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State Support of Social Entrepreneurs

The Overview

of the Best International Practices
and Local Development Perspectives

Executive Summary and Recommendations

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Introduction

The ongoing social and economic crises in the world, unemployment and social inequality, the exclusion of vulnerable groups, widespread poverty, and other systemic social problems, have clearly demonstrated the inability of traditional actors, government agencies, and commercial profit-oriented businesses to cope independently and systematically with these challenges. It was during such social crises that private sector representatives sought to find ways to cope with these challenges through an innovative prism, that is when social entrepreneurship emerged in North America and Europe in the 1970s. Although there is no single concept of social entrepreneurship, and in practice, there are social enterprises of different models, legal forms, and structures, the central distinguishing feature of social entrepreneurship from other forms of traditional entrepreneurship is the mission of such enterprises, the mission to solve social problems (unemployment, exclusion of vulnerable groups, poverty, environmental issues, etc.) through entrepreneurial approaches. In the Georgian context, social entrepreneurship has an even shorter history, since an active civic campaign for promoting and supporting social entrepreneurship has started only around 2010. Since then, the idea of social entrepreneurship has gained more traction in Georgia and around the world, its role in the daily lives of socially vulnerable groups has gradually increased and more public consolidation has emerged around this topic. However, in the local context, this topic still lacks large-scale public recognition and public support, one of the reasons for which is the lack of legislative and political recognition of the social entrepreneurship sector in Georgia.

The purpose of the document is to overview the state policies and the legal landscapes that are created for boosting the social entrepreneurship field in different countries, interpolating the recent history of social entrepreneurship in Georgia and the ramifications related to the lack of legal recognition.

The study aims to assess the experiences and legal frameworks of different countries at different stages of SE development, for identifying and defining the main tools and the policy framework, the introduction of which will contribute to the development of social entrepreneurship in Georgia.

The study does not focus on the experience of specific countries or regions and follows the systemic elements of state recognition and support of SE field that are recognized as successful examples in the academic literature, policy papers, and practice.

In particular, the first phase of the study reviews the local context of social entrepreneurship and discusses the importance of state support for social entrepreneurship in Georgia in adherence to Georgia's international commitments.

The document also studies the specific outcomes achieved through the legal recognition of social entrepreneurship and presents the importance of state recognition for advancing social entrepreneurship through practical examples. The next part of the study deals with the forms and the instruments of state recognition (legislative recognition, political recognition, institutional support, etc.), the concept of social entrepreneurship, and the administrative procedures related to the recognition, registration, and accountability of the social enterprises. The document also covers the key state support instrument, ensuring access to financial resources, and examines various state support schemes that are enacted for the sustainable development of SEs.

Alongside exploring the support schemes by the central government, the document discusses the role of local self-government in developing and strengthening SEs at the local level. The last component of the study generalizes the mechanisms for more long-term and sustainable development of the sector and studies the integration of social entrepreneurship in state education, research, and consulting.

It should be emphasized that the experiences of the countries reviewed in the study do not directly match the current legal and political reality in Georgia, consequently, these state support schemes cannot be directly transferred in Georgian legislative and political framework, without considering the specificities of the local context.

The study aims to outline potential political decisions and legal steps, that Georgia's central and local governments should undertake in the direction of systemic strengthening and construction of the SE sector in Georgia. Also, assisting interested parties in elaborating the strategy for boosting the social entrepreneurship sector, based on international experiences.

Executive Summary and Recommendations

The present study clearly illustrates that states have varying approaches to supporting and developing the field of social entrepreneurship. However, looking beyond the diverse policies, legislative frameworks, and different initiatives, a single framework formula can be outlined, a scheme that states apply to support the field of social entrepreneurship within the country and consequently addressing the social challenges in the country through this avenue. The framework of state support for social entrepreneurship consists of the following key elements: legislative recognition of the SE and the creation of a unified legislative framework (by adopting a codified legislative act specifically on social entrepreneurship or integrating regulatory principles into other laws); The political recognition of the field and creation of policy documents to establish a long-term vision for the development of social entrepreneurship; Establishing institutional platforms for direct communication with the state, coordinating the cooperation with various actors and

