

## INGOs AND SOCIAL ECONOMY: INTERNATIONAL AND NATIONAL LEGAL REGULATION

**Alexandru BURIAN**

Doctor habilitat în drept, profesor universitar, Universitatea de Studii Europene din Moldova,  
Chișinău, Republica Moldova  
e-mail: [alexandruburian@mail.ru](mailto:alexandruburian@mail.ru)  
<https://orcid.org/0000-0001-5761-7456>

**Vladlena LISENCO**

Doctor în drept, cercetător, Universitatea de Studii Europene din Moldova,  
Chișinău, Republica Moldova  
e-mail: [vlada.lisenco@gmail.com](mailto:vlada.lisenco@gmail.com)  
<https://orcid.org/0000-0002-9846-2750>

*The article analyzes the status and activities of international non-governmental organizations, as well as phenomenon of social economy, social entrepreneurship and models of interaction and its promotion by international intergovernmental organizations. The ideology of social entrepreneurship is widespread – entrepreneurial activity that is focused on solving social problems, using innovative methods and technologies worldwide. Despite the sufficient popularity of the idea of social economy in the world, there are no clear boundaries for the term «social entrepreneurship», which is an obstacle to the institutionalization of this phenomenon in many countries. The terms «social entrepreneurship» and «social economy» were introduced by the international intergovernmental organizations as well as by the national legal regulation. An analysis of various international and regional approaches has shown that social entrepreneurship in scientific papers is considered in a narrow and broad sense. The article analyzes different international and regional models of regulating the social entrepreneurship projects activities, providing examples from America, European and post-Soviet countries. The final conclusion is that the INGOs and IIGOs are interacting. Social enterprises can play a key role in addressing pressing social and environmental challenges and supporting inclusive growth. Moreover, they can create new employment opportunities, especially for vulnerable groups of population especially in the context of the UN Sustainable Development Goals.*

**Keywords:** international non-governmental organization (INGO), international intergovernmental organization (IIGO), social entrepreneurship, social economy, social business, civil society, human rights.

## ONG-urile INTERNAȚIONALE ȘI ECONOMIA SOCIALĂ: REGLEMENTARE LEGALĂ INTERNAȚIONALĂ ȘI NAȚIONALĂ

*Prezentul articol analizează starea și activitățile organizațiilor internaționale neguvernamentale, precum și fenomenul economiei sociale, antreprenorialului social și modelele de interacțiune și promovarea acestora de către organizațiile internaționale interguvernamentale. Ideologia antreprenorialului social este larg răspândită în întreaga lume, incluzând activitatea antreprenorială axată pe rezolvarea problemelor sociale, folosind metode și tehnologii*

inovatoare. În ciuda popularității suficiente a ideii de economie socială în lume, nu există limite clare pentru termenul „antreprenoriat social”, care reprezintă un obstacol în calea instituționalizării acestui fenomen în multe țări. Termenii „antreprenoriat social” și „economie socială” au fost introduși atât de organizațiile internaționale interguvernamentale, cât și de reglementările legale naționale. O analiză a diferitelor abordări internaționale și regionale a arătat că antreprenoriatul social în lucrările științifice este analizat într-un sens restrâns și larg. Articolul analizează diverse modele internaționale și regionale de reglementare a activităților proiectelor de antreprenoriat social folosind exemple din țările din America, Europa și spațiul post-sovietic. Se ajunge la concluzia că OING-urile și OIIG interacționează activ. Întreprinderile sociale pot juca un rol cheie în abordarea provocărilor sociale și de mediu presante și în sprijinirea creșterii favorabile incluziunii. Mai mult, ele pot crea noi oportunități de angajare, în special pentru populațiile vulnerabile, în special în contextul Obiectivelor de dezvoltare durabilă ale ONU.

**Cuvinte-cheie:** organizație internațională neguvernamentală (INGO), organizație internațională interguvernamentală (OIIG), antreprenoriat social, economie socială, afacere socială, societate civilă, drepturile omului.

