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Mechanisms of State Regulation of Innovative Development of Social Entrepreneurship in the Context of European Integration: The Experience of Sweden

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The article examines the mechanisms of state regulation of the innovative development of social entrepreneurship in the context of European integration, using Sweden as a case study. The relevance of the research is determined by the need to strengthen the capacity of social enterprises to respond to complex socio-economic challenges, including social exclusion, unemployment, regional disparities, limited access of vulnerable groups to labour markets, and the need for sustainable post-war recovery in Ukraine. The study argues that the Swedish model of public support for social entrepreneurship is not based on a single comprehensive framework law on the social economy. Instead, it functions through a multi-level combination of strategic policy instruments, legal visibility mechanisms, innovation funding, public procurement tools, regional development measures, cooperation between state agencies and municipalities, and targeted support for work integration social enterprises. Particular attention is paid to the 2018 Swedish strategy for social enterprises and social innovation, the special register of idea-based organisations introduced under Act 2022:900, the role of the Swedish Agency for Economic and Regional Growth, the Swedish Innovation Agency Vinnova, the National Agency for Public Procurement, the Public Employment Service, municipalities, regions, civil society organisations and social innovation platforms. The article also analyses Sweden's innovation environment, which is characterised by a high level of research and development expenditure, developed institutional cooperation and a strong role of civil society in welfare provision. It is shown that the Swedish experience is especially relevant for Ukraine because it demonstrates how social entrepreneurship can be integrated into broader public policies without isolating it from innovation, employment, regional development, public services and European social economy priorities. The article proposes directions for adapting the Swedish model to Ukrainian conditions, including institutional recognition of social entrepreneurship, a transparent registry, targeted access to public support instruments, development of social procurement, stimulation of innovation ecosystems, and introduction of social impact measurement. The study concludes that the Swedish experience may serve as a practical reference point for Ukraine in the process of European integration, provided that its instruments are adapted to national legal, financial and administrative realities.



KEYWORDS

social entrepreneurship, state regulation, innovative development, social economy, European integration, social innovation, public policy.



Механізми державного регулювання інноваційного розвитку соціального підприємництва в умовах європейської інтеграції: досвід Швеції

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У цій статті досліджено механізми державного регулювання інноваційного розвитку соціального підприємництва в умовах європейської інтеграції на прикладі Швеції. Обґрунтовано, що шведська модель підтримки соціального підприємництва формується не через єдиний спеціальний закон про соціальну економіку, а через поєднання стратегічних, інституційних, фінансових, закупівельних, інноваційних та муніципальних інструментів. Визначено, що особливе значення мають стратегія розвитку соціальних підприємств 2018 року, реєстр ідейно орієнтованих організацій, підтримка з боку державних структур Vinnova, Tillväxtverket, органів публічних закупівель, муніципалітетів і регіональних структур. Доведено, що для України в умовах євроінтеграції досвід Швеції є важливим з погляду формування правової видимості соціальних підприємств, розширення доступу до фінансування, розвитку інновацій, запровадження вимірювання соціального впливу та інтеграції соціального підприємництва у політики зайнятості, відновлення, згуртованості громад і сталого розвитку. Запропоновано напрями адаптації шведського досвіду до українських умов з урахуванням потреб післявоєнного відновлення, європейських стандартів соціальної економіки та необхідності посилення інституційної спроможності державної політики.



КЛЮЧОВІ СЛОВА

соціальне підприємництво, державне регулювання, інноваційний розвиток, соціальна економіка, європейська інтеграція, соціальні інновації, публічна політика.

1. Introduction

Social entrepreneurship in modern conditions is gaining importance as a form of combining economic activity with a social mission and as a tool for innovative renewal of public policy. Its development is associated with the need for more flexible mechanisms for responding to social inequality, unemployment, integration of vulnerable groups, regional disparities and the consequences of crisis phenomena. For Ukraine, this issue is of particular relevance due to the tasks of post-war reconstruction, strengthening social cohesion and approximation to European standards of governance. Previous studies have emphasized that social entrepreneurship in Ukraine has significant potential, but its development is constrained by insufficient regulatory certainty, limited access to financial resources, underdeveloped support infrastructure and fragmentation of state policy [1; 2]. European integration is changing the approach to state regulation of social entrepreneurship, since the social economy in EU policy is considered as a component of a fair, sustainable and inclusive economic model. In the Action Plan for the Social Economy, the European Commission identified three key areas of support, namely creating an enabling framework, opening up opportunities for capacity development and increasing the visibility of the social economy [3]. The EU Council Recommendation of 27 November 2023 on the development of a framework for the social economy established the need to integrate the social economy into employment, social services, education, public procurement, financing, innovation and local development policies [4]. For Ukraine, this means that support for social entrepreneurship should not be seen as a narrow sectoral focus, but as part of a broader European-style policy focused on public benefit, innovation and measurable social impact. In this context, the experience of Sweden is particularly instructive, as this country combines a developed welfare state model, a high level of innovation activity, a significant role of civil society and a decentralized system of public administration. At the same time, the Swedish model does not rely solely on a separate comprehensive law on the social economy, which makes it valuable for analyzing regulatory mechanisms that operate through the network interaction of institutions, programs, registers, procurement, grants, and municipal initiatives [6; 7]. That is why the study of the Swedish experience makes it possible to determine which tools can be adapted in Ukraine without mechanically copying the institutional model, but taking into account the European principles of supporting social innovations.

