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EUROPEAN UNION FOR ARMENIA



EU4Youth

SOCIAL ENTREPRENEURSHIP DEVELOPMENT CONCEPT PAPER

CONTENT

I. SUMMARY	1
II. INTRODUCTION	2
III. PREFACE	3
IV. PROBLEMS AND OBJECTIVES	5
V. INTERNATIONAL EXPERIENCE	7
VI. FINANCIAL ASSESSMENT	18
VII. SUGGESTED SOLUTIONS	19
VIII. EXPECTED RESULTS	22
IX. CONCLUSIONS	23

I. SUMMARY

1. This Concept Paper (hereinafter referred to as "the Concept") describes the directions and policies of development of social entrepreneurship (hereinafter referred to as SE).

2. The Concept particularly addresses:

- 1) the current situation and problems in the field of social entrepreneurship;
- 2) the main directions to solve the problems revealed and the necessary measures;
- 3) the activities required to implement the necessary measures addressing the issues alongside the expected results.

3. Social Entrepreneurship (hereinafter referred to as SE), being a type of enterprise based on a social purpose, today is an integral part of the social economy. The understanding of the social entrepreneurship in Armenia, nevertheless, is distorted. SE activities are labeled either as charity, or as business integration of economically vulnerable workers. Accordingly, SE activities are mainly carried out by the civil society organizations. And even though, according to the adopted legislative amendments in 2016, NGOs can directly engage in entrepreneurial activities, they still should maintain a separate record of business activities subject to strict scrutiny by state authorities.

4. In the conditions of no concrete definition, lack of standards and state support for social entrepreneurship in Armenia, as a result of discussions with CSO representatives, study of the relevant international experience, a set of solutions has been identified, including the definition of SE standards, mechanisms of a more prudent state support for the SE, as well as activities to raise public awareness on the matter.

II.INTRODUCTION

5. The unprecedented growth of interest in social entrepreneurship has begun since the 1990s triggered by significant changes in political, economic and environmental conjunctures, where entrepreneurship was viewed as an instrument of social progress. The merger of entrepreneurial foundations with social component over the years has led to the conceptual development of social enterprise as a company where economic activity is pursuing social goals and is aimed at social change. This way, SE seeks to sell goods and services on one hand and, on the other, does not regard it as self-fulfilling goal, but a means to achieve targeted social goals and promoting social change. At the same time, the economic activity of a social enterprise is distinguished from classic social movements, benevolent initiatives, as well as corporate social responsibility (CSR) carried out by the company. And although there is no single definition for social enterprise, it is perceived as an organization that carries out entrepreneurial activity for the sake of solving human and community needs rather than increasing its profits. In addition, SEs often operate with the principle of non-distribution of profit, when revenue is not distributed between shareholders, but is directed to improving the environment.

6. For this reason, a set of incentives for the development of social entrepreneurship has been included in the agenda of various governments over the last decades. In Armenia, given no the definition of social entrepreneurship, lack of standards and regulatory frameworks, it is difficult to elaborate an effective targeted policy that will focus on SE development in the country. Thus, the purpose of this concept is to outline the key directions of SE development in Armenia, the implementation of which will strengthen the institutional framework of the business activities of SEs and will ensure efficiency increase. To achieve this, the present document reveals the priorities of the SE development in Armenia, outlines the existing problems identified through a number of meetings and inquiries with CSO representatives, as well as propose solutions based on the international best practices and proposals received by the CSO representatives.