### LES ONG INTERNATIONALES ET L'ÉCONOMIE SOCIALE: RÉGLEMENTATION JURIDIQUE INTERNATIONALE ET NATIONALE

*Cet article analyse l'état et les activités des organisations non gouvernementales internationales, ainsi que le phénomène de l'économie sociale, de l'entrepreneuriat social et les modèles de leur interaction et de leur promotion par les organisations intergouvernementales internationales. L'idéologie de l'entrepreneuriat social est répandue dans le monde, y compris l'activité entrepreneuriale axée sur la résolution de problèmes sociaux, en utilisant des méthodes et des technologies innovantes. Malgré la popularité de l'idée d'économie sociale, il n'y a pas de frontières claires pour le terme "entrepreneuriat social", qui est un obstacle à l'institutionnalisation de ce phénomène dans de nombreux pays. Les termes "entrepreneuriat social" et "économie sociale" ont été introduits à la fois par des organisations intergouvernementales internationales et par des réglementations juridiques nationales. Une analyse de diverses approches internationales et régionales a montré que dans les travaux scientifiques, l'entrepreneuriat social est analysé dans un sens étroit et large. L'article examine divers modèles internationaux et régionaux de réglementation des activités des projets d'entrepreneuriat social, en utilisant des exemples des pays d'Amérique, d'Europe et de l'espace post-soviétique. Il est conclu que l'OINGS et l'OIIG interagissent activement. Les entreprises sociales peuvent jouer un rôle clé pour relever les défis sociaux et environnementaux urgents et soutenir une croissance inclusive. De plus, ils peuvent créer de nouvelles opportunités d'emploi, en particulier pour les populations vulnérables, en particulier dans le contexte des Objectifs de développement durable des Nations Unies.*

**Mots-clés:** organisation internationale non gouvernementale (OING), organisation internationale intergouvernementale (OIIG), entrepreneuriat social, économie sociale, affaire sociale, société civile, droits de l'homme.

### МЕЖДУНАРОДНЫЕ НПО И СОЦИАЛЬНАЯ ЭКОНОМИКА: МЕЖДУНАРОДНОЕ И НАЦИОНАЛЬНОЕ ПРАВОВОЕ РЕГУЛИРОВАНИЕ

*В данной статье анализируются состояние и деятельность международных неправительственных организаций, а также феномен социальной экономики, социального предпринимательства и модели взаимодействия и их продвижения международными межправительственными организациями. Идеология социального предпринимательства широко распространяется по всему миру, в том числе и предпринимательская деятельность, ориентированная на решение социальных проблем, с использованием инновационных методов и технологий. Несмотря на достаточную популярность идеи социальной экономики в мире, для термина «социальное предпринимательство» не существует четких границ, что является препятствием для институционализа-*

ции этого явления во многих странах. Термины «социальное предпринимательство» и «социальная экономика» были введены как международными межправительственными организациями, так и национальным правовым регулированием. Анализ различных международных и региональных подходов показал, что социальное предпринимательство в научных работах рассматривается в узком и широком смысле. В статье анализируются различные международные и региональные модели регулирования деятельности проектов социального предпринимательства на примерах из стран Америки, Европы и постсоветского пространства. Делается вывод о том, что МНПО и ММПО активно взаимодействуют. Социальные предприятия могут играть ключевую роль в решении насущных социальных и экологических проблем и поддержке инклюзивного роста. Более того, они могут создавать новые возможности трудоустройства, особенно для уязвимых групп населения, особенно в контексте Целей ООН в области устойчивого развития.

**Ключевые слова:** международная неправительственная организация (МНПО), международная межправительственная организация (ММПО), социальное предпринимательство, социальная экономика, социальный бизнес, гражданское общество, права человека.

### Introduction

In the 21st century, the role of international non-governmental organizations (hereinafter the INGOs) in solving the most important world issues is very actual, their desire to interact with international intergovernmental organizations (hereinafter the IGOs) is actively growing. The participation of the INGOs in the work of IGOs is mentioned in the statutes and international documents of organizations at the universal and regional levels (UN, Council of Europe, UNESCO, etc).

International non-governmental organizations (INGOs) are a special form of international relations. Complex international relations, characterized by a special diversity, are unimaginable today without international non-governmental organizations, which are becoming increasingly important. It can be argued that there are almost no areas in which cooperation between states is carried out, regulated by the norms of international law, and at the same time, there are no international organizations or coordinating bodies that guide such cooperation.

International non-governmental organizations are a political reality and a system-forming factor in world politics. Today, in the system of interstate and international relations, there is a strengthening of the position of new centers of power, the expan-

sion of non-traditional security problems, the strengthening of interdependence between countries and the continuous growth in the number of international non-governmental organizations. Their influence on the movement of world and regional political processes is steadily increasing, which is an indicator of the effective development of interstate relations, as well as the growth of social activity of the population, the strength of socio-political factors, etc. In addition, these organizations have an influence on the authorities, take part in solving acute issues of international security, intercountry dialogue, intercultural interaction, protection of nature, protection of human rights, etc.

