



CHARACTERISTICS AND CHALLENGES OF SOCIAL ENTERPRISES IN ALBANIA

Baseline Study

Financed by:

Promoted by:

Prepared by:

With the support of:



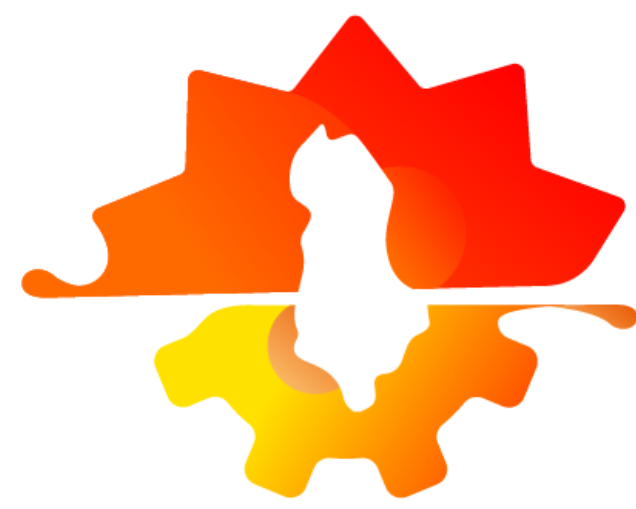
PARTNERSALBANIA
FOR CHANGE AND DEVELOPMENT

Università Cattolica del Sacro Cuore



ALTIS
ALTA SCUOLA
IMPRESA E SOCIETÀ

IN THE FRAME OF



RISE-ALB

Rafforzamento
dell'Imprenditorialità
SocialE in Albania

"This report has been produced by Partners Albania for Change and Development with the support of the Italian Agency for Development Cooperation (AICS) in the framework of the project "RISE-ALB: Rafforzamento dell'Imprenditorialità Sociale in Albania" (AID 011864) implemented by ENGIM Internazionale. The methodology of the survey was prepared in collaboration with "ALTIS - Università Cattolica del Sacro Cuore (di Milano).

The information and views expressed in this report are those of the authors and do not necessarily reflect the official opinion of the Italian Agency for Development Cooperation. Neither the institutions nor bodies of the Italian Agency for Development Cooperation, nor any person acting on their behalf, can be held responsible for any use that may be made of the information contained therein."

©PARTNERS ALBANIA FOR CHANGE AND DEVELOPMENT

TIRANA, ALBANIA 2020

AUTHOR:

**ERILA HASKA
JULIANA HOXHA**

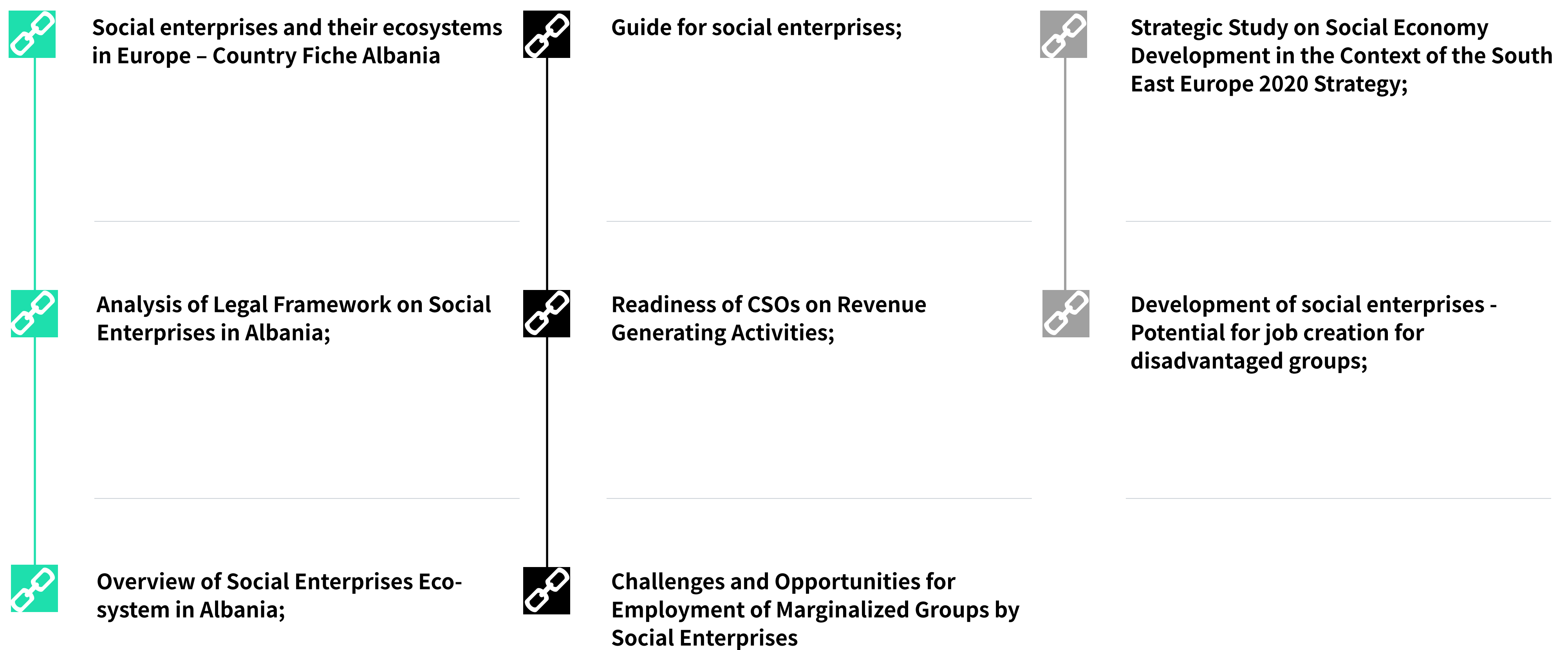
LAYOUT AND DESIGN :

MARIS SELAMAJ



Partners Albania works for the development of social entrepreneurship and social enterprises (SEs) through **research** to better understanding features and models of SEs along with their development challenges, aiming to **educate** all relevant stakeholders in **supporting** the role of SEs as a significant factor for the socio-economic advancement of the country. These instruments are in function of advocacy efforts for an enabling institutional and financial environment for SEs.

Partners Albania has pioneered the research of social entrepreneurship in Albania, which is still in its nascent phase. Some of the main research papers/guides conducted are:



This baseline study captures the latest developments and needs of social enterprises and will serve as an input to address those needs through the other components of the RISE-ALB project. The aim of RISE-ALB project is to improve the socio-economic inclusion of disadvantaged people (especially women, people with disabilities and youngsters living in rural areas), mainly through the strengthening of local CSOs which protect their rights. The project will support the development of social entrepreneurship, identified by the Albanian legislation in place and the European practices as an ideal instrument to promote VET and job placement of vulnerable categories, in three main directions:

- At political-institutional level, through training and exchanges of good practices on inclusive development policies for representatives of national and local authorities, and consultative meetings and technical-institutional tables to discuss the legal framework and its implementation in practice.
- At civil society level, through trainings and exchanges of good practices in Italy. A sub-granting scheme will be developed in order to finance the start-up of up to five new social enterprises that will be involved in customized coaching programs for the start-up phase and partnership building with profit entities.
- At community level, through dedicated VET courses and job placement activities for disadvantaged people in the framework of three pilot social enterprises in the sectors of pastry and agro-transformation.

TABLE OF CONTENTS

02

Forward

05

Table of Charts

05

Table of Figures

06

Terminology

06

Introduction

09

Methodology

11

Sample Characteristics

15

Study Findings

15

Characteristics of Social Enterprises based on
three principles

15

Social Dimension

21

Economic Dimension

26

Governance Structure

26

Challenges and needs identified by social
enterprises

30

Conclusions

34

Recommendations

35

References

TABLE OF CHARTS

CHART 1: SAMPLE ACCORDING TO THE GEOGRAPHICAL DISTRIBUTION (N=42) ...	11
CHART 2: SAMPLE BY THE LEGAL FORM OF THE ENTITY (N=42) ...	12
CHART 3: SAMPLE ACCORDING TO THE YEAR OF ESTABLISHMENT OF THE ENTITY (N=42) ...	12
CHART 4: SAMPLE ACCORDING TO THE YEAR OF ESTABLISHMENT OF THE SOCIAL ENTERPRISE ACTIVITY (N=34) ...	13
CHART 5: SAMPLE ACCORDING TO THE NUMBER OF FULL-TIME AND PART-TIME EMPLOYEES (N=42) ...	13
CHART 6: SAMPLE ACCORDING TO THE NUMBER OF VOLUNTEERS (N=42) ...	14
CHART 7: NUMBER OF VOLUNTEERS ACCORDING TO THE LEGAL FORM (N=42) ...	14
CHART 8: GOALS PURSUED BY THE SURVEYED SOCIAL ENTERPRISES (N=42) ...	16
CHART 9: GOALS PURSUED BY THE SURVEYED SOCIAL ENTERPRISES ACCORDING TO THEIR LEGAL FORM (N=42) ...	17
CHART 10: TYPE OF STRATEGIES THAT BETTER DESCRIBE SOCIAL ENTERPRISES (N=42) ...	17
CHART 11: TYPE OF STRATEGIES THAT BETTER DESCRIBE SOCIAL ENTERPRISES ACCORDING TO THEIR LEGAL FORM (N=42) ...	18
CHART 12: TYPE OF STRATEGIES THAT BETTER DESCRIBE THE ESTABLISHED AND POTENTIAL SOCIAL ENTERPRISES (N=42) ...	18
CHART 13: SOCIAL ISSUES ADDRESSED BY SOCIAL ENTERPRISES (N=42) ...	18
CHART 14: MOST FREQUENT GROUP OF BENEFICIARIES SOCIAL ENTERPRISES SERVE (N=42) ...	19
CHART 15: PERCENTAGE OF MARGINALIZED GROUPS EMPLOYED BY SOCIAL ENTERPRISES (N=42) ...	19
CHART 16: PERCENTAGE OF MARGINALIZED GROUPS EMPLOYED BY SES ACCORDING TO THE LEGAL FORM (N=42) ...	20
CHART 17: SPECIFIC WELFARE INITIATIVES TOWARDS EMPLOYEE WELLBEING (N=42) ...	20
CHART 18: THE INDUSTRY IN WHICH SOCIAL ENTERPRISES SURVEYED OPERATE OR WOULD LIKE TO OPERATE (N=42) ...	21
CHART 19: THE INDUSTRY IN WHICH SOCIAL ENTERPRISES SURVEYED OPERATE OR WOULD LIKE TO OPERATE ACCORDING TO THEIR LEGAL FORM OF ENTITY (N=42) ...	22
CHART 20: THE INDUSTRY IN WHICH SOCIAL ENTERPRISES SURVEYED OPERATE OR WOULD LIKE TO OPERATE ACCORDING TO THE TYPE OF STRATEGY USED (N=42) ...	22
CHART 21: PRODUCTION AND SERVICE PROVISION METHODS USED BY SOCIAL ENTERPRISES ACCORDING TO THE LEGAL FORM OF ENTITY (N=42) ...	23
CHART 22: PRODUCTION AND SERVICE PROVISION METHOD USED BY SOCIAL ENTERPRISES ACCORDING TO THE INDUSTRY (N=42) ...	23
CHART 23: REVENUE SOURCES OF FOR-PROFIT ENTITIES (N=7) ...	24
CHART 24: REVENUE SOURCES OF NON-FOR-PROFIT ORGANIZATIONS (N=32) ...	24
CHART 25: REVENUE SOURCES FOR COOPERATIVES (N=3) ...	25
CHART 26: FORMS OF PROFIT REALLOCATION (N=28) ...	25
CHART 27: DECISION MAKING STRUCTURE COMPOSITION (N=42) ...	26
CHART 28: CHALLENGES INFLUENCING SOCIAL ENTERPRISES' GROWTH (N=42) ...	27
CHART 29: THE INFLUENCE OF THE CURRENT LEGAL FRAMEWORK AND TAX TREATMENT TO THE DEVELOPMENT OF SOCIAL ENTERPRISES (N=42) ...	27
CHART 30: INFORMATION ON THE LEGAL FRAMEWORK ON SOCIAL ENTERPRISES (N=42) ...	28
CHART 32: APPLICATION FOR THE STATUS ACCORDING TO THE KNOWLEDGE ON THE LEGAL FRAMEWORK (N=40) ...	29

TABLE OF FIGURES

FIGURE 1: SAMPLE ACCORDING TO THE POSITION OF THE RESPONDENT (N=42) ...	11
FIGURE 2: SAMPLE BY GENDER OF THE RESPONDENT (N=42) ...	11
FIGURE 3: SAMPLE ACCORDING TO THE STAGE OF DEVELOPMENT (N=42) ...	12
FIGURE 4: SAMPLE ACCORDING TO THE SOCIAL ENTERPRISE STATUS (N=42) ...	13
FIGURE 5: PERSONAL OPINION OF RESPONDENTS RELATED TO SOLVING SOCIAL PROBLEMS (N=42) ...	16
FIGURE 6: PERSONAL OPINION OF RESPONDENTS ABOUT THE POSSIBILITY TO GET SUPPORT FROM OTHERS (N=42) ...	16
FIGURE 7: ACTIVITIES IN WHICH SES PUT HIGH LEVEL OF EFFORT (N=42) ...	24

TERMINOLOGY

Bottom of the pyramid – This is a strategy used by some social enterprises, which deliver essential social, health and educational services, which neither conventional business nor public institutions can deliver.

Capital Intensive production method – A method which requires more equipment and machinery to produce goods; it requires a larger financial investment.

Fair Trade Enterprise – An enterprise which puts the interest of local workers, farmers and artisans first and guarantee fair payment along the supply chain.

Labor Intensive production method – A method which requires a higher labor input to carry out production activities in comparison to the amount of capital required.

Work Integration Social Enterprise – Social enterprises whose social mission is to (better) integrate vulnerable people (e.g., long-term unemployed) into the labor market.

INTRODUCTION

A **social enterprise** (SE) is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative way and uses its profits primarily to achieve its social aim. The decision making in social enterprises is based in an open and responsible manner through involving employees, consumers and stakeholders affected by its economic activities. According to this definition, social enterprises embody both social and economic dimension through running commercial activities in order to achieve a societal common good. The profit non-distribution constraint guarantees the social aim of the social enterprise (Defourny & Nyssens, 2012).

European Commission recognizes the diversity of social enterprises, and categorizes them in four main clusters:

- a) **Essential social, health and educational services**, which neither conventional business nor public institutions can deliver;
- b) **Work integration** for marginalized groups;
- c) **Local development of disadvantaged areas** - social enterprises in remote rural areas, neighborhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries;
- d) **Others** involved in providing various products/services (**recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports**) using a **social innovation** approach (European Commission, 2011).

In Europe, the countries in which social enterprises are widely and adequately recognised by public debates, policymakers, researchers and practitioners are few. The legal recognition of social enterprises has been **two-folded**. On the one hand, it has contributed to capture and formalize the major part of de-facto social enterprises. On the other hand, some countries have been focused only in certain types or forms of social enterprises (in general work integration enterprises), which has led in the underestimation of de-facto social enterprises which produce products/services of an added value for the society.

Social enterprises, whose primary goal is the **social impact** is widespread in every European country. Usually paid workers and volunteers compose the team running a social enterprise. There are different challenges social enterprises face widely in Europe ranging from limited information, low awareness amongst the general public, access to funds, markets, etc.

Access to financial mechanisms is of essential significance for social enterprises. Given the specific nature of these entities such as the social mission and the type of users they serve makes the absorption and access to funds rather more complex. In general, investors and financial intermediaries do not find these entities attractive enough due to a high-risk and lower return to investment rates (European Commission, 2020).

Unlike conventional enterprises, social enterprises rely on a mix of resources: voluntary work, private donations, membership fees, grants, public subsidies, public procurement in addition to earned incomes, generated by the sale of goods and services to private clients. In general, those social enterprises, which are engaged in the delivery of social services, rely primarily on public subsidies and public contracts. Social enterprises facilitating the **integration to work of marginalized groups** have a rather balanced mix of private and public resources, while other social enterprises, which deliver services and products of **general interest**, rely mainly on sales. Therefore, the state support is of utmost importance for social enterprises survival in the market. In Greece, up to **65%** of the income may come from public funds. In Italy, A-type and mixed social cooperatives derive approximately **70%** of their income from “contracts and/or agreements with public institutions” , while for social cooperatives of B-type **57.1%** of incomes derive from “contracts and/or agreements with public institutions” . Social clauses are included in public contracts. (Borzaga, Poledrini, & Galera, 2017). Slovakia has encompassed several social, environmental, and ethical clauses in public procurement, as very essential to access funds from public procurement (European Commission, 2017).

In terms of participatory governance structure, different countries specify the categories of members that should be part of the decision making power. For example, in Italy social cooperatives can include **volunteers** as members **up to 50 %** of the total membership. In addition, **employees** must be involved as cooperative members (Traversi, 2019). **Service users** and **employees** might be members of social enterprises according to the legal framework in Portugal and France. While, in other countries it is recognized multi-stakeholder approach, participating through channels less formal than membership, such as the representation and participation of users and employees in various activities during the activity of the social enterprise (Defourny & Nyssens, 2012).

The principle of **profit non-distribution** is one of the main criteria for the social enterprise governance. Many countries specify different forms of profit reallocation, where among those forms; the entrepreneur can keep a certain percentage of profits. In Croatia, at least **75%** of the profit should be re-invested by the social enterprise for the development of its activities and the achievement of its social mission (European Commission, 2014). In **Italy, up to 50%** of the profit can be distributed in three forms: a) capital increase; b) contribution for organizations of the third sector; c) profit distribution to the shareholders/members of the social enterprise (Salatino, 2018). In some countries such as Great Britain and France, social enterprises are legally bound to maintain an “**asset lock**”, which means non-distribution of the assets to the enterprise’ members, shareholders, and employees. In **Greece**, the law sets forth that **60%** of the profit should be re-invested in the company for the creation of additional jobs; **35%** as a productivity bonus for employees; **5%** as a reserve fund (European Commission, 2014).

Fiscal incentives vary in different European countries. The most widespread benefit is a corporate **tax exemption on retained profits** such as the Italian case, or tax exemption for the profit allocated as employee’ bonuses such as the Greek experience. Other fiscal benefits include **VAT reduction**, subsidies on **social insurance** costs for marginalized people employed. There are specific cases such as Italy, which has adopted incentives to encourage investments in social enterprises. All entrepreneurs who invest in emerging social enterprises not older than 36 months will benefit a **reduction in income tax** in an amount equal to **30%** of the capital invested in the social enterprise (Salatino, 2018).

In Albania, the Law No. 65 “On Social Enterprises in Albania” [1] was approved by the parliament in 2016. Regardless the definition in the law according to which only Non-for-profit organisations can receive the social enterprise status, following the EU operational definition of social enterprises, SEs in Albania adopt in particular the following legal forms: for-profit entities, non-for-profit organizations and cooperatives. There is a **debate** about cooperatives whether this form fits the concept of social enterprise based on the three main principles. Usually, cooperatives belong to social economy organizations, which is a broader concept because they promote mainly the interest of their members (farmers) and have an indirect impact on the communities, while other forms pursue an explicit social aim in the benefit of the community and society. However, in Albania particularly agricultural cooperatives can be considered social enterprises, if one takes into consideration the specific context of the country. The industry suffers from fragmentation and informality and farmers lack economic resources, purchasing power, raw materials, and distribution channels. Thus, agricultural cooperatives are seen as the only solution to strengthen the economic power of farmers, their families and rural areas at a larger scale (**European Commission, 2019**).

[1] Law No. 65/2016 “On Social Enterprises in the Republic of Albania”, dated on June 9th, 2016. Available at: http://www.qbz.gov.al/botime/fletore_zyrtare/2016/PDF-2016/118-2016.pdf

METHODOLOGY

The purpose of this baseline study is to map established and potential social enterprises in Albania and gain a better understanding of their characteristics, needs and trends of the sector in the future. The methodology was prepared in collaboration with “ALTIS - Università Cattolica del Sacro Cuore (di Milano).

The research approach is based on the descriptive method through the collection of primary data using a semi-structured questionnaire and secondary data obtained from previous reports and studies conducted in the country and beyond. A database of de-facto social enterprises, including also the organizations which have obtained the status of social enterprise according to the Law No.65/2016 “On Social Enterprises in Albania” 1 was used for the selection of the sample. The database is an internal source of Partners Albania, which is built upon the experience working with social enterprises and non-for-profit organizations. The main criteria used was to include in the selected sample both social enterprises and ideas of social entrepreneurship aiming to assess the trends and the potential products/services, which could also serve as an input for the upcoming activities of RISE-ALB project. Based on the EU operational definition of social enterprises, the sample comprises the three main legal forms of SEs (non-for-profit organizations, for-profit entities, cooperatives). The questionnaire was distributed to 72 established social enterprises and ideas of social entrepreneurship in total. The questionnaire was self-administered by the respondents using an online tool (**lizmo survey**) for the data collection. The response rate was 71% (51), but only 42 online questionnaires were complete with all responses eligible to be part of the sample.

Partners Albania carried out the data collection during March – April 2020. It consisted in two phases: a) Distribution of the online questionnaire to the selected sample; b) Follow-up phone interviews with the respondents (only in those cases, it was necessary) in order to assess the validity of the data collected through the questionnaire. The data analysis was conducted with SPSS and Excel programmes.

The research questions, on which the baseline study is based, are:

1. Which are the main characteristics of social enterprises in terms of products/services, activities, beneficiaries, employees, types of clients, goals?
2. Which are the main strategies, production/services methods used by social enterprises?
3. How do social enterprises secure participatory governance in terms of stakeholders' involvement and profit reallocation?
4. Which are the main sources of revenues?
5. How social enterprises stimulate employees in particular those belonging to marginalized groups?
6. Which are the challenges social enterprises face, and the skills they want to develop?
7. What is the level of knowledge and the approach of social enterprises on the legal framework "On Social Enterprises in Albania" ?
8. Is there any difference between established and potential social enterprises in terms of characteristics, industries, strategies and goals?
9. Is there any difference between legal forms of SEs in terms of characteristics, industries, strategies, goals, sources of revenues, governance structure, and profit allocation?

The questionnaire was based on the aforementioned research questions and gathered information on:

- General information on the established and potential social enterprises: representatives, year of establishment, legal form, number of employees and volunteers.
- Information on social enterprises' social and economic dimension: personal opinion to solve social problems, goals, production/service methods, strategies, products/services, types of beneficiaries, clients, activities, sources of revenues.
- Information on social enterprises' governance structure: categories of members involved in the decision-making, profit allocation; treatment of employees.
- Information on challenges faced and skills social enterprises need to develop.
- Information on the level of knowledge towards legal framework, tax treatment, interest to obtain the status.