III. PREFACE

7. The term "Social Entrepreneurship" penetrated into the Armenian private sector over the last few years and, in the absence of clear criteria and definitions, its perception in the society is unequivocal. Thus, there is no clear approach to what the main function of a social enterprise is: the pursuit of social goals, the employment of vulnerable groups, the distribution of profits for community development, or engagement in the innovative activities. The most prevalent perception is that a social enterprise is an organization that provides jobs for people with disabilities and/or allocates share of their profits for charitable purposes to a number of initiatives as a manifestation of corporate social responsibility. In order to understand the position of sector representatives on the above mentioned issues related to the status of social entrepreneurship in Armenia, Business Support Office funded by the European Bank for Reconstruction and Development (EBRD) conducted a survey with 37 of them. 81% of respondents agree that social enterprise describes labor integration for socially or economically disadvantaged groups, and 67% agree that SE activities should be directed to community development. At the same time, answering the questions on the SE definition 83% of the participants agreed that the SE should pursue a social objective, and 69% that it should implement innovative entrepreneurial activities. As the main source of their income 42% of respondents mentioned direct grants, 22% - donations and membership fees, 36% - income from entrepreneurial activity. While responding to the question of profit distribution, 36% of respondents indicated that 60-100% of profits was directed for the social cause, the other 28% directed 40-60% of their profits to the community development, and 19% only 0-20% of the profits. Based on the results obtained, it can be stated that the perception of the sector's representatives on social entrepreneurship is in line with international trends. However, given the fact that most of the respondents (78%) describe social component of their work mainly as labor integration for economically vulnerable groups, concludes that the SE potential is not fully fulfilled in Armenia.

8. In Armenia, there is no '*social enterprise*' as an organizational-legal form, so social entrepreneurship can operate as a cooperative, civil society organization (CSO), limited liability

company (LLC), etc. In practice, mainly CSOs conduct social entrepreneurial activities. According to the RA Ministry of Justice, as of January 1, 2016 5876 CSOs are registered in the republic, 218 of which are engaged in entrepreneurship. The latter also includes commercial units or commercial chambers of intercommunity units.

9. The development of the legislative regulation for the NGO entrepreneurial activities has passed two stages. Before 2017, Article 51 (4) of the RA Civil Code prohibited NGOs from doing business directly, even if the latter does serve the goals stated in the Charter of the organization. Under the Law on Non-Governmental Organizations, the NGO must have registered a separate commercial company or become a member of an existing one. In 2016, the RA Ministry of Justice developed and introduced a new draft law regulating entrepreneurial activities of NGOs. Article 8 (1) of the amended version of the Law on Non-Governmental Organizations states: "The organization has the right to carry out entrepreneurial activities in accordance with the objectives set forth in its Charter, to manage its property and its activities for that purpose, as well as to establish a commercial organization or to become a party to it in accordance with the law." However, Paragraphs 2 and 3 of the same Article have established that an entity should maintain separate business records, including information on its involvement in statutory reports, and use the proceeds received only for statutory purposes of the entity. On one hand, this change can be viewed as a means to ensure financial sustainability of the organization; on the other hand, it implies strict oversight of the NGOs.

IV. PROBLEMS AND OBJECTIVES

10. Taking into account the above-mentioned background on sector development and having a number of meetings with representatives of social enterprises, the following issues have been identified that hinder the development of social entrepreneurship:

1) There is no clear policy implemented in the field of social entrepreneurship:

- a. there is no single definition available for social entrepreneurship,
- b. there are no criteria according to which an entity may be classified as a social enterprise,
- c. the application of corporate social responsibility is often presented as social entrepreneurship.

2) There is a low level of awareness in the sector: there is a problem of perception and recognition of SE by the public authorities and the public. Social enterprises are often considered only as organizations providing employment opportunities for persons with disabilities.

3) Insufficient state support;

- a. lack of programs, initiatives, projects,
- b. in the framework of public procurement, there is no reference to social enterprises in different state strategies and economic programs,
- c. social programs are not effectively implemented by the state, and the social entrepreneurship system is not considered as the most effective system for addressing social issues.

4) In educational institutions and programs, social entrepreneurship is poorly addressed as an integral part of the economic system.

5) The tax system does not take into account the peculiarities, specificities of the social entrepreneurship, which would contribute to the registration of more social enterprises.

6) There is a need for clarification in terms of organizational forms, since NGOs are currently very active in the sphere of social entrepreneurship and there is a perception that it is basically a public activity.

7) The social enterprise should be distinguished from its social impact and the latter should be protected from those organizations that can use the name of social enterprise for unfair use.

