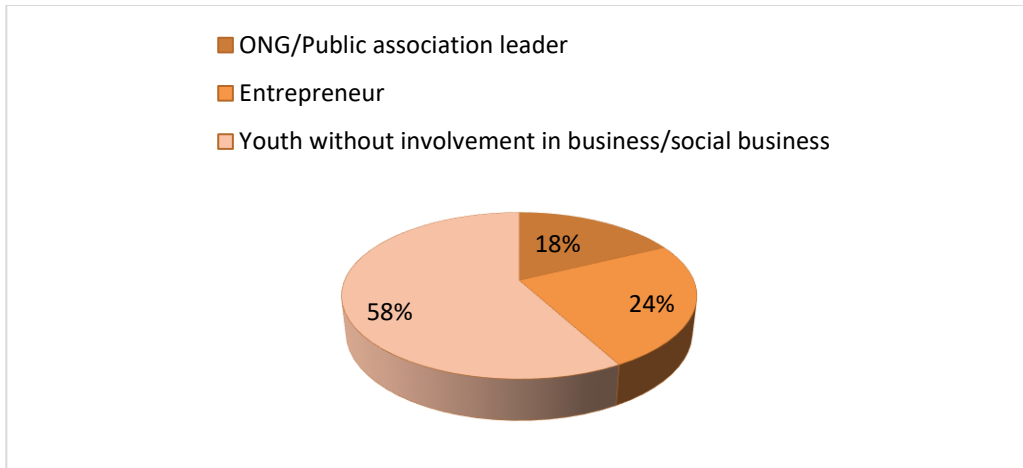
Figure 12. Current occupation of respondents



According to online survey results 58% of respondents have no involvement in business, which represent target group for the first and second objective of the study – to identify general perception

about social entrepreneurship and to identify young people with entrepreneurial potential. 24% are entrepreneurs and 18% are NGO/ Public Association Leaders, which represent target group for the third objective of the study – to discover real situation of social entrepreneurship in Moldova.

Figure 13. Connection with Social Entrepreneurship



Conclusion:

- 1) People older than 35 years old are involved in social entrepreneurship and represent social entrepreneurs with experience in NGOs.
- 2) Women are more interested in social entrepreneurship;
- 3) Young people are more proactive in districts where they have supportive infrastructure: youth organizations, business hubs, business incubators.
- 4) Proactive people can have multiple roles in society and practice more than one occupation.

General perception about social entrepreneurship

When asked what does social entrepreneurial activity mean to them, 61% of the respondents surveyed said that creation of the benefits to society (solving social needs), 43,9 % - job creation for socially disadvantaged people and 40,2% - the opportunity to solve a problem. Mostly, for survey participants, the entrepreneurial activity is associated with the benefits to society rather than with benefits people can obtain from the start of a business. Thus, only 29% of the respondents associate entrepreneurship with the opportunity to solve a problem and earn money or a more advantageous way to run a business. The number of those who linked the entrepreneurial activity with the occupation that they have passion for is 27 (or 25,2%) of the total number of respondents.

Figure 14. What is social entrepreneurship?

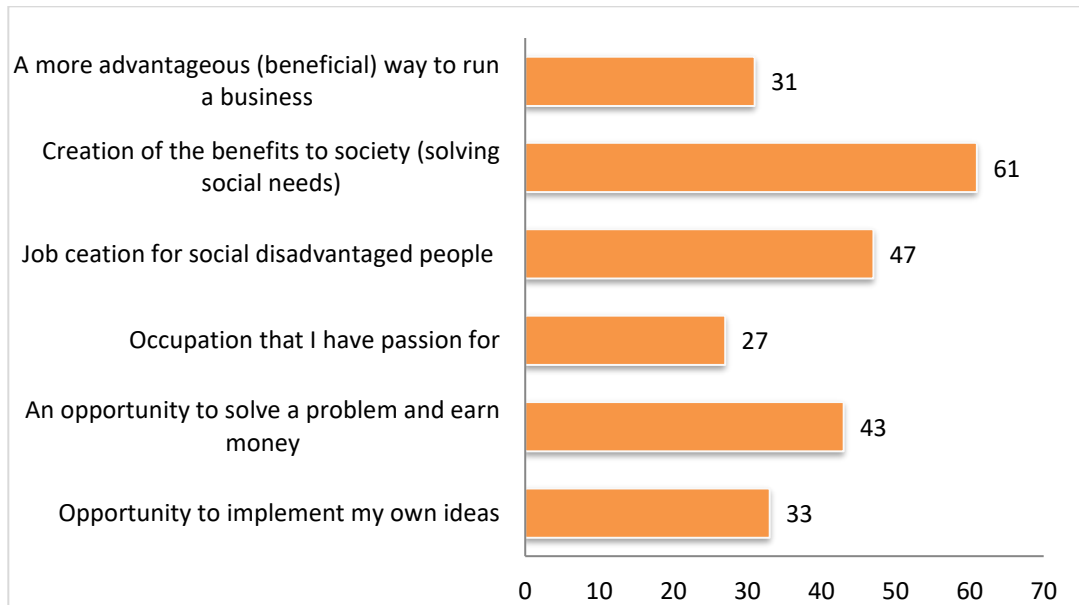
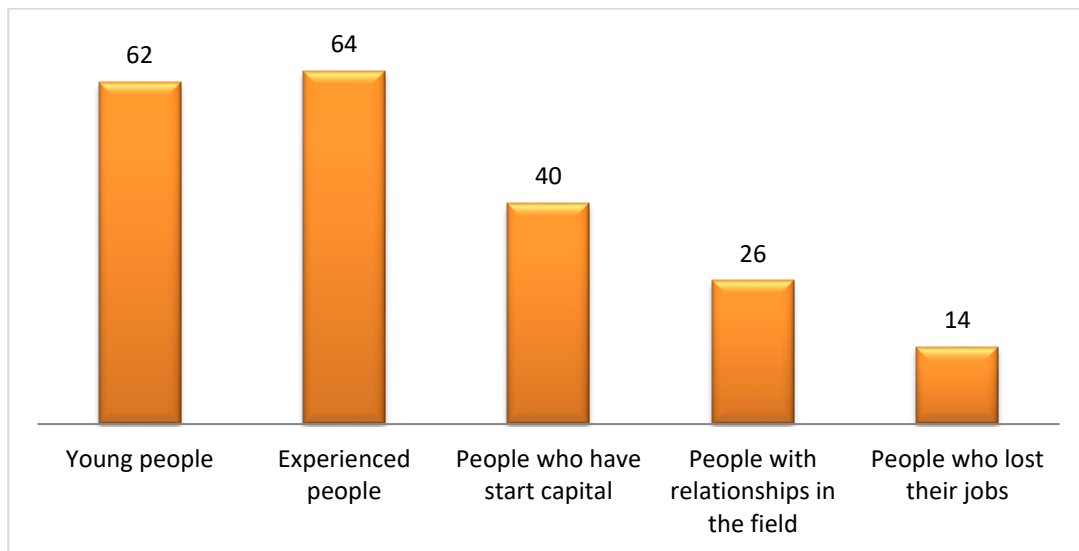


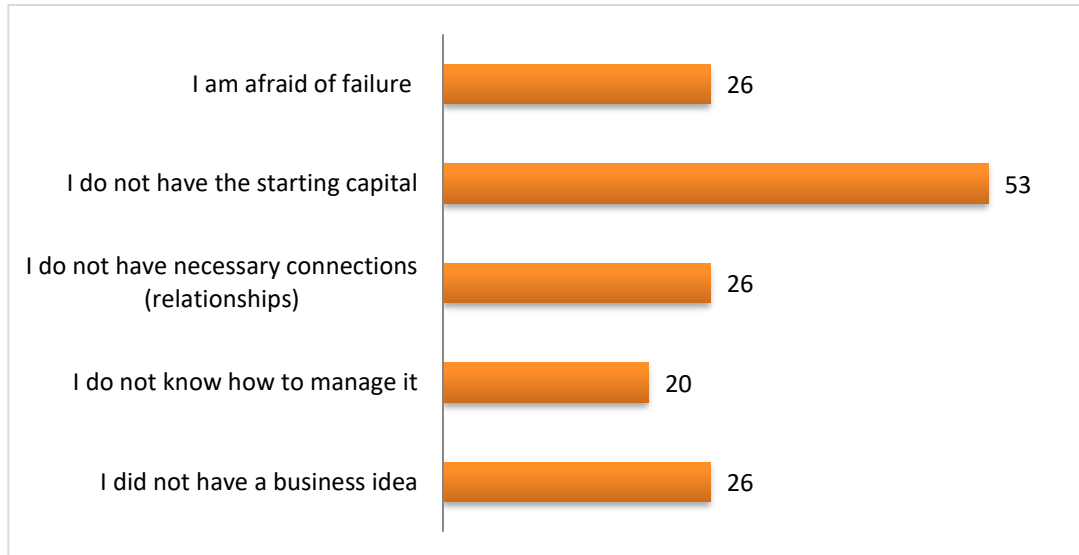
Figure 15. Profile of people who have initiative in social entrepreneurship



Although young people have initiatives and are most often oriented towards solving social needs, however they still think that the most frequently in the Republic of Moldova open businesses people who have experience (64 respondents), financial resources (40 respondents), as well as people who have relationships in the field (26 respondents). Regarding people who lost their jobs, 14 respondents think they also can be motivated to start a business. Besides that, other respondents