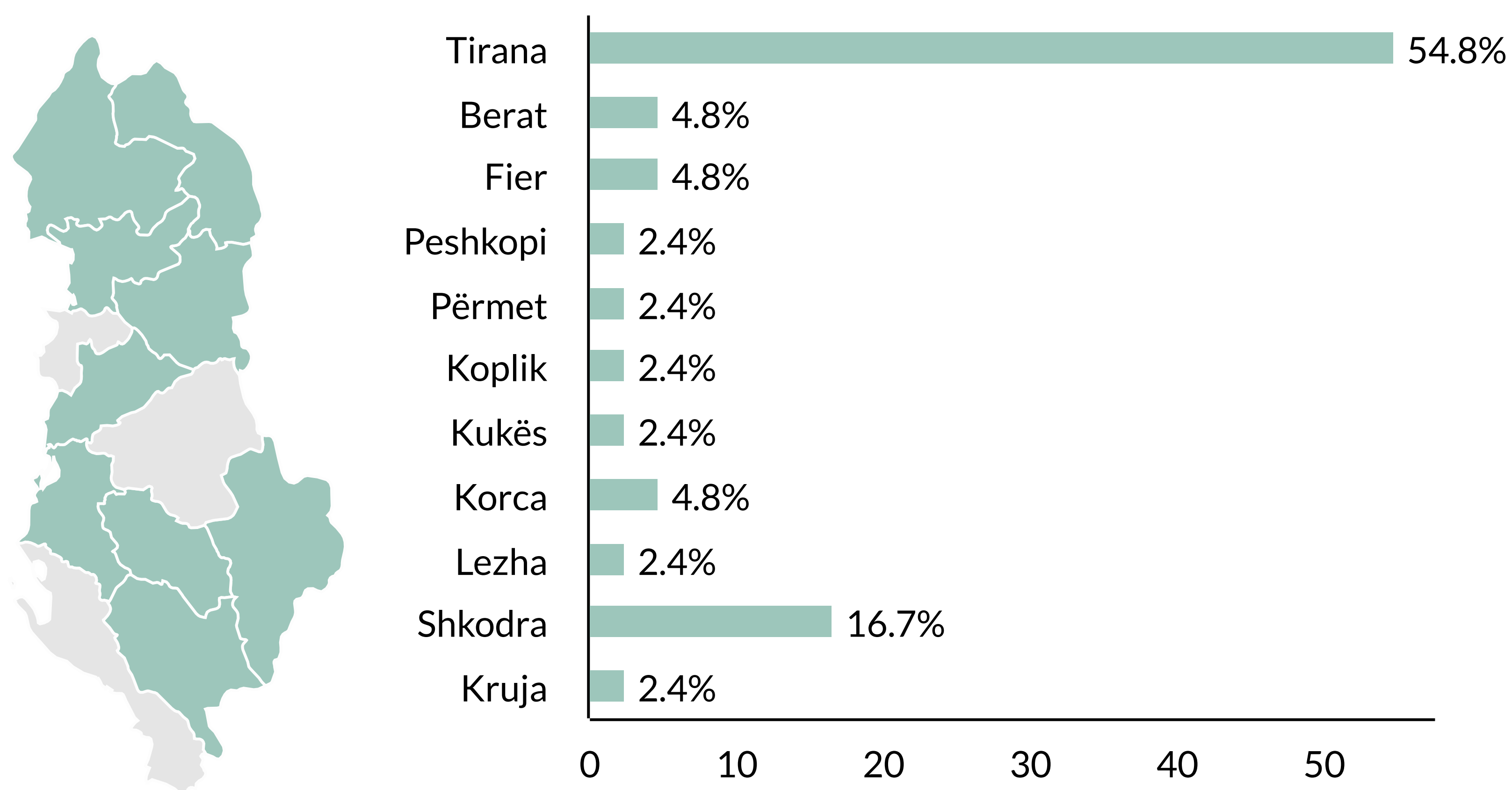
The findings presented in this baseline study are in forms of frequency and intersection of values. The main selected variables for intersection of values are: (a) established SEs vs potential SEs, (b) legal form, (c) industry and (d) strategy.

Each graph shows the total number of responses. For few questions, the size of the sample is less in number, because of the number of responses taken by social enterprises or because of in depth analyses within the sample (as it is shown).

GRAPHICS SHOWING PLATFORM USAGE

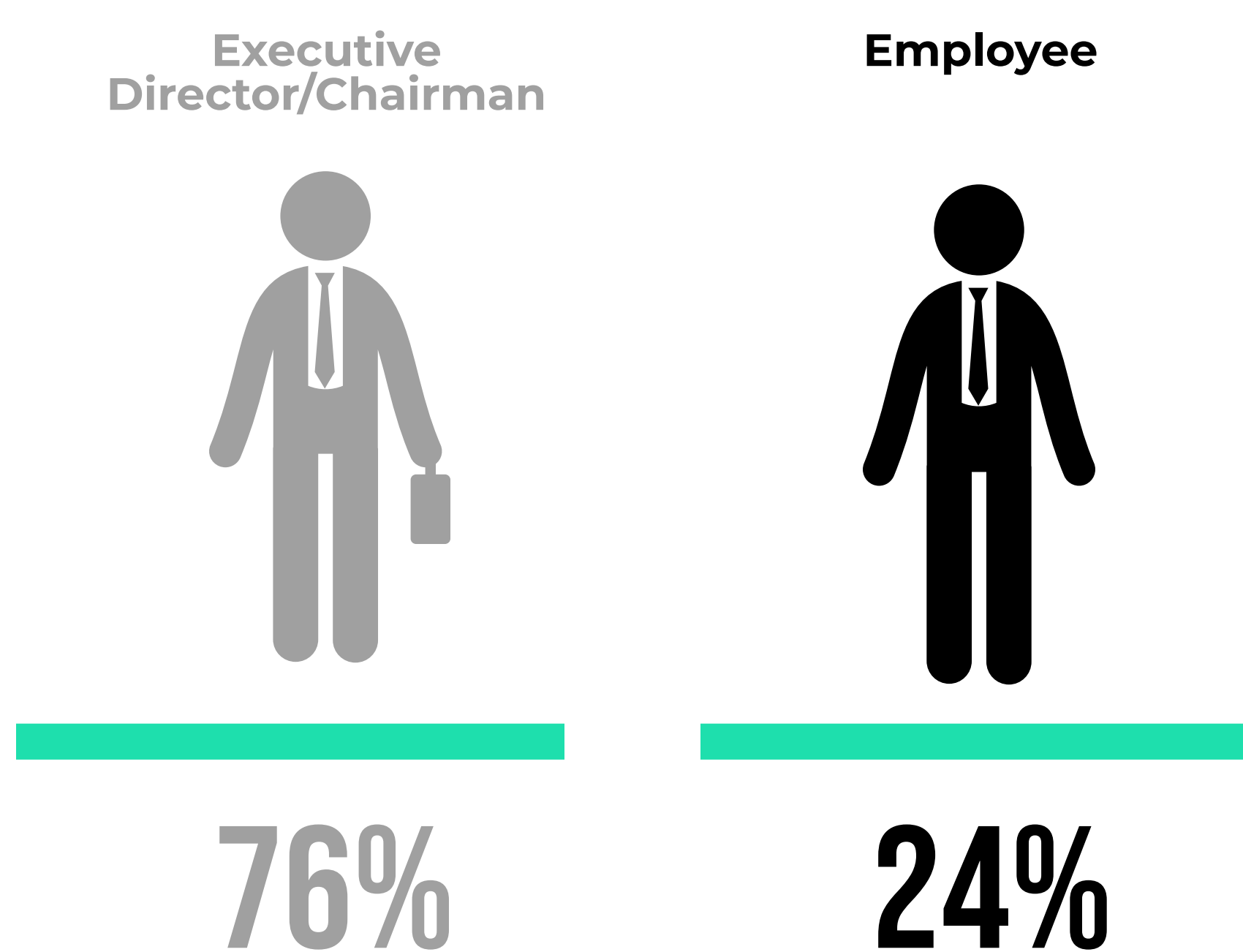
This section presents the main data about the sample.

CHART 1: SAMPLE ACCORDING TO THE GEOGRAPHICAL DISTRIBUTION (N=42)



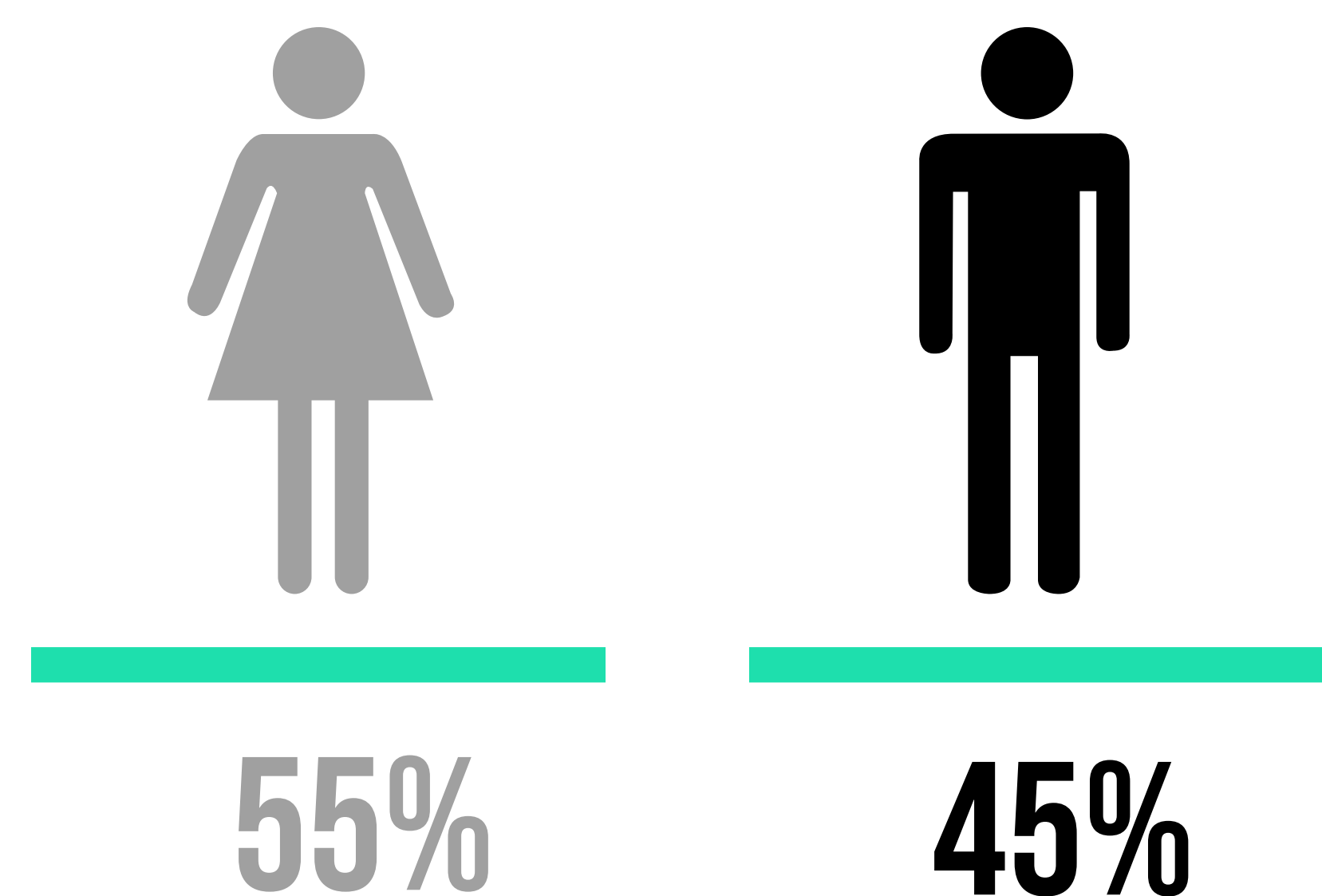
Most of the social enterprises part of the sample are located in Tirana (54.8%), followed by Shkodra (16.7%), because most active non-for-profit organizations are concentrated in the aforementioned cities.

FIGURE 1: SAMPLE ACCORDING TO THE POSITION OF THE RESPONDENT (N=42)



Most of the respondents part of the sample hold a leading position^[2] (76%), while the remaining part have middle or lower managerial position in the social enterprise.

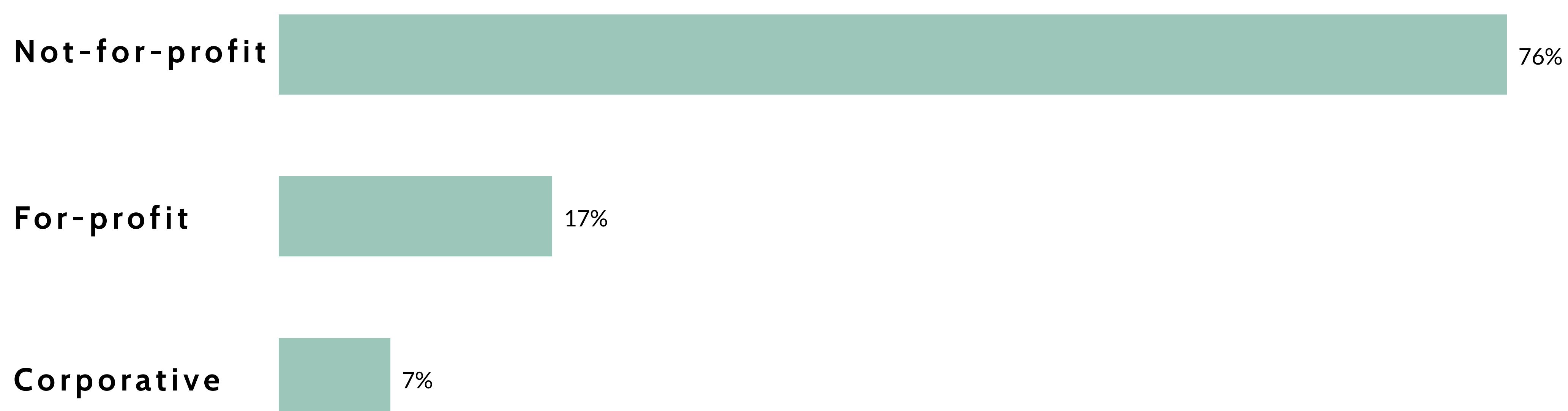
FIGURE 2: SAMPLE BY GENDER OF THE RESPONDENT (N=42)



The sample of respondents is composed by 55% female and 45% males.

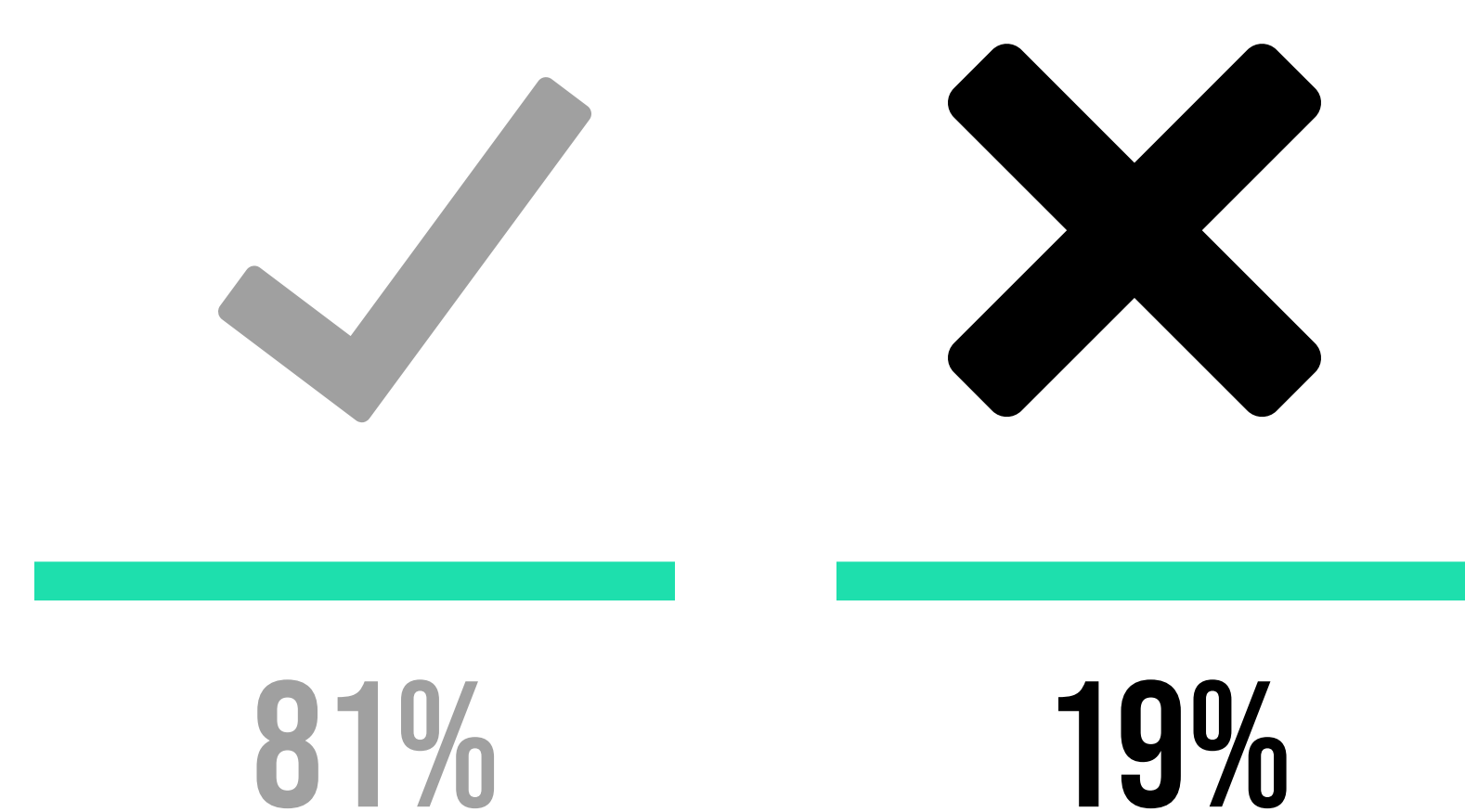
[2] Depending on the legal form, some of the respondents hold the position of executive director, chair, president, etc.

CHART 2: SAMPLE BY THE LEGAL FORM OF THE ENTITY (N=42)



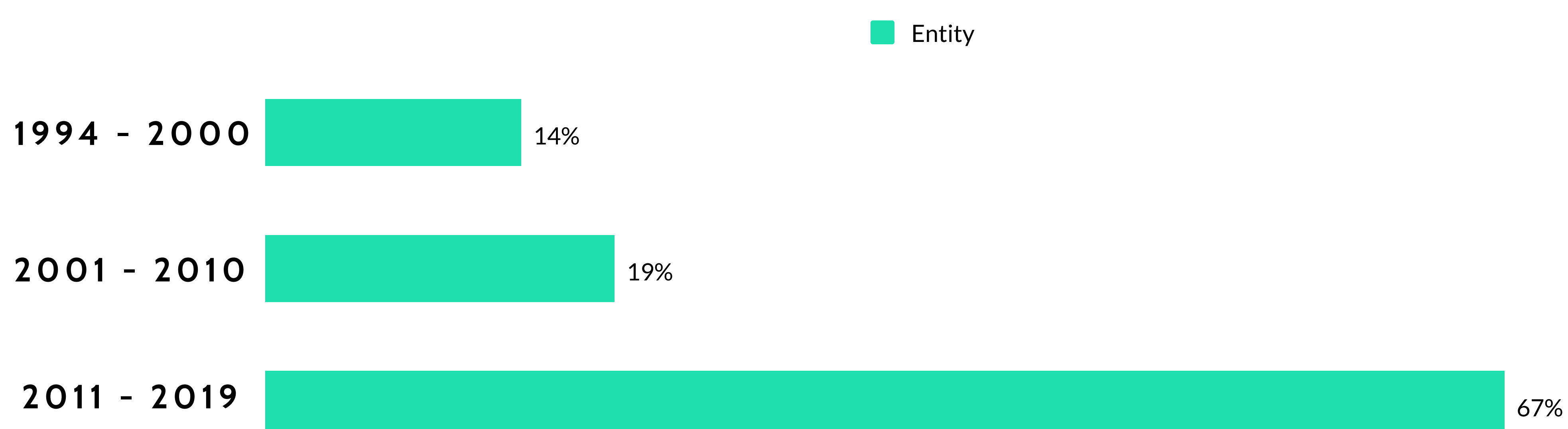
According to the legal form of the entity, **76%** of the sample are registered as non-for-profit organizations, followed by 17% registered as for-profit entities and 7% as cooperatives. Other previous studies show that most social enterprises are registered as non-for-profit organization.

FIGURE 3: SAMPLE ACCORDING TO THE STAGE OF DEVELOPMENT (N=42)



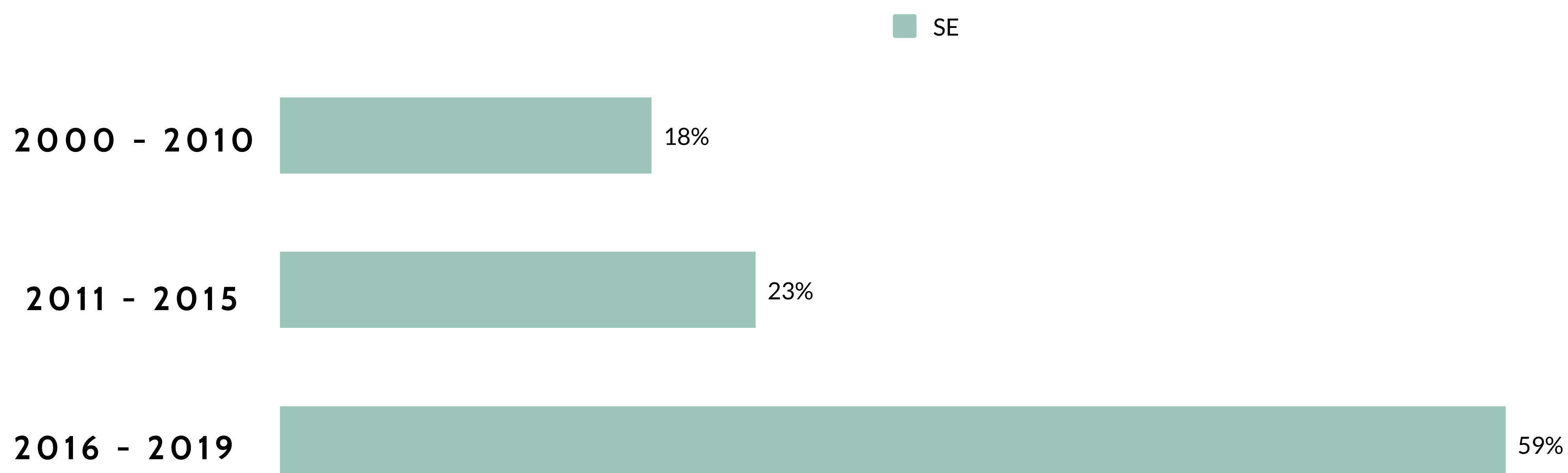
About **81%** of the sample has set up a social enterprise activity, while 19% have an idea of a social enterprise. All potential social enterprises are registered as non-for-profit organizations. All potential SEs express a strong willingness to set up a social enterprise activity within their organization very soon. Most of them claim that the pandemic situation hindered their plans of starting the production or provision of the envisaged products/services.

