



# **Social Economy in Eastern Neighbourhood and in the Western Balkans**

Country report - Moldova

-  
*February 2018*



This project is funded by  
the European Union



A project implemented by  
AETS Consortium

***Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR)***

## **Social Economy in Eastern Neighbourhood and in the Western Balkans**

**Contract N°2017/386778  
FWC BENEf 2013 - Lot 10 – Trade, Standards and Private Sector  
EuropeAid/132633/C/SER/Multi**

### **Country report - Moldova**

**February 2018**

#### **Authors**

Andreja Rosandic (Project Team Leader)

Mushegh A. Tumasyan (Country Expert)

*This report has been prepared with the financial assistance of the European Commission. The information and views set out in this report are those of the author(s) and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this study. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use which may be made of the information contained therein.*

## TABLE OF CONTENTS

<b>1. EXECUTIVE SUMMARY</b>	<b>5</b>
<b>2. INTRODUCTION</b>	<b>7</b>
<b>3. STATE OF PLAY OF THE SOCIAL ECONOMY IN MOLDOVA</b>	<b>8</b>
3.1. Nature and size of the social economy sector	8
3.2. Key sectors for social economy and phases of development of social economy players	10
3.3. Funding and financial tools social enterprises use	11
3.4. Monitoring and evaluation of the financial and social return	12
<b>4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT</b>	<b>12</b>
4.1. Relevant policies, regulatory and institutional framework	12
4.1.1. THE LEGISLATIVE AND REGULATORY FRAMEWORK RELATED TO SOCIAL ECONOMY .....	12
4.1.2. THE INSTITUTIONAL FRAMEWORK OF THE COUNTRY .....	15
4.1.3. LINKS WITH EXISTING SOCIAL PROTECTION AND SOCIAL INCLUSION SYSTEMS .....	16
4.2. Key stakeholders and existing coordination mechanisms	17
4.3. Existing funding strategies for social economy	19
4.3.1. NATIONAL PUBLIC FUNDING SCHEMES .....	19
4.3.2. EUROPEAN UNION FUNDING .....	20
4.3.3. SOCIAL INVESTORS, SOCIAL IMPACT FUNDS AND OTHER SOCIALLY DRIVE FINANCING INSTITUTIONS .....	21
4.3.4. PRIVATE SECTOR .....	21
4.3.5. MICROFINANCING .....	21
4.3.6. DEVELOPMENT AID AGENCIES .....	22
4.4. Type of additional non-financial support to social economy	22
4.4.1. BUSINESS DEVELOPMENT SERVICES .....	22
4.4.2. LOCAL/NATIONAL AND/OR REGIONAL NETWORKS .....	23
4.4.3. ACADEMIA .....	23
4.4.4. ON-GOING AND PLANNED INITIATIVE ADDRESSING SOCIAL ECONOMY ISSUES .....	23
4.4.5. BEST PRACTICES IN THE COUNTRY AND REPLICABLE MODELS .....	23
<b>5. GAP ANALYSIS AND NEEDS ASSESSMENT</b>	<b>24</b>
5.1. Macro-social factors determining the sector	24
5.2. Access to finance	24
5.3. Lack of relevant skills to access market	25
5.4. Opportunities and key drivers boosting the development and scaling up social economy	25
<b>6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS</b>	<b>25</b>
6.1. Priority sectors for country level intervention	27
<b>7. ANNEXES</b>	<b>29</b>
7.1. Annex 1 - Selected Social-Economic Data and International Indexes for Moldova	29
7.2. Annex 2 - Questionnaire survey	31
7.3. Annex 3 - List of Interviews	36
7.4. Annex 4 – Bibliography	37

## LIST OF ABBREVIATIONS

AA	Association Agreement
AAP	Annual Action Program
CIS	Commonwealth of Independent States
CSO	Civil Society Organization
DCFTA	<i>Deep and Comprehensive Free Trade Agreement</i>
NGO	Non-governmental organization
LLC	Limited Liability Company
SME	Small and Medium Enterprise
<b>East Neighbourhood</b>	
AR	Armenia
AZ	Azerbaijan
Blr	Belarus
GE	Georgia
MD	Moldova
UK	Ukraine
<b>Western Balkans</b>	
AL	Albania
BA	Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
XK	Kosovo*
MK**	The former Yugoslav Republic of Macedonia
ME	Montenegro
RS	Serbia
WB	Western Balkans

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

\*\* Provisional code which does not prejudice in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place under the auspices of the United Nations

## 1. EXECUTIVE SUMMARY

Moldova is a small lower-middle-income economy. Although remaining the poorest country 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 5% annually, driven by consumption and fuelled by remittances. The latter account for a quarter of the total GDP, among the highest shares in the world<sup>1</sup>.

According to the UN 2016 National Human Development Report “Inequalities and sustainable human development in Moldova “there are large disparities between the urban and rural areas regarding living standards and poverty. The migration level is very high and concerning. Trust in the government and other institutions is very low. The EU integration process is still considered as a priority and is deepening. The Association Agreement does not specifically mention social economy or social entrepreneurship but do envisage fostering inclusive labour markets and social safety systems that should integrate disadvantaged people; including people with disabilities and people from minority groups. Additional articles foster the elimination of the discrimination on employment and occupation.

Essentially, the civil society sector is rather new and enjoys the trust of only 24%<sup>2</sup> of the population. As stated in the Mapping Study, CSOs in the Republic of Moldova were born in the context of anti-communist resistance and the national liberation movement, which were made possible by the decline of the communist regime in the late 1980s and the collapse of the Soviet Union. That period was the starting point for Moldovan civil society development, which evolved gradually and reached its consolidation stage at the beginning of the 21 century<sup>3</sup>. FHI360 research on the capacity of CSOs showed that CSOs are in general characterized as having low capacity, being donor dependant and grant-driven organizations.

EU member states and international development organizations are actively involved in the process of overcoming key social and economic issues. The development of the Moldavian social economy sector is still limited. A number of initiatives do exist but social enterprises are only in their very early stages of development.

There are no concepts, strategies, specific policies and public support mechanisms targeting the development of social economy and the legal framework is currently being developed. The newly adopted law on Social Entrepreneurship will need to be fully implemented and monitored before assessing its impact and its benefits for the sector. Donor financed projects are currently the main mechanism for creation, financing and support of social enterprises.

In general, the concept of social economy is not well known and understood. The institutional framework is not clear, and coordination and cooperation between the main stakeholders is rather low. There are no international networks or support intermediary organisations specifically focused and involved in the support of social enterprises. The diaspora is not involved in social entrepreneurship programs and the support, giving and crowdfunding culture is underdeveloped.

Nevertheless public recognition and demand for social enterprises are slowly increasing in Moldova as a result of the increased visibility of social economy actors. There are real opportunities for developing this sector thanks to targeted support. USAID and the Austrian Embassy are the main factors contributing to the positive perception and visibility of the sector. The initiatives carried out by educated youth citizens, particularly women led ventures applying innovative social approaches, have a great potential for development and could turn into mature social enterprises.

---

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

<sup>2</sup> Neicoven, Vidaicu, Cioric: Study: Fundraising by Moldovan Civil Society Organizations from Domestic Sources: Opportunities and Perspectives, Chisinau, 2016

<sup>3</sup> Chiriac, Tugui: Mapping study, Civil society Organizations from the Republic of Moldova: Development Sustainability and Participation in Policy Dialogue, Konrad Adenauer Stiftung, Chisinau, 2014

Moreover, as stated above, CSOs are in general characterized as being donor dependant and as low capacity organizations. Social entrepreneurship could provide CSOs with an alternative to donor-funding. The numerous social issues in the country, including a large emigration rate among the youth (and brain drain), combined to the new and innovative solutions, necessary for addressing the existent problems, have created a significant space for CSOs and social enterprise activities.

## 2. INTRODUCTION

Moldova is a small, landlocked, lower middle income country with a GDP per capita of US\$ 1,900 (2016)<sup>4</sup>. Despite a sharp decline of poverty during recent years, Moldova remains the poorest country in Europe.

Until fall 2015, high economic growth rates (primarily driven by remittances and pensions) significantly contributed to the reduction of poverty in the country. According to national statistics, between 2006 and 2014, the poverty rate fell from 30 to 11 percent. In 2013, the World Bank recognised Moldova as one of the world's top performers in terms of poverty reduction. Yet, after the banking crisis in 2014 and the reforms' slowdown, economic growth started to decelerate. According to the *World Bank 2016 policy paper on poverty reduction*, "labour markets contributed to the past progress, but mostly through non-agricultural wage increases rather than employment creation". In fact, employment has been declining, associated with "rising inactivity driven by increasing migration and early retirement among the aging population especially in rural areas". Regional disparities are significant, having five times higher poverty rate in the rural regions compared to the capital. In addition, "continued progress in poverty reduction and shared prosperity face tremendous risks due to long-term fiscal pressures and high volatility in the economy".

Moldova's economic, social and human indicators are low. The country ranks 107<sup>th</sup> on the Human Development Index, 89<sup>th</sup> on the Global Competitiveness Index, 89<sup>th</sup> on the Global Entrepreneurship Index and 123<sup>rd</sup> on the Corruption Perceptions Index (rankings are made out of 137 countries, see annex A). Those figures illustrate the low level of social trends and conditions impacting living standards in Moldova. Public Administration Reform (PAR), combating corruption, improving public services delivery, and the effectiveness of the judiciary, are still key priorities for Moldova to move closer to EU standards<sup>5</sup>.

The capital, Chisinau, is the largest business centre of Moldova, where more than half of the manufacturing value is created (excluding Transnistria<sup>6</sup>). Yet only 23 percent of the population live in the capital<sup>7</sup>, and 20 percent in other cities. The share of the rural population is large and reaches 57 percent. In terms of wellbeing, the capital ranks well above other regions (both rural and urban areas), as indicated in the *World Bank Poverty and Shared Prosperity Report*: "Although the gap has shrunk in the last decade, poverty in other regions is still more than five times the rate in Chişinău". From a political and social point of view, the country is again not homogeneous. In the capital, the youth and high educated citizens are more western oriented, while other regions tend to be more Russia-oriented. As asserted in the *EU Joint Analysis*: "Russian speakers tend to migrate for opportunities in the Commonwealth of Independent States (CIS), whilst Romanian speakers tend to move both to Europe and the CIS, seeking work abroad".