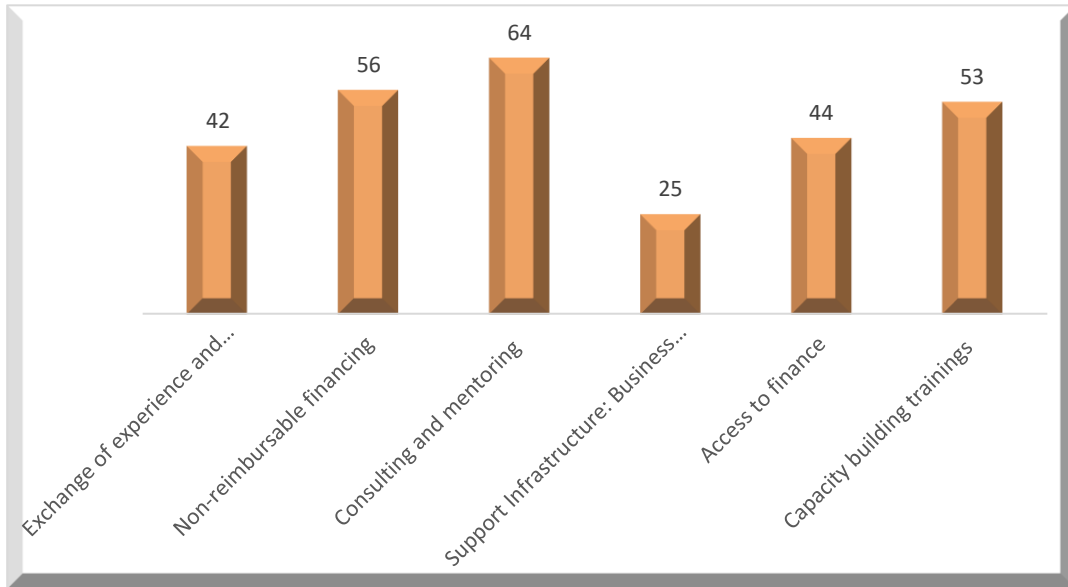
mentioned that any person who have desire to work, have entrepreneurial potential and are ambitious can start a social business.

Figure 16. Why didn't you start your business/social business yet?



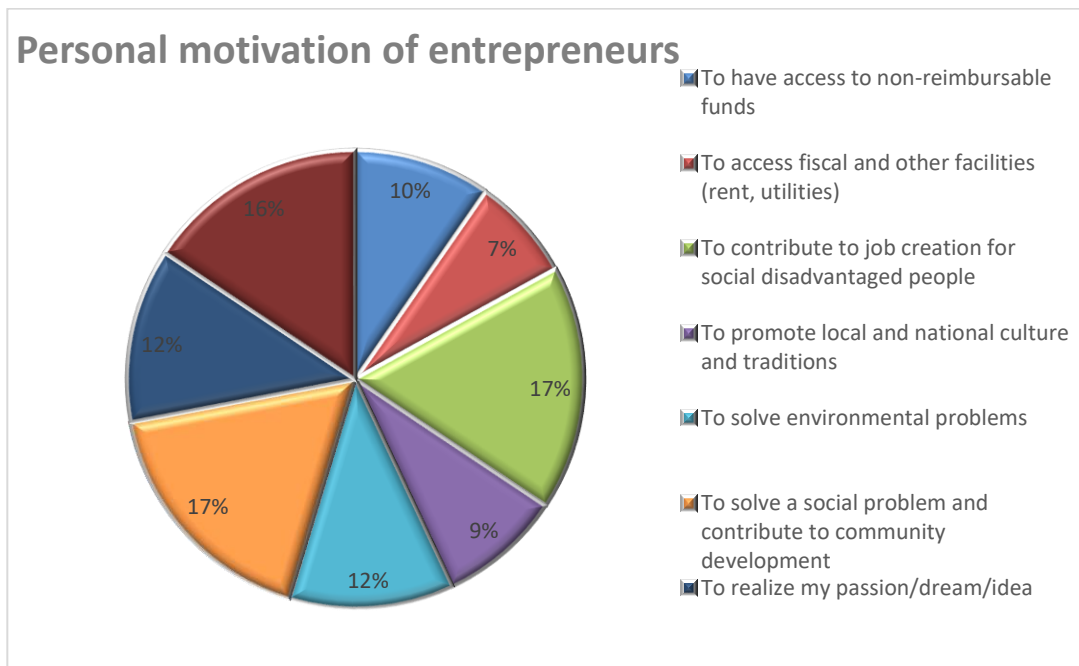
The question had the goal to identify the reticence regarding business/social business. The answers to the question (multiple choice question) about what prevented them from starting a classic or social business were registered accordingly: 53 respondents (49.5%) mentioned the lack of starting capital, 26 (24.3%) respondents have fear of failure, 26 consider they don't have necessary connections, other 26 respondents 20.2% - they did not have business ideas, 20 of respondents (18,7%) think they don't know how to manage a business, 9 of respondents (8%) mentioned that they already have a business and other 6% - invoked other reasons (lack of time, lack of opportunities, lack of knowledge in social entrepreneurship, bureaucracy).

Figure 17. What kind of support it is considered useful in starting and developing a business in Moldova?



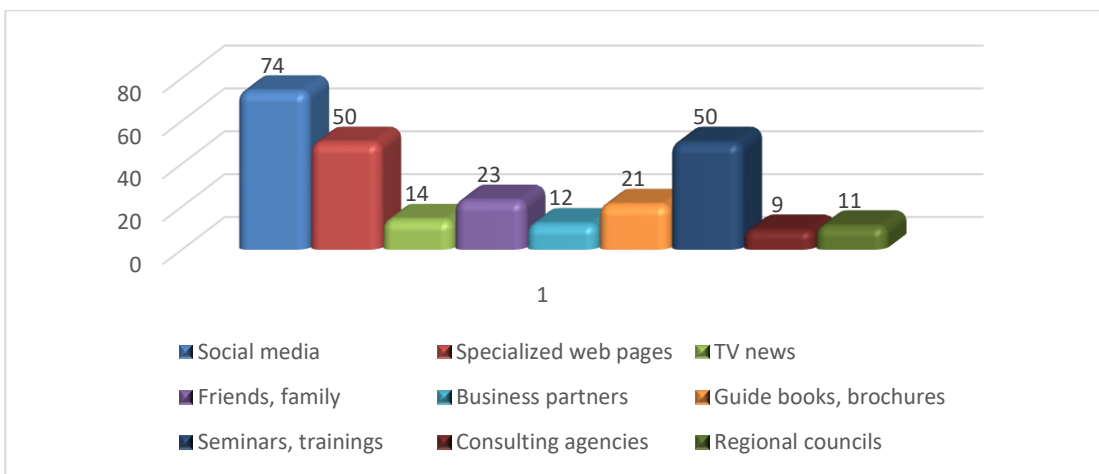
Respondents being asked about the support needed in starting and developing a business in Moldova have chose multiple answers considering consulting and mentoring support the most useful (61 responses), secondly important are capacity building trainings and non-reimbursable financing (53 respondents), thirdly useful was mentioned exchange of experience and networking and access to finance (42 responses). Other respondents added that they would prefer more advantageous conditions and less bureaucracy.

Figure 18. What is your personal motivation for starting and developing a social enterprise? (no more than 3 choices)



In order to find out personal motivation for starting and developing social enterprise respondents were asked to choose up to 3 answers. 17 % of respondents consider that they would start a social enterprise to contribute to job creation for social disadvantaged people and to access fiscal and other facilities. 16% of respondents are motivated to transform their NGO into a revenue generating social business and become financially independent. 12% of respondents follow to realize their passion and opt for solving environmental problems. Less than 10 % of respondents have motivation for accessing non-reimbursable funds and fiscal facilities.

Figure 19. Where do you get informed about personal/professional development resources?

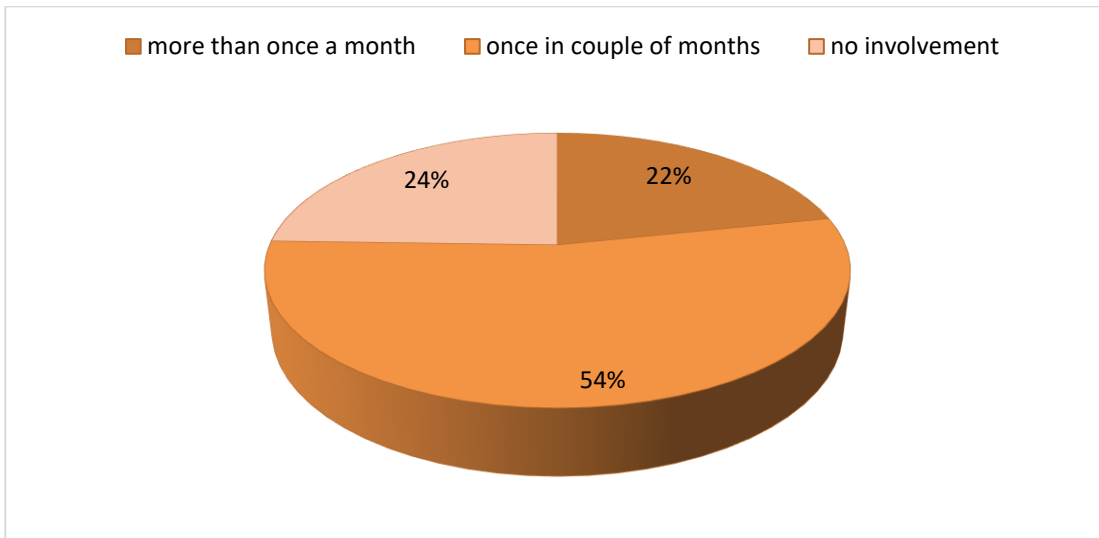


Mean of communication and how respondents (especially young people) are used to get the information regarding personal/professional development is important to understand what channels of communication to choose in order to disseminate about social entrepreneurship development and plan an efficient communication strategy.