The dynamic development and modification of the external environment, as well as the strengthening of protectionist policies, actualizes the issue of business social responsibility. This issue is becoming the most important topic of discussion of the global relations and economy. That is because socially responsible companies must pursue policies aimed at ensuring the well-being of society and the environment while reducing the negative impact on them.

International organizations develop conventions and recommendations aimed at the socialization of labor, the eradication of poverty and the creation of favorable working conditions. Given this, corpora-

te responsibility has become a central element of today's business agenda, «the most successful form of implementing sustainable economic development» [3].

### **Research methodology**

Many foreign researchers considered the above-mentioned issues: F. Alston, A. I. Boyle, J. Alvarez, D. Bovet, P. -M. Dupuis, J. Brownlee, D. L. Vierucci, M. D. Evans, M. Dixon, G. Klein, A.-K. Lindblom, P. Sands, A. Ost, A. Reinich, R. Higgins, M. Shaw, G. G. Shermers and others.

Some historians, lawyers and political scientists of the Republic of Moldova have also studied a number of aspects of the formation and development of civil society and activities of international organizations. These are the works of a general nature by T. Kyrnats («Constitutional Law»), A. Borodak («Fundamentals of the State and Law of the Republic of Moldova»), V. M. Ivanov («Power, Democracy and Social Contrasts»), V.I. Anikin («Civil Society and the Rule of Law»), G.K. Fedorova («Theory of State and Law»), V.V. Teosa («Role and Contribution of Trade Unions in Overcoming the Economic Crisis»), D.A. Shandru («Development of Social Partnership in the Republic of Moldova: Problems and Solutions»), A. Bantusha («Legal Status of Non-Governmental Organizations in Democratic Countries») and others. There are no special studies on the issue of influence of the INGOs on the social economy these days, discovering international and national legal regulation.

Scholars J. Robinson, J. Meir, G. Dees, C. Hockerts, C. Alter, A. Nicholls, J. Skoll, M. Yunus, B. Drayton, A. Cho, J. Austin and others have made special contributions to the development and analysis of issues related to the development of social entrepreneurship. Russian authors involved in the study of the problems of social entrepreneurship and non-profit organizations are A.A. Moskovskaya,

M.L. Batalina, B.V. Srebnik, R.B. Novruzov, E.N. Zhiltsov, V. N. Kazakov, M. Mamuta, L.I. Yakobson.

It is important to emphasize that these Russian authors, first of all, evaluated in their many works the mechanism of charity and social work in Russia, without a detailed consideration of the theory of social entrepreneurship, but on the basis of on foreign experience.

The problem of social partnership is also important, the works of such representatives of Moldavian science as A. Zavtur, G. Rusnac, S. Kirca, T. Danii, V. Mocanu, V. Mosneaga, V. Saka, D. Fear, V. Kuzhba, V. Tsurkan, V. Teosa, P. Varzari and others. These authors analyzed the main aspects of the development of social relations in the labor sphere.

A very useful source of information is also a number of domestic and foreign periodicals, which quite often publish materials on the issues of modern international relations, considered in this article. First of all, here we should name the following ones: «World Economy and International Relations», «International Affairs», «Global Governance», «International Organization», «International Negotiation», «The Economist», «Revista Moldovenească de Drept Internațional și Relații Internaționale» and some others.

Scientific methods of analysis and synthesis, systematic and concrete legal approaches were used in the article, as well as the method of comparative analysis, peer review, etc. It is necessary to note the nature of the article, namely, that it analyzes categories and concepts that are logically related to the issues of interaction between the international INGOs and IIGOs.

The empirical basis of the study was, first of all, the approaches of experts and academics to the analysis of phenomena under consideration, the materials of foreign studies that examine various aspects of the problem of regulation of models of social

economy. The author actively used the materials of foreign and domestic periodicals, scientific developments of various analytical centers.

### **The discussive part of the article**

Today, in many countries, both developed and developing, the ideology of social entrepreneurship is widespread – entrepreneurial activity that is focused on solving social problems, using innovative methods and technologies [2, p. 46].

The social entrepreneurship as a socio-economic phenomenon appeared in the 19th century, but it received general recognition only in the 1980s and 1990s of the 20th century due to the increase in the scale of activities of social entrepreneurs and the scope of tasks they solved. A large number of examples of successful social entrepreneurship led to the recognition of this type of activity as a promising direction for the development of the non-profit sector, business and social policy of the state [6, p. 78]. The award of the Nobel Peace Prize to Muhammad Yunus, a social entrepreneur and founder of the micro-finance organization Grameen Bank in 2006, made the public, politicians, and the academic community take a fresh look at social entrepreneurship.

