Support for the social entrepreneurship in the time of modern challenges: Ukrainian experience

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Abstract
The purpose of the study is to create sound proposals for ways to support social entrepreneurship in Ukraine in the period of modern challenges, based on the analysis of socio-economic indicators, regulatory framework of European countries and Ukraine.

The objectives of the study are: to analyze the state of the art, economic and social contribution of social entrepreneurship in Ukraine; to study and compare the legislative and normative acts of legal regulation of the social entrepreneurship entities functioning, relevant principles and backgrounds of their practical activity (including state and public support, financing) in the EU countries and in Ukraine; to offer concrete proposals for the support and development of social entrepreneurship in Ukraine, taking into account the positive European experience.

The research methodology is a comparative and retrospective analysis of statistical, sociological materials,
regulatory framework and practice of its application to the object of study.

**Introduction**

Social business in Ukraine is a relatively young activity with a positive dynamics of development. High rates of development of social entrepreneurship in Ukraine are caused by the reaction of society to the crisis in the social, economic and political spheres. Under such conditions, the state demonstrates limited opportunities against the background of an unlimited number of unresolved social problems. Low levels of material support, mass unemployment, a high share of vulnerable groups - all this is the impetus for finding alternative sources of funding for the social sphere.

One of the innovative tools to address these issues can be the activities of social enterprises. Moreover, in society there is a social demand and a high level of expectations for this type of activity.

The rapid development of social business brings quite powerful results and makes a significant contribution to both the country's economy and the social sphere. The main activities of this sector are social and economic integration into social life of socially vulnerable groups, overcoming unemployment, and implementation of social measures. Activities in these areas of social entrepreneurship demonstrate the positive dynamics of both economic and social indicators.
However, if, by means of achieving high social indicators, social entrepreneurship is developing dynamically, the development in the purely economic sphere is still slow. This is influenced by both objective (negative market conditions, unfavorable economic situation, inflation, rising prices, declining purchasing power, underdeveloped financial services market, etc.) and subjective factors (low level of economic training and skills in business administration of social enterprises, competition from traditional business, etc.) (“Social entrepreneurship in Ukraine” Report, 2020).

Therefore, now the issues of achieving financial sustainability, economic growth and intensification, optimization of administrative processes, business scaling, accumulation of resources and material reserves come to the fore (Lysenko, 2020). In this regard, the main problems are the lack of social entrepreneurship access to financial resources (especially cheap loans) and the reduction of the tax burden (at least temporarily, for the time of achieving economic sustainability).

**Relevance of research**

In the age of modern challenges, social entrepreneurship seeks to strengthen partnerships with traditional businesses in order to protect themselves from economic crises by cooperation. Another immediate need for social entrepreneurs is the strengthening of the state role in the development of social entrepreneurship. The development of social entrepreneurship in Ukraine has significantly overtaken the regulatory framework and state policy
in the social and economic spheres. Despite the dynamic development of social entrepreneurship, the state does not recognize it at the legal level and the level of policy formation, development strategies of the country, does not recognize its contribution and high social and economic mission (“Social entrepreneurship in Ukraine“ Report, 2020).

Therefore, in the period of modern challenges for Ukraine, the issue of support and development of social entrepreneurship has become extremely important.

The current level of development of social entrepreneurship in the world and Ukraine

Nowadays, social entrepreneurship in many countries of the world has become a fairly widespread and active socio-economic activity with its purpose, objectives and principles.

It is characterized by the following main features: social impact - a targeted focus on solving or mitigating existing social problems; innovations - the application of new, unique approaches that increase social impact; self-payment and financial stability - the ability of a social enterprise to solve social problems at the expense of income received from its own activities; scaling - increasing the scale of social enterprise (at the national and international levels) and disseminating experience (models) in order to increase social impact; entrepreneurial approach - the ability of a social entrepreneur to overcome the shortcomings of the market, find opportunities,

Social entrepreneurship as a phenomenon has long been known to the world community. However, there is no single approach in the world to the interpretation of the term «social entrepreneurship» (Focus Group Report on the Green Paper on Social Entrepreneurship in Ukraine, 2019). In European countries, social entrepreneurship is actively developing through regulation.

In 2011, the European Commission approved a long-term Social Entrepreneurship Initiative program. Its purpose is to stimulate the countries of the European region to support and develop social entrepreneurship. The program has three main directions: creating a legislative environment for social entrepreneurs; popularization of social enterprises activities; creating conditions for financing the development of such enterprises (European Commission, 2011).