74 out of 107 respondents prefer social media, 50 of respondents look for information on specialized web pages and get informed from seminars and trainings, 23 of respondents mentioned that use to get informed from family and friends, 21 prefer to read brochures and guide books, 14 of them watch TV news, 12 communicate with their business partners, 11 respondents used to get information from regional councils, and only 9 used to go to consulting agencies.

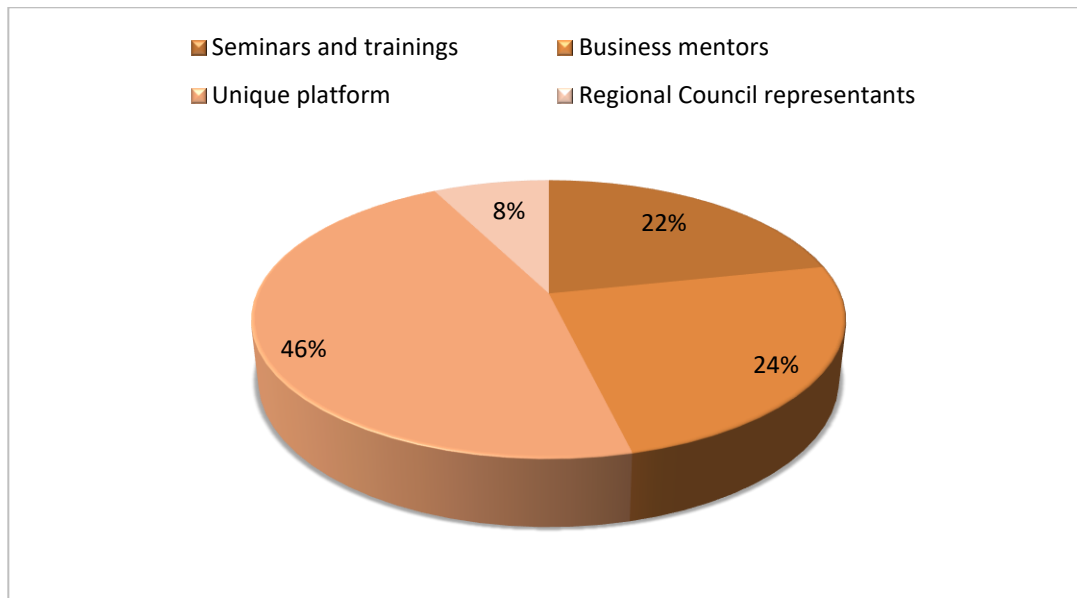
These answers conclude that it is more efficiently to inform people using online resources (social media pages and websites), but diversification of channels only can improve the quality of communication.

Figure 20. Frequency of involvement in personal development events in the last 2 years



According to the indicator heeded in Logical framework regarding number of target group representatives participated in forums, trainings, capacity building events and online study courses, it is noticed that 54% of respondents use to get involve in training events (trainings, seminars, conferences) once in couple of months, 24% do not get involved at all and only 22 % use to learn through development events more than once a month.

Figure 21. How do you prefer to get informed about social entrepreneurship development opportunities?



Being asked about their preferences of further communication regarding social entrepreneurship development opportunities 46% of respondents answered that prefer to have all the information regarding social entrepreneurship in one place – unique online platform. 24% prefer business mentors

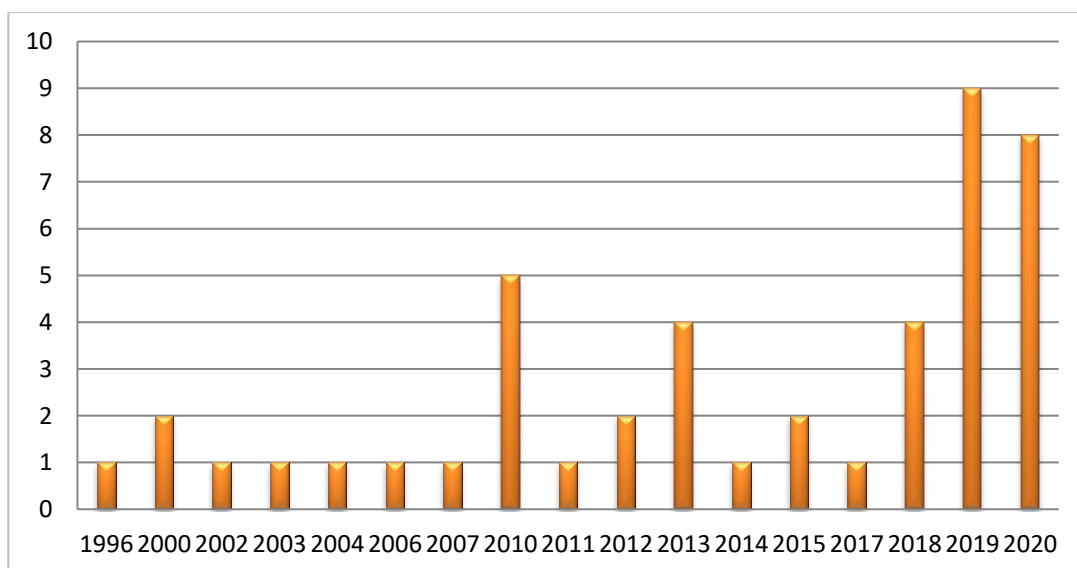
to offer the information, 22 % choose to find that out being present at seminars and trainings, and only 8% expect Regional Councils to promote social entrepreneurship opportunities.

Main Conclusions:			
General perception about social entrepreneurship is closer to the legal definition of it, but still young people don't know specific details regarding social entrepreneurship;	Young people find important experience background to develop a social business and give priority to practical learning (capacity building trainings and mentorship)	Young people use to get informed using online resources and prefer to have access to information regarding social entrepreneurship development opportunities consolidated in one place – online platform.	51 out of 108 young respondents have interest for more information about social entrepreneurship and left their contacts (see annex 3).

In order to understand the real situation about social enterprises, experienced entrepreneurs were asked to participate to the study by continuing to complete online survey and interviewing 15 of them. Interviews were conducted between the period of 05/22/2020 – 05/28/2020, using Zoom meetings and telephone calls.

Being asked about the year of the foundation of the organization that they manage, 45 of the respondents answered according to the data presented in the figure below. Analyzing the trend of social entrepreneurship development in Moldova, it is observed a continuous increase of number of social enterprises, especially in the last 2 years.

Figure 22. What is the year of the foundation of your organization?



In-depth interviews feature the current situation of social enterprises in Moldova considering different organization's stage of development. Therefore, the table presented below describes 15 social enterprises with a short description of basic activity.

Table 6. General description of interviewed social enterprises

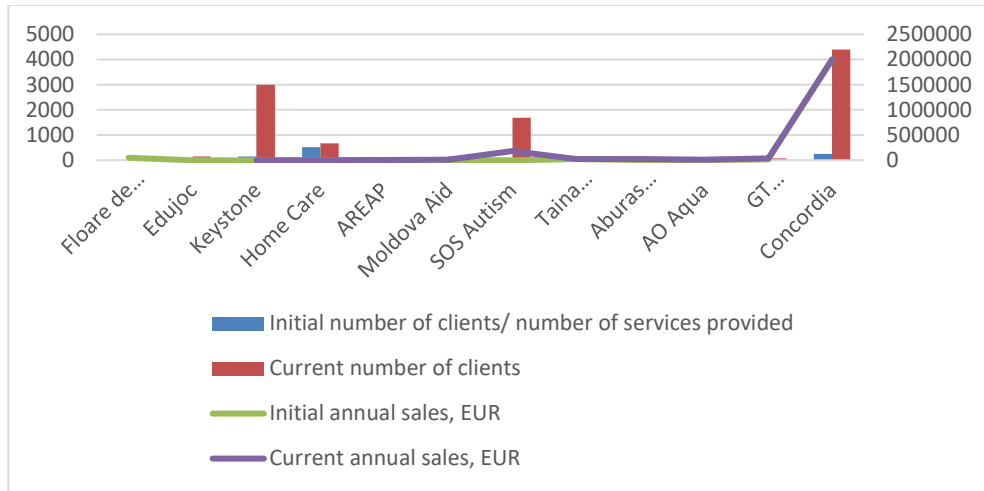
Social Enterprise	Year of Foundation	Stage of development	Basic Activities
Floare de cires Edujoc	2013	Growing	Catering services / Food
	2012	Mature	Educational Supply Store / Toy Store / Educational Consultant
Keystone	2016	Growing	Training center; provision of stuff / temporary work
Home Care	2005	Start up	Home Health Care Services
AREAP	2010	Start up	Laundry, production of eco bags
Moldova Aid	2013	Growing	Humanitarian aid and assistance, UK
SOS Autism Eco Vox	2013	Growing	Kindergarten; Apiary
	2014	Start up	Eco Bags design & manufacturing
Taina Codrului	2019	Start up	Catering services
Aburas SRL	2015	Growing	Food / Catering
AO Aqua	2000	Decline/Restructure	Water provider
GT Blagoslovitu	2017	Start up	Diary farm
AO „MITROPOLITUL GURIE GROSU”	2019	Start up	Nail Production
Ecovillage	2015	Mature	Training centre, Agriculture, environment, green spaces
Concordia development	2006	Decline/Restructure	Social services

According to their stage of development, 6 enterprises are start-ups, 5 of them are growing organizations, 2 of them are mature and other 2 of them are considered in restructure phase.