Despite the sufficient popularity of the idea of social entrepreneurship in the world, there are no clear boundaries for the term «social entrepreneurship», which is an obstacle to the institutionalization of this phenomenon in many countries.

An analysis of various international and regional approaches has shown that social entrepreneurship in scientific papers is considered in a narrow and broad sense.

Social entrepreneurship in a narrow sense implies the use of innovative approaches by NGOs in order to make a profit and its taking for the statutory goals of the organization.

Social entrepreneurship in a broad sense is an advanced activity both in the commercial sector and

in the non-profit sector, or at their intersection, i.e. in organizations of a mixed type aimed at solving social problems.

In Europe, social entrepreneurship is defined more as a business with a social mission. Here, unlike ordinary entrepreneurship, the social aspect, or the social effect of entrepreneurial activity, comes first, and then it is financial performance. For example, in Britain, an important criterion for social enterprises is the collective form of ownership and activities in the interests of territorial communities. As we can see, commercial enterprises with a clear and strong social mission are here the subject of social entrepreneurship [7, p. 221].

In the United States, there are strong traditions of self-organization of the population, that is why most social problems are successfully solved by the NGOs that receive funding for this from the target group, the population, the state and donors [5].

The definition of social entrepreneurship is also used in many international private and public funds aimed at developing and supporting this area of socio-economic activity. Some foundations define social entrepreneurship more as innovative entrepreneurial activity for social transformation in society and communities. The difference of this approach is that the leader – the social entrepreneur – comes to the fore. The activity of many organizations is to search for social innovators around the world, provide favorable conditions for them to work, as well as their promotion and recognition. In this case, the subject of social entrepreneurship is mainly a person and his activity. The form in which the business is organized is irrelevant and may vary from an initiative group in the community to a private business or research institute.

In terms of legal regulation, social entrepreneurship in the United States and in most European countries is carried out in accordance with the laws that describe the various corporate forms in which social



enterprises can operate. The industry also has certain legislative acts relating, in particular, to tax incentives. The main direction of the laws is the creation of special organizational and legal forms and certification systems. These include low-profit limited liability companies in the US, public benefit corporations and public benefit organizations in the UK, Italian social cooperatives and «social purpose companies» in Belgium [8, p. 51].

France, Portugal and Greece have the laws supporting cooperative enterprises. In Portugal, in 1998, a law on social solidarity cooperatives was adopted, and in Greece, in 1999, a law on social cooperatives with limited liability was adopted. In 2003, Finland passed a law on social enterprises, which are recognized as market-oriented cooperatives for the employment of disabled people and the unemployed [10]. The difference of legislation of Finland was that the unemployed could create and participate in cooperatives without a reduction in unemployment benefits.

In France, the concepts of «social economy» and «solidarity economy» are popular. In the legislation, a «cooperative company of collective interest» is close to the term «social enterprises» [11, pp. 56-65]. It has to involve employees, beneficiaries (customers, users, suppliers, etc.) and «contributors» (associations, collectives, firms and volunteers) in its projects in order to produce public goods or services for the benefit of collectives, districts and various industry activities. Its specific feature is a commercial form of disinterested management, that is, the leaders of the organization do not receive a share of the profits from its activities.

South Korea provides significant structured support for social entrepreneurship: back in 2007, they passed a law on the development of social entrepreneurship. In this case, the term «social enterprise» refers to organizations that create goods and services and improve the quality of life of local residents through the provision of social services and job creation.

At the same time, a precondition for the operation of a social enterprise is that it has a special certificate of compliance.

The concept of social entrepreneurship is enshrined at the legislative level in Belgium and Italy. For example, in Italy, from 1991 to 2005, a law on social cooperatives was in force, and since then, a provision on social enterprises, covering a wider range of organizations, has been formalized in legislation.

It is worth considering the peculiarity of the terminology in Belgium. In legislation, the term «organization of social orientation» is used in a similar sense to a social enterprise. It has a broad interpretation: in fact, any trading or industrial corporation can fall under this concept, provided that its goals are not to enrich its members.

Another example of a term that has a similar meaning to social enterprise but differs in wording is in Canada. In this country, there are no laws on social enterprises, they are also not mentioned in tax laws. Instead, the concept of «company of public benefit» is used. The Community Interest Companies Act of 2012 was introduced in Nova Scotia. Here, public purpose is considered as an activity that benefits society as a whole or the part of it, which should be wider than the group of participants in the company [12]. The experience of Canada also shows that in large countries, before legislative innovations become universal for the country as a whole, they can be tested at the level of certain provinces.