2. Literature Review

Scientific approaches to the study of social entrepreneurship in Ukraine are gradually shifting from the description of individual practices to the analysis of state policy, legal environment, innovation component and support mechanisms. In previous works, the author of the study considers social entrepreneurship as an innovative tool for solving social problems and as a direction that requires systematic state support. In addition, she emphasizes that the innovative development of social entrepreneurship involves the introduction of new technologies and business models, as well as the formation of new forms of partnership, financing, management and interaction [1; 2]. This approach is productive for studying the experience of Sweden, where social enterprises operate at the intersection of the public, private and public sectors.

International documents of the OECD and the European Commission form a methodological basis for the analysis of the social economy as a space in which organizations combine a social goal, reinvestment of part of the results of their activities and the participation of stakeholders in management. The OECD Recommendation on the Social and Solidarity Economy and Social Innovation focuses on creating an enabling institutional and legal environment, access to finance, opening up markets, developing skills, measuring impact and producing quality data [5]. This approach is important for studying the Swedish experience, as its model demonstrates not one dominant regulatory instrument, but a set of interrelated mechanisms covering legal visibility, innovation support, procurement, regional policy and partnership with civil society. European analytical materials on Sweden emphasize that the country's social economy has a long tradition associated with popular movements, cooperatives, charitable initiatives and public organizations [6]. The OECD provides data on 264,457 social economy entities, including 5,061 social enterprises, as well as 196,839 people employed in the relevant sector [7]. According to Statistics Sweden (SCB), in 2023, the total volume of civil society activities in Sweden amounted to 318 billion Swedish kronor, of which 44 billion Swedish kronor were provided by public sector payments, and the added value reached 182 billion Swedish

kronor, which corresponded to 3.3% of GDP [12]. Such indicators demonstrate that the social economy in Sweden is not a peripheral phenomenon, but a significant participant in economic and social development. A separate block of research concerns the role of social enterprises in the field of employment. The OECD, in a special report on the participation of the social economy in the provision of public employment services in Sweden, indicates that social organizations can be important partners in working with individuals who face the greatest difficulties in employment, but face barriers related to contracting rules, financial requirements, payment for results and insufficient understanding of social added value [15]. This is of immediate importance for Ukraine, as post-war reconstruction will require tools for the employment of veterans, internally displaced persons, persons with disabilities, youth, and other groups in need of activation and social integration.

3. Problem Statement

The purpose of the article is to substantiate the mechanisms of state regulation of the innovative development of social entrepreneurship in the context of European integration based on the analysis of the experience of Sweden and the identification of directions for its adaptation for Ukraine.

4. Methods and Materials

The methodological basis of the study is a detailed analysis of documents and secondary statistical data aimed at identifying mechanisms of state regulation of the innovative development of social entrepreneurship in Sweden and assessing the possibilities of their adaptation for Ukraine. The empirical basis was formed by official strategic and regulatory documents (in particular, the Swedish Strategy for the Development of Social Enterprises and Social Innovations 2018 and Act 2022:900), analytical and statistical materials of the OECD, the European Commission, Eurostat, Statistics Sweden (SCB), as well as information resources of specialized state agencies of Sweden (Vinnova, Tillväxtverket, Kammarkollegiet, National Agency for Public Procurement, Swedish Institute).

The work applied a set of interrelated methods. The method of document analysis was used to identify institutional, legal, financial, procurement and innovative instruments to support social entrepreneurship. The institutional approach made it possible to consider the interaction of public authorities, agencies, municipalities and civil society as a holistic regulatory system. The comparative method was used to compare the Swedish experience with the needs and conditions of Ukraine, and the systematization method was used to organize the regulatory mechanisms by functional areas. The method of generalization and scientific abstraction was used to formulate conclusions and determine the areas of adaptation. The study is descriptive-analytical in nature and is based on the principles of systematicity, objectivity and consideration of the European context of social economy; quantitative data are presented in the form presented by primary sources, without additional statistical recalculation.