In order to have an overview on financial performance level of the sector, interviewed social enterprise were asked to describe their evolution using the following performance indicators.

As number of clients are considered number of partners, number of beneficiaries, numbers of services provided according to business specific. As annual sales indicator is considered sale revenues or total annual budget for different sources of financing, inclusively external funding or donations.

Figure 23. Evolution of number of clients and sales



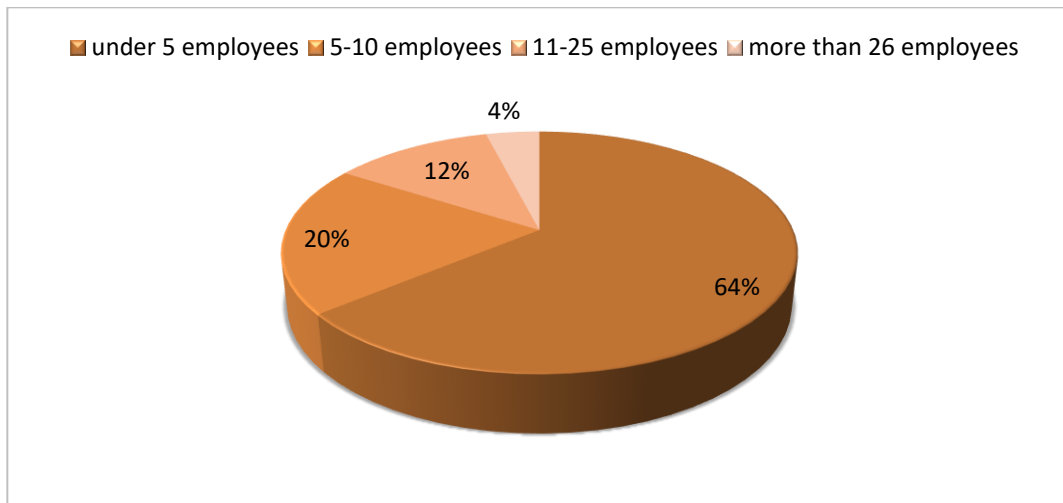
Analyzing the trend of clients, it is continuously growing, which is appreciated positively and shows the growth of the sector.

The trend of annual sales is growing for the majority of enterprises. But some of them have restructured their services for assuring the same level of revenues.

Human resources structure in social enterprise

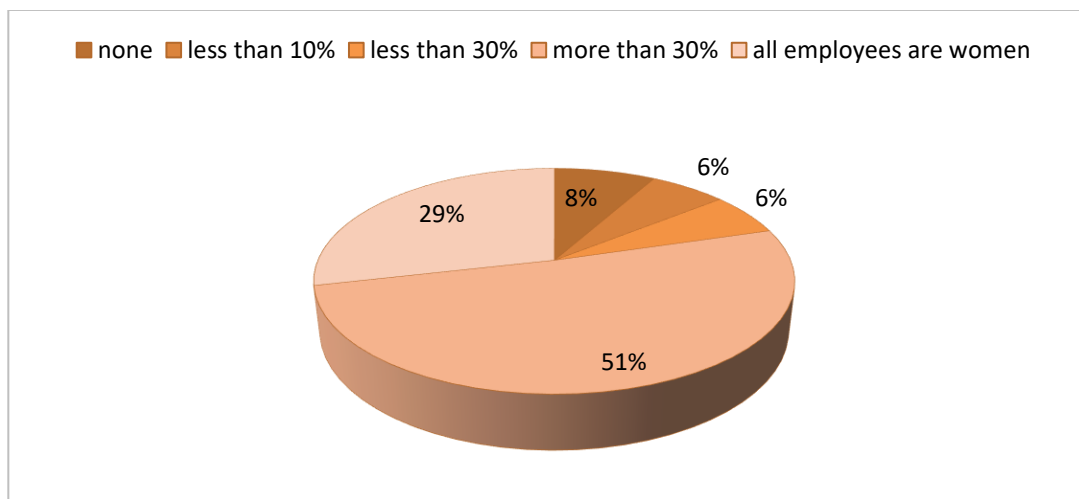
32 out of 51 respondents (experienced entrepreneurs), which represent 62,7% have less than 5 employees; 20% (11 respondents) have 5-10 employees; 6 organizations (12%) have 11-25% employees, and only 4% of them have more than 26 employees. All of them represent the small and medium enterprise sector of the economy, which is 97% of all enterprises from Moldova.

Figure 24. Number of total employees



In the figure presented below can be observed that 51% of entrepreneurs mentioned that more than 30% of employees are women and 29% have employed only women.

Figure 25. How many employees are women?

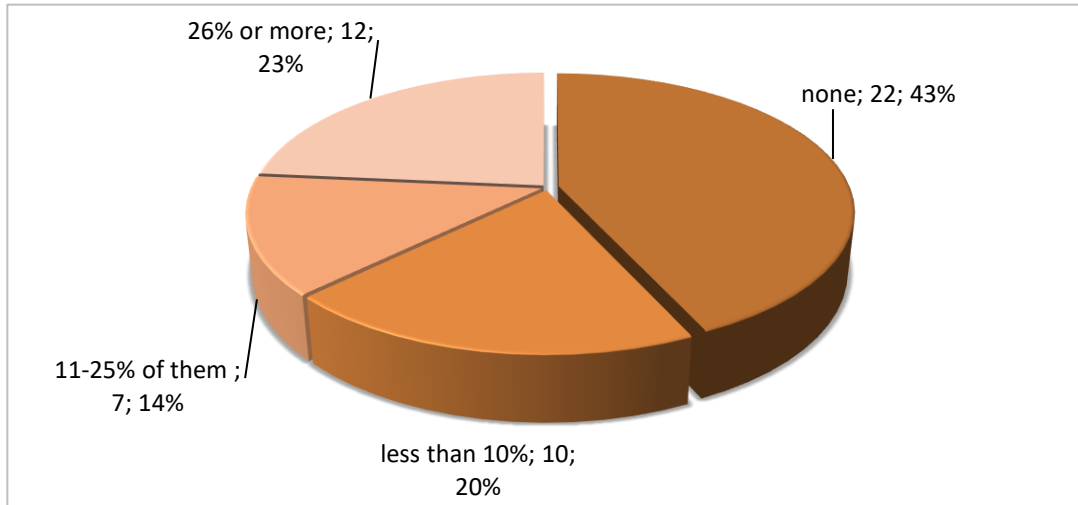


According to the Law on Social Inclusion of Persons with Disabilities, no. 60 of 30.03.2012, art. 32, 36, disadvantaged people are considered people with physical or mental disabilities, elderly people (more than 65 years old), low-income people or people from socially vulnerable families (low-income, lonely parents, families with more than 3 children), drug dependent people, people released from detention, woman who are victims of domestic violence and human traffic, long term unemployed people (more than one year).

From the figure presented below can be observed that 22 out of 51 enterprises or 43% do not have disadvantaged people working in the organization, 12 of them (23%) have more than 26% of their employees socially disadvantaged people, 20% have less than 10% of employees and 14% have 11-25% of disadvantaged people employed.

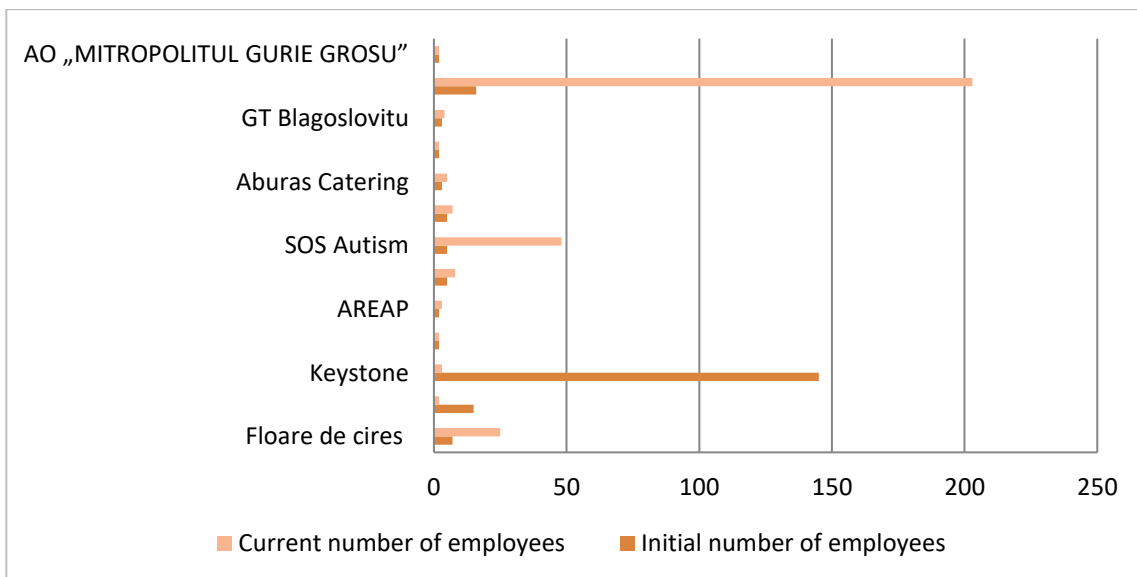
In-depth interviews have showed that social enterprises which are meant to employ social disadvantaged

Figure 26. How many people working within your social enterprise are disadvantaged people?



