



# **Social Economy in Eastern Neighbourhood and in the Western Balkans**

Country report – Kosovo

-  
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# **Social Economy in Eastern Neighbourhood and in the Western Balkans**

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## **Country report – Kosovo**

**January 2018**

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## LIST OF ABBREVIATIONS

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
KIESA	Kosovo Investment and Enterprise Support Agency
LLC	Limited Liability Company
MLSW	Ministry of Labour and Social Welfare
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OGG/OPM	Office of Good Governance within the Office of the Prime-Minister
SBI	Social Business Initiative
SE	Social Enterprise
SEA	State Employment Agency
SME	Small and Medium-sized Enterprise
PwD	Persons with disabilities
WB EDIF	Western Balkans Enterprise Development and Innovation Facility
YSB	Yunus Social Business Balkans
<b>East Neighbourhood</b>	
AR	Armenia
AZ	Azerbaijan
Blr	Belarus
GE	Georgia
MD	Moldova
UK	Ukraine
<b>Western Balkans</b>	
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 prejudice 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

Kosovo has undertaken a long and slow transition to an independent state. Having signed the Stabilisation and Association Agreement with the EU in 2015, Kosovo is making significant progress in its ambition to become a fully-fledged member of the EU. Notwithstanding its complicated geopolitical position, Kosovo is Europe's newest country, has its youngest population, had enjoyed almost uninterrupted economic growth for the best part of a decade, but yet remains one of Europe's poorest nations. The labour market is marked with a low participation rate, especially among women, and high youth unemployment with very few opportunities for ethnic and vulnerable groups. The social welfare system has been a victim of the relatively weak national economy, low central government incomes and lack of prioritisation. As a consequence, the social welfare system in Kosovo is underdeveloped, underfunded and suffers from structural weaknesses that hamper its effectiveness and its ability to affect meaningful change in the social status of vulnerable groups. Entrepreneurship culture is rather low and the economy is heavily reliant on remittances and international donor contributions.

In such an environment, social entrepreneurship is a relatively new and underdeveloped concept within Kosovo. Nevertheless, social enterprises (SE) are emerging mostly within the civil society sector and indicate untapped potential to boost an entrepreneurial and innovative spirit and self-sustainable solutions for community development. The existing legislation is somewhat enabling for social entrepreneurship permitting Civil Society Organisations (CSOs) to earn income from the provision of services or the trading/sale of goods and to tender for government service and supply contracts, albeit with unclear taxation rules. Any profit made must be made from delivery of services reflecting their core mission, and reasonable in amount. The cooperative movement is weak and the legal framework is limited to farmers' cooperatives, thus omitting to recognise and allow social cooperatives and other types of mutuals.

A new targeted Law on Social Enterprises is in the drafting phase and pending adoption in the first quarters of 2018. It is expected to be complemented with a set of SE benefits and support measures. While the law indicates political will to recognize the SE sector, their focus seem to be in the spectrum of social and labour market policies, thus omitting to recognise its cross-sectoral nature and the wider potential for equitable and sustainable economic development. The decentralisation of social services and the process of licencing CSOs/SEs is in place and if properly funded and implemented presents a unique opportunity for the development, growth and potential sustainability of social services that social enterprises supply.

The SEs that do operate are small, have been created with donor funding, and are dependent on grants, which means that mostly their missions and operations are financially unsustainable without continued grant funding. The proliferation of donor grant funding, while valuable in initiating the social enterprises, perpetuates the project-base mentality which might stifle their development. At present they have little access to debt funding and no support from a social investment market, as it doesn't really exist in the country. Banks are not engaged, and private sector funding sources have shown little interest in the sector. A robust financing model for any but the very earliest stage of SE development does not exist. Having in mind the modest technical capacity of existing SEs to absorb anything but grant funding, at the initial stages innovative approaches to SE financing are needed which would include indicator-based milestone grant funding, convertible and matching grants etc.

Social entrepreneurship is not part of any formal educational programme within either the public or private sectors. The modest level of awareness and understanding of social entrepreneurship in the country is mostly a result of training and non-formal educational courses delivered by CSOs or donor programmes.

Most of the existing SEs are young and financially and technically unprepared for sustainable growth initiatives. Virtually all SEs need access to technical skills for strategic development, market

orientation and branding as well as investment planning. Progress is being made in building out the infrastructure necessary to support it and there is increased interest by intermediary CSOs. There is no existing SE network in the country which hampers the building of SE sector identity, peer learning and joint advocacy.

## 2. INTRODUCTION

Post conflict Kosovo has spent the majority of its young life searching for universal recognition as an independent state. Dogged by recurrent inter-ethnic unrest, rampant corruption and a poorly functional social system in which discrimination is endemic, Kosovo is nonetheless a young vibrant nation with a young ethnically diverse population of 1.91 million, of whom 93% are ethnic Albanians<sup>1</sup>.

