



The State of Social Entrepreneurship in Russia

SEFORIS Country Report

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About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinizing existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

The SEFORIS partnership

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

Academic partners and research institutes:

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

Social entrepreneur support and financing organisations

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

Advisors

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Executive Summary

1. Russia experiences many social challenges

According to the population survey the main societal challenges that Russia faces are:

- Inflation, rising prices for goods and services
- Unemployment
- Alcoholism, drug addiction
- Corruption and bureaucracy
- The low level of public wealth.

Apart from these there are some challenges that do not concern the majority of population and thus do not get the first positions in the survey, they concern some specific groups of socially deprived/disabled people. This includes such issues as availability of inclusive education, easy access to the buildings and organizations for the disabled, labour participation for the disabled, social integration for orphans, etc.

2. Social entrepreneurship is a tool

Social entrepreneurship could help dealing with these problems using business measures. Already during the time of the Soviet Union there were attempts to open entities similar to the European labour integration social ventures.

3. The discussion has just been started

The concept of social entrepreneurship has been introduced into the discussion in Russia only very recently and there is still no consensus on the definition of it.

4. Social entrepreneurship in Russia is in a transition period

Russia is currently going through a transition from separated social entrepreneurs who are not aware of the concept and their position in it, to a growing public interest and attention for social entrepreneurship.

5. The level of social entrepreneurial activity is low

The level of social entrepreneurial activity in Russia is among the lowest, compared to other countries, only 1,2% of the adult population undertake it.

6. Dedicated financial players are emerging

There have appeared some funds supporting social entrepreneurship in Russia. Their aim is to reveal the existing social entrepreneurs, to support starting projects and the popularization of the social entrepreneurship concept.

7. There is lack of data on social entrepreneurship in Russia

There is lack of data on social entrepreneurship in Russia. The SEFORIS survey and research will fill in many existing gaps.

1. Key facts and figures on social entrepreneurship

1.1 Definition and common understanding of social enterprise¹

- The concept of social entrepreneurship was introduced only recently into the discussion in Russia.
- Currently social entrepreneurship in Russia is going through a transition. Social entrepreneurs are becoming aware of the concept and start identifying themselves as part of this movement. Also in general, social entrepreneurship is gaining popularity.
- The notion of social entrepreneurship has attracted some attention in Russian society. However there is no common understanding of what it is, either among the general public or in legislation, and therefore there is no common definition.
- Experts believe that following the strict definition of social entrepreneurship from the literature could result in finding no social entrepreneurs in Russia at all. They suggest relaxing the criteria that are included in the definition.

1.2 Size of social enterprise

There is no reliable statistical information on social entrepreneurship in Russia, as the notion is very new for Russia and there is no consensus on the definition. However there are some estimates based on sample surveys.

• Size of the sector

The level of social entrepreneurial activity in Russia is among the lowest, compared to other countries, only 1,2% of the adult population undertake it.

• Organizational age²

Table 1: Social Entrepreneurship Prevalence Rates as a Percentage of the Working Population in 2009, by Region and Enterprise Maturity

Early stage social enterprises	0,86%
Out of which:	
Nascent social enterprises	0,39%
New social enterprises	0,46%
Established social enterprises	0,38%
Social enterprises, total	1,23%

As in other countries the share of new and early stage social enterprises in Russia is higher than the share of established social enterprises.

¹ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

² GEM Consortium 2009. "Global Entrepreneurship Monitor 2009 Global Report." Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/download/265>

- **Number of employees³**

Average number of employees is 33, however this number is probably biased due to the very small sample size of the survey.

- **Revenues**

Due to a lack of data no information on revenues is available.

- **Other information⁴**

Unlike most other countries, in Russia women are more likely to start a social venture than men.

1.3 Sectors and regions in which social entrepreneurs are active

- **Sectors**

Due to a lack of data no information on sectors is available.

- **Regional level⁵**

Surveys show that there are social entrepreneurs in various regions of Russia (i.e. Samara region, Kaluga region, Voronezh region, Permskiy kray, etc.). However there is no information yet on their distribution.

1.4 Recent developments in social entrepreneurship

- The notion of social entrepreneurship has only recently been introduced in society and is now in the process of development.
- Some funds, supporting social entrepreneurship in Russia, have appeared. Their aim is to reveal the existing social entrepreneurs, to support starting projects and the popularization of the concept.
- There is a rise in the discussion of related topics, such as inclusive education and access to buildings and organizations for the disabled.

³ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.