In-depth interviews realized with social entrepreneurs also have highlighted that human resources structure in social enterprises depend on multiple factors: mission of social enterprise, size of enterprise, development strategy of the organization, specific process of production.

Figure 27. Evolution of number of employees



Being asked about how difficult it was to set up a social enterprise, 51% of respondents mentioned that they had to put moderate efforts, 19% consider it very difficult and 17% appraise it rather difficult. Only 9 % had appreciate the process very easy and 4% rather easy.

Sources of financing

According to result of interviews, a part of social entrepreneurs has started from solving a personal social problem and developed the organization according to this mission. In this case they may have invested their personal savings as a start capital or partially use a grant or using external grants. Others were created within supporting programs offered by donors or funds accumulated for improving social public needs by public organizations by means of crowdfunding.

Results from the online survey confirm the information collected during the interviews. 26% of respondents mentioned that they have used external grants and personal savings as external sources of financing. 19% use donations and state aid for financing its' business activity. 3% mentioned bank loans and only 1% of respondents used profits from other businesses to finance his/her social enterprise.

Figure 28. External sources of financing

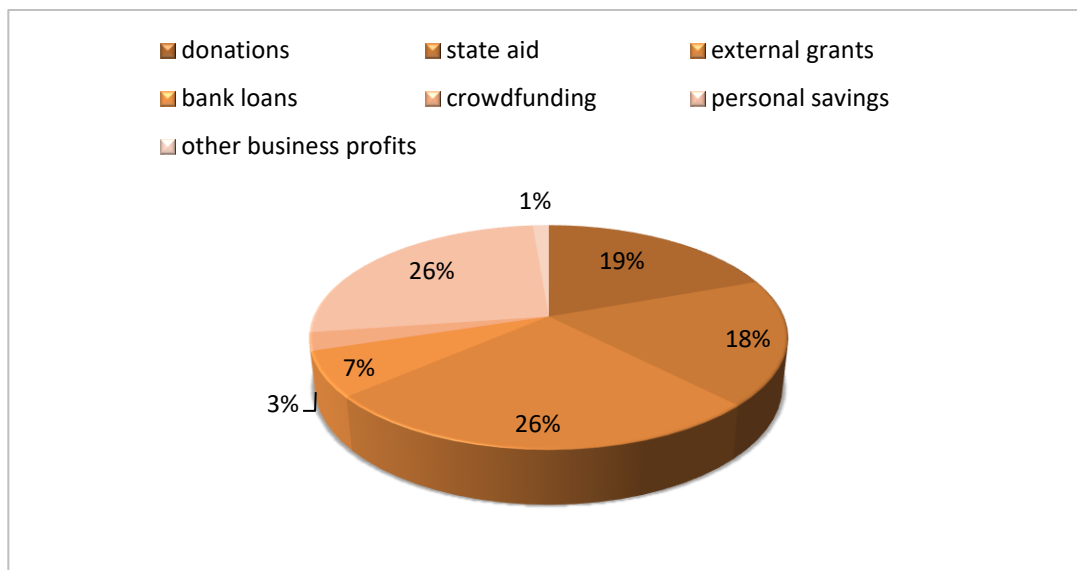
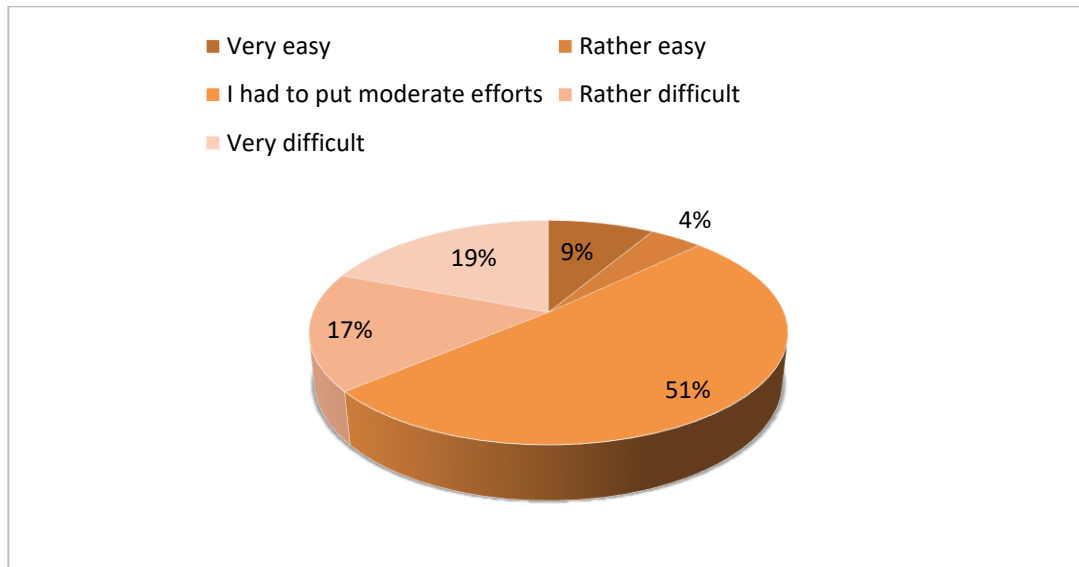
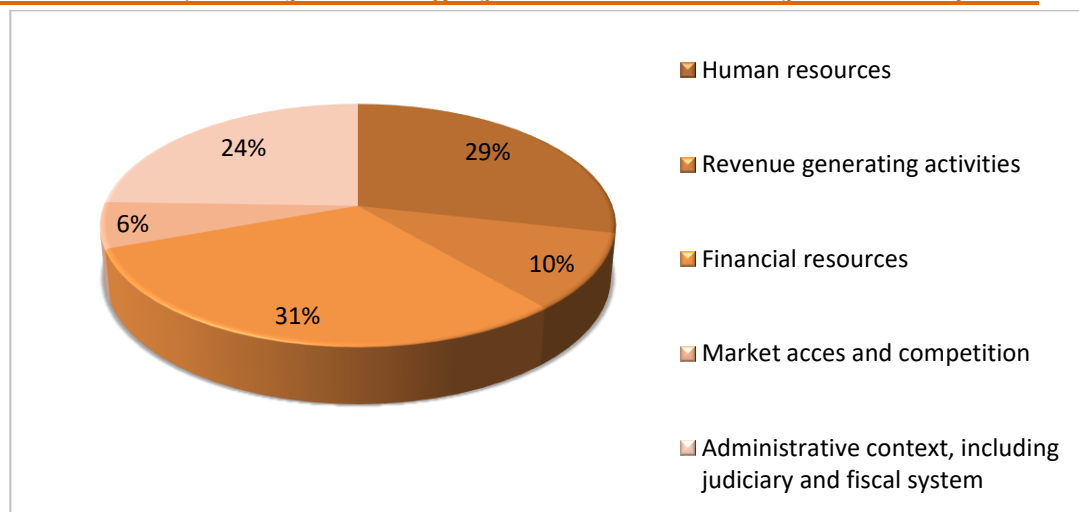


Figure 29. Difficulties at setting a social enterprise



Being asked about their major challenges for the establishment of the social enterprise, 31% of respondents mentioned financial resources, 29% consider human resources an important challenge to mention. 8% of respondents have met difficulties in revenue-generating activities. Others have mentioned market access, competition, developing a strategic partnership network, and maintaining a qualitative and needed product on the market.

Figure 30. What are your major challenges for the establishment of social enterprise?

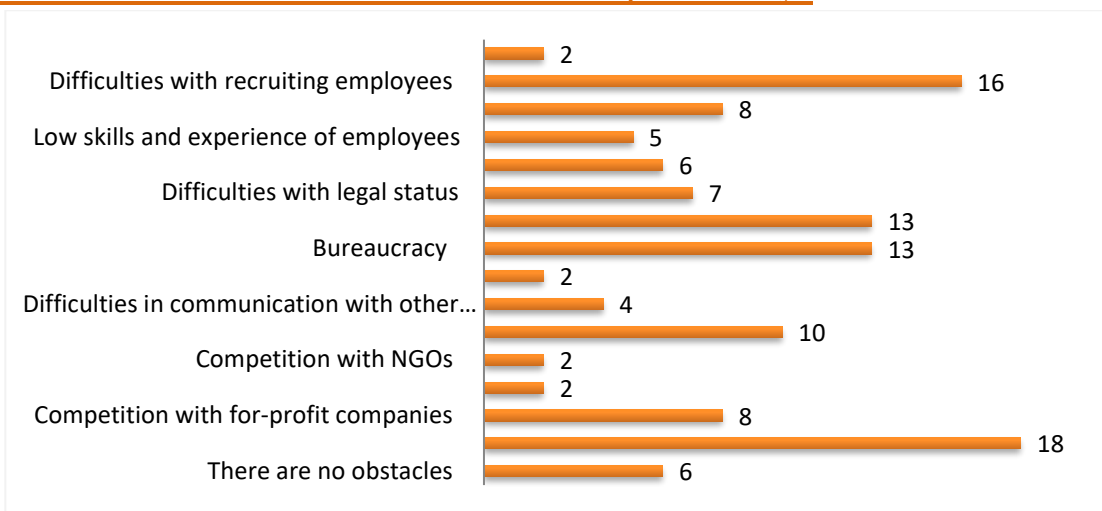


According to social entrepreneurs’ opinion the main obstacles in social business are the following:

- 18 respondents mentioned small market;
- 16 respondents identified difficulties with recruiting employees;
- 13 of them mentioned difficulties with accessing capital and bureaucracy;

- 10 respondents think it is lack of knowledge and skills in business management;
- 8 respondents consider competition with for-profit companies and low-level motivation of employees are main obstacles in social entrepreneurship;
- 7 of them find difficulties with legal status;
- 6 respondents have low pay rate for employees;
- respondents deal with low skills and experience of employees;
- of them mentioned difficulties in communication with stakeholders;
- 2 respondents mentioned that there is competition with other social enterprise and NGOs;
- 6 respondents consider that there are no obstacles in in social entrepreneurship.

