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Social Economy in Eastern Neighbourhood and in the Western Balkans

Country report – Albania

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Social Economy in Eastern Neighbourhood and in the Western Balkans

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Country report – Albania

January 2018

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LIST OF ABBREVIATIONS

AADF	Albanian American Development Foundation
AAEF	Albanian American Enterprise Fund
ASCS	Agency for Support of Civil Society
COSME	EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs)
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
EaSI	EU Programme for Employment and Social Innovation
EBRD	European Bank for Reconstruction and Development
EFSE	European Fund for Southeast Europe
EMES	Research Network for Social Enterprise
LLC	Limited Liability Company
NBS	Agency "Promoting Social Business"
NPO	Non-profit Organisation
OCCS	Office for Cooperation with Civil Society
OECD	Organisation for Economic Co-operation and Development
SBI	Social Business Initiative of the EU
SCA	Saving and Credit Association
SE	Social Enterprise
SME	Small and Medium-sized Enterprise
PwD	Persons with disabilities
VAT	Value Added Tax
WB EDIF	Western Balkans Enterprise Development and Innovation Facility
YSB	Yunus Social Business Balkans
East Neighbourhood	
AR	Armenia
AZ	Azerbaijan
Blr	Belarus
GE	Georgia
MD	Moldova
UK	Ukraine
Western Balkans	
AL	Albania
BA	Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
XK	Kosovo*
MK**	The former Yugoslav Republic of Macedonia
ME	Montenegro
RS	Serbia
WB	Western Balkans

** This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.*

*** Provisional code which does not prejudge in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place under the auspices of the United Nations*

1. EXECUTIVE SUMMARY

Over recent decades, Albania has gone through the sometimes-painful transition from a centralised to a market economy. During that time the country has benefited from very significant international aid which, combined with other technical and strategic assistance, helped it progress from one of the poorest countries in Europe to a middle income one by 2008, successfully cutting poverty by half in the process. The country was awarded EU candidate status in 2014 but eventual EU membership will depend on Albania achieving sustainable political and economic reforms. Comprehensive and decentralised social protection and inclusion policies are yet to be fully developed. The entrepreneurship culture is low and the employment and social structures heavily rely on family and clan connections.

In such a context, the nascent social entrepreneurship sector in the country is striving to promote a solidarity-based economy and equal opportunities for all citizens. Overall, the social enterprise (SE) sector in Albania is in the early stages of development with the majority of SEs in the start-up and validation phase. It enjoys only partial institutional support and lack of a proper understanding on what a social enterprise actually is by key institutional stakeholders.

Targeted legislation in the form of the Law on Social Enterprises was adopted in 2016 but is still pending implementation due to lack of adopted bylaws. Even though the effects are yet to be seen, in principle it has been assessed as limiting, providing a narrow understanding of SE as an instrument for social policies. It limits the forms of SEs to work the integration model, and restricts the legal forms and economic fields where the SEs are allowed to operate. Thus the existing policies on social entrepreneurship, while well intended, create more confusion to the emerging social enterprise sector and fail to recognize the existing SEs. Public policy stakeholders would benefit from technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite for effective institutional support of the social economy.

The SE sector is dependent on donor financing and with few exceptions has made little attempt to adapt itself for the building of a sustainable operating model. Beyond Yunus Social Business there is no other social impact investor in the country that offers innovative financing for the SEs. There is almost no public funding for SEs, tax relief or affirmative provisions in the public procurement legislation. The private sector is not actively engaged, commercial banks do not consider SEs as potential clients, microfinance conditions are out of reach for most of the existing SEs and there is an overall lack of angel or other venture funding. Most SME-related products and services are not available to the SEs registered as non-profits. A structured funding mechanism that contains grant funding for initial start-up and development phases and low interest debt financing for growth and sustainability phases would ensure increased potential for sustainability at the present stage of development of the sector. Public-private partnerships and increased involvement of municipalities to leverage private and public funding should also be piloted and encouraged.

SEs need comprehensive and on-going support in building their business management capacities to be able to grow and sustain themselves in the volatile context. The existing programs and support organisations should cooperate and coordinate to maximize resources to better suit the needs of various types of SEs in all stages of their development. SEs would benefit from full access to SME training and mentoring programs whether governmental, CSR run or via donor partnership.

Finally, the bottom-up networking of SEs and SE support organisations should be encouraged and supported. This could lead to the introduction of self-regulating standards and general SE practises and would serve as a unified voice to advocate for policy changes, sector development and SE-public engagement.

2. INTRODUCTION

The difficult starting conditions in Albania – the collapse of state authority in the early 1990s and then again in 1997 – and the protracted mismanagement of the economic and political transition ever since, present huge obstacles that governing actors must overcome in order to set the country on a sustainable transformation path. The government has shown a will and capacity to pursue painful and comprehensive structural reforms necessary to advance on the path toward EU integration. However, politicization remains a challenge for the reforms.

The EU candidate status, awarded in June 2014, brought Albania-EU relations to a new level. In accordance with EU Commission recommendations the government has paid increasing attention to policies tackling poverty and social exclusion, which have rarely been taken into account by previous governments. The global financial crisis exposed the weaknesses of the country's growth model and highlighted the need to shift from consumption-fuelled to investment- and export-led growth. The Government therefore has embarked on a broad-based reform program focused on macroeconomic and fiscal sustainability, financial sector stabilization, energy concerns, pensions, and territorial administration. Maintaining the reform momentum and implementation is critical for Albania's continued economic growth and its aspirations for EU integration.

Albania's economy expanded 3.55% in 2017[1], supported by robust domestic demand, private investment in the form of two large FDI[2]-financed energy Improvements in employment and credit growth encouraged private consumption. Net exports grew, driven by tourism services. With extractive industry affected by unfavourable commodity prices, services were the main driver of growth, followed by construction and agriculture. Recent data confirms strong growth in 2017 with the Albanian economy having grown from a low of EUR 3,018 million in 2000 to hit EUR 10,724 million in 2017[3]. GDP per capita has grown gradually to EUR 3,716 with an official average salary of EUR 455 per month as of December 2017[4]. The country's economic outlook is expected to improve over the medium-term, with growth projected at 3.5% during 2017-19[5] driven by private investments and private consumption. This should result in even further gains in poverty reduction.

Unlike it neighbouring countries the state plays only a small role in the real economy, amounting to 15.6%[6] of GDP. This is in part because of the 'privatise everything' central government strategy that has been in place since 2010[7]. This has been crucial to increase capital inflows to finance the growing public sector expenditure and reduce the budget deficit. It has also resulted in Albania having one of the most vibrant private sectors of any of the economies in the region. According to the most recent figures from Trading Economic, Albania's GDP is made up of Agriculture 24.1%, Services 22%, Mining 16.3%, Construction 13.5%, and Manufacturing at 8,5%[8].

Labour force participation increased to 66.8% in 2017[9], significantly higher than in 2015. The official unemployment rate declined to 13.6% in Sept 2017 and poverty is estimated to have declined as growth and employment continued to pick up. According to the World Bank website, the poverty rate (measured as US$ 5.5/day, 2011 PPP) is estimated to have decreased in 2016 to 33.9%, compared to 35.4% in 2015. These figures may be distorted by the fact that a significant (but not formally captured) percent of the population do not register with state institutions and instead rely on friends, family and clan affiliations to find them work. It is not surprising therefore, that informal employment is

[1] Trading Economies website https://tradingeconomics.com/albania/indicators
[2] FDI – Foreign Direct Investment
[3] Trading Economies website https://tradingeconomics.com/albania/indicators
[4] Ibid.
[5] World Bank Website http://www.worldbank.org/en/country/albania
[6] Trading Economies website https://tradingeconomics.com/albania/indicators
[7] Commission Staff Working Document 2016 https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_albania.pdf
[8] Trading Economies website https://tradingeconomics.com/albania/indicators
[9] Ibid.

widespread. An estimated 39.8% of employed women and 22.3% of employed men work in family owned businesses or from home.

With long term unemployment estimated to affect 66% of the total unemployed in 2015, the social security system struggles with insufficient resources to meet the needs of vulnerable groups, especially the Roma, Ashkali and Egyptians who are generally excluded from the social protection system[10]. Persons with disabilities (PwDs) inevitably face social exclusion and are economically marginalised, in fact, a PwD is twice as unlikely to find employment as a fully abled person is. The welfare system and the laws surrounding it are broadly in line with recommendations from the IMF and key amendments to the law were made in 2014. A pilot program that delivers benefit payments to vulnerable groups and welfare cases has been designed in part to reduce the abuse of funds.

The legislative environment surrounding protecting minority/vulnerable groups remains insufficient. Youth unemployment (26.4%), low engagement of women (54%[11] of those employed work in agriculture) and the exclusion of the Roma community (from employment, education and health care) are the key social issues that the country faces.

With the gradual withdrawal of foreign funds, the Civil Society Organizations (CSO) sector is also squeezed in between search for funding and profitable political alliances. The creation of the Agency for support of civil society since 2010 has not helped much because of the politicization of the agency. Despite this, the Government's openness and collaboration with major sections of civil society has increased the role of CSOs.

This study is dedicated to social enterprises and the social economy in Albania. It is implemented in the framework of the "Social economy in Eastern Neighbourhood and in the Western Balkans: Preparing a methodology/toolbox for EU Delegations" assignment, funded by the European Commission – DG NEAR. The main objective of this assignment is to identify the conditions and the modality of support to efficiently develop social economy and social entrepreneurship in the Enlargement and Eastern Neighbourhood countries.

More specifically, this report provides an analysis of the social economy and social entrepreneurship ecosystem in Albania. It includes an assessment of the state of play of the social economy in the country, including an assessment of its nature, size and key sectors, as well as an overview and analysis of the regulatory framework, the institutional support, the financing options and the available support structures.

The methodological approach is based on a mix of desk research, qualitative interviews and documentary analysis. An assessment mission in Albania took place between 29th of November and 1st of December 2017 with online follow-up by mid-January 2018. Formal and informal interviews were conducted with all of the main stakeholders during the mission. The list of interviews is indicated in Annex II. The mission was conducted by Ms. Nikica Kusinikova.

[10] BTI 2016 Albania Report https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Albania.pdf
[11] Commission Staff Working Document 2016

3. STATE OF PLAY OF THE SOCIAL ECONOMY IN ALBANIA

3.1. Nature and size of the social economy sector

Albanian society is built on traditional foundations: family, clan and region are the core social layers[12]. These forms of social capital sustain sometimes-large networks of cooperation. Support which supplements, and often takes the place of the social welfare system. Although an important element of much localised social cohesion, these traditional practises can entrench discriminatory practises and create social barriers to civic- and solidarity-based forms of organisation. In such a context, social entrepreneurship has emerged as a vehicle to bring bottom-up social change and equitable development.

The SE sector in Albania is nascent and estimated to have emerged since 2000[13] as part of CSOs and projects supported with foreign donor funding. As in most of the Western Balkans countries, the civil society sector has been the driving force for the development of the sector. Existing social enterprises in Albania are most frequently incorporated as 1) non-profit organisations (associations, centres and foundations), 2) sole proprietors or limited liability companies, and 3) companies of reciprocal cooperation (mutuals) and cooperatives.

