

Unlocking the Potential of Young Social Entrepreneurs in Moldova and Ukraine

Baseline Report 2020
Editorial version
Ukraine



Disclaimers

This report has been prepared by Wooden Horse Strategies (WHS) for “EU4Youth – Unlocking the Potential of Young Social Entrepreneurs in Moldova and Ukraine” Project.

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Methodology

In May 2020, Wooden Horse Strategies (WHS) conducted research on social entrepreneurship in Ukraine with the purpose of establishing baseline indicators of the project “EU4Youth - Unlocking the Potential of Young Social Entrepreneurs in Moldova and Ukraine” which will constitute the basis to measure the project performance in Ukraine.

In September 2020, Egalite International that is national project implementation decided to open the data of the baseline study to the public and issued an editorial version of this report.

WHS used the following study methods and tools:

1. **Desktop research.** The WHS team studied analytical materials about social entrepreneurship in Ukraine, analysed corresponding legislation, including draft bills and conducted monitoring of mass media on the related topic, in particular, using LOOQME media monitoring tool. The WHS has access to this company’s services which have proven to be useful in conducting different researches. Desktop research was aimed at understanding general overview of the current situation in the area of social entrepreneurship in Ukraine. As a result of the desktop research, WHS obtained important data necessary for summary of key trends and understanding media landscape for social entrepreneurship, especially in the target regions.
2. **In-depth online interviews with experts and social entrepreneurship leaders.** WHS conducted 16 online in-depth interviews with leading experts and social entrepreneurs discussing general situation in the area of social entrepreneurship in Ukraine and particular aspects of the projects’ indicators. Most of the respondents were young people, (by youth we refer in this survey to people 18-35 y.o.), moreover, virtually all of the respondents have had experience in cooperating with young social entrepreneurs. Two thirds of the respondents work on national level – in the authorities, donors’ structures or as experts – mainly in Kyiv but with broad experience of communicating and cooperating with social entrepreneurs all over the country. Thus, the following persons were interviewed:
 1. **Oleksandr Slavskiy**, co-founder of the Impact Hub Odesa, Co-founder and CEO at Business Incubator Group Ukraine, former Advisor of the Prime Minister of Ukraine on entrepreneurship;
 2. **Vasyl Nazaruk**, Head of Social Investment Program of the Western NIS Enterprise Fund;
 3. **Artem Kornetsky**, leading expert on social entrepreneurship in Ukraine, Co-Founder & CEO at School of ME;

4. **Vitalii Bokhniak**, Senior Expert in Business Development of the Partnership for Local Economic Development and Democratic Governance Project (PLEDDG);
 5. **Alina Bocharnikova**, Coordinator for the Development of Social Entrepreneurship at the Agency for the Development of the Future;
 6. **Denis Gursky**, Head of Board at Social Boost, Co-Founder of 1991 Civic Tech Center and 1991 Open Data Incubator;
 7. **Nataliya Povtar**, Manager of NGOs Registration at the Ukrainian Center for Independent Political Research;
 8. **Mariya Zakharchenko**, Coordinator of Project “Social entrepreneurship as Innovative Mechanism of Solving Social Development Issues” of the Eastern Europe Foundation;
 9. **Olga Shavarova**, Program Manager at the East Europe Foundation;
 10. **Iryna Solovey**, patron at Veterano Brownie, Social Investor at Urban Space 500, Strategist at City Code, Co-Founder/Producer at Spilnokosht – collective funding of projects; Co-Founder/Producer at Big Idea, Co-founder/President at Garage Gang;
 11. **Taras Yatsenko**, Founder, Director at Tvoiemisto.tv;
 12. **Oleksandr Sanchenko**, MP, co-author of the draft legislation on social entrepreneurship;
 13. **Dmytro Havryliuk**, coordinator of the international partnership project “Social Entrepreneurship – Achievement of Social Changes from the Bottom Up”, coordinator of socialbusiness.in.ua resource;
 14. **Kostyantyn Yevtushenko**, Managing Partner at UNIT.City;
 15. **Halyna Vasylichenko**, MP, Member of the Committee of Finances, Tax and Custom Policies;
 16. **Viktoriya Dovzhyk**, Advisor to the Mayor of Lviv, Member of the Lviv City Council.
3. **Survey of social entrepreneurs in the target areas.** Special online-questionnaire focused on finding specific responses referring to the baseline indicators was elaborated and disseminated among 127 social enterprises. We received 39 unique responses (formally – 31% response rate, but *de facto* – higher, since large share of the contacts were taken from the 2016-2017 [Catalogue of social enterprises](#) and some of them could have ceased their existence) which has given valuable information for the research;
 4. **Focus-group.** Online focus-group with social entrepreneurs from the target regions was conducted to go deeper into the survey topic. Focus-group guideline was based on the in-depth interview guideline adopted to more narrow survey topics in the course of the research. Seven participants for the

focus-group (typical number for a focus group survey) were selected from the all target regions' 39 respondents to our questionnaire (except for the Cherkasy region which hasn't provided any response). Three of the respondents were young people, but all participants of the focus group have had experience in cooperating with young social entrepreneurs or engaging youth to their activities. The following social entrepreneurs participated in the survey:

1. **Antonenko Daryna** from Kyiv social enterprise Re:ban;
 2. **Oleh Levchenko** from Vinnytsia social enterprise System solutions;
 3. **Andriy Yatsenko** from Dnipro social enterprise MyAtelier;
 4. **Oksana Trybun** from Zhytomyr region social enterprises *Voskresinnia* and *Imperiya Sviata*;
 5. **Yuriy Manzhos** from social enterprise *Osvitogra* in Bila Tserkva, Kyiv region;
 6. **Andriy Levytskyi** from Lviv social enterprise Woodluck;
 7. **Anna Mazurkevych** from Odesa social enterprise FAST.
5. **Case studies.** During all above-mentioned steps of the research, WHS analysed cases of specific interest for the project implementation and reflected them in the text of the research.

Current Landscape of Social Entrepreneurship in Ukraine

Social entrepreneurship concept has demonstrated vivid development during last several years in Ukraine. While it still is unknown to broad audience, it definitely is not a marginalised topic anymore.

[Social Business in UA](#) is one of a major resource both for spreading information about social entrepreneurship and realising projects in this area. It has been useful for finding corresponding materials and contacts, in particular, in their detailed reports on the topic, such as [Green Paper of Social Enterprise in Ukraine](#) and [Catalogue of social enterprises in 2016-2017](#).