Figure 31. What are the main obstacles in social enterprise activity?



Interviewed entrepreneurs have shared the following challenges regarding their experience in social entrepreneurship:

- Undeveloped infrastructure in rural regions;
- Reticent and unsupportive local citizens regarding social activity of enterprise – dialogue with negative citizens;
- Difficulties in developing social business when target group is not able to pay for services and the dependence on the external funding and donations. Some of organizations have developed other commercial activities in order to finance operational expenses for services aimed for low payment capacity of beneficiaries;
- Unclear advantages regarding social entrepreneurship.

In-depth interview emphasized that the most important skills for social entrepreneurship are leadership and communication skills. It is important to mention that all respondents answered that all skills are important, and are critically important in different stages of enterprise development. Experienced social entrepreneurs (which conduct mature organizations) mentioned that it is important to have communication and leadership skills for the continuity of social enterprise. Business management, financial management, digital marketing management skills and knowledge on legal

and administrative topics are critically important in pre-start-up and start-up phase because, a social entrepreneur need to learn every function and to create a clear business model. In the growing stage of development, entrepreneur need to learn leadership in order to delegate functions to team members of organizations.

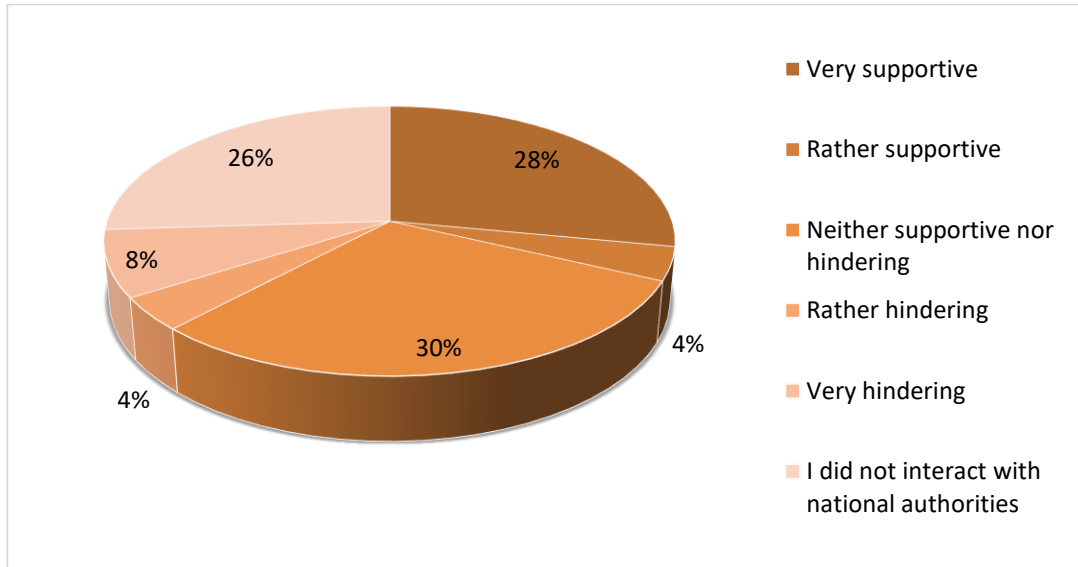
Figure 32. What are the most important skills for social entrepreneurship?



In order to characterize the interaction and collaborative relationships between social entrepreneurs and main stakeholders, they were asked to appraise their experience in dealing with them in the process of establishing and functioning.

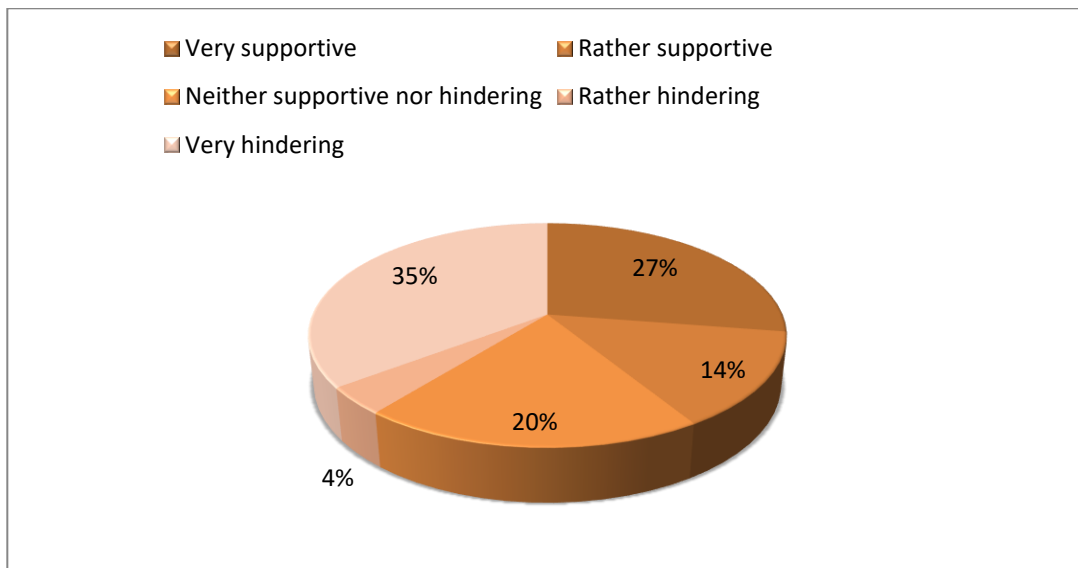
Therefore, below are presented the results regarding the experience of respondents with public authorities (national and local authorities) and partners.

Figure 33. If you had to interact with public authorities in the process of establishing and functioning of your social enterprise – were they supportive or hindering?



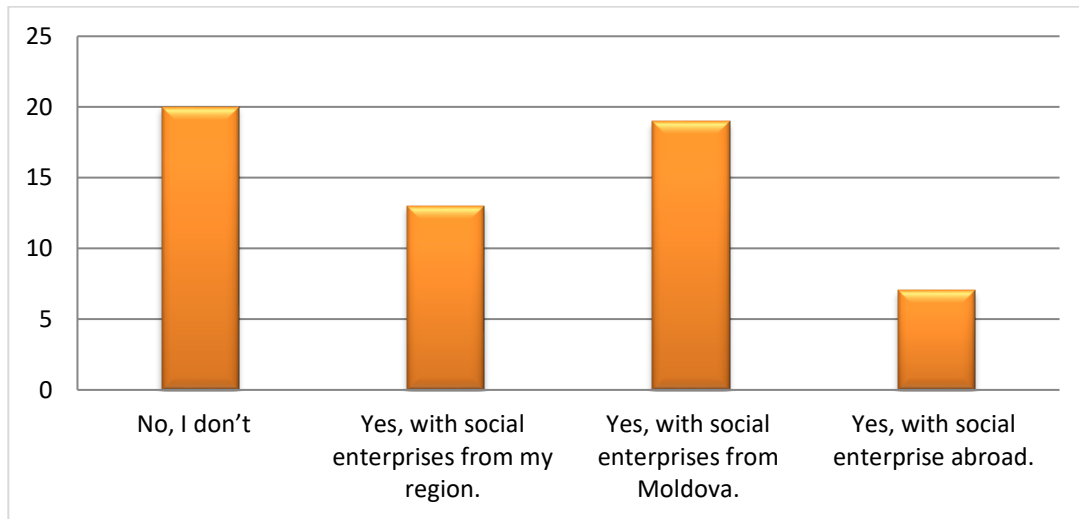
Compared to public authorities, the partners are less supportive due to the fact that partnerships are not widely explored in the Republic of Moldova and entrepreneurs are reluctant to collaborate with each other. They prefer to act individually approaching partners as suppliers or indirect competitors. This fact is confirmed by the analysis of promotion channels (see figure 33), where only 2 out of 15 social entrepreneurs explore this channel.

Figure 34. If you had to interact with partners in the process of establishing and functioning of your social enterprise – were they supportive or hindering?



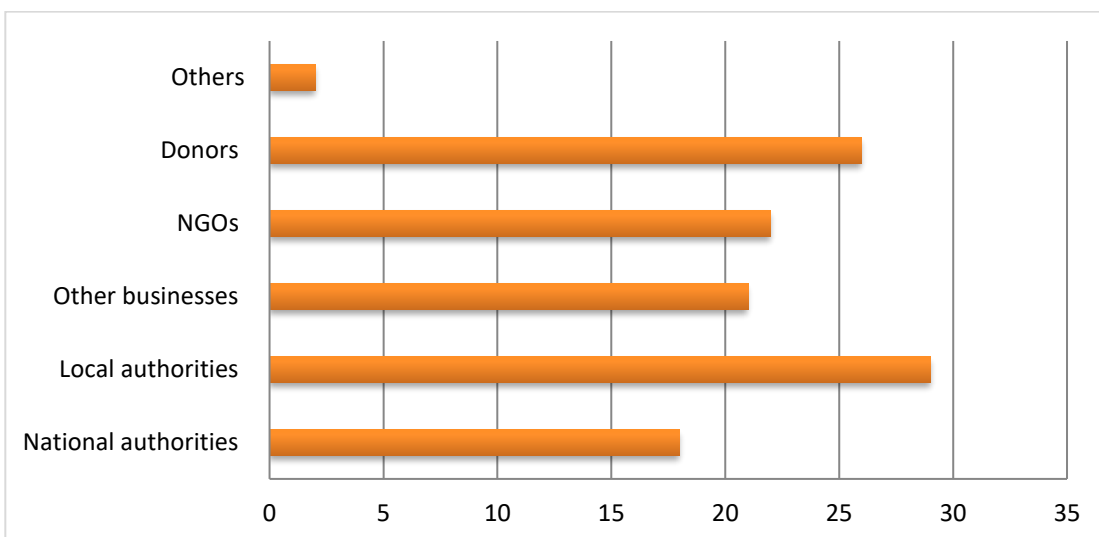
Being asked about their collaboration with other social enterprises, 20 respondents (39.2%) answered that they do not communicate with other social enterprises, 19 respondents (37.3%) collaborate or communicate with social enterprises from Moldova, other 13 (25%) mentioned only regionally. Only 7 entrepreneurs collaborate or communicate with abroad social enterprises.