According to the Social Business Initiative (SBI), a social enterprise is an undertaking:

- whose primary objective seeks to achieve social impact rather than generating profit for owners and shareholders;
- which uses its surpluses mainly to achieve these social goals;
- which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.
This definition arranges social enterprise key features along three dimensions:
- an entrepreneurial dimension,
- a social dimension,
- a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritized through economic activities, these three dimensions can combine in different ways, and their balanced combination matters most when identifying the boundaries of the social enterprise (Kobro, 2019).

One of the pioneers in the development of social entrepreneurship in the EU is Italy. It was there that the first mutual aid organizations for the provision of social services emerged - social cooperatives, which formed the basis of Italian social enterprises (one of the first such cooperatives was the consumer cooperative «Magazzino di previdenza», opened in Turin in 1854). In 1991, Law 381 was adopted, which regulated the mechanisms of creation and operation of social cooperatives, which were divided into two groups: «A» - providing social, educational, medical services to needy categories; «B» - creating opportunities for employment and social integration of vulnerable groups (at least 30% of their representatives must work in production). Conditions for granting the status of a social cooperative are, in particular, limited distribution of profits, development of own assets.

Later, Italian legislation served as an example for the development of similar bills in other European countries. This is
illustrated by the Portuguese Law on Cooperatives of Social Solidarity (1998), the Greek Law on Social Cooperatives with Limited Liability (1999), the legislative definition of «cooperative society with collective interests» in France (2001), the Finnish Law on social enterprises recognized as market-oriented cooperatives (2003). It is important for Ukrainian legislation that the Italian legal system guarantees a high level of control, quality standardization, dialogue between producers and consumers.

Speaking of the British legal framework for social entrepreneurship, it should be noted that there is no single legal model of social entrepreneurship in the UK. The status of social enterprise can be granted to different firms and companies. In 2005, Law 1788 «On the Regulation of Community Interest Companies» was adopted: they belong to non-profit organizations and must work in the interests of a specific local community.

In Germany, social entrepreneurship does not have a specific legal form enshrined in the legal framework. Social enterprises operate in the form of cooperatives (Genossenschaften), foundations (Stiftungen), associations (Vereinen), and limited liability companies (Gmbhs).

In Belgium, the concept of social entrepreneurship has no clear legal boundaries. In 1996, legislation on social purpose companies appeared, outlining a variety of legal forms for social enterprises. Federal law does not limit the scope of business activities and does not provide for the distribution of profits among the founders. The Belgian legal framework with its
regulation of the activities of companies with a social mission brings the Belgian social enterprise closer to the Italian model (Social entrepreneurship in Ukraine, 2019).

The most common legal form among social enterprises in Norway is the Ideelt Aksjeselskap; a non-profit limited company, though a significant number of social enterprises also organize as voluntary associations. The non-profit limited company is a specific Norwegian legal form used for limited companies whose statutes include a set of rules regulating the return on investments outside a strict profit organizational regime. It may be appropriate for social enterprises with a social, cultural or environmental nature while enterprises active in the field of research or with other non-financial interests also make use of it. Legally speaking, however, the non-profit limited company is not a separate organizational form. Like ordinary corporations, it is subject to the Norwegian legislation for limited companies. The company itself must solely decide any change of statutes. In figure 1, non-profit limited companies are included in the group of limited companies.

Associations are seen as member-based democracy constructed as voluntary organizations. Such organizations often have a very professional administrative body, but the seat of power belongs to the voluntary members. The initiatives use a «business-like model» to offer a heavily marginalized group of people a work experience, a sense of empowerment, achievement and motivation thorough salary (Kobro, 2019).
In Greece, all issues of social entrepreneurship are regulated by Law 4019 of 2011 «On Social Economy, Social Entrepreneurship and Other Provisions». The law provides for three categories of social enterprises: integration social cooperatives (the basis of activity is the social and labor integration of people who find themselves in a difficult life situation); social care cooperatives (produce goods and services for the disabled, the elderly, people with chronic diseases, etc.); cooperative enterprises of social production (work for their region in the fields of culture, ecology, housing and communal services, maintenance of local traditions).