In Denmark, the concept of «social enterprise» is less established than the «social economy» and «social innovation». At the same time, if the social economy is used as a synonym for the first one, then social innovations involve the combination of economic and moral values and emphasize the course towards a new type of growth. The social economy includes such types of enterprises as organizations that provide voluntary social support to people who

find themselves in a difficult life situation – crisis centers, shelters, self-help groups; organizations offering on-the-job training or vocational training to vulnerable groups are, – work-integration social enterprises [9]; projects of local development and restoration of urban areas, involving partnerships between government, commercial and non-profit organizations.

Despite the existing differences in approaches to the legal regulation of the activities of social enterprises in America, Europe and Asia, one can name their common feature – the desire to support social entrepreneurship, which is considered as a renewed direction of state social policy.

One of the main provisions of social entrepreneurship is to increase the level of social interest of beginners and experienced entrepreneurs. Due to the fact that the research on this issue began only in recent decades, there are no fundamental scientific works. Moreover, in the activities of Russian economists, businessmen, managers and government officials, there is no tendency to assess the institution of social entrepreneurship in the context of the Russian economy as a whole, which emphasizes the relevance and need for further research and analysis of the phenomenon of social entrepreneurship in Russia and the establishment of the most effective vector of its development.

In the CIS countries, social entrepreneurship is just beginning to develop. First of all, this is due to the peculiarities of the legislation of the post-Soviet countries, as well as the complexity of organizing an effective business system.

Social entrepreneurship in Ukraine is actively developing, despite the fact that this type of activity is not regulated by the law. Thus, according to analytical and statistical sources, today there are almost 1000 social entrepreneurship entities operating in Ukraine. Registration of social entrepreneurship in this country is self-declared for all organizational

and legal forms (LLC, NGO and individual entrepreneurs).

An important role in the development of social entrepreneurship in Ukraine is played by the NGOs, which provide stability for their development and the development of social entrepreneurship forms through forms of individual economic activity (rarely independently).

The growth of social entrepreneurship entities is largely due to the reaction to the socio-economic crisis in Ukraine, the emergence of the ATO Zone and migrants from the Crimean Peninsula. This contributed to social mobilization to support a new category of people, such as displaced persons, ATO veterans. This is what caused the urgent need to find alternative sources of funding and assistance in solving social problems of the most vulnerable categories of citizens. The newly created social enterprises have become a tool that can partly solve these problems. The main mechanism for the formation of new social enterprises has become the economic cohesion of the new socially vulnerable segments of the population.

In Ukraine, the following criteria for classifying an economic entity as social entrepreneurship have been established:

- 1) employment of vulnerable groups of the population (ATO veterans, IDPs, disabled persons, residents of rural areas, etc.);
- 2) part or all of the profit from work is allocated to support the statutory activities of public and charitable organizations or charitable foundations;
- 3) part or all of the profit is allocated to finance certain types of services for socially vulnerable groups of the population, support for social, cultural or sports events, projects.

Ukrainian legislation does not define a social enterprise and does not have special regulations governing the activities of such enterprises, therefore the regulation of this area is carried out on the basis of general norms for entrepreneurship. As for the soci-

al entrepreneurship working with disabled persons, Ukraine has developed a regulatory framework, according to which such enterprises receive benefits and support if they meet specific criteria.

As mentioned above, the subjects of social entrepreneurship are not limited in choosing organizational and legal forms. According to statistical analysis, the most common forms of such activity are the following: an individual person-entrepreneur (IPE) – 26%, commercial enterprise – 16%, NGO – 14%, commercial enterprise in the form of LLC – 13%, agricultural cooperative – 10%, other forms – 20%.

The choice of organizational and legal forms for carrying out social entrepreneurship is determined by two factors: 1) the optimal business model for a specific type of business; 2) the optimal system of taxation. In this regard, the most common organizational and legal form for Ukraine is an IPE. To a large extent, this mechanism for the implementation of social entrepreneurship is chosen by the NGOs. Thus, according to the study «Social Entrepreneurship in Ukraine. Economic and Legal Analysis» [4], 82% of social entrepreneurs in the form of an IPE work on the basis of agreements and memorandums of cooperation with the NGOs or are somehow connected with the activities of such organizations. The choice of this form of social entrepreneurship can significantly reduce the burden on business management and involves a simplified system of reporting and taxation.

As for the declaration of the principles of social entrepreneurship, it is voluntary and it is most often reflected in the statutory documents or is a public expression of such compliance, not being enshrined in the statutory materials.

The current practice shows that the legal norms in the sphere of social entrepreneurship are included in the legal practice of different countries in two ways: by adopting a separate law or by introducing additions and amendments to existing legislative acts.