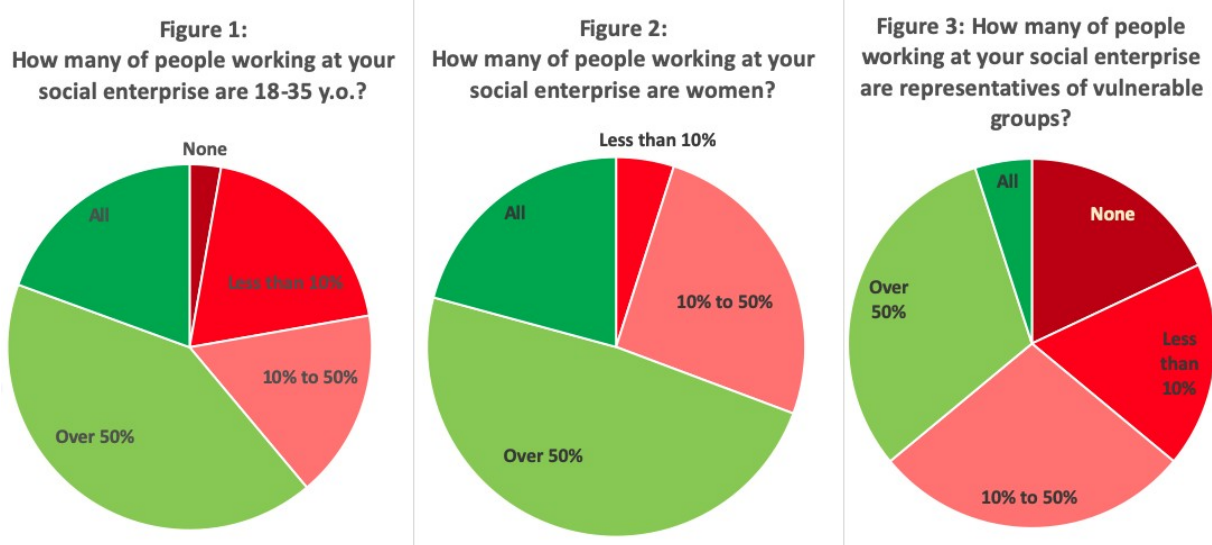
Besides, social entrepreneurship has been mentioned in different articles from national media, for example [Liga](#), [Novoie Vremia](#) and [Delo](#), to local ones. Thus, the LOOQME media monitoring service, which followed all mentions of the phrases ‘social entrepreneurship’, ‘social entrepreneur’, ‘social enterprise’ and ‘social business’ between May 1 and May 26 in the target regions’ media, found 82 articles – some of them focused on this topic, while most of them just mentioning it in the context. Most active in raising this issue turned out to be media in Vinnytsia, such as TRK [Vita](#), [Misto](#) newspaper, [Moya Vinnytsia](#), [Informatsiyna Vinnytsia](#) and [Novyny Vinnytsi](#), in particular due to municipal program on social entrepreneurship approved by the City Council. Some media in Kyiv ([Mind](#), [Sho Tam](#)) and Lviv ([Dyvys](#), [Forpost](#)) were active in this regard as well. Therefore, we can conclude that social entrepreneurship topic is in the spotlight of major information website and regional media resources all over the country. And, local media are significantly more active on the topic than the national information agency.

Since there is no clear definition and registry of social enterprises, their exact number is not known. Several years ago, experts evaluated this number on the level of 1,000, however, considering rapid development of this concept in recent years, today this number is significantly higher. Interviews with leading social entrepreneurs and experts in this area have confirmed conclusions about fast development of social entrepreneurship during last ten years – especially, in Kyiv, followed by Lviv and to lesser extent in other regions of the country – and today we can count up to 2,000 social enterprises in Ukraine. One of the key reasons behind this trend is that social entrepreneurship is often the only solution to some specific social problems in Ukraine or some communities. For example, social entrepreneurship provides better opportunities for employment of representatives of specific vulnerable groups, like Anti-Terrorist Operation veterans (Pizza Veterano is a great example here) or people unite in social enterprises when they see that the state or municipality is not providing sufficient support for specific group of people in need (like in the case of the Walnut House).

The abovementioned Catalogue of social enterprises for 2016-2017 registered 150 such entities. Activities of most of them (91) were aimed at employing representatives of vulnerable groups, followed by ‘generating revenues for their organisation’ (79) and ‘generating revenues for provision of services’ (60). Only five social enterprises identified their main type of activities as solving environmental problems.

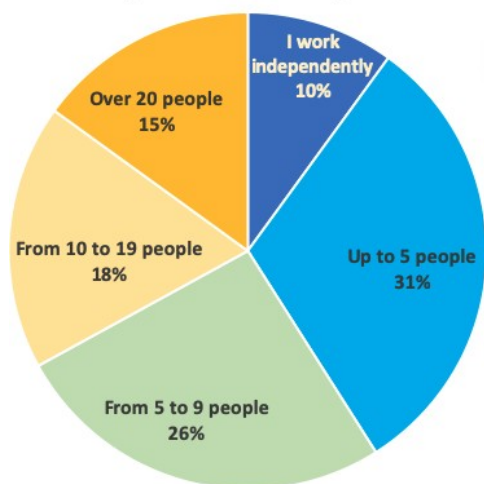
Usually, it is young population who are the driving force behind the social entrepreneurship movement, however, older people are quite active as well. Social entrepreneurs interviewed by WHS have told they had managed to achieve best results when joining efforts of both generations.

Opinion poll conducted by the WHS confirms high level of engagement of youth, women and representatives of vulnerable groups in social entrepreneurship (Figures 1-3) as well as rapid development of this sector during last several years.



Most of the social enterprises participating in our survey (82%) were founded in the last five years, over half of the respondents were young people and majority of them were women (54%). Most of the responses came from the city of Kyiv, Lviv region and Kyiv region. Over 70% of the respondents conduct their activities in urban area, almost 30% – both in urban and rural, none of the respondents informed about their activities in only rural area.

Figure 4: How many people work at your social enterprise?



Usually, social enterprises in Ukraine are small entities, often – one-person companies. This has been confirmed by the WHS opinion poll (Figure 4).

Over half of social enterprises participating in the survey work on engaging youth, 36% – on environmental issues, 26% are helping people with disabilities and 23% deal with gender equality issues.

Legislation and Financial Instruments for Social Entrepreneurship

Activities of social enterprises in Ukraine are regulated by quite broad set of legislation:

- [Commercial Code of Ukraine](#)
- [Civil Code of Ukraine](#)
- [Tax Code of Ukraine](#)
- Law of Ukraine “[On Public Organizations](#)”
- Law of Ukraine “[On State Support for Subjects of Entrepreneurship](#)”
- Law of Ukraine “[On Development and State Support of Small and Medium Entrepreneurship of Ukraine](#)”
- Law of Ukraine “[On Public Procurement](#)”
- Law of Ukraine on “[On Rental of State and Communal Property](#)”
- Law of Ukraine “[On foundations of Social Protection of People with Disabilities in Ukraine](#)”
- Law of Ukraine “[On amending certain Laws of Ukraine on Strengthening Social Protection of Internally Displaced Persons](#)”
- Decree of the President of Ukraine on the [National Strategy on Supporting Development of Civil Society in Ukraine for 2016-2020](#)
- Cabinet of Minister’s [Action Plan on Realization of the Strategy on Development of Small and Medium Entrepreneurship in Ukraine until 2020](#)
- Decree of the Cabinet of Ministers of Ukraine “[On approving the Order of granting permission for using tax benefits for enterprises and organizations of public organizations of people with disabilities](#)” and many others.

There were two attempts to adopt law “On Social Enterprises” elaborated by MP Oleksandr Feldman in [2012](#) and [2015](#), but both were unsuccessful. The bills suggested to introduce term ‘social enterprise,’ criteria to define it and benefits for such entities as well as to establish interinstitutional commission supporting social enterprises which in particular would define their status.

