

The Ukraine Donbass Case Study

Enabling environment for innovative
community development models

- The Project and its key results
- Emergence of the social enterprise “idea” in one of the Project’s pilot regions
- Background against which the “idea” will be implemented
- The SE “idea”: Telmanova case study
- Development of SEs in Donbass – possible models
- Key success factors

The Action Donbass Project

Financed by: UK Department for International Development

Location: Eastern Ukraine (Donetsk and Lugansk regions)

Implementation duration: 5 years (started 2002)

Aim:

- Contribute to reduction of levels of poverty
- through a stronger enabling environment for sustainable social and economic regeneration

Methodology:

Environment developed through local multi-stakeholder teams from:

- local administration
- businesses
- communities, NGOs

Key results

**Local development strategies (adopted by local councils)
+ strategic planning capabilities**

Community support structures and facilities:

- Analytical NGOs
- Credit Unions
- Small grant scheme

Business development structures and facilities:

- ‘One window’ registration offices
- Business Associations and business centers
- Small business credit line
- Enterprise education

Strong Partnerships

Emergence of the Social Enterprise “idea”

Community Preparation for strategy design

- Needs assessment of the community leaders (deputies, business managers, local administrations leaders and NGOs)
- Training
- Build up of partnerships (LAs, businesses and communities)
- Highly participative strategy design process ----- owned strategies

Strategies implementation

- Partnership strengthening --- sustainable partnerships
- Strong partnerships ---- able to look for and identify an innovative and suitable model of local community development

1 pilot region wants to try out the design and implementation of a Social Enterprise

**Background against which
the SE “idea” will be
implemented**

Are there concrete examples of social enterprises in the Project's regions? **No**

Are there examples of social enterprises in other regions of Ukraine?

Yes but all donor driven and initiated/founded exclusively by NGOs

Is the concept of SE starting to be understood in the Project regions? **Yes** (study tours and training)

Specific constraints

- No awareness of SE concept at senior government level --- no political will to introduce concept
- Some donor organizations have provided grants to NGOs to help develop such enterprises (without coordination of actions) -- financial dependency is encouraged and the development of entrepreneurial qualities (including risk taking) is ignored
- Limited (user friendly) information on social enterprises in Ukraine
- Conceptual “black hole” amongst NGO leaders – just a way to ensure financial sustainability

The SE “idea”: the Telmanovo case study

Telmanovo case study

- Raion in southern part of Donetsk Oblast - Agriculture
- 36,000 population
- 15% unemployment

- In summer 2006, partnership formed: raion council, small villages councils, NGOs, regional council, Action Donbass project
- Identification of 1 unmet community need: transport services for isolated areas and excluded communities
- Enterprise set up (by 1 business and 1 NGO)
- Business plan drawn up
- Supervisory board (councils, LA, NGO and business)

Partnership participation

- Project helped purchase the bus
- Raion council approved the principle of reduction of local tax for this type of business
- Oblast council facilitated: licensing and routes
- Raion LA provided free of charge garage and 1 year repair contract
- Business provided free of charge petrol (for first month)

Telmanovo case study (2)

SE will create 5 jobs: 1 manager, 1 accountant, 2 drivers, and 1 ticket distributor (all previously unemployed and age discriminated)

Bus operation:

- 3 days “profitable” routes (full fares or students fares)
- 3 days: social trips (for old and disabled people, school children)
- Once a month: trips to/from elderly people homes and children groups trips

Profit redistribution

Once a year, supervisory body round table --- evaluate effectiveness of enterprise ---- make a decision on how to use the profit (either reinvest in enterprise or in community). No dividend payments.

Acquisition of Social Enterprise status

- after 1 year of operation (with a 6th month monitoring point)
- results achieved and lessons learnt
- assessment of long term sustainability

Future viable models of SEs

Model 1 - Commercial enterprise established by members of a partnership in the form of an economic union

Model 2 - A commercial enterprise set up by a non commercial non-governmental organization. Profit used to fulfill the charter goals of the NGO

Model 3 – An entrepreneur sets up a commercial enterprise whose main goals are social (work integration opportunities). Charter clearly specifies which share of profits gained will be reinvested and for which social purposes. Profit redistribution monitored by community representatives

Model 4 – A communal non commercial enterprises (belonging to the communities) set up to achieve social, ecological and ethical goals

Key success factors

- Availability of trained personnel/social capital
- Enabling legal environment
- Support of authorities
- Availability of institutions (developed, trained NGOs and other business support structures to provide on-going consultancy)
- Access to financing (start up and development)
- Transparent partnership schemes

Coordinated actions of donors:

- Definition issue, information dissemination
- Loans, yes – but for what?... And also: start up capital investment and low interest rate credit facilities
- Work with NGOs – yes, but NOT ONLY