As with the broader CSO sector, there is little or no quantitative or qualitative data on the size of the SE sector, the scope of services and the impacts it delivers. Thus the estimates on the size of the sector vary between 60 (Partners Albania) and 80 (TACSO[14]). The research commissioned by TACSO[15] used as a base the Directory of The Ministry of Finance according to which there are 900 CSOs that are engaged in economic activities, of which 80 can be classified as social enterprises.

The report on the SE Ecosystem in the Western Balkans by NESsT suggests that as of 2016 a significant number of SEs had assets and income of up to EUR 50,000 and in principle are small entities with less than 10 employees[16]. As confirmed by various research pieces the majority of Albanian SEs provide their services free of charge and are only able to initiate and then maintain those services for as long as they have access to grant & donor funding. This raises serious questions about their medium and long-term sustainability. The limited number of SE that are able to achieve profit (in keeping with the law) reinvest the profits into maintenance or even expansion of their operations.

Depending on their legal form and mission, the SEs in Albania serve different target groups. While the cooperatives mostly serve farmers, the research of Partners Albania (PA)[17] indicates that those formed as a non-profit legal entity serve mostly unemployed women and youth. In addition, TACSO research has identified that among the wider group of CSOs with economic activities that qualify as SEs, they also serve other vulnerable groups such as persons with disabilities, ethnic minorities (Roma and Egyptians) and children.

Overall, there is very limited publicly available data on the trends in the sectors where SEs have been established, including in the CSO sector and cooperative movement. According to the CSO Sustainability Index[18] there are around 12,000 CSOs (associations, foundations and centres) registered with the Tirana court, of which 3,724 are considered active and registered with the tax authorities. According to the data obtained from the tax authorities the total income of the CSO sector in 2014 was

[12] BTI 2016 Albania Report
[13] Challenges and opportunities for employment of marginalized groups by social enterprises, Partners Albania, 2016
[14] Asmundo A. at al., Research Report: Social Economy in Albania – A Survey on Social Enterprises, Technical Assistance to Civil Society Organisations, 2013
[15] Ibid.
[16] Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESsT, 2017
[17] Challenges and opportunities for employment of marginalized groups by social enterprises, Partners Albania, 2016
[18] The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia, USAID, 2017

25,372,256 EUR[19], representing 0.25% of the country's GDP, and being the lowest contribution from the Western Balkan countries. There is no available information on the amount of income from sales of goods and services as a percentage of total income of the sector. In total the sector employed 7,505 persons.

The information on the cooperatives and mutuals is also scarce. After a bad experience with the cooperatives during the communist regime the generated mistrust has made it difficult for the cooperative movement to reach the pace of some EU countries. Before the 90s, the cooperatives in Albania were forced creations (rather than based on free will and democratic principles), were state-controlled, and based on expropriation of land and exploitation of rural workers[20]. The available data to date indicates that there are 37 registered agricultural cooperatives ranging from 7 to 61 members[21].

As an illustration, the most prominent social enterprises identified during this study (NY Tirana Bagels, YAPS, Albanian Disability Rights Foundation (ADRF), Flowers by Down syndrome etc.) are mostly established for the main purpose of providing employment opportunities and social integration for the main target groups they serve, mostly belonging to vulnerable groups (PwDs, ethnic minorities, vulnerable youth, women victims of trafficking and domestic violence etc.). Examples such as Pana serve dual social purpose by preserving the environment by up-cycling as well as providing employment for vulnerable groups. A few have also a primary focus on providing social goods and services (ADRF and Senior's House).

3.2. Key sectors for social economy and phases of development of social economy players

Social enterprises in Albania engage in diverse economy sectors depending on their social missions and target groups they serve. Most of those established within CSOs generally focus on the provision of basic social services dependent on the needs of the environment in which they operate. These include social services for people incl. children with disabilities, health and community services, kindergartens and other social services targeted at vulnerable/marginalised groups. Others engage in vocational training including artisanal and agricultural training to vulnerable groups they serve. The SEs providing services other than social are mostly engaged in hostel services and catering, tourism and production and trading of artisanal and handicraft products. For the cooperatives, agricultural production and trading is the most prominent sector.

With the exception of cooperatives, most of the SEs have based their operations in Tirana and Shkodër.

Although some SEs have existed since 2000 and are scaled or ready for scaling, the vast majority have never moved beyond the validation stage and a large number remain at or near blueprint stage. This is not helped by the fact that donor dependence encourages some SEs to adopt broad missions resulting in a lack of mission focus and an inevitable lack of capacity building and knowledge in crucial areas of activity necessary for success and perhaps sustainability.

3.3. Funding and financial tools social enterprises use

The CSO sector in general and the SE sector consequently are mostly funded by grant/donor funding which is predominantly international. So far, almost all social entrepreneurship projects (beyond cooperatives) have been launched by CSOs, due to the availability of financial resources and professional skills. This provides valuable initial support to launch the SE however creates challenges

[19] Velat D., Report on the Economic Value of the Non-Profit Sector in the Countries of the Western Balkans & Turkey, Balkan Civil Society Development Network, 2015
[20] Challenges and opportunities for employment of marginalized groups by social enterprises, Partners Albania, 2016
[21] Strategic study on the social economy development in the context of the South East Europe 2020 strategy, Regional Cooperation Council Secretariat, 2015

in scaling the business. In most cases these are managed on the principle of learning-by-doing, with a lack of capital and support to strengthen the capacities necessary for expansion and empowerment. Some of the social enterprises have benefitted from the loan and acceleration support provided by Yunus Social Business.

The overwhelming reliance on donor funding is confirmed by the trends in the CSO sector. According to the Monitoring Matrix[22], 64% of CSO funding comes from foreign donors, 10% from membership fees, an encouraging 7% from corporate donors, 5% from individual donors and only a disappointing 5% from economic activities. Of particular concern is the fact that the surveyed CSOs said only 6% of their total funding came from public (central and local government) sources, indicating a lack of partnership in the implementation of policies and measures of public interest. This makes CSOs more dependant of foreign donors which in return lead towards low levels of sub-contracting of CSOs.

Social enterprises in the country have also received in-kind donations and pro-bono services from individuals, companies and other organisations. Through the SE support programs, SEs have received mentoring and expertise from experts from the corporate sector and found this support of particular value to establishing and growing their business. SEs rarely received support from public funding or local municipalities.

Beyond additional grant funding, SEs in general are reluctant to embark on new financial instruments such as loans or equity funding and lack the financial management skills to do so. Only few are considering tapping into other funding instruments such as business angels, patient loans etc. Overall, Albanian SEs are risk-adverse when it comes to financing.

3.4. Monitoring and evaluation of the financial and social return

There is no reliable data about the impact of social enterprises on society or the vulnerable groups that they seek to serve, in part because the reporting structures within the SEs themselves are under-developed or inefficient and little attempt is made to verify their social impact. In general, the SEs use an internal system for monitoring the number of beneficiaries they serve and document case-studies. Faced with limited financial management resources and capabilities, there is overall lack of analysis and information on the financial return beyond the investment portfolios of individual support organisations such as Yunus Social Business Balkans.

4. THE ECOSYSTEM FOR SOCIAL ENTERPRISE DEVELOPMENT

4.1. Relevant policies, regulatory and institutional framework

4.1.1. The legislative and regulatory framework related to social economy

The regulatory framework for the SE sector and wider civil society has been gradually built over a number of years with a focus on EU harmonisation. Perhaps most critically the targeted Law on Social Enterprise[23] was adopted in 2016 and its implementation is under the primary auspices of the Ministry of Social Welfare and Youth, which was responsible for designation of SEs status. The law defines social enterprises through a primary purpose of providing social inclusion and it recognises SEs only as non-profit organisations that provide goods or services. Furthermore, the areas where SEs operate are defined by the law and limited in scope to include: employment of marginalised people, social services, education, health protection, environment, promotion of tourism, culture and heritage, promotion of the development of local communities, sports activities and youth employment. A qualifying SE must have

[22] Monitoring Matrix on Enabling Environment for Civil Society Development, Country Report for Albania 2016, Partners Albania for Change and Development, 2017
[23] Law for Social Enterprises in Republic of Albania Official Gazette 65/2016

at least three full time staff members, one of whom must be from a marginalised group. 20% to 30% of their income in the second and third year respectively has to be generated from the economic activity. Surplus income cannot be directly or indirectly distributed and it has to be used for expanding the SE operations. Designated SEs work under a participatory decision making principal and include employees in strategic decision making. In principle, the law foresees mechanisms for support of the SE sector, including state subsidies. The law is designed to encourage local stake-holding authorities to stimulate the participation of SEs in public tenders for health, social and cultural services.

The implementation of the Law on social enterprises is delayed and no organisation has received SE status yet. The complementary bylaws/acts that facilitate the implementation of these crucial benefits are still awaiting finalisation and approval. These bylaws include:

1. The list of fields of activities in which social enterprises can operate
2. The methodology for oversight and control of SEs
3. The list of vulnerable groups to be employed by the SE
4. Financial support/subsidies to be provided by the state

Implementation of the law has been further delayed by the recent reorganisation of the government, which has seen closure of the Ministry of Social Welfare and Youth and the splitting of its responsibilities. Social welfare and protection issues have been moved to the Ministry of Health and Social Protection (this includes the department previously responsible for implementation for the law on SE) and labour issues have been moved to the Ministry of Finance and Economy.

From the scope of the law it seems that social entrepreneurship is considered as a sector specific policy aimed at reducing the number of people on social welfare, illustrated by the fact that the law is focused on benefiting vulnerable groups and essentially limited to service provision in restricted economic areas mostly related to social inclusion. In interviews with stakeholders it became clear that some institutional stakeholders view social entrepreneurship as a vehicle for reintegration rather than empowerment for the delivery of various societally relevant goods and services. The concept of social entrepreneurship is viewed somewhat differently from the concept of social business promoted by other stakeholders which creates further confusion in the public discourse. On the positive side, there is institutional recognition of the need for the government to provide a package of incentives and direct financial support to the social enterprises.

While a significant step has been made by introducing targeted policy, the law can be restrictive when it comes to designating SE status (there are fines of up to 290 Euro for organisations that designate themselves SE without formal Ministerial Approval). In practise, the law affords status, but does not offer any actual support (other than for the employment of marginalised people) or financial incentives. It doesn't refer to provisions of secured contracts or any preferential treatment in public procurement or any specific tax benefits. To make matters worse the law, by its exclusions, leaves out many of the existing SE players and excludes the possibility for SEs to make profit, which in turn can exclude social entrepreneurship.