CHART 3: SAMPLE BY THE LEGAL FORM OF THE ENTITY (N=42)



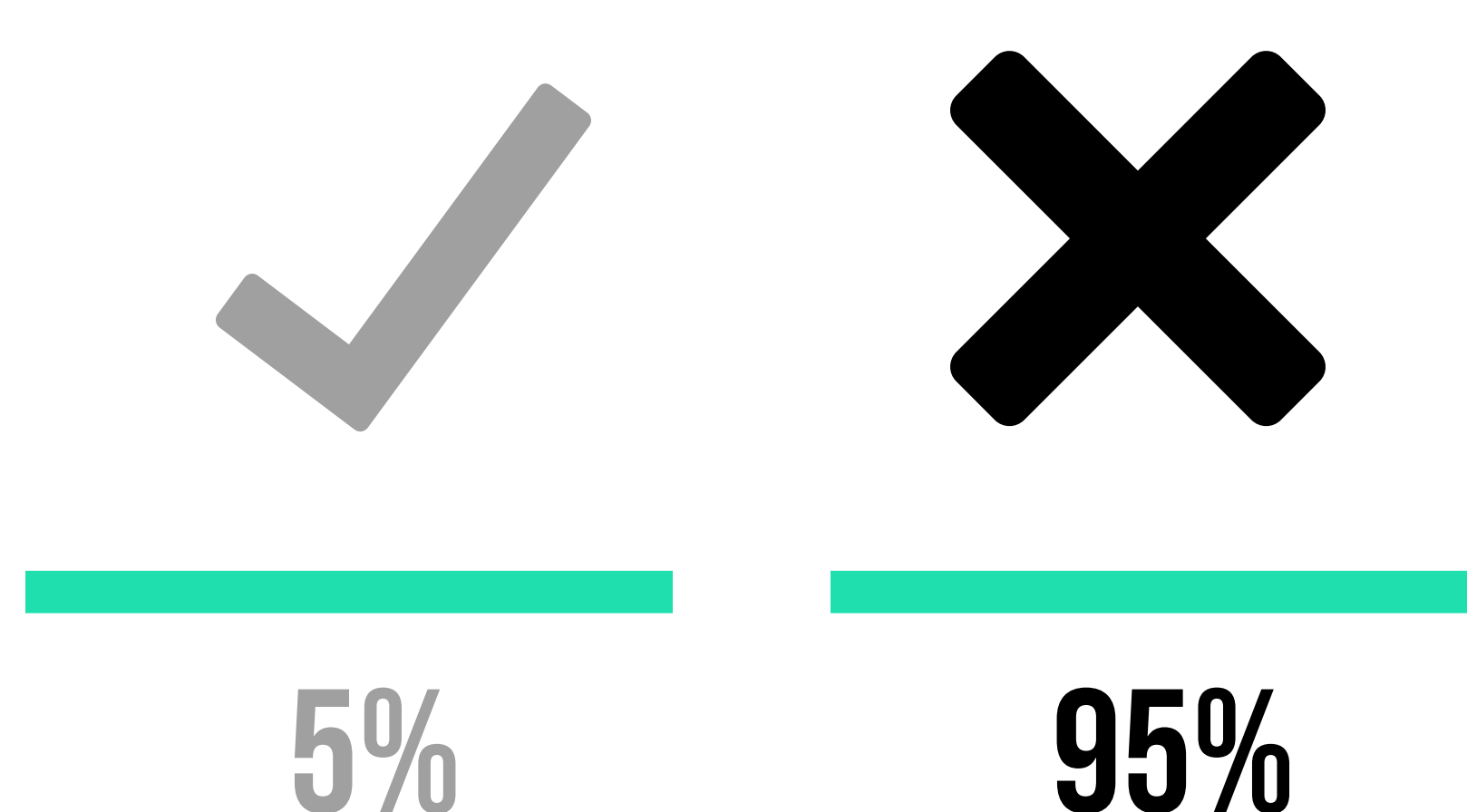
Most of the entities surveyed (67%) were established during last 8 years (2011-2019), 19% were created in the period 2001-2010, while 14% were established in the period 1994-2000.

CHART 4: SAMPLE BY THE LEGAL FORM OF THE ENTITY (N=42)



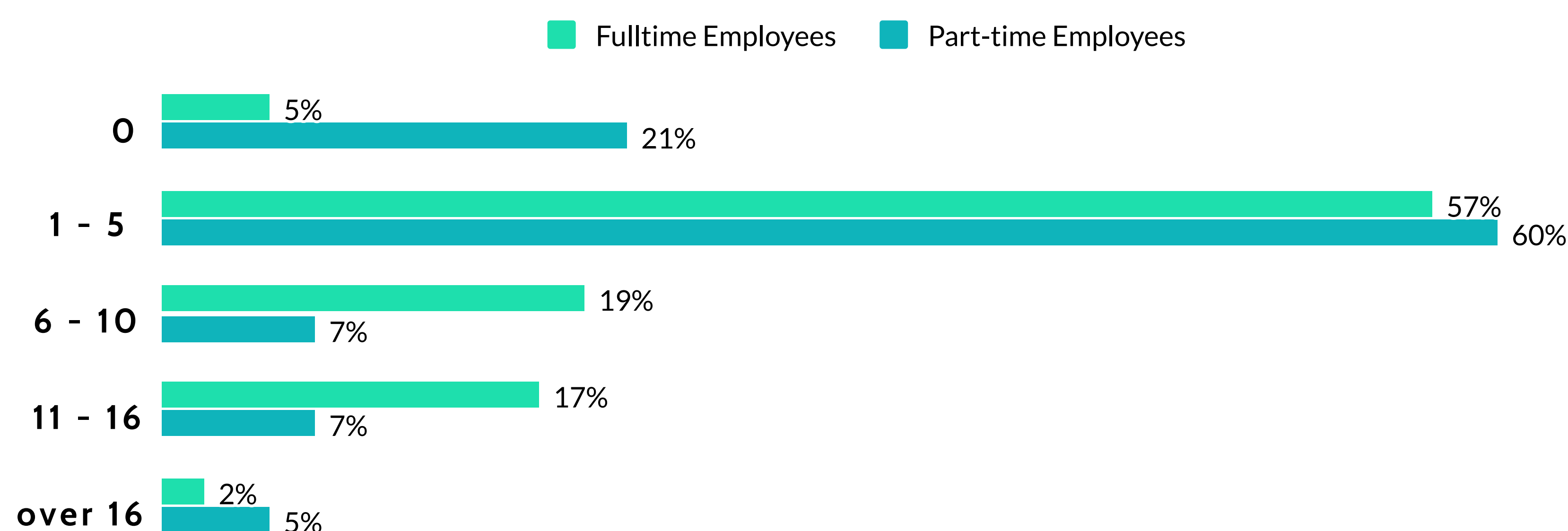
Most of the entities surveyed (82%) have set up a social enterprise activity during the last decade (2011-2020), followed by 18% of SEs established in the period 2000-2010. The evidence shows that the phenomenon of social enterprise is relatively new, emerging during last two decades, a fact supported also by previous studies (Partners Albania, 2016).

FIGURE 4: SAMPLE ACCORDING TO THE SOCIAL ENTERPRISE STATUS (N=42)



Only 5% (2) of surveyed entities have obtained the status of social enterprise according to the Law No.65/2016 "On Social Enterprises in Albania".[1] Based on the information received from the Ministry of Health and Social Protection, there are in total six (6) non-for-profit organizations in Albania that have obtained the status of social enterprise up to March 2020.[3]

CHART 5: SAMPLE ACCORDING TO THE NUMBER OF FULL-TIME AND PART-TIME EMPLOYEES (N=42)

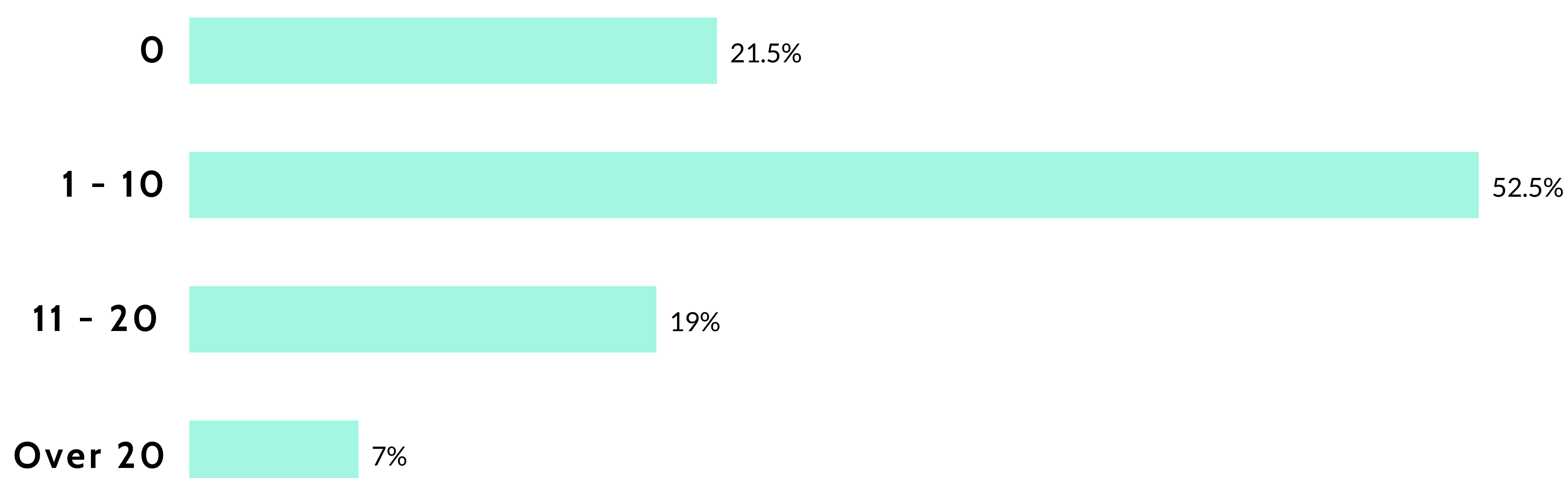


Most of the entities in the sample (57%) have 1-5 full time employees, 36% have 6-16 full time employees, 5% do not have any full-time employees and only 2% have over 16 employees.

In terms of part-time employees, 60% of the sample have 1-5 employees, followed by 21% that have no part-time employees and 19% which have more than 6 employees.

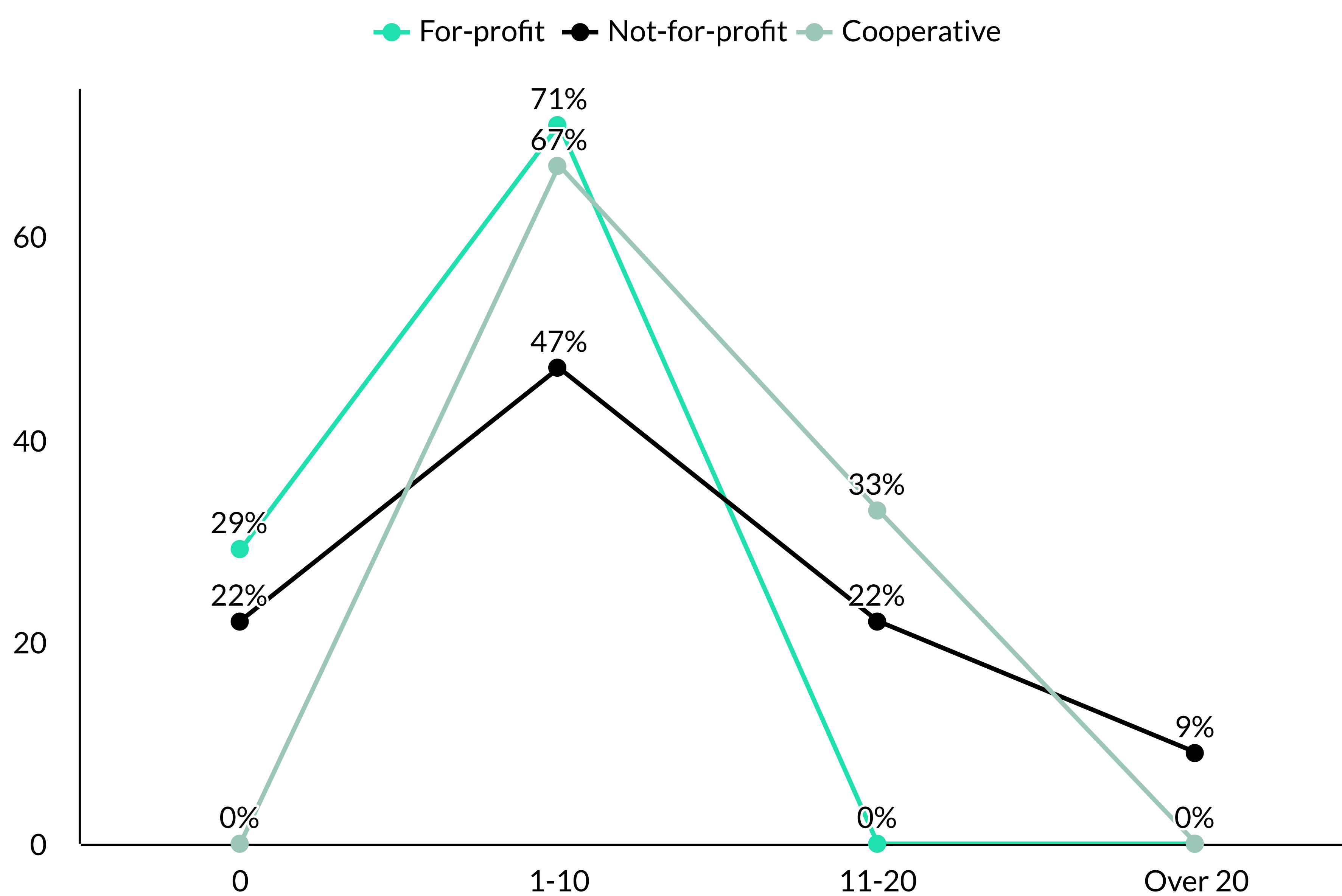
[3] Data obtained through request for information to the Ministry of Health and Social Protection, March 2020

CHART 6: SAMPLE ACCORDING TO THE NUMBER OF VOLUNTEERS (N=42)



Most of the entities in the sample (52.5%) have 1-10 volunteers, followed by 26% which have more than 11 volunteers, and 21.5% which have no volunteers at all.

CHART 7: NUMBER OF VOLUNTEERS ACCORDING TO THE LEGAL FORM (N=42)



It is evidenced that among non-for-profit organizations, 47% have 1-10 volunteers, 31% over 11 volunteers and 22% have no volunteers. All cooperatives have from 1-20 volunteers, while among for-profit entities, 71% have 1-10 volunteers and 29% do not have volunteers at all.

STUDY FINDINGS

In this section, there are presented the findings related to the characteristics of established and potential social enterprises in terms of economic, social dimension and governance structure. In addition, the findings illustrate the challenges social enterprises face, the skills needed and the approach towards the legal framework and tax treatment.

CHARACTERISTICS OF SOCIAL ENTERPRISES BASED ON THREE PRINCIPLES

Below are presented the findings related to social, economic dimension and governance structure.

SOCIAL DIMENSION

The findings in this section are related to the social dimension. Some findings describe the personal opinion of respondents on solving societal challenges and the possibility to get support from others. Other findings focus on revealing data related to the characteristics of these entities such as the goals they pursue, strategies describing these entities, the issues that they address, most frequent groups of beneficiaries, marginalized groups employed, and welfare initiatives towards employee wellbeing.

FIGURE 5: PERSONAL OPINION OF RESPONDENTS RELATED TO SOLVING SOCIAL PROBLEMS (N=42)

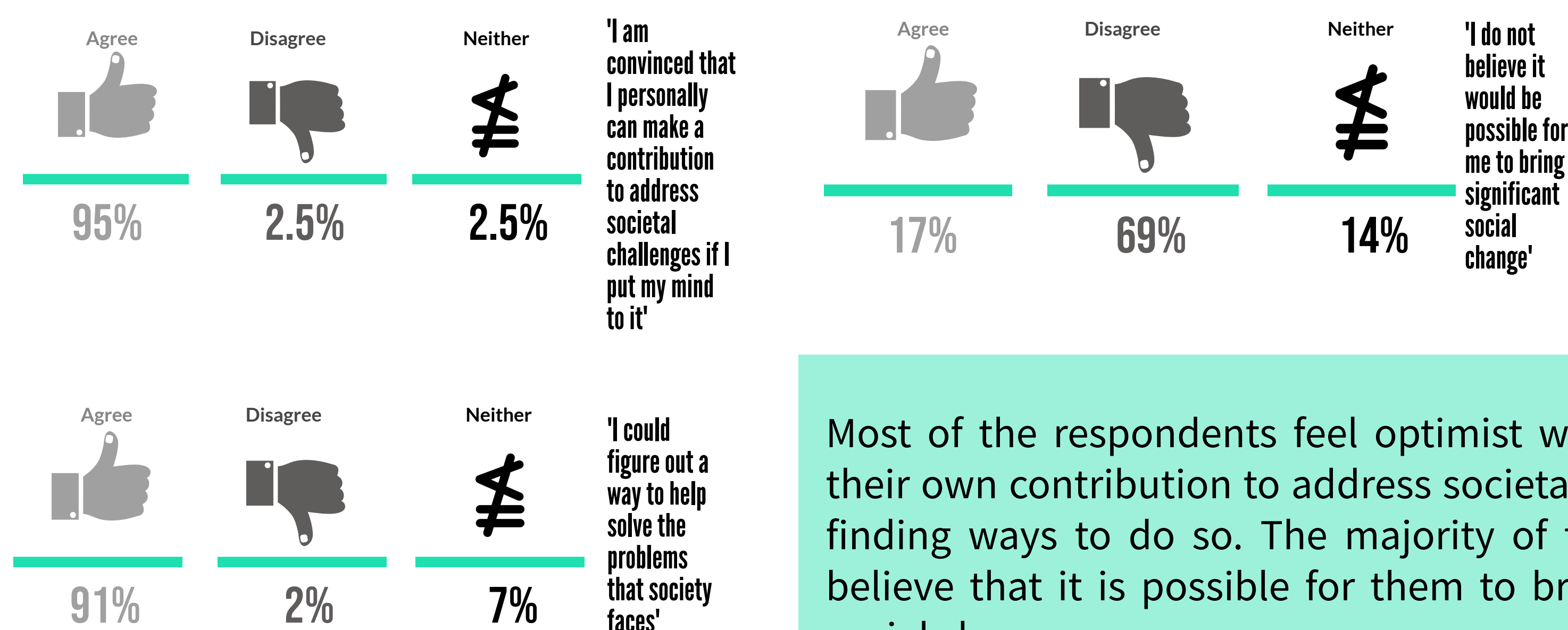


FIGURE 6: PERSONAL OPINION OF RESPONDENTS ABOUT THE POSSIBILITY TO GET SUPPORT FROM OTHERS (N=42)