⁴ GEM Consortium 2009. "Global Entrepreneurship Monitor 2009 Global Report." Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/download/265>

⁵ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

2. General country context

2.1 Number of inhabitants and size of country

Table 2: Number of inhabitants and size of country

Number of inhabitants	143.666.931 (1/1/2014)	
Size of country	17.098,2 thousand square km (1/1/2012)	

2.2 Top 5 societal challenges⁶

Table 3: Top 5 societal challenges

Inflation, rising prices for goods and services
- In 2013 CPI was 5,57% and in 2012 5,73% ⁷ . Inflation levels vary slightly over the different Russian regions.
Unemployment
- In 2012 and 2013 the average unemployment level (calculated by ILO methodology) in Russia was 5,5%. The number is not high and the average unemployment period is not long, however people feel that it is the second most important societal problem in Russia. In some Russian regions the unemployment rate is rather high, the most unfavorable situation is in the North Caucasian Federal District (13% average in 2013) ⁸ .
Alcoholism, drug addiction
- Sales of alcohol beverages per capita inexplicably decreased in 2011-2013 from 93.48 to 91.7 litres; this includes beer and beer-based beverages which stayed nearly the same on the 71 litres per capita level. Sales of beverages with high alcoholic content is still very high, in 2013 sales of vodka and liquor per capita was 9.8 litres ⁹ .
- The amount of narcotic drugs, psychotropic substances and their precursors and potent substances seized during the initiation of the criminal proceedings in 2012 was 612 grams per 1000 individuals ^{10 11} . The number of people with a diagnosed drug addiction per 100 thousand decreased from 17.6 in 2010 to 13.9 in 2012 ¹² .

⁶ RPORC 2009. "STATE PROBLEMS versus PERSONAL PROBLEMS OF RUSSIANS", Press release №1135.

⁷ UISIS. Basic consumer price index for goods and services. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=33568>

⁸ UISIS. The rate of employment. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=43062>

⁹ UISIS. Sales of alcoholic beverages per capita (in real terms). Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=31432>

¹⁰ FDCS, 2012. Key performance indicators in the Russian Federal Drug Control Service 2012. Federal Drug Control Service of the Russian Federation. Accessed 30 April, 2014.

<http://www.fskn.gov.ru/opendata/7709428381-FSKN.3.1.result2012.shtml>

¹¹ FSSS Database. Federal State Statistic Service. Accessed 30 April, 2014. <http://cbssd.gks.ru/#>

¹² UISIS. First ever diagnosis of addiction per 100 thousand population (people, 1 January). Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://www.fedstat.ru/indicator/data.do?id=41701>

Corruption and Bureaucracy

- The results of survey conducted in 2013 show that corruption level and bureaucracy impact are rather high¹³. In fact, 85% of respondents believe that bureaucracy impact has not decreased in the last 10-12 years. And 84% of respondents think that the corruption level has remained the same or has become even higher.

Public wealth

- GDP per capita in Russia in 2011 was \$21.091¹⁴.
- In 2012 Russia ranked 55th (out of 186) in the Human Development Index by the United Nations¹⁵ - so Russia remained in the group of countries with High Human Development, but did not rank high enough to be included in the Very High Human Development group.
- The purchasing power of the average per capita income in 2010-2012 increased or remained stable for all products¹⁶. For example, petrol purchasing power of average per capita income was 860.2 litres in 2010, 825.7 litres in 2011, 841.8 litres in 2012. However, these figures vary over the regions. For example, in 2010 the petrol purchasing power in Far Eastern Federal District was 999.2 liters, and 671.3 liters in Siberian Federal District.
- The share of the population with incomes below the subsistence minimum in Russia was 12.5% in 2010, 12.7% in 2011 and decreased to 10.9% in 2012¹⁷. Gini coefficient was 16.4 in 2012¹⁸.

¹³ Levada-center 2013. "Level of corruption and bureaucracy impact on the country is not reduced". Press-release 05.03.2013. Yuri Levada Analytical Center. Accessed 30 April, 2014. <http://www.levada.ru/05-03-2013/uroven-korrupsii-i-vliyanie-byurokratii-na-zhizn-strany-ne-umenshayutsya>

¹⁴ UISIS. Russia's GDP per capita in purchasing power parity. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=40579>

¹⁵ UNDP 2013. "Human Development Report 2013". United Nations Development Programme. Accessed 30 April, 2014. http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf

¹⁶ UISIS. The purchasing power of average per capita income. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=31326>