There is a lack of monitoring and reporting mechanisms to ensure that the SE meets the standards.

V. INTERNATIONAL EXPERIENCE

11. All of the problems articulated can be eliminated with the application of certain tools that have long been introduced in different developed and developing countries. However, those tools need to be applied carefully, taking into consideration the socio-economic realities in Armenia for the given time period. As a starting point, it is proposed to explore the experience of countries regarding the organizational-legal framework of social entrepreneurship, as well as the relevant statistics. Legal entities with social agenda in EU countries are mainly formulated as social cooperatives or associations/foundations. Social cooperatives are organizations that are governed by members, operate under the principles of democracy and solidarity, and direct their activities to creating social value. Their main purpose is to meet the needs of the community or some vulnerable groups. Social cooperatives appeared for the first time in 1991, when the Parliament of Italy adopted a law that regulated the procedures where members of the organization manage the creation of social value for the communities. Under this law, social cooperatives can carry out care or educational activities. Business activities focused on initiatives aimed at addressing social, health, educational, cultural and environmental issues. The training activities included all the initiatives aimed at integration of economically vulnerable groups. On the other hand, the Association or Foundation is defined as an organization that has a long-term goal (cultural, economic, or social) and strives to use it for the common interests of society. Associations can be formal, have rules and membership requirements, or an informal with no well defined structure. Unlike social cooperatives, associations and foundations may also involve volunteers.

12. In 2012, the European Commission for Economic and Social Affairs tried to implement a social mapping in European countries, indicating the distribution of the above-mentioned groups and the number of jobs generated by them.

13. The following Table 1 summarizes the mapping results.

Table 1. Social mapping in the countries of the European Union		
Name of the country	Social cooperative	Association/Foundation
Austria	1860 organizations	116 556 organizations
	61 999 workplaces	170 113 workplaces
	3 015 614 members	4 670 000 volunteers
Belgium	166 organizations	18 461 organization
	13 547 workplaces	437 020 workplaces
	2 670 000 members	
Bulgaria	2016 organizations	22 315 organizations
	41 300 workplaces	80 000 workplaces
	425 000 members	1 459 000 volunteers
Cyprus	620 organizations	3516 organizations
	5067 workplaces	
	1 275 993 members	
Czechia	3085 organizations	98 693 organizations
	58 178 workplaces	96 229 workplaces
	754 697 members	
Denmark	523 organizations	12 877 organizations
	70 757 workplaces	120 657 workplaces
	1 840 803 members	
Estonia	1604 organizations	32 000 organizations
	9850 workplaces	28 000 workplaces
	410 000 members	
Finland	4384 organizations	130 000 organizations
	94 100 workplaces	84 600 workplaces
	3 865 400 members	
France	24 870 organizations	160 844 organizations
	320 822 workplaces	1 869 012 workplaces
	24 000 000 members	14 000 000 volunteers
Germany	7415 organizations	505 984 organizations
	830 258 workplaces	1 541 829 workplaces
	20 509 973 members	3 000 000 volunteers

Greece	7197 organizations	50 600 organizations
	14 983 workplaces	101 000 workplaces
	1 052 785 members	1 500 000 volunteers
Hungary	2769 organizations	58 242 organizations
	85 682 workplaces	85 852 workplaces
	547 000 members	
Ireland	509 organizations	25 000 organizations
	43 328 workplaces	54 757 workplaces
	152 000 members	1 570 408 volunteers
Italy	71 578 organizations	26 121 organizations
	1 128 381 workplaces	1 099 629 workplaces
	12 293 202 members	899 309 volunteers
Latvia	74 organizations	
	440 workplaces	
	17 330 members	
Lithuania	490 organizations	22 000 organizations
	8971 workplaces	
	221 858 members	
Luxembourg	56 organizations	664 organizations
	1933 workplaces	14 181 workplaces
	5203 members	
Malta	57 organizations	693 organizations
	250 workplaces	1427 workplaces
	5663 members	7058 volunteers
The Netherlands	677 organizations	60 000 organizations
	184 053 workplaces	699 121 workplaces
	3 249 000 members	
Poland	8823 organizations	86 100 organizations
	400 000 workplaces	190 000 workplaces
	8 000 000 members	
Portugal	2390 organizations	45 543 organizations
	51 391 workplaces	194 207 workplaces
	1 353 107 members	
Romania	1747 organizations	23 100 organizations
	34 373 workplaces	109 982 workplaces
	809 170 members	
Slovakia	382 organizations	26 210 organizations
	26 090 workplaces	16 658 workplaces
	570 845 members	118 623 volunteers

