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# Overview of Social Enterprises Eco-System in Albania

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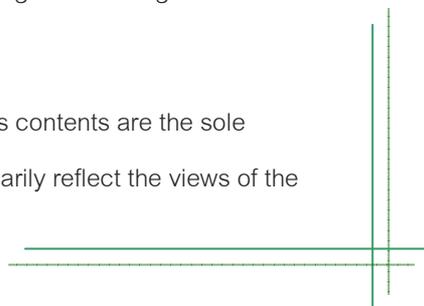
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# Social Enterprises Eco-System in Albania

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# Introduction

Social entrepreneurship is one of the most discussed topics in Europe because it is seen as an innovative model, which can solve a series of acute social and

economic issues such as unemployment, poverty, inequality, social exclusion, etc. Social entrepreneurship is considered as the business model of the 21<sup>st</sup> century seeking to balance the financial needs as well as social and environmental needs. Social entrepreneurs are change agents, who try to improve the life of communities and people around them. In a time of economic crises, an aging population, youth unemployment, climate changes, social entrepreneurship is considered a promising reality with untapped potential.

The operational definition of the European Commission is based on the Social Business Initiative (SBI) launched in 2011.<sup>1</sup> Based on this definition, a social enterprise is an operator in the social economy, which has some specific characteristics:

- ✓ *The main purpose is to fulfill the social impact rather than make profits for the owners and shareholders;*
- ✓ *The profits are mainly reinvested to achieve the social aim;*
- ✓ *Managed in an open and responsible way involving employees, customers and other stakeholders affected by its commercial activity.*

The definition of social enterprise determines three key dimensions (European Commission, 2015):

- **Entrepreneurship dimension** – social enterprises are engaged in sustainable and ongoing economic activities;
- **Social dimension** – social enterprises embrace their social aim through serving to the communities or a specific group of people that has special needs; provide services in the area of health, environment, culture, education or other social services and goods;
- **Participatory governance dimension** – social enterprises need ownership structures and specific governance models that involve in decision making their stakeholders in order to identify the needs and generate innovative solutions. Explicitly, social enterprises prohibit the distribution of the profit entirely to the shareholders/owners and have a procedure for asset lock. The profit non-distribution constraint ensures the safety of the general interest. The profit can be used in different forms such as reinvestment, as a reserve fund, bonuses for employees etc.

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<sup>1</sup> COM (2011) 682 final – Social Business Initiative: Creation of a favorable climate for social enterprises, key actors in social economy and innovation. Url: <http://ec.europa.eu/transparency/regdoc/rep/1/2011/EN/1-2011-682-EN-F1-1.Pdf>

## Existing Types of Social Enterprises in Albania

As a major part of the Balkan countries, the first traces of social enterprises belong to the communist regime in Albania. Cooperatives were the representative form operating in the field of agriculture and livestock. During the communist regime, all private owners were expropriated and both farmers and cooperatives possessed neither the land, capital, production means nor the production itself. The labor force was poorly paid. Consequently, cooperatives after the 90s did not have many similarities in terms of entrepreneurship spirit, democratic and participatory governance. The free market economy determined different rules from the past regime.

During the last two decades, the majority of social enterprises have been created by civil society organizations (CSOs) with the support of international donors starting as projects with a specific timeline. Unfortunately, most of these social enterprises did not manage to continue their activities after the end of the project.

In Albania, there is no widely accepted definition among the general public as well as within the sector on social entrepreneurship. Due to this current vagueness, it is almost impossible to

determine the exact number of social enterprises operating in Albania. However, there are some certain legal forms that operate based on the main principles of social enterprises:

- a) **nonprofit organizations** (*associations, foundations, and centers*);
- b) **businesses** (*sole proprietorship, limited liability company*);
- c) **cooperatives** (*companies of agricultural cooperation*);
- d) **credit and savings association**.