The country's transition to an integrated market economy has been complicated by the reluctance of the mainly ethnic Serbian North to fully integrate socially, politically and institutionally with the ethnic Albanian controlled rest of the country. Kosovo is one of the poorest countries in Europe with GDP per capita for 2016 standing at EUR 3,175<sup>2</sup>. The country's economy has enjoyed relatively stable growth after the global economic crisis (in part because the country's economy was not integrated into the global economy) and has grown from a low of EUR 1,491 million to EUR 5,381 million in 2016<sup>3</sup>. Kosovo's unemployment rate has dropped from an all-time high of 57% in 2001 to a still significantly high 27.5% in 2017 with long-term unemployment standing at 65.5%. The unemployed mostly consist of women, those with limited access to education and young people, with youth unemployment at an extraordinary 52.4%<sup>4</sup>. Labour force participation stands at 38.70% with an employment rate of 28%.

There is significant gender inequality in the labour market, with women being particularly subject to exclusion in very significant numbers. In fact, according to a Labour Force report from the Office of the Prime Minister for 2016 only 18.6% of women are employed. In part, this is due to the more traditional attitudes of Kosovars, where women are expected to focus on family and household issues, or work in the informal sector often in family owned businesses. Labour laws that offer no provisions for maternity leave effectively discriminate against women in formal employment.

To date the economy has been reliant on a combination of remittances from the Kosovo-Albanian diaspora (predominantly located in Germany, Italy, Switzerland and Scandinavia), inflows from the international community in the form of grants, public expenditure and a rapidly decreasing amount of foreign direct investment. The country has a weak domestic production base and very low exports in the region of EUR 30 million<sup>5</sup> consisting of metals, minerals, readymade foods, machinery, mechanical and electrical equipment. With the informal economy being estimated at up to 50% of GDP<sup>6</sup>, tax receipts fall significantly short of financing requirements, directly affecting the country's ability to finance critical areas such as social provision, education and health care. In Kosovo the formal economy is dominated by the SME sector which accounts for 99% of all registered companies, with a rather extraordinary 98% of those being micro companies<sup>7</sup>. Together they employ approximately 62.24%<sup>8</sup> of all employees. The majority of the population lives in rural towns outside of Pristina (the capital) with many running small, non-mechanised, inefficient, near-subsistence, farms, contributing to the low average income of EUR 450 per month<sup>9</sup>.

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<sup>1</sup> Kosovo Agency of Statistics

<sup>2</sup> Trading Economics Website 2018

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> 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

<sup>7</sup> SME Development Strategy for Kosovo 2012-2016 – with vision 2020, Government of Republic of Kosovo, 2011

<sup>8</sup> Ibid.

<sup>9</sup> Trading Economics Website 2018

As a young and developing country, Kosovo is still in the process of developing functional and effective institutions and a functional market economy. This process has been affected by the continuing political flux and banking system, which while strong is limited in scope and size and lacks the ability and will to issue the long term loans essential to support economic growth. Dynamic economic growth cannot be achieved without very significant investments in infrastructure (transport, water and electricity), improvements in the implementation of the rule of law, especially in areas such as property ownership, improved access to finance and an education system able to address the mismatch between the graduates coming out of it and the demand for skills in the labour market.

Post conflict Kosovo has suffered recurrent political instability, which has directly contributed to real socio-economic distress coupled with the lack of a functional social safety network. The consequence has been significant social inequality. The social safety system does not offer unemployment benefits, child benefits or maternity allowances<sup>10</sup> and marginalises vulnerable groups such as the Roma, Ashkali, and Egyptians who suffer higher rates of poverty, very high infant and under-five mortality rates (the highest in Europe), stunted growth and malnutrition. In terms of social and welfare policy, the system offers ‘Social’, ‘Disability Pensions’ and ‘Social Aid’ for disabled people in the Kosovo conflict and the families of those that were killed during it. These benefits have increased overtime and the beneficiaries continue to lobby for even further increases. According to official figures Kosovo spends only a little more than 3% of its budget<sup>11</sup> on healthcare and social safety, which represents severe underfunding of services to the most vulnerable groups. The social safety scheme is essentially well targeted with 78% of funds to the poor, but this is only sufficient to provide support to 23% of the poor.

This study is dedicated to social enterprises and the social economy in Kosovo. 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 Neighbourhood East countries.

More specifically, this report provides an analysis of the social economy and social entrepreneurship ecosystem in Kosovo. 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 Kosovo took place between 13<sup>th</sup> and 14<sup>th</sup> of December 2017 with online follow-up by the end of December 2017. 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.

### 3. STATE OF PLAY OF THE SOCIAL ECONOMY IN KOSOVO

#### 3.1. Nature and size of the social economy sector

As with the rest of the economy in Kosovo, the social enterprise sector is in the early stages of development. The term social enterprise is not widely understood as is often confused with the dominant pre-conflict state owned enterprises, and as such has negative connotations in the mind of the public. It is primarily the CSOs and the donor community that introduced the concept and actively pushed for the recognition of SEs in order to address both social needs and as an active employment measure.