Regional and local authorities, just like national authorities, usually include social entrepreneurship into their programs on small and medium business development. Some of them have separate programs on social entrepreneurship development – for example, Vinnytsia which has recently approved [Social Entrepreneurship Development Program for 2020-2022](#).

Current legislation of Ukraine has many provisions which can already be used by SMEs, including social entrepreneurs, for example tax and social contribution exemption for employment of people with disabilities. However, social entrepreneurs are often either unaware about these opportunities or are afraid of

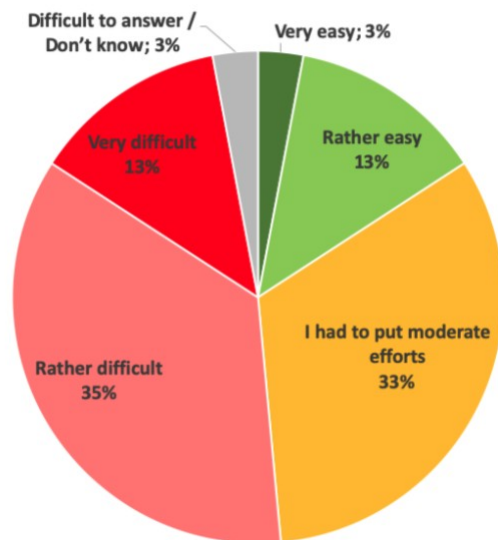
using them because of obstacles in implementing those rules. For example, in the words of one respondent of the WHS focus-group, when his social enterprise received state aid, they had to go through six state inspections afterwards.

Significant efforts to contribute to the social entrepreneurship development in Ukraine were taken by international community, in particular, through donors' assistance who have played very active role in supporting social entrepreneurship development. Moreover, many social enterprises in the country exist, mainly, thanks to donors' assistance. For example, according to the WHS opinion poll, less than one third of social enterprises who participated in the survey informed they do not have any other funding in addition to their revenues, while two thirds have other sources for their activities, mainly charity contributions, foreign grants and personal savings.

During first stages of the social entrepreneurship formation in the country, in early 2000s, the British Council in Ukraine together with the East Europe Foundation, International Renaissance Foundation, commercial bank ErsteBank and international audit company PriceWaterhouseCoopers established Consortium for supporting social entrepreneurship development in Ukraine. Since then, donors' programs on social entrepreneurship have significantly expanded. Western NIS Enterprise Fund has implemented large-scale program of providing loans for social enterprises in Ukraine. The EU-funded project "Social Entrepreneurship: Achieving Social Change from the Bottom Up" led by the Ukrainian Philanthropists Forum has become the largest project in this area. In 2019, the Working group 'Elaboration of legislation on social entrepreneurship' within the OSCE Coordination project in Ukraine presented draft [Concept of social entrepreneurship development in Ukraine](#). Significant contribution to the promotion of social entrepreneurship in Ukraine has been made by the ENACTUS-Ukraine program. Social Entrepreneurship courses were introduced at the Ukrainian Catholic University in Lviv and Kyiv Mohyla Academy and became available online on education platforms [Prometheus](#) and [Ed-Era](#).

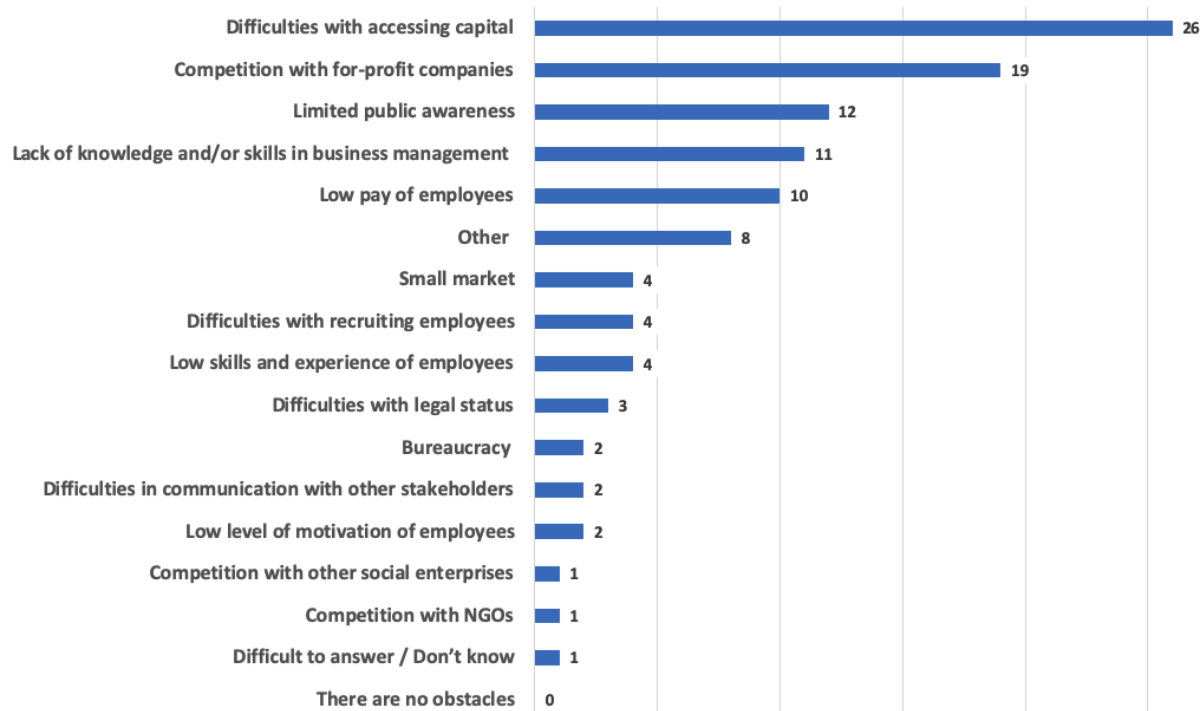
Major Challenges and Solutions for Social Entrepreneurship

Figure 5: In general, how easy or difficult it was to establish your social enterprise?



Most of the WHS survey respondents said it was rather difficult to establish their social enterprise or they had to put moderate efforts to achieve this goal (Figure 5). Financial resources option was chosen by half of the respondents among key challenges for their social enterprise. In another question, the respondents confirmed that difficulties with access to financial resources remains major obstacle for their functioning, while nobody from the respondents said there were no obstacles in their activities (Figure 6).