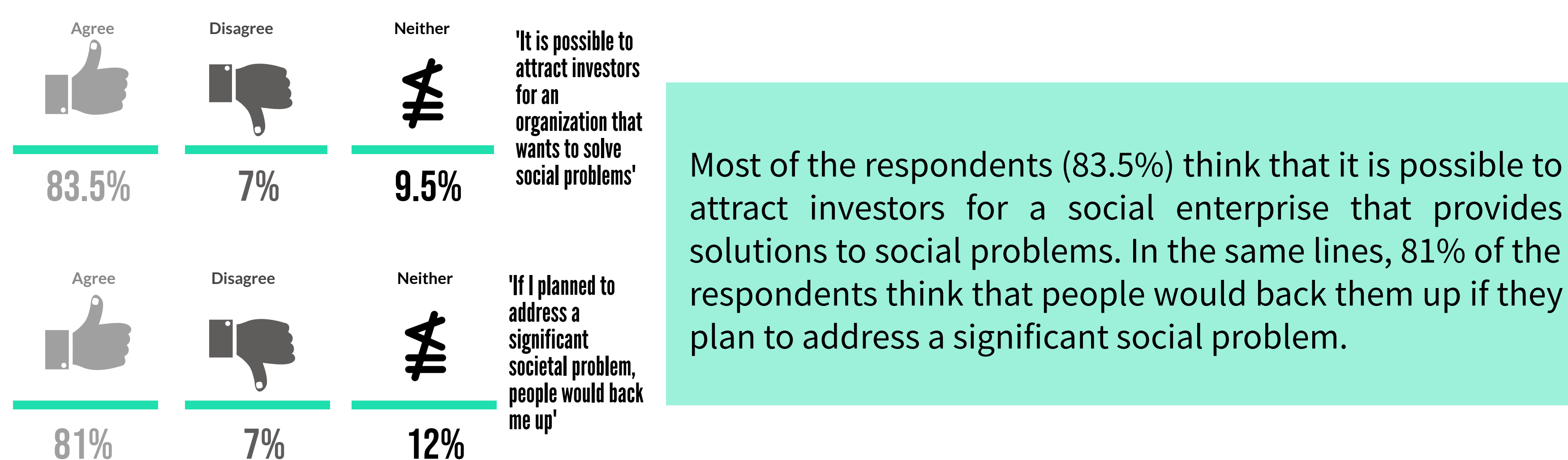
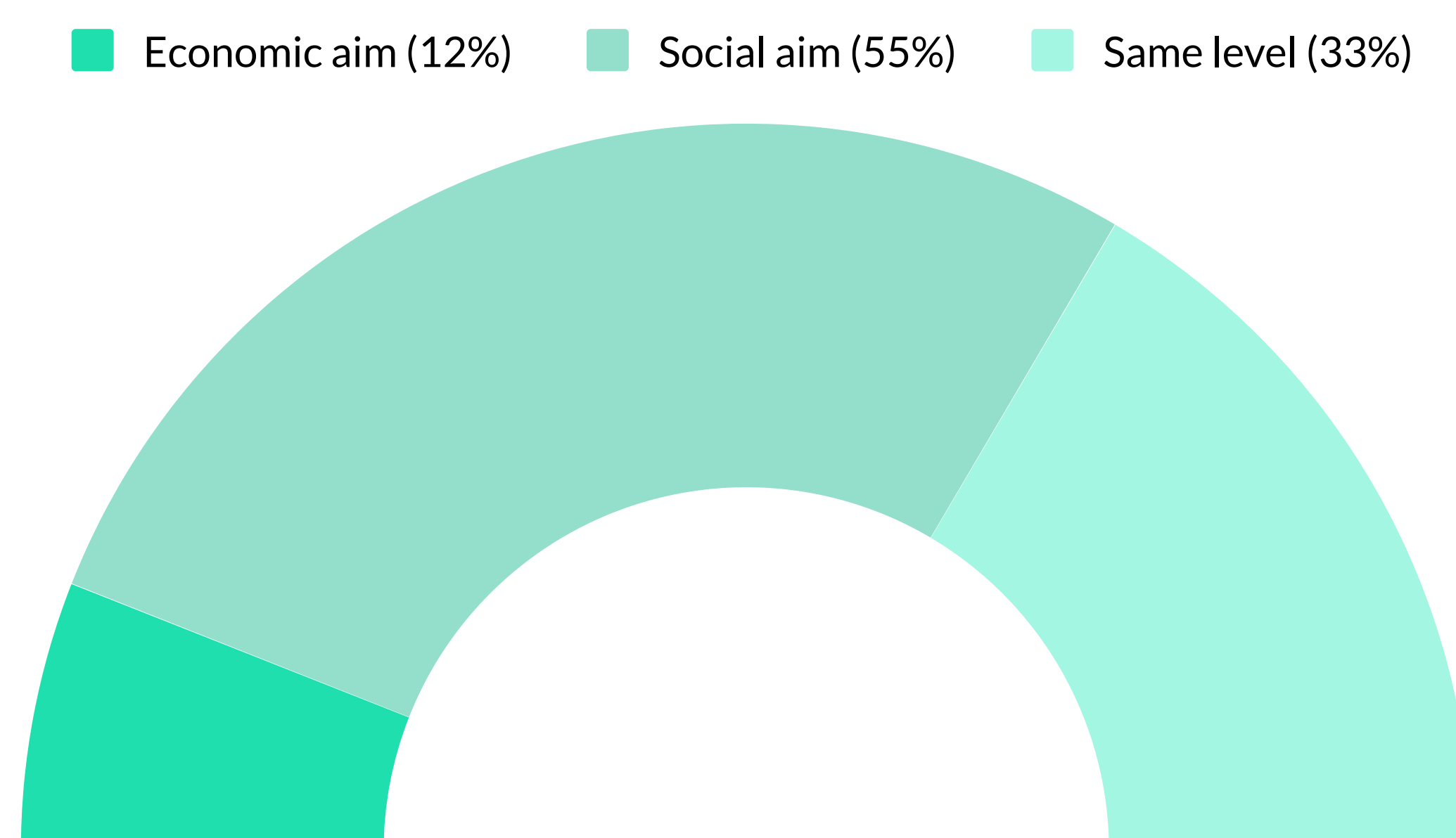
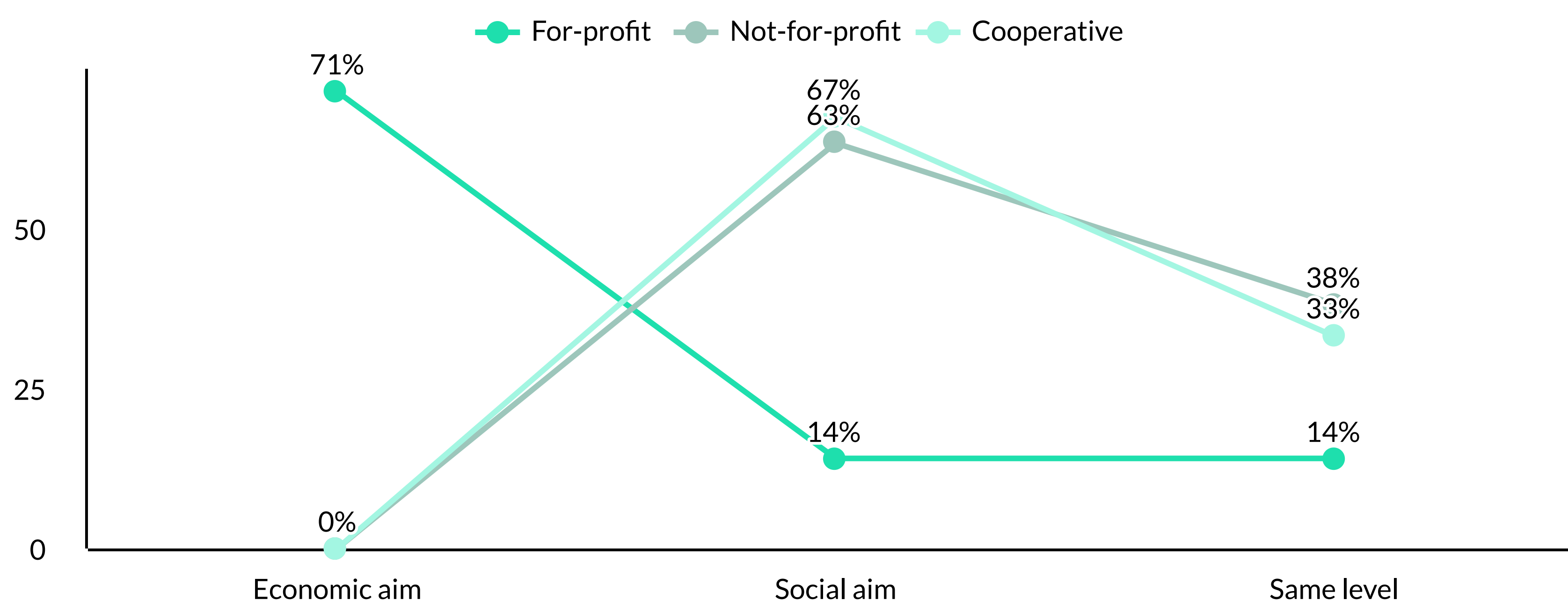


CHART 8: GOALS PURSUED BY THE SURVEYED SOCIAL ENTERPRISES (N=42)



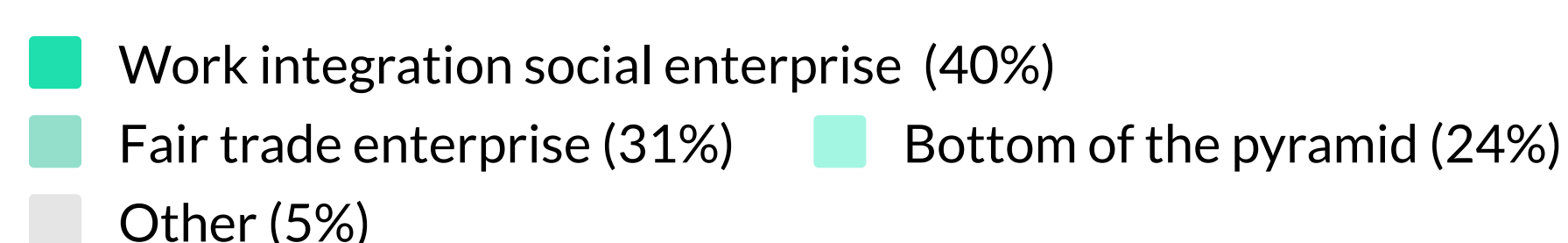
Most of the respondents (55%) pursue primarily the **social aim** rather than the economic one, followed by 33% of SEs, which follow both aims at the same level and the remaining part pursue mainly the economic aim. The trend of embedding social aim more than economic one is evidenced in **both** established and potential SEs.

CHART 9: GOALS PURSUED BY THE SURVEYED SOCIAL ENTERPRISES ACCORDING TO THEIR LEGAL FORM (N=42)



There is a **distinctive difference** between the goals pursued by different legal forms. While the majority of for-profit entities (71%) pursue economic aim, the majority of cooperatives (67%) and non-for-profit organizations (63%) pursue primarily the social aim. This trend is distinguished even among the potential SEs part of the sample, which tend to pursue primarily the social aim.

CHART 10: TYPE OF STRATEGIES THAT BETTER DESCRIBE SOCIAL ENTERPRISES (N=42)



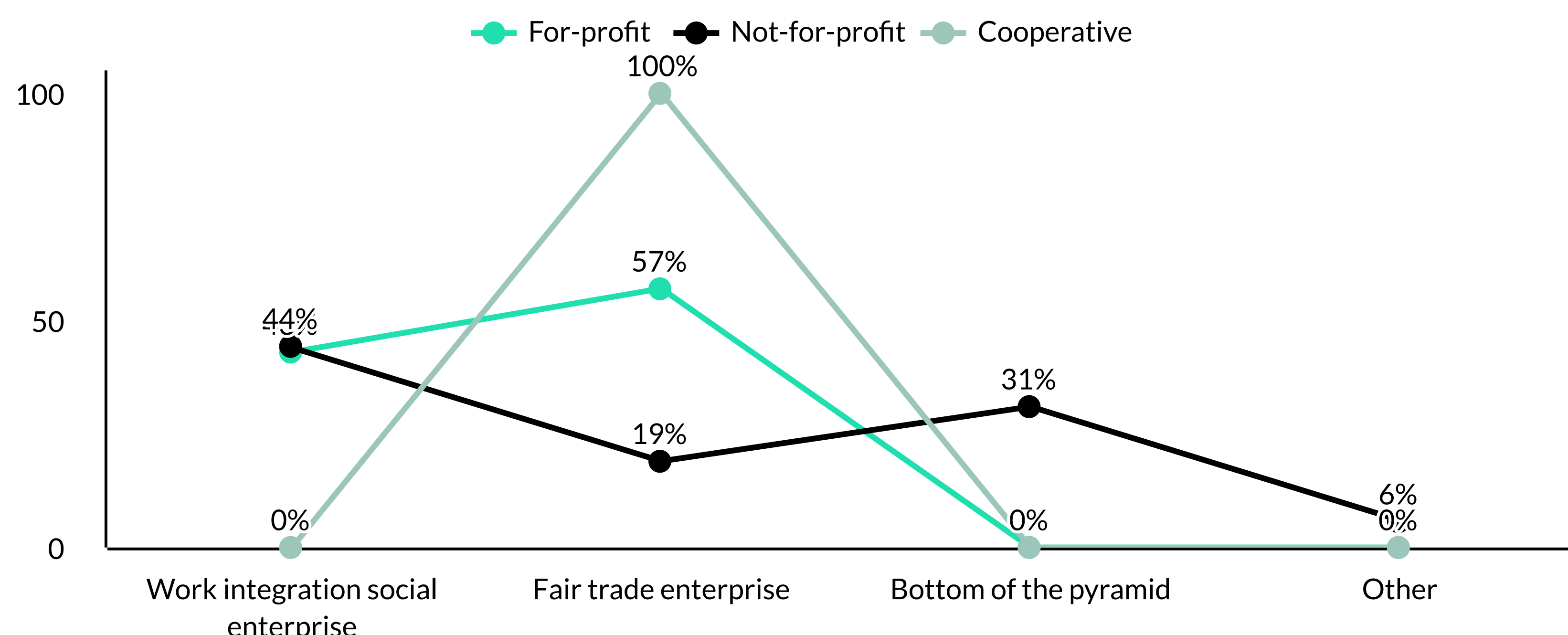
Results show that **work integration** of marginalized groups is the main strategy (40%) used by the SEs surveyed, followed by **fair trade enterprise** which puts the interest of local workers, farmers and artisans first and guarantees fair payments along the supply chain (31%) and bottom of the pyramid strategy consisting in social services delivered to a specific group of clients (24%). Only 5% are engaged in tourism & culture heritage using a social innovation approach.

There is a significant correlation between the economic aim and the fair trade strategy embodied by social enterprises, while those enterprises which pursue the social aim, tend to follow work integration and bottom of the pyramid strategy.

There are entities which follow **more than one** strategy, but the information collected by the questionnaire does not allow to conduct an in-depth analysis and conclude which of the strategies does prevail.

For example, an organization which provides therapies for children and youth with Down syndrome has opened a café to generate revenues for offering pro bono therapies to this target group. In addition, the café serves as a place where these young people can attend life skills courses, interact with other people and learn how to behave in the work environment. The café has three full-time employees, one of which is a youngster with Down syndrome. Thus, this social enterprise pursues **both** work integration strategy and bottom of the pyramid because it delivers social services to a specific target group. In this case, bottom of the pyramid is the primary strategy and the coffee shop is a complementary activity to address the main focus of the organization, which is the provision of therapies to children with Down syndrome.

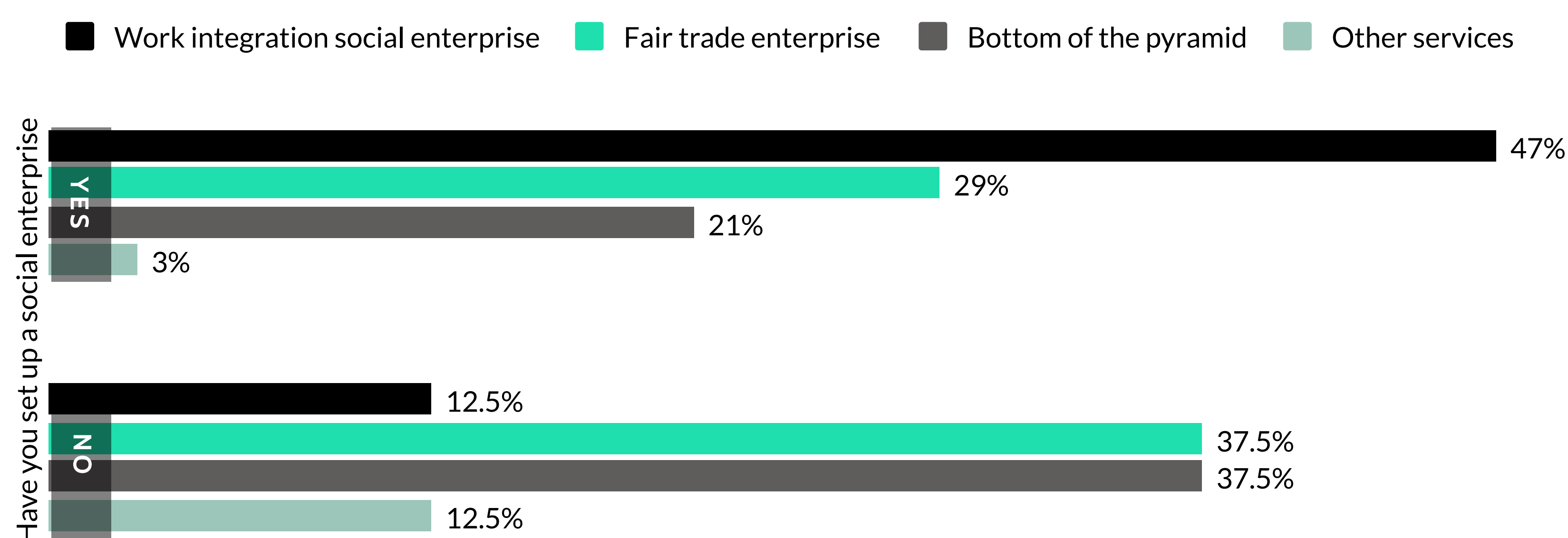
CHART 11: TYPE OF STRATEGIES THAT BETTER DESCRIBE SOCIAL ENTERPRISES ACCORDING TO THEIR LEGAL FORM (N=42)



From data analysis, it is evidenced a difference related to the strategy followed by the three legal forms. It has resulted that more than half of for-profit entities (57%) embody the fair trade strategy, followed by 43%, which fulfill their social aim through work integration of marginalized people.

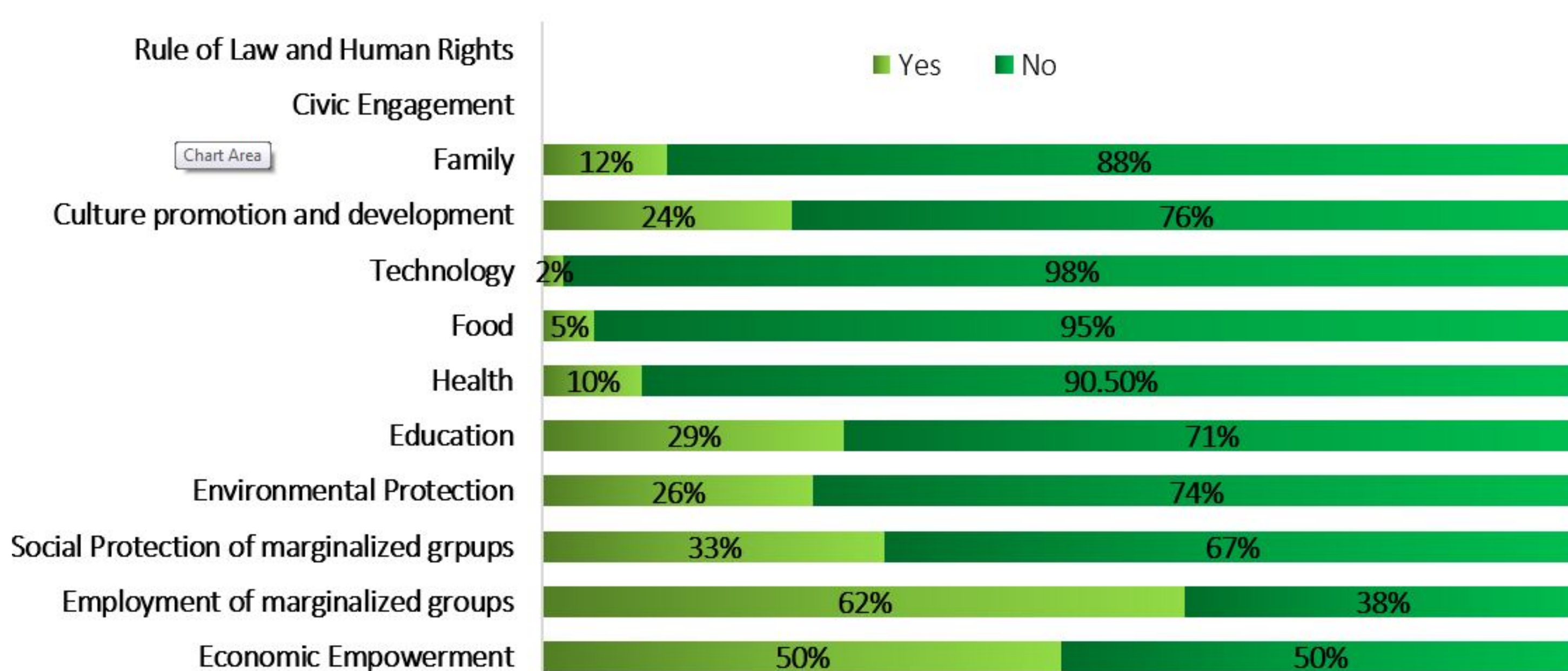
All cooperatives part of the sample embody the fair trade strategy by putting the interest of farmers first. When it comes to non-for-profit organizations, the sample is more dispersed, but the main strategies followed are work integration (44%) and bottom of the pyramid (31%) related to the delivery of social services, which is an exclusive domain of non-for-profit organizations.

CHART 12: TYPE OF STRATEGIES THAT BETTER DESCRIBE THE ESTABLISHED AND POTENTIAL SOCIAL ENTERPRISES (N=42)



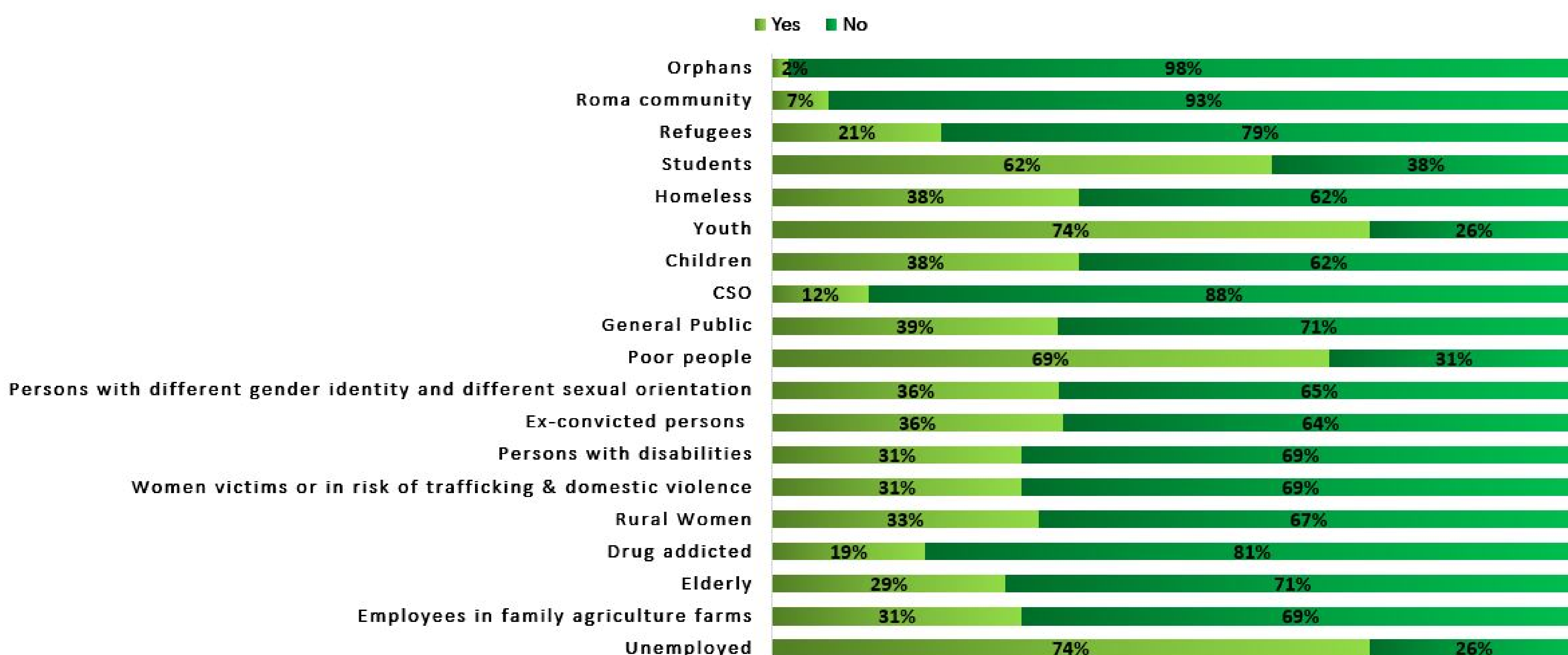
The two strategies that better describe the established SEs are work integration (47%) and fair trade (29%), while other respondents which are still in the idea phase tend to focus more on fair trade strategy (37.5%) and bottom of the pyramid strategy (37.5%).

CHART 13: SOCIAL ISSUES ADDRESSED BY SOCIAL ENTERPRISES (N=42)



Three most addressed issues by the social enterprises part of the sample are: employment of marginalized groups (62%), economic empowerment (50%) and social protection of marginalized groups (33%). It is obvious that social enterprises do not address issues such as civic engagement, rule of law and human rights.