Social entrepreneurship for Moldova is a fairly new concept, but in 2021 there was a breakthrough in the development and dissemination of this term. Some organizations and foundations have launched training and funding programs both for organizations that support and develop the common ecosystem of the social economy and social entrepreneurship, and for the social enterprises and entrepreneurs themselves.

The development of this sphere was influenced by the need of non-profit and public associations for full or partial financial independence.

In Moldova, the following organizations can conduct social entrepreneurship, as well as social economy: public association; limited liability company; cooperatives.

Only limited liability companies can obtain a separate status for a legal entity as a «social enterprise».

Today, social entrepreneurship in Moldova is primarily associated with the creation of jobs for people from vulnerable groups, as well as with inclusion and integration. Thus, three out of four having the status of a social enterprise are integrative social enterprises aimed at creating jobs and employing mainly people from socially vulnerable groups of the population.

According to the latest survey [1], there are 48 initiatives and organizations in Moldova that carry out social and entrepreneurial activities. Of these, 18 enterprises (37%) have the legal form of a limited liability company, the remaining 31 (63%) are non-profit organizations. Depending on the stage of development, existing social enterprises are divided into 50% active, 21% start-ups at the initial stage of development and 29% in a state of stagnation.

According to their location, social enterprises are mainly located in Chisinau (about 54%). The remaining 46% of them are located in the settlements of the northern and central parts of Moldova. The most common area of activity of social enterprises is agri-



culture, which explains the agricultural specifics of the country.

Among the challenges faced by social entrepreneurship in Moldova are the following:

1. Weak competitiveness of non-profit organizations compared to commercial businesses, associated with a low level of entrepreneurial competencies, the ability «to sell» or promote goods and services. All this contributes to greater indecision of the NGOs to become founders of the LLCs.

2. Lack of knowledge and understanding of what constitutes social entrepreneurship. Moreover, many are afraid of «90% of profits» that need to be reinvested, since the concepts of profit and income are confused.

3. Low marketability of products aimed at the public benefit, and, therefore, higher prime cost because of raw materials, small volume and ethically correct decisions (hiring people from vulnerable groups, investing in specialized equipment and infrastructure, as well as in «greener» production processes) all lead to higher prices for products compared to those imported from abroad.

4. Imperfection of legislation on the development of social entrepreneurship in secondary and related laws.

The fact that there are very few social enterprises in Moldova with an official status in accordance with the legislation shows the low interest in social entrepreneurship both among entrepreneurs and from the State, which does not provide mechanisms to stimulate the start of social businesses. It is worth taking note of the fact that the Draft National Program for the Development of Social Entrepreneurship for 2021-2025 was prepared in the period from October to November 2020, so there is hope that the number of active and registered social enterprises will increase significantly.

The main criteria for social entrepreneurship are the following: social mission; entrepreneurial ap-

proach; focus on innovation (innovative approach to solving a social problem, a new combination of resources, a new service for the region); reproducibility; self-sufficiency and financial stability.

In fact, social entrepreneurship is a business solution to a social problem, it is the so-called starting point of business. Social entrepreneurship is a combination of social goals and a commercial component, a balance of these elements, where money is not a goal, but a means to achieve these social goals, allowing the entrepreneur to remain sustainable and independent of constant donor investments.

The main law regulating entrepreneurial activity, including social entrepreneurship, is the Law of the Republic of Moldova on Entrepreneurship and Enterprises.

Since 2017, when an addition was made to this Law, the definition of social entrepreneurship and social enterprise is officially regulated. The Law also defines the areas in which the activities of social enterprises can be carried out.

The legal framework is supplemented by the following laws and orders:

- Law on Non-Profit Organizations, No. 86 of June 11, 2020, Article 6;
- Law on Entrepreneurship and Enterprises, No. 845-XII of January 3, 1992, Chapter VII;
- Law on Social Services, No. 123 of June 18, 2010, Article 11 (2);
- Law on Social Integration of Disabled Persons, No. 60 of March 30, 2012, Articles 32, 36;
- Law on Employment and Social Protection of Job Seekers, No. 102-XV of March 13, 2003;
- Law on Amendments and Additions to Certain Legislative Acts No. 223 of November 2, 2017;
- Government Decree on the Approval of the Regulations on the Organization and Functioning of the National Commission for Social Entrepreneurship and the List of Activities That Constitute the

Activity of Social Entrepreneurship No. 1165 of November 28, 2018;

- Order of the Minister of Economy and Infrastructure on the Establishment of the National Commission for Social Entrepreneurship No. 130 of May 23, 2019.