<sup>10</sup> BTI 2016 Kosovo Country Report

<sup>11</sup> Kosovo Agency of Statistics

Typical to the region, Kosovar CSOs have been the driving force for the development of social entrepreneurship in the country and have been founders of most of the identified social enterprises. The vast majority of identified social enterprises operate within existing CSOs as an additional unit or program. As in many of the other Western Balkan countries, there is no systematic collection of data on the nature and size of the SE sector, thus we use the available data on the CSO sector as an estimate. According to the 2016 CSO Sustainability Report from USAID<sup>12</sup> there are approximately 9,100 formally registered local CSOs (including associations and foundations) and a further 450 offices of international organisations. The Kosovar Civil Society Index (KCSI) 2016<sup>13</sup> report estimates that there are only 1500 active CSOs of which less than 1000 had any declared financial activity or registered employees, the balance being CSOs operating with volunteers and without revenue. According to the report there are up to 500 new CSOs registered every year, the operational CSOs are small in size (measured by both number of employees and turnover) taking the legal form of either associations (96.2%) or foundations (3.8%) and based primarily in Pristina (36.7%) and a handful of other regional centres (33.6%).

Based on a survey of 101 CSOs, the KCSI 2016 report concluded that 17% of the surveyed CSOs were engaged in economic activity, 11% offering a range of services from office and equipment rental to skills development (business planning) and research. This suggests that only a fraction of CSOs conduct any form of entrepreneurial activities and there is little information to suggest how many of these activities are of a social impact character. According to the NESsT report<sup>14</sup> estimates of the number of active SE actors ranges from 30-100, the majority of which are in the early stage of development with sustainability not yet on their agenda. Like their regional counterparts, Kosovar SEs are likely to employ fewer than 10 people and are in line with micro enterprises.

In terms of financial performance, the KCSI 2016 report suggests that around 60% of CSOs have an annual income of less than EUR 10,000, 10-15% have an annual income of EUR 100,000 to EUR 500,000, with around 4% reporting an annual income in excess of EUR 500,000. Within the CSO sector itself there is limited entrepreneurial experience or spirit with some estimates that as few as 1.3% of the overall income of the sector is derived from sales of goods and services. Only 3% of the surveyed CSOs reported income from sales of goods and services and 2% had procurement contracts from the government.<sup>15</sup>

The CSOs engaged in social entrepreneurship activities tend to serve the needs of ethnic and other minority groups including, persons with disabilities (PwDs), women, and those generally excluded from labour markets. The SE sector offers a powerful channel for the empowerment of women as the largest of the vulnerable groups, and the most disenfranchised in terms of access to work, ownership of property, and access to social services. Already several SEs are established by CSOs working on gender issues, and the majority are managed by women. For example, the SE initiative *Sa-Punë*<sup>16</sup> provides training and income generating opportunities for over 20 women mostly from ethnic minorities engaging them in producing hand-made soaps, jewellery and bags. The *CSO Open door*<sup>17</sup> which focuses on empowering women has recently launched a SE to provide employment opportunity for women by offering catering of traditional food for events and individuals produced by vulnerable women. It will be complemented with a small commercial kitchen.

Another potential form of social entrepreneurship in Kosovo is the farmers' cooperatives established under the Law on farmers' cooperatives<sup>18</sup>. While from the official data from the Agency for

<sup>12</sup> The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia, USAID, 2017

<sup>13</sup> Hoxha T. and Elezaj E, The Kosovar Civil Society Index 2016, Kosovar Civil Society Foundation, October 2016

<sup>14</sup> 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

<sup>15</sup> Hoxha T. and Elezaj E, The Kosovar Civil Society Index 2016, Kosovar Civil Society Foundation, October 2016

<sup>16</sup> <https://www.facebook.com/sapuneKS/>

<sup>17</sup> <http://www.womensnetwork.org/?FaqeID=34&n=10>

<sup>18</sup> Law No.2003 / 9 of Farmer Cooperatives and Law No.03 / L-004 on Amending and Supplementing the Law on Farmer's Cooperatives No.2003 / 9, from 13.10.2008.



Registration of Business there are 83 registered cooperatives<sup>19</sup>, the mapping didn't detect cooperatives that identify themselves as SEs or are built on the premises of social enterprises. The business entities established under the company law could also potentially develop as social enterprises. While there is no information of companies focusing on social impact, the International Organisation of Migration (IOM), Mission in Kosovo, through their project for the support of small and medium sized enterprises have supported the establishment of several small businesses that have a socially responsible component and could further develop into social enterprises.

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

The SE sector is mostly developing in the direction of employment enablement and income generation for vulnerable groups. For the moment the majority of SEs operate within the programmes of CSOs, with their primary focus often complimenting those of the CSO missions. Namely, equality of status for vulnerable groups (social integration and improving the broader society's perception and acceptance of those from vulnerable groups), revenue generation of vulnerable groups through production and sale of natural juices, jams, honey as well as stationary and arts & crafts, community development (education, social & health services) and improvements in productivity (agriculture). The products are often sold in local markets, while most of the social, health and educational services are delivered free of charge (88.4%) or at minimal cost (9.3%)<sup>20</sup>. These SE services are essentially funded (indirectly via the relevant CSO) by the foreign and private donors and to a limited extent by the government. Very few SEs have developed products that are widely marketable.