¹⁷ UISIS. Population with incomes below the subsistence minimum, as a percentage of total population. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://www.fedstat.ru/indicator/data.do?id=33460>

¹⁸ UISIS. Funds coefficient (the ratio of cash income 10% more and 10% of the population). Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://www.fedstat.ru/indicator/data.do?id=31170>

2.3 Overview of (social) policy, entrepreneurial and civil society landscape

Table 4: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape ¹⁹ .	Civil Society Landscape
<p>SOCIAL EXPENDITURES ²⁰. 20,0% of GDP (2013)</p> <p>POLITICAL STABILITY AND ABSENCE OF VIOLENCE Percentile rank 20.85 (0=lowest; 100=highest) (2012) ²¹</p> <p>RULE OF LAW Percentile rank 23.7 (0=lowest; 100=highest) (2012) ²²</p>	<p>HIGH Global Entrepreneurship Monitor (GEM) SCORE</p> <ul style="list-style-type: none"> - Entrepreneurship as a good career choice - Necessity-driven (% of TEA) - Market Dynamics: the level of change in markets from year to year - MALE TEA Necessity (% of TEA males) <p>LOW GEM SCORE</p> <ul style="list-style-type: none"> - International orientation - Entrepreneurial intentions - Government Entrepreneurship Programs - Perceived opportunities 	No information available.

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Russia are compared with the mean scores of the *efficiency-driven* countries comparison group.

¹⁹ GEM Consortium 2013. "Global Entrepreneurship Monitor 2013 Global Report." Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/download/3106>

²⁰ Ministry of Finance Statistics. The structure of the federal budget. Ministry of Finance of the Russian Federation. Accessed April 30, 2014. <http://info.minfin.ru/fbrash.php>

²¹ WGI 2012. Worldwide Governance Indicators. World Bank. Accessed April 30, 2014. <http://info.worldbank.org/governance/wgi/index.aspx#reports>

²² WGI 2012. Worldwide Governance Indicators. World Bank. Accessed April 30, 2014. <http://info.worldbank.org/governance/wgi/index.aspx#reports>

3. Social enterprises in (an institutional) context

3.1 Institutional and stakeholder landscape of social enterprises

- **Authorities**

- Municipal authorities
- Regional authorities
- State authorities

Analysis of social enterprise experiences in Russia shows that social enterprises are bound to come in contact with state authorities, because traditionally in Russia social services were supplied by the state. State authorities are still the most natural channel through which social services are supplied to the population²³.

- **Organizations**

- Partners
- Funds/donors
- Other social entrepreneurs and potential future social entrepreneurs

At the moment people who have social entrepreneurial tendencies, do not have any examples to follow. No networks exist through which experienced social entrepreneurs could help those who are planning or trying to start a project. But several funds supporting social entrepreneurship have appeared.

- **People**

- Consumers
- Socially deprived/disabled persons

Social entrepreneurs help people with special needs to, for example, get jobs or to get access to goods and services at a lower price.

- **Volunteers**

Social entrepreneurs often use volunteers, giving them responsibilities according to their education and professional skills²⁴.

- **Local community**

Social entrepreneurs help in building an inclusive society, which is beneficial to the whole local community.

²³ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

²⁴ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

- **Researchers**

Some initial investigations in social entrepreneurship have been done, but more and more researchers are paying attention to this field.

3.2 Key context dimensions for social entrepreneurs

- **Social capital**

Social entrepreneurs transform social capital into economic capital. Social capital does not necessarily include people with a high social status but could, for example, include people willing to work as volunteers²⁵.

- **Value networks**

Elements of value networks are connected by common attitudes to the societal values of organizations and these organization's weights in society, thus the value network is influencing and forming the organizations and the organizations are influencing and forming the value network²⁶.

- **Legislation concerning small business/entrepreneurs in general and business climate**

Administrative barriers for small businesses are rather high in Russia. There is significant variance among different regions regarding the main problems affecting the business climate, but there are five issues which recur in the majority of regions. These are; high tax rates, inadequately educated workforce, difficulties accessing finance, high levels of corruption, and political instability. However there is a progress in addressing the high administrative burden (regulations, taxation, court administration etc) imposed on firms.²⁷

- **Legislation, concerning social entrepreneurs specifically**

Legislation concerning social entrepreneurs specifically does not exist in Russia at the moment.

- **Governmental social programs**

It is often unclear for social entrepreneurs to which department they should go for support, which leads to difficulties with obtaining help.