5. Results and Discussion

The Swedish model of state regulation of social entrepreneurship is based on a combination of a high role of the state in ensuring public welfare and significant autonomy of civil society. Unlike countries that have created special legal forms of social enterprise, Sweden does not have a separate comprehensive law on the social economy. Social enterprises can operate in various organizational and legal forms, in particular as non-profit associations, economic associations, foundations or companies, if their activities are aimed at public benefit and combine economic activity with a social goal [6; 16]. Such a model demonstrates that state regulation can be effective even without a unified legal form, if there are mechanisms for recognition, funding, cross-sectoral cooperation and access to public markets. The first key mechanism is strategic regulation. In 2018, the Swedish government launched a strategy for social enterprises, a sustainable society through social entrepreneurship and social innovation. The OECD notes that the strategy included measures to access funding, increase visibility, cross-sectoral cooperation and support for social enterprises of labor integration [7]. It is important that the strategy did not limit social enterprises to one legal form, but also defines them through a social mission, entrepreneurial nature of activity and orientation towards social innovation. For Ukraine, this approach is methodologically important, as it allows to avoid excessive formalization and at the same time create criteria for identifying social enterprises necessary for access to state support. The next mechanism is

legal visibility through the registration of ideologically oriented organizations. Since 2023, Sweden has had a special register of organizations working in the field of publicly funded welfare and having an ideological, socially beneficial orientation. This register is maintained in Sweden by the state agency Kammarkollegiet, which notes that the purpose of the register is to make such organizations visible in the welfare sector and distinguish them from other market participants, in particular in procurement or supplier selection systems [8]. The OECD emphasizes that this register is linked to Act 2022:900 and is aimed at increasing the visibility of non-profit social enterprises in public procurement and welfare contracts. This is relevant for Ukraine, since the lack of an official status for social entrepreneurship complicates targeted funding, participation in government programs and statistical accounting. The third mechanism is institutional coordination. Sweden has not created a single ministry for the social economy, instead, support policies are distributed between the Ministry of Climate and Entrepreneurship, the Ministry of Labor, the Ministry of Finance, the Swedish Agency for Economic and Regional Growth, the Swedish Innovation Agency Vinnova, the Public Employment Service, the Swedish Agency for Youth and Civil Society, Kammarkollegiet, regions and municipalities [7]. Such a system may seem complicated, but its advantage is the integration of social entrepreneurship into various policies, rather than its isolation in a separate narrow sector. From the perspective of Ukraine's European integration, this means the need for an interdepartmental coordination model, where social entrepreneurship issues should be linked to policies for small and medium-sized businesses, employment, social services, regional development, innovation, digitalization, and community renewal.

The fourth mechanism is financial support for social innovation. The Swedish Innovation Agency Vinnova finances research and innovation projects that would not be possible without state support, and also supports pilot studies, small and medium-sized enterprises, joint projects of organizations and evaluation of the results of funded initiatives [9]. The OECD notes that Vinnova and Tillväxtverket (a state agency in Sweden responsible for implementing economic and regional development policies, as well as supporting social entrepreneurship and civil society) are leading institutions in providing direct support to social economy actors, and also administer separate instruments related to innovation, structural funds and regional development [7]. This model demonstrates that the innovative development of social entrepreneurship requires grants for social services, as well as access to innovation policy tools, experimentation, piloting, evaluation of effects and scaling up of successful solutions. Another mechanism is to include social entrepreneurship in the public procurement system. The Swedish National Agency for Public Procurement has the task of promoting legal, efficient and sustainable public procurement for the benefit of citizens, as well as providing support to municipalities and regions regarding EU state aid rules [11]. In the Swedish context, procurement is seen as an administrative procedure and at the same time as a tool for achieving social value. At the same time, the participation of social enterprises in procurement requires special support, since competition with large commercial suppliers, financial capacity requirements and complex procedures can create barriers for organizations with a social mission [15]. For Ukraine, this means the feasibility of developing socially responsible procurement, reserving separate procedures for labor integration enterprises and taking into account the social effect in the evaluation criteria. The sixth mechanism is support for social enterprises for labor integration. In Sweden, such enterprises are of particular importance for people who are outside the labor market for a long time or face complex barriers to employment. The OECD highlights that the social economy can play an important role in the provision of employment services, especially for groups that are not effectively reached by standard market or administrative instruments [15]. However, the Swedish experience also demonstrates the risks associated with excessive market orientation in social services, where a payment-for-performance system or high contractual requirements can crowd out small social organizations. Therefore, state regulation should combine competition with corrective mechanisms that take into account the social mission and the complexity of working with vulnerable groups.