Overall, the social enterprises are in their blue print and validation phases of development. They lack the internal and technical capacities to scale their businesses to sustainability and many of them are more than content to exist on grant funding.

### **3.3. Funding and financial tools social enterprises use**

Virtually all of the SEs in the market were launched by CSOs and consequently have access to funding sources used by CSOs. Almost all SEs therefore use grant funding from a broad range of foreign donor programmes (The European Commission, World Bank, USAID, UNDP, IOM, UNV, GIZ, The Danish Refugee Council et al), private foundations (including the Charles Stewart Mott Foundation, Rockefeller Foundation, Open Society Institute, Kosovo Foundation for Open Society (KFOS), and the Balkan Trust for Democracy), bilateral donors, central and municipal government funds.

Kosovo's active engagement with the EU has given it increasing access to accession funding via the Instrument for Pre-Accession (IPA), European Instrument for Democracy and Human Rights (EIDHR), Cross-border Cooperation etc. The World Bank provides support to a broad range of sectors related to sustainable economic development, these include social inclusion/cohesion, environmental issues, education and agriculture.

The vast majority of stakeholders interviewed believe that the CSO/SE sector is fully dependent on grant funding. This dependency and the fact that the majority of SEs are in the early stage of development means that there is virtually no focus on sustainability, which is generally damaging for the long term development of the SE sector.

Some of the SEs are exploring the options of partnering with the business sector, mostly by providing in-kind contributions and accessing their supply chains even though it is still on a small-scale and

<sup>19</sup> Ma.Sc.Mehdi PLLASHNIKU, PhD.Cand., The Role of development of farmers' cooperatives, European Journal of Social Sciences Education and Research, Vol4, No. 1, 2015

<sup>20</sup> Hoxha T. and Elezaj E, The Kosovar Civil Society Index 2016, Kosovar Civil Society Foundation, October 2016

sporadic rather than a usual practice. While the legislation allows CSOs and thus the existing SEs access to public procurement, this is not a funding option frequently utilised by the CSOs/SEs, with only 10% of surveyed CSOs<sup>21</sup> reporting having competed in public procurement. Even when they do receive public funding, CSOs have reported that it is insufficient to cover the costs for the services delivered and does not take into consideration the administrative costs of the organisation. The process of licencing and outsourcing of social services provided by CSOs and social enterprises introduced by recent legislation might present an opportunity for piloting more suitable and effective financing of SEs by the state.

### 3.4. Monitoring and evaluation of the financial and social return

Some CSOs have in place robust financial management and reporting procedures, with most donor programmes having reporting procedures and providing the capacity building resources to improve the reporting capacity of CSO beneficiaries. Since the majority of SEs are offshoots of CSOs this means that many use donor-reporting formats to record their results and impact. However, the typical CSO accounting is not suitable for separating the CSO project accounts from those of the economic activity thus the SE financial data mostly remains concealed within the general CSO finances. There is no publicly accessible information source on the performance or impact of the SE sector. Thus, social impact is mostly documented on the level of case studies and best practice. SEs, as well as support organisations, track quantitative data related to the number of beneficiaries served as well as qualitative impact on the target groups. However, due to the early stage of development of the SE sector, there is no practice of utilising international standards for measuring the financial and social impact and return.

## 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

There is a broad enabling legislative framework in development, much of which has been delayed by the political developments resolved in October 2017 with the formation of the new government. The main piece of draft legislation targeted at the Social Enterprise sector is the Law on Social Enterprises. The law had its first parliamentary reading in December 2017 and is expected to be approved by the parliamentary commission in March 2018. Once approved, the Ministry of Labour and Social Welfare (MLSW) will develop the prerequisite bylaws and implementation mechanisms. The draft Law on Social Enterprises defines a social enterprise as “a legal person, irrespective of the manner of its establishment, which contains social objectives in its charter, conducts economic activities, carries out the production of goods and delivery of services in the general interest of society and integrates people from vulnerable groups”. In this manner, the law allows that legal entities receive a status of social enterprise regardless of their legal form.

Furthermore, the Ministry will designate a SE status if the legal entity operates as an SE in one of two categories; (1) Category A are social enterprises engaged in delivery of services which guarantees the inclusion of marginalised persons and produces a positive impact on the quality of life of those at potential risk of social exclusion (2) Category B are social enterprises in which at least 30% of employees are people from formally designated vulnerable groups. The services in Category A are limited to social and family services, some forms of health care services and vocational training and education for vulnerable groups. The economic activities under category B are broader and also include manufacturing and a broader range of services, however providing a limited list of activity areas. Even though the proposed lists reflect the existing practices of social enterprises, by

<sup>21</sup> Hoxha T. and Elezaj E, The Kosovar Civil Society Index 2016, Kosovar Civil Society Foundation, October 2016

limiting the scope of activities under both categories the draft law limits its scope mostly to employment and integration of vulnerable groups and could fail to provide space and recognition for wider social innovation and solidarity-based economy.