In accordance with Article 1 of the Law on Entrepreneurship and Enterprises, «entrepreneurial activity is an activity for the production of products, performance of work and provision of services carried out by citizens and their associations independently, on their own initiative, on their own behalf, at their own risk and under their own family responsibility in order to ensure a permanent source of income».

Regarding social entrepreneurship, a certain chapter «Social Entrepreneurship and Social Enterprise» was introduced into the above-mentioned Law in November 2017, which entered into force on June 24, 2018.

Thus, a social enterprise is the one focused on at least one of the following areas:

1. Creation of jobs and employment, primarily for low-income categories of the population.

2. Protection and promotion of the rights of disabled persons and their families for their social inclusion.

3. Promotion of employment opportunities for disadvantaged people through the provision of employment mediation services, information and professional counseling, orientation and training, advice and assistance in starting a business.

4. Implementation of measures that contribute to the implementation of the state policy of regional development, including the elimination of differences between the levels of socio-economic development within the regions, strengthening the financial, institutional and human potential for the socio-economic development of regions; support for the work of local authorities aimed at the socio-economic development of settlements and coordination of their interaction with national, sectoral and regional development strategies and programs.

5. Provision and development of social services, as well as financial stability to expand the range of these services.

6. Promotion of the environment protection activities.

7. Waste management in order to reduce them and maximize their return to economic circulation, as well as to prevent environmental pollution.

8. Promotion of activities for the protection of national heritage.

9. Implementation of tourist and sports events for recreation and socialization.

10. Implementation of activities in education, culture, health, protection and social assistance, welfare and development of society, if these activities are aimed exclusively at strengthening economic and social cohesion and increasing social inclusion.

The table 1 shows the features of each of the forms of social enterprise.

**Table 1. Forms of social enterprises**

	<b>Social enterprise</b>	<b>Integration of social enterprise</b>
<b>Goal</b>	carrying out social and entrepreneurial activities to solve social problems of interest to society	providing jobs and employing people from low-income categories of the population
<b>Founders</b>	public associations, foundations, religious cults, private institutions and/or individuals	

<b>Legal status</b>	<ul style="list-style-type: none"> <li>➤ a non-profit organization with making a note in the charter about activities that bring profit;</li> <li>➤ limited liability company, production cooperative</li> </ul>
<b>Conditions for obtaining a status</b>	<ul style="list-style-type: none"> <li>✓ providing associate persons with equal rights of vote, regardless of participation in the authorized capital;</li> <li>✓ reinvestment of at least 90% of profits to achieve the set goals;</li> <li>✓ application of the principle of social justice to employees, ensuring fair levels of remuneration, where there can be no difference exceeding the ratio of 1:5;</li> <li>✓ has no debts to the state budget of the country;</li> <li>✓ defines in the constituent act the areas in which it operates, as well as the fact that: <ul style="list-style-type: none"> <li>– does not distribute property acquired from the moment of obtaining the status of a social enterprise from social entrepreneurial activity, and more than 10% of profits between its members and founders, including in case of reorganization or liquidation;</li> <li>– in case of liquidation, transfers the property which remained after satisfaction of creditors' claims to one or more social enterprises, social integration enterprises or non-profit organizations with the status of a social enterprise or social integration enterprise;</li> </ul> </li> <li>✓ at least 30% of employees working among socially vulnerable groups of the population, so that the total working time of these employees is at least 30% of the total working time of all employees;</li> <li>✓ the creation of jobs and employment in a priority order of people from disadvantaged categories of the population are indicated as a goal in the act of registration</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• free consultations from government agencies and institutions on the creation and/or development of a business;</li> <li>• the right to participate in the procedures for concluding public procurement contracts in accordance with the public procurement law;</li> <li>• state assistance within the framework of approved state programs, in accordance with the relevant legislation</li> </ul> <ul style="list-style-type: none"> <li>• allotment of certain premises and/or land that are in the state ownership of administrative and territorial units in accordance with the provisions of Law No. 436/2006 on Local Public Governance, in order to carry out activities for which it was given the status of an integrative social enterprise;</li> <li>• support in the promotion of produced and/or supplied products, services rendered or works performed within the community, as well as in determining the places of their sale;</li> <li>• support in the promotion of tourism and related activities through the use of local historical and cultural heritage;</li> <li>• other benefits and tax exemptions provided by local public authorities in accordance with the legislation</li> </ul>

Source: Elaborated by the author.