With regard to the organizational form, nonprofit organizations can be registered as **associations** (*membership-based, primarily serving their members*), **centers and foundations** (*non-membership based, serving public interest*) as set forth on the Law No. 8788/2001 "On Nonprofit Organizations"<sup>2</sup> and two latest additional amendments in 2007<sup>3</sup> and in 2013,<sup>4</sup> as well as on

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<sup>2</sup> Law No. 8788 "On Nonprofit Organization", dated 7 May 2001. Available at:

[http://www.akdie.org/sites/default/files/ligj\\_per\\_ojf.pdf](http://www.akdie.org/sites/default/files/ligj_per_ojf.pdf)

<sup>3</sup> Law No. 9814 "For some additions and amendments in the Law No. 8788, dated 7 May 2001 "On Nonprofit Organizations", 4 October 2007. Available at:

[http://www.qbz.gov.al/botime/fletore\\_zyrtare/2007/PDF-2007/138-2007.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2007/PDF-2007/138-2007.pdf)

<sup>4</sup> Law No. 92 "For some additions and amendments in the Law No. 8788, dated 7 May 2001 "On Nonprofit Organizations", 28 February 2013. Available at:

[http://www.qbz.gov.al/botime/fletore\\_zyrtare/2013/PDF-2013/36-2013.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2013/PDF-2013/36-2013.pdf)

the Law No. 8789/2001 “On Registration of Nonprofit Organizations”.<sup>5</sup>

Centers and Foundations have different functioning in terms of organization and governance from associations due to the non-membership feature. The highest steering organ of centers and foundations is the board of directors. Meanwhile, the steering organ of associations is the general assembly.

A nonprofit organization may conduct economic activity without having to establish a separate entity with the condition that the activity should be in line with its mission. Also, the economic activity must not prevail over the non-economic activity. The profits should be used for the social aim as specified in the establishment act and the statute of the organization. A nonprofit organization can benefit from tax exemption only if the economic activity does not exceed **20% of the total annual incomes**. All nonprofit organizations have revealed the social aim explicitly in their organizations’ mission and their statute.

Based on the data given by the General Tax Directorate in 2018, **679 nonprofit organizations**

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<sup>5</sup> Law No. 8789/2001 “On Registration of NGOs”, 7 May 2001. Available at: [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2001/PDF-2001/28-2001.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2001/PDF-2001/28-2001.pdf)

*(association, foundation, centers) exercise their economic activity.*<sup>6</sup> While, according to the National Business Center (NBC), **319 nonprofit organizations possess a license and provide social and educational services.**<sup>7</sup>

It is noted that nonprofit organizations established recently (from **1 to 6 years**) engage in revenue generating activities in the very beginning of their establishment. This showcases the sector’s need to diversify their funds and an increasing trend of social enterprises in Albania. There are organizations with a long experience in the civil society sector, which are pioneers in provision of fee for services. In terms of geographic distribution, these organizations are concentrated in Tirana. The types of fee for services range from social services, medical services (lab analysis), training and consultancy on legal and marketing issues to monetization of assets.<sup>8</sup> Different organizations target a diverse range of clients such as general public, pupils, people with disabilities, teachers, businesses, political parties, municipalities, international institutions (Partners Albania, 2018).

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<sup>6</sup> Data obtained through request for information from the General Directorate of Taxation, September 2018

<sup>7</sup> Data obtained through request for information from the National Business Center, September 2018

<sup>8</sup> Assets Monetization consists in revenue generation through renting spaces/objects/equipments to different clients (For example, renting an office for a training session).

The main reasons why nonprofit organizations engage in revenue generating activities are:

- ➔ *the need to strengthen the financial sustainability;*
- ➔ *long experience working in a particular field;*
- ➔ *the influence from best practices in other countries;*
- ➔ *availability of key assets and resources in the area, where they operate, which gives them a competitive advantage over others (Partners Albania, 2018).*

Secondly, companies operating as social enterprises are registered mostly as sole proprietorship companies and limited liability companies. Businesses must register at the National Business Center to obtain the legal status. Some businesses have been established and owned by nonprofit organizations, enabling compliance with the democratic governance and accountability in the business' operations, while other companies do not apply this principle since the only decision makers are their private owners. The majority of businesses do not have a formalized social aim specified in their business extracts, but usually, they publish it in their web pages.

Meanwhile, another legal form is cooperative regulated by the Law No. 38/2012 "On Companies

of Agricultural Cooperation".<sup>9</sup> This law bases on a broader legal framework such as the Law No. 8088/1996 "On Companies of Reciprocal Cooperation",<sup>10</sup> and two amendments in 2003<sup>11</sup> and 2007.<sup>12</sup> Cooperatives can join and create cooperatives' federations with the intention of protecting and promoting the broader interest of farmers, who work in rural areas and conduct economic activity in the agricultural sector.