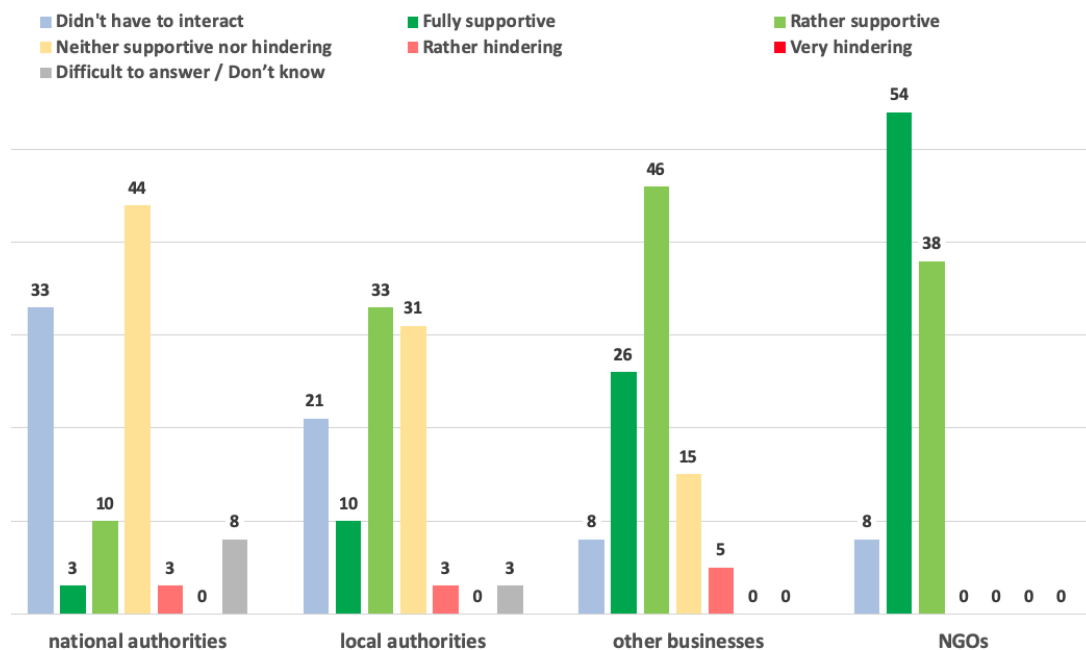
Figure 6: What are major obstacles for the functioning of your social enterprise (UP TO THREE RESPONSES)?



Besides, lack of access to financial resources, first of all cheap loans, was named as a major problem for social entrepreneurs by experts and leading social entrepreneurs WHS have talked to. Recent program introduced by Ukraine providing loans under 5-7-9% for SME was mentioned as a good attempt aimed at solving this problem.

According to the respondents, nongovernmental sector has been the most supportive in their activities, other businesses and local authorities – quite supportive, while national authorities – least supportive (Figure 7). At the same time, answering to the question whom they see as key partners in promoting social entrepreneurship in Ukraine, 28% of respondents answered ‘other businesses,’ 25% – ‘NGOs,’ 17% – ‘national authorities’ and only 6% – each for ‘local authorities’ and ‘donors.’

Figure 7: If you had to interact with ... in the process of establishing and functioning of your social enterprise – were they supportive or hindering? (%)



Social enterprises very actively communicate among themselves, mainly in Ukraine, but with their counterparts in their region and abroad as well – at numerous meetings and events from local ones to large national level gatherings like Social Entrepreneurship Forum. Only one quarter of the respondents participating in the WHS survey wrote they do not communicate and cooperate with other social enterprises. Experts expressed similar idea in the interviews saying that establishment of network of social enterprises would be very useful tool for strengthening and development of this sector. According to the respondents, networking is already popular mechanism among many social entrepreneurs, but it is still of great demand for social entrepreneurs because of two main reasons. First, to share success stories and establish contacts and second, to share failures, as social entrepreneurship sector is not properly regulated in Ukraine and its better for new social entrepreneurs to hear from their colleagues how it works in practice, including mistakes they made, in order to avoid them themselves. As one of the participants told, social entrepreneurs in Ukraine are a big family and they should help one another. One of the participants recommended institutionalising such networking, turning it into a lobbying club

for social entrepreneurs. Another recommendation strongly supported by some participants was to launch sectoral networking among social enterprises, for example, on environmental issues.

Most importantly, the focus-group conducted by WHS has demonstrated practical results of bringing people together. Thus, during the conversation, participant from Lviv informed about one of the obstacles they face – finding markets for sales of the furniture his social enterprise produces. The participant from Bila Tserkva reacted saying that he could provide recommendations on this and they agreed to stay in touch.

Dissemination of successful cases of social enterprises – those which have achieved their social goals, received broad publicity and/or became financially sustainable – as well as organisation of meetings with social entrepreneurs were often named as the best way to popularise social entrepreneurship in the country. Study-tours to social enterprises to other regions of Ukraine and abroad would be another good tool to raise awareness about social entrepreneurship as well as level of social entrepreneurs’ competence. Besides, this is the best way to engage youth to social entrepreneurship – according to our respondents, young generation can be easily involved if they see results of similar efforts.

Some of local media, like [Tvoje Misto](#) in Lviv already have experience in regularly cooperating with social enterprises. Moreover, they are working with local authorities in order to elaborate systemic approach to promotion of social entrepreneurship in the city.

In the words of the social entrepreneurship leaders and experts, very few social enterprises have sustainable business-model – while they understand social mission component of their activities very well, their business management skills are often quite low, so corresponding trainings are especially needed. Therefore, there is great demand for improvement of business management skills of social entrepreneurs. Besides, especially, in the context of recent quarantine restrictions, demand for digital skills has grown

Figure 8: If you had a possibility to improve your skills for your social enterprise establishment and development, which skills would you like to improve first of all? (in %)



significantly. Similar to the opinion expressed in the interviews, digital marketing and financial management skills were mentioned as two major areas in which the respondents would like to improve their skills (Figure 8).

Finally, participants of the focus-group – both those who had never participated in such trainings and those who obtained MBA – agreed that training programs are badly needed with systemic approach and demonstration of practical cases. Moreover, visits to social enterprises both in Ukraine and abroad were mentioned during the focus-group as another important part of improving social entrepreneurs' skills.

Among other major obstacles for the functioning of social entrepreneurship is still low awareness about this phenomenon in the country. First, we are talking about lack of understanding by the authorities of the importance of social entrepreneurship in solving social problems and, as a result, lack of corresponding state policies and legislation. Second, low level of awareness about social entrepreneurship in the society is another problem. Taking into account still existing Soviet legacy many people have negative perception of businesses and entrepreneurship in general. Besides, people often are afraid of taking a risk with launching their business.

Both social entrepreneurs and experts agree that the national and local authorities should take more active role in supporting social entrepreneurship, moreover, local authorities can play especially positive role as they know best about problems in their communities and which organizations can contribute to their solution. However, the government should not be going too far, so that this sector does not become overregulated or doesn't turn into entities financially depended on public costs. Moreover, absence of a specific law with strict provisions often benefits social enterprises as they are less regulated and more free to choose which legal form of activities suits them best (public organization, charity organization, LLC, private entrepreneur etc). Social entrepreneurs usually speak in favor of legislative definition of social entrepreneurship with clear criteria as well as rules on corresponding activities, including benefits. Therefore, any legislation regulating this area should be very clear, transparent, minimize possibility to abuse status of social entrepreneur as well as avoid over-regulation of this sector which is often the reason why many people refuse from engaging in entrepreneurship. So, authorities' steps should contain introduction of proper legal regulation of this sphere including clear definition criteria for social enterprises, transparent tax exemption rules, elaboration of national strategy and framework documents, like charter of social enterprise; promotion of social entrepreneurship, including launching social entrepreneurship map which could include information about social enterprises by their location, products and services (so that any consumer willing to support social entrepreneurship would

be able to find products or services he/she needs); support in advertising their products, financial support of social enterprises, especially on its initial stages; cheap loans; beneficial terms for participation in public tenders; communal premises rental for free or reduced price, educational programs for social entrepreneurs; provision of consultations; fostering communication among social entrepreneurs; establishment of a single database of social enterprises etc.