The majority of SEs incorporate as non-profit organisations with some also incorporating as cooperatives or trade companies. The Law on Non-profit Organisations recognises three forms of NPOs[24]: associations, centres, and foundations. Albanian NPOs are allowed to undertake commercial activities in line with their main mission without the need to register a separate LLC. The precondition being that the commercial activity not be their sole activity and that the activity is listed within their statutes. The potential downside being that these activities are not automatically tax exempt. In addition, similar to other countries, the interpretation of mission-related economic activities is challenging. VAT treatment of CSOs is not fully clear; CSOs are automatically registered for VAT and they have to request exemption from the designated authority in case they don't generate income from economic activities

[24] Law on Non-profit Organizations (NPOs) No. 8788/2001, 9814/ 2007; 92/2013, and the Law on the Registration of NPOs No. 8789/ 2001

or counter-service the donors. For these reasons, some social entrepreneurs circumvent these challenges by registering as traditional SMEs or as Sole Traders, registration for which is faster, plus it has the added benefit of being VAT exempt as small entities, easier access to finance and the administrative/tax regulations are clearer and less demanding. Corporate donors receive tax deduction of 3% to 5% of their pre-taxed income when they provide sponsorship to a CSO.

This lack of clarity in the mentioned fiscal law creates space for discretion and interpretation by representatives of the tax administrations at all levels, which can lead to different approaches. CSOs that register a separate legal entity cannot take advantage of the tax relief. The separate company CSO set up has to pay the profit tax and can use only the tax relief on the donation of 3-5% if they make it to the mother organisation.

Cooperatives are covered under the umbrella Law on Reciprocal Cooperation Companies[25] (more typically used by companies in the financial services and insurance sector, and sometimes for construction) and the Law on Agricultural Cooperation Companies[26]. As defined by the law, the mutual companies and cooperatives are established with the objective to pursue the economic interests of their members. As such they are limiting the establishment of social cooperatives and the pursuit of cultural, social and other interests of the members. The laws define the participatory nature of the SEs and they could technically comply with the legal definition of an SE. However, the Law on social enterprises actually serves to disadvantage cooperatives as, given their profit character, they cannot comply with the non-profit stipulations in the law.

Several studies have identified the Savings and Credit Associations (SCA) as a form of social enterprises. They operate under the Law on Savings and Credit Associations No. 8782, 2001 with a purpose to provide financial services to the non-bankable part of the population, especially in the rural areas[27]. The main principles of SCA are cooperation and mutual solidarity with provisions for not-for-profit character. Nevertheless, since they provide microfinance services the study conducted by NESsT[28] as well as this report considers them predominantly as part of the support structure which is also in line with the EU's Social Business Initiative.

The Law on Volunteerism passed into law in April 2016[29] and defines "the basic principles, conditions, and criteria for conducting voluntary work". In addition to meeting one of the government's nine priorities under its 2015 roadmap for policy towards a more enabling environment for CS development, one of its principal aims is to increase the level of civic engagement amongst the population in the development of their communities. The law recognizes non-profit entities as organisers of volunteer work including those that will receive SE status due to their non-profit nature. The law is somewhat limiting in the duration of volunteering (limited to 5 hours a day and 25 hours per week[30]) and stipulates somewhat burdensome administrative requirements. The law and accompanied tax treatment is yet to be implemented.

The government does recognise the potential contribution that SEs and CSOs can make, and they are allowed to participate in public tenders. Although public tenders are a potentially crucial source of sustainable income for SEs, they are disadvantaged in the tendering processes as those processes do not take into consideration the unique nature of SEs nor do they consider social benefit when allocating contracts. SEs and CSOs are however reluctant to participate in public procurement processes partly

[25] Law on Companies of Reciprocal Cooperation", No. 8088/1996, No. 9039/2003 and No. 9747/2007
[26] Law on Companies of Agricultural Cooperation, No. 38/2012
[27] Strategic study on the social economy development in the context of the South East Europe 2020 strategy, Regional Cooperation Council Secretariat, 2015
[28] Varga, E. Social Enterprise Ecosystems in Croatia and the Western Balkans, A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, NESsT, 2017
[29] Law on Voluntarism No. 45/2016
[30] Monitoring Matrix on Enabling Environment for Civil Society Development, Country Report for Albania 2016, Partners Albania for Change and Development, 2017

because they frequently are uninformed about such calls and partly because they doubt the impartiality of the process[31].

The National Strategy for Employment and Skills 2014-2020 is one of the national policy documents that recognises the need for development and promotion of social enterprises. Drafted and implemented by the Ministry of Social Welfare and Youth, the strategy has critical SE inclusions under the strategic goal "Promote social inclusion and territorial cohesion" and the objective "Promoting social entrepreneurship and women's economic empowerment. The strategy includes two specific SE-related measures:

1. Design and implementation of measures in relation to social entrepreneurship. The main outputs for which are;
    a. The definition of social enterprise in legislation
    b. One-stop-shop consultancy for developing business ideas and start-up strategies
    c. Modularised training for start-ups and on-going consultancy for at least the first year of self-employment
    d. Basic and practical business skills courses on management, marketing, use of technology, building a business and launching start-ups. These courses are offered particularly to women and girls in rural areas
    e. Increasing women's access to training and to the labour market by supporting measures and initiatives that aim to reconcile work and family life
2. Creation of conditions for fostering female and male employment in the third sector (social enterprise focus). The main outputs for which are;
    a. Capacity building for NGOs to improve their management knowledge and skills
    b. Training for the establishment and implementation of new businesses
    c. Supporting cross-sector partnerships by training local and regional authorities and public institutions about CSOs
    d. Promoting cooperation between NGOs and the business sector

Beyond defining social enterprises in legislation, there is no record of any of the measures being implemented yet.

Furthermore, the Investment and Business Strategy for 2020 recognises that in pursuit of sustainable and inclusive business models there must be ongoing dialogue amongst all stakeholders to support the development of a broader range of forms of business.

Overall, progress is being made in including social entrepreneurship in the policy agenda. There is an increased understanding and appreciation of the role that the SE sector can play in the integration of vulnerable groups as well as the delivery of social services. Nevertheless, at the moment the policies formally take a narrow view of the SE sector which might undermine its future potential.

4.1.2. Institutional framework

With the re-organisation of the Government, the institutional framework and designated institutions for social entrepreneurship might be re-defined. From the interviews with designated stakeholders it seems that the Ministry of Health and Social Protection will take over the responsibility for the implementation of the Law on social enterprises. However, there is a clear role to be played by the Ministry of Finance and Economy due to their responsibilities related to economic development and labour. While the Ministry for Economic Development Trade and Entrepreneurship has been dissolved, there is a newly appointed Minister of State for Protection of Entrepreneurship with a mandate to communicate with the business community.

[31] Ibid.

The Agency "Promoting Social Business" (NBS)[32] was established in 2011 under a specific, targeted regulation[33] in order to support the development of social business in the country. Under that regulation, a 'social business' is one that addresses a social and or environmental problem, where the profit isn't distributed but reinvested for improvement of the business activity within the existing or other social business. NBS was established by the Ministry of Social Welfare and Youth as a state owned Joint Stock Company, is overseen by the Ministry of Finance, and is charged with 'developing sustainable economic and social development by promoting national development of a sustainable, balanced and cohesive social business'. This the NBS does by the support and promotion of social businesses and the providing of microfinance opportunities for achieving stable income for Albania's disadvantaged. In 2016, the management of NBS was replaced and there was a vacuum in their activities. Recently, a new Administrator was appointed and NBS is cooperating with the Municipality of Tirana and other stakeholders in promoting social businesses. However, their future mandate and scope of work is unclear; the web site is not operational for the past year and a half and the Law on social enterprises doesn't envisage any role for NBS in the implementation.

The National Council for Civil Society was established in June 2016 with the aim to provide a consultative platform between the state and the CSO sector[34]. Its 27-member board is made of appointed representatives of the CSO community and the government. It is responsible for the development and implementation of a National Strategy for an Enabling Environment for Civil Society. They could play a coordination role in the policy debate on social entrepreneurship and could encourage a more horizontal policy approach to the issue.

4.1.3. Links with existing Social Protection and Social Inclusion systems

The existing legislation on social enterprises clearly links their role to the social protection and inclusion systems. The primary rationale for the law is to reduce people on social welfare and sees social enterprises and employment intermediaries as particularly important for labour and social integration of vulnerable groups. The National Strategy on Social Protection 2015-2020 identifies the need for legislation and recognition of social businesses and social enterprises in social and labour integration of vulnerable groups. Furthermore, it acknowledges that the CSOs deliver numerous specialised social services targeted at vulnerable members of the population, ranging from safe houses to day care centres for homeless children. Regulation is in place for licencing NPOs and other public and non-public actors as social service providers through a National Centre for Licencing. However, the Strategy identifies that the number of non-institutional actors involved in social care services is very modest. Even though it stipulates de-institutionalisation and social contracting with NPOs in delivery of social care services, little has been done in practice.

The Public Procurement Laws in Albania make no provision for the sourcing of products or services from social enterprises. nor do they make social responsibility an element of the procurement selection process. CSOs rarely participate in public tenders.

4.2. Key stakeholders and existing coordination mechanisms

Table 1 shows already identified Social Enterprise Ecosystem stakeholders within the Western Balkans Mapping Study 2017 ©NESsT, updated for the purposes of this study.

Table 1: Key Stakeholders in the Social Enterprise Ecosystem in Albania

[32] www.nbs.org.al
[33] For the Establishment of Promoting Social Business, JSC No. 10376/2011
[34] Monitoring Matrix on Enabling Environment for Civil Society Development, Country Report for Albania 2016, Partners Albania for Change and Development, 2017

Organisation	Role
Policy makers	
Ministry of Health and Social Protection	• Responsible for implementation of the Law on Social Entrepreneurship (SE) and its bylaws • Responsible for granting the SE status • Responsible for promotion of SEs according to the law • Responsible for drafting and implementation of the strategies related to social welfare
Ministry of Finance and Economy	• Responsible for drafting the tax and fiscal regulation for SEs • Shareholder Representative of the State in the Agency for Promoting Social Business • Responsible for drafting and implementation of labour Law and employment policies • Responsible for economic development policies
Minister of State for Protection of Entrepreneurship	• Responsible for communication with enterprises
Ministry of Agriculture and Rural Development	• Responsible for legislation related to cooperatives and SCA
Ministry of Culture	• Provides grants to CSOs in the area of culture
Agency for Support of Civil Society (ASCS)	• Provides government's grant funding to CSOs
Local self-government units	• Support and implement SE policies on their territories • Stimulates participation of SEs in local public procurement in line with the law
Funders	
Yunus Social Business Balkans	• Provides social impact financing to social enterprises • Manages accelerator program for start-up SEs which includes mentoring, technical assistance and networking
Albanian Investment Development Agency (AIDA)	• Aims to attract foreign direct investment, enhance competitiveness and innovation • Provides financial support to SMEs through several grant programmes • Supports SMEs in promotion, B2B, participation at fairs etc.
FED Invest (previously Albanian Union for Savings and Credit Associations)	• Focused on modernization of agricultural production and rural development • Provides micro credits, small loans to SMEs and savings deposits
National Employment Service	• Provides subsidized employment and training
EU Funding (Civil Society Facility and IPA)	• Provides grant funding to NPOs for projects in various areas including social inclusion, employment of vulnerable groups, entrepreneurship development etc. • Provides grant funding to NPOs for capacity building programs for SEs
EU funding (WB EDIF)	• Provides financing solutions for SMEs, implemented and coordinated by the EBRD and EIB Group, including venture capital, risk-sharing, direct and indirect lending • Supports policy interventions to improve SME operating environment, capacity building initiatives and targeted advisory support (through EBRD's ASB programme)
Fondi Besa (BESA)	• Supports economic growth in urban and semi-urban areas by providing microfinance loans to SMEs • In cooperation with European Investment Fund provides microfinance to stimulate employment and social

	innovation targeting agriculture and youth entrepreneurship
Albanian – American Development Foundation (AADF)	• Provides support to micro enterprises and SMEs including crafts
Austrian Development Agency, Swiss Development Cooperation, UNDP and the United States Agency for International Development (USAID)	• Public-private partnership that supports micro-enterprises, small and medium enterprises and social enterprises
Support organisations and institutions	
Partners Albania	• Aims to support civil society and facilitate inter-sectoral cooperation to strengthen democratic institutions and advance economic development • Provides seed funding for start-up SEs through the "Philanthropy for green ideas" competition • Provides capacity building and mentoring in development of business plans • Supports exchange of experience and cross-sector cooperation for the SEs • Advocates for incentives for development of SEs • Promotes SE best practices
Agency "Promoting Social Business"	• Has mandate by law to support and promote social enterprise and microfinance
Albanian Social Enterprises Forum (informal)	• Promotes social enterprises aimed at development of social services and welfare • Supports regional networking between SE networks • Provides capacity building opportunities for the SEs • Advocates for encouraging legal framework