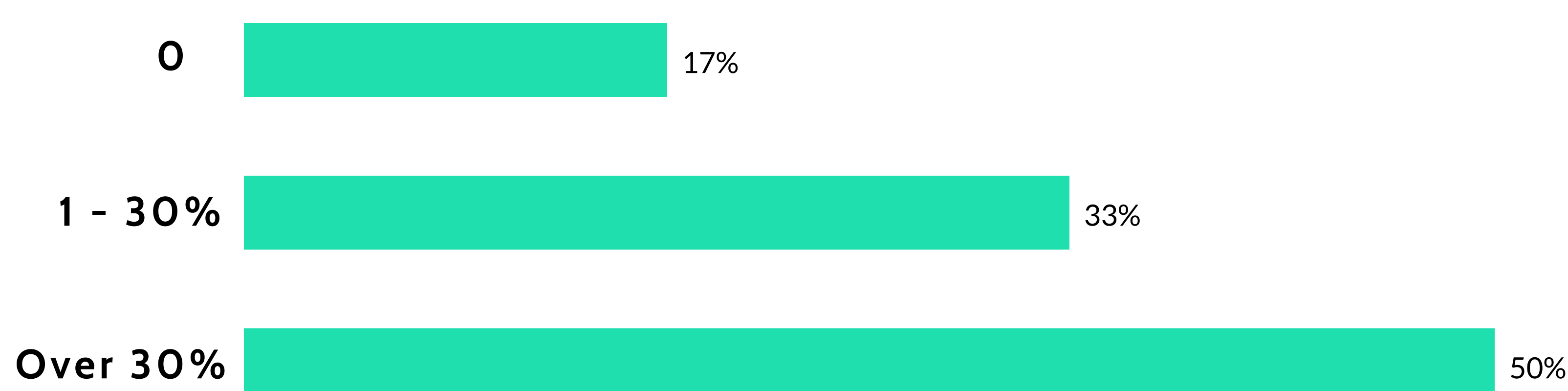
CHART 14: MOST FREQUENT GROUP OF BENEFICIARIES SOCIAL ENTERPRISES SERVE (N=42)



Three most frequent group of beneficiaries that social enterprises serve are: unemployed people (74%), youth (74%), and poor people (69%). Beside the listed groups of beneficiaries in the questionnaire, the respondents have mentioned other types of beneficiaries such as: orphans and roma community.

Social enterprises serve to their beneficiaries in different forms such as: some SEs use the revenues to serve better and more to their beneficiaries (as part of the mission that their non-for-profit organization has), while others sell services/products to their beneficiaries which belong to marginalized groups at lower price or for free.

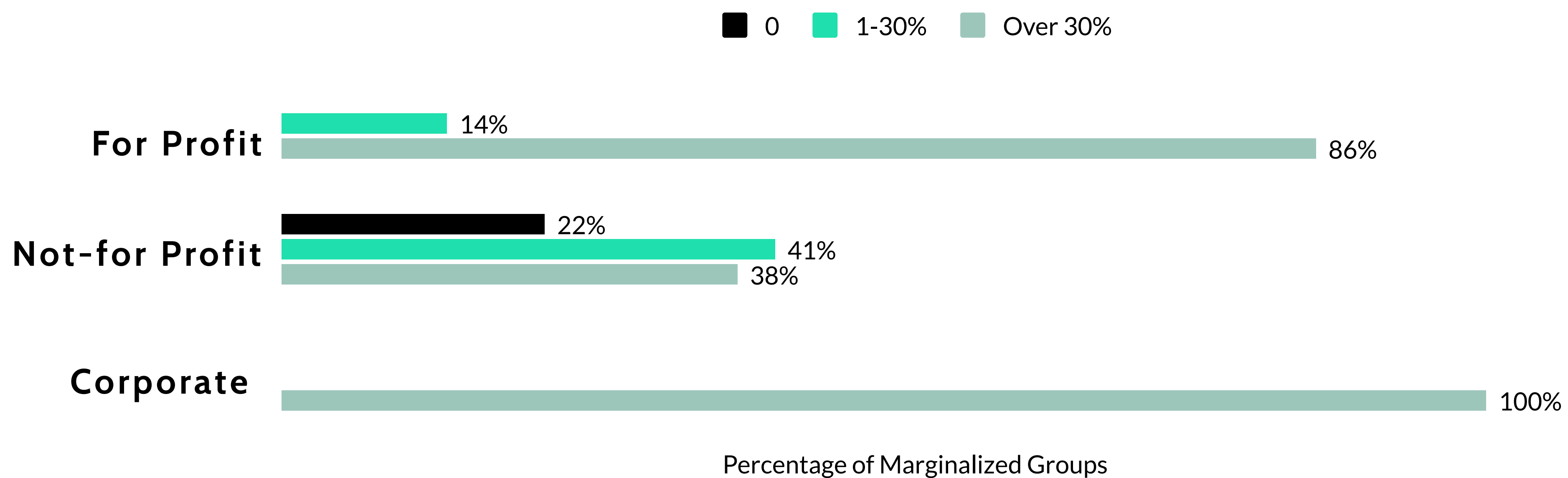
CHART 15: PERCENTAGE OF MARGINALIZED GROUPS EMPLOYED BY SOCIAL ENTERPRISES (N=42)



From data analysis resulted that **50%** of social enterprises claim that more than 30% of their total employees come from marginalized groups, followed by 33% SEs claiming that up to 30% of their employees belong to marginalized groups, and 17% have not employed people from marginalized groups.

Social enterprises claim to have integrated unemployed women and youth or those living in rural areas with scarce opportunities, Roma and Egyptian community, persons with a physical or mental disability, victims of trafficking and domestic violence, returnees, and ex-prisoners.

CHART 16: PERCENTAGE OF MARGINALIZED GROUPS EMPLOYED BY SES ACCORDING TO THE LEGAL FORM (N=42)

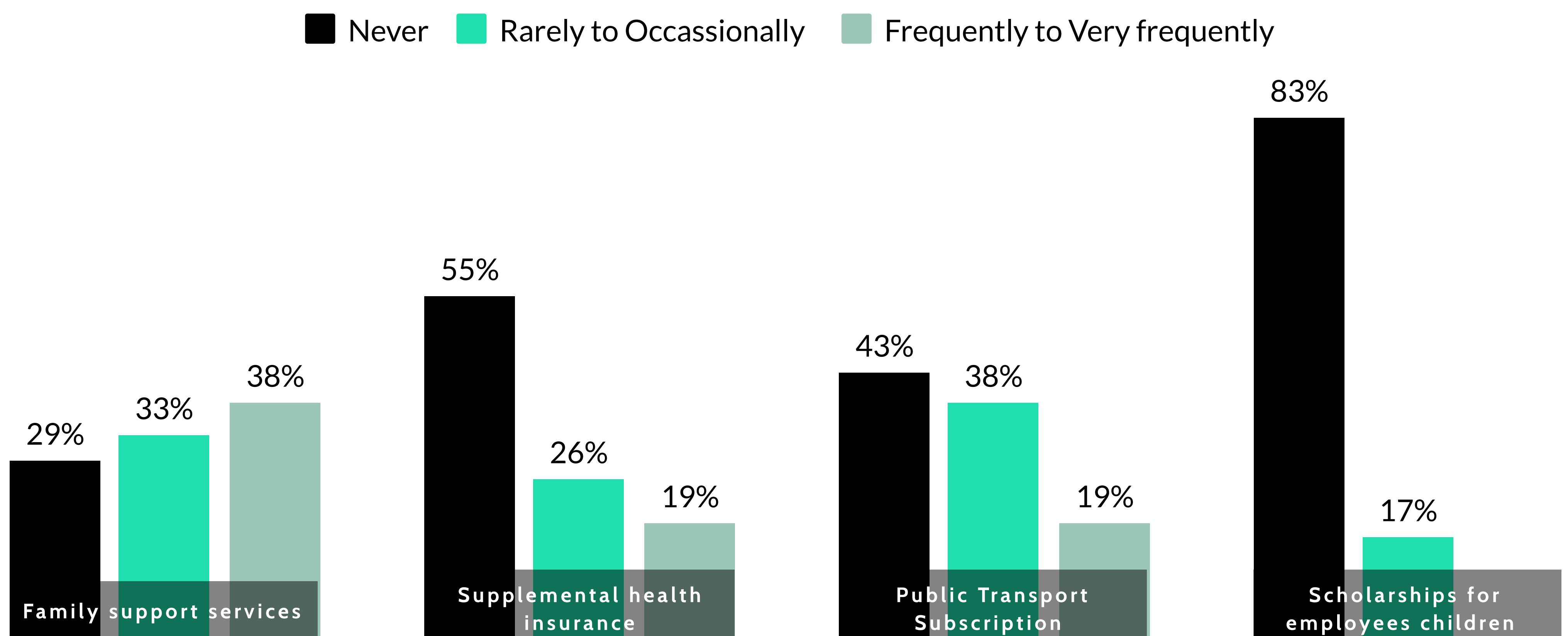


It is noticed that 86% of for-profit entities claim that over 30% of their employees belong to marginalized groups.

All cooperatives state that over 30% of their employees come from marginalized groups. Meanwhile, 41% of non-for-profit organizations have up to 30% employees from marginalized groups, while 22% of these entities have no employees belonging to the marginalized groups.

As shown by the results, there is an unused potential among for-profit entities in terms of work integration of marginalized groups rather than non-for-profit organizations, even though according to the legal framework, for-profit entities and cooperatives are excluded from obtaining the status of social enterprise.

CHART 17: SPECIFIC WELFARE INITIATIVES TOWARDS EMPLOYEE WELLBEING (N=42)



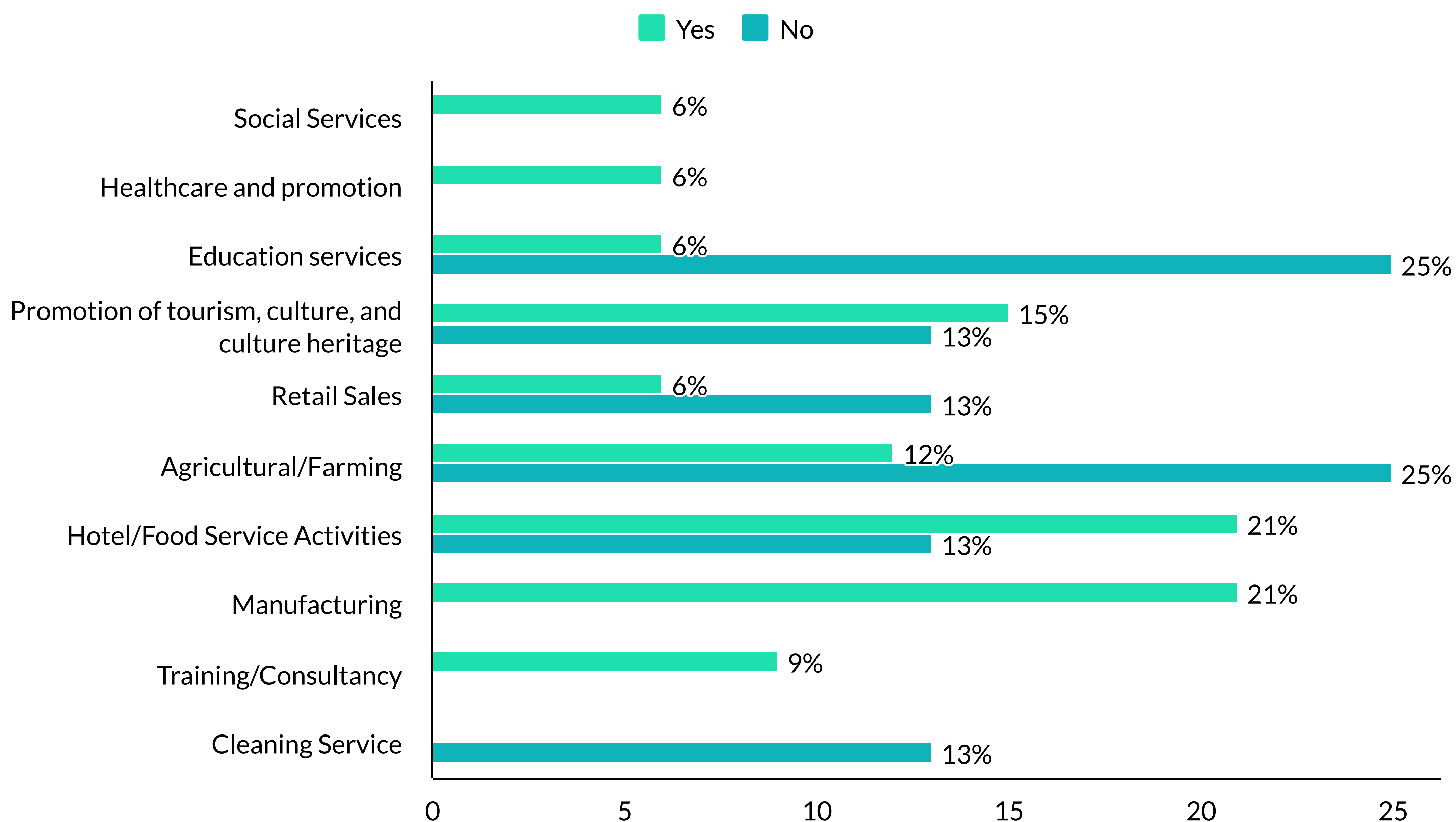
It is evidenced that social enterprises do offer family support to their employees frequently (38%), followed by 33% of them which offer this kind of support rarely or occasionally, while the remaining part does not provide such support. Public transport subscription is another incentive given to their employees at frequent basis by 19% of the sample and rarely to occasionally by 38% of SEs.

Supplemental health insurance assumed to be of primary significance is ranked the third compared to other incentives. Beside the listed incentives in the questionnaire, the respondents mentioned trainings, entertainment activities organised for their employees as incentives to motivate and grow them professionally.

ECONOMIC DIMENSION

The findings in this section are related to the economic dimension. This finding focus on revealing data related to the characteristics of these social enterprises such as the products/services offered or planned, the level of efforts these SEs put in different activities, the sources of revenues used by different legal forms, production/service provision methods, and the forms of profit reallocation.

CHART 18: THE INDUSTRY IN WHICH SOCIAL ENTERPRISES SURVEYED OPERATE OR WOULD LIKE TO OPERATE (N=42)

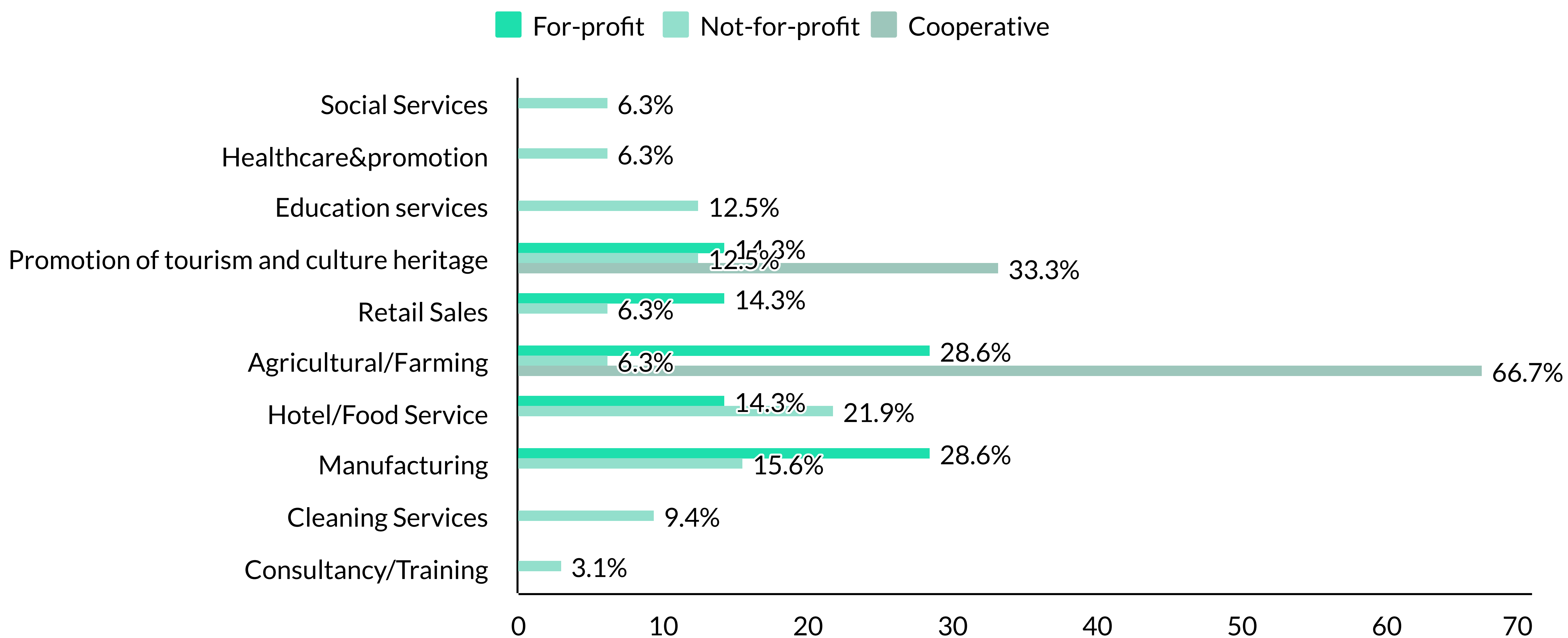


The main industries in which surveyed social enterprises operate are: hotel/food service activity (21%); followed by manufacturing (21%); social services, healthcare and educational services (18%). The trend is somehow distinct among those organizations, which have not established a social enterprise yet. The two main industries in which these entities will operate are agricultural/farming (25%) and educational services (25%).

More specifically, the services offered by those, which operate in the field of hotel/food service activity, are coffee shops, restaurants, and hostels. The products manufactured by social enterprises range from furniture, crafts, mosaics, confectionary to bio-cosmetic products. Medicinal herbs is the most prominent product when it comes to agricultural and farming industry. In general, most of surveyed enterprises combine retail sales with manufacturing. In addition, there are SEs, which offer a **combined package of products and services** such as:

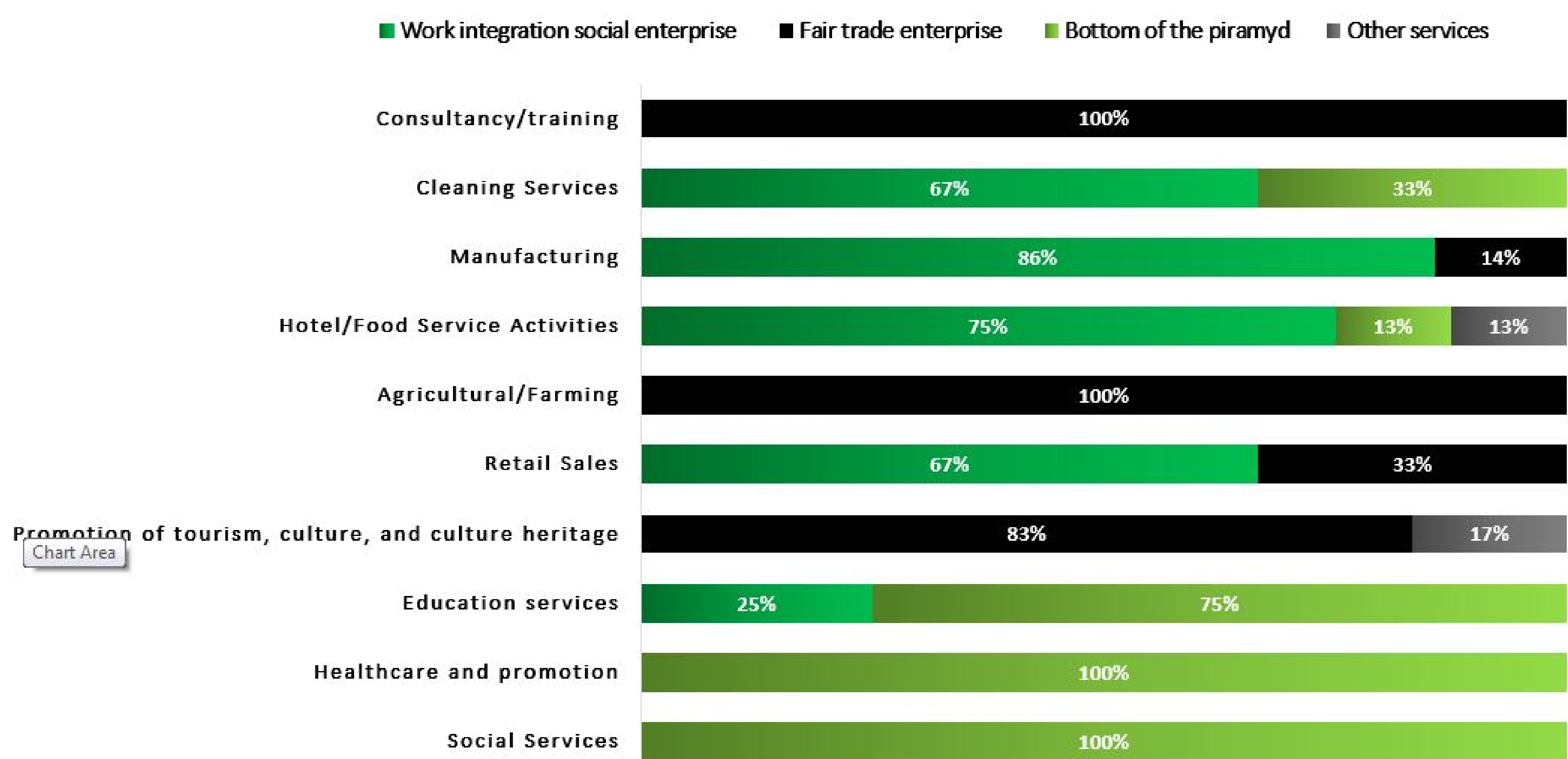
- Production of crafts or local food combined with tour packages and accommodation services;
- Foreign language courses for youngsters and a coffee shop, which serves also as a recreation space for the same target group.

CHART 19: THE INDUSTRY IN WHICH SOCIAL ENTERPRISES SURVEYED OPERATE OR WOULD LIKE TO OPERATE ACCORDING TO THEIR LEGAL FORM OF ENTITY (N=42)



Most of for-profit entities part of the sample operate in agricultural/farming (28.6%) and manufacturing (28.6%), while most of non-for-profit organizations operate in social/health/educational services (25%), followed by hotel/food services (21.9%) and manufacturing (15.6%). Cooperatives are concentrated mostly in the agricultural field.