Social entrepreneurs should be actively involved in elaboration of the corresponding legislation, moreover, considering rather low level of their involvement to this process today – only over one third of the WHS survey respondents informed about their experience in having engaged in this process.

In the WHS survey, social entrepreneurs have unanimously supported the idea of conducting large-scale education programs about social entrepreneurship, including starting from schools and universities, disseminating of corresponding information among authorities – first of all among local officials to make them understand the essence of social entrepreneurship and its value for local communities – and among social entrepreneurs themselves, conducting proper communication campaigns, in particular explaining social values of such activities and possibilities for self-realisation, popularising existing online courses on social entrepreneurship, including on the Prometheus and EdEra, organising master classes, festivals, fairs, competitions, hackathons, incubators, accelerators, business-schools, laboratories, volunteer movements; conducting study tours to social enterprises in Ukraine and abroad; using best practices of leading social enterprises, such as Urban100 and Urban500, *Teple Misto*, *Pizza Veterano* and others, establishing social entrepreneurship centers, preparing video-clips, media campaigns telling about successful cases of social entrepreneurship, involving youth opinion makers and bloggers to this process etc.

Conclusions and Recommendations

Social entrepreneurship in Ukraine is in the phase of its dynamic development. It is represented by a vibrant community motivated by a desire of bringing positive changes in their community or country. However, often their capacity of realising these goals is falling behind their desire. Therefore, additional assistance for their activities is of essential importance.

The program should be aimed at overcoming several major obstacles. First of them, mentioned by social entrepreneurs themselves is lack of access financial resources. In order to solve this problem, the program should work in three dimensions. Mini-grants for social enterprises is one of them, however, not the most important. Priority should be given, first, to lobbying for adoption by national and local authorities of financial instruments beneficial for social enterprises and, second, to teaching social entrepreneurs business- and financial management skills, as well as helping them elaborate proper approaches to adaptivity and flexibility of their business models.

Even more significant question than the financial one which has to be addressed by the program is increasing level of awareness about and understanding of social entrepreneurship among national and local authorities as well as social entrepreneurs themselves. Hence, comprehensive education, training and promotion programs should be elaborated and implemented. Supporting dialogue between social entrepreneurs and authorities is of critical importance, as well as extending cooperation among social entrepreneurship, including establishment of network of social enterprises.

One unambiguous conclusion can be driven from the research – despite all the problems the potential for social entrepreneurship development in Ukraine is tremendous, but proper assistance in this process is in great demand. Therefore, implementation of the program is very timely and should make very positive contribution to the strengthening of social entrepreneurship in Ukraine.

Attachment 1: Experts' and social entrepreneurship leaders' interview responses

1. Oleksandr Slavskyi, Co-founder of the Impact Hub Odesa, Co-founder and CEO at Business Incubator Group Ukraine, former Advisor of the Prime Minister of Ukraine on entrepreneurship was working, in particular, on the state program providing loans under 5-7-9% for SME. In his words, social entrepreneurship sector in Ukraine is especially vulnerable today, first of all because of lack of access to resources. Moreover, very few social enterprises have sustainable business-model, most of them have been financed by donors. Finally, in the words of Oleksandr Slavskyi, social entrepreneurship is relatively well developed in Kyiv, is in quite good condition in Lviv (due to functioning of the Ukrainian Catholic University there with corresponding programs), but is in very poor condition in other regions of the country. At the same time, he said there are dozens of social enterprises in the Odesa region.

Oleksandr Slavskyi suggests the following steps which could help development of the social entrepreneurship in Ukraine – creating available access to finances, extending support on local level, like providing free premises, conducting large-scale education programs, including at the universities, establishing different forms of cooperation among social enterprises, including networking, incubators, motivation meetings with people who can demonstrate success stories, especially in towns and villages. Motivation video distributed in social media is another tool which could be helpful in mobilising youth for social entrepreneurship.

Describing his personal experience in establishing social enterprise, Oleksandr Slavskyi said it was very difficult, in particular because of the competition with NGOs and charity organizations which possess much larger resources. Those were mainly young people who helped to establish his social enterprise, however, older persons played positive role in this process as well. For example, if the former were useful in creating website, the latter were responsible for conducting meetings with public officials. Their team has regularly worked on improving their skills – both of young and older generation. Oleksandr Slavskyi defined digital marketing and digitalisation in general as the skill with the highest demand for improvement. For example, it's important for the team to be able to create video-materials themselves because paying for these services to other companies is very expensive. Oleksandr Slavskyi defined communication and business management skills as second most important areas for improvement of the social enterprises' teams. Impact Hub Odesa has actively communicated with other social enterprises and joined informal alliances to pursue their activities.

Finally, according to Oleksandr Slavskyi following the COVID-19 crisis social enterprises are likely to significantly cut their activities. Therefore, they will need to adapt their business model to new realities. He even suggested launching Business model adaptation incubator/hackathon to help social enterprises to cope with the crisis.

2. Vasyl Nazaruk, leading expert on social entrepreneurship in Ukraine, Head of Social Investment Program of the Western NIS Enterprise Fund which provides significant assistance to social enterprises in Ukraine, stated that number of social enterprises is growing because of two reasons. First, the number of programs for and courses on social entrepreneurship has significantly increased, first of all, because of donors' activities. Second, because social entrepreneurship is often the only solution to some specific social problems in Ukraine or some communities. In his words, the role of the state is not to create obstacles in this process – if a state can help social enterprises, then it can do it by correcting systemic problems in the entrepreneurship sector, like creating favorable conditions for functioning of SME in general, e.g. like access to finance, including the abovementioned 5-7-9% loans. Vasyl Nazaruk stands against approval of a law which would create separate category of social enterprises as it may lead to abuse of this status. In his words, social entrepreneurship should be regulated by the market environment.

In the words of the expert, youth is very progressive and usually it is this generation which establishes social enterprises. According to Vasyl Nazaruk, systemic approach to education, starting from explaining about social entrepreneurship in schools and introducing courses on the topic in the higher education, should foster youth to join social entrepreneurship. Financial support of startups could be another positive tool here.

To promote social entrepreneurship in Ukraine, Vasyl Nazaruk recommends disseminating as broadly as possible information about successful cases of social entrepreneurship in Ukraine, to 'shout' about how exactly social enterprises help in solving social problems. Local authorities – especially in the context of the decentralisation reform – should play a key role here as they benefit from activities of social enterprises, however, today local authorities are often afraid of them as they are very active citizens.

Vasyl Nazaruk estimates the number of social enterprises in Ukraine on the level from 1,000 to 2,000 enterprises, however only up to 500 of them have business model which allows them to function without any other assistance.

In the words of expert, establishment of a network of social enterprises in Ukraine would be very useful, however, it should be created not by donors, but

by bottom-up approach with membership fees and other criteria of self-sufficient and sustainable institution. Some regional associations of social enterprises demonstrate a successful example here. Finally, in the words of the expert, there is a huge problem of reaching social enterprises in rural areas.