The criteria for designation as a Social Enterprise also encompasses a restriction on the distribution of profits, the distribution of goods and services that are defined by law, ensure equal participation (without bias to gender, ethnicity or sexual orientation), employ people from officially designated disadvantaged groups and remain compliant with legal requirements for financial reporting and formal supervision. MLSW will be responsible for maintaining a registry of social enterprises which will facilitate the monitoring of the growth and structure of the sector.

The law stipulates tax benefits such as exemption from profit tax as well as on VAT on imported raw materials, machinery and equipment purchased by the SE. In principle, the law envisages financial support and subsidies to social enterprises even though all but those related to subsidised employment are only statements of possibility rather than commitment. The law envisages the possibility for simplified procedures for public institutions and municipalities to procure services from and sign contracts with social enterprises.

As indicated in the previous chapter, the majority of existing SEs operate as non-profit entities as defined under the Law on Freedom of Association in Non-Governmental Organisations<sup>22</sup>. Economic activities are allowed as long as those activities are related to the organisations mission 'up to a reasonable level'; however there is no legal definition of what 'reasonable' means within this context. As non-profit entities, the CSOs are obliged to reinvest generated profits into their mission's non-profit activities. For the NGOs with Public Benefit Status, the law also imposes limits on the provision of services, requiring that they be provided to or for disadvantaged groups free of charge or at prices below market value<sup>23</sup>. While within the spirit of a social mission, this latter restriction creates a structural disadvantage for social enterprises as it restricts the potential for achieving sustainability from the delivery of such services. This is further complicated by the fact that they cannot deduct VAT from their expenses which is available to companies, therefore increasing their expenses.

Non-profits are exempt from profit tax, VAT and income tax on donor grants from bilateral, multilateral and international organisations. Decision 04/2016 from the Kosovo Tax Administration clarified and simplified the rules and procedures around CSOs accessing VAT exemptions, which until that point had been cumbersome. The profit tax treatment of CSOs seems unclear and overall the KCSI 2016 report concludes that existing tax benefits are either ambiguous or do not produce any effect in practice, including those for Public Benefit Organisations.

Related to cooperatives, Kosovo legislation encompasses the Law on Farmers' Cooperatives<sup>24</sup>. Farmers' cooperative may be established by at least 5 farmers, with a Steering Council and Director who cannot be a cooperative member. Its main aim is to serve its members, it cannot pursue maximising profit for itself and 75% of its turnover has to come from the members' activities. The cooperative has to set aside 5% of its annual income to a Required Reserve Fund. The law on farmers' cooperatives doesn't stipulate any social objectives that might be pursued by the cooperative. Beyond this law, the Kosovo policies do not include any general cooperative legislation, thus it limits the opportunities for the emergence of social cooperatives in line with EU traditions.

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<sup>22</sup> Law No. 03/L-134 on Freedom of Association in Non-Governmental Organisations, Government of Kosovo

<sup>23</sup> Milovanovic D. and Maksimovic N., Social entrepreneurship as a model for social and economical integration of marginalized groups in Kosovo, Center for Peace and Tolerance, 2016

<sup>24</sup> Law No.2003 / 9 of Farmer Cooperatives and Law No.03 / L-004 on Amending and Supplementing the Law on Farmer's Cooperatives No.2003 / 9, from 13.10.2008

In principle, the social enterprises in Kosovo can operate as companies registered under the Law on Business Associations<sup>25</sup> which recognizes several legal forms including Limited Liability Company, Joint Stock Company, individual business, public enterprises etc.

Besides the legislation, several strategic documents have directly or indirectly referred to social entrepreneurship. The MLSW has included the development of a legal framework within the “Employment and Social Policies 2014-2020” sectorial strategy. The Strategic Objective 2 of the Government Strategy for Cooperation with Civil Society 2013-2017 is a “system of contracting public services to civil society organisations” which includes legislation as well as standards and procedures. While the envisioned system has not been developed due to the complexity of determining the scope of public services, the technical assistance project will assess the existing legislation on social contracting and will provide recommendations for further improvement. The Strategy for Decentralisation of social services 2013-2017 includes co-financing of CSOs and other service providers of such services. The SME Development Strategy for Kosovo 2012-2016 aims to support entrepreneurship among vulnerable groups such as women, youth, people with disabilities etc.