In Poland, an important impetus for the development of social entrepreneurship was the adoption by the Sejm of a new Constitution (1997) and the country's accession to the EU (2004), including the implementation of certain provisions of the EU EQUAL Program in 2000-2006 and other social programs. The legislative framework consisted of the Laws «On Socially Useful Work and Volunteering» (April 24, 2003), «On Social Employment» (June 13, 2003), «On Employment Promotion and Labor Market Institutions» (April 20, 2004), «On social cooperatives» (July 6, 2006). The last of these laws provides for three ways to establish a social cooperative: institutional (through the Center for Social Integration); non-profit organization or local government; individual. The founder is exempt from paying the registration fee and can receive a one-time cash benefit in certain amounts. Local authorities have the right to order certain services from social cooperatives without holding tenders.
In the Czech Republic, social enterprises are governed by the provisions of the Laws on Business Corporations, Commercial Enterprises and Cooperatives (2012) and some others.

In Latvia, social entrepreneurship issues are also not regulated by law, although the first bill was drafted in late 2015. This is the cause of many problems with taxation (including funds received from European funding), training, attracting functionality and resources for work, government support, etc.

Based on the development trends of the legal framework of the EU, we can say that the main organizational and legal forms of social enterprises are a cooperative or non-profit association. The second form prevails where its legal definition gives certain preferences in the sale of goods and services. Where this is not the case (Spain, Sweden), cooperatives predominate. Most of the socially oriented legal acts of the EU countries were adopted within the framework of the project launched in October 1998 with the aim of developing recommendations for promoting the development of social enterprises (mainly according to the Italian cooperative model) (Social entrepreneurship in Ukraine, 2019).

It makes sense to conduct a normative analysis of social entrepreneurship in Ukraine taking into account European legal experience. Moreover, Ukraine has declared its intention to harmonize its legislation in the direction of integration into the European Union.
A proper legal regulation of social entrepreneurship is the key to the successful operation of social enterprises, their social and state support (Social entrepreneurship in Ukraine, 2019).

Thus, most EU countries have adopted basic laws and regulations defining the leading organizational and legal form and principles of social enterprises.

At present, the governments of many EU countries have enshrined in law the work of social enterprises in the form of cooperatives, the main feature of which is a democratic form of government and mandatory distribution of company shares among founders, volunteers and beneficiaries; in other countries, a form of non-profit association is preferred. Separate normative regulation of social business is the basis for creating mechanisms to stimulate and support the social component of business, the formation of social order and the mobilization of business potential to solve social problems.

Differences in the definition of social entrepreneurship in the national legislation of European countries did not prevent the derivation of statistics on the scale of this phenomenon. Today, there are more than 2 million social enterprises in Europe, employing almost 11 million people (6% of all workers in the region), which is 10% of all European business. The leader of the European region in the development of social entrepreneurship is the United Kingdom, where there are about 70 thousand social enterprises, employing almost a million Britons. Their total contribution to the economy is over 24 billion pounds. According to the results of 2019, 68% of social enterprises support people
from vulnerable groups, 44% employ people from vulnerable groups, 28% work in the most depressed areas of the country.

In Poland in 2019 there were 29,535 social enterprises, which employed 428.7 thousand people, and in Serbia, according to 2015, social enterprises employed 4273 employees (0.25% of the total number of employees in the country).

Social entrepreneurship has the same criteria as traditional entrepreneurship, in particular financial independence, initiative, innovation, scale, risk. At the same time, it has specific features: the priority of the social goal, reinvestment of profits in social development, openness and transparency of activities and public accountability (Social entrepreneurship in Ukraine, 2019).

Key moments in the activity of social entrepreneurship in Ukraine

Compared to traditional enterprises, social enterprises have more difficulties to cope with crisis situations and usually do not have the resources to continue living in difficult conditions in the usual format, so they are forced to «fight for their existence» primarily by reducing wage costs [9]. In addition, the Covid-19 pandemic and its aftermath have been further evidence that we need a separate government program to support the development and functioning of social entrepreneurship. For the most part, the measures taken to help entrepreneurs at the national level were not available to social entrepreneurs due to a number of reasons arising from the nature of their activities and their status (namely,
the lack of special status of «social enterprise» in the legislation) (Antonyuk, L. 2021).