3. Artem Kornetskyy, leading expert on social entrepreneurship in Ukraine, Co-Founder & CEO at School of ME, author of the Social Entrepreneurship courses on Prometheus, said that current situation of social entrepreneurship is the same as in the area of SME in general – it's hard today, there are occasional successful examples, but in general the situation has significantly worsened. As for the role of the state Artem Kornetskyy supports idea of establishing status of social enterprises in the legislation of Ukraine, but not providing benefits by the law as it may lead to serious abuse. In this regard, it's worth using U.S. experience of benefit corporations and B Corp certification program and any benefits granted according after corresponding procedures. The B Corp certification assesses the overall positive impact of the company that stands behind it and is a third-party certification administered by the non-profit B Lab, based in part on a company's verified performance on its impact assessment.

Artem Kornetskyy says youth is the most interested generation in social entrepreneurship – it's much more attractive for them than simply NGO or simply business. Two key motivation arguments play decisive role here – freedom to work independently and patriotism. Therefore, special emphasis should be paid to popularise social entrepreneurship among young people, starting from school education.

Live example of successful social entrepreneur is, in the words of Artem Kornetskyy, the best tool to popularise social entrepreneurship. Therefore, personal presentations by such people is of great importance, especially in towns and villages.

4. Vitalii Bokhniak, Senior Expert in Business Development of the Partnership for Local Economic Development and Democratic Governance Project (PLEDDG), says social enterprises have similar problems to those of other businesses, but problems of the former are two-three times larger. He sees advantages and disadvantages of legislative regulation of social entrepreneurship but says proper cooperation with local authorities as of key importance for successful functioning of social enterprises. In his opinion, the law on social entrepreneurship will not bring positive effect as such, but the state should create criteria for recognition of social enterprises and launch programs, like cheap loans or discounted fee for premises rental – however, these programs should be competitive and introduced very carefully to avoid abuses. Besides, according to

the expert, the state should work on easing business procedures in general and solve existing problems with fiscal institutions, as problems of social enterprises and other businesses have often same roots.

Associations of social enterprises, including regional and sectoral, in the words of Vitalii Bokhniak, as self-regulated institutions would be very efficient tool to stimulate their development, however, sufficient number of social enterprises is needed here. Besides, such association could become a platform for reporting by social enterprises about their activities.

Youth, according to the expert, is a key generator in establishment of social enterprises as it helps them in finding senses of their activities.

Vitalii Bokhniak has not seen any successful systemic campaigns aimed at popularizing social entrepreneurship in Ukraine. Such campaigns could be realized through local authorities as well as abovementioned potential associations with donors' support, as the state cannot do it due to lack of regulation of the corresponding area. Social media would be the best channel to deliver messages on social entrepreneurship, however offline channels – like public transportation and billboards are important too. Those messages should not be based on general statement “Join Social Entrepreneurship!”, but should be very specific instead, for example, describing programs supporting social entrepreneurship, like cheap loans, or social problems being solved as a result of such activities. Marketing experts should be engaged to elaborate such campaigns. Finally, in the words of Vitalii Bokhniak, proper campaign about social entrepreneurship should be carried out among MPs.

5. Alina Bocharnikova, Coordinator for the Development of Social Entrepreneurship at the Agency for the Development of the Future, moderator of the working group on elaboration of draft law on social entrepreneurship, says there are no systemic development of social entrepreneurship in Ukraine – we are on the phase of its occasional development – in separate regions or sectors. Social entrepreneurship is popular mainly in big cities, however some of them still do not use this development instrument, while situation in regions is even worse as there are no possibilities to learn social entrepreneurship. Among cities that have demonstrated successful development of social entrepreneurship Alina Bocharnikova named Poltava, Lviv, Vinnytsia, Odesa, Severodonetsk, Kharkiv, Zaporizhia and Bila Tserkva.

The expert is in favor of approval of a law on social entrepreneurship or changes to existing legislation on the national level. In her words, definition of social enterprises should be approved by the state to ‘legalise’ existence of social enterprises with possible benefits (except for tax benefits) and subventions for

specific categories of social enterprises, Ministries of Economic Development and Social Policies can approve methodological recommendations for development of social entrepreneurship, while State Statistics Service could be in charge of registry of social enterprises, but over-regulation of this sector by the state can be only harmful. Those are regional authorities that have much more competences to stimulate development of social entrepreneurship. For example, Vinnytsia municipality has approved recently Program of Development of Social Entrepreneurship in 2021-23 which includes list of criteria for social enterprises, financial instruments, tax and other benefits.

Alina Bocharnikova referred to ENACTUS-Ukraine as the most efficient program engaging youth to social entrepreneurship, in particular, their systemic education in universities with practical tasks for the students. Thanks to the EU projects over 20 universities in Ukraine will introduce soon courses on social entrepreneurship. Another successful program mentioned was [Diamond Challenge for High School Entrepreneurs](#). However, in the words of the expert, the problem is lack of possibilities to realise in practice what students learnt in theory. That is why more hackathons, accelerators and competitions are needed.

As for the promotion of social entrepreneurship, Alina Bocharnikova mentioned UNDP project *Molodiya* festival and video clips on entrepreneurship, in particular, by internally displaced persons. She says she is not aware of any other successful campaigns but added there are many ideas in this area. In the words of the expert, social entrepreneurship is often perceived skeptically in Ukraine – so problem of bad positioning of this notion should be solved. Alina Bocharnikova recommended to conduct opinion poll in Ukrainian cities on awareness about social entrepreneurship to find proper ways to tackle this problem.

Finally, in the words of Alina Bocharnikova, establishment of network of social entrepreneurship would be very useful and example of some foreign countries could be very useful – like Social Enterprises of Estonia Network.

6. Denis Gursky, Head of Board at Social Boost, Co-Founder of 1991 Civic Tech Center and 1991 Open Data Incubator is absolutely convinced there are great prospects for social entrepreneurship in Ukraine and youth can be driving force here. There are three reasons, behind this – first, young generation is interested in social effect from their activities, second, it is very egocentric, young people care what other think about them and, finally, they want to earn money, but not in the sake of earning money. Denis Gursky has seen it from his own social entrepreneurship experience – since 2012 there is growing number of young people who want to engage in this sector. This notion can be confirmed by our survey among social entrepreneurs – most of the respondents (83%) informed

that their social enterprises were founded in the last five years and half of the respondents were young people.

As for the state support for the development of social entrepreneurship, Denis Gursky said there is no need to invent anything new, the best way would be to use U.S. experience of benefit corporations. Thus, a company which is able to prove it is mission-driven would be able to get tax discounts. Like in any other country Ukraine would see attempts of abusing this status, so proper safeguard measures should be elaborated to minimize this scenario.

According to Denis Gursky, there is necessity to popularise social entrepreneurship term as well as disseminating success stories from this sector among young generation, first of all through social media.

Denis Gursky within his social enterprises worked with different generations and elaborated system how to combine their efforts to achieve the best result for their organizations.

Selecting among skills he would select to improve for his social enterprises, Denis Gursky gave priority for ‘Knowledge of legal and administrative aspects’ and ‘Financial management skills.’ Digital marketing skills were less important when he founded social enterprises, but today their importance has grown.

Denis Gursky’s social enterprises have not had any specific activities aimed at uniting with other enterprises or establishing joint networks, however this process happened evolutionary. He says corresponding program would be very interesting today.