Figure 35. Do you communicate or collaborate with other social enterprises from Moldova or abroad?



Being asked about key partners in promoting social entrepreneurship in Moldova, 29 respondents (56%) mentioned local authorities, 26 of them (51%) consider donors important in promoting social entrepreneurship by presenting success examples of their beneficiaries. 22 respondents (43%) think that other businesses and NGOs (eventual partners) are important to promote social entrepreneurship. 18 respondents (35%) think national authorities have the key role.

Figure 36. Which stakeholders do you consider key partners in promoting social entrepreneurship in Moldova?



Interviewed social entrepreneurs mentioned the following key partners that they used to collaborate with or they know about their activity (presented in the table below).

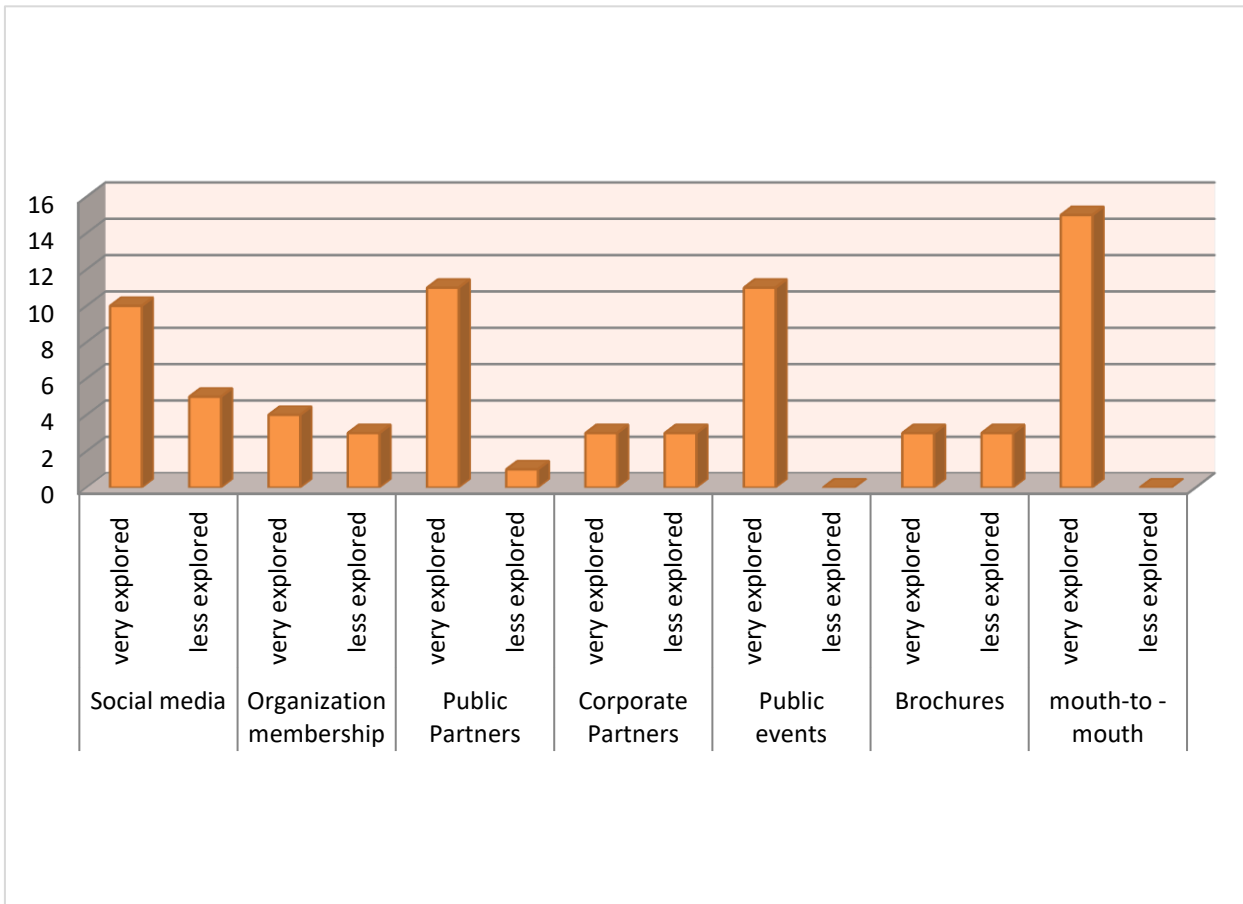
Table 7. Strategic partners mentioned by interviewed respondents

<i>Strategic partners mentioned by interviewed respondents</i>	
<i>Social Entreprises</i>	<i>Aburas Catering, Floare de cires, Edu Joc, IS Dorin Mereuta, Fides, Keystone, Ecovillage, Eco vox</i>
<i>Non profit organizations</i>	<i>Ecovisio, Keystone, ODIMM, Eco Razeni, Concordia, Peace Corps, National LEADER Network in the Republic of Moldova, Local Action Groups, National Youth Council of Molodova (cntm.md), Motivație (motivatie.md)</i>
<i>Donors</i>	<i>EEF, Help Age, US AID</i>
<i>Public Authorities</i>	<i>Organization for Small and Medium Enterprises Sector Development (odimm.md), Labor Ministry, National Agency for Employment (anofm.md), Agricultural Ministry, AIPA (http://aipa.gov.md/), Local Public Authorities (as more active LPAs were mentioned Donduseni, Criuleni, Dubasarii Vechi)</i>

Note!!! These answers were mentioned by social entrepreneurs. Donors might be mentioned according to the programs operating on the market, but they are usually finance mutually and for example funds provided by Eastern European Foundation (EEF) in fact are funds attracted from EU and Sweden.

Being interviewed social entrepreneurs described most used communication channels for promoting their activity and communicates to their clients and partners. Analyzing the figure below it is observed the most used and less explored channels. Therefore, social entrepreneurs use very often mouth-to-mouth (recommendations), public events, public authority and social media to promote their business. Less explored channels are organization membership and corporate partnership.

Figure 37. Communication channels used in Social Entrepreneurship practice



Interviewed respondents being asked about what media partners do they collaborate with, the most of them have responded that have collaborated at least once with national media partners. 6 out of 15 respondents collaborate frequently with many social media channels. 5 out of 15 respondents are limited and collaborate with a few media channels mainly with local public authority’s partners, and only one of them mentioned that they have planned agenda with events and talk-shows where the organization plan to participate. Only 3 respondents mentioned that they do not collaborate with media partners at all. In the table below is presented the summary of answers of interviewed respondents.

Table 8. Media partners mentioned by interviewed respondents

Media partners mentioned by interviewed respondents	
Media Partners	Jurnal TV, Prime, TV&, Vocea Basarabiei, Eco local, Dor de Codru, TVR, Moldova 1, Europa Libera, Eco FM, diez.md, locals.md, newsmaker.md
Social Entrepreneurship ambassadors (journalists, bloggers, vloggers)	Sergiu Gurău, Valeria Șvarț, Julian GRÖGER, Nicoleta Padureț, Andrei Porubin, Nata Albot, Lilu, familia Andronache, Dorin Galben, Eugenia Pogor, Victoria Danford

Talk shows	“Un show de 2 bani”, Andronache family “Vlogul mamei feminist”
Public events	Social Entrepreneurship Forum, National Social Entrepreneurship Conference

Interviewed entrepreneurs have mentioned the following recommendations for social entrepreneurship development:

- Problem approach. Young entrepreneurs should start from a problem which touches them personally in order to get self-motivated and find solutions for yourself and community;
- Social entrepreneurship education. In educational institutions should be promoted SE and young generation shall learn to treat a problem as a business opportunity. Current educational system does not contribute to a entrepreneurial skilling;
- More mass media promotion of SE. Potential entrepreneurs, young people have difficulties on searching on SE opportunities and rather understand the conditions and eligibility criteria. Sophisticated terminology is an impediment for SE understanding. A guidebook would be a solution for clarification and promotion of SE essence;
- General human values are very important for the continuity of SE business. Personal awareness of community issues, empathy, creativity, altruism and passion are basic values for succeeding in SE;
- Legal framework needs improvement in order to clarify the advantages of SE activity;
- Volunteering activity needs to be promoted as well –it is an unexplored resource;
- Fiscal facilities are rather explored because the needs are different. A recommendation was mentioned: VAT, taxes regarding employees would constitute an advantage for SE, because entrepreneurs are less motivated to employ social disadvantaged people. An employee needs investment from organization in order to adapt to the function qualifications for the target quality of production;
- Youth need to be supported financially and by mentoring programs that would help to become sustainable and have business continuity.