exchanging information; Supporting the social entrepreneurship sector by providing access to diversified financial and material resources (including access to public procurement for social enterprises, tax incentives, government grants and subsidies, preferential access to state property, etc.); Supporting the advancement of skills and capabilities of SE representatives (including by mentoring, collaboration systems, encouraging innovation through hubs, entrepreneurial incubators and other initiatives); Integrating social entrepreneurship education into all levels of education systems for the long-term and sustainable development of social entrepreneurship, encouraging the academic research into this field and promoting SE field among young people. The implementation of these framework principles is interrelated and the most effective path for boosting social entrepreneurship is to ensure systematic and holistic enactment of these schemes, however, given the limited resources of the state, at the initial stage, it is possible to enact these framework principles with some limited model and then steadily broadening the state support schemes. In parallel with the above-mentioned note, the following recommendations, based on the findings of the study, outline the key steps that the Georgian government should take to establish a state support system for the development of social entrepreneurship in Georgia. Recognizing these limitations, the recommendations listed below, based on the key findings of the study, outline the key steps that the Georgian government should take to establish a state support system for the development of social entrepreneurship in Georgia and thus strengthening the key allies for combating systemic social challenges in the country.

1. The government should develop the legislative framework regulating social entrepreneurship, which based on international standards and local context will define legislative terms, and will establish legislative pillars for recognizing, developing, and supporting social entrepreneurship in Georgia. In particular, the legislative framework should incorporate the following concepts:
 - legal definitions related to the field of social entrepreneurship (including establishing the legal definitions for social entrepreneurship, social enterprise, and social entrepreneur);
 - freedom to choose the legal form of social enterprise and the legislative requirements pertaining to acquiring the status of the social enterprise. These requirements should stem from the local context and should avoid overly bureaucratic procedures that might discourage enterprises from acquiring this status.
 - Legal rights and obligations arising from the status of the social enterprise.
 - The general principles for supporting the advancement of the SE field.
2. The Government of Georgia, in partnership with all interested parties, should develop a unified strategic vision, a development plan for recognizing, developing, and

supporting the SE sector in Georgia. Additionally, the State should allocate all necessary resources for ensuring their proper implementation in practice.

3. The Government of Georgia should ensure systemic cooperation and synergy by coordinating activities of various actors for developing the SE sector, including by leveraging already existing multi-actor coordination mechanisms and/or creating an independent institutional entity.
4. The state should provide social enterprises with necessary access to financial and other material resources for boosting the SE field in Georgia. Namely:
 - Optimizing public procurement by incorporating social procurement and taking into account the goals and characteristics of social entrepreneurship, including establishing the social impact of the procurement as one of the criteria for public procurement.
 - Eliminating the existing legislative obstacles (the Law of Georgia on State Grants) and guaranteeing that all social enterprises notwithstanding their legal forms can equally enjoy the right to receive grants.
 - Ensuring that all social enterprises regardless of their legal forms will have equal access to existing national and local support programs (e.g. subsidies, grants, co-funding, etc.) and developing new support schemes for advancing the SE sector in Georgia.
 - Providing access to infrastructure necessary for SEs' activities, by transferring the rights to temporarily use municipal and state properties with preferential conditions, considering the social mission of the SEs.
5. The Ministry of Education and Science of Georgia and LEPL Youth Agency, with the involvement of other stakeholders, should introduce social entrepreneurship education throughout different stages of education, including by integrating it in the programs and curriculums of the professional and vocational education systems.
6. The Ministry of Education and Science of Georgia and the LEPL Youth Agency should encourage social entrepreneurship and innovation among youth through special funding programs.
7. The state should support the development, cooperation, consulting, mentoring, information exchange, and capacity building of SEs by establishing and/or providing access to incubators, accelerators, hubs, etc. both at local and national levels.
8. Alongside animating the various state support mechanisms, based on thematic necessities, the state should elaborate the methodology(s) for social impact measurement in partnership with all interested parties.
9. The state should promote the services and the sales for products of the social enterprises, including by promoting the special certification mark and encouraging the sales for their products.
10. The central and local governments should promote social entrepreneurship or by organizing public events to popularize the sector and increase public awareness.