Slovenia	77 organizations	21 000 organizations
	3428 workplaces	3190 workplaces
	16 903 members	
United Kingdom	5450 organizations	870 000 organizations
	236 000 workplaces	1 347 000 workplaces
	12 800 000 members	10 600 000 volunteers
Source. Chaves and Monzon 2012: The social economy in the European Union. European Economic and Social Committee, 1–116.		

14. The largest number of associations and foundations dealing with social issues have been registered in the UK (870,000) and Germany (505,984), providing 1,347,000 and 1,431,829 workplaces, respectively. The largest number of social cooperatives operate in Italy (71 578), followed by France (24,870) and Poland (8,823). The lowest rate is in Luxembourg (56), Malta (57) and Latvia (74).

15. Thus, to illustrate more detailed practices applied to the establishment, operation and performance of the social enterprise, as well as to better understand the privileges available to them, the examples of Lithuania, Italy and Czechia are, furthermore, set to be studied.

Lithuania. In Lithuania, the Law on Social Enterprises was adopted in 2004. (Amended in 2011), where a social enterprise is defined as "any type of enterprise based on the employment of socially vulnerable people". The law separates two types of social enterprises - social enterprise for the people with disabilities and social enterprise. Both types of social enterprises must meet a number of conditions to get social enterprise status. Within the framework of the law, there are particular differentiation criteria for both types of social enterprises:

1st type - social enterprise. The following target groups are presented: 1 people with disabilities, 2 - long-term unemployed, 3 people with five years left until retirement age, 4 single parents, 5 former prisoners and restored drug addicts. According to the law, an enterprise may obtain a social enterprise status if the number of employees of the above-mentioned target groups is at least 40% of the total number of employees and not less than 4 employees.

2nd type - social enterprise for people with disabilities. An enterprise may obtain a status of social enterprise for people with disabilities if the number of employees of the targeted group

of persons with disabilities is at least 50% of the total number of employees. For persons with disabilities with severe or moderate disability or whose workability does not exceed 40%, or who have high or medium-level special needs, the 50% threshold is reduced to 40% and the number of such workers must be at least 4 . In addition, two types of social enterprise must meet the following prerequisites for obtaining a social enterprise status:

1. Company's founding documents, mission and vision must clearly define the persons attributed to target groups, the development of their working (technical) and social skills as well as their social integration as a functional purpose,

2. The Company does not carry out activities in areas that have been approved by the Government or its authorized agency, or the income from the activities in these areas does not exceed 20% of the total revenue.

At the same time, organizations that are engaged in hunting, mining, alcoholic drinks and tobacco production, and so on can not claim to have a social entrepreneurship status. Below is the list of non-supported social entrepreneurship types approved by the Lithuanian government. Within the framework of the law, there are a number of differentiation criteria for both types of social enterprises.

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Table 1. List of non-supported activities of social enterprises

The list of non-supported activities is defined as the following:

- 1) Hunting, trapping and sharing experience or related services to such activities.
- 2) Mining and quarrying.
- 3) Beverage production.
- 4) Production of tobacco products
- 5) Production of refined petroleum products and nuclear fuel.
- 6) Production and repairing ships.
- 7) Rent of construction or demolition equipment.
- 8) Selling vehicles, motorcycles and automotive fuel retail.
- 9) Wholesale trade and commission trade, except of motor vehicles and motorcycles.

10) Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods,

enterprises in Lithuania is 133, 64 of which have the status of social enterprises for people with disabilities, 69 – as social enterprises. There is no detailed research or dynamic data on income

sources for social enterprises. However, in practice, the major part of income comes from entrepreneurial activities (sales of services and goods) and public procurement. 80% of social enterprises are profitable. In Lithuania, the status of a "social enterprise" may be acquired by any legal person that meets the above-mentioned criteria, except for state and local self-governing bodies, trade unions, religious communities and associations. There is no separate

organizational or legal form specifically for social enterprises. The current social enterprises are created in the following organizational and legal forms:

- private limited liability companies / joint-stock companies,
- public limited liability companies / joint-stock companies,
- non-governmental organizations / institutions,
- Individual Enterprises/Sole Proprietors.

Most of the existing social enterprises are private limited liability companies (111), 16 have the status of non-governmental organizations (only those created by 2011), 5 companies - private companies and 1 public limited liability company.

After the amendment to the Law on Social Entities in 2011, the procedure for obtaining a social enterprise status was simplified: the term to apply for a status has been reduced to three months. All companies that have been granted social enterprise status since 2011 are in a legal form of a limited liability company/joint-stock company.

It should be noted that the Lithuanian social investment market is still at the stage of formation, as there are not many investment opportunities here (in spite of public subsidies and other similar initiatives) specifically for social enterprises. Being mainly small and medium-sized businesses, social enterprises can use a variety of financial tools for business expansion.

In addition to publicly available financial schemes, there are various investment funds or financial platforms that are particularly focused on providing support to social enterprises (the "Bureaus" program). De facto social enterprises, which do not have the de jure status of a social enterprise, actually lack financial incentives (e.g. subsidies, tax exemptions, etc.) to meet their financial needs. They are looking for external finances or invest through their own funds.

The Law on Employment Assistance and Social Enterprise regulates state support for the employment of Lithuanian vulnerable citizens. These are laws to support employers who provide employment to people with disabilities and other targeted groups. According to Article 13 of the Law on Social Entities, social enterprises are entitled to be financed through public financial

schemes, depending on their status. In general, social enterprises are eligible to receive the following support:

- State aid, partial compensation of wages, amount of state social insurance payments,
- Job Creation Subsidies, Job Opportunities for Disabled Employees, Training Subsidies,
- Subsidy adaptation of working environment for the people with disabilities;
- Compensation for additional administrative and transportation expenses, as well as compensation for the expenses of an assistant (sign language translator).

In addition to the abovementioned subsidies, legally-approved social enterprises are given other privileges (zero-rate tax, at least 5% of state-owned public procurement obtained from social enterprises). Social enterprises, as well as other public bodies, can receive certain grants within the EU current programs.

A legal entity can also pursue social goals without having the status of "social enterprise" and characterized as "de facto social enterprises". In such cases, these organizations are not eligible for any state assistance.

Italy. In Italy, social entrepreneurship is represented by officially recognized social enterprises (including social co-operatives, licensed social enterprises, mostly represented by joint ventures), or companies that perform its functions (including associations, foundations, religious and traditional cooperatives providing social services). The law allows the Italian-based organization to be recognized as a social enterprise regardless of its legal form if it complies with the following criteria:

- is a private legal entity,
- is engaged in periodic production and exchange of goods and services to create “social value“ and does not pursue profit (the organization is considered a social enterprise if it provides at least 70% of its financing with income from business activity);
- may receive a profit but can not distribute it to its members or owners (limitation of distribution). Profit should be invested in an enterprise for the purpose of implementing the principal statutory (public) purpose.

In addition, social enterprises should comply with a number of good governance principles, including transparency of processes and participatory decision-making.