The seventh mechanism is regional and municipal support. Sweden is a unitary state with a decentralized system of public administration, in which 21 regions and 290 municipalities have significant autonomy in the areas of health, education, local development and social services [7]. It is municipalities that often act as service customers, partners of civil society organizations and local moderators of social innovations. For Ukraine, where communities play a key role in the recovery, the Swedish approach is important as an example of how social entrepreneurship should be supported at the central level and through local programs, partnerships, consulting platforms, incubators and procurement, tied to specific community needs. The eighth mechanism is the development of the innovation environment in general. Sweden has one of the highest levels of spending on research and

development in the EU. According to Eurostat, in 2024, the highest R&D intensity among EU countries was recorded in Sweden and amounted to 3.57% of GDP [13]. According to SCB, domestic R&D spending in Sweden in 2024 amounted to 227.5 billion Swedish kronor, and R&D intensity was 3.57% of GDP [14]. This is important for social entrepreneurship, since social innovations develop more effectively in an environment where there are stable knowledge institutions, research funding, cooperation between universities, business, the state and civil society. For Ukraine, adapting this experience means the need to include social enterprises in innovation ecosystems, smart specialization programs, cluster initiatives, university incubators and digital platforms. And the last, but no less important, mechanism is the development of partnerships between Sweden and Ukraine. The Swedish Institute, within the framework of the Ukraine Cooperation Programme, supports joint projects of Swedish organizations and Ukrainian partners aimed at the restoration of Ukraine, reforms and European integration, with an emphasis on innovation ecosystems, transparency and gender equality [17]. For the topic of social entrepreneurship, this opens up opportunities for borrowing experience and direct cooperation. Joint experimental programs, training, exchange of practices, partnership platforms and testing of innovative models in communities become real tools for such interaction. In the context of European integration, these programs can become a bridge between Ukrainian social enterprises and the European space of the social economy. It is important to emphasize that the Swedish model is not without problems. The lack of a single legal form of a social enterprise creates flexibility, but at the same time complicates statistical measurement, identification of the sector and the formation of targeted support [6; 7]. The register of ideologically oriented organizations partially solves the problem of visibility, but primarily covers organizations related to the publicly funded welfare sector [8]. In the area of procurement, social enterprises can gain access to public markets, but complex procedures and competition with large suppliers require additional consulting and financial support [11; 15]. That is why what is valuable for Ukraine is not an idealized image of the Swedish model, but an understanding of its balance between flexibility, legal visibility, institutional coordination and practical support tools.

Comparative analysis shows that the most adaptive for Ukraine are such Swedish elements as the strategy for the development of social entrepreneurship and social innovations, the register of organizations with a social mission, the integration of social enterprises into innovative financing programs, the development of socially responsible procurement, advisory support at the community and regional levels, as well as systematic measurement of social impact. At the same time, their implementation requires taking into account Ukrainian conditions, in particular the consequences of the war, limited budget resources, heterogeneous capacity of communities, the need for transparent support criteria and the need for harmonization with EU law [1; 3; 4].

The analysis of the above mechanisms shows that state regulation of the innovative development of social entrepreneurship in Sweden is complex. Its effectiveness is determined not by the number of separate programs, but by the interaction of strategic documents, legal instruments, financial channels, procurement procedures, municipal autonomy and the general innovation environment. For Ukraine, the most important thing is the transition from fragmented initiatives to a systemic policy in which social entrepreneurship is recognized as a tool for social assistance, economic development, innovation, employment, local sustainability, and European integration [3; 4; 5].

6. Conclusions

The experience of Sweden shows that the innovative development of social entrepreneurship can be effectively supported through a coordinated system of state regulation, without a mandatory special law, which combines strategic vision, institutional coordination, legal visibility, access to innovative financing, socially responsible procurement, municipal partnerships and measurement of social impact. The peculiarity of the Swedish model is that social entrepreneurship is not isolated in a separate area, but is embedded in employment, welfare, regional development, innovation and civil society policies. This approach corresponds to modern European approaches to the social economy. For Ukraine, the Swedish experience is of practical importance given the need to form a state policy of social entrepreneurship in the context of European integration and post-war reconstruction. The most promising areas of adaptation are the creation of an official register of social enterprises, the adoption of a strategy for the development of social entrepreneurship and social innovations, the inclusion of social enterprises in SME support programs and innovation financing, the introduction of social criteria in public procurement, the development of municipal support programs, the formation of incubators and platforms for social innovations, as well as the introduction of methods for assessing social impact.

At the same time, adaptation should take into account the Ukrainian legal environment, financial constraints, security challenges and uneven institutional capacity of communities. Prospects for further research consist in an in-depth comparison of the Swedish model with the practices of other EU countries, in particular Germany, France, Italy and Poland, as well as in the development of an applied model of state support for social entrepreneurship for Ukraine. Special attention should be paid to the methods of measuring social impact, mechanisms for the participation of social enterprises in the restoration of communities, legal criteria for identifying social entrepreneurship and tools for financing social innovations with the involvement of European programs. Generalizing the Swedish experience proves that social entrepreneurship can become an important element of Ukrainian recovery policy only if the state provides not declarative recognition, but a regulatory cycle of support from legal status to financing, procurement, partnership, evaluation of results, and scaling of successful practices.

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