The formation of social entrepreneurship in Ukraine has begun relatively recently, but the pace of its development is quite rapid:

- 2013 - 41 social entrepreneurs;
- 2017 - 150 social entrepreneurs;
- 2020 - 1000 social entrepreneurs

The progressive growth in the number of social enterprises in the last 6 years (82%) is a kind of reaction to the socio-economic crisis resulting from the political and geopolitical crisis: the military conflict in eastern Ukraine, the annexation of Crimea, the emergence of new categories of people in need of social support (refugees from Crimea and Donbas, anti-terrorist operation veterans), economic stagnation, rising inflation, etc. That is why there is an urgent need to find alternative sources of funding and assistance in solving social problems of the most vulnerable categories of citizens. Newly formed social enterprises have become a tool with the help of which it is possible to partially solve these social problems.

The main mechanism for the formation of new social enterprises was the economic cohesion of new socially vulnerable groups - internally displaced persons, migrants from the Crimea, ATO veterans, united by the desire to solve their own social and economic problems.

Social enterprises are not limited in the choice of organizational forms of activity, as subjects of entrepreneurial
activity. If we analyze the social enterprises of Ukraine in terms of their organizational and legal form, most of them have the organizational form of the following economic entities: natural persons-entrepreneurs (PE) - 26%, private enterprise - 16% and public organization - 14%. Social entrepreneurs also register their activities in the following forms: limited liability companies - 13%, agricultural cooperatives - 10% and others (Social entrepreneurship in Ukraine, 2019).

The common interpretation determines that Social entrepreneurship is an activity that achieves social goals through an entrepreneurial approach. Making a profit is not its main goal, as it is designed to benefit the community (Semenchenko, M. 2020). Currently in Ukraine there is no legal document that would contain a normative definition of the terms «social entrepreneurship» and «social entrepreneur», as well as identify areas to support the creation and development of social enterprises.

Nevertheless, the lack of legal definition and differentiation of social entrepreneurship leads to the fact that social business actually works in the statistical, legal and organizational «shadow». Economic and social achievements of social business have to be calculated by methods of forecasts, assumptions, and extrapolations. Because of this, the social and economic contribution of social business is practically unknown to either the state or society. The public consciousness and perception of the authorities give the impression of Ukrainian
social business as an amateur, fragmentary, meager and very unstable activity (Social entrepreneurship in Ukraine, 2019).

The first necessary step from the state here should be the introduction of the concept of social business in the legal field, the normative definition of this concept and its qualifications. This will help to differentiate social entrepreneurship, to keep accurate records of its contribution. In addition, the normative definition is a necessary condition for the initiation of unified and transparent lending on favorable special conditions only to social enterprises. Existing lending systems for traditional businesses put social business on an unequal footing: while traditional business carries only economic risks, the social one additionally assumes social obligations, aiming not at making a profit but at fulfilling social missions. Therefore, social entrepreneurship is more vulnerable economically than traditional. In addition, it is necessary to introduce a system of state support for social business, primarily through the reduction of the tax burden. It will also have a positive impact on economic sustainability and the dynamics of social entrepreneurship.

Despite the fact that in the expert, scientific and legal field of Ukraine there is no single view and definition of social entrepreneurship, this phenomenon of social and economic life of Ukrainian society exists and develops (Social entrepreneurship in Ukraine, 2019).
The main problems in the activities of social enterprises in Ukraine

Today Ukraine is at the stage of forming an ecosystem of social entrepreneurship and creating local centers for its development.

Every year, the number of educational activities aimed at promoting social entrepreneurship increases, and public awareness of the role of social enterprises is growing. Activities aimed at the development of social entrepreneurship in Ukraine are implemented with the support of international donors, rather than government programs and initiatives. However, in Ukraine, social entrepreneurs often face such barriers as: lack of institutional recognition and appropriate regulatory environment, difficulties in measuring social impact indicators, difficulties in accessing training and education, business support and development structures, limited access to markets and finance, etc.

All these barriers limit the opportunities for the development and scale of social entrepreneurship, and create obstacles to achieving social goals [1].

However, during the survey, social entrepreneurs named the following obstacles in the development of social entrepreneurship in Ukraine (pic. 1) (Womensleague, 2019):
The main challenges for the development of social entrepreneurship in Ukraine today are: socio-economic situation in the country; the war in eastern Ukraine; COVID-19.

In addition, most of social entrepreneurs noted that it was difficult to start their own business. This was primarily due to the difficulties in the formation of start-up capital and the unavailability of financial resources (24%). 17% of social enterprises face difficulties due to competition in the market with non-profit public organizations: beneficiaries seek to receive free assistance and services, participate in a guaranteed social project with sustainable donor funding, rather than become clients of unsustainable social business.
Limited social expectations and public distrust became an obstacle in the activities of 11% of social enterprises. Lack of knowledge and skills in business management complicates the development of 10% of social enterprises. For 9% of social enterprises, the obstacle is the low level of wages.