In Italy, the first legal document on social entrepreneurship is the Italian Constitutional Court's 396 decision, which recognizes the Law 6972/1890 (Crisp's Law, 1988) as unconstitutional. The latter stipulated that social activities should be organized exclusively by state bodies. Later, in 1998 (381), the legal basis of the social cooperatives defined as a company that pursues a community-wide interest and provides employment for socially vulnerable individuals. In 2005-2006 the 155/2006 decree established operation of the SEs within a range of legal forms (associations, foundations, cooperatives, joint stock companies). Also, the limitation of general profit distribution was presented. In 2016, the Sustainability Act introduced the status of a beneficiary corporation as an enterprise which is not only profitable in their business but also addresses one or more common social issues, promotes the development of social entrepreneurship initiatives.

In Italy, 28% of the funding for social cooperatives is provided by the sale of goods and services, 65% through state contracts, whereas 43% of the funding of associations is mainly derived from the members' fees - followed by state contracts - 15%, and sales of goods and services.

Social enterprises are exempt from social security payments for socially vulnerable employees. Social cooperatives are exempt from profit tax and are using the reduced VAT rate.

Czech Republic. There is no legal definition of a social enterprise in the Czech legislation. Nevertheless, the Government has recently planned to legally define the concept of social enterprise to promote development of the social entrepreneurship in Czech Republic. As a starting point, Thematic Network of Social Economy (TESSEA) establishes the broader concepts of social economy and social enterprise (cited Bednarikova & Francova 2011) according to which:

- social economy is defined as a system of measures taken by the socio-economic operators with the aim of increasing local employment or economic, social, cultural and environmental development of community,

- social enterprises, financial, consulting and training institutions that support economic activity in the non-profit organizations providing jobs for socially vulnerable people,
- the social enterprise is defined as a business activity that is aimed at promoting the protection of vulnerable groups and the environment.

The social enterprise plays an important role in the development of local capacity and is often working to create jobs for people with disabilities or socially disadvantaged people. Most of the profit is used for the further development of social enterprise. Getting profit for social enterprises is equally important as an increase in public interest. In addition, TESEA promotes the principles of social enterprise activity according to N2.

Table N2

Principles of the Social Enterprise	Social benefit	Economic benefit	Environmental and local benefit
Characteristics	a) Performance of an activity benefiting society or a specific group of (disadvantaged) people. b) Employees and members participate in the enterprise's strategic decision-making. c) Any profits used preferentially to develop the social enterprise and/or to achieve publicly beneficial goals.	a) Performance of systematic economic activity. b) Independence (autonomy) from external founders in decision-making and management. c) At least a minimum proportion of total revenues and growth thereof	a) Preferential satisfaction of the local community's needs. b) Preferential use of local resources. c) Preferential satisfaction of local demand. d) Consideration for environmental aspects of both

		<p>accounted for by revenues from sales of goods and services.</p> <p>d) Ability to manage economic risks.</p> <p>e) Trend towards paid work.</p>	<p>production and consumption.</p> <p>e) Social enterprise cooperates with important local actors.</p> <p>f) Innovative approaches and solutions.</p>
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The TESEA has also developed a number of indicators that provide measurable features for determining social enterprises. They include, inter alia, the following criteria:

- 1) Social enterprises must derive 10% from own economic activity;
- 2) WISE must derive 30% of income from own economic activity;
- 3) Both social enterprise and WISE must reinvest at least 51% of profit into development of the social enterprise and /or implementation of socially beneficial aims;
- 4) Social enterprises must employ at least 10% of paid employees involved in its operations and activities;
- 5) In WISE, at least 30% of employees must be from groups disadvantaged on the labour market. In this case, employee is defined as a person with an equivalent of standard employment contract of at least 0.3.

The main means of financing of the social enterprise are generated from entrepreneurial activity and are also allocated from certain state funds. Most of the social enterprises in Czechia are social institutions of labor integration, so the existing privileges are formulated according to the country's Labor Code. Thus, according to Article 75 of the Code, the Government provides financial support to companies providing jobs to persons with disabilities. Depending on the disability level, this contribution may be equivalent to up to twelve-year average wage. According to Article 78 of the same Code, the government appropriates funds to organizations applying the principle "one employee with disabilities for each healthy employee". Funds may reach up to 75% of the total annual salary of all employees with disabilities, but can not exceed 290 Euros per employee per month.