An important new development for the social service providing CSOs/SEs is the licensing programme operated by MLSW for NGOs that provide social and family services (family assistance, direct in-house personal care, day care centres, counselling services for addicts and people with other psychological difficulties, residential care for old people and PwDs and vocational training for PwDs). Based on the Law on Social and Family Services<sup>26</sup>, the licencing is operating since 2015 and out of the estimated 300 CSOs that provide such services, around 25 have been licenced<sup>27</sup>. The conditions for obtaining the licence include having adequate premises, 2 social workers for the social services and 2-3 relevant projects implemented in the municipality. Since the process of licencing has started the MLSW has also introduced the licence as one of the requirements for obtaining financial support.

There are limited active support measures for the employment of PwDs in place, in particular a law that prescribes that for every 50 employees a company has, they are obligated to employ a PwD. However, the impact of this law is limited as there is no appropriate inspection regime to encourage compliance.

Overall, it is expected that during its implementation the law on social enterprises will have a knock on effect on other corresponding/complimentary laws and bylaws that will collectively strengthen its impact including the development of additional support measures.

#### **4.1.2. Institutional framework**

Public institutions have shown an increased interest in supporting the development of the SE sector, the MLSW in particular is at the forefront of initiatives because it believes that the SE sector can make a major contribution to reducing the high level of unemployment, compliant with the process of decentralising social services. Besides the Ministry of Labour and Social Welfare the other ministries have not undertaken any specific measures in this area yet. The draft Law on Social Enterprises does not envisage the creation of a cross-sectoral coordination body (such as a Council or similar) which would serve as a coordination mechanism for the institutions and other stakeholders and would potentially increase the commitment and ownership of the other public bodies.

Upon the adoption of the law, MLSW intends to directly engage with identified institutions relevant to the development of the sector and encourage them to implement SE specific policies and measures. In this way the intention is to create more horizontal coverage of the issue beyond the social services agenda. In these lines, several institutions have been recognized, such as: Office of the Minister of innovation and entrepreneurship related to social innovation; Ministry of Trade and Industry to recognise the entities registered under the company law as SEs; Ministry of Education

<sup>25</sup> Law No. 02/L-123 on Business Associations, Government of Kosovo

<sup>26</sup> Law No. 04/L-081 On Social and Family Services, Government of Kosovo

<sup>27</sup> Information provided at the interview with MLSW representative.

etc. Another institution that can play an important role in providing support infrastructure to SEs is the Kosovo Investment and Enterprise Support Agency (KIESA) that has a portfolio of instruments targeting SMEs.

Having in mind that the vast majority of the identified SEs in the country are part of the civil society spectrum, the Council for the implementation of the Strategy for Cooperation with Civil Society (consisting of 14 representatives of relevant public institutions and 15 CSO representatives) can play an important role as a consultation mechanism on SE policies. The Office for Good Governance within the Office of Prime Minister (OGG/OPM) serves as Secretariat for the Council and is the main reference point in the cooperation of the Government with the CSO sector. Having in mind that this office is within the Prime Minister's Office it can provide a higher level commitment to the introduction and implementation of enabling policies for development of SE. The Council's main responsibility is the oversight of the implementation of the Government Strategy for Cooperation with Civil Society which already includes SE-relevant measures.

#### **4.1.3. Links with existing Social Protection and Social Inclusion systems**

Kosovo is a young country, with a young population, a young economy and serious socio-economic problems stemming from very high poverty and very limited social inclusion of vulnerable groups. There are a range of ongoing measures being designed and implemented by both national and local governments, the majority financed by and actively encouraged by international donors. In 2009, the process was initiated of transferring the authority from the central level to the municipalities for the provision of social services including family and other social welfare services, such as care for the vulnerable, foster care, child care, elderly care, including registration and licensing of these care centres, recruitment, payment of salaries and training of social welfare professionals.

The Strategy for Decentralisation of Social Services 2013-2017 in Kosovo recognised the challenges that public services have in delivering qualitative services to the most vulnerable in the community at a time when public finances are under severe pressure and politicians regard social services as a drain on the public purse. The 2016 CSO Sustainability Index from USAID notes that both national and local authorities acknowledge the value that CSO add to the delivery of crucial basic social services. The MLSW licensing system for eligible CSOs described above is in line with the implementation of the strategy and receives additional support from the donors. Within the EU funded Project "EU Support to Ministry of Labour and Social Welfare (MLSW) in strengthening the mechanism for implementation of social services decentralization" implemented from February 2014 until September 2016 the municipal authorities are empowered to outsource service delivery through a grant model. Among other interventions the project further developed the sets of minimum quality standards for social services (totalling 22 sets of standards) and provided capacity building to the licenced social workers and NGOs. The EU also funded the NGO Save the children to pilot the licencing of social services to CSOs for a limited range of services. In the follow-up steps the organisation, together with MLSW, develops the cost per client for services provided for women victims of violence, elderly and PwDs.

However, limited internal capacities mean that the majority of municipalities have not conducted the appropriate needs mapping or established viable budgets. To date these municipalities have only issued grants for basic services. These challenges notwithstanding, this decentralisation process is an ideal opportunity for SEs focused on such services to achieve sustainability. The one area of concern is that the business development capacities within the SEs themselves may need to be reinforced to ensure that services are priced appropriately.