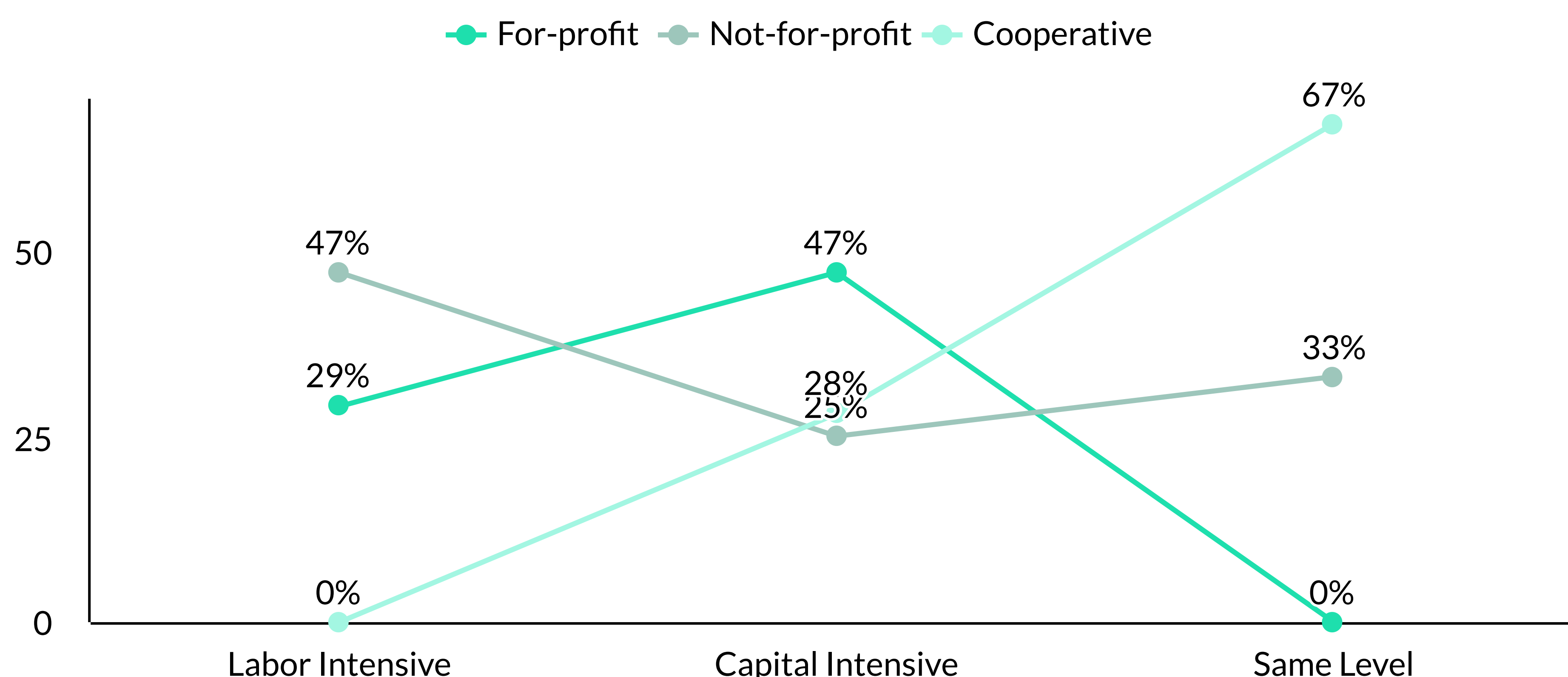
CHART 20: THE INDUSTRY IN WHICH SOCIAL ENTERPRISES SURVEYED OPERATE OR WOULD LIKE TO OPERATE ACCORDING TO THE TYPE OF STRATEGY USED (N=42)



There is a clear correlation between the industry in which SEs operate and the strategy used by them. Those SEs which offer social/health and educational services embody the **bottom of the pyramid strategy**.

SEs in the field of tourism and culture heritage, agricultural/farming and consultancy embody the **fair trade** strategy, while SEs operating in retail sales, hotel/food services, manufacturing and cleaning services mainly use **work integration** strategy.

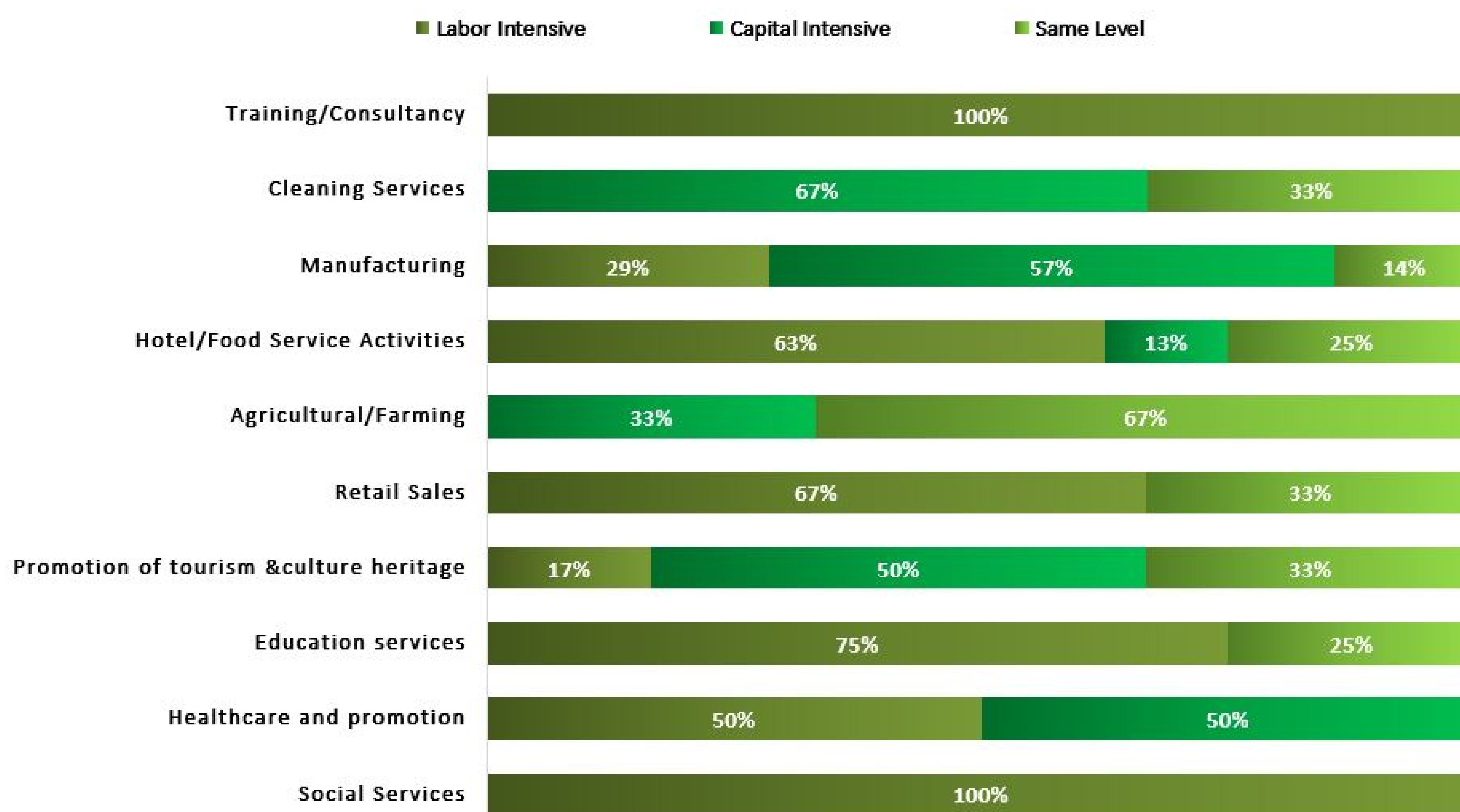
CHART 21: PRODUCTION AND SERVICE PROVISION METHODS USED BY SOCIAL ENTERPRISES ACCORDING TO THE LEGAL FORM OF ENTITY (N=42)



More than half of for-profit organizations (57%) can be considered **capital intensive**, while non-for-profit organizations use mostly **labor intensive method** (47%).

Cooperatives claim to use **both** labor and capital intensive methods to produce their products. Basically the trend in Albania is similar to social enterprises in Europe, which have to use costly production factors such as human resources, capital, and infrastructure (European Commission, 2020).

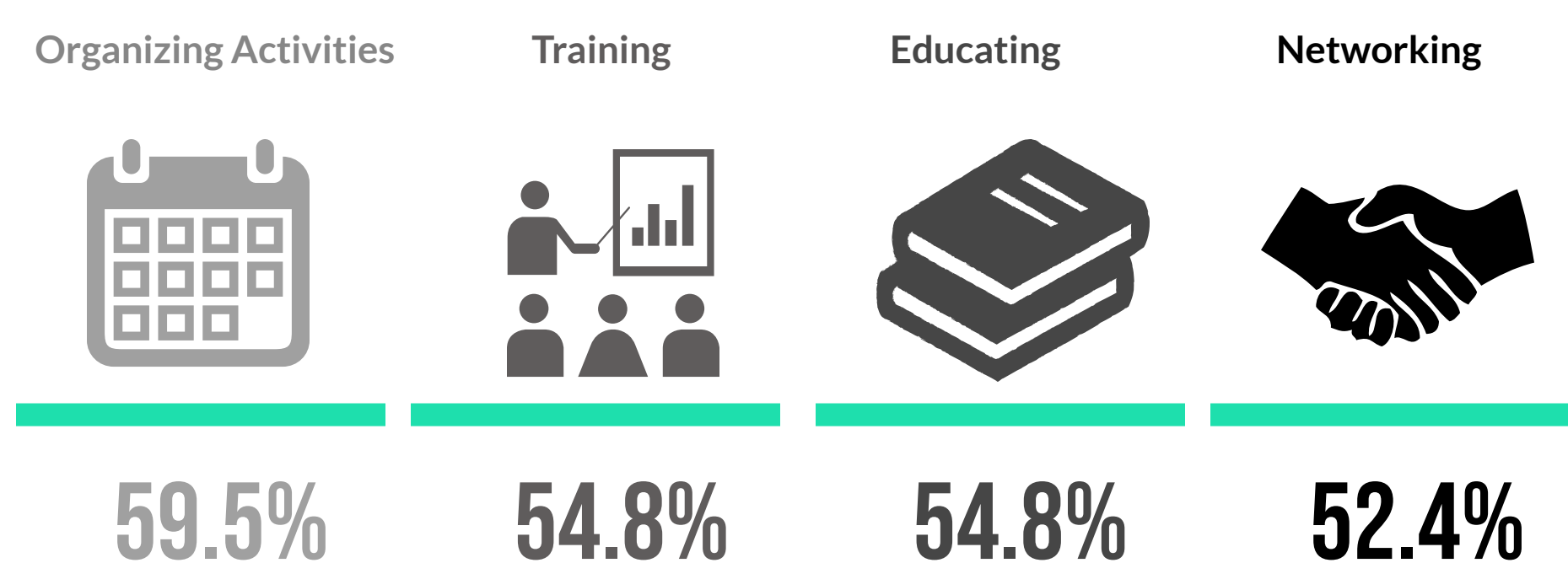
CHART 22: PRODUCTION AND SERVICE PROVISION METHOD USED BY SOCIAL ENTERPRISES ACCORDING TO THE INDUSTRY (N=42)



Social enterprises providing social & educational services, training/consultancy, hotel/food service, retail sales tend to use more **labor intensive** method. This is because the service industry relies mostly on labor force rather than automatization and investment in infrastructure.

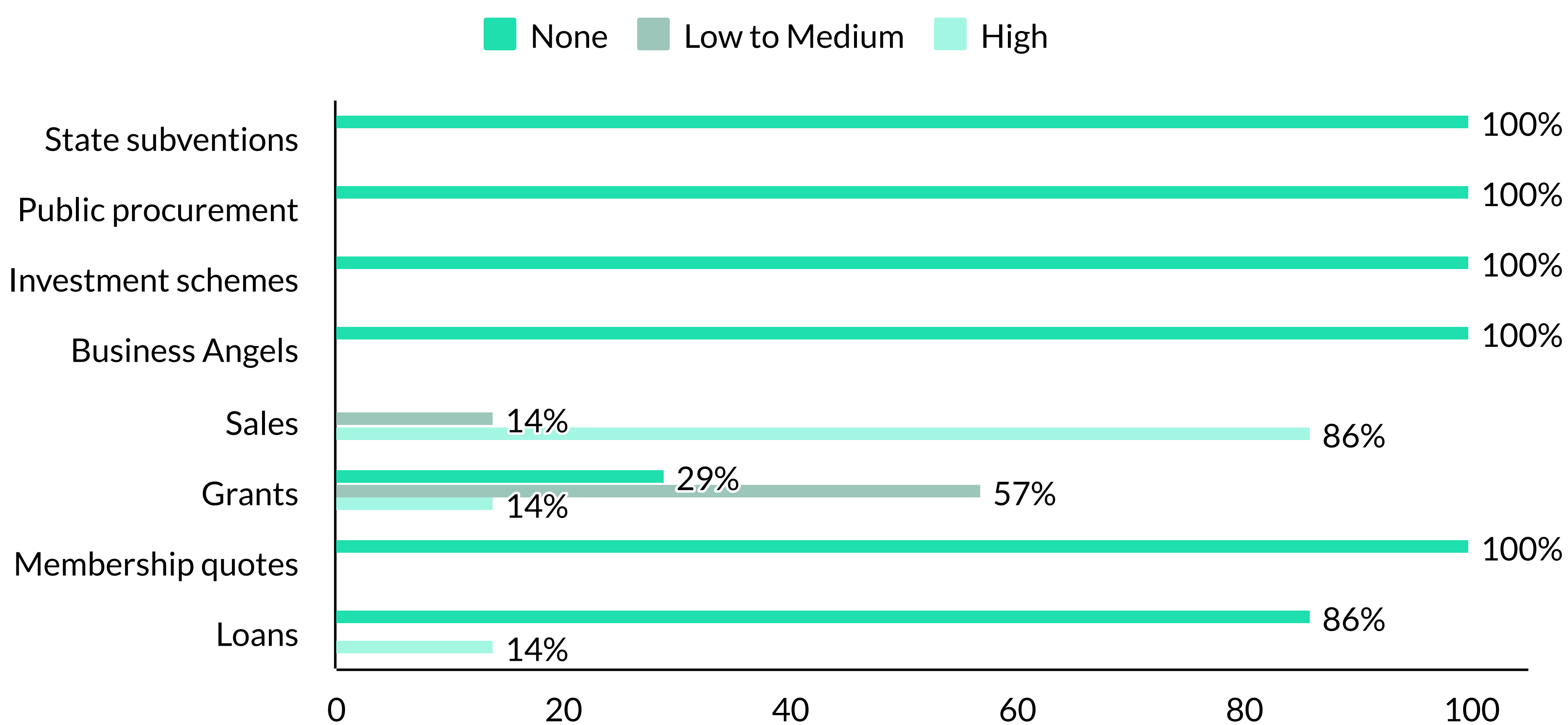
Most of SEs which operate in industries such as tourism and culture heritage, manufacturing and cleaning services claim to use **capital intensive** method, while those which operate in agricultural and farming use **both** labor and capital intensive methods.

FIGURE 7: ACTIVITIES IN WHICH SOCIAL ENTERPRISES PUT HIGH LEVEL OF EFFORT (N=42)



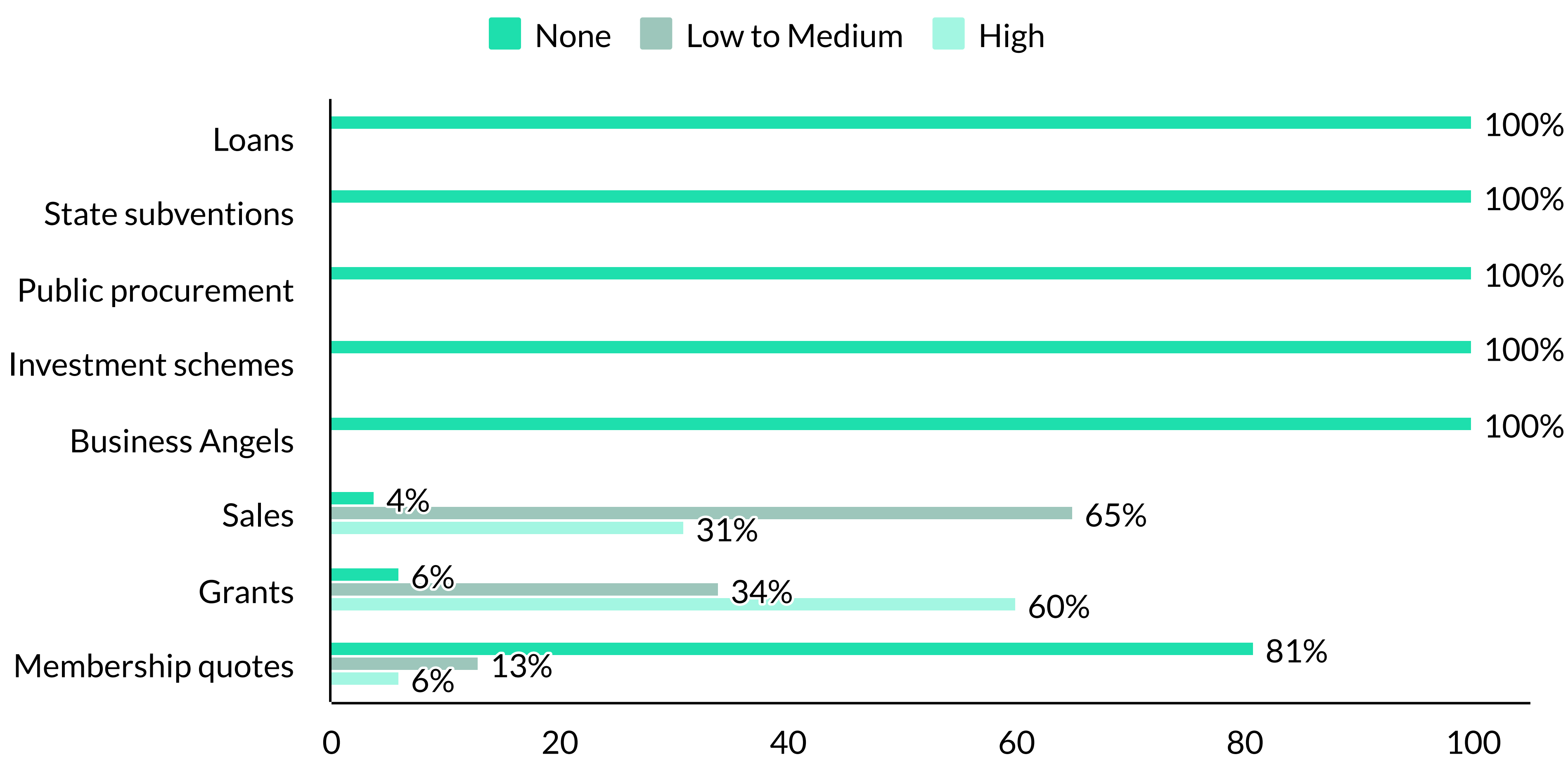
Results show that the four activities, in which social enterprises put high level of efforts during their operation are: organizing activities (59.5%), training (54.8%), educating employees, distributors, clients (54.8%) and networking (52.4%).

CHART 23: REVENUE SOURCES OF FOR-PROFIT ENTITIES (N=7)



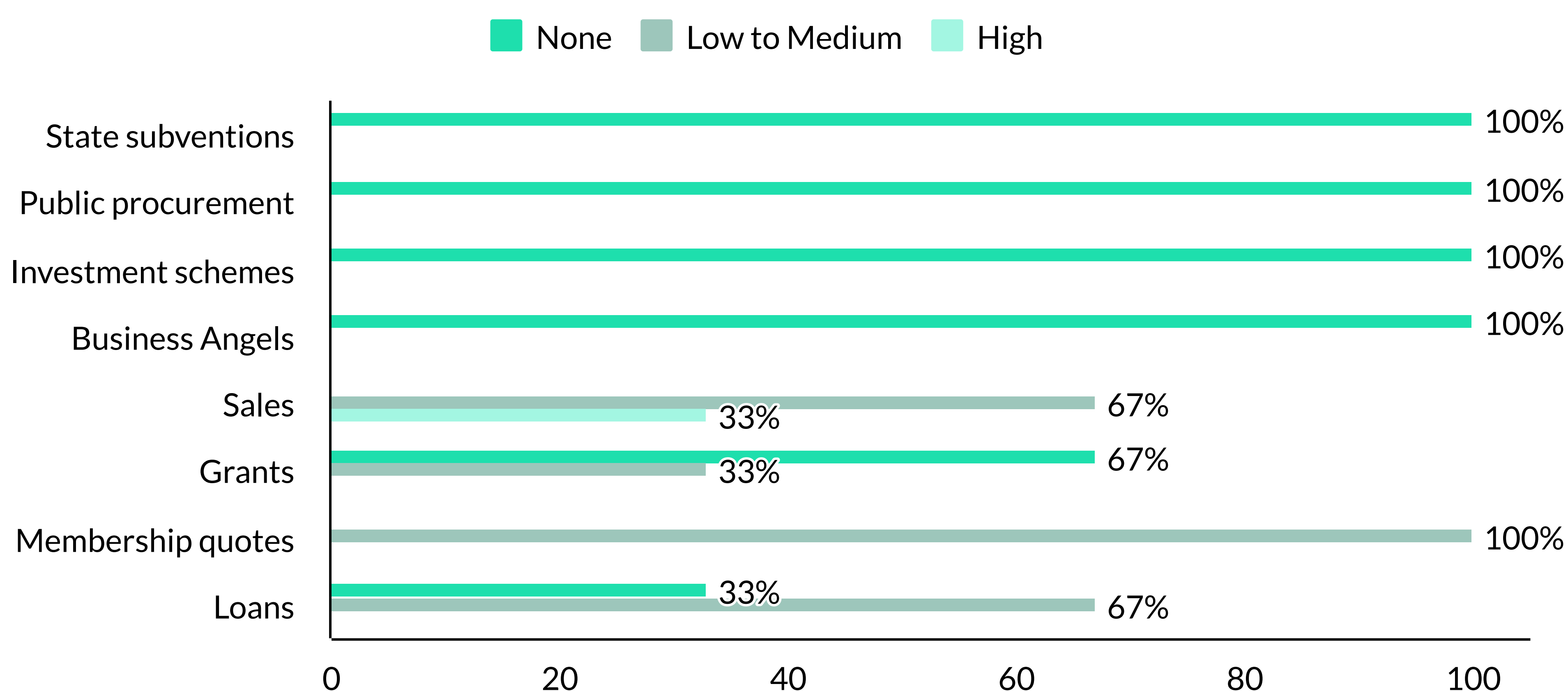
Most of the respondents (83.5%) think that it is possible to attract investors for a social enterprise that provides solutions to social problems. In the same lines, 81% of the respondents think that people would back them up if they plan to address a significant social problem.

CHART 24: REVENUE SOURCES OF NON-FOR-PROFIT ORGANIZATIONS (N=32)



Non-for-profit organizations rely mostly on grants obtained by foreign donors, followed by sales and membership quotes.