The COVID-19 crisis, in the words of Denis Gursky, has definitely had negative effect on his social enterprises, but they managed to switch their activities to online. Now, they know how to react to such obstacles and in the future, it will be easier for them to cope with such challenges. Denis Gursky summarised that this crisis has demonstrated need for proper risk management skills for social enterprises.

7. Nataliya Povtar, Manager of the Registration of public organisations at the Ukrainian Center for Independent Political Research told about her experience of working on legal and administrative sides of, among other, social entrepreneurship as this form of activity is often implemented through public organisations. The expert explained nuances of registration of civic associations and charity organizations as the most common forms for social enterprises in the Ukrainian legislation. Such organisations are entitled to carry our entrepreneurial activities if they keep to certain criteria – such criteria should be clearly within status and aims of the organisations, clearly prescribed in their charters and profit can be used only for realisation of those aims. Moreover, civic associations and

charity organisations can establish other legal forms to pursue their entrepreneurial activities, for example, LLCs. If all criteria are kept to, such organisations will receive non-profitability status with corresponding tax exemptions.

Therefore, according to Nataliya Povtar, there are sufficient legal grounds provided by the legislation – mainly through civic associations and charity organisations often in combination with private-entrepreneur mechanisms – to conduct social entrepreneurship in Ukraine. However, the expert is in favor of definition of social entrepreneurship by the Ukrainian legislation, to create more guarantees for their activities, but without too much regulation of this area by national-level laws. In particular, Nataliya Povtar is against introduction of registries of social enterprises which would be a sign of a police state. Instead, she recommends removing obstacles needed for registration of civic associations. One of the examples here is activities of regional offices of Tax Service which often refuses granting non-profitable status to civic associations without proper grounds. According to Nataliya Povtar, there is quite clear understanding of this issue on the central level of fiscal services, but when it comes to regional level many problems appear. As a result, many civic associations are afraid of conducting entrepreneurial activities because they are afraid of problems with fiscal institutions.

That is why, according to the expert, popularisation of social entrepreneurship should include corresponding programs for officials of the fiscal services, especially in the regions.

8-9. **Mariya Zakharchenko**, Coordinator of Project “Social entrepreneurship as Innovative Mechanism of Solving Social Development Issues” of the Eastern Europe Foundation and **Olga Shavarova**, Program Manager at the Eastern Europe Foundation confirmed concern that legislative regulation, including providing benefits, may limit and harm development of social entrepreneurship, however, it is needed for proper definition of social enterprises. In the words of the experts, today there are around 1,000 social enterprises in Ukraine, but this number may grow after corresponding legislation is introduced. State has taken some steps aimed at helping social entrepreneurship development, for example, Ministry of Economic Development has included this sector among priorities of its policies as part of SME development. So, Mariya Zakharchenko and Olga Shavarova conclude that the state should support SME in general and put specific emphasis within these programs to social entrepreneurship.

The experts said that earlier social entrepreneurship in Ukraine was developed around such topics as environment (especially, among young

generation) and assistance to people with disabilities or elderly people, but since 2016-2017 the country witnessed significant boost of social entrepreneurship development after many war veterans and internally displaced people join this process.

In the words of the experts, as of today, many social enterprises in Ukraine exist, mainly, thanks to donors' assistance, many of them lack business education, financial management and innovation mechanisms skills, that is why these areas require significant improvement. In the context of the COVID-19 crisis, many social enterprises managed to move their activities online, however digitalisation skills remain another area with demand for improvement.

Dissemination of successful cases and meetings with social entrepreneurs, in the view of the experts, is the best way to popularize social entrepreneurship. Information about this topic should be delivered on many different channels – from television to big youth events.

Other efficient ways to support social entrepreneurship development, according to Mariya Zakharchenko and Olga Shavarova, include exchange trips within Ukraine, study tours abroad and study tours for foreign social enterprises to Ukraine (youth gets especially inspired by communication with one another) as well as national competition, such as Diamond Challenge – the world's top entrepreneurship competition for high school students which has been realised in Ukraine for the last several years.

10. **Iryna Solovey**, patron at Veterano Brownie, Social Investor at Urban Space 500, Strategist at City Code, Co-Founder/Producer at Spilnocosht – collective funding of projects, Co-Founder/Producer at Big Idea and Co-founder/President at Garage Gang said that most social enterprises in Ukraine do not keep to the main formula of social entrepreneurship – ‘each sale is an influence.’ The state will be able to regulate this sector only after corresponding social norm is properly installed and attempts of government to interfere in this process before that can pose a threat to social entrepreneurship development. This level may be reached sooner on local level, so it's worth working with local authorities to assist social entrepreneurship development. Moreover, according to Iryna Solovey, a law on social entrepreneurship poses a threat for social enterprises as they, like any other enterprises should be kept as far as possible from budget sphere and should develop their skills only based on market principles. This was the case with the COVID-19 crisis – when social enterprises with functioning business model managed to adopt to new conditions.

The expert says that while there is already understanding of the importance of an entrepreneur's role in communities, culture of entrepreneurship has still to

be developed. She witnessed growth in social entrepreneurship in 2012-2014, but now this tendency has declined. Besides, according to her personal observations, most of social enterprises have not learnt how to talk about and cope with challenges.

Another problem for social entrepreneurship, in the words of Iryna Solovey, is lack of analytical resources, so establishment of municipal analytical centers working on solutions and recommendations for social enterprises would be of great use for this sector. The expert recommended as well to teach social enterprises marketing strategies, form communities around them and use crowdfunding tool to support development of social entrepreneurship, especial on initial stages of product testing.

Iryna Solovey says there is great potential in involving youth to social entrepreneurship due to great interest of this generation in self-realisation and even demand for fighting injustice. In this regard, youth should be taught general skills needed for social entrepreneurship, such as resilience, cyber-engagement, data-synthesis, transculture etc., instead of narrow special skills.

11. **Taras Yatsenko**, Founder and Director of the Lviv media [Tvoje Misto](#), told about his rich experience in cooperating with social enterprises, in particular, popularising them. One of the recent cases they had was when a local social enterprise because of the quarantine faced serious difficulties and faced closure of their activities. They asked *Tvoje Misto* to help them and the media published [article](#) about this social enterprise which resulted in numerous views and significant support from the audience which helped this social enterprise to overcome the difficulties. Besides, *Tvoje Misto* has experience of systemic cooperation on social entrepreneurship promotion, in particular, they work with the Lviv City Council on elaboration of video ads on this topic.

In the words of Taras Yatsenko, existing social enterprises badly need PR support, in particular for sale of their products. Besides, from his experience of cooperation with social enterprises, Taras Yatsenko says they need mentorship support in launching and conducting their activities.

12. **Oleksandr Sanchenko**, MP (*Sluha Narodu* faction), who had social enterprise of his own, is now co-author of the draft law on social entrepreneurship. At the same time, he agrees that this bill has to be elaborated by social entrepreneurs themselves and future law should be only part of a wider picture in this area.

In the words of Oleksandr Sanchenko, social entrepreneurship in Ukraine is the cry of the soul – people refer to this tool when they lose hope in other means of finding solution to a social problem. According to him, youth is much more

active in social entrepreneurship as this is often risky activity and young generation is more inclined to risk compared to the older one.