## **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 Kosovo**

Organization	Role
<b>Policy Makers</b>	
Ministry of Labour and Social Welfare	<ul style="list-style-type: none"> <li>• Responsible for drafting and implementation of the Law on Social enterprises</li> <li>• Responsible for granting the SE status</li> <li>• Responsible for implementing the policies related to social licensing and funding of social services through social contracting</li> </ul>
Ministry of Finance	<ul style="list-style-type: none"> <li>• Responsible for drafting the SE taxation and fiscal regulation</li> </ul>
Ministry of Trade and Industry	<ul style="list-style-type: none"> <li>• Responsible for drafting and implementation of legislation and strategies related to SMEs</li> <li>• Oversight of the work of Kosovo Investment and Enterprise Support Agency (KIESA)</li> </ul>
Ministry of Agriculture, Forestry and Rural Development	<ul style="list-style-type: none"> <li>• Responsible for legislation related to cooperatives</li> </ul>
Minister of Innovation and Entrepreneurship	<ul style="list-style-type: none"> <li>• Responsible for policies and measures related to innovation</li> </ul>
Office for Good Governance within Office of Prime Minister (OGG/OPM)	<ul style="list-style-type: none"> <li>• Responsible for coordinating cooperation between the government and the CSOs</li> <li>• Responsible for drafting the Strategy for cooperation with civil society</li> </ul>
<b>Funders</b>	
Yunus Social Business (YSB)	<ul style="list-style-type: none"> <li>• Provides social impact investment to social enterprises</li> <li>• Manages accelerator programme for start-up SEs which includes mentoring, technical assistance and networking</li> </ul>
Kosovo Investment and Enterprise Support Agency (KIESA)	<ul style="list-style-type: none"> <li>• Aims to support development of entrepreneurship and SMEs</li> <li>• Provides funding and other type of support for SMEs, including young and women entrepreneurs</li> </ul>
USAID Projects	<ul style="list-style-type: none"> <li>• Provides financing and technical assistance to SMEs</li> <li>• Have supported the establishment of the Kosovo Credit Guarantee Fund (KCGF)</li> </ul>
UNDP	<ul style="list-style-type: none"> <li>• Provided financial support in form of grants for the establishment of social enterprises.</li> </ul>
State Employment Agency	<ul style="list-style-type: none"> <li>• Provides subsidized employment and training</li> <li>• Implements self-employment measures</li> </ul>
EU Funding (mostly IPA)	<ul style="list-style-type: none"> <li>• Provides grant funding for the establishment of social enterprises and support infrastructure</li> <li>• Provides grant funding to CSOs for projects in various areas including social inclusion, employment of vulnerable groups, entrepreneurship development etc.</li> <li>• Provides project funding for capacity building of social enterprises</li> </ul>
International Organization of Migration	<ul style="list-style-type: none"> <li>• Funded by the British Embassy in Kosovo and the EU provides small grants for social enterprises and grant funding to micro enterprises and SMEs.</li> </ul>
<b>Support Organizations and Institutions</b>	
Kosovo CSR Network	<ul style="list-style-type: none"> <li>• Provides business counselling and advice to social enterprises including advice from corporate members</li> <li>• Connects SEs with member companies for further support, purchasing of products etc.</li> <li>• Promotes the products and services of social enterprises</li> </ul>
Social and business Incubators (Social Business Incubator Foundation Mitrovica, Social	<ul style="list-style-type: none"> <li>• Provides incubator and business advice services to local businesses of minorities and vulnerable groups</li> <li>• Provides promotion, support in marketing and sales and other</li> </ul>

Enterprise Management/Incubator Facility in Gracanica and Innovation Centre Kosovo (ICK)	<ul style="list-style-type: none"> <li>business support services</li> <li>Promotes social and youth entrepreneurship</li> </ul>
Create Foundation	<ul style="list-style-type: none"> <li>With EU funding will establish SE support infrastructure consisting of incubator, capacity building, small grants for young social entrepreneurs, networking etc.</li> </ul>
NGO LENS	<ul style="list-style-type: none"> <li>Advocates for enabling legal framework on SE</li> <li>Convenes key CSO stakeholders in dialogue on SE policies</li> <li>Promotes social innovation especially among youth</li> <li>Conducted a study on social enterprise in Kosovo</li> </ul>
Fund for Civil Initiatives (FIQ)	<ul style="list-style-type: none"> <li>Promotes philanthropy and sustainable development</li> <li>Provides small grants and technical assistance to CSOs that initiate social entrepreneurship</li> <li>Implements “Green and Innovative business ideas” competition</li> </ul>

### 4.3. Existing funding strategies for social economy

#### 4.3.1. National public funding schemes

As the new SE legislation is pending there is no targeted public funding for social enterprises in the country. While specific SE support is still in the development phase, the Government in cooperation with the EU has included SE-related measures within the Instrument for Pre-Accession Assistance (IPA), which are further described in the next section. Meanwhile, the SEs are utilising the public resources available to CSOs from various funding schemes. In addition, there is public funding supporting SMEs which could be easily adapted to serve a broader range of social enterprises.