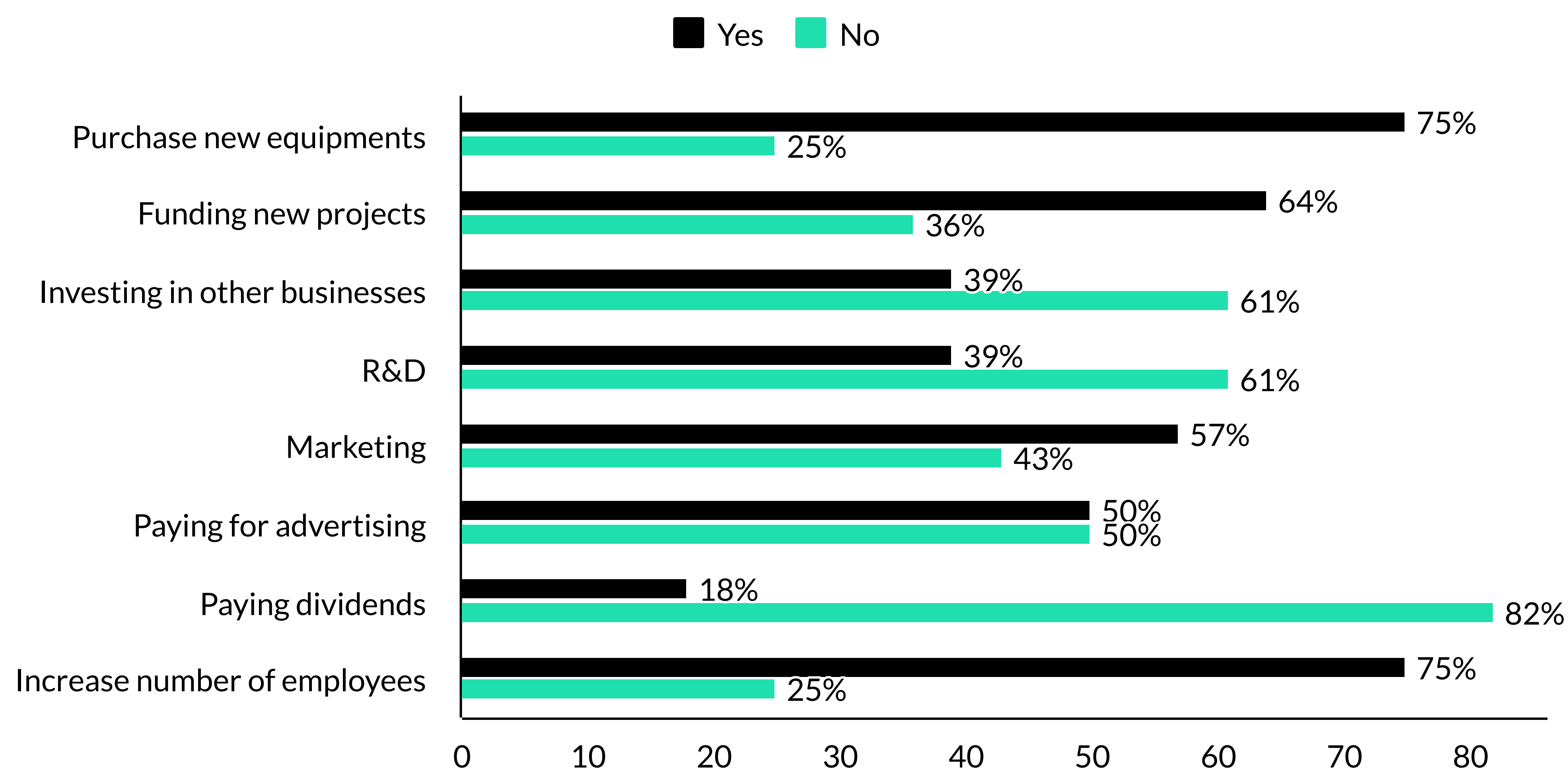
CHART 25: REVENUE SOURCES FOR COOPERATIVES (N=3)



Cooperatives rely highly on sales, followed by membership quotes, loans and at lower percentage on grants.

Despite the legal forms, it is evident that these entities **do not have diversified sources** of revenues. None of the SEs included in the sample has revenues from state subvention, public procurement, and business angels or from other investment schemes.

CHART 26: FORMS OF PROFIT REALLOCATION (N=28)



Only 28 out of 34 established social enterprises in the sample generate profits. The top forms of profit reallocation are to increase the number of employees (75%), to purchase new equipment (75%), to fund new projects (64%), and for marketing expenses (57%).

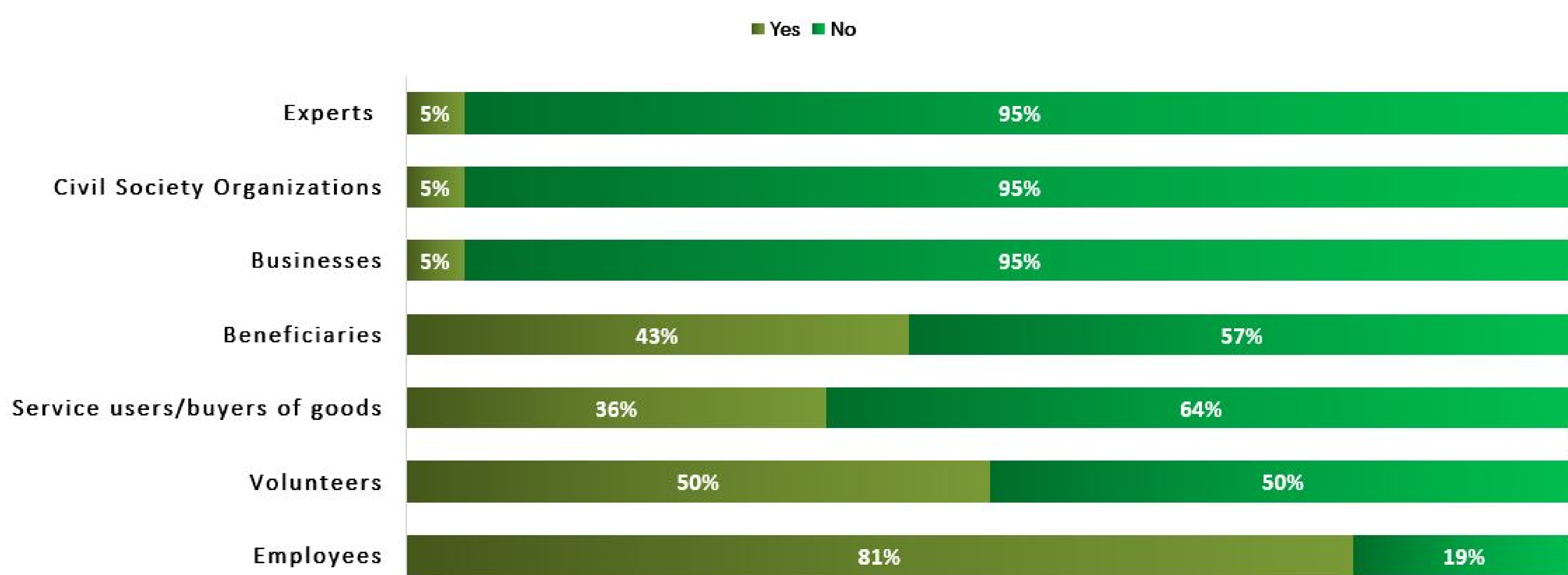
Paying dividends is the **least form** of profit distribution used by the social enterprises and intended to be used by potential SEs part of the sample. In terms of legal forms, only cooperatives^[4] and 43% of for-profit entities pay or would pay dividends at a small percentage. Non-for-profit organizations do not distribute any profit (positive balance) due to the constraints deriving from their specific form of organization.

[4] According to the Law No. 38/2012 "For Companies of Agricultural Cooperation", at least 15% of the net profit must be allocated to the compulsory reserve fund, and at least 10% of the net profit must be allocated to the provision fund. Based on the decision of the general assembly, each cooperative decides to distribute the remaining difference of the net profits to its members.

GOVERNANCE STRUCTURE

In this section the data show the decision making structure of the sample.

CHART 27: DECISION MAKING STRUCTURE COMPOSITION (N=42)



In terms of governance structure,[5] most of social enterprises part of the sample do have a participatory decision making structure. About 81% of SEs involve **employees** as part of their decision making structure, followed by 50% which involve **volunteers**, 43% that involve their beneficiaries, and 36% of SEs claim to involve service **users and buyers**. Local government is not a stakeholder involved in the decision-making structures of social enterprises.

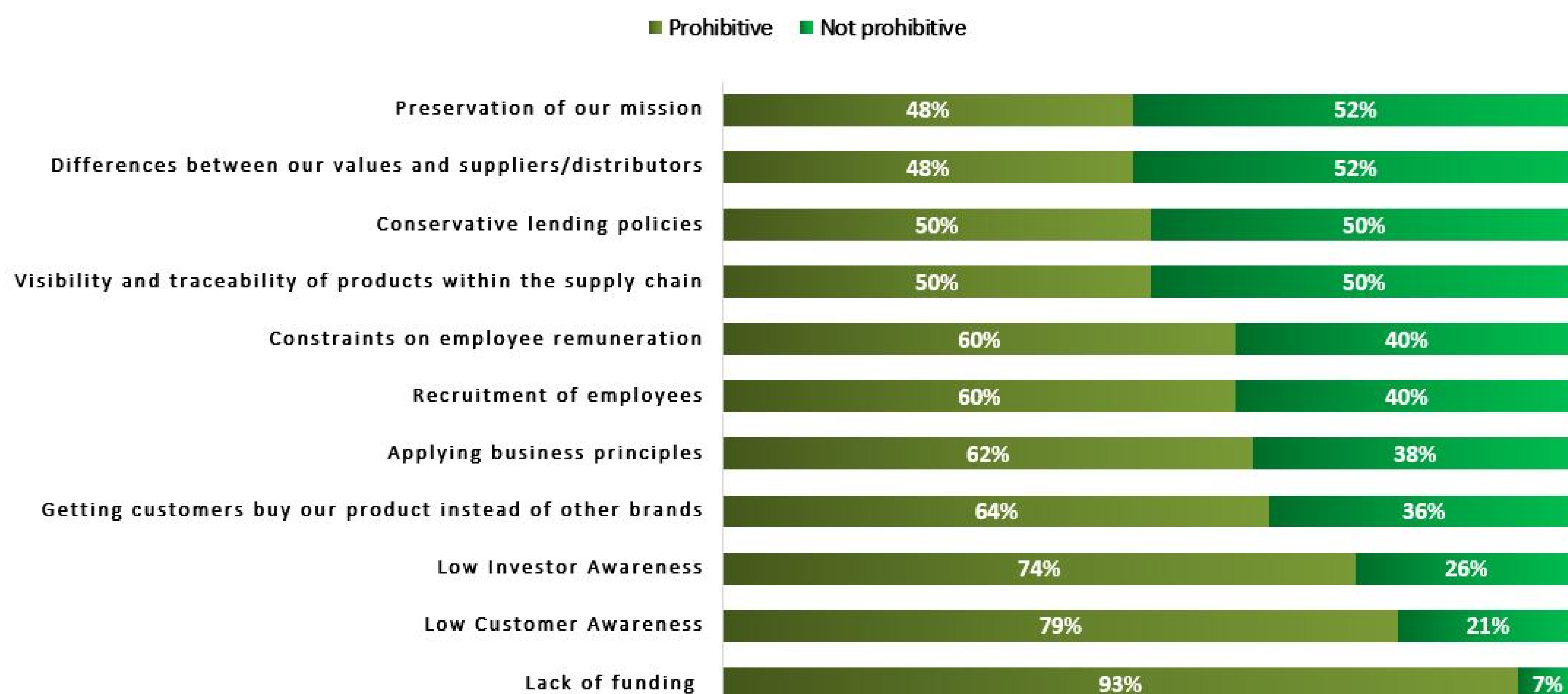
Beside the listed stakeholders in the questionnaire, some of the respondents mentioned businesses, CSOs and experts (former employees) which are part of their boards of directors or general assemblies. When analyzing the composition of the governance structure according to the legal form, it is evidenced that **non-for-profit organizations** are those, which involve mostly **beneficiaries** as part of their decision-making. In addition, **67%** of non-for-profit organizations and all cooperatives involve **volunteers** as part of their decision-making structures, while for-profit entities do not involve volunteers since these entities do not rely heavily in voluntary work.

CHALLENGES AND NEEDS IDENTIFIED BY SOCIAL ENTERPRISES

In this section, there are presented the findings on the challenges faced by established and potential social enterprises, as well as the needs they have in order to grow steadily. Surveyed social enterprises expressed their approach towards the current legal framework and tax treatment, which is presented under this section, too.

[5] The answers are based on the self-declaration of the respondent and the researcher have not taken any proof to verify their answers.

CHART 28: CHALLENGES INFLUENCING SOCIAL ENTERPRISES' GROWTH (N=42)



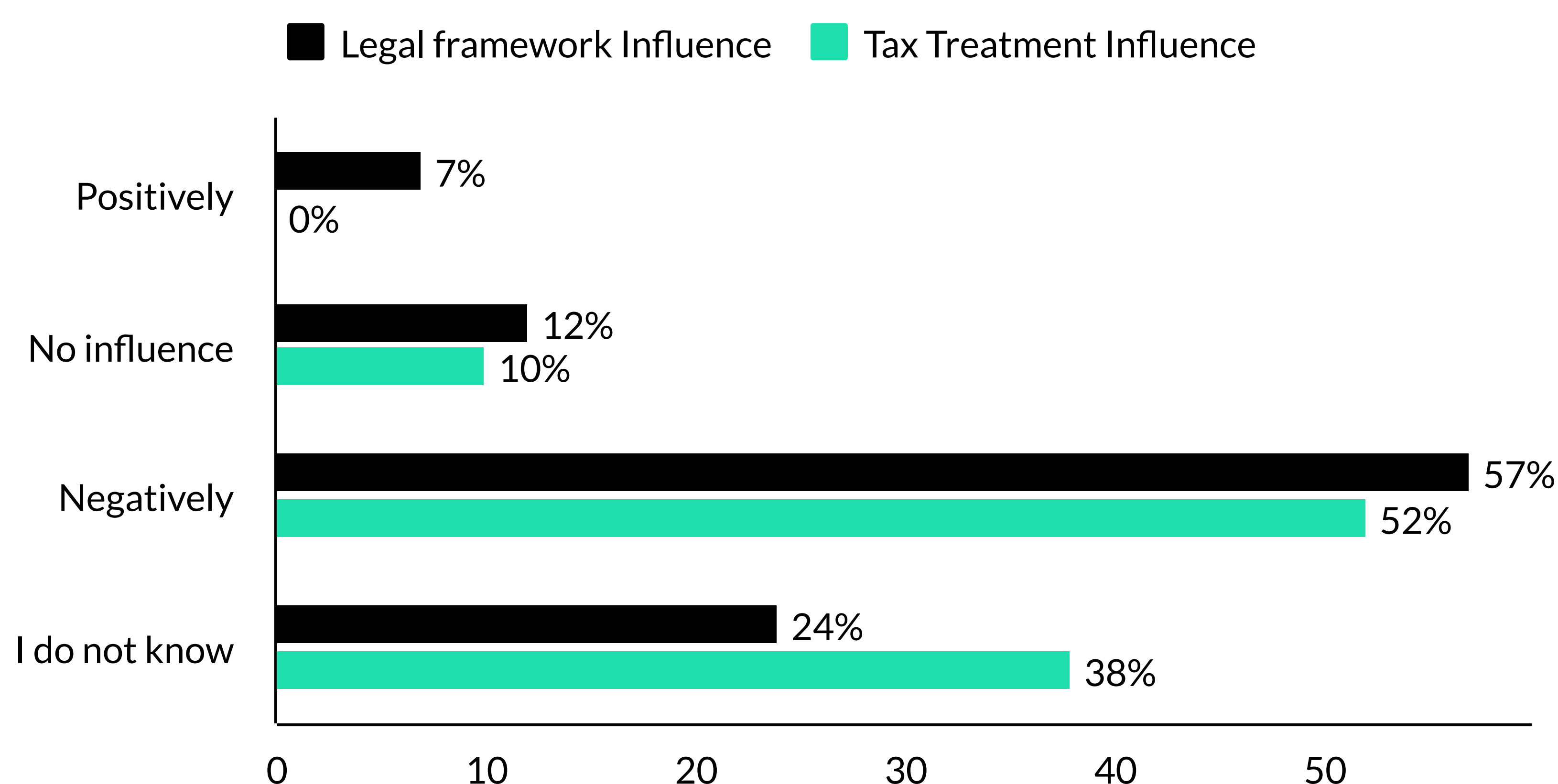
The SEs were asked whether certain challenges could hinder their growth. It was resulted that the top three challenges prohibiting the growth of these entities are lack of funding (93%), low customer awareness (79%), and low investor awareness (74%). Different legal forms have different perceptions about certain challenges encountered.

Preservation of the mission is a challenge only for non-for-profit organizations, due to the fear of deviation from their social mission. Likewise, applying business principles poses a challenge only for non-for-profit organizations due to their non-profit approach. Non-for-profit organizations have difficulties to develop a business mindset and compete in a market with the conventional businesses.

SEs identify certain skills and knowledge that need improvement such as seizing new opportunities in the market, financial management, marketing, networking, and designing sustainable solutions for social problems. Beside the listed options, the respondents mentioned lack of skills on sales and business plan development.

Non-for-profit organizations and cooperatives express a higher need to develop the skills on market research rather than for-profit entities. Potential SEs point out a more pressing need on social entrepreneurship concepts and risk management rather than established SEs.

CHART 29: THE INFLUENCE OF THE CURRENT LEGAL FRAMEWORK AND TAX TREATMENT TO THE DEVELOPMENT OF SOCIAL ENTERPRISES (N=42)



Most of the respondents (57%) consider that the current legal framework is influencing their development **negatively**, followed by 24% of the respondents, which do not know how it will influence their development, and 12% of SEs, which do not see any influence at all.

Only 7% consider that the current legal framework will influence positively the development of social enterprises. Likewise, most of the respondents (52%) consider that the current tax treatment has a **negative** influence, followed by 38% of the respondents who do not know at all how it can affect social enterprises, and 10% who think there will be no influence at all.

Both non-for-profit organizations which have obtained the status of social enterprise, part of the sample, consider the tax treatment to have a **negative influence** on their development.

Some of the respondents' opinions on the legal framework are:

"The legal framework is unclear and not helpful"

"The legal framework is too restrictive"

"The legal framework considers social enterprises as public institutions which have to depend on the state support"

"The law does not provide any financial support and it gives priority only to those which employ marginalized groups" – stated by social enterprises which have obtained the status.

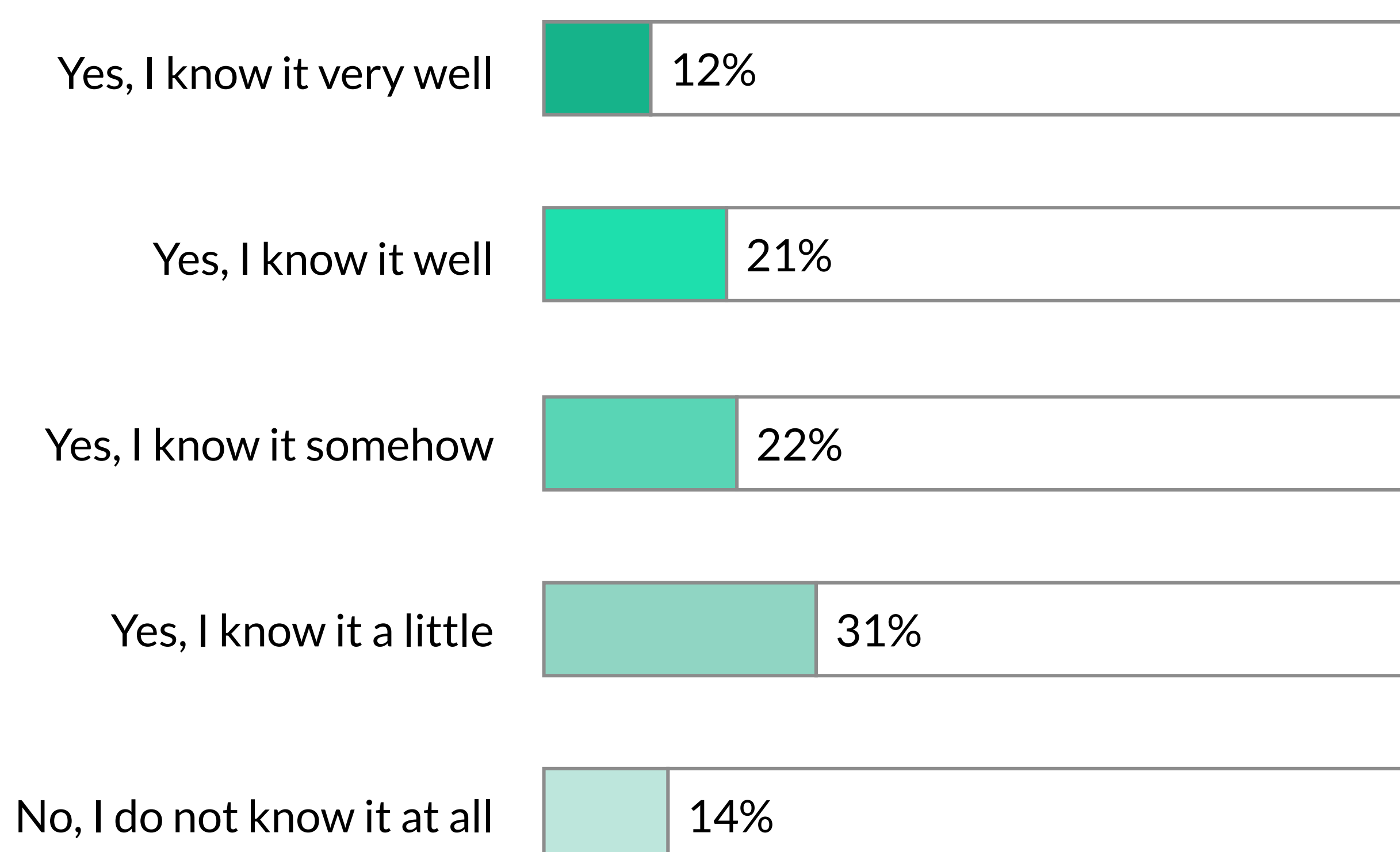
Some of the respondents' opinions on the legal framework are:

"It is unclear and there is not a differentiated treatment for social enterprises"

"There is need for fiscal incentives if they want to keep our social enterprise afloat"