The Companies of Reciprocal Cooperation are similar forms to agricultural cooperatives conducting different economic activities and operate in the credit, insurance and construction industry (Partners Albania, 2016). There are **106 cooperatives** registered at the National Business Center, out of which **67** have an active status.<sup>13</sup> The Companies of Agricultural Cooperation *benefit from the profit tax exemption.*

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<sup>9</sup>Law No. 38/2012 "On Companies of Agricultural Cooperation", 5 April 2012. Available at: [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2012/PDF-2012/42-2012.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2012/PDF-2012/42-2012.pdf)

<sup>10</sup> Law No. 8088 "On Companies of Reciprocal Cooperation", 21 March 1996. Available at: [http://www.vendime.al/wp-content/uploads/2015/07/Ligj\\_Nr.8088\\_date\\_21.03.1996\\_Per\\_sh\\_oqerite\\_e\\_bashkepunimit\\_reciprok\\_941047.pdf](http://www.vendime.al/wp-content/uploads/2015/07/Ligj_Nr.8088_date_21.03.1996_Per_sh_oqerite_e_bashkepunimit_reciprok_941047.pdf)

<sup>11</sup>Law No. 9039/2003 "For some additions and amendments in the Law No. 8088 dated 21 March 1996 On Companies of Reciprocal Cooperation", 27 March 2003.

<sup>12</sup> Law No. 9747 "For some additions and amendments in the Law No. 8088 dated 21 March 1996 On Companies of Reciprocal Cooperation", 31 May 2007.

<sup>13</sup> Data obtained through request for information from National Business Center, September 2018

Another legal form applying the principles of a social enterprise in Albania is Credit Savings Association (CSA) established based on the latest Law No. 52/2016 “On Credit Savings Associations and their Unions”. Credit Savings Associations function based on the volunteering organization of their members, who deposit their money in the association. The deposits serve to provide loans only to the members of Credit Savings Associations with the intention of accomplishing their interest. The minimum number of members to create a Credit Saving Association should be **50 persons**. After the second year of the association's activity, the number of members should not be less than **200 persons**.<sup>14</sup> In 2002, the members of CSAs created the Union of Credit Savings Associations. According to the Bank of Albania, there are 13 licensed CSAs and one Union of CSAs.<sup>15</sup> The Credit Savings Associations benefit from the profit tax exemption.

The majority of social enterprises (**60%**) were established during 2009-2014 and **70%** of them have up to **5** full-time employees. These social enterprises engage in different activities such as *agriculture, education, social services* provided to

the disadvantaged groups, *vocational training*, etc. Sales to private and public entities constitute the main type of revenues, followed by incomes from philanthropic activity and investments (Partners Albania, 2016).

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<sup>14</sup> Law No. 56/2016 “On Credit Savings Association and their Unions”, dated 19 May 2016. Available at: [https://www.bankofalbania.org/rc/doc/Ligj\\_52\\_2016\\_Per\\_shoqerite\\_e\\_kursim\\_kreditit\\_dhe\\_unionet\\_e\\_tyre\\_7747\\_1\\_6239.pdf](https://www.bankofalbania.org/rc/doc/Ligj_52_2016_Per_shoqerite_e_kursim_kreditit_dhe_unionet_e_tyre_7747_1_6239.pdf)

<sup>15</sup>Url:[https://www.bankofalbania.org/Mbikeqyrja/Subjekte\\_te\\_licencuara/Shoqeri\\_te\\_kursim\\_kreditit\\_dhe\\_unionet\\_e\\_SHKK-ve/](https://www.bankofalbania.org/Mbikeqyrja/Subjekte_te_licencuara/Shoqeri_te_kursim_kreditit_dhe_unionet_e_SHKK-ve/)

# Legal Framework on Social Enterprises

The attempts to draft a law on social entrepreneurship have started since 2010 by the Ministry of Labor, Social Affairs and Equal Opportunities (now Ministry of Health and Social Welfare). In 2016, the Albanian government passed the Law No. 65/2016 “On Social Enterprises in the Republic of Albania”.<sup>16</sup>