4.3. Existing funding strategies for social economy

4.3.1. National public funding schemes

The Law for Social Enterprises was intended as the overriding policy for the SE sector, though as the bylaws necessary for its implementation have yet to be passed it means that at the time of writing this report there are no specific public sector mechanisms for the financial support of SEs. Available public support SEs can use are the sources of funding available to the legal forms the SEs have adopted.

The *Agency for Support of Civil Society (ASCS)* is the main public funder for the CSO sector. It is granted a budget allocation per year by the Ministry of Finance (720,000 EUR for 2016), the disbursement of which is overseen by a Supervisory Board which contains five representatives of the CSO sector[35]. Between 2010 and 2013, it provided 183 grants totalling 2.219 million EUR to CSOs. More recently in the fiscal year 2016 it awarded grants ranging from 3,700 EUR to 36,800 EUR to 41 CSOs on the basis of a broad public call, the grant total was 620,000 EUR[36]. This money was awarded on the basis of either full or co-funding of projects and the ASCS states that it prioritised newly established organisations in its award strategy.

[35] Monitoring Matrix on Enabling Environment for Civil Society Development, Country Report for Albania 2016, Partners Albania for Change and Development, 2017
[36] Ibid.

The *Ministry of Culture* has been funding projects in the field of culture run by individuals and CSOs since 2014. During the fiscal year 2016 it awarded grants to 52 CSOs totalling EUR 246,000[37] with individual grants ranging from 1,498 EUR to 11,236 EUR. *The Ministry of Economic Development, Tourism, Trade and Entrepreneurship* says it allocated EUR 28,500 of funds to 3 CSOs in 2016[38].

The *Lottery Funds* is also mandated to grant funding to CSOs. During 2016 it disbursed grant funding to 4 CSOs, 3 projects focused on disadvantaged children and 1 on the fight against the informal sector[39]. Although the fund is a potentially crucial funding source for SE it rarely provides information on priority fields for funding and therefore is not accessible for the majority of SEs, especially those operating outside of the capital.

The *National Employment Service (NES)* is another government body that could have an active role in the success of the SE sector. NES provides active support measures for the employment of PwDs and other vulnerable groups. Its Employment Promotion Programmes (EPPs) provides for two types of support. The first, subsidised employment, provides support in the form of rebates or waivers on payroll contributions and partial subsidy of the net salary for companies employing unemployed people from vulnerable groups. The second provides on the job training, vocational training and internships for people from vulnerable groups.

Although there are no public funds aimed at the development of social entrepreneurship yet, there are funds available that are focused on developing of the SME sector through stimulating innovation that SEs can potentially access, however the majority of these would not support the mandatory non-profit nature of the SEs.

The *Albanian Investment Development Agency (AIDA)*[40] provides financial support to SMEs and start-up companies as part of their mission to enhance the competitiveness of the Albanian economy and stimulate innovation. The subsidies are disbursed on the basis of grant co-financing via several funding streams such as: Enterprise Support Fund for "Start-up" Initiatives (70% of the costs up to 2,200 EUR); Competitiveness Fund (support to penetrate international markets); Creative Economy Fund – crafts (80% of costs up to 3,700 EUR); SME Fund in tourist/historical areas (50% of costs up to 22,000 EUR); Innovation Fund and Tourist Entrepreneurship Fund (60-80% of costs up to 7,500 EUR). The funding is available only to SEs registered under company law. According to AIDA's web resources, in 2016 the Agency supported 139 companies through various activities providing grant funding to 99 SMEs in total for an amount of around 610,000 EUR.

Although not a national scheme, the *Municipality of Tirana*[41] is also taking a proactive approach in promoting and developing entrepreneurship, even though they do not have a specific strategic approach to support social businesses. In 2015 the Municipality of Tirana joined the partnership initiated by the Albanian American Development Fund (AADF) and Norfund, Crimson Capital Corp in establishing the Crimson Finance Fund Albania to support SMEs. The Municipality announced 1 million USD (25% participation of the municipality)[42] for support of young entrepreneurs through soft loans. Since then, the municipality has been providing support in incubating youth and women entrepreneurs. They also run competitions which award up to 5,000 EUR grant funding accompanied with training and administrative support in the first two years. More than half of the supported businesses have been assessed as successful and are growing their businesses. In addition, the municipality's plans include reviving an old socialist building into a youth centre and youth business incubator, supporting crafts mainly through souvenir design and production, supporting marginalized groups in establishing companies for small maintenance services which the municipality could sub-contract. One of the

[37] Ibid.
[38] Ibid.
[39] The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia, USAID, 2017
[40] http://aida.gov.al/home
[41] http://www.tirana.gov.al/
[42] https://invest-in-albania.org/tirana-municipality-to-support-smes-through-1-ml-fund-by-crimson-funding/

challenges is the lack of fully decentralised competences in relation to entrepreneurship which requires that all municipality support for this purpose be approved by the Ministry of Finance and Economy.

4.3.2. European Union funding

Through the Instrument for Pre-Accession Assistance (IPA), Civil Society Facility (CSF), IPARD, European Instrument for Democracy and Human Rights (EIDHR) and IPA Cross Border Cooperation programmes the EU has been probably the leading source of funding for CSOs, and by extension, the SE sector. In addition, Albanian CSOs are eligible for funding under several calls for EU programs that are implemented at the regional or European level. The EU funding enabled some CSOs to develop and initiate their social entrepreneurship activities.

The EU programs in general are only accessible to a few well-developed CSOs that are capable of meeting the co-financing and other requirements for EU grants, which disadvantages small organisations. Another potential barrier for Albanian SEs is that for many EU programs, applicants are expected to provide the funds for project implementation up front and then be reimbursed after the fact. In recent years, the Civil Society Facility (regional and national) provides re-granting to smaller, local CSOs which provides opportunity for smaller Albanian CSOs to indirectly access EU funding.

In 2017 the EU Delegation to Albania, based on public consultations with civil society organisations, included a targeted Lot on social economy in one of its recent Calls. Under the IPA Civil Society Facility and Media Programme 2016-2017, Support to Civil Society Organizations capacities[43] - Lot 2 - aims to promote "civil society capacities and support initiatives on social economy fostering inclusive development". Specific Objectives under the lot include advocacy and support to policy framework as well as direct funding and capacity building to CSOs to establish social businesses:

- Promoting constructive dialogue and advocacy efforts for an enabling financial and legal environment and a sustainable funding scheme related to the social economy
- Supporting capacities of CSOs to initiate and/or strengthening social business initiatives, including increasing awareness on social entrepreneurship and sharing good models and success stories
- Supporting concrete initiatives of CSOs related to social business and cooperatives, social entrepreneurship, addressing societal and environmental challenges and fostering inclusive development, fundraising and self – employment activities.

Tentatively one/two grants are expected to be awarded under this lot ranging from 200,000 EUR to 400,000 EUR. This initial step would provide valuable direct support to social enterprises and moreover will enable wider public discussions around the issue.

Given the plethora of agricultural CSOs in Albania the EU instrument for Pre-Accession Assistance in Rural Development (IPARD) represents a potentially pivotal support mechanism for the Albanian SE sector in the field of agriculture. However, given that the majority of these agricultural projects are likely to be micro enterprises they are unlikely to have the capacity to absorb IPARD funding.

The EU programmes related to entrepreneurship, competitiveness, and innovation have not yet directly targeted social enterprises, even though it is under consideration for the next programming cycle. The SEs registered as limited liability companies can access EU support through EBRD and COSME (Competitiveness of Enterprises and SMEs). The Employment & Social Innovation (EaSI) is also accessible to Albanian stakeholders. Some of the microfinance institutions such as Fondi Besa, NOA

[43] https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?do=publi.welcome&nbPubliList=10&orderby=upd&orderbyad=Desc&searchtype=RS&aofr=155863

and FED Invest are already utilising the EaSI's Guarantee Financial Instrument (more in microfinance section).

The *European Investment Bank (EIB)* makes funding available (primarily through the Western Balkans Investment Framework) to support a range of priorities. Of particular relevance to the SEs are programmes such as JEREMIE, which provides funds targeted at start-ups, technology & innovation, microcredits etc.

In partnership with the Albanian Government, the EBRD has created an agribusiness facility to help enterprises in this sector get better access to finance. The financial products available to SMEs through the European Bank for Reconstruction and Development (EBRD) could also be considered by SEs that are registered under Company law.

The countries accession process will necessitate continued and significant EU investment in the economy, CSO and SE sectors over the coming period and this funding will likely be the primary driver of the SE sector and social entrepreneurship in general. As other donors will reduce their funding to the country, a number of EU programmes will continue to have significant implications for the development of social economy in Albania.

4.3.3. Social Investors, Social Impact Funds and other socially driven financing institutions

There are a number of key actors in the social investment sphere, some of these are listed below.

Yunus Social Business (YSB)[44], a non-profit venture fund was founded in 2012 and is based in Tirana, it was established as an initiative of the Albanian government using the definitions of social business espoused by Muhammed Yunus who states that a social business has to solve social or environmental problems, use profits to increase social impact, pay no dividends and be self-sustainable on the basis of the success of its business. With a focus on agribusiness and manufacturing, YSB provides two distinct but complimentary types of services, the first services mirrors that of a business accelerator and the second, financing. The financing instrument consists of flexible loans with no collateral. Equity stake of up to 25% serves as security until the loan is repaid. The loans range between 50.000 – 500.000 EUR for a period of 6-7 years on average, with interest rate between 6 and 8 per cent and grace period of up to 5 years. The finance facilities are coupled with advisory support through training, mentoring, expertise and networking opportunities. In three years the YSB website states that they have supported over 30 social businesses in the region with featured 7 supported social enterprises in Albania over three years. YSB partners with USAID to run a private public partnership to invest USD3.2 Mil in supporting micro and SME enterprises (with a focus on social enterprises) in Albania and are partnering with companies such as MAN (established Impact Accelerator within YSB). Since 2017, the focus of YSB has been in the areas of agriculture and eco-tourism.