Those structural challenges – among which are high discrepancies among the population driven by geographical disparities, and the high volatility in the economy – notably point to the need to create "more (and better) jobs, and thus enhance access to education, health, and services". In this context – and though in its early development stages – social economy enterprises are developing. Those social economy players, already existing as micro companies could contribute to poverty reduction, labour inclusion and economic growth, by developing more socially driven economic activities in the country.

Civil society does not have a long history and tradition in Moldova. There are more than ten thousand non-profit organizations officially registered at Moldova's Ministry of Justice, of which only a small portion is currently active. There is a gap between national and local CSOs due to the fact that, according

<sup>4</sup><http://bit.ly/2zeHU6e>

<sup>5</sup>[https://eeas.europa.eu/sites/eeas/files/joint\\_analysis\\_0.pdf](https://eeas.europa.eu/sites/eeas/files/joint_analysis_0.pdf)

<sup>6</sup> **Transnistria**, officially the Pridnestrovian Moldavian Republic is a landlocked self-proclaimed state situated in geographical region Transnistria, recognized only by three other non-UN states. The region is considered by the UN to be part of Moldova.

<sup>7</sup> World Bank data

to the Law on Public Associations, CSOs are divided into two types: national CSOs, which are registered by the Ministry of Justice, and local CSOs, which are registered by local authorities. Their area of activity is also limited by law. Local CSOs can only work at the local level. Therefore, international donors prefer to fund national CSOs.

CSOs active in the social service sector initiated the concept of social entrepreneurship forming a platform for further discussion with Government. Significant effort to further develop and improve the existing network of social services has been supported by economic activities within such organizations. However, the social services sub-sector is donor driven. Moreover, there is no available analysis of social service delivery, it is not known how many beneficiaries are in the country, how many services and providers there are, nor how much a service costs, as stated in the *EU Joint Analysis Report*<sup>8</sup>.

The social enterprise culture is entirely new in Moldova and finds itself at its very first stages of development. Nevertheless, there are various initiatives which pursue social values and simultaneously apply entrepreneurial elements.

In this context, the EU-Moldova Association Agreement (AA) was signed in 2015, and included a *Deep and Comprehensive Free Trade Agreement (DCFTA)*. Moldovan authorities are committed to implement the reforms envisaged in this document. Strengthening civil society and gender equality, are emphasized as important investments. Accompanied by confidence building measures, civil society development and gender equality could contribute greatly to better citizen buy-in and participation in Moldova's social and economic development plans and processes. The Implementation of the DCFTA will allow Moldova's citizens and private sector access to the world's biggest single market – although 98 percent of registered companies in Moldova are SMEs<sup>9</sup>.

This report provides an analysis of social economy and social entrepreneurship ecosystem in Moldova. It includes an assessment of the state of play of social economy in the country; including an assessment of its nature, size and key sectors, as well as an overview and analysis of the regulatory framework, the institutional support, the financing options and the available support structures.

The methodological approach is based on a mix of desk research, qualitative interviews and documentary analysis. An assessment mission in Moldova took place between the 25 and 29 September 2017. Formal and informal interviews were conducted with the main stakeholders during the mission. The list of interviews is indicated in Annex B. The mission was conducted by Ms. Andreja ROSANDIĆ (Team Leader) and Mushegh A. Tumasyan (Country Expert).

### 3. STATE OF PLAY OF THE SOCIAL ECONOMY IN MOLDOVA

#### 3.1. Nature and size of the social economy sector

Moldovan social economy is in its very early stages of development. There are various initiatives led by CSOs and the private sector which pursue social objectives and also include an economic activity. Nevertheless, they often do not fully comply with the EU definition of a social enterprise. Social enterprises can operate in the form of limited liability companies and non-profit organization as there are no clear legal requirements if any socially driven organization wants to engage in economic activities. Cooperatives are mostly related to agriculture. From the interviews conducted, it can be said that there are no social entrepreneurial initiatives coming from the cooperatives, although Moldova Private Farmers Assistance Program (PFAP)<sup>10</sup> through its capacity building program, among others, work on raising awareness of social responsibility. Although cooperatives are traditionally one of the main pool of social entrepreneurial activities in European countries, it seems that cooperatives in Moldova are

<sup>8</sup> Page 47, EU Joint Analysis Report, [https://eeas.europa.eu/sites/eeas/files/joint\\_analysis\\_0.pdf](https://eeas.europa.eu/sites/eeas/files/joint_analysis_0.pdf)

<sup>9</sup> <http://www.oecd.org/countries/moldova/republicofmoldovafosteringmallandmediumsizedcompanydevelopment.htm>

<sup>10</sup> <https://ewmi.org/PFAPCSS>



linked to “socialist times” – being perceived as remnants of the former regime – and are perceived negatively<sup>11</sup>.

In general, the concept of social entrepreneurship is not widely understood and misunderstandings or misinterpretations exist in this regard despite the existence of the definition described in the Law. In accordance with article 11 from Law No.845/1992: ‘Social entrepreneurship is an entrepreneurial activity whose main purpose is to solve social problems in the interest of the community.’

In accordance with article 361 (1) from Law No.845/1992: ‘Social entrepreneurship activity carried out by social enterprises and social inclusion enterprises is aimed at 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 through employment, by developing social services in the community interest, by increasing social inclusion’.

Moldova does not have a clear mechanism for assigning the status of social enterprise. This mechanism needs to be developed and approved by the Moldavian Government (in accordance with article XI form Law no 223 from 11/2/2017. At the moment Moldavian SMEs cannot be assigned the status of social enterprise.

Because there are no systematic data collection system (statistics), no national mapping of social enterprises in Moldova, and comprehensive studies on this matter are not available, baseline information on social economy is relatively non-existent. Based on information gathered from interviews, the expert identified 10-15 initiatives which considered themselves to be social enterprises. Yet, only 3 to 4 of those can clearly be recognised as such; though being in their early stages of development. *The Initiative for Social Entrepreneurship* in Moldova, a web based platform gathering CSO around the issue of social entrepreneurship lists 12 social enterprises being active at the moment<sup>12</sup>. Additional information has been gathered from the East Europe Foundation (EEF) report for 2014<sup>13</sup>, revealing few organizations that have been financially supported as part of EEF support to social entrepreneurship. The researchers manage to find in total 18 organizations running some sort of economic activities, covering wide range of activities and beneficiaries.

The annual turnover of social enterprises interviewed is limited (up to 30,000 € annually). The average number of employees is also very limited (mainly up to 5 individuals). The profitability level of social enterprises is not clear due to the lack of relevant data on the economic activities within the legal frame of non-profit organizations. Currently, *Eco-Răzeni* is the largest identified social enterprise in the country with 16 employees (and a turnover of about 100,000 €) being registered as a ‘limited liability company’. The main founder of the company is a non-profit entity, combining grants and investments.

### Case study 1:

#### Example of good practice: Eco-Răzeni

The Environmental Association "**Eco-Răzeni**" is a Moldovan non-governmental organization founded in 1998 with its headquarters in the village of Răzeni. It is involved in the field of facilitating access to information, training in communication technologies, environmental protection and ecological education, as well as in the involvement of young people in community life.

In December 2012, the association was registered as a new legal entity, a catering company called "**Floare de Cireș**", supported by the Austrian Federal Ministry of Labor, Social Affairs and Consumer Protection, the Volkshilfe Solidarität Association and Wien Work from Austria.

<sup>11</sup> This negative perception of cooperatives appeared during the interviews conducted by the experts.

<sup>12</sup> <http://antreprenoriatsocial.md/index.php?page=news&id=1178&l=ro>

<sup>13</sup> <http://www.eef.md/media/files/EEF-Grants-FY-2014.pdf>

The main mission of this social enterprise is the implementation of effective and sustainable programs to create opportunities for young people to participate in community development and socio-professional inclusion of young people with disabilities. Two times per year the social enterprise accepts up to 11 young people with disability to train them in cooking. During the job training, young people are employed, facilitating their labor inclusion after finalization of the training.

Currently, Floare de Cireș employs 16 people, out of which 9 are coming from vulnerable groups while 7 employees cover management and food processing positions.

For more information please visit: <https://www.floaredecires.org/>

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

Legal entities operating as social enterprises are engaged in a wide range of sectors and activities: agriculture, manufacturing, IT, fashion, training and services provision. Agriculture being Moldova's main economic branch, it has the potential to make significant contribution to the overall economy in the country, and can thus play a key role in forming social enterprise initiatives; enabling rural development.

Regarding their missions, social enterprises in Moldova mostly provide goods and educational services. Social enterprises are very active in the field of educational services provision, mostly in the area of environment protection, inclusion of people with disabilities and child care.

The beneficiaries primarily include the rural population, young people, and vulnerable society groups such as children, women and people with disabilities. Social initiatives also often address or include ecological and environmental issues targeting the general Moldovan population. Moldova's social enterprises cannot yet provide as many job opportunities compared to mainstream SME sectors.

The vast majority of the recognized social enterprises in Moldova are in their early stages of development; mostly combining non-profit activities with economic ones. The majority, despite carrying out economic activities, do not modify their legal status and still operate as non-for-profit organization. In fact, the law on associations allows them to carry out economic activities. Nevertheless, more and more social enterprises are taking the form of Limited liability companies (LLC) providing socially driven goods or services.