²⁵ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

²⁶ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

²⁷ World Bank. 2013. Policy Note. Russian Federation: National and Regional Trends in Regulatory Burden and Corruption. Accessed April 30, 2014. <http://www.worldbank.org/content/dam/Worldbank/document/eca/Russia-Regional-BEEPS-2013.pdf>

3.3 Linkage between social entrepreneurs and inclusive society²⁸

“I am forming the society for our children to live”

- Social entrepreneur providing therapeutic horse riding services for free to disabled children

- Some social entrepreneurs in Russia aim at helping specific groups of people with special needs. The help could be in providing them goods and services at lower or even no price, in finding a person or an institution to pay for the goods and services provided to the target group, in offering jobs together with people without disabilities, or many other forms.
- Already during the time of the Soviet Union there were factories, owned by social organizations, for the disabled that were similar to the European labor integration social ventures.

²⁸ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

4. Organization of social enterprises in market and society

4.1 Legal form of social enterprises²⁹

- The social enterprises choose a legal form according to the social aim of the enterprise and the available resources.
- There are representatives of non-for-profit organizations, small businesses and even parts of state enterprises among social enterprises in Russia, however the shares of these types are not known.

4.2 Operational model of social enterprises

Table 5: Social Entrepreneurship Spectrum, 2009³⁰

Traditional NGO	0,15%
Non-For-Profit SE	0,18%
Economically oriented hybrid SE	0,77%
Socially oriented hybrid SE	0,05%
For-Profit SE	0,05%

4.3 Important values for social entrepreneurs

- Previous professional experience seems to be very important for social entrepreneurs as they should know more about the target group and about the product they are going to produce or sell. The required knowledge seems to be deeper than for 'regular' entrepreneurs.
- Social entrepreneurships in Russia are actively using volunteers, so the culture within these organizations seems to fit well with them.
- Social entrepreneurs are likely to get less money than profit-oriented entrepreneurs.

²⁹ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

³⁰ GEM Consortium 2009. "Global Entrepreneurship Monitor 2009 Global Report." Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/download/265>

5. Financing of social enterprises

5.1 Sources of revenue and funding for social enterprises³¹

- Sources of financing:
 - State and regional grants
 - Grants from private funds
 - Micro-financing
 - Contests for social projects
 - Economic activities (using economic activity to be able to use the revenues in other, more socially oriented activities)
- The majority of the social entrepreneurs said that they prefer fundraising to the entrepreneurial economic activities.
- Regional authorities sometimes provide a one-period grant but they do not supply systematic support.
- There is a need for credit system development.

5.2 Financial Crisis

There is no information on how social entrepreneurs are affected by the financial and economic crisis compared to the regular enterprises.

5.3 (New, dedicated) players

- Fund “Our future” opened a contest “Social Entrepreneur”, giving financial support to the winners.
- Bank “Uralsib” started a supporting program for social entrepreneurs together with the Fund “Our Future” and “Opora Rossii” (the Russian social organization for small and medium enterprises).
- The Russian Union of Industrialists and Entrepreneurs also started a supporting program for social entrepreneurs; it established a prize for organizations stimulating the development of social entrepreneurship in Russia.

³¹ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

6. Innovations of social enterprises

6.1 Innovation drivers and barriers

Our knowledge is still on the level of case studies, comprehensive statistics are not available yet. Only one social entrepreneur during the survey mentioned that their organization offers something new³², but this subject needs to be studied in the future.

6.2 Typology of innovations

No information yet.

6.3 Innovation process

No information yet.

³² GEM 2009. GEM 2009 APS global individual-level data. Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/3130/gem-2009-aps-global-individual-level-data>

7. Impact of social enterprises

7.1 Impact measurement: does this take place?

None of the social entrepreneurs surveyed mentioned that they were measuring their impact along economic value, societal value or environmental value. But a couple of them indicated they were going to do it in the future³³.

7.2 Impact results and dimensions

No information yet.

7.3 Trends and developments related to social impact

No information yet.

³³ GEM 2009. GEM 2009 APS global individual-level data. Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/3130/gem-2009-aps-global-individual-level-data>

8. Overview of studies

- Moskovskaja, A. (Ed), Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow, 2011
- Terjesen, S., Lepoutre, J., Justo, R., Bosma, N. Global Entrepreneurship Monitor, 2009 Report on Social Entrepreneurship
- Verkhovskaia, O., Dorokhina, M. with participation by Shirokova, G., Tsyganova, T., Aray, Iu. Global Entrepreneurship Monitor, Report Russia 2009.



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