In December 2016, YSB established another line of acceleration program which aims to support CSOs in becoming social businesses. To the present day they have supported 10 CSOs, 2 of which received grant support of less than 50,000 EUR with monthly monitoring, partnering with Swiss Development Cooperation Program Coaching for Employment and Entrepreneurship (C4EE) implemented by Swiss Contact. Since 2017 YSB organises the Social Impact Award in Albania.

Partners Albania (PA)[45] is an Albanian foundation established to support the development and work of civil society and to facilitate inter-sectorial cooperation to strengthen democratic institutions and advance economic development. Amongst its activities is the Social Entrepreneurship and Innovation programme, which encourages the development of social entrepreneurship. The programme provides funding for start-up SEs, networking between entrepreneurs, organisations and investors (national or

[44] http://ysbbalkans.com/
[45] http://partnersalbania.org/

international), advocacy to public stakeholders, and quite unusually provides PR support for SE success stories and best practises. Its Philanthropy for green ideas competition serves as both catalyst for innovation and incubator for micro social enterprises that can actively contribute to the green economy. Funding by combining contributions from local companies, the Rockefeller Brothers Fund, and private donors, it provides grants of up to EUR 9,380 for capital and first year operational costs. PA also offers technical support in the form of capacity building with the help of mentoring services provided by telecoms and banking companies.

Some of the SEs in Albania reported to have used regional funding opportunities to develop their social enterprises. Some of the identified regional actors include *Ashoka* which implements the Change makers Exchange Programme that provides networking, best practise learning and experience sharing with SEs from Austria and *Mozaik Foundation* in part funded by the UniCredit Foundation, which provided grants and expertise support.

Together the EIB & EBRD provide facilities through the *Western Balkans Enterprise Development and Innovation Facility (WB EDIF)*. The WB EDIF is designed to offer a range of measures to improve access to finance for SMEs and foster economic development. It provides direct and indirect financing according to the development stage of the SME, supports the general SME business environment by policy intervention and advisory support. While the WB EDIF does not explicitly target SE, its support can be accessed by the SE operating as LLC.

The *European Investment Fund (EIF) in partnership with Fondi Besa*[46] (a microfinance institution) established an employment and social innovation microfinance programme in 2016. This operates under the guarantee scheme of the EU Programme for Employment and Social Innovation (EaSI). With a EUR 22 million loan portfolio, the instrument is expected to support up to 5,000 micro businesses, primarily in the areas of agriculture (through BESA-Agro-EaSI) and youth entrepreneurship (Youth loan). The loan terms are potentially challenging for SEs with a maximum 5-year loan period and slightly lower interest rates than usual, of up to 16.5% (as a result of the EaSI guarantee).

4.3.4. Private sector

While there are incentives from central government, traditionally in the form of tax deduction (3-5% of turnover) for donations, they are considered as very little incentive[47] for private sector involvement in the activities of SEs and CSOs, other than pure charity. Overall, the corporate support to CSOs is considered "sporadic and limited"[48]. However there are a number of notable initiatives which, although not directed at SEs, could potentially be used by them. In-kind donations are more prevalent than financial ones, with companies in the financial and insurance sector, IT, Telecoms, mining and quarrying industries being the most frequent donors as part of the corporate social responsibility (CSR) programmes. The Albania CSR Network was established in 2013 with 17 member companies, however there is no available information of their support to the SE sector.

The *Vodafone Albania Foundation*[49] is an example of the private sector actively engaging with CSOs and potentially social economy actors. It provides grants (both cash and in-kind) to CSOs and local organisations that respond to community needs. The average annual fund is around 388,000 EUR disbursed via annual open call.

The commercial banks are not showing interest in developing targeted products for SEs and there is a lack of angel funding and other innovative financial mechanisms for SEs provided by the private sector.

[46] http://www.fondibesa.com/
[47] Monitoring Matrix on Enabling Environment for Civil Society Development, Country Report for Albania 2016, Partners Albania for Change and Development, 2017
[48] The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia, USAID, 2017
[49] https://www.vodafone.al/vodafone/Vodafone_Albania_Foundation_196_2.php

4.3.5. Microfinancing

The microfinancing model in Albania plays a significant role in enabling the start-up of small family businesses, especially in the agricultural sector. Many of the initiatives in this area (such as Fondi Besa) have been covered in earlier sections of this report as part of the activities of the social investors. Besides the lending services, the microfinance institutions also provide direct support to their clients in preparing the income financial statements and managing their loans.

Microfinancing has played a major role in supporting socially excluded and vulnerable groups to work their way out of poverty at a time when traditional financial institutions would not facilitate them. Businesses in livestock, agriculture, organic food production and crafts could all benefit from microfinancing.

The most prominent microfinance institutions in the country are organised in the Albanian Microfinance Association, which has reported an outstanding portfolio of around 99 million EUR serving 61,818 active clients. Besides Fondi Besa, *FED Invest*[50] - formerly the Albanian Union for Savings and Credit Associations (ASC Union) - is the leading rural microfinance institution. It exclusively serves rural entrepreneurs and farmers and is based on cooperative principles with 100% of the assets possessed by its members. The loans to SMEs range from 8,900 EUR – 22,000 EUR with a 15% interest rate (under the EaSI guarantee support scheme), with up to 10 years and 6 months of grace period.

The microfinance institutions in Albania have not developed specialised products for social enterprises and do not consider them as an attractive market yet. In addition, the conditions of the microloans are not suitable for most of the existing SEs in Albania. Nevertheless, it could present as an opportunity in the future period.

4.3.6. Development Aid Agencies

Although funding sources are dwindling as the country moves further up its EU integration timetable, Albanian CSOs continue to have access to funding from a variety of international donors for work on a wide range of issues such as social inclusion, women's rights, human rights, transparent government and anticorruption, environment etc. Key donors include USAID, The Austrian Development Agency, GIZ, UNDP, the embassies, and the EU. In the last couple of years, Swiss Development Cooperation has been an important supporter to the CSO sector as well as employment and economy sectors. Besides the abovementioned initiatives, very few of the existing funds are specifically intended to support social entrepreneurship.

4.4. Type of additional non-financial support to social economy

4.4.1. Business Development Services

One of the positive developments in the creation of a supporting environment is the establishment of accelerators specifically designed to meet the needs of the SE sector and social entrepreneurship in Albania. The combination of financial and consultancy support provided by such organisations as YSB can contribute to increasing the number of individuals and organisations in the development of social business.

In addition, there are a number of new incubators that have been founded that may have a positive impact on the SE sector, although none of them was set up specifically to support SE. These include Protik ICT Resource Center, Officina Accelerator, Albanian Innovation Accelerator and Innovation Hub. For example, Protik[51], which was established by AADF with support of other public and private actors is focused on providing ICT entrepreneurs with technology and know-how, access to

[50] https://www.fedinvest.al/en/
[51] www.protik.org

information and networking opportunities. The Protik Center has also incorporated an Accelerator programme for start-up entrepreneurs in the Information and Communication Technology sector. Most of the existing accelerators are predominantly supported by donors and have not managed to build a self-sustainable model yet mostly due to the vulnerability of the market.

The Albanian-American Development Foundation (AADF)[52] was established in 2009 as the local legacy foundation of the *The Albanian-American Enterprise Fund (AAEF)*[53] with support from USAID. The AADF develops and engages in programs to further its mission in the areas of: education for sustainable development; entrepreneurship; leadership development; and support for cultural tourism and eco-tourism. AADF works on improving the environment and strengthening of entrepreneurship. One of the key instruments they use is the Business Improvement Districts Model where AADF establishes public-private partnerships with the local businesses/business associations and municipalities and supports: a) infrastructure intervention in the area; b) soft support – establishing local business associations with a mixed board structure (one member of AADF, one from municipality and 3-4 from local businesses); c) general marketing of the area (events etc.); and d) business support through trainings for small local businesses, and small matching grants with the municipality (usually up to 10,000 EUR) to purchase equipment and improve the interior of the shops (in case of bazaars and crafts). They work with 8 municipalities at the moment, are expanding into two new municipalities and are looking for opportunities to include rural communities. They are not directly targeting SEs and in principle SEs have not been present in the areas where they operate; nevertheless there is an opportunity to involve them in the future. The AADF's parent institution AAEF was established pursuant to the Support for Eastern Europe's Democracy Act of 1989 (SEED Act). Incorporated in 1995, the AAEF's primary purpose is to promote private sector development in Albania. The Fund was created with a committed capital of $30 million, which was administered as a grant by USAID. With a capital base of just $30 million, the AAEF has directly invested $109 million in 77 investments in 40 companies with over 7,000 new jobs created. They are not directly supporting SEs.

The *EBRD* addresses the needs of the SME sector via its *Advice for Small Business (ASB)* facility, which co-finances technical support activities for companies to engage consultants to help improve business practises and performance. These consultancy services typically encompass areas such as finance, management processes and information systems, process and quality management, human resources, export promotion etc. The ASB has provided support to over 570 SMEs to date[54]. While the financial support provided by EBRD is not suitable yet for the Albanian SEs due to their early stages of development, the ASB can be easily utilised by the SEs registered under the Company Law. In addition, the EBRD runs the *Women in Business Program* for women-led or majority owned SMEs that provides skills course, business advice, mentoring and access to finance.

Funded by the EU, *TACSO (Technical Assistance for Civil Society Organisations*)[55] amongst its other activities provides capacity building (e.g. training, information, support and research) for SE directly to SEs or to CSOs, supported research in this area and support to the establishment of the Albanian Forum on Social Enterprises. The TACSO Project concluded in November 2017 and is pending a new phase.

4.4.2. Local/national and/or Regional Networks

Around 100 Albanian SEs and CSOs who are the de facto engines of the growth of the SE sector established an informal network to promote best practice in 2012 - the *Albanian Forum on Social Enterprises*. Supported by TACSO it was established to support exchange and cooperation between SEs, entrepreneurs and organisations, investors and private sector donors, CSOs and academia.

[52] www.aadf.org
[53] www.aaef.com
[54] http://www.ebrd.com/work-with-us/advice-for-small-businesses/albania-business-advice.html
[55] http://www.tacso.org/

However, after initial activities, including the first study on social entrepreneurship in the country, the Forum has not been active in the last few years.

The associations in the field of agriculture are organised in the *Albanian Agribusiness Council (KASH)*[56], which was established in 2001 and is a union of 22 agribusiness associations. It serves to protect its member's interests and foster agribusiness development in support of consumers' needs and Albanian economic development.

Some of the leading Albanian CSOs promoting social entrepreneurship have been active in the regional network, such as the Social Enterprise Forum. Launched in March 2014, it is a network of SEs and support organisations established to encourage innovation development in the Western Balkans, launched with the Declaration of Western Balkan countries and Turkey on the Development of Social Entrepreneurship[57], though not yet operational.