COVID Challenges

During interviews was invoked the subject of Covid pandemic and respondents were asked about challenges during this period, what solutions did they found and what are their plans for nearest future. In conclusion, 7 out of 15 social enterprises have interrupted their activity because of pandemic restrictions. 4 enterprises continued the activity (partially) and could generate revenues based on existing partnerships, 3 enterprises used accumulated profits and reserves to support the operational expenses. Other 3 enterprises mentioned that have used attracted funds to resist the crisis. 3 of enterprise mentioned that team of employees was supporting and continued partially the activity without any remuneration or partial remuneration.

Lesson learned from crisis and future plans were mentioned the following:

Social actions aimed to help society and medical institutions during urgent situation caused by COVID-19 pandemic were continuity of their social responsibility. Many social enterprises have diversified their activities and acted as supporting organizations by delivering lunches for medical staff, donating equipment for protection visors, confecting protective masks, delivering food boxes for disadvantaged people, elderly people. These social actions had a benefic impact on enterprise's future development and resulted in new project opportunities.

- COVID crisis was an opportunity to assess organization's operational activity, to identify weaknesses and find immediate solutions. Many entrepreneurs concluded on creating reserves and optimize their operational processes for some more appropriate reactions to force majeure situations.

Financing sources diversification is the solutions that many interviewed entrepreneurs concluded on. Some of them mentioned that need to generate more revenues from sales rather than finding external funding. Others mentioned that external funding is critic at respective stage of development and are in active search for it.

- All respondents mentioned that is very important to promote and sell online in order to resist, to invest in means of transportation in order to be able to deliver, to find solution to provide services at home/out of the office.

Focus Group Results

Focus group was conducted on 2nd of June 2020, online using Zoom platform. Focus group participants were different representatives (stakeholders) of social entrepreneurship sector: social entrepreneurs, NGO leaders, business mentors, legal and fiscal experts, National Commission of Social Entrepreneurship of Moldova members and a member of Parliament.

The scope of the focus group was to evaluate current situation in the area of social entrepreneurship development in Moldova from different point of views using the participants' expertise and experience, to identify the obstacles for establishment and development of social enterprises and to generate/ brainstorm ideas about tools and methods to create a functional ecosystem for development of social entrepreneurship in Moldova.

Legal and fiscal approach

General ideas/ identified obstacles:

- Currently, in Moldova are 0 registered social enterprises (none of social business forms do have “Social Enterprise” status, but there are 4 registered initiatives in approval stage for granting the status.
- Government can’t face solving all community problems. Therefore, it is necessary to consolidate the efforts and develop social initiatives.
- Legal framework is generally defined and there is no methodology on law enforcement and monitoring
- Difficulties regarding execution of the Law because of methodology is not defined
- The procedure of applying and approving of the dossiers regarding SE legal status

Main conclusions/ potential solutions:

1. It is needed to create the mechanism enforcement of the law
2. establishing the methodological legislative framework in terms of creation of social enterprise and in terms of facilitation of social enterprises development
3. Online meetings of members of National Commission of Social Entrepreneurship in order to process the dossiers

Stakeholder approach

General ideas/ identified obstacles:

1. Misunderstanding of the concept of SE – advantages and disadvantages are not clearly defined
2. Several stereotypes regarding SE were identified: 1. Good/services provided by SE may be of low quality because they are produced by socially disadvantaged people, 2. SE provide only social or environment assistance
3. SE are created for socially disadvantaged people, 4. Social Entrepreneurs have to yield 90% of the profits for reinvesting, in order to get no fiscal facilities.
4. There is no support from private sector for SE

Main conclusions:

1. Creating correct awareness about SE and clarifying of SE stereotypes
2. SE education is essential for a correct perception of young generation about SE
3. To include SE as a separate subject in schools/ universities curricula
4. Teachers needs to be trained specifically regarding SE in order to create an unique and clear vision about SE with respect to legal framework, national strategy of development, action plan and the best practices in SE sector
5. The Corporate social responsibility needs to be developed – businesses need to be encouraged to offer material or service support (office equipment donations, specific service support/ trainings)
6. Financial sector (banking and non-banking) should opt for social responsibility and provide special financial products for SE sector, investing funds, business angels for SE.

SE awareness and social entrepreneurship development

- For a higher efficiency systemic communication is needed
- Opinion leaders are needed to promote AS locally and to create awareness
- To focus on local partnerships and synergy with other project in order to solve the community problems environment protection, population aging, social inclusion, migration.
- Creation of SE Association aimed to support created social enterprises and lead as example for other initiatives. The association can serve as a promotion engine for social entrepreneurship. Association can be created by registered SE.
- Creation of a common dialogue platform aimed to discuss specific subject regarding SE, with the involvement of all actors and decision makers in the field of social entrepreneurship
- Networking is important and dialogue platforms are welcome and should be encouraged
- Every local public authority has to inform about SE opportunities to its local citizens through social media page and local events.
- Every national program for entrepreneurship development should contain the SE component and use the cause to promote SE opportunities and give to potential beneficiaries to set up a social enterprise option
- New entrepreneurial initiatives should be promoted and trained *to turn a problem into business opportunity by creating solutions*
- A good international practice was mentioned: to dedicate Month of Social entrepreneurship and organize series of events, implying all stakeholders focusing on raising awareness.



Conclusions & Recommendations.

The main preconditions for social entrepreneurship are the following:

Social

- The number of the population is continuously decreasing and due to the high migration of the working force leads to aging of the population.
- Young people do not know too much about social entrepreneurship, because of low awareness about it and because of a lack of knowledge about entrepreneurship in general.
- The countryside, where are the biggest potential for social entrepreneurship, local public authorities are the ones to encourage people to start a social business, but they do not know too much about social entrepreneurship.
- Social entrepreneurship programs should be an opportunity for youth retention and a measure to fight immigration and youth unemployment. Despite the average monthly salary and personal disposable income are continuously increasing, people are searching for better life and job opportunities abroad, even though social entrepreneurship could be a reason to develop social business at home and to increase personal income base.
- Special services should be provided to aged people who deserve a decent life and proper conditions.

Economic

- The state budget is mostly social oriented and 80% of it covers social expenses (pensions, allocations, subsidies, etc.). This means that there are not disposable funds for investments and economic growth based on internal resources.
- Commerce and trade sector and agricultural sector represent a big share of GDP structure. It should be a strong premise to develop social business in these business sectors. In the countryside, there are a lot of small eco agricultural businesses unformalized which in essence can be set up as social businesses. The main cause these businesses remain unofficial is high costs for maintaining it.
- Trade balance deficit remains high, meaning that imports exceed twice exports. There should be initiatives encouraging the production of local, high-quality goods covering internal needs and extending to export.
- A lot of consumed goods especially traded in the countryside are very low quality are imported from jurisdictions not ensuring a proper quality using labor force violating human rights (child labor employment of minors).
- A lot of imported goods are produced from plastic and other polluting materials, which are environmentally unfriendly. This problem may be solved by encouraging ecological and biodegradable goods production using social entrepreneurship opportunities.
- Lack of waste management represents another big problem in our society. This might be solved by social entrepreneurship initiatives by creating and recycling services systems in rural and urban areas.

Education and Cultural

- The big potential for the social business to be set up is in a rural area. There are a lot of problems to be solved there starting with unemployment, aged people, lack of educational, cultural, medical facilities.
- Improvement of educational infrastructure in the countryside could be done setting up social businesses in rural areas. Moreover, encouragement of vocational educational programs would contribute directly to develop proper labor force implicated directly in social entrepreneurship initiatives.
- Improvement of medical services would create better living standards in rural areas. This is another opportunity to set up social businesses covering needs in rural areas.
- Lack of cultural facilities and services in rural areas, which is another opportunity to develop social business.
- The education system should be improved by including SE in curricula and contribute to the early education of social entrepreneurship. In this way would be encouraged the entrepreneurial spirit of youth.

Legal

- The existing legal framework about social entrepreneurship is very general, therefore entrepreneurs are reluctant to start a social business or to get a status as a social business. It is needed a clear methodology and guidelines for law enforcement: how the business will be assessed if respects all the conditions to be social one and how social business can profit from those benefits stipulated in the law.
- The existent social entrepreneurship initiatives are not formalized legally. Most of them have been initiated by non-profit organizations lead by elder people. They started the social initiatives usually by accessing grants from international donors. Most of them do not have entrepreneurial skills in order to ensure the continuity of social business.

Ecosystem

- None of the governmental programs subsidizing businesses (AIPA, ODIMM) encourage directly social entrepreneurship, even though there are initiatives linked directly to social businesses like go green, agritourism, etc.
- According to our research, most of the social initiatives are located in Chisinau. Most of the general business is concentrated as well in Chisinau. So, for social business is very difficult to compete with normal business because of a lack of business experience and knowledge as well as because of people's wrong perception about social businesses.
- In most cases, the connotation of social business is linked with people with mental or physically disabled people only. In regions, there is a reluctance to buy something done by a social entrepreneur, because of the perception of low quality connecting it directly to disabled people who have done the product. Or a social initiative providing services including disabling people is seen in some regions not well by normal people who avoid being served the same way as disabled people.
- In order to set up an ecosystem of social entrepreneurship, a common platform of exiting social initiatives should be created, where all the existing impediments should be discussed and come out with the real solutions; the experience and best practices should be shared; the business opportunities found out and set up international connections to gain knowledge, new business ideas and learn best practices./.



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