The MP says there is sufficient number of educational programs on social entrepreneurship, the problem is rather in scaling up their activities. Besides, educational programs should be tailored to specific needs of social enterprises – for example, NGOs or charity organizations which decided to establish social enterprise should be taught business planning, while regular entrepreneurs switching to social entrepreneurship should be assisted with courses on the senses of their activities. The same approach should be used for popularisation of social entrepreneurship – first of all, one should work on proper targeting when launching such programs – whether it's for youth, IDPs, veterans etc. Social media would be the best channels to disseminate this information. In the opinion of the MP, special emphasis should be directed towards those people who have never engaged in social entrepreneurship before. Other forms of popularising social entrepreneurship can include competitions and introduction of brand ambassadors.

Finally, Oleksandr Sanchenko said efforts have already been taken to establish Association of social enterprises uniting social enterprises of different legal forms and any assistance in helping here institutionally would be warmly welcomed.

13. **Dmytro Havryliuk**, coordinator of the international partnership project “Social Entrepreneurship – Achievement of Social Changes on bottom-up Initiative” and of the socialbusiness.in.ua resource, has rich experience of cooperation with social enterprises as representative of corresponding projects, including EU-funded, and in partnership with other countries, including Lithuania and Latvia, and organizations, such as Ukrainian Charity Foundation, Professional Development Foundation, CIVITA and others.

Dmytro Havryliuk said about some psychological obstacles for engaging into social entrepreneurship as perception of business in general has often very negative perception (probably, as part of the Soviet legacy). One of the cases he presented was attempt of one social enterprise to engage people with disabilities to work in their business. However, this social enterprise often received refusals because they were afraid of losing social assistance for people with disabilities, even though size of such assistance was considerably lower than remuneration offered by the business.

Even though young people are usually among most active people engaging in social entrepreneurship Dmytro Havryliuk was often surprised to see many older people active in this sector.

According to the expert, special emphasis in supporting social entrepreneurship should be paid to local level – cooperation with local authorities (including educational programs for them), organisation of hackathons for local activists and businesses, presentation of social entrepreneurship at local festivals etc.

The best way to popularise social entrepreneurship should be based in the words of the expert on the system of higher education, in particular, introducing special university courses involving for teaching both professors and practicing entrepreneurs. Key task of such education would be to deliver message that launching social entrepreneurship in Ukraine is a realistic task. In addition, organising some events in school like masterclasses or visits of social enterprises would be very useful as well.

Talking about potential law on social entrepreneurship, Dmytro Havryliuk says this is very arguable question – in his opinion, introduction of criteria for identification of social enterprises is important, but too deep regulation of this sector should be avoided. He referred to the example of Latvia which has such law, but many social entrepreneurs there are not satisfied with it. If any benefits should be introduced, they should be limited and based on competitive basis, so that social enterprises become competitive and socially responsible. He added that national authorities should use experience of regional authorities many of which have already introduced programs supporting social entrepreneurship. Therefore, three factors should be properly combined for the best effect – of local authorities' needs, of social enterprises' possibilities and country's financial capacities.

14. **Kostyantyn Yevtushenko**, Managing Partner at the UNIT.City, characterised his organization not as a social enterprise, but as a business with the task of transforming society with their revenues invested in impact. Despite disagreement in terms we agreed that UNIT.City reflects nature of social entrepreneurship – while its founders created it as a business, it is clearly driven by social mission goals. Before implementing the idea, their team traveled all around the world – to the U.S. Silicon Valley, Israel, South Korea and many countries of Europe). While abroad innovation activities are almost entirely supported by states, this is not the case for Ukraine, so they had to launch business to achieve their goals. They began from establishing anchor school for their own costs and today, they have huge innovation park with facilities in Kyiv, Lviv and Kharkiv and are working on opening campuses in other regions of Ukraine.

Kostyantyn Yevtushenko says it is easier to list which obstacles they did not face in the course of their establishment than the problems they faced. Access to cheap money was one of the key obstacles. However, in the words of Kostyantyn

Yevtushenko, human potential or talents have been key resource for their activities. In particular, they put major efforts in merging engineering and entrepreneurship talents.

In order to engage youth to social entrepreneurship, Kostiantyn Yevtushenko recommends starting from giving them understanding what entrepreneurship is, introducing it as a subject topic in higher education and even from high school. UNIT.City has already signed Memorandum with the Ministry of Education and Science of Ukraine on providing their recommendations in this area. The task of the state, in the words of Kostiantyn Yevtushenko, is to form state policy and engage businesses for verification of these policies. Besides, Ukraine should learn and implement experience of Israel in supporting SME. Finally, the state should secure some basic grounds for development of entrepreneurship – first of all, independent and fair judiciary.

15. Halyna Vasylchenko, MP, Member of the Committee of Finances, Tax and Custom Policies has experience of working with entrepreneurs, including social ones, now (she was one of the co-authors on legislation related to private entrepreneurs) as well as at her previous position in the Lviv City Council. Halyna Vasylchenko says there are many legislative stimuluses which can be used by social entrepreneurs (like social contribution payment exempt for employed people with disabilities), however more mechanisms should be approved on national level.

The best way to popularise social entrepreneurship, according to Halyna Vasylchenko is to disseminate information about positive cases in this area. The best channels for this are social media as well as different events organised on local level, like festivals. Another successful case former Lviv City Council official told about was when her municipality printed for public costs brochures with guidelines how to launch one's own business which became very popular in the city.

Finally, Halyna Vasylchenko agreed that networking is extremely important for development of social entrepreneurship in Ukraine to share both experience and mistakes among entrepreneurs.

16. Viktoriya Dovzhyk, Advisor to the Mayor of Lviv, Member of the Lviv City Council, has rich experience in working with social entrepreneurs on municipal level calling it the niche which has demonstrated recently active development. Lviv City Council has already included social entrepreneurship to its Entrepreneurship Support Program. Besides, they are working on establishment of a network of social enterprises.

According to Viktoriya Dovzhyk, common problem for social enterprises is lack of experience and lack of recognisability which lowers their sales opportunities, so the municipality has helped to disseminate information about them. In particular, she mentioned production together with *Tvoie Misto* media of videoclips promoting social entrepreneurship. Youth should be among special target audiences in the activities aimed at popularising social entrepreneurship – in her words, youth has to hear about it, to see it and to understand it. More specifically, such efforts may include broad dissemination of success stories as well as inviting young people to spend one day working at a social enterprise. Moreover, the city for three years has worked with schools on spreading information about entrepreneurship. Viktoriya Dovzhyk says even though schoolchildren do not perceive this information comprehensively, it is important to seed those ideas in their heads.

Besides, their support for social enterprises includes free rental of communal premises and places at fairs for such organisations. In her words, since there are no proper criteria for social entrepreneurship, local authorities should know best who really deserve this status and should take responsibility for supporting them. Thus, Lviv municipality establishes commissions which follow activities of potentially social enterprises and decide if they should be granted any benefits. However, such activities have often led to problems for those officials – for example, recently criminal case was opened against one of the Lviv City Council officials, among others, for granting payment-free rental of premises for one of social enterprises. Therefore, Viktoriya Dovzhyk is in favor of approval of a law with clear criteria of social entrepreneurship, but with strict control over execution of this law



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