Overall, there is a lack of network support infrastructure for social enterprises in the country.

4.4.3. Academia

Social Enterprises in general and social entrepreneurship in particular are not subjects generally covered within the formal education system, although there are some signs that private sector universities are showing interest in developing programmes and post graduate research on social business. Existing programs are limited to training courses organised by CSOs.

Entrepreneurship learning is making its first steps into the systematic approach through the formal educational system even though there have been encouraging examples of organisations engaged in building entrepreneurial skills through formal and non-formal education. "Basics of Entrepreneurship" has been introduced as a compulsory subject in the Vocational Education and Training[58]. There is a lack of systematic inclusion of entrepreneurial learning and university-business cooperation within academia in Albania.

4.5. On-going and planned initiative addressing social economy issues

The EU accession process is expected to be a catalyst for the growth in the SE sector, not just as a platform for encouraging more institutional support for the sector, but in providing technical support to institutional stakeholders. It is expected that its primary impact will be in the form of direct and indirect financing through IPA II and complementary programs. In addition to Civil Society support, the EU Delegation (EUD) to Albania, in consultation with the implementing partners GIZ and SIDA, is exploring the possibility of including elements of social innovation within the IPA 2017 Action under which the Component 3 aims at improvement of innovative eco-system and start-up creation. As indicated by the EUD representatives, it could look into rewarding innovative solutions not only in terms of societal wellbeing, but also in terms of growth, jobs, and business development. The Component 3 envisages two results: 1) Improved accelerators/incubators facilities for supporting start-ups and 2) Improved access to finance for innovative start-ups to be achieved by the following indicative set of activities:

1. To support the establishment of a multi-location facility for Fabrication Laboratory type incubator
2. To design and implement new financing programme / tools / schemes to support most innovative start-ups, including early-stage and women-led enterprises.

[56] http://www.kash.org.al/
[57] http://belgradedeclaration.net/

[58] SME Policy Index: Western Balkans and Turkey 2016, *Assessing the Implementation of the Small Business Act for Europe*, OECD, 2016

3. To promote better links between academia, industry and government for the development of innovation policies based on Triple Helix approach.

The implementation of the Action is planned for the second half of 2018 with a duration of 3 to 4 years. Integrating the needs and support to social enterprises/businesses into the Action would provide a significant boost in developing SE support infrastructure and moreover in integrating SEs as part of the economy and entrepreneurship spectrum rather than solely a social protection sphere.

Other stakeholders are also committed in further supporting social entrepreneurship. The focus of YS future work would be to support the establishment of supply chains in targeted sectors (mostly agriculture and eco-tourism) thus integrating SEs and providing support to CSOs that strive to create long-term sustainable impact in their communities. Partners Albania's future plans include establishing professional help-desk service to support social enterprises.

4.6. Best practices in the country and replicable models

Design by Pana[59] is an SE established in 2013, whose main business is furniture design and production for domestic and professional environments. Its items are made from recycled wooden transport pallets, as well as the repurposing of glass objects into light fittings and other decorative items. Starting with just two employees, it now employs 12 people from disadvantaged backgrounds (young people raised in children's homes or coming from families with low income, pensioners, people with disabilities and Roma) their production business now has an annual turnover of over EUR 100,000. The enterprise offers on the job training for its employees using the capabilities and know - how of retired craftsmen & engineers. This helps in not only enhancing skills and qualifications of new employees, but also in preserving skills that may otherwise be lost over time, in part because of the deficiencies and gaps in the vocational training system in Albania. A winner of the Social Innovation Tournament of European Investment Bank Institute in 2016, Design by Pana has furnished around 150 houses and bars using unique and creative elements in their furniture. It has been supported by YSB with a loan as well as mentoring and technical expertise.

Another example adopting a completely different model of governance and operation is the Youth Albania Professional Services (YAPS)[60]. With a primary mission to provide social and economic integration of vulnerable groups, in particular youth, YAPS has grown into one of the most successful social business in the region. Established in 2000 by several stakeholders including UNICEF, Don Bosko and a few large companies, it operates as a foundation whose Board includes CEOs and representatives from key supporters and clients of YAPS. From the outset this has ensured a good basis for sustainability and has provided hands-on mentoring and support in establishing the management systems. YAPS provides a range of services including delivery services, cleaning and general maintenance and employs around 100 people from disadvantaged groups such as orphans, Roma, Egyptians, minors in conflict with the law etc. With annual turnover of over half a million EUR, YAPS has claimed 13% of the cleaning market and 12% of the delivery market. Dry-cleaning for hospitable industry and hospitals is their new service in the pipeline.

[59] http://www.designbypana.com/company

[60] http://www.yaps.al/yaps/?lang=en

5. GAP ANALYSIS AND NEEDS ASSESSMENT

5.1. Macro-social factors determining the sector

All Albania's major political actors and society in general have embraced democracy and in particular membership of the EU as the ultimate goal of the transition process. Successive Albanian governments have focused strategies and policies on the political and economic criteria required for EU integration; unfortunately this has often come at the expense of social issues. The significant portion of employment in the informal economy deprives the public welfare system of much needed funding and in part means that the government struggles with insufficient funding to meet the needs of vulnerable groups. Beyond the challenges of funding, further administrative capacity building and a significant improvement in the quality of infrastructure is essential to improve a sector that has been ignored for an extended period. Encouragingly, the government continues to give a higher priority to policies for tackling poverty and social exclusion. Active labour market policies have been designed to reduce unemployment, but the pace and way of implementation of these measures is still inconsistent.

Entrepreneurial activity is low, and employment and social structure is often based on self-employment, family and clan connections that may not represent the best solutions for the development of social entrepreneurship which is rooted in high level entrepreneurial spirit, civic culture and solidarity beyond the family lines.

The very idea and the major actions that led to the creation of a CSO sector entered the country through Western donor aid policies aimed at stimulating civic participation and encouraging democratic values. However, the gradual withdrawal of foreign donor funding is placing the CSO sector between a search for social mission focused funding, and the potentially more profitable political alliances damaging the perception of the CSO sector.

In such a context, the existing policies on social entrepreneurship, while well intended, create more confusion to the emerging social enterprise sector. The law on social enterprises is clearly based on the narrow view of social inclusion and in a peculiar way places (by law) social enterprises divergent to social businesses promoted by the regulation on the Agency "Promoting Social Business" (NBS), YSB and other stakeholders. The existing law brings a few major concerns for the broader development of social entrepreneurship: 1) it recognises only work integration social enterprises by strict employment requirements; 2) it is limited to non-profit entities and excludes cooperatives and companies (many of which were established by CSOs) and 3) it limits the economic areas of engagement of social enterprises and excludes industries such as manufacturing, hospitality and others which is where many SEs operate. As defined at the moment, the law will exclude many of the identified existing SEs in the country which exhibit all SE characteristics as per EU/SBI criteria. At the moment, the law doesn't provide any tax incentives or financial support to SEs even though it is expected that some subsidies will be introduced. The established NBS has lost its momentum, and while setting the support infrastructure is plausible, it is not clear what role they play in the sector.

In practice, the existing social enterprises do not receive public recognition, do not enjoy any benefits, and are struggling with administrative burden and inconsistent implementation of regulation.

The EU integration process is expected to improve the overall context and force through the prerequisite policy changes that will support a vibrant social economy in the medium term. In that process it is essential that a robust policy framework is developed that deals with three key areas; 1) the potential scope of impact of social entrepreneurship beyond labour market and social welfare. 2) cross-cutting character of SE across the sectors of economy, labour, environment, agriculture etc.; and 3) the need for horizontally integrated legislation to properly recognise, promote, and boost the development of SE rather than the perception that it is designed to control and over-regulate SE.

5.2. Access to finance

As with virtually all countries in the Western Balkan region, access to SE relevant finance beyond the initial grant funding is the biggest challenge for the social enterprises. Most of the existing social enterprises have been founded and operate with grant funding with the exception of a few established with support of YSB loans. The project driven nature of the majority of these enterprises means that many of the sector's component organisations are young and financially and technically unprepared for sustainable growth initiatives. Very few of the SEs are prepared to scale up or absorb the financial resources necessary to attain sustainability.

There is no real financing model for any but the very earliest stage of SE development, the exception being YSB financing instrument that provides targeted social impact funding. The public funding is extremely limited and not targeted at the SE sector and without significant changes in the legislative framework is unlikely to play a role in sector development. The available active employment measures are not always suitable as the SEs often don't have the financial capacity to retain the employees for longer periods. The public procurement policies do not entail reserved contracts for SEs and CSOs, nor include any social and environmental criteria. In addition, government support funds available to the CSO sector lack transparency in the award process and grants are often provided on the basis of political patronage. To make matters worse, as international grants gradually reduce, if local grant funding resources does not expand, civil society and emerging SEs in small towns and rural areas might as well disappear.

There are significant domestic private sector social investors who target for-profit organisations and projects and have little engagement with the SEs, the available debt financing does not offer commercial conditions that reflect the realities of SE operations and most SEs do not have the capacity to absorb such financing. There have been substantial developments in the availability of microfinance in Albania with established operators being joined by a swathe of new entities. Although these organisations focus their efforts of more traditional Micro & SME projects, there is scope of some of these funds to be directed at the SE sector provided there are supporting changes in legislation that govern SEs such as the restriction of profit generation. Commercial lending from banks other than the EBRD/EIB does not exist. The private sector plays limited role in financially supporting the SE sector. Positive examples of corporate support such as YAPS can be used as good practice to encourage increased involvement with the SEs. Other funding sources such as angel funding does not exist or have shown little interest in the sector and the legislative framework necessary to provide structure and transparency to the sector doesn't exist making it difficult to properly structure funding.

Existing restrictions on the non-profit character of the SEs can severely limit the future growth in the sector as these restrictions dis-incentivise even impact investment.

5.3. Lack of relevant skills to access market

As appears endemic to the region, the SE sector exhibits a clear shortage of project management and sector-specific experience (planning, budgeting and process management) and lack of the business management skills/experience necessary to plan for and manage financial, legal, and marketing processes. Access to essential information sources that are often in the digital domain is challenging for the SEs and CSOs from smaller and rural communities. SEs have reported challenges in access to market only partly by lack of skills but also by unfair competition, grey economy, and barriers to enter public procurement.

Capacity building facilities are offered by YSB acceleration programmes and Partner Albania's programmes which are also leveraged with some private sector mentorship. Nevertheless, there is limited offering of non-financial support beyond the initial start-up phase which will provide on-going support in all growth stages. The existing milieu of SME-serving incubators and accelerators is modest and struggling to maintain a certain level of customers in their pipeline and thus ensure sustainability. They have not identified social enterprises as their potential clients and do not have tailor-made offer to suit their needs. Overall, the support infrastructure remains donor-dependent.

5.4. Opportunities and key drivers boosting the development and scaling up social economy

Although the SE sector is relatively young and does not enjoy any direct governmental and institutional support, progress is being made in building out the infrastructure necessary to support it. The countries major CSOs, individually and collectively through regional networking, are creating the building blocks for the development of a robust SE sector. Actors such as YSB and PA can play a significant role in bringing on-board existing initiatives and organisations focused on entrepreneurship development and thus creating synergies in a country with low entrepreneurial spirit and scarce resources. Further political, financial and technical support is needed urgently to drive the development of the sector.