According to the above-mentioned Resolution No. 1165 of November 28, 2018, the Regulations on the Organization and Functioning of the National Commission for Social Entrepreneurship and the List of Activities Carried Out in the Sphere of Social Entrepreneurship were approved. The Regulations includes points concerning the organization and functioning of the Commission, its nominal composition, the procedure for assigning and the deprivation of the status of a social enterprise, including the procedure for considering an application for assigning such status, as well as monitoring compliance with the status.

According to the Regulations, the Commission consists of the Chairman and 10 members:

- one representative from the Ministry of Economy and Infrastructure;
- one representative from the Ministry of Health, Labor and Social Protection;
- one representative from the Ministry of Agriculture, Regional Development and Environment, the Ministry of Finance and one representative from the Ministry of Justice at the level of the Secretary of State, appointed according to the procedure established by the relevant minister;
- one representative from the Congress of Local Authorities of Moldova, appointed according the established procedure;
- four representatives of non-profit organizations operating in the sphere of social entrepreneurship and social enterprises, selected according to the established procedure.

Non-profit organizations, limited liability companies and production cooperatives can operate in the form of a social enterprise after obtaining the status of a social enterprise or an integrative social enterprise, in accordance with Articles 361 and 363 of the Law No. 845/1992 on Entrepreneurship and Enterprises.

In order to obtain the status of a social enterprise

or an integrative social enterprise, it is necessary to submit a profile to the Commission, including documents that confirm the fact of carrying out social entrepreneurial activities. The term for assigning the status is three years with the possibility of extension if it is confirmed that the conditions underlying the assignment of the status are met (at the beginning of 2022, only four social enterprises submitted an application and received such status).

The agency authorized for the state registration of individual entrepreneurs and legal entities is the Agency of Public Services (the Department for Registration and Licensing of Legal Entities).

According to the legislation, the above-mentioned status can only be obtained by a legally registered organization with limited liability (LLC). It does not cause misunderstanding among representatives of non-profit organizations. Moreover, Article 26 of the Law No. 223 states that public associations can «carry out activities in the sphere of social entrepreneurship in accordance with the Law on Entrepreneurship and Enterprises No. 845/1992 independently or through social enterprises established in the legal form of a limited liability company or production cooperative». It means that a public organization can carry out social entrepreneurship activities, but cannot receive the official status of a social enterprise (it can only be obtained if the NGO becomes the founder of an LLC). In other words, many initiatives and associations are engaged in social entrepreneurship, call themselves social entrepreneurship, and yet are not ready to register a separate commercial organization.

### **Conclusions**

On the national legal level as necessary directions for the development of legislation regulating social entrepreneurship, the following can be distinguished:

- 1) introduce a definition of social entrepreneur-

ship, as well as new organizational and legal forms of socially oriented enterprises;

2) develop and implement specific forms of state assistance and support, as well as control of social entrepreneurship;

3) eliminate legal administrative barriers, legally ensure preferential loans, develop social cooperation between government organizations, business and the non-profit sector;

4) enshrine the legal support of guaranteed access of social enterprises to the fulfillment of social orders of various state agencies and bodies through the provision of market social services;

5) regulate the legal regime for the management of social enterprises, whose bodies can ideally be formed from representatives of various interested groups, employees, volunteers, beneficiaries, representatives of authorities and local self-government.

It should be noted that due to the growing number of social problems around the world, accompanied by the refusal of the governments of many countries to solve them, it is expected that in the near future social entrepreneurship will actively develop and grow, increasing its importance.

Social entrepreneurship, generated by both market failures and state failures, is able to find innovative ways to create social value and introduce market relations in areas where they did not actually exist before due to the existence of high positive effects. Thanks to the combination of features and characteristics of different sectors of the economy, social entrepreneurship is able to solve a number of socio-economic problems that other agents of the economy often cannot solve.

Social entrepreneurship is getting widespread around the world due to the growing economic importance it brings to national markets. Social enterprises can play a key role in addressing pressing social and environmental challenges and supporting inclusive growth. Moreover, they can create new

employment opportunities, especially for vulnerable groups of population. The UNDP highlights the role of entrepreneurship in the process of sustainable development.

Analyzing many international documents and recommendations of the UNDP and other IIGOs, their particular attention is paid to policies aimed at encouraging social entrepreneurship as an activity that plays an important role in the formation of alternative sustainable models of production, financing and consumption to solve social, economic and environmental problems, especially in the context of the 2030 Agenda for Sustainable Development. It also discusses tools for tracking progress in implementation of entrepreneurship policies and highlights the importance of indicators to measure the impact of such policies on the economic development and achievement of the sustainable development goals.

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