A selection of identified social enterprise initiatives can be found in the table below. This list might be incomplete due to the above mentioned lack of systemic data collection. The experts managed to compile a list of 14 social enterprises, combining the information gathered during the research phase and the list available in the Catalogue of Social Enterprises<sup>14</sup>:

**Table 1. Selected Examples of Social Ventures in Moldova**

Brief description	Economic Sector	Social mission	Target Group
<p><b>Eco-Razeni</b>  <a href="http://www.floaredecires.org">www.floaredecires.org</a>            NGO Eco-Razeni is the founder of the social enterprise Floare de Cireș (eco catering) whose entrepreneurial activity are linked to the hospitality industry, providing catering services. Eco-Razeni is expanding its economic activities and recently established a small green house.            Average number of employees: 16 (of which vulnerable groups - 9).</p>	<p>Catering services;            Training;            Agriculture</p>	<p>Job creation and job placement by training</p>	<p>People with disabilities and other vulnerable groups</p>
<p><b>EduJoc (Education through Play)</b>  <a href="http://www.edujoc.eu">www.edujoc.eu</a></p>			

<sup>14</sup> <http://antrenoriatsocial.md/index.php?pag=news&id=1178&l=ro>

<p>EduJoc is a Limited Liability Company run by socially motivated and oriented young enthusiasts. They produce or import toys and games, organize free seminars and workshops for children, parents and educators. Their mission is to provide high quality and educative toys to all children in Moldova. It started in 2011 as a pilot project, while the first store was opened in 2014. Currently two stores exist.</p> <p>Average number of employees: 5.</p>	<p>Production of toys (manufacturing; Retail; Training</p>	<p>Availability of educational toys; Education</p>	<p>Children, parents</p>
<p><b>Mara Woman</b> <a href="http://www.mara.md">www.mara.md</a></p> <p>MARA is a social enterprise (established in 2013) producing knitting clothes by women with the social mission of developing the rural economy and stopping the phenomenon of migration from rural areas through the creation of jobs for women and young people. Registered as an NGO, Mara Woman runs a small workshop in the village of Scoreni, a shop in the industrial zone of Chisinau and online shop providing international shipping.</p> <p>Average number of employees: 5.5 (of which 4 rural women).</p>	<p>Textile and fashion industry</p>	<p>Job creation; Promotion of knitting as tradition</p>	<p>Women in rural areas</p>
<p><b>MEGA</b> <a href="http://www.megageneration.com">www.megageneration.com</a></p> <p>MEGA (Moldovan Environmental Governance Academy) is a non-profit association focused on delivering services of gamification, serious game development, gamified trainings and courses, and e-learning with environmental and social value.</p> <p>MEGA represents an innovative solution for addressing the modern world's most pressing social and environmental issues.</p> <p>Recently, as a spin-off from MEGA a for-profit company was created named ENVERACE. ENVERACE is a talent pre-selection and recruitment agency focused on the domain of environmental management, science, and eco-innovation.</p> <p>Average number of employees: 5</p>	<p>IT; Trainings &amp; e-learning; Recruitment services</p>	<p>Environmental and social impacts; Job placement</p>	<p>1. Young people interested in environmental science &amp; career; 2. Organizations seeking specialists for environment-related projects</p>
<p><b>Dulce Plai</b> <a href="http://www.dulceplai.com">www.dulceplai.com</a></p> <p>Dulce Plai was founded by a young female entrepreneur in 2012, carrying on the traditions of her father and grandfather. The mission of the Dulce Plai is to restore the bee population of Moldova, and to produce high quality products from the apiary; while supporting social and youth development initiatives in Moldova.</p> <p>Today, Dulce Plai apiary has grown from 30 bee families to 160, from one product line to twenty-five, and the Dulce Plai team has been actively campaigning in local schools to educate youth about the importance of bees, supporting and partnering with local and international partners to design and implement rural youth development programs, and assisting beekeepers around Moldova to start apiaries of their own.</p> <p>Average number of employees: 3</p>	<p>Agriculture; Training</p>	<p>Environmental and social impacts; Biodiversity; Rural development</p>	<p>Rural population</p>
<p><b>Seed It Forward</b> <a href="http://www.seeditforward.org">www.seeditforward.org</a></p> <p>Seed It Forward is an agroforestry initiative founded in 2015. The aim of the initiative is to “grow trees and people for a greener Moldova”. This is achieved by planting and growing trees and other plants in different regions of the country, and by sharing their passion and skills with other people, especially those who have never planted a tree in their lives.</p> <p>Average number of employees: 10</p>	<p>Agriculture</p>	<p>Environmental and social impacts</p>	<p>General population</p>

### 3.3. Funding and financial tools social enterprises use

Often, social ventures in Moldova do not have a proven business model and/or economic fundamentals. These initiatives are in the process of development and adjustment towards a better financial stability and durability; especially in order to face a possible cessation of grant financing and donor support. As

a result of their early development stage, social enterprises are either not yet profitable, or the generated profits are very limited and do not allow a complete financial independence.

Currently, grants provided by international development agencies and donors are the main source of funding (or co-financing) for social enterprises in Moldova. Due to the growing interest for social economy, it can be expected that more and more targeted support might be available for social enterprises. Until now, only the Austrian Embassy provided tailor-made financial support to *Eco-Razeni*, enabling them to receive seed funding rather than project support funding.

Grants, as a form of funding, are not only available to NGOs but in some cases also to commercial enterprises, taking the form of awards, business plan contests, purchase of equipment and/or machinery by international organizations such as UNDP, or covering business consulting services. There are no financing from financial markets and/or loans, and only small examples of private investments exist. Funding through individual citizens – by donations to Institutes or through crowdfunding platforms – is developing; although very limited for the moment. Crowdfunding seems to be the most commonly used source of financing among CSOs, though not yet widely known and used.

### 3.4. Monitoring and evaluation of the financial and social return

A unified system of monitoring and evaluation of social enterprises does not exist in Moldova. The existing gap on monitoring and evaluation involves both financial and social return and relates to both internal and external monitoring and evaluation systems. Donors and organisations that provide support to social enterprises use their own methodologies to monitor and evaluate social enterprises. Yet, it is often limited to project level monitoring and does not include the economic activities of the organization. Social enterprises usually have some internal system for tracking their beneficiaries as well as the social impact in their community.

The monitoring of the financial results and profitability becomes difficult when social enterprises have various monetary and non-monetary income sources, and benefit from various technical support mechanisms. There is no evidence of separation of the accounts for non-profit and profit incomes.

The monitoring and evaluation of the social impact is usually inherited from the CSO, employing some form of internal monitoring and evaluation of the beneficiaries, target groups and impact achieved. Through annual reports and discussions, CSO mostly measure the quantitative outputs related to the number of beneficiaries served, number of disadvantage people employed, job opportunities created, as well as the qualitative outputs related to the improvement of the quality of life of beneficiaries served. However, the experts did notice the use of a comprehensive system based on regional or international standards of social and financial return on investment. Such system could provide comparable data of the social impact in Moldova.

## 4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT

### 4.1. Relevant policies, regulatory and institutional framework

#### 4.1.1. The legislative and regulatory framework related to social economy

In terms of legal forms, social initiatives which are, or could be considered, social enterprises, often operate as NGOs, associations, foundations, religious organizations or Limited Liability Companies (LLC).

In accordance with article 36 (1) from Law 845/1992 on entrepreneurship and enterprises that has been supplemented by a new chapter of social entrepreneurship and social enterprise, a social enterprise is an enterprise constituted by public associations, foundations, religious cults, private institutions and /

or individuals who carry out social entrepreneurship activities in order to solve social problems of community interest and which meet the conditions set forth in this chapter. Social enterprise status can be acquired by Limited Liability Company as well as the production cooperatives.

In February 2016, 10,296 CSOs were registered with the Ministry of Justice of Moldova. Only a small share has been active in the last three years. Their activities relate mainly to informal education/training (50%), social services (40.8%), community development (36.9%), followed by civic participation and advocacy (26.2%), health and youth (19.2% each), and culture (16.9%)<sup>15</sup>

In fact, most of the time, these initiatives are small businesses and as a consequence, regardless of their legal form, they are considered eligible for the value added tax exemptions foreseen for SMEs<sup>16</sup>. Although law foresees the establishment of for-profit daughter companies in case NGOs carry out entrepreneurial activities, it is not always applied.

Following the current EU integration agenda, the government tries to gradually harmonize its SME policy with the EU practice. Social entrepreneurship is also subject to discussion from this. Nevertheless, the government lacks a strategic approach and there is not a clear understanding of social entrepreneurship and respective support mechanisms are lacking.

In 2012, Moldova's Parliament adopted the *Small and Medium Enterprise-Sized Sector Development Strategy for 2012-20*. The strategy aims at applying the Small Business Act principles to Moldova and improving the business environment for SMEs by facilitating access to finance, increasing competitiveness, stimulating innovation and promoting SMEs development in the regions. The Strategy is supposed to create a favourable environment of business in general as there is lack of confidence between the business environment and authorities.

The first attempt to establish a legislative framework for social entrepreneurship took place in 2013 but was not successful. The process was relaunch in 2015 through the *"Moldova Partnerships for Sustainable Civil Society Program"* (MPSCS), financed by USAID and implemented by FHI360<sup>17</sup>, a global development organization operating around the world, strengthening the capacity of the Moldovan civil society to represent citizen's interests, influence policymaking, and sustain the sector's democratic role for the future.

Led by *Eco-Razeni* and *Motivatie*, the MPSCS particularly supported the National NGO Council to promote the introduction of the legal concept of social entrepreneurship in Moldova. In addition, the *European Centre for Not-for-Profit Law (ECNL)*<sup>18</sup> participated in the development of law amendments on social entrepreneurship and in the establishment of a respective working group composed of civil society organisations and government bodies' representatives. The working group was coordinated by the Ministry of Economy.

The Parliament did not immediately approve the law amendments on social entrepreneurship, but finally approved it in November 2017. The new *Law on Social Entrepreneurship* defines the legal frame for founding social enterprises in Moldova. Yet, the approved law lacks to clarify the issue of state incentives implementation and it is not clear if this is clarified in other legal documents.

The main purpose of this law is to define and regulate the sector in order to allow for the development of new public and non-public programs supporting social economy or to allow its inclusion in existent programs.

In accordance with the existent legislative texts in Moldova, social enterprises in the country can have two legal forms:

---

<sup>15</sup> 2014, Mapping study of Civil Society Organizations in Moldova: Civil Society. Dialogue for Progress conducts comprehensive research

<sup>16</sup> The VAT threshold in Moldova is 600,000 MDL (about 30,000 Euro).

<sup>17</sup> <http://fhi360.md/>

<sup>18</sup> <http://ecnl.org/where-we-work/eastern-partnership/moldova/>

1. Social enterprises focusing on addressing general community problems; these social enterprises need to clearly pursue a social objective and reinvest 90 percent of their profit.
2. Integration social enterprises focusing on the creation of jobs for vulnerable groups; 30% of their employees must come from vulnerable groups and 90 percent of the profits need to be reinvested.