The positive aspect of the law is that it recognizes the role municipalities can play in the development of the sector. Proactive, entrepreneurial municipalities such as Municipality of Tirana can provide leadership and best practice which can be replicated to appropriate level to the smaller municipalities. As a pre-condition, the decentralisation process needs to alleviate any barriers for more independent and proactive approach by the municipalities in developing support programmes and introduce innovative approaches to boosting social economy in their communities. As the bylaws for financing social enterprises are still in the drafting phase, they present opportunity for introducing comprehensive support measures for SEs even though they will have limited scope due to the limitations of the law. The policy reforms in the area of social protection and inclusion can be used as an opportunity for increased decentralisation of delivery of social services and outsourcing to SEs and CSOs.

The business sector has not been sufficiently engaged by the CSOs and/or the nascent SE sector, although there are some excellent examples such as the Vodafone Foundation and companies supporting existing SEs such as YAPS. They can be used as inspiration and peer-pressure to channel more support towards SEs. The models of public-private partnerships introduced by AADF can be utilised in this direction as well. Furthermore, the efforts by the EU and potentially other foreign donors to improve the competitiveness and innovation infrastructure present excellent opportunity for integration of social entrepreneurship as one of the economy streams.

Until work is completed on a comprehensive legislative framework, the SE sector will continue to face difficulties and limited opportunities. Social entrepreneurship has the potential to make a notable contribution to the economy through things such as welfare services in partnership with or in replacement of government agencies, rural development and tourism, the building of social capital which will positively impact social cohesion and inclusions. The improvements made through wide ranging and ongoing institutional reforms can positively contribute to the environment for social entrepreneurship.

6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS

The social enterprise sector in Albania is in the early stages of development with the majority of SEs in the start-up and validation phase. It enjoys only partial institutional support, an incomplete legal framework, and lack of a proper understanding on what a social enterprise actually is by key institutional stakeholders. Furthermore, as in many other Western Balkan countries, it is marked by dependence on grant funding for start-up, zero public funding, limited tax relief and a lack of an agreed and properly defined agenda to develop the social economy among the key stakeholders (relevant ministries at all levels, CSOs, cooperatives). These challenges are further highlighted by the low entrepreneurial spirit and solidarity at the macro level. Structural, institutional, and legal reforms are essential if the sector is to grow and contribute fully to the building of a socially responsible and inclusive society.

Foreign assistance and donor support have and continue to contribute to creating the CSO and SE sectors, but they have to invest in the development of internal capacities necessary to make them

sustainable and socially relevant. Perhaps the biggest challenge is for the existing and future sector stakeholders to demonstrate a commitment to their social missions that is not compromised by the political environment.

The EU can play an increasingly important role in the development of the sector by increasing the political commitment of the authorities on the issue as well as providing direct support to the SE eco-system. Positive steps in that direction have been already undertaken by the EU Delegation by incorporating targeted support within civil society instruments and considering a horizontal approach by incorporating the issue in the economic development sphere. The EU could consider placing sector related reform within the Acquis framework, by doing so forcing the government to take the required actions. At the institutional level, greater resources should be provided for the technical support to institutional stakeholders to build their internal capacities. Significant technical support is necessary to build the institutional capacities as well as targeted support in revision and implementation of crucial policy initiatives such as the Law on Social Enterprises.

- **Legislation and policy framework**

The frameworks necessary to create, nurture and sustain an environment of social inclusion are on the political agenda but the majority of these framework elements are incomplete, unenforceable or poorly understood by institutional stakeholders. Positive policies for the SE sector should be embedded not only in the employment and social policies but also as part of the economic development, environmental and sustainable agriculture agendas.

At present, the adopted Law on Social Enterprises is limiting, narrowly seen as a social policy instrument, and does not address the larger picture of the sector. Furthermore, it can jeopardise public recognition and growth of the existing social enterprises. Firstly, public dialogue among the various stakeholders is needed to harmonise understanding of what constitutes social enterprises and social businesses. Then, the law needs to undergo revisions in line with the above-mentioned principles to allow wider scope of SE forms and areas of work, acknowledge entrepreneurial dimension and go beyond work integration models. Administrative burden and controls have to be balanced to the tax incentives and public funding that need to be introduced. Public procurement legislation should be revised to introduce reserved contracts and social/environmental criteria to facilitate SEs' access to market leveraged by societal benefits. SEs would also benefit from improved policies related to decentralization of public services in various areas where SEs bring particular added value.

Public policy stakeholders would benefit from investment in technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite for effect institutional support of the social economy. Policy makers need exposure to relevant EU and regional experience and best practice. The EU can play a crucial role in strengthening the Entity Government's commitment to the principles of social entrepreneurship as developed by the EU's Social Business Initiative (SBI) as well as through technical assistance projects.

- **Access to finance**

The SE sector is dependent on donor financing, and with few exceptions has made little attempt to adapt itself for the building of a sustainable operating model. The particular social structure of Albanian society, with very close family and clan ties, means that perhaps these groups should be engaged to contribute private sector financing within a number of regional funding structures with funding from the EU and central government. Engaging the local structures in such a formal manner will enhance cooperation at a community level, ensure that funding is targeted at the potentially most impactful projects and provide a sense of shared risk and shared benefit which in itself will contribute to the social fabric.

In addition to legislative and financial barriers, the sector faces a number of structural issues, not least of which is political patronage, which directly affects the ability of aspiring SE and social entrepreneurs to access capital and markets (in particular public procurement). The lack of transparency about the

available funding sources and suspicions about the bias in the award processes mean that many CSOs and SEs do not participate in the public calls.

SEs face challenges in scaling their service offerings, especially in terms of access to finance. Beyond Yunus Social Business there is no other social impact investor in the country that offers innovative financing for the SEs. Donors are advised to redesign their calls for proposals to include a clear and achievable roadmap for sustainability. Where the technical capacity to consider may not exist within the applicants, donors should consider the provision of technical support to design sustainability into project proposals as part of the design of their calls. Once funds are approved donors should consider following the practise of some incubators already operating in the country and disburse funds on a milestone driven basis. This will both ensure that funds are used as originally proposed and that beneficiaries retain the necessary focus necessary for project success.

A structured funding mechanism for EU funded projects that contains grant funding for initial start-up and development phases and low interest debt financing for growth and sustainability phases would ensure that projects with potential for sustainability are the focus of support. Coordination with the EBRD Advice to Small Business programme should be considered where projects that benefit from first phase EU project funding should then be the beneficiaries of second phase technical support from EBRD funded experts with a focus on facilitating second phase financing to support sustainability.

Given the potential for private sector organisations to engage with the social enterprise sector, the introduction of broader tax benefits for private sector organisations providing direct support or trade opportunities for SEs would significantly increase the level of engagement of the private sector. Public-private partnerships to leverage private and public funding should also be piloted and encouraged.

- **Other support infrastructure**

The activities of Partners Albania in the active promotion of positive news and best learning from SEs on local media and social media should be considered as a model for more positive visibility of the SE actors and their achievements. Positive SE news may encourage private sector actors to actively seek engagement with SEs. The initiatives of organisations such as PA to establish info-points for social enterprises can be a cost-effective way to provide on-going information and support to the SEs.

To bridge the entrepreneurial skills gap and strengthen management capacity, the SEs require ongoing technical assistance. It requires that SEs have full access to SME training and mentoring programs whether governmental, CSR run or via donor partnership. Positive experience of the acceleration program of YSB and other similar initiatives should be utilised and replicated in partnerships with other organisations and initiatives throughout the country. Having in mind the regional disparities in the country, a mapping process can take place to understand the social economy needs of each region, from which a subsequent strategy document be devised. The documents strategic imperative should be to decentralise the capacity building and support services to better serve SEs in smaller towns and rural areas. The EU can provide valuable input through direct support to intermediary organisations as well as through encouraging public-private-CSO partnerships in building SE support infrastructure throughout the country.

Furthermore, municipalities need to be exposed to the concept and encouraged to engage in promoting and developing the sector in their local communities. Positive examples from the region and the EU can be used where the municipalities have partnered with CSOs to establish social enterprises, are purchasing goods and services from the local SEs etc.

Finally, the bottom-up networking of SEs and SE support organisations should be encouraged and supported as there is a core of strong social enterprises (such as YAPS for ex.) and support organisations (PA and YSB) who can take a joint lead. Especially if the limitations of the existing law prevail, a SE network can offer alternative publicly recognised SE mark to classify the nature, scale and impact of SE missions. The benefit of which would be the de-politicisation of the SE certification process and the

introduction of self-regulating standards and general practises to be followed by all SEs (an alternative name could be devised to mitigate collision with the law). Such a body would also be a unified voice to advocate for policy changes, sector development and SE/Public engagement.

6.1. Priority sectors for country level intervention

The priorities in each area of support below are listed in a way as to show the urgency and sequencing of the needed interventions. It emerges that the most urgent support needed is within the **policy, legal and institutional framework** and the **coordination mechanism** which needs to be established. Further support is needed in **capacity building** through different approaches and modalities.

In parallel the need for increased and more streamlined **funding** will be necessary. In regards to this coordination among various stakeholders and funding institutions should be established to maximise the impact and improve prioritisation.

The table below shows the areas of intervention, priority areas and possible modalities of support.

Areas of intervention in order of importance	**What needs to be covered - priority areas**	**Modalities of support**
First area of intervention: **Policy, legal and institutional framework**	*Priority area 1:* Revision of policies to broaden the scope and/or understanding of SE *Priority area 2:* Introduce benefits for public support measures and incentives	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.)
Second area of intervention: **Coordination**	*Priority area 1:* Encourage the establishment of cross sector coordination body *Priority area 2:* Support bottom up social enterprise networks	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Regional programmes (technical assistance, grants, etc.)
Third area of intervention: **Skills and access to market**	*Priority area 1:* Ensure ongoing and more systemic capacity support provided to SE in all stages of development (through accelerators, incubators, intermediary organisations) *Priority area 2:* SE to have full access to SME programmes and facilities (accelerators, incubators) *Priority area 3:* Include SE into supply chain of government and private institutions	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Regional programmes (technical assistance, grants, etc.)