VI. FINANCIAL ASSESSMENT

16. The financial assessment of the solutions offered by this concept will be possible upon receipt of the results from the development programs (hereinafter referred to as "Programs") projected for the implementation of those solutions. Funding for projects can be sustained through public and private investments, targeted donations, as well as other sources not prohibited by law. State support for project activities implementation may be provided within the framework of expenditure limits set by the state medium-term expenditure programs for social spheres in the given relevant budgetary years and sectors.

VII. SUGGESTED SOLUTIONS

Taking into account the international experience on social entrepreneurship development, as well as holding a series of meetings with representatives of organizations dealing with social entrepreneurship in Armenia, the following package of solutions has been identified:

1. Define enterprise to be a social enterprise if it:

1) is based on the solution of any social problem with the approach of "social problem - business model - business solution - social positive transformation" without violation of the green thinking principle and/or its sole purpose is to ensure labor integration of socially vulnerable groups or 40% of its labor, but not less than 4 people, are people with disabilities;

2) donations and grants received do not exceed 30% of the turnover;

3) at least 50% of profits are allocated to encourage the development of the organization or/and directed to ensure the social impact of in the areas enshrined by the statute:

- social impact assessment includes, but is not limited to the following areas:

- people's lifestyle - how they live, work, relax and communicate with one another;
- people's culture - beliefs, habits, values and language;
- community - stability, services and infrastructure;
- decision-making – participation of people in decision that affect their lives;

- environment - air and water quality, availability and quality of food, hazard and disaster risk level, sanitation status, physical security, access to resources and control over them;
 - health and welfare - health is presented as complex physical, mental, social and spiritual well-being and is perceived not only as a lack of disease;
- social impact information and reporting should be public;
- 4) does not operate in the areas where social entrepreneurship principles encounter conceptual contradiction;
- 5) has adopted good governance principles: transparency, openness, participatory management or inclusive decision-making.

At the same time, it is also necessary to separate social entrepreneurship from corporate social responsibility, where the latter is defined as a social impact event (s).

2. Raise the level of public awareness about the social entrepreneurship by:

- 1) working with targeted ministries, which will later assume the function of informing the public;
- 2) establishing platforms in universities, general education complexes, where trainings on social entrepreneurship will be conducted and conceptual tools will be applied;
- 3) holding round table meetings involving the targeted public and private sector representatives;
- 4) presenting successful SE stories through public television and radio;
- 5) creating platforms for social entrepreneurship in military units of the RA Armed Forces;
- 6) preparing explanatory promotional clips, panels and table games.

3. Provide state support to social enterprise integration and capacity building initiatives:

- 1) redistribute the state funds currently distributed to the socially vulnerable groups directly to the social enterprises who provide employment for the given socially vulnerable groups, so as the latter are paid for their work not for having a disability;
- 2) give preference to the representatives of the SE within the framework of public procurement;
- 3) hold an annual state award to acknowledge the achievements of social entrepreneurship at the state level;

4) ensure co-operation of local self-government bodies (LSGs) and territorial governance bodies (SMEs) with community-based SEs, as well as to propose local self-governance bodies and SMEs to support SEs in their activities.

4. Provide social entrepreneurship education in schools, primary and secondary vocational and higher education institutions.

1) integrate social entrepreneurial education into different subjects and educational programs;

2) introduce elements of social entrepreneurial education through the subject "Technology" in the 2-4 grades of the elementary school and the 5-7 grades of the secondary school 5-7;

3) the introduction of social entrepreneurship education in the subject "Technology" will assist schoolers to:

- get sectoral theoretical knowledge to assess the importance of the social impact and to understand the role of the SEs;
- become socially more responsible;
- develop initiative behavior;
- develop business plans and/or any other action plans;
- develop the ability to use earned proceedings and ensure social impact.