The Law further defines criteria that need to be met to acquire the status of social enterprise. A social enterprise:

- a. Needs to perform activities in at least one of the areas referred to in Article 36<sup>1</sup> (4);
- b. Assures to the shareholders the right to equal voting, regardless of the share in the share capital;
- c. Reinvests at least 90% of the profit in achieving the objectives in the areas referred to in Article 36<sup>1</sup> (4) and expressly stipulated in the constitutive act;
- d. Applies the principle of social equity to employees, ensuring fair pay levels, between which there can be no differences exceeding the ratio of 1 to 5;
- e. Has no debts to the national public budget;
- f. Expressly stipulates in the constitutive act the fields in which it carries out the activity, the conditions mentioned in points b) and c) of this point;
- g. Does not distribute the ownership acquired from the moment of obtaining social status from social entrepreneurial activities and more than 10% of the profit between its members and its founders, including in case of reorganization or liquidation;
- h. In the event of liquidation, transfers the remaining assets after satisfying its creditors' claims to one or more social enterprises, social holding companies or non-profit organizations which have acquired the status of a social enterprise or a social enterprise of insertion.

Integration social enterprises additionally have to fill the following criteria:

- a) Permanently have at least 30% of the employed persons 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 the employees;
- b) Expressly stipulates in the act of creating, as an objective, the creation of jobs and the prior classification of the persons from the disadvantaged categories of the population.

Another new element introduced by this law is the establishment of a Special Commission responsible for approving the legal status of social enterprise for the period of three years with the possibility of renewal and other tasks related to social economy development. Although the Commission might have a significant role in boosting social economy, it is challenging as it will be formed by Ministry officials who not necessarily have a deep understanding of the concept.

Prior to the enforcement of this law, the Parliament approved the *Civil Society Development Strategy 2012-2015*, which did include certain elements related to social entrepreneurship development. The implementation of the strategy was extended until 2016, however, a majority of the envisaged activities were not implemented. A new strategy for Civil Society Development is being developed and will cover the 2017-2020 period. It will provide a broader support for social economy actors.

The legislative framework that can directly or indirectly influence the development of social enterprises in Moldova is the following:

1. Law no. 845/1992 on Entrepreneurship and Enterprises;
2. Law no. 837/1996 on public associations;
3. Law no. 581/1999 on foundations;
4. Law no. 1007/2002 on production cooperatives;
5. Law no. 102/2003 on employment and social protection of persons seeking employment;
6. Law no. 125/2007 on freedom of conscience, thought and religion;
7. Law no. 135/2007 on limited liability companies;

8. Law no. 123/2010 on social services;
9. Law no. 60/2012 on the social inclusion of people with disabilities;
10. Law no. 131/2015 on public procurement

The social entrepreneurship activity carried out by social enterprises is aimed at improving living conditions and providing opportunities for people in disadvantaged categories by strengthening economic and social cohesion, including at the level of local communities, through employment, development of social services in the community interest and increased social inclusion.

In more detail, socially entrepreneurial activities are activities in the fields oriented towards:

- a) creating jobs and prioritizing people from disadvantaged categories of the population;
- b) protecting and promoting the rights of persons with disabilities and their families for the purpose of their social inclusion;
- c) promoting the possibilities of employing persons from the disadvantaged categories of the population through the provision of labour mediation services, information and professional counselling, guidance and vocational training, counselling and assistance in starting an entrepreneurial activity;
- d) carrying out activities contributing to the implementation of public regional development policies, including reducing imbalances between levels of social and economic development in and within regions, strengthening financial, institutional and human opportunities for the socio-economic development of the regions, supporting the work of the authorities' local government and local communities, oriented towards the socio-economic development of localities and coordination of their interaction with national, sectoral and regional development strategies and programs;
- e) providing and developing social services as well as ensuring financial sustainability in order to develop and expand social services;
- f) promotion of environmental protection activities;
- g) management of waste in order to reduce it and its maximum re-introduction into the economic circuit, as well as to prevent environmental pollution;
- h) promotion of national heritage protection activities;
- i) carrying out tourism and sports activities for recreation and socialization purposes;
- j) carrying out extra-curricular activities;
- k) carrying out activities in the areas of education, culture, health, social protection and welfare, welfare and community development, if these activities are directed exclusively towards strengthening economic and social cohesion and increasing social inclusion.

The Moldovan Government envisaged some of the support measures for Social enterprises specifying tax incentives and state aid support, mentoring support from public institutions, the right to participate in public procurement, public property space rental and promotion activities.

#### 4.1.2. The institutional framework of the country

Moldova signed the EU-Moldova Association Agreement in June 2014, providing a framework for further economic integration and political cooperation between Moldova and the EU. The framework includes a Deep and Comprehensive Free Trade Area (DCFTA) and an Association Agenda. The Association Agreement replaces the previous Partnership and Cooperation Agreement, which had been in force since July 1998.

The designated institution dealing with social entrepreneurship in the country is the *Ministry of Economy and Infrastructure*. The Ministry is formally responsible for drafting the legislation and other policies on social entrepreneurship. It is supported by the National NGO Council. Cross-sector coordination in promoting social entrepreneurship formally exist in the form of the informal National NGO Council, but it lacks real cooperation mechanisms. Representatives from the Ministry of Health,

Labour and Social Protection have been part of the working group for drafting the legislation on social enterprises.

The European Union's support to civil society has been instrumental in increasing public accountability, respect of human rights, and local development in Eastern partner countries. The European Union is the biggest donor to the CSO sector in Moldova; as well as in the region.

The Law no. 123/2010 on Social Services establishes a general framework for the provision of social services in the country. Public associations, foundations and private non-commercial institutions are recognized as possible providers of such services. The Nomenclature of Social Services, approved by the Ministry of Health, Family and Social Protection, includes the list of 41 social services. The Nomenclature regulates the title of services, legal basis, beneficiaries and required staff members for the delivery of each service.

Based on the provisions of this legislation, the Ministry of Health, Family and Social Protection commissions CSOs (13 organizations annually) for providing services. However, only organisations with a “public benefit” status can participate in the tenders as social services providers. The list of these CSOs is annually approved by the government. In practice, it appears that the list of these organizations remains unchanged.

Law no.131/2015 on Public Procurements describes the mechanism for public procurement of goods and services, including social services. The right to participate in public procurement procedures may be reserved by the Government for protected workshops and social inclusion enterprises where the majority of the employees involved are persons with disabilities who, due to the nature or severity of their deficiencies, cannot undertake professional activity under normal conditions.

In addition, some ministries, such as the Ministry of Economy, Ministry of Environment, Ministry of Youth and Ministry of Culture, provide small grants to CSOs, which have been positively received. In Moldova, CSOs have the option to earn income from the provision of services and goods as long as this is stipulated in their status.

In June 2017, the Ministry of Justice introduced a special provision within the draft Law on Non-commercial Organizations of the Republic of Moldova that undermines CSOs and is not respecting international standards and best practices defined by EU conventions and guidelines. As analysed by ECNL: "The Special Provisions threaten CSOs' ability to take part in the conduct of public affairs and their right to access domestic and foreign resources. They also impose burdensome reporting requirements and penalties, including for managers of the CSOs. This is contrary to international standards and good regulatory practices, and potentially violates domestic laws on transparency in decision-making and Moldova's international commitments, such as the Open Government Partnership agenda<sup>19</sup>".

Under the *National Program for Youth Economic Empowerment*, financed with the support of the EU ESRA Programme, a total number of 240 investments projects were financed in rural areas. The total amount of lending is estimated at MDL 69.17 million, with a grant share of MDL 27.67 million.

#### 4.1.3. Links with existing Social Protection and Social Inclusion systems

Social Enterprises involved in the field of work integration are examples of actors that play a key role in fighting poverty and exclusion as part of the social economy. Although during the elaboration of this study, many CSOs highlighted these issues, the experts did not identify many of them organizing economic activities that would be sustainable and at the same time providing professional integration for people with disabilities in the labour market. It seems that those associations provide social inclusion

---

<sup>19</sup> [http://ecnl.org/wp-content/uploads/2017/08/ECNL-Comments-on-MD-NCO-law-08.2017\\_Eng.pdf](http://ecnl.org/wp-content/uploads/2017/08/ECNL-Comments-on-MD-NCO-law-08.2017_Eng.pdf)



for the vulnerable groups into the daily life but do not provide them with sustainable job solutions. Few CSOs established market oriented professional integration models.

Many of the socially driven initiatives in Moldova originate from citizen initiatives or local economic actors that are deeply rooted into their territories or dedicated to specific social causes. Thus, they mostly look for local solutions to local needs and aim to improve the quality of life of local citizens or vulnerable groups. Despite its limited size, the social economy sector in Moldova has been developing in remote areas of the country. It thus provides examples that might be applied to further promote rural development. As suggested by the GECES report: "The social economy and social enterprises play a key role for local and regional authorities who can directly benefit from the added-value or new ideas, solutions and approaches to unforeseen or unavoidable problems that they create, whether this comes in the form of generating wealth and social connections or the production of new goods and services"<sup>20</sup>.

Moldova confirmed its commitment to human rights protection by ratifying UN conventions, protocols and adopting relevant laws. Among others, it is possible to quote the documents regulating the rights of persons with disabilities, children's rights, women's rights, etc. The following laws were adopted: Law 121/2012 on equality, Law no.45/2007 on prevention and combating of domestic violence, Law no.5/2006 on equal opportunities for men and women, and Law no.60/2012 on the social inclusion of persons with disabilities. However, it seems like those legislative frameworks are still driven from the outside and not always accompanied with the efficient mechanisms. There are existing initiatives targeting economic and professional integration of the people with disabilities, but they are not yet fully operational as social enterprises. The example provided in the table below is illustrative.

#### Case study 2:

Founded in 2003 by Keystone Human Services International, the **Keystone Human Services International Moldova Association (Keystone Moldova)** aims for the social inclusion of individuals living in difficult social situations, including persons with disabilities. The mission of Keystone Moldova is to promote and develop opportunities in the form of consultant services, technical assistance, direct support services, best-practice trainings, monetary and administrative supports to promote the independence and social inclusion of people who are in need due to disabling conditions, situations of poverty, abandonment, institutionalization, and other adverse societal conditions all throughout Moldova.

