

Project “Engaging the Ukrainian Diaspora in
Reconstruction and Development: Democracy and Human Rights Dimensions”
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Case Study

Social Entrepreneurship: New Ways for the Sustainable Reconstruction of Ukraine

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Introduction and background information

The 2022 full-scale invasion of Ukraine by Russia has caused social problems that exceed the state's capacity to address them. In these challenging times, social entrepreneurship has gained popularity, as its primary goal is to help society. Amid economic instability and increasing challenges, social entrepreneurship has become an effective mechanism for supporting vulnerable groups and strengthening the country's overall resilience. In Ukraine, numerous programmes and initiatives support the development of social businesses, and international organizations and funds are actively investing in startups.¹ Additionally, the diaspora's involvement in supporting social entrepreneurship can be a significant driver for the sector's advancement and Ukraine's broader reconstruction.

Problem description

Social enterprises constitute an emerging and auspicious sector poised to address multifaceted challenges once formally established in Ukraine. For example, social entrepreneurs currently incur taxes without special benefits or discounts, with the tax liability determined by their chosen business registration type.² It is also not clear how social entrepreneurship can be established as a sustainable structure, as access to funding needs to be professionalized. Despite two legislative proposals by the *Verkhovna Rada* in 2013 aiming to grant legal status to social entrepreneurship, the absence of specific regulations leaves these enterprises subject to standard taxation conditions. Ukrainian social enterprises currently rely significantly on foreign investors for financial support.

Ukrainian Social Venture Fund as best practice for support of social entrepreneurship

The **Ukrainian Social Venture Fund (USVF)**³ is a venture philanthropy organization, established in 2019, that provides financial support and resources to strengthen social enterprises and foster growth within the social enterprise sector. It is a sustainable, long-term initiative aimed at providing early-stage and scaling social enterprises with access to capital. The USVF was **created** on the initiative of **four organizations**: the NGO SILAB UKRAINE, the NGO School of Conscious Entrepreneurship, ChildFund Deutschland, and WNICEF, made up in part of the Ukrainian diaspora. The **fund's fundamental and reinforcing component is impact investment**.

Impact investment assumes a pivotal role in supporting initiatives aimed at **rebuilding communities, fostering sustainable development, and leveraging the potential contributions of the diaspora**. By directing investments towards companies, organizations, and funds that prioritize measurable social

¹ <https://www.epravda.com.ua/columns/2024/05/9/713485/>

² <https://online.novaposhta.education/blog/use-pro-socialne-pidpriemnictvo>

³ <https://www.usv.fund>

and environmental impact alongside financial returns, impact investing aims not only to address immediate community needs but also to ensure long-term resilience and prosperity.

Some examples of **social enterprises** supported by the USVF are as follows:

- **Simka:** The social mission is to help people with musculoskeletal problems to realise their potential by working in remote contact centres.⁴
- **Museum in the Dark "Three After Midnight":** This social enterprise operates in the edutainment format, a term combining entertainment and educational components. Their social mission is to break down stereotypical attitudes towards blind people, provide them with jobs, and make art accessible to all.⁵
- The **Vilni:** This joint venture employs IDP artisans to produce knitwear—three types of socks. The finished products are exported to Estonia for further sale through a partner organisation.⁶

The USVF endeavors to **strategically develop Ukraine's social enterprise ecosystem**, concentrating on **four principal domains:** labor market integration, enhancement of social services, stimulation of local development in marginalized areas, and facilitation of cultural and sports initiatives. USVF is committed to meeting community needs, implementing humanitarian initiatives, and fostering the welfare of both individuals and communities.

Regarding **potential investments** and collaboration with social enterprises, Alena Kulibaba, CEO of USVF, delineates **five domains:**

- The demining and development of agricultural land;
- Support to meet people's basic needs;
- Infrastructure development and smart cities;
- Digital education; and
- Economic empowerment of vulnerable groups.

Further **challenges** have been delineated, which will play a pivotal role, especially **concerning Ukraine's reconstruction** efforts:

- Strengthening the role of women in occupations that are atypical for them;
- Reintegrating young veterans under the age of 25 into society;
- Rehabilitating people traumatized by violence and aggression;
- Rehabilitating persons with disabilities and their family members; and
- Developing infrastructure as a basis for the return of displaced persons and refugees.⁷

Specific challenges include the integration of veterans and individuals with disabilities and of five million internally displaced persons into the labor market in different regions.

Despite existing professionalization programmes in social entrepreneurship, such as Dia Business⁸ and courses on the Prometheus⁹ platform, access to finance and financial instruments remains crucial for social enterprises. Introducing new funding channels would enhance their capacity to expand in both quantity and quality.

⁴ <https://www.usv.fund/cases/сiмка-плюс/uk>

⁵ <https://www.usv.fund/cases/музей-у-темряві-«третя-після-опівночі»/uk>

⁶ <https://www.usv.fund/cases/вільні-/uk>

⁷ https://www.ukraine-wiederaufbauen.de/ukraine/austausch/workshop-soziale-innovation-fuer-den-wiederaufbau-197996?enodia=evJleHAIQIE3MTcxNjA4NzksImNvbnRlbnQiOnRydWUslmF1ZCI6ImF1dGgiLCJlb3N0Ijoic3d3LnVrcmFpbmUtd2llZGVyYXVmYmF1ZW4uZGUlLCJtb3VyY2VJUCl6IjlxNy4yNTQuODQuMjE1liwiQ29uZmlnSUQioi4ZGFkY2UxMjVmZDlmZkZkMmI5NDNiNTJlOWQyY2Q2NTA1NzU0ZTE2MjlxMmEyY2UxYmI1YWYxNWwZDRiYmZlIn0=.oOAe_4hTnrue0-VfyUM_Zlt0wnaGa9eZyAKaBVVXZi8=

⁸ <https://business.diaa.gov.ua/social-entrepreneurship>

⁹ https://prometheus.org.ua/course/course-v1:WNISEF+SE101+2017_T4

Conclusions

Overall, social entrepreneurship presents an opportunity for devising innovative solutions for social challenges. Involving the diaspora and exploring new frameworks for diaspora engagement, encompassing advocacy and direct investment, can substantially amplify impact and harness the potential of the global Ukrainian community in a targeted manner. A robust legal framework is essential and indispensable for sustainable development and for attracting foreign private investment.

This case study is the intellectual property of the Research England Policy Support Fund Project "Engaging the Ukrainian Diaspora in Reconstruction and Development: Democracy and Human Rights Dimensions" at the University of Warwick.

This case study can be used for policy development by:

1. *Quoting/referencing:* Pryhornytska, Nataliya. 2024. „**Social Entrepreneurship: New Ways for the Sustainable Reconstruction of Ukraine,**” Research England Policy Support Fund Grant "Engaging the Ukrainian Diaspora in Reconstruction and Development: Democracy and Human Rights Dimensions," University of Warwick.

And

1. If you intend to use the case study in policy development or it informs your thinking or practice please *contact the PI of the project*, Prof. M. Koinova at m.koinova@warwick.ac.uk *and the author*, Nataliya Pryhornytska, at nataliya.pryhornytska@ukr-alliance.de

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