5. Make a number of additions and amendments to the RA legislation that will promote the development of the SE, in particular:

1) apply 0% personal tax for the persons in the 1st or 2nd disability groups, who are involved in the SE;

2) apply a lower personal income tax for the persons in the 3rd disability group, or who are unprivileged in the Labor Market (previous convicts, long-term unemployed, people left with five years until retirement age, single parents, rehabilitated drug addicts) and are involved in the SE;

3) increase the threshold of tax deductions for the expenditures targeted at solving social issues, provided that the SE will direct the respective sum to fulfilling of its statutory goals;

- 4) international and/or state grants received by commercial organizations aimed at the development of social entrepreneurship should be exempt from all taxes at all phases of the grant;
- 5) issue social impact bonds, according to which the government transfers public savings to the SEs for improved social outcomes;
- 6) establish a more flexible system of free-of-charge volunteer involvement in the SE activities.
- 6.** Define that SE can be any organization-legal entity and no organizational-legal form is enforced.
- 7.** To provide support from state bodies and international donors to the initiation and implementation of the SE incubators, accelerators and other similar projects.
- 8.** Redefine the strategy of the Small and Medium Entrepreneurship Development National Center of Armenia (SME DNC) with the emphasis on the social component of the business activities, as well as redirect SME DNC's existing funds to the creation and development of SEs.

VIII. EXPECTED RESULTS

As a result of the development of social entrepreneurship, it is expected to have an institutional basis for solving social problems in Armenia through entrepreneurial activity, involving:

- ✓ Overcoming social problems through the application of appropriate business model;
- ✓ Increasing the degree of labor integration for the socially vulnerable groups, as well as disadvantaged people in the labor market;
- ✓ More effective allocation of public funds for the integration of disadvantaged people in the labor market ensuring enactment of the sustainable development principles ;
- ✓ Expanding the capacities of SEs through increased financial and administrative support to social initiatives;
- ✓ Capacity building of schoolchildren through social entrepreneurship education;
- ✓ Providing community development through SE assistance;

- ✓ Addressing environmental issues as a result of the activation of the SE sector;
- ✓ Improved social outcomes and public-private partnerships through the issuance of social impact bonds.

IX. CONCLUSIONS

The term social entrepreneurship is not prevalent in Armenia's social context. In the absence of definition and standards for the SE, the essence of the latter is interpreted differently. The perception of the society on social entrepreneurship in Armenia is that the main function of the SE is to employ people with disabilities, or to distribute part of the profit for charitable cause. But the scope of social entrepreneurship is much wider and more comprehensive. In practice, CSOs are mainly engaged in social entrepreneurship in the country. Under the legislation regulating the activities of NGOs, the organization is competent to carry out entrepreneurial activity and to dispose its property and results for that purpose. At the same time, however, an entity should, in this case, keep a separate record of business activities and use the proceeds received only for the entity's statutory goals, which implies strict CSO oversight by the public authorities.

A number of issues, including the definition and standards of SE, lack of government support and privileges, as well as low level of public awareness about the sector, have been identified through the field research and meetings with the SE representatives. Having explored international best practices and having discussions with social entrepreneurs, this concept has identified a set of solutions that will help to overcome existing problems and develop appropriate policies for SE development. Thus, it is proposed that the social entrepreneurship should not be limited to the organizational and legal status of a company as long as the latter applies the principle of "social problem - business model - business solution - social positive transformation", which ensures labor integration for socially vulnerable groups. At the same time, the quantitative criteria for SE shall be based on the structure of its funding sources (>70%

of the funds should be sustained from its business activities) and distribution of its profits (>50% should be allocated to address community needs).

It is also recommended to provide state support to social entrepreneurship entities, including redistribution of funds for social integration to social enterprises who provide the targeted group by the workplace, as well as preference right within public procurement, income tax reduction for persons with disabilities, raising threshold of tax deductions in case the funds are allocated for charitable or social issues, etc.

In addition, it is necessary to redefine the strategy of the Small and Medium Entrepreneurship Development National Center of Armenia (SME DNC) with the social vector and direct funds to the creation and development of SEs.