In order to fulfil their goals, Keystone Moldova opened a **Training Centre**, supported by the Soros Foundation. This training centre was launched in 2016 as a social economic activity aiming to earn money that will be redirected to support community living for people with intellectual disabilities who left residential institutions. The Training Centre located in the centre of the capital provides a range of services for various conferences, meetings, trainings, forums to interested organizations or individuals.

For more information please visit: <http://www.keystonemoldova.md/en/social-entrepreneurship/training-center-keystone-moldova.php>

## 4.2. Key stakeholders and existing coordination mechanisms

CSOs and individuals implementing socially driven initiatives are the main initiators of the social entrepreneurship sector in Moldova. *The Moldova Partnerships for Sustainable Civil Society (MPSCS)* project, a five-year project funded by the United States Agency for International Development (USAID) and implemented by FHI 360 was the first to tackle the issue of long term sustainability of CSOs in the systemic way. Working in coordination with the civil society representative bodies, the MPSCS project

<sup>20</sup> Page 12 of the Social enterprises and the social economy going forward; A call for action from the Commission Expert Group on Social Entrepreneurship (GECES), October 2016.

also strengthens the capacity of governmental and civil society entities to ensure the implementation of the laws and policies related to social economy.

ECNL supports the sustainability of civil society in Moldova through enhancing local partners' expertise and capacity to carry out legal reform and advocacy activities for an enabling legal environment for social economy development.

Among government bodies, the Ministry of Economy which is responsible for legislation development and implementation plays significant role. The Ministry of Finance and the Ministry of Health, Family and Social Protection seem to have a more passive role compared to the Ministry of Economy. In reality, this is the result of an inadequate understating of social entrepreneurship as a concept and the underestimation of its role in solving existent social issues in the country.

There is a large and diverse donor community in Moldova, ranging from individual donor organizations to international development agencies; all of them providing significant amount of support on various social, societal and ecological issues. Many of the donors provide multi-year support for programs and projects carried out by numerous CSOs. However, for the moment, it seems that a tailor made support for social enterprise development has only been provided by the Austrian Embassy. It has been done through grants - thus in compliance with the needs of a star-ups, rather than project based initiatives. The result of such cooperation is *Eco-Razeni*, one of the best examples of social enterprise, founded by a non-profit entity and operating on a commercial basis in order to be able to provide more employment opportunities and job placement for people with disabilities. In this case, the Austrian Embassy applied the Austrian model of social entrepreneurship when providing support.

Unfortunately, there are no formal coordination mechanisms between key actors among the different sectors. The development of social entrepreneurship and institutional coordination are left to a number of NGOs who actively address issues related to social entrepreneurship. However, their capacity to play an active role depends on short term donor funding which cannot ensure the sustainability of the social economy sector.

**Table 3: Key Stakeholders in the Social Enterprise Ecosystem in Moldova**

Organization	Role
<b>Policy Makers</b>	
<b>Ministry of Economy</b>	<ul style="list-style-type: none"> <li>✓ Responsible for SME development policies and programmes,</li> <li>✓ Responsible for drafting and presentation of the legislation on social enterprises.</li> </ul>
<b>Ministry of Finance</b>	<ul style="list-style-type: none"> <li>✓ Responsible for general tax and fiscal policies and design state (financial) incentives.</li> </ul>
<b>Ministry of Health, Family and Social Protection</b>	<ul style="list-style-type: none"> <li>✓ Responsible for social policies, addressing needs of vulnerable groups, and providing social contracting.</li> </ul>
<b>Funders</b>	
<b>Austrian Embassy</b>	<ul style="list-style-type: none"> <li>✓ Support for development of social economy,</li> <li>✓ Funded operation of the social enterprise "Eco-Razeni" for multiple years.</li> </ul>
<b>East Europe Foundation</b>	<ul style="list-style-type: none"> <li>✓ Support for development of social economy and entrepreneurship,</li> <li>✓ Funding of start-ups, trainings, study visit.</li> </ul>
<b>Sweden Embassy</b>	<ul style="list-style-type: none"> <li>✓ Support for woman entrepreneurship and creative industry development,</li> <li>✓ Supports business climate reforms.</li> </ul>
<b>Swiss Agency for Development and Cooperation</b>	<ul style="list-style-type: none"> <li>✓ Providing small grants for employment of people with disability.</li> </ul>
<b>UNDP</b>	<ul style="list-style-type: none"> <li>✓ Providing grant funding and other support to youth and woman entrepreneurship,</li> </ul>

	<ul style="list-style-type: none"> <li>✓ “Better opportunities for youth and women” project supported development of 5 social enterprises during 2006-2007.</li> </ul>
<b>USAID</b>	<ul style="list-style-type: none"> <li>✓ Supports development of creative industries, IT and other sectors,</li> <li>✓ Funding of Moldova Partnerships for Sustainable Civil Society Program (MPSCS).</li> </ul>
<b>FHI360</b>	<ul style="list-style-type: none"> <li>✓ Implements USAID - MPSCS program,</li> <li>✓ Supported development of the “Civil Society Development Strategy” 2012-2015 and drafting new 2017-2020 strategy,</li> <li>✓ Supported National NGO Council in drafting and promotion of legal framework for social entrepreneurship.</li> </ul>
<b>Ministry of Foreign Affairs of Denmark / DANIDA</b>	<ul style="list-style-type: none"> <li>✓ Around 133 million euro has been allocated for the for the Neighbourhood Programme 2013-17 covering Eastern and South-Eastern Europe in a form of grants, technical assistance and interest-free or low-interest loans,</li> <li>✓ Priority sectors include human rights and democracy; and sustainable and inclusive economic development.</li> </ul>
<b>Austrian Development Agency</b>	<ul style="list-style-type: none"> <li>✓ Main focus is poverty reduction and creation of new prospects for people in rural areas,</li> <li>✓ ADA provides variety of support ranging from Bilateral cooperation with Government, tender and grants through partner organizations, instruments for CSO development (co-funding, humanitarian aid, business partnership and trainings)</li> </ul>
<b>GIZ - Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH</b>	<ul style="list-style-type: none"> <li>✓ Supporting concepts for economic and social integration and empowerment of youth through vocational education,</li> <li>✓ The German Federal Ministry for Economic Cooperation and Development (BMZ) is main commissioning party.</li> </ul>
<b>Support Organizations And Institutions</b>	
<b>National Council of NGOs</b>	<ul style="list-style-type: none"> <li>✓ An informal network containing of around 10-12 NGOs - supported by FHI 360/MPSCS project. The National NGO Council is active in promotion of development of legislative framework and development sector in general.</li> </ul>
<b>European Centre for Not-for-Profit Law (ECNL)</b>	<ul style="list-style-type: none"> <li>✓ Provided technical (legal) assistance for law drafting and research resources for social economy development under USAID/MPSCS program.</li> </ul>
<b>ODIMM</b>	<ul style="list-style-type: none"> <li>✓ Operates under the Ministry of Economy to supports development of SME sector,</li> <li>✓ Provides different type of supports, including financial and technical.</li> </ul>
<b>Chamber of Commerce and Industry of the Republic of Moldova</b>	<ul style="list-style-type: none"> <li>✓ Provides trainings for SMEs.</li> </ul>

### 4.3. Existing funding strategies for social economy

#### 4.3.1. National public funding schemes

According to different local experts, over 95% of the funding for Moldovan CSOs comes from foreign donors. CSOs have few skills to attract local private and state funding<sup>21</sup>.

The Civil Society Development Strategy for 2012 – 2015 was the first document enabling CSO's to strengthen their financial sustainability, by promoting adequate mechanisms for assuring their financial viability. The Strategy has been applied by various CSO players and supported by USAID through its local partner FHI360. Another study analysing the domestic sources of funding, published by ECNL in 2015, confirmed that: "the main source of funding for the Moldovan CSOs are foreign foundations and

<sup>21</sup> Quarterly Progress Report No. 2: April 1, 2014 – June 30, 2014, Moldova Partnerships for Sustainable Civil Society(MPSCS), implemented by FHI360

organizations. Eighty three percent of organizations participating in the online survey have confirmed this<sup>22</sup>.

Public funding does exist, and includes government programs to tackle specific issues at national or regional level such as the reintegration of unemployed, children, environment, youth, and culture. In general, such programs are easily accessible to NGOs and mostly provided by relevant Ministries, enabling CSOs to provide a whole range of services for government institutions and local authorities. In addition, CSOs are entitled to provide social services after being accredited as a Provider of Social Services, by the Ministry of Health, Labour and Social Protection. Currently there are 13 CSOs in the list, getting state funding on a yearly basis, based on the contracts for service provisions, and based on the Law on Public Procurement. This is unique case in Moldova, not being replicated.

However, the European Union Joint Analysis Report stressed that the State does not have enough financial resources to fund CSOs, and there is no detailed partnership between CSOs and businesses. The State provides some tax benefits for CSOs, such as income tax exemptions for organizations with public utility status, but CSO activity is 80-90% funded by foreign donors, mostly the European Union and its member states.

Additionally, some Ministries, such as the Ministry of Economy, Ministry of Environment, Ministry of Youth or Ministry of Culture, provide small grants to CSOs, which have been positively received. For locally based CSOs, local authorities represent a significant source of non-financial funding; for example by offering spaces to CSOs for engaging in local governance and policy making. This role is relevant to foster the already initiated decentralisation process as well as to reduce social exclusion at the local level.

#### 4.3.2. European Union funding

The European Commission developed a Single Support Framework to support the implementation of the Association Agenda, providing Moldova with several different types of support mechanisms. The framework has been developed in consultation with the Government, civil society, multilateral and bilateral donors, International Financial Institutions and International Organisations. The priority sectors for support assistance include Public Administration Reform, Agriculture and Rural Development as well as Police Reform and Border Management. Within the three priority sectors, grants and tenders are provided to various stakeholders including NGOs. The experts did not find any evidence of direct support to social enterprise entities but rather wider support to project/program activities of various NGOs. However, the support provided represents a significant step forward thanks to the amounts provided and to the fact that NGOs are learning how to obtain EU funding.