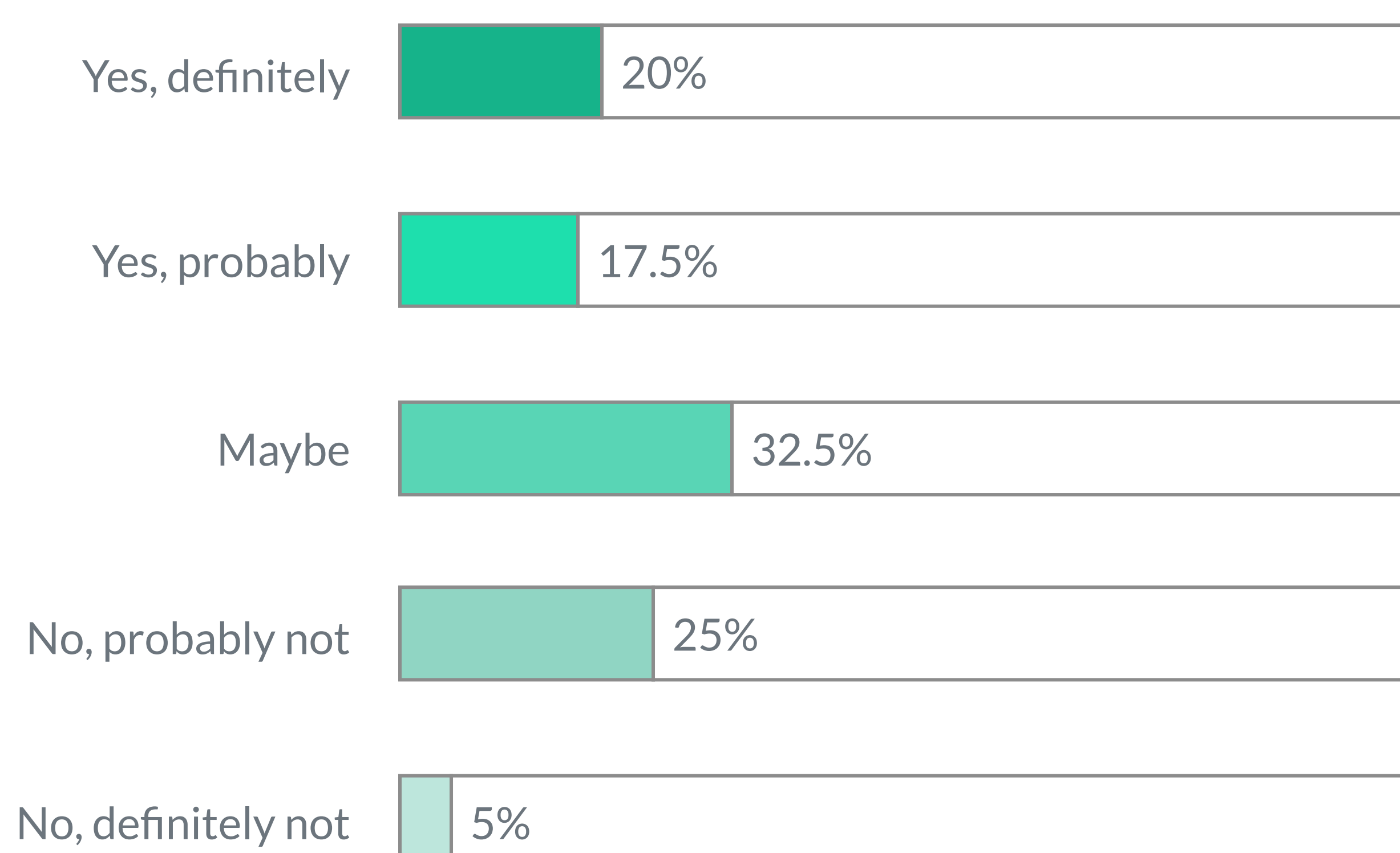
"Even though we have to employ marginalized groups, we do not benefit any fiscal incentive"

CHART 30: INFORMATION ON THE LEGAL FRAMEWORK ON SOCIAL ENTERPRISES (N=42)



Only **33%** of the respondents knows the legal framework well or very well. The remaining part have no knowledge at all, or little knowledge on it. Disaggregated by the legal form, it results that for-profit entities and cooperatives have **less knowledge** compared to non-for-profit organization. This happens also due to their exclusion from the legal framework and as a consequence, they have not been part of information sessions or roundtables organized by the Ministry of Health and Social Protection.

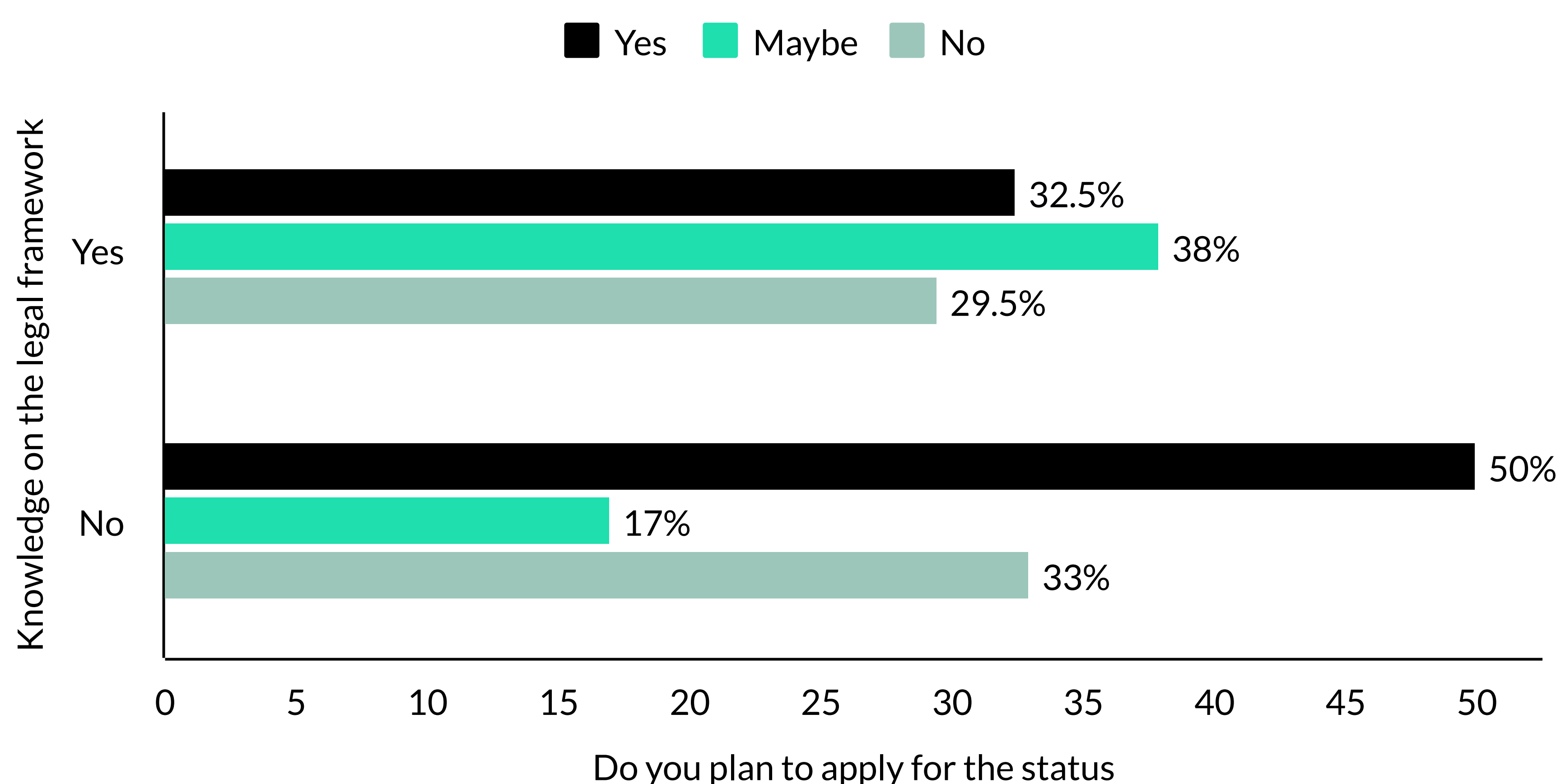
CHART 30: INFORMATION ON THE LEGAL FRAMEWORK ON SOCIAL ENTERPRISES (N=42)



About 30% of the sample has responded that they are **not going to apply** for a status, while 32.5 % of the respondents are **undecided** and 37.5% think to apply for the status in the future.

The respondents who do not want to apply for the status, provide as reasons for this decision the many restrictions comprises by the legal framework and lack of incentives hindering the development of social enterprises. Those who are indecisive about obtaining the status express that the legal framework is still unclear for them and there is not much information available from the ministry in charge.

CHART 32: APPLICATION FOR THE STATUS ACCORDING TO THE KNOWLEDGE ON THE LEGAL FRAMEWORK (N=40)



It is evidenced that **68%** of the respondents who have knowledge on the legal framework either do not consider applying for the status or are undecided, while **50%** of those who do not know the legal framework want to apply for the status of social enterprise. Therefore, this evidence shows that the willingness to apply for the status is accompanied with a lack of information on the current legal framework and its conditions.

CONCLUSION

Below are presented the conclusions of the study based on the qualitative and quantitative data analysis.

CHARACTERISTICS OF SOCIAL ENTERPRISES

- This baseline validates the findings of previous studies that the phenomenon of social enterprises is **relatively new** and has emerged over the last two decades. Most social enterprises have started their activity by registering as **non-for-profit organizations**, but the eco-system comprises also other legal forms such as **for-profit** entities and **cooperatives**. Most of social enterprises recently established have chosen for-profit legal form to register their entity. For-profit legal form is considered as the most convenient form of registration to operate as social enterprise due to the flexibility in terms of the type of economic activities conducted and less operational barriers compared to the other legal forms.
- The majority of social enterprises in the sample have **1-5 full-time employees**. This fact has not changed since from the study conducted 4 years ago (Partners Albania, 2016). Apparently, it is difficult for social enterprises to expand their capacities and workforce while their income sources are very few and they operate without any fiscal incentive.
- The results show that in Albania, social enterprises apply four main strategies: a) work integration; b) fair trade enterprise; c) bottom of the pyramid; d) others operating in the field of tourism and culture heritage using social innovation, which are in line with the main clusters identified by the European Commission in 2011. The two main strategies identified in the sample are **work integration of marginalized groups** and **fair trade enterprise** strategy. There is a correlation between the strategy used by the social enterprise and the legal form. Among for-profit entities dominates the **fair trade enterprise** type followed by **work integration**, while among non-for-profit organizations prevails **work integration** and **bottom of the pyramid** strategy. Only non-for-profit organizations embody the bottom of the pyramid strategy, which consists in delivering social/health/educational services to a certain group of beneficiaries. **Social services** is an exclusive domain of non-for-profit organizations, where neither public institutions, nor businesses can deliver. Meanwhile, all cooperatives follow fair trade strategy, putting the interest of farmers first as the main beneficiary of cooperatives.

SOCIAL DIMENSION OF SOCIAL ENTERPRISES

- The main industries in which established social enterprises operate are **hotel/food service activity**, followed by **manufacturing, social services, healthcare** and **educational services**. When it comes to potential social enterprises, there is a concentration mainly in industries such as **agricultural/farming** and **educational services**. Most of social enterprises provide more than one product or service. They offer a mix of products and service packages such as hostels, restaurants, tour packages, local food manufacturing. Many of them pursue vertical integration strategy by simultaneously manufacturing and providing retail sales of their own products.
- In terms of production and service provision method, social enterprises use both methods. There is a distinction between the legal form and the type of production method. Most of for-profit entities use **capital-intensive** method, while most of non-for-profit organizations rely on **labor-intensive** method. Apparently, businesses invest more on automatized processes such as machineries and infrastructure. Cooperatives operating in agricultural and farming industry claim to use both labor and capital intensive methods to produce and provide their products. The type of production and service provision method is very interrelated with the industry in which the social enterprise operates. Social enterprises which provide services rely predominantly in labor force, while other industries such as tourism, manufacturing, cleaning services invest more in machineries, equipment and require more capital compared to other industries.
- Regarding the revenue sources, unlike other countries social enterprises in Albania rely on few resources such as sales, grants, membership quotes. **Sales** comprise the most common revenue source mainly for for-profit entities and cooperatives, whilst non-for-profit organizations rely mostly on **grants** given by foreign donors. While for most European countries **state support and public contracts** are of utmost importance for the sustainability of SE sector, in Albania this type of support is almost inexistent. Alternative forms developed in other countries such as **business angels investment, social impact investment** are unknown for the sector in Albania and actually do not represent a source of income for SEs. Surviving in the market becomes very challenging for social enterprises if taking into account the specific type of services offered by SEs, their social mission, the tough competition with the conventional business, and the lack of revenue sources.
- In terms of profit, **few** social enterprises manage to generate profit from the sales of their products/services. The most common forms where these social enterprises reallocate profits are **a) increase number of employees; b) purchase new equipment/machineries; c) fund new projects; d) marketing expenses**. Only for-profit entities distribute a small percentage of their profits in the form of shares/dividends.

ECONOMIC DIMENSION OF SOCIAL ENTERPRISES

- Social enterprises pursue **predominantly social aim** rather than the economic one, a trend widespread in many European countries. However, there is a significant correlation between the goals pursued and the legal form. While the majority of for-profit entities pursue **primarily the economic aim**, non-for-profit organizations and cooperatives pursue **mainly the social aim**.
- Findings show that **over 30%** of the total employees in most of social enterprises come from different marginalized groups. For-profit entities and cooperatives seem to have a **large percentage** of their employees from **marginalized groups**. Even though, the legal framework “On Social Enterprises in Albania” leaves out cooperatives and for-profit entities, these evidences show an unused potential which needs to be supported and not to be kept out of the governments’ attention.
- Three most frequent groups of beneficiaries that social enterprises serve are **unemployed people, youth, and poor people**. Social enterprises serve to these beneficiaries in different ways. Some of them get the services for free or at lower price than the other customers. Meanwhile, there are social enterprises that use the profit-generated from the economic activity to **serve better and at a larger scale** to these beneficiaries as part of their mission.
- Three most addressed social issues by the social enterprises part of the sample are **employment of marginalized groups, economic empowerment, and social protection of marginalized groups**. Issues such as civic engagement, rule of law, human rights are not part of social enterprises’ focus. The Law No.65/2016 “On Social Enterprises in Albania” 1 does not allow distributing any kind of profit, even though in other countries it is recognized by law that a certain percentage of profits could be distributed to the social entrepreneurs (Partners Albania, 2019).

GOVERNANCE STRUCTURE DIMENSION OF SOCIAL ENTERPRISES

- Social enterprises have somehow a participatory governance structure through involving **employees, beneficiaries, volunteers and service users/buyers**. Beneficiaries comprise a target group, which is involved mostly in the decision-making structures of non-for-profit organizations. Volunteers are also involved in the decision-making exclusively by non-for-profit organizations and cooperatives since these entities rely more in voluntary work than for-profits.

CHALLENGES AND NEEDS IDENTIFIED BY SOCIAL ENTERPRISES

- Access to finance remains the most prominent challenging issue for the SE sector in Albania. SEs mention lack of funding, low customer awareness and low investors awareness as the main challenges faced by them. These are common challenges for the sector even in Europe. Due to the sector's specific nature, beneficiaries they serve, and social mission, investors consider social enterprises as high-risk investments accompanied with a lower return rate. Non-for-profit organizations in particular find some issues such as preservation of the mission and the application of business principles more challenging than other entities. Since non-for-profit organizations serve primarily to their social mission, it is strenuous for them to have a business mindset and compete fairly with the conventional business.
- Being agile and seizing new opportunities in the market, financial management, marketing, networking, design sustainable solutions to their social problems, business plan development and sales represent the most pressing needs for SEs in terms of knowledge and skills. Non-for-profit organizations claim to have a much higher need to improve market research skills rather than other entities. Whilst potential SEs compared to established ones need to improve more their knowledge on risk management and social entrepreneurship concepts.
- Most of the social enterprises consider tax treatment and the current legal framework as challenges, which are affecting **negatively** the development of the sector. The absence of fiscal incentives even for social enterprises employing marginalized groups, accompanied with the vagueness and the restrictions posed by the legal framework in place put a big question mark on the future growth of social enterprises in the country.
- From the findings, it is evidenced a **poor knowledge** of the legal framework in place. Most of social enterprises either have **no willingness** to apply for the status of social enterprise, or **hesitate** due to the bureaucracies and uncertainties deriving from the law. Surprisingly, the finding show that those who are willing to apply for the status have poor knowledge, or no knowledge at all about the legal framework. In terms of legal forms, for-profit entities and cooperatives have **less knowledge** compared to non-for-profit organizations. Since these entities are not subject of the legal framework, their exposure towards the law, bylaws and decisions approved is very scarce. Taking into consideration the potential that for-profit entities and cooperatives represent, the exclusion from the legal recognition would be suppressing for the further development of the sector as a whole.

RECOMMENDATIONS

The following recommendations stem from the survey findings and provide information about possible areas of intervention to encourage the development of social enterprises in the future.

CREATING AN ENABLING LEGAL AND OPERATIONAL ENVIRONMENT FOR THE DEVELOPMENT OF SOCIAL ENTERPRISES IN ALBANIA.

- The findings show lack of knowledge on the current legal framework, and as many social enterprises point out the ambiguity of the law accompanied with lack of fiscal incentives. Firstly, the Ministry of Health and Social Protection jointly with other stakeholders working in the SE eco-system should increase the visibility of the legal framework through organizing awareness campaigns, information sessions targeting the established and potential social enterprises. The ministry should provide practical guidance and further clarifications of the procedures on which the status is issued to all organizations, which are willing to apply for the status.
- The roundtables between the Ministry of Health and Social Protection, social enterprises, and other related stakeholders will serve as a medium to discuss about possible amendments to the Law No. 65/2016 “On Social Enterprises in Albania” .1 Provision of fiscal incentives and the revision of penalties and restrictive conditions related to social, economic and governance structure would enable established and potential SEs to contribute in a sustainable way to their social mission and scale up their activities.[6]

CREATION OF ADDITIONAL AND NEW FUNDING OPPORTUNITIES TO SUPPORT THE ESTABLISHMENT OF NEW SES AND SCALING UP THE ESTABLISHED ONES.

- The findings show that social enterprises have poor revenue resources, encounter challenges in accessing funds and register low levels of profits. Taking into consideration the international experience that SEs depend highly on public contracts and state support, the local government should procure social services through SEs and build direct partnerships for specific products/services.
- The state should stimulate all SEs and in particular work integration social enterprises with subsidies for the employees, VAT reduction, and profit tax exemption. International best practice does provide numerous fiscal incentives to stimulate social enterprises activity.[®] Social enterprises need to get a broader exposure towards other alternative forms of funding such as business angels, social impact investment, and equity crowdfunding.[®] Provision of soft loans that recognize the social impact have to be in the focus of the banking sector in Albania.
- Financial mechanisms dedicated to all types and legal forms of social enterprises should be provided by local and foreign donors;

[6]For more information on the legal framework: Partners Albania, 2019 “Analysis of the legal framework on Social Enterprises in Albania”. Available at: <http://partnersalbania.org/wp-content/uploads/2019/07/Analyses-of-legal-framework-on-social-enterprises-in-Albania.pdf>

INCREASE THE CAPACITIES OF THE ESTABLISHED AND POTENTIAL SOCIAL ENTERPRISES IN ALBANIA.

- Based on the needs and challenges identified by established and potential SEs, the training programs should address in particular topics such as the agility to seize new opportunities in the market, market research, PR & communication, financial management, problem solving, business plan development, sales, risk management, and social entrepreneurship;
- Training programs should be designed as fully-fledged packages including workshops, mentoring, coaching, networking and funding opportunities;
- Introduction of social enterprises to national and international networks aiming to have better and organized advocacy initiatives related to the challenges concerning social enterprises' sector.
- More cross-sectoral activities among donors, social enterprises, businesses, and public institutions should be organized with the main purpose to expand the opportunities for concrete investments in SE sector.

REFERENCES

- Borzaga, C., Poledrini, S., & Galera, G. (2017). Social Enterprise in Italy: Typology, Diffusion and Characteristics. Euricse Working Papers, 96(17).
 Url: https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3036384_code515373.pdf?abstractid=3036384&mirid=1
- Defourny, J., & Nyssens, M. (2012). The EMES approach of social enterprise in a comparative perspective. Brussels, Belgium: EMES European Research Network.
 Url: http://www.emes.net/site/wp-content/uploads/EMES-WP-12-03_Defourny-Nyssens.pdf
- European Commission. (2011). COM(2011) 682 final Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.
 Url: <https://www.fi-compass.eu/sites/default/files/publications/social-business-initiative-creating-a-favourable-climate-for-social-enterprises-key-stakeholders-in-the-social-economy-and-innovation.pdf>
- European Commission. (2014). A map of social enterprises and their eco-systems in Europe. Country Report: Croatia.
 Url: <https://ec.europa.eu/social/BlobServlet?docId=12991&langId=en>
- European Commission. (2014). A map of social enterprises and their eco-systems in Europe. Country Report: Greece.
 Url: <https://ec.europa.eu/social/BlobServlet?docId=13303&langId=en>
- European Commission. (2017). Social Enterprises and their Eco-systems: Developments in Europe.
 Url: <https://ec.europa.eu/social/BlobServlet?docId=16376&langId=en>
- European Commission. (2019). Social enterprises and their ecosystems in Europe. Country fiche: Albania. Authors: Ariola Agolli, Eriela Haska, Juliana Hoxha. Luxembourg: Publications Office of the European Union.
 Url: <https://europa.eu/!Qq64ny>
- European Commission. (2020). Social enterprises and their ecosystems in Europe. Comparative synthesis report. Author: Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, Rocio Nogales and Chiara Carini. Luxembourg: Publication Office of the European Union.
 Url: <https://europa.eu/!Qq64ny>
- Partners Albania. (2016). Challenges and Opportunities for Employment of Marginalized Groups by Social Enterprises Authors: Ariola Agolli, Eriela Haska, Klotilda Tavani.
 Url: https://partnersalbania.org/wp-content/uploads/2016/08/study_employment_marginalized_groups_by_SE.pdf
- Partners Albania. (2019). Analysis of Legal Framework on Social Enterprises in Albania. Authors: Eriela Haska, Juliana Hoxha.
 Url: <https://partnersalbania.org/wp-content/uploads/2019/07/Analyses-of-legal-framework-on-social-enterprises-in-Albania.pdf>
- Salatino, G. (2018). A spotlight on Italy: "The New Regulation of the "Social Enterprise" .
 Url: The Philanthropist: <https://thephilanthropist.ca/2018/08/a-spotlight-on-italy-the-new-regulation-of-the-social-enterprise/>
- Traversi, M. (2019). The Italian Eco-system for social enterprises.
 Url: <http://partnersalbania.org/wp-content/uploads/2019/08/THE-ITALIAN-ECOSYSTEM-FOR-SOCIAL-ENTERPRISES.pdf>



Elbasani Street, Park Gate Building, 10th floor,
App. 71 / 73, PO BOX 2418/1
1010 Tirana, Albania