During a period of two years and a half, other bylaws have been approved such as the Instruction No. 602/2018 “On the procedures and documentation required for recognition status of social enterprise”,<sup>17</sup> the Decision No. 76/2017 “On determining the procedures for the inspection of the activity of social enterprise”,<sup>18</sup> the Decision No. 789/2018 “On the establishment of the fund for support of social enterprises and support forms

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<sup>16</sup>Law No. 65/2016 “On Social Enterprises in the Republic of Albania” dated 9 June 2016. Available at:

[http://www.qbz.gov.al/botime/fletore\\_zyrtare/2016/PDF-2016/118-2016.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2016/PDF-2016/118-2016.pdf)

<sup>17</sup>Instruction No. 602/2018 “On the procedures and documentation required for recognition status of social enterprise”, dated 1 August 2018, Available at:

<http://www.qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%20121/UDHEZIM%20nr.%20602,%20date%201.8.2018.pdf>

<sup>18</sup>Decision No.76/2017 “On determining the procedures for the inspection of the activity of social enterprise”, dated 1 December 2018. Available at:

[http://www.qbz.gov.al/botime/fletore\\_zyrtare/2017/PDF-2017/218-2017.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2017/PDF-2017/218-2017.pdf)

through subsidiaries for social enterprises,<sup>19</sup> the Decision No. 16/2018 “On approval of the list of activities exercised by social enterprises”,<sup>20</sup> the Decision No.56/2018 “On determining specific categories of disadvantaged groups.”<sup>21</sup> *Due to the delays in completing the legal framework, the law has not been implemented ground in practice, and no organization has received the status yet.*

The law constrains social enterprises to *use the profits entirely for the continual expansion of their activities*. The law determines several economic and social criteria to be accomplished in order to obtain the status of the social enterprise. At least **20%** of revenues after the second year and **30%** of revenues after the third year should be generated by economic activity. Besides the involvement of volunteers, social enterprises have to employ at least three full-time employees. At

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<sup>19</sup>Decision No. 789/ 2018 “On the establishment of the fund for support of social enterprises and support forms through subsidiaries for social enterprises”, dated 26 December 2018. Available at:

<http://www.botimezyrtare.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%20192/VKM%20nr.%20789,%20date%2026.12.2018.pdf>

<sup>20</sup> Decision No. 16/2018 “On approval of the list of activities exercised by social enterprises”, dated 12 January 2018.

Available at:

<http://qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%203/VKM%20nr.%2016,%20date%2012.1.2018.pdf>

<sup>21</sup> Decision No. 56/2018 “On determining specific categories of disadvantaged groups”, dated 31 January 2018. Available at:

<http://qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%2015/VKM%20nr.%2056,%20date%2031.1.2018.pdf>

least **30%** of the employees must belong to the marginalized groups.

On the other hand, the law foresees a series of penalties in cases that a legal entity uses “social enterprise” label or violates any social or economic criteria (article 23). If a social enterprise loses the status, after the creditors’ liquidation, the properties created during the time of holding the status must be used for the public interest or transferred to other social enterprises (article 14(5)).

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## Support Mechanisms for Social Entrepreneurship

Taking into consideration the importance and a growing debate on social entrepreneurship, some special support schemes on social enterprises have been established, but there are still very few schemes, which require more promotion among the sector.

European Union is one of the few donors which has social economy part of the IPA CSF 2016-2017 program and the second lot of the program has allocated a budget of **EUR 400,000** (50 million ALL).<sup>22</sup> This lot focused on the promotion of civil society capacities and the support of social economy initiatives for inclusive development.

The US Embassy in Tirana has supported the establishment of social enterprises by nonprofit organizations through a two-year program with an allocated budget of **\$120,000** (approximately 13 million ALL).

Meanwhile, the United Nations Entity for Gender Equality and Empowerment of Women (UN Women) supports the development of social entrepreneurship through a broader programmatic area such as economic empowerment.