Under AAP 2016, a call for proposals "Modernisation of rural areas" is foreseen. The main objective of this grant is to support the final grant beneficiaries such as local service providers, social entrepreneurs, local action groups, farmers and farmer associations and networks, local authorities to implement priority pilot actions in rural areas to stimulate economic regeneration and boost attractiveness of rural areas. The fields of intervention will include activities on the improvement of living conditions in rural areas, including but not limited to upgrading social and cultural facilities.

Under AAP 2018 (provisionally) there is foreseen the provision of grants to develop small projects for monitoring local authorities; to implement initiatives to address the communities' own prioritized needs; to engage or participate in small scale infrastructure projects and/or social entrepreneurship initiatives; and to engage in self-managed social assistance services.

Additional support schemes envisaged under AAP 2017 is a targeted Civil Society Facility, while in the past under AAP 2014, there was specific targeted action to involve CSOs in monitoring budget support operations and under AAP 2013 Confidence building measure included 2 targeted calls for proposals for Transnistria and Gagauzia.

---

<sup>22</sup> [http://ecnl.org/wp-content/uploads/2016/02/R69-Studiu-Colectare-de-fonduri-final\\_ENG\\_FINAL.pdf](http://ecnl.org/wp-content/uploads/2016/02/R69-Studiu-Colectare-de-fonduri-final_ENG_FINAL.pdf)

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

The Moldovan non-for-profit sector has the opportunity to use and access various funding programs developed by private and public donors outside the country. Some of them include the *Visegrad Fund*<sup>23</sup>, *Marshal Fund*<sup>24</sup>, *Regional Environmental Centre (REC)*<sup>25</sup>, *United Nations Democracy Fund (UNDEF)*<sup>26</sup>, *PONTIS Foundation*<sup>27</sup>, and *National Endowment for Democracy (NED)*<sup>28</sup>. The funding of social enterprises was previously achieved by the UNDP. Between 2006 and 2007, five social enterprises were launched through UNDP's "Better Opportunities for Youth and Women" project. Yet, the survival rate of these ventures was very low and this initiative was not continued.

Additionally, many Embassies in Moldova, such as the Austrian Embassy quoted above, provide some sort of financial or non-financial support to CSOs.

Recently, *the European Fund for South East Europe (EFSE)*<sup>29</sup> launched their EFSE Development Facility programme partnering with the Partner Lending Institution (PLI). For Moldova, it is, Finance in Motion, an impact investing advisor with an aim to promote entrepreneurship development in the East Neighbourhood region. The initiative is in its preparation phase, not having local partners yet.

#### 4.3.4. Private sector

There are no specific private funding schemes to support of social enterprises. However, we can highlight the so-called "2% Law" which is an indirect state and private support mechanism that allows CSOs (and so social enterprises) to mobilize domestic resources and diversify their income basis. In particular, the adopted mechanism allows taxpayers to allocate 2% of their paid income tax to CSOs and religious organizations. The final revised version of the law was adopted in December 2016 and entered into force in the beginning of 2017. As a consequence, the main outcomes and examples of good practice are not yet clear.

According to the 2014 civil society organization sustainability index, the *East-European Foundation* to Moldova was the biggest donor to support the development of social enterprises. In 2014, 300,000 USD have been allocated for helping nine CSOs to start social businesses. The other donors present in the Moldova mostly support various non-commercial activities with occasional support to smaller scale economic activities within the organizations. *The Soros Foundation Moldova* is active in the area of supporting people with disabilities; together with few other supporters.

Crowdfunding campaigns have been mentioned during the interviews held by the experts as one of the financing mechanisms for social enterprises. Nevertheless, crowdfunding is yet not widely spread in Moldova and donations remain concentrated in the area of religions organizations and social purposes. There is a general lack of trust and understanding of the concept of social enterprise and therefore a limited willingness to support such organizations.

#### 4.3.5. Microfinancing

Due to the economic vulnerability of social businesses, the high risks, high interest rates and other related issues, financing is not provided by microfinancing and other banking systems. Microfinancing products

<sup>23</sup> <http://visegradfund.org/home/>

<sup>24</sup> <http://www.gmfus.org/>

<sup>25</sup> <http://www.rec.org/>

<sup>26</sup> <https://www.un.org/democracyfund/>

<sup>27</sup> <http://www.nadaciapontis.sk/>

<sup>28</sup> <https://www.ned.org/>

<sup>29</sup> <https://www.efse.lu/>

are not yet available to social enterprises in Moldova due to their early stage of development and their funding needs that do not fall into the requirements of microfinancing institutions.

#### 4.3.6. Development Aid Agencies

FHI 360 is continuing its successful experience in Moldova in supporting CSOs to diversify their funding models and thereby increasing their prospects for long term sustainability. Together with USAID, FHI360 main funder in Moldova, there are various foreign international organizations, donors and funders that provide grant funding and services contracting to various NGOs. It appears during the research that UNDP (and other UN structures), SIDA and the Swiss Cooperation Office are active in the country.

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

#### 4.4.1. Business Development Services

As a result of the lack of legislative environment and insufficient institutional development, there are also no non-financial support mechanisms for social enterprises in place. This relates in particular to business development related services for social enterprises, networking or educational programs. Such support elements are not very common in selected donor funded projects or projects implemented by local organizations.

In this regard, it is important to highlight the role of the technical support programs, trainings, study visits and other capacity building programs financed by the East Europe Foundation, the Sweden Embassy, and the Swiss Agency for Development and Cooperation.

The programs implemented by the Organization for Small and Medium Enterprises Sector Development (ODIMM)<sup>30</sup>, a non-profit non-commercial organisation, granted with the status of a public institution, governed by public law, created by Government Decision no. 538 dated on 17 May 2007. It is working under the coordination of the Ministry of Economy and with other central and local public administrations, business associations, business support providers and SMEs. It coordinates directly with Moldova's Ministry of Economy and can easily be adjusted to fulfil the capacity building needs of social enterprises. However, for now, there are no evidence that those types of supports are being provided. The Chamber of Commerce and Industry of the Republic of Moldova organizes trainings but those are paid trainings which are often inaccessible to social enterprises.

The action plan for the implementation of the SME Sector Development Strategy for 2012-20 has been developed and aims at identifying events, obligations, deadlines and necessary resources for strategy implementation. Some of the Support Initiatives that might be considered as fulfilling social enterprises' needs, if adjusted, are describe below. The listed support initiatives provide broader type of support to SMEs, and thus allow for the inclusion of social economy actors as their beneficiaries.

*Programme for attracting remittances into the economy PARE 1+1*, approved by Government Decision no. 972 of 18.10.2010 is directed to migrant workers and their relatives who want to invest in launching and/or in developing their own business.

*National Programme for Economic Empowerment of Youth (PNAET)*, a programme for young people, aged 18-30, who want to develop their own entrepreneurial skills, launch their own business in rural areas, and develop a business in agriculture, manufacturing or services.

---

<sup>30</sup> <https://www.odimm.md/>

*Efficient Business Management Programme*, a programme for entrepreneurs of any age who practice economic activities in any legal form that want to increase their skills in entrepreneurship for ensuring the effective management of the business.

*Women in Business*, program intended for women who are planning to start or expand their businesses, especially in rural areas.

*The Organisation for Small and Medium-Sized Enterprises development (ODIMM)*, public institution founded to sustain and improve the SME sector development in Moldova.

#### 4.4.2. Local/national and/or Regional Networks

There are no formal or informal networks in Moldova providing support to social enterprises. The international donor organizations are more interested in providing support and recognizing the importance of social economy ecosystem. Existent social enterprises do have their own networks, mostly related to the social mission of NGOs, not their business activities. They are used as a source of information during international conferences organized by local players.

#### 4.4.3. Academia

Social entrepreneurship has not been integrated into the formal education system. There are only unformal and non-governmental training initiatives available; mostly not covering business and entrepreneurial aspects such as marketing, sales, operations, finance projections etc. The majority of such trainings are organized on a donor funded project basis, thus lacking longer term sustainability. Many of the social enterprises are self-educated, learning from examples of more advanced EU countries and their social enterprise models. There is no available information about educational institutions that cover social entrepreneurship in their curricula.

#### 4.4.4. On-going and planned initiative addressing social economy issues

There are no significant on-going and or planned initiatives addressing social economy issues. The CONCORDIA – Austrian Foundation<sup>31</sup> targets poverty issues with a series of aid offers – custom-tailored to a country that more and more people are leaving in the hope for better working and living conditions. CONCORDIA projects are promoted by the Austrian Development Agency fund. CONCORDIA is expected to launch a social agriculture support program, which foresees to employ 50 young and elderly people in rural areas.

In 2018 a specific program for woman entrepreneurs will be launched by the Ministry of Economy<sup>32</sup> and could be accessible to social enterprises. The program is still to be defined and launched.

#### 4.4.5. Best practices in the country and replicable models

##### Case study 3:

##### **Best practices of SE support initiatives in the country: “EcoVisio” Association**

EcoVisio is a youth led grassroots NGO funded in 1999. EcoVisio runs educational and empowerment programs for individuals, creates and advocates for viable examples of ecological and social innovations and boosts cooperation between change-makers through networks’ development. Since 2013, the "EcoVisio" Association has been continuously and increasingly exploring the topic of social entrepreneurship. It implements a number of programs and organizes various events in support of social entrepreneurship.

✓ the “**activEco – sustainability in action**” - a yearly educational program,

<sup>31</sup> <https://www.concordia.or.at/en/front/>

<sup>32</sup> <http://www.mec.gov.md/>

- ✓ **Climate Launchpad Moldova** - clean-tech business idea competition,
- ✓ **Study visits**
- ✓ **Social Entrepreneurship Forum** - a place to publicly discuss the concept of social entrepreneurship in local and international context, to create partnerships and to promote existing social enterprises,
- ✓ **International Social Entrepreneurship and Social Innovations Cluster Meeting** - to exchange and develop joint approaches for fostering the educational programs and general ecosystem,
- ✓ **IarmarEco** - the Fair of Ecological Opportunities and Social Entrepreneurship: the space for products and services with ecological and social impact, workshops, discussions, networking between all interested parties - and presentations of the implemented projects.

