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LEGAL FRAMEWORK ON SOCIAL ENTREPRENEURSHIP IN MOLDOVA

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More info about the project: www.onestepahead.ge



Social entrepreneurship is an entrepreneurial activity whose main purpose is to solve social problems in the interest of the community.

The basic law governing entrepreneurship activity, including social entrepreneurship, is the Law of the Republic of Moldova on Entrepreneurship and Enterprises.¹

According to this, "entrepreneurial activity" represents the activity of production manufacturing, execution of works and provision of services, carried out by citizens and their associations independently, on their own initiative, on their behalf, at their own risk and under their patrimonial responsibility in order to ensure a permanent source of income.²

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

¹ <http://lex.justice.md/viewdoc.php?id=311735&lang=1>

² Law on Entrepreneurship and Enterprises, Nr. 845 of 03.01.1992, Art. 1



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Non-profit organizations like public associations, foundations, religious cults, and private institutions can practice social entrepreneurship, only if they receive special statute. There are two special statutes for NGO's who can practice social entrepreneurship: social enterprise and social insertion enterprise.

According to the national law, social entrepreneurial activities are activities in the fields oriented towards:

- creating jobs and employment, as a priority, of people from disadvantaged categories of the population;
- protecting and promoting the rights of people with disabilities and their families for the purpose of social inclusion;
- promoting the possibilities of employing people from the disadvantaged categories of the population through the provision of labor mediation services, information and professional counseling, guidance and training, counseling and assistance in initiating entrepreneurial activity;
- carrying out activities to contribute to the implementation of public regional development policies, including reducing imbalances between levels of social and economic development in and within regions, strengthening financial, institutional and human opportunities for the socio-economic development of the regions, supporting the work of the authorities local government and local communities, oriented to the socio-economic development of localities and coordination of their interaction with national, sectoral and regional development strategies and programs;
- providing and developing social services as well as ensuring financial sustainability in order to develop and expand social services;
- promoting environmental protection activities;
- waste management in order to reduce and re-introduce them in the economic circuit, as well as to prevent environmental pollution;
- promotion of national heritage protection activities;
- performing tourism and sports activities for recreation and socialization purposes;
- carrying out extra-curricular activities;
- carrying out activities in the fields of education, culture, health, social protection and welfare, welfare and community development if these activities are directed exclusively towards strengthening economic and social cohesion and increasing social inclusion.

A social enterprise is an enterprise constituted by NGO's or individuals who carry out social entrepreneurial activities in order to solve social problems of community interest and which meet the conditions mentioned above.



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Inclusive social enterprises are social enterprises with the purpose of creating jobs and prioritizing people from disadvantaged categories of the population.

LLC (limited liability company) also can be obtain statue of social enterprise.

In order to be granted the status of social enterprise or social insertion enterprise, it will be necessary to file to the National Commission for Social Entrepreneurship the dossier containing documents confirming the carrying out of the social entrepreneurial activity. The statute is awarded for a period of 3 years, with the possibility of extension if it is proved that the conditions underlying the award of the status have been respected and is obtained from the moment of registration of the syntagma "Social enterprise" or "Social insertion enterprise" in the enterprise incorporation documents and in the State Registry in which the legal entity is registered.

Social entrepreneurship remains a relatively new idea in the Republic of Moldova. The current legislation does not create different conditions for the launch and development of social enterprises. However, several initiatives aimed at the development of social entrepreneurship have been initiated and, in some cases, successfully developed in the Republic of Moldova.

Although there are some successful experiences, they have been largely initiated and developed exclusively through the contribution of external donors. In most cases the companies concerned were created by public associations. In the Republic of Moldova, these entities are taxed according to general rules, regardless of the purpose they pursue.

Therefore, a major difficulty is formed by the legal and regulatory conditions. The areas in which social enterprises predominantly develop are: services, agriculture, woodworking, beekeeping, healthy nutrition, knitting, etc.

Moldovan social enterprises continue to face a series of barriers. Although the barriers are context - oriented and specific to each country, they usually refer to:

- *Poor understanding of social enterprise concept:* poor understanding of the concept of "social enterprise", although changes have been made in legislation, however, the term is not very well known, mostly this concept is associated not with the activity of entrepreneurship, but with non-commercial organizations that carry out charitable activities or the integration of disadvantaged and disabled people into work;
- *Lack of specialized services of business development and support* such as incubators, mentoring and training plans, investment support, etc.