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<sup>22</sup>EuropeAid/155863/DH/ACT/AL:IPA Civil Society Facility and Media Programme 2016- 2017 Support to Civil Society Organizations capacities

Partners Albania is a nonprofit organization working on the development of social enterprises through enhancing the internal capacities of nonprofit organizations, as well providing financial support through “Green Ideas”, “CAUSE” and lately “EMBRACE” program. Through the “Green Ideas” program have been supported about **20 social enterprises** during 2012-2018 with a total amount of **EUR 133,000** (approximately 17 million ALL). Since 2016, Partners Albania is implementing “CAUSE – Confiscated Assets Use for Social Experimentation”, a project financed by the European Union through the EU Delegation in Albania with a total amount of **EUR 300,000** (approximately 38 million ALL) to support the establishment of **2-3 social enterprises**. Up to now, a social enterprise is established in one of the confiscated assets from the organized crime in Fier. This model aims to re-use the confiscated assets from the organized crime serving local communities and marginalized groups through the generation of added value goods and services for the society.

The “EMBRACE” program has allocated a fund of **EUR 101,000** (approximately 12.6 million ALL) to financially support nonprofit organizations aiming to establish a social enterprise. Actually, the program has supported **5 nonprofit**

organizations that operate in the *sector of tourism, social services and artisan products*. The program has foreseen to fund **9** other nonprofit organizations for the second round of subgranting.

Yunus Social Business Balkans has established HapIde Combinator program in partnership with USAID for three years with an allocated budget of **EUR 3.02 million** (approximately 376 million ALL). This partnership aims to support small and medium social enterprises. Based on data obtained, Yunus Social Business Albania has supported about **32** social enterprises with a total fund of **\$ 1.3 million** (approximately 142 million ALL).<sup>23</sup>

In addition, there are some other public schemes and programs of international donors, which support nonprofit organizations contributing to their empowerment, and indirectly to the potential creation of social entrepreneurship initiatives.

European Commission is the biggest donor of civil society, which through different instruments has contributed during 2009 - 2013 with a fund of **EUR 12,691,478,72** (approximately 1.6 billion ALL). Other bilateral donors or development agencies such as World Bank, United Nations, Open Society Foundation for Albania, or

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<sup>23</sup>Data obtained through request for information from Yunus Social Business Balkans

governments such as Denmark, Netherlands, UK have supported financially civil society throughout these years (Babovic, et al., 2014).

The Agency for the Support of Civil Society (ASCS) is the only state body in charge to support CSOs through grants. During 2010 – 2017, the ASCS has financed about **463** projects of civil society organization with a total budget of **840,338,840 ALL** (approximately EUR 6.7 million) (ASCS, 2015; ASCS, 2016; ASCS, 2017).

Public institutions such as the Ministry of Finances and Economy, the Ministry of Culture provide financial support of CSOs. Also, the Fund for Good Issues of National Lottery established through a special law in 2013 has financed **8** projects during 2015-2017. The law specifies that **2.2%** of licensed companies' revenues should be dedicated to good issues.<sup>24</sup>

Meanwhile, there are certain support schemes from state institutions and foreign donors for start-ups and small & medium enterprises (SMEs).

The Albanian Investment Development Agency (AIDA) supports small and medium enterprises through several funding programs such as: The Competitiveness Fund, the Creative Economy Fund, the Enterprise Support for Start-ups Fund, the Innovation Fund. During 2014-2017, AIDA has

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<sup>24</sup>Data obtained through request for information from National Lottery, January 2018

financed **291 enterprises** with a fund of **134,685,202 ALL** (approximately EUR 1 million).<sup>25</sup> In 2015, the Ministry of Finances and Economy (former Ministry of Economic Development, Trade, Tourism, and Entrepreneurship) launched the “Start-up” Fund. Until 2017, start-ups could benefit about **300,000 ALL**, while after 2018 these enterprises could benefit up to **500,000 ALL**. During 2015-2018, the respective ministry has financed 76 start-ups with a total sum of **25,484,184 ALL** (approximately EUR 205,000). The total budget available was **31,000,000 ALL** (approximately EUR 250,000).<sup>26</sup>

The National Employment Service is implementing “The Self-Employment Program” in collaboration with the United Nations for Development Program (UNDP) and the Ministry of Finances and Economy financed by the government of Switzerland. The program aims to support youngsters, who want to create their own business by providing training on self-employment, ongoing mentoring and seed funding throughout the whole program.<sup>27</sup> During

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<sup>25</sup> Data obtained through request for information from Albanian Investment Development Agency, 2018

<sup>26</sup> Data obtained through request for information from the Ministry of Finances and Economy, January 2018