On the other side, EcoVisio is developing its own social enterprise - the Environmental Training Centre at Eco-Village Moldova of which the construction works started in 2016 and are planned to be finalized in November 2017. The project is primarily financed through the founder's resources and its own crowdfunding campaigns. Grant funding only played a minor role. The Environmental Training Centre will serve as a regional hub for practical education in the fields of organic agriculture, energy efficiency, eco-construction and community development.

## 5. GAP ANALYSIS AND NEEDS ASSESSMENT

### 5.1. Macro-social factors determining the sector

Macro-social factors in Moldova are not favourable for the development of social entrepreneurship in the country. Entrepreneurship and business development in general is limited by a number of fundamental challenges. Consequently, the development and effective functioning of social enterprises is also limited. There is a passive stance towards collective solving and responsibility for social issues in the society and trust towards the non-profit sector is also limited<sup>33</sup>. There is also little institutional understanding of the social economy sector among the key designated institutions.

The development of the legal framework, a consensus on the meaning of the concept of social entrepreneurship, as well as general awareness raising are critical factors. It seems that the government is still reluctant to support social entrepreneurship, specifically through the provision of fiscal and tax incentives, as it considers these to be risky from the perspective of tax avoidance and exploitation of such mechanisms by regular businesses. The recently adopted Law on Social entrepreneurship might constitute a game changer. The frameworks necessary to boost, nurture and sustain an environment for social inclusion are being developed by the Ministry of Health, Family and Social Protection. The other legal structures, as well as industries, potentially cooperatives and work integration organizations can not yet be defined and recognized as social economy actors.

In general, the level of trust toward the non-profit sector in Moldova is pretty low. The majority of the citizens donate to religious organizations or those working with children. Other areas remain poorly funded. It is clear that further efforts should be directed toward showcasing success stories and best practices coming not only from Moldova but also from other countries / regions.

### 5.2. Access to finance

Social enterprises have specific funding needs that are not addressed within the existing ecosystem. There is a need for the establishment of new type of business support infrastructures, as per the model

<sup>33</sup> According to the public opinion surveys, only 24 % of population claim they trust CSOs, 7% - the government and 74% - Orthodox Church. Sources: Institute for Public Policies, November 2015, Barometer of Public Opinion.



from other EU countries, in for the form of HUBs, incubators, and venture philanthropy support. Some of the existing structures such as ODIMM can be used to strengthen this purpose in the initial stage.

The role of diaspora remains unrecognized and is enough not assessed. In many of the interviewees conducted, people mentioned diaspora as a significant source of funding, but no clear strategies have been implemented. Dialogue and further planning, targeting financially sustainable projects run by social enterprises might be a good way to start enrolling the country's diaspora.

It appears that Moldova does not have a culture of giving/donating. The so called "2% law", introduced in 2017, showed some increase in citizens giving, but they are not yet sufficient.

### **5.3. Lack of relevant skills to access market**

Moldova's social economy players lack specific training and education. The vast majority are self-educated who are selling goods or services locally, at a small scale. EU trade regulations are difficult to satisfy even for traditional business and let alone for social enterprises. The lack of management skills to run a business and the lack of specific business related skills are still significant obstacles for social economy players to enter the market. Many of the social enterprises still have to face obstacles and people reluctance when selling their products or services; compared to free of charge available products coming from the non-for-profit sector. The understanding of the concept plays a significant role in changing the mind-set of citizens and understanding of the increased impact.

Managers of the social enterprises face the challenge of finding skilled workers, able to understand the social issue of the business and being professionals in the area of business.

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

Despite the numerous obstacles and limiting factors, various development partners are very active in Moldova with small projects which mainly aim to promote people with disability, women and youth enterprises. Nevertheless, there is a need and opportunity to better coordinate and target these projects in order to allow social enterprises to develop.

A number of social initiatives exist and have the potential to grow and develop and revive social enterprises. Women entrepreneurs, educated youth and strong organizations working with people with disabilities have a great potential in this regard.

Young people are increasingly realizing that public means are insufficient for addressing existent social challenges while donor funding is temporary. As a consequence, the idea that social entrepreneurship must become one of more important tools for addressing this challenges is growing among youth.

## **6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS**

Social entrepreneurship in Moldova is in its earliest development stages and there is no favourable environment for its development. The development of social economy cannot occur in a short period of time and requires a series of consistent efforts. Nevertheless, it is necessary to initiate necessary measures for the creation of an enabling ecosystem including the legal and regulatory frameworks, access to finance and markets, business support structures, training and research, etc.

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

entities due to tax regulations and continue to provide their mission-related services within the for-profit legal form, being founded under the not-for-profit form. There is a definition in the newly approved law but there is still a lack of understanding of the concept and no clear mechanism in place for its implementation. The country needs a more strategic approach on how to develop the ecosystem. Adopting the Law is the first step which needs to be further coordinated.

- **Legislative and policy frameworks**

The completion of the regulatory framework, particularly through the implementation of the newly approved laws should be considered as the first step and priority. It should then be followed by a coordinated implementation of other regulatory measures, incentives as well as tax reductions. A comprehensive strategy or a National Program for Social Economy development might help defining support measures and include the adjusting of the relevant laws to newly adopted ones as well as to aid in practice.

In addition, building the right enabling ecosystem requires raising public awareness of the social and environmental impacts of social enterprises. Social economy should be higher on the agenda of the decision makers, being disbursed within the social, employment and economic development strategies and plans. It also requires building the capacity of CSOs, public authorities, social enterprises and impact investors to collaborate in a mutually beneficial way. Those issues should be addressed starting from the programming stage which would oblige decision makers to consider them on the yearly planning agenda. All the country reports should also contain a section related to social economy as a result of carried social inclusion measures as well as additional employment of vulnerable groups.

Technical Assistance to the relevant Ministries should be provided; primarily Ministry of Economy and Ministry of Health, Family and Social Protection to create general infrastructure for implementation of the Law on Social Entrepreneurship, to bring wider cross-sector perspective, to help ministries raise visibility of the social economy in general.

- **Access to Finance**

Social Enterprises should be included in funding mechanisms and programmes related to social inclusion, economic development, rural development and wide range of employment models including employment of marginalized groups. There is a crucial need for coordination and alignment of the various small projects implemented by donor organizations and development partners. Moldovan SE sector is in its early stage of development and thus, further donor funding will be needed. However, it needs to be more coordinated and targeting financially sustainable models that brings additional value to the society.

- **Other support infrastructure**

Capacity building and mentoring programs would be essential for social enterprises to create viable business models. The EU can provide valuable inputs in a form of technical assistances to the existing structures providing support to SMEs. Public organizations like the ODIMM may serve as a bridge between existing private sector and the newly present social economy sector, as they already have their infrastructure in place. Social entrepreneurship should be also included in the school and university curricula to raise awareness of the social impact they provide as well as to stimulate an entrepreneurial mind-set within the young population.

The social economy sector in Moldova needs more visibility and public awareness about the social impact that social enterprises can have for the communities in which they serve. Non-existent networks of social enterprises and social economy support organizations should be further developed. They should play a key role in the development of public policies and the promotion of the social economy sector.

Due to the lack of standardisation for data collection of the social impact social enterprises produce, it is necessary to develop a method of aggregating social impact data at national level.

## 6.1. Priority sectors for country level intervention

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

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

Areas of intervention in order of importance	What needs to be covered -priority areas	Modalities of support
<p><u>First area of intervention:</u></p> <p><b>Policy, legal and institutional framework</b></p>	<p><i>Priority area 1:</i> The completion of the regulatory framework, particularly through the implementation of the newly approved laws.</p> <p><i>Priority area 2:</i> Technical Assistance to the relevant Ministries should be provided, primarily to create general infrastructure for implementation of the Law on Social Entrepreneurship, to bring wider cross-sector perspective, to help ministries raise visibility of the social economy in general.</p> <p><i>Priority area 3:</i> Raise public awareness of the impact SE produces – showcase example of good practice in media</p>	<p>Bilateral envelopes (technical assistance, grants, CFP, twining, direct award etc.)</p>
<p><u>Second area of intervention:</u></p> <p><b>Coordination</b></p>	<p><i>Priority area 1:</i> Further support to National Council in the form of funding, raising knowledge about implementation mechanisms, advocacy and lobbying. Could be provided as part of the EU funding to CSO with capacity building component.</p>	<p>Bilateral envelopes (technical assistance, grants, CFP, twining, direct award etc.)</p>
<p><u>Third area of intervention:</u></p> <p><b>Skills and access</b></p>	<p><i>Priority area 1:</i> Showcase SEs in media to raise awareness of their impact.</p> <p><i>Priority area 2:</i> Review how ODIMM could include SE among their beneficiaries, together</p>	<p>Bilateral envelopes (technical assistance, grants, CFP, twining,</p>

<b>to market</b>	with traditional businesses.  <i>Priority area 3: Start building support programs in the form of informal trainings, incubators, mentoring and coaching. Capacity building</i>	direct award etc.)  Regional programmes (technical assistance, grants, etc.)
<u>Fourth area of intervention:</u>  <b>Funding</b>	<i>Priority area 1: Coordination and alignment of the various small, donor driven projects.</i>  <i>Priority area 2: Motivate more donors to provide tailor-made funding to SEs, including capacity building or technical assistance support.</i>  <i>Priority area 3: Develop a strategy of how to include diaspora</i>	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)  Other support schemes (indirect management)

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

- The analysis of SE in the Eastern Neighbourhood and in the Western Balkan countries shows that even though there are some differences, the **approach in prioritising the support in both regions could be the same.**
- Due to a **big number of stakeholders, fragmented support and lack of coordination**, it is of a paramount importance that the European Commission takes the lead in setting the **approach**, the **priorities** and in **defining the roles and responsibilities** for **EU horizontal approach**.
- When examining the needs in various countries the **current support** in terms of the format and amounts **dedicated to SE might not be adequate** or sufficient anymore.