Fourth area of intervention: **Funding**	*Priority area 1:* Additional financial support through grants (should be based on concrete business milestones to support sustainability) *Priority area 2:* Encourage corporate sector to engage in more venture philanthropy approach (to be developed in parallel with n. 1) *Priority area 3:* Combine initial start-up grants with low interest debt financing or convertible grants *Priority area 4:* Existing SME financial instruments to be made available to SE as well	Bilateral envelopes (technical assistance, grants, CfP, twining, direct award etc.) Other support schemes (indirect management)

Should you need information on the suggested horizontal or regional approach see the final report for this contract (contract details on pg. 2 of this report), a very general overview is provided here:

- The analysis of SE in the Eastern Neighbourhood and in the Western Balkan countries shows that even though there are some differences, the **approach in prioritising the support in both regions could be the same.**
- Due to a **big number of stakeholders, fragmented support and lack of coordination**, it is of a paramount importance that the European Commission takes the lead in setting the **approach**, the **priorities** and in **defining the roles and responsibilities** for **EU horizontal approach**.
- When examining the needs in various countries the **current support** in terms of the format and amounts **dedicated to SE might not be adequate** or sufficient anymore.
- The analysis showed that **some areas should be covered on a country-by-country basis,** but **many priorities could be addressed through regional programmes**

7. ANNEXES

7.1. Annex 1 - Questionnaire survey

I. Questionnaire for the Delegations of the EU

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. EUDEL Country:
5. Position:

1. What is the key responsibility of your Section? What programmes/project you carry out?
2. Is your Section aware of the concept of social economy? If yes, can you provide your definition and/or understanding of the social economy and social enterprise concept?
3. Is there a law on social economy in the country? Or Strategy or Action plan? If not, under what regulatory framework social enterprises operate? Under whose jurisdiction social enterprises fill in?
4. Based on your opinion, is there an enabling environment for social enterprise development in the country? Were there any changes in the perception in the past years?
5. Does your Section have a social enterprise strategy/action plan? What are the key elements, if exist.
6. What type of programmes or facility EUDEL provide to the Civil Society Organizations in the country? Does your Section contribute to these programmes financially or otherwise?
7. Are there any support schemes that might be suitable for the needs of the social economy actors? For example, support to women, youth, and civil society? Could they be suitable for social enterprises as well?
8. What type of capacity support exist in the country? Networks, HUBs, network of impact/patient investors, incubators, start-up competitions, mentoring, etc. Are there any synergies with existing support programs within the country?
9. Does your Section work with foreign partners implementing any social enterprise programme(s)? If not, do you think such partnership might be established?
10. Are you aware of any special development programme that contribute to the competitiveness or sustainability of social enterprises? Please explain if positive.
11. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover? Are you aware of any assessment of the size of the sector? If not, what do you think is the reason?
12. What are in your opinion limitations or challenges preventing social enterprises from obtaining financing?

II. Questionnaire for the Government institutions

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. Government Authority:
5. Position:

B. REGULATORY FRAMEWORK

1. What is the key responsibility of your Government Authority?
2. Is there a law on social economy in the country? Or Strategy or Action plan? If not, under what regulatory framework social enterprises operate?
3. What kind of support social enterprises may receive from the Government bodies (such as that grants, subsidies, incentives, TA). Are there any incentives for companies to employ marginalized individuals?
4. Based on your opinion, is there an enabling environment for social enterprise development in your country? Were there any changes in the perception in the past years?
5. Please assess the importance of the topic to the political and economic agenda of the country.

C. SPECIFIC SUPPORT TO SOCIAL ENTERPRISES

6. Is your Government Authority aware of the concept of social economy? If yes, can you provide your definition of the social economy and social enterprise concept?
7. Does your Government Authority have a social enterprise strategy/action plan? What are the key elements, if exist.
8. Do you support social enterprises directly or indirectly? If yes, what type of support your Government Authority provide: technical assistance, capacity building, financial, access to market, access to capital. Please provide details of such support; range of support, conditions, years of support, type of support (grant, investment, etc...)
9. Are there any support schemes that might be suitable for the needs of the social economy actors? For example, support to micro, small and medium entrepreneurs? Could they be suitable for social enterprises as well?

D. OTHER MAIN STAKEHOLDERS

10. Who are the main stakeholders in the social enterprise eco-system in the country? Are there any support organizations, what type of support they provide, do you cooperate with them in any way?
11. Who are the main donor to the social enterprises (this may include national or foreign foundations, government grant schemes, EU funding, impact investors, individual family support, diaspora, angel investors network, etc.).
12. What are your Government Authority plans for the further social economy development?

E. EU SUPPORT TO SOCIAL ENTERPRISES

13. Are there any EU programmes or facilities that benefits social enterprises in your country? Please provide details, if positive. Does your Government Authority contribute to that programmes financially or otherwise?
14. Does your Government Authority work with foreign partners implementing any social enterprise programme(s)? If not, do you think such partnership might be established?

F. STATE OF PLAY OF SOCIAL ECONOMY

15. Based on your experience what is the nature and size of the social economy sector in the country? What are the key sectors/industries they cover?

16. How would you assess the level of development of social enterprise sector in general in the country; start-up stage, validation stage, scaling stage?
17. What are the key challenges social enterprises face in the country?
18. What type of support social enterprises need? How do they fill it at the moment?
19. Please provide few examples of good practice of social enterprises in the country?

III. Questionnaire for the funders and supporters

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

1. Name:
2. Email address:
3. Telephone number:
4. Company name:
5. Position:

B. SUPPORT TO SOCIAL ENTERPRISES – SUPPLY SIDE

1. What type of support you provide to social enterprises? Please explain what products or services you offer?
2. What requirements you have in order to provide support to social enterprises?
3. What type of financing instruments you provide do social enterprises? Please explain the range of support, type of support (grant, loan, equity), typical amount, length of the support, additional capacity building attached to the financing, etc.
4. What products or services you offer to SMEs? Could they be suitable for social enterprises, if exist?
5. Do you have any future plans to create a more enabling environment for social economy development in the country or region? Who do you think should be responsible for social economy development within existing Government structure?
6. Would you consider partnering with similar organizations in order to provide additional support? Are you aware of any other support to social enterprises in the country/region?
7. How do you monitor and evaluate the progress of your support/investment?

C. SOCIAL ENTERPRISE NEEDS - DEMAND SIDE

8. What type of financing needs social enterprises usually have? What is the purpose of the support, typical amount they need, type of support they require?
9. What type of business advices, technical assistance and/or capacity building social enterprises typically have. Please explain.
10. What do you see as the key challenges social enterprises face when it comes to financing?
11. What do you see as the key challenges social enterprises face when it comes to capacity support?
12. What do you see as the key challenges social enterprises face when it comes to management and governing?
13. What are the key challenging in accessing the market for social enterprises?

IV. Questionnaire for the social enterprises

Note: Revised version of the questions was used for consultation meetings with the SEs

This survey is being carried out by AETS on behalf of the European Commission. It is designed to gather information about the social enterprise ecosystem in your country. The information you provide will be confidential and used solely for the purposes of analysis. Please answer the following questions.

A. PERSONAL DETAILS OF RESPONDENT

Name:
Email address:
Telephone number:
Social Enterprise:
Position:

B. SOCIAL ENTERPRISE INFORMATION

1. Please explain the mission of your organization/social enterprise?
2. What is your legal status of your social enterprise? How are you registered and under what law? Why did you choose that legal entity? Does it provide any benefits/subsidies?
3. What are the main social issues your organization is working on? Who are your main beneficiaries and/or clients?
4. What was the reason of establishing social enterprise?
5. What products/services your social enterprise is offering to the clients? Who are your main competitors? Who are target customers of your social enterprise?
6. How many people work in your social enterprise? Please specify how many comes from the beneficiary group, how many are full time, part time, volunteers?

C. FINANCIAL INFORMATION

7. What is your annual turnover? Did you have any profit in 2016, or years before? How do you distribute profit, if any?
8. Please evaluate the current financial status of your social enterprise:
    a. We are losing money
    b. We are breaking even
    c. We are generating a profit (surplus of income beyond costs)
9. What tax you need to pay for the commercial activities within existing legal framework?
10. How did you get seed funding for your social enterprise? Please specify the source of funding:
    a. grant (domestic or international donors)
    b. own funds
    c. loan from a bank
    d. loan guarantee
    e. support from government funding
    f. impact investment
    g. angel investment
    h. equity
    i. diaspora
    j. other (please specify)
11. Please specify the purpose of funding and specify the amount provided including terms of funding:
    a. operating cost
    b. cost for the project activities
    c. employment
    d. start-up cost
    e. other
12. Did you get sufficient amount of money to start your business? If not, how did you cover the rest?
13. What type and amount of funding your organization need at this stage of social enterprise development?

D. HUMAN RESOURCES

14. Did you have the necessary skills and experience to start your operations? If not, how did you obtain it? What type of support was provided?
15. What type of expertise and skills your social enterprise currently have? Do you know where you can obtain those?
16. Did you use any consulting support, capacity support, technical assistance, and networking?
17. Would you need additional consulting/mentoring/advisory support in the future? For what purposes? What specific skills your employees need?

E. OPPORTUNITIES WITHIN THE SECTOR

18. Is there an enabling environment for social enterprise development in your country?
19. Did you benefit from a membership in any social enterprise network? If yes, please specify the name of the network and type of support. What would you expect from such a network, what kind of peer support is most needed?
20. Are there any special development programs in your country supporting social enterprises?
21. Is there available EU support infrastructure for social enterprise development in your county?
22. Based on your experience what are the main challenges of social economy sector in your country.
23. Based on your experience what are the key opportunities for social economy in your country.
24. Please estimate the size of the social economy sector. Can you list some of the social enterprises in the country, giving us examples?

7.2. Annex 2 - List of Interviews

Stakeholders are divided into three main groups:

- Group 1: Representative of the public institutions
- Group 2: Representatives of support organisations and funders
- Group 3: Social entrepreneurs

Note: With some of the stakeholders were consulted over meetings and were not subject of full interview (as a follow-up of previous studies)

N	Organization	Representative Name Surname	Position
Group 1			
1	Ministry of Health and Social Protection	Ms. Merita Xhafaj	General Director of Social Policy
2	Municipality of Tirana	Mr. Enkelejd Musabelliu	General Director of Economic Development
3	Consultations with the Agency „Promoting Social Business“	Mr. En Muci	Administrator
Group 2			
1	Delegation of the European Union to Albania	Mr. Enzo Damiani	Attaché / Sector Manager for Internal Market, Competitiveness and Innovation

		Ms. Ledia Muco Mr. Alessandro Angius	Operational Section II – Economic Reform and Infrastructure Economic and Trade Advisor Programme Manager for Democracy and Human Rights
2	Yunus Social Business Balkans	Ms. Arunima Singh	Head of Operations, MAN Impact Accelerator
3	Albanian – American Development Foundation (AADF)	Ms. Ermira Repaj	Entrepreneurship Project Coordinator
4	Fondi Besa	Prof. Dr. Altin Muca	Director, Marketing & Training & Development Department
5	Partners Albania for Change and Development	Ms. Klotilda Tavani Kosta	Director of Programs
Group 3 – Consultations with social enterprises			
1	Youth Albania Professional Service (YAPS)	Mr. Arben Shamia Ms. Naurela Zabiku	Executive Director Finance Manager
2	Flowers by Down Syndrome Albania/ Down Syndrome Albania Foundation	Ms. Emanuela Zaimi	Founder and CEO
3	NY Tirana Bagel	Ms. Alketeja Sokolaj	Director
4	Organisation „Different and Equal“	Ms. S. Popa	Social Worker
5	Albanian Disability Rights Foundation	Ms. Entila Zyba	Lawyer, Legal Aid Program

7.3. Annex 3 – Bibliography

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