<sup>27</sup> Url: <http://aftesi.info/2017/07/25/sipermarresit-e-programit-te-vetepunesimit/>

the first two calls managed by UNDP, **84 start-ups** were supported, out of which **76 enterprises** result active. Meanwhile, during the last call managed by the National Employment Office in collaboration with UNDP, **43 enterprises** were financed, where each start-up received in-kind support with a value of **500,000 ALL**.<sup>28</sup>

At the local level, the municipality of Tirana has allocated a fund of **11.123,782 ALL** (approximately EUR 89,500) during 2015-2018. The municipality has supported **31 start-ups** led by youth and women in need with an average grant of **360,000 ALL**.<sup>29</sup>

The European Investment Fund (EIF) and the microfinance institution (BESA) have created an instrument for the employment and social innovation which aims to support **5,000 small enterprises** in Albania (Varga, 2017).

During 2015-2017, the European Bank for Reconstruction and Development (EBRD) is an important investor in Albania and in collaboration with Intesa Sanpaolo Bank have financed **147 small and medium enterprises** led and owned by women with a total fund of **EUR 2 million** (approximately 250 million ALL). The program

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<sup>28</sup> Data obtained through request for information from National Employment Service, January 2018.

<sup>29</sup> Data obtained through request for information from the Municipality of Tirana, January 2019

intends to improve the access to finances, loans, and packages, including a bundle of daily products & services as well as know-how provided by the EBRD experts. The new agreement signed by EBRD and Intesa Sanpaolo in the framework of the “Western Balkans Women in Business” second program allocated a fund of **EUR 5 million** (approximately 620 million ALL).<sup>30</sup>

In terms of the support dedicated to the companies of agricultural cooperation, the Instrument for Pre-Accession Assistance for Rural Development (IPARD) program is a significant support mechanism. The budget available for IPARD I was **EUR 8 million**, out of which **EUR 6 million**. Data obtained through request for information from Albanian Investment Development Agency, 2018 is the contribution of the European Union (EU, 2014). Based on the data available, the companies of agricultural cooperation have not benefited any funds from the IPARD I program. These companies have benefited only in kind support, in particular 8 trucks. The budget envisioned for IPARD II is about **EUR 94 million** (11.7 billion ALL). IPARD II aims to support investments in agricultural farms, investments in processing, trade of agricultural products and fishing, agri-environment-climate

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<sup>30</sup> Data obtained through request for information from the European Bank for Reconstruction and Development, January 2019

and organic farming measures, technical assistance, and consultancy services (Ministry of Agriculture and Rural Development , 2015). Based on the information obtained by the representative of Agricultural and Rural Development Agency, the program will favorize cooperatives over other companies during this call taking into account their social mission.<sup>31</sup>

Generally, small and medium enterprises absorb fewer funds than other entities that operate as social enterprises, but also in comparison to other countries in the region. The problem stems mainly from the lack of information and capacities to access funds.

There are two strategies in place related to the development of business respectively “National Employment and Skills Strategy 2014-2020” and the “Business and Investment Development Strategy 2014-2020”. Two specific measures of the National Employment and Skills strategy affect social entrepreneurship such as:

- a) Design and implementation of measures related to social entrepreneurship;
- b) Creation of the proper conditions related to an enhanced employment of women and men in the third sector (focusing on social enterprises) (Ministry of Social Welfare and Youth, 2015).

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<sup>31</sup> Data obtained through request for information from the Agricultural and Rural Development Agency, 2018.

Meanwhile, the Business and Investment Development Strategy determines that an ongoing dialogue among stakeholders should enhance the development of wide business forms establishing inclusive and sustainable business models. Two of the main objectives are:

- a) Stimulation of social enterprises, through the approval of a legal framework and financial schemes in this regard and
  - b) Stimulation of corporate social responsibility (CSR) which aims to make the traditional business aware to the obligation they have towards their communities, a similar approach embraced by European corporations (Ministry of Economic Development, Trade and Entrepreneurship, 2015).
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# Challenges of Social Enterprises

The recent studies have evidenced that the main challenges of social enterprises despite their legal forms such as nonprofit organizations, cooperatives, credit and savings associations or businesses are access to funds, available financial schemes, lack of networking and difficulties in the market penetration. Since most of the social enterprises are in the entry or growth stage of their lifecycle, lack capacities to absorb these funds.