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Most needs to support social enterprises are similar to those of mainstream business, but also social enterprises have specific characteristics (their dual missions, business models, target groups, activity sectors, etc.) that create complex needs requiring diversified and sometimes adapted solutions. In most countries, the specialized support for social enterprises is largely absent and, where it exists, is limited and fragmented.

- *Lack of fiscal incentives for social enterprises;*
- *Access on markets:* Misuse of social clauses, current public procurement (large contracts, disproportionate pre-qualification requirements, etc.) payment delays, after all the information, makes it difficult for social enterprises to compete effectively in public procurement markets;
- *Access to finance:* Conventional investors and creditors do not ordinarily use the double and hybrid business models of social enterprises. However, specialized investors, financial intermediaries and instruments are currently non-existent or underdeveloped in most European countries. Consequently, social enterprises find it difficult to access external financing sources;
- *Lack of common metering and impact proofing mechanisms:* measuring or reporting at present of the social impact of the social enterprise. Therefore, there is a lack of information about the social impact of these organizations and about their awareness of the "difference that the social enterprise does". Impacts must be demonstrated to the benefit of financiers and investors and in accordance with public procurement rules. The development of common systems for measuring social impacts could result in more transparency, accountability, better recognition of the social impact of enterprises and, therefore, more interest from private investors and the general public.

In general, the general economic environment is mainly seen as a constraint on the continued development of the social enterprise (by reducing public spending which remains the dominant source of income for social enterprises) with potential opportunities to be fully exploited (new areas of activity and market diversification) markets and sources of income).

The survival and growth of the social enterprise is also constrained by factors such as the lack of viable business models (especially in the case of social enterprises with traditional nonprofit origin), high dependence on the public sector as a source of income, lack of commercial spirit entrepreneurship spirit and the managerial and professional skills necessary for the expansion activity.



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EXAMPLES OF GOOD PRACTICES OF SOCIAL ENTREPRENEURSHIP IN THE REPUBLIC OF MOLDOVA

Keystone Moldova – www.keystonemoldova.md

Keystone Moldova contributes to social inclusion of people with disabilities, children with special educational needs and those at risk. To this end, the organization supports:

- (I) *the deinstitutionalization and inclusion of the above mentioned groups in mainstream community based services;*
- (II) *the development of community-based alternative social care services, such as: Family support services, Foster care, Mobile team, Shared living, Respite, Supported living, Community home etc.,*
- (III) *the development of the legal framework to ensure the sustainability of the reform in the field of social protection and social assistance of persons with disabilities;*
- (IV) *activities to prevent and combat discrimination of the concerned groups.*



LLC EDUJOC - Education through Play - www.edujoc.md

The EduJoc mission is that every child in Moldova has at least an educational toy in the home, to help parents not just give their children the best and most suitable toys, but to spend more time on their children, to play together, to read them, to walk, to move, to listen and to encourage them, that is to offer them the most beautiful childhood!



Floare de Cireș LLC (Cherry flower) Catering – www.floaredecires.org



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Cherry Flower LLC is the first social and environmentally responsible enterprise that provides catering services in the Republic of Moldova. They provide high quality services at advantageous prices, using domestic and ecological products, partly from their own production.

Environmental Training Center by EcoVisio

www.ecovisio.org/training-center

www.eco-village.md



In 2016, in collaboration with Eco-Village Moldova team, EcoVisio launched the construction of the Environmental Training Center in village Riscova, Moldova, having a goal to create a regional hub for practical education in the fields of organic agriculture, energy efficiency, eco-construction and community development.

The Center will serve as a demonstration and resource platform for sustainable development, allowing change-makers from Moldova and abroad to exchange innovative ideas and learn about permaculture, natural building, water management, climate change, social entrepreneurship, civic engagement and more. Over the past years our small trainings have already sparked up initiatives throughout Moldova, like urban gardens, eco-houses and youth-driven community projects. The Center will expand our capacity & impact, enabling seminars and workshops with up to 50 people. It is going to become home to the program “activEco - sustainability in action”; and it will also serve - and already does - as a venue for environmental education and civic engagement seminars and workshops for the local and international community.

Dulce Plai – www.dulceplai.md

Dulce Plai is a social enterprise in Todirești that was created to restore the bee population of Republic of Moldova to educate people about the importance of bees and to inspire young people to step on the road to social entrepreneurship.

Dulce Plai

LA ÎNCEPUT A FOST ALBINA