The analysis showed that **some areas should be covered on a country-by-country basis**, but **many priorities could be addressed through regional programmes**

## 7. ANNEXES

### 7.1. Annex 1 - Selected Social-Economic Data and International Indexes for Moldova

**Table A.1. Key Social-Economic Indicators for Moldova for 2013-2016**

Indicators	2014	2015	2016
Real GDP growth, %	4.8	-0.4	4.1
Per capita GDP, USD	2,244	1,833	1,900
Agriculture, % of GDP	13.0	12.2	12.2
Manufacturing, % of GDP	12.1	12.3	12.2
Construction, % of GDP	3.6	3.6	3.3
Trade, % of GDP	13.7	13.7	14.3
Transport, % of GDP	4.9	5.0	5.1
Inflation, average consumer prices, %	5.1	9.7	6.4
National public budget revenue, % of GDP	37.9	35.6	34.2
National public budget expenditure, % of GDP	39.6	37.9	36.0
National public budget deficit, % of GDP	-1.7	-2.2	-1.8
Social protection budget in total budget expenditures, %	31.9	33.8	35.6
Population, mln persons	3.6	3.6	3.6
Female population, %	51.9	51.9	51.9
Rural population, %	57.8	57.6	57.3
Unemployment rate, %	3.9	4.9	4.2
Male unemployment rate, %	4.6	6.2	5.5
Female unemployment rate, %	3.1	3.6	2.9
Urban unemployment rate, %	5.2	6.4	6.0
Rural unemployment rate, %	2.7	3.5	2.6
Employment rate, %	39.6	40.3	40.8
Poverty ratio, %	11.4	-	-

*Source: National Bureau of Statistics of the Republic of Moldova, EDRC*

**Table A.2. Selected Global Ranking Indexes for Moldova**

<b>Index</b>	<b>Score/Rank</b>	<b>Y-2010</b>	<b>Y-2015</b>	<b>Y-2017</b>
<b>Doing Business Index</b>	Score	<b>58.59</b>	<b>66.60</b>	<b>72.75</b>
	Rank	94 out of 183	63 out of 189	44 out of 190
<b>Global Competitiveness Index</b>	Score	<b>3.86</b>	<b>4.00</b>	<b>3.99</b>
	Rank	94 out of 140	84 out of 140	89 out of 137
<b>Human Development Index</b>	Score	<b>0.623</b>	<b>0.699</b>	-
	Rank	99 out of 162	107 out of 188	-
<b>Travel &amp; Tourism Competitiveness Index</b>	Score	<b>3.60 (Y2011)</b>	<b>3.16</b>	<b>3.09</b>
	Rank	99 out of 139	111 out of 141	117 out of 136
<b>Global Entrepreneurship Index</b>	Score	-	<b>31.3 (Y2016)</b>	<b>21.3</b>
	Rank	-	72 out of 132	89 out of 137
<b>Corruption perceptions Index</b>	Score	<b>2.9</b>	<b>33</b>	<b>30 (Y2016)</b>
	Rank	105 out of 178	103 out of 168	123 out of 137

*Source: Relevant Institutions and Reports*

## 7.2. Annex 2 - Questionnaire survey

### I. Questionnaire for the Delegations of the EU

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

#### A. PERSONAL DETAILS OF RESPONDENT

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

### II. Questionnaire for the Government institutions

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

#### A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:

3. Telephone number:
4. Government Authority:
5. Position:

## **B. REGULATORY FRAMEWORK**

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

## **C. SPECIFIC SUPPORT TO SOCIAL ENTERPRISES**

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

## **D. OTHER MAIN STAKEHOLDERS**

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

## **E. EU SUPPORT TO SOCIAL ENTERPRISES**

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

## **F. STATE OF PLAY OF SOCIAL ECONOMY**

15. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover?
16. How would you assess the level of development of social enterprise sector in general in the country; start-up stage, validation stage, scaling stage?
17. What are the key challenges social enterprises face in the country?



18. What type of support social enterprises need? How do they fill it at the moment?
19. Please provide few examples of good practice of social enterprises in the country?

### III. Questionnaire for the funders and supporters

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

#### A. PERSONAL DETAILS OF RESPONDENT

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

#### B. SUPPORT TO SOCIAL ENTERPRISES – SUPPLY SIDE

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

#### C. SOCIAL ENTERPRISE NEEDS - DEMAND SIDE

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

### IV. Questionnaire for the social enterprises

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

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

## A. PERSONAL DETAILS OF RESPONDENT

Name:

Email address:

Telephone number:

Social Enterprise:

Position:

## B. SOCIAL ENTERPRISE INFORMATION

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

## C. FINANCIAL INFORMATION

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

## D. HUMAN RESOURCES

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

## **E. OPPORTUNITIES WITHIN THE SECTOR**

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

### 7.3. Annex 3 - List of Interviews

1. Iva Stamenova	Project Manager on Agriculture, Rural Development and Food Safety EUD to Moldova
2. Speranta Olaru	EUD to Moldova
3. Svetlana Țurcanu	Head of SME Development Department Ministry of Economy
4. Anna Gherganova	Head of Employment policy department Ministry of Health, Family and Social Protection
5. Vasile Cusca	Head of Disability and Social policy department Ministry of Health, Family and Social Protection
6. Anastasia Zaharia	Consultant, Department of Migration and Demographic Policies Ministry of Health, Family and Social Protection
7. Gero Stuller	Social Affairs Ministry's Special Attache Austrian Embassy to the Republic of Moldova
8. Roman Purici	Project Management Specialist, Democracy and Governance Programs USAID Moldova
9. Ludmila Avtutova	Project Management Specialist, Social Sector USAID Moldova
10. Stefan Liller Valeriu	Deputy Resident Representative UNDP Moldova
11. Valeriu Prohntichi	Policy Specialist UNDP Moldova
12. Doina Munteanu	UNDP Moldova doina.munteanu@undp.org
13. Viorel Albu	UNDP Moldova
14. Valeria Ieseanu	UNDP Moldova
15. Victor Dragutan	Programme Analyst UNDP Moldova
16. Roxana Teodorcic	Deputy Chief of Party, FHI360
17. Ludmila Malcoci	Executive Director, Keystone Human Services International Moldova Association
18. Sergiu Gurau	Founder, president of Eco-Răzeni NGO SE - Floare de Cireș
19. Victoria Novac	Founder SE - Educație prin Joacă (Education through Play)
20. Valeria Șvarț-Gröger	President, SE-EcoVisio
21. Maxim Pijevskii	Executive Director, SE – EcoVision
22. Elena Scutaru	Founder, CEO, SE – Mara Woman
23. Alexander Iscenco	CEO; Research & Development Coordinator Moldovan Environmental Governance Academy (MEGA)

## 7.4. Annex 4 – Bibliography

### General

- Antonella Noya/OECD. 2009. “The Changing Boundaries of Social Enterprises”.
- Antonella Noya, Emma Clarence/OECD. 2007. “The Social Economy: Building Inclusive Economies”.
- Cabra de Luna Miguel Ángel. 2017. "The External Dimension of the Social Economy". Opinion of European Economic and Social Committee. REX/472.
- Daniele Dorotea. 2017. "Eastern Partnership Meeting". Power Point Prostration by European Research and Development Service for the Social Economy.
- DG Enlargement. 2013. "Guidelines for EU support to civil society in enlargement countries, 2014-2020".
- EPTISA. 2016. “Gap Analysis - comprised of Situation Analysis on Social Enterprise in the Beneficiary Country and International Comparative Analysis”.
- EU Commission Expert Group on Social Entrepreneurship (GECES). 2016. "Social enterprises and the social economy going forward: A call for action".
- EU Commission, OECD. 2016. “Policy Brief on Scaling the Impact of Social Enterprises”.
- EU Commission. 2016. “Social Enterprises and their Eco-systems: Developments in Europe”.
- European Center for Not-for-Profit Law. 2015. “Comparative Analysis of the Regulatory Framework for Social Enterprises”.
- Eva Varga and others. 2017. “Social Enterprise Ecosystems in Croatia and the Western Balkans”.
- GIIN. 2017. "Annual Impact Investor Survey".
- Klein Patrick. "Social Economy and social enterprises policies in the EU". Power Point Presentation by DG GROWTH.
- OECD. 2013. “Job Creation through the Social Economy and Social Entrepreneurship”.
- Social Economy Europe. 2015. "Social Economy... Taking back the initiative". Proposals to make the social economy into a pillar of the European Union
- GECES. 2016. "Social enterprises and the social economy going forward; A call for action from the Commission Expert Group on Social Entrepreneurship (GECES)". October 2016

### Country specific

- EU4BUSINESS. 2017. "Investing in the SMEs in the Eastern Partnership". Country report Moldova.
- Official Journal of the European Union. L 260/4. 30.8.2014. "ASSOCIATION AGREEMENT between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part"
- European Center for Not-for-Profit Law. 2009. “Assessment report on the Legal Environment of the EFSE magazine. 2016. “Creating Opportunities”.
- Civil Society in the Republic of Moldova”.
- UNDP. 2008. “Better Opportunities for Youth and Women Project Activity Report 2006-2007”
- Draft version of the Law on Social entrepreneurship in republic of Moldova, 14.03.2016.
- International Labour Organization.2016. "The Informal Economy in the Republic of Moldova: A Comprehensive Review"
- FHI360. 2014. "Quarterly Progress Report No: 2, April 1, 2014 – June 30, 2014". Chisinau, Republic of Moldova
- Serghei NEICOVCEN, Daniela VIDAICU, Vasile CIOARIC. 2016. "Fundraising by Moldovan Civil Society Organizations from Domestic Sources: Opportunities and Perspectives", ECNL, Chisinau
- UNDP Moldova. 2017. "The 2016 National Human Development Report, Inequalities and sustainable human development"

- FHI360.2016. "Fundraising by Moldovan Civil Society Organizations from Domestic Sources: Opportunities and Perspectives" Konrad Adenauer Stiftung. 2014. "Civil Society Organizations from the Republic of Moldova: Development, Sustainability and Participation in Policy Dialogue"
- Dávalos, María E.; Nguyen, Tu Chi; Matytsin, Mikhail. 2016. *Poverty reduction and shared prosperity in Moldova: progress and prospects*. Washington, D.C. : World Bank

### **Internet resources**

- <http://www.eef.md/media/files/EEF-Grants-FY-2014.pdf>