*The most widespread legal form which conveys social entrepreneurship features is the nonprofit organization.* These organizations tend to identify the goods and services offered based on their internal capacities rather than market needs. This characteristic derives from *the lack of capacities these organizations have in business plan development, market research, networking, and marketing strategy design.*

In terms of targeted groups of clients, organizations consider as more simple to offer fee for services to their beneficiaries rather than enter into trade relations with businesses. This approach can serve as an easy and convenient strategy to penetrate the market. Nevertheless, it will remain a short-term strategy if the organization

does not target other customers and segments in the market. One of the main challenges is the *poor perception of the business sector for CSOs*, which derives from the lack of exposure and cooperation between the sectors (Partners Albania, 2018).

The products and services offered by nonprofit organizations are not well absorbed from the market due to the deficient internal capacities. Social enterprises established by nonprofit organizations continue to depend mainly on foreign and local donors' grants rather than revenue generation from market sales. In addition, nonprofit organizations lack experience and entrepreneurship mindset to market properly the goods and services.

Either the organizations offering fee for services or those that intend to provide these types of services in the future claim that *lack institutional support* regarding the legal, fiscal and operative environment. The frequent changes in the macro environment, as well as in taxation system hamper the economic activity of CSOs and impede them to take the risk and make further investments (Partners Albania, 2018).

Some of the main recommendations related to the social entrepreneurship' eco-system stemming from the identified issues through ongoing consultations with social enterprises are summarized as follows:

### Legal Environment

The experts on the matter admit that an open legislative model determining the fundamentals of social enterprises by expanding the spectrum of legal forms that could be qualified as social enterprises would create an enabling environment.

An enabling legal framework would stimulate the social innovation models, the creation of job vacancies and a larger contribution to the gross domestic production (GDP) of the country.

- *Clarification of social entrepreneurship and social enterprises definitions* in accordance to the main principles in the law;
- Completion of *the legal framework through including not only non-profit organizations*, but also other existing legal forms that function according to the key principles of social entrepreneurship;
- *Provision of fiscal incentives enabling social enterprises* to contribute in a sustainable way to their social mission;
- *Creation of other funding opportunities besides the approved fund* for the support of social enterprises;
- *The inclusion of social procurement* as part of public procurement based on European best practices, as a direct opportunity of supporting services and goods provided by social enterprises;
- *Revision of the restrictive conditions* related to economic and social criteria concerning social enterprises' activity, in order not to create a counterbalance;
- Revision of envisioned *penalties* for social enterprises;
- *Division of social enterprises* that provide social services and those which integrate marginalized groups;
- Creation of some *incentives in terms of profit distribution* allowing a part of the profit to be distributed to the members, owners or stakeholders in order to encourage somehow young social entrepreneurs to undertake the risk;

- *Creation of opportunities for local government* to procure social services through social enterprises, as well as building direct partnerships in cases of specific activities provided only by social enterprises.

## Support Mechanisms

- Financial mechanisms provided by the central and local government should be accompanied with support in *capacity building and know-how* aiming to offer a fully fledged supporting package to social enterprises;
- Financial mechanisms dedicated to social enterprises and their working areas should be provided by *local and foreign donors*;
- *Provision of soft loans* that recognize the social impact and facilitate the market penetration of social enterprises;
- *Introduction and use of crowdfunding platforms* is an effective tool for accessing additional funds;
- Delivery of more information *workshops, training and mentoring programs* for nonprofit organizations aiming to initiate a social enterprise;
- Training programs should address needs such as *market research, business plan development, reformulation of business ideas based on the market needs, clients' identification and market segmentation* identified as challenges by social enterprises;
- Creation of *collaboration platforms* among social enterprises and traditional business to increase knowledge on the activities of each sector and the opportunities for concrete investments;
- Introduction of social enterprises to *national and international networks* with the main purpose of better advocacy on their development needs and concerns hindering social enterprises' growth

## Promotion of social enterprises

- *Media* should play a more proactive role to promote social entrepreneurship and its benefits in the economy and society, but also social entrepreneurs should be promoted as role models for the youngsters;
- More joint meetings, cross-sectoral activities among donors, social enterprises, businesses, and public institutions should be organized aiming better *coordination of the actions to empower the sector*;
- *Universities and vocational schools* should update the curricula by introducing social entrepreneurship as one of the most discussed fields of the 21<sup>st</sup> century.

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