Other obstacles also included a narrow and unprepared market, difficulties in recruiting and training staff, low motivation, bureaucratic obstacles, and more. Social business in Ukraine receives the greatest support from non-governmental non-profit public organizations (92%), which involve entrepreneurs in social projects, provide free training, information and counseling assistance etc. Other businesses provide only situational support (Social entrepreneurship in Ukraine, 2019).

International experience shows that social entrepreneurship itself plays an important role in solving a number of problems: economic; social; environmental; strengthens the social cohesion of local communities; upholds democratic values; promotes the rights and opportunities of vulnerable groups.

According to the policies of the European Union, any local ecosystem for the development of the SE should contain seven main focuses: institutional support for the SE and social innovation; formal recognition of the SE; popularization of SE culture; measuring social impact and preparing social reporting; development of social and entrepreneurial potential, skills and support of business development; providing access to markets; providing access to finance.
Measures to support social entrepreneurship: popularization of the culture of social entrepreneurship; development of business skills and support for the development of social business; promoting free access to markets for social entrepreneurs; use of marketing tools for the development of social entrepreneurship (Antonyuk, 2021).

Social enterprises, in fact, perform the functions of the state to address environmental and social problems and protect vulnerable populations. If the state, for example, is unable to provide decent employment for vulnerable groups and a quality of life, it must at least create the conditions for the functioning and development of those actors who seek to do so instead. For example, introduce soft loans for them or reduce taxation (Antonyuk, 2021).

**Approaches to problem solving**

In Ukraine, the process of decentralization is actively continuing, which directly affects the increase in the number of tasks to be solved by local governments. A significant part of these tasks is in the social sphere. Social entrepreneurs can become an effective partner in solving local social challenges and current community problems.

Top-3 tips on how to survive social entrepreneurship under today's challenges:

1. Perceiving the challenges not as a threat but as opportunities for development.
2. Monitoring the market situation and create new products, thus expanding the scope of assistance.

3. Digitalization. Social entrepreneurship should go online. The COVID-19 pandemic has clearly shown that even services that are not completely tailored can be adapted online and succeed.

Thus, it should be noted that social entrepreneurship in Ukraine is in a dual position. Formally, from by means of the law, social entrepreneurial activity in Ukraine is regulated by the norms of general entrepreneurship, within which it is not prohibited or restricted by law. Nevertheless, in practice, in its nature, status and origin, social business is closer to the institutions of civil society than the sphere of commercial entrepreneurship. This type of business in most cases was born through the commercialization of social activities of public organizations. So far, social business and civil society institutions organizationally, institutionally, programmatically, informationally, instrumentally are significantly connected and dependent.

Moreover, the sphere of activity of civil society institutions is characterized by instability and dependence on grant revenues and state intervention due to fears of external influence. Therefore, today the problem of introducing social entrepreneurship into the regulatory field as a unique, separate and guaranteed type of business is very relevant (Social entrepreneurship in Ukraine, 2019).

This will separate social entrepreneurship from other businesses and civil society institutions, ensure the sustainability
and transparency of social entrepreneurship, in particular by informing the public about these activities, and encourage entrepreneurs to participate in addressing social issues.

**Conclusions**

Doubtless, legal norms alone will not make social business in Ukraine more successful. Regulatory and legal support forms certain legal frameworks and conditions for positive and progressive development of the sector. The development itself depends on the practice of applying these norms, interaction and cooperation of all stakeholders. However, the lack of legitimization of such a social phenomenon as social entrepreneurship leads to a significant legal gap and lag of state and legal reality from the public, which significantly inhibits the socio-economic development of Ukraine. Social enterprises, in essence, perform the functions of the state to address social, economic and environmental problems and protect vulnerable groups of citizens.

The COVID-19 pandemic and the crisis caused by it did not hinder the development of social entrepreneurship in Ukraine as a phenomenon, but on the contrary became incentives to seek for new formats of work.

Social entrepreneurs, in difficult times for Ukraine, are trying to solve difficult problems. In addition, if we further increase the status of social entrepreneurship, and perceive the challenges as new opportunities, we will be able to achieve high results in solving socio-economic problems of society.
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