Public institutions regularly provide *funding to CSOs* mostly through grants and provision of services based on one-year cycles. Much needed institutional funding and co-financing support for EU projects is still lacking. There is no consistent data on the ratio between grants and fees for services to CSOs. The Kosovo government adopted a model on public funding for CSOs in May 2016, based on a decentralised approach placing responsibility for the distributions of funds to CSOs at ministerial and municipal levels according to their internal priorities or other strategic documents<sup>28</sup>. A set of unified principals and a monitoring mechanism are to be set up and a working group has been established to draft the necessary regulatory framework. There are as of yet no specific laws to regulate state support for the CSO sector which includes a lack of mechanism for distribution of public funds to CSOs. Consequently, funds that are distributed by national or municipal institutions are not done so in a coordinated or coherent manner. According to the KCSI 2016 report just over 27% of CSO funding in 2015 came from public institutional sources of which almost 10% came from municipalities. In total this sum amounted to EUR 13.88 million in 2016, which was distributed to 1,659 CSOs.

Overall public funding for the CSOs has been allocated through informal and generally non-transparent mechanisms that raise serious doubts about their fairness, despite the commitment of the government to establish an open and transparent award process as written within the Governments Strategy for Cooperation with Civil Society. According to official government figures, the awards to CSOs 2015-2016 were relatively stagnant. The Government Strategy for cooperation with CSOs anticipates the establishment of a co-financing scheme for EU funds for the CSO sector, but as of yet no substantive progress has been made in its implementation. A number of ministries do have draft legislation for the distributions of funds to CSOs, but according to the Monitoring Matrix<sup>29</sup>, there are questions about the legal basis for these regulations.

Municipalities are a growing source of funding for SEs, as according to the Monitoring Matrix 2016<sup>30</sup>, much of the CSO funding from state budgets during 2016 was sourced from Kosovo’s 38

<sup>28</sup> Monitoring Matrix on Enabling Environment for Civil Society Development, Country Report for Kosovo 2016, Balkan Civil Society Development Network, 2017

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

municipalities. These local governments are supporting local CSOs from their annual budget allocations for the co-financing of CSO activities, yet again it is unclear the ratio of grants to contracts for services which would be in particular relevant for the social enterprises.

The *Law on Games of Chance*<sup>31</sup> allows the granting of lottery funds for organisations involved in a number of social categories (human rights, culture, sport) but the ‘administrative instructions’ foreseen by the law to regulate how these grants will be issued have not yet been drafted. That notwithstanding, lottery funds are a potentially significant source for the funding of SEs, although the social categories benefiting from lottery funds are not typically the operating domain of SEs.

There is also a range of government *active employment measures* implemented by the UNDP and targeted at vulnerable groups with a particular focus on women and youth. These include partial subsidisation of wages (50%) for up to 12 months for the employment of people from legally defined vulnerable groups, self-employment programme, on-the-job training, internship program etc. While partially-financed by international donors most of the subsidy employment measures are mostly available to private company employers. In addition, based on the Law on Vocational Training, Re-training and Employment of People with Disabilities<sup>32</sup> measures for the employment of PwDs provide tax reductions, subsidies and reductions in customs fees. In parallel, the UNDP has been working on building the capacities of the State Employment Agency (SEA) to directly implement the active labour measures.

With proper adjustments, many public instruments intended for the SME sector can be utilised by social enterprises. For example the *Kosovo Investment and Enterprise Support Agency (KIESA)*<sup>33</sup> has a portfolio of instruments (co-financed by foreign donor organisations) that include: voucher counselling internship programs, credit guarantee schemes, grants et al. There are two entrepreneurial support measures, the first is targeted at young people and includes measures such as short-term internship programmes, business planning competitions and workshops. The second is a range of measures for supporting women entrepreneurs including annual regional conferences and a ‘Women in Business’ trade fair, as well as a competition for women entrepreneurs that offer a EURO 1,000 prize. In addition, KIESA also organizes online training courses for new and potential entrepreneurs in marketing and managerial and professional training. In March 2016 the *Ministry of Trade and Industry*<sup>34</sup>, with support from several donors, established a Credit Guarantee Scheme, which will provide partial coverage for collateral requirements on SME loan portfolios of banks participating in the scheme.

The *Ministry of Culture, Youth and Sport*<sup>35</sup> is also providing small grant funding to young start-up entrepreneurs based on the Government’s Youth Strategy 2013-2017 and Youth Action Plan<sup>36</sup>. In the period 2013-2015 around 20 youth businesses have been supported.

Overall, as in the rest of the Western Balkans, the support infrastructure for the SE sector and the development of social entrepreneurship is funded directly and indirectly (through funding of government programmes) by international donors that recognise the positive socio-economic benefits that a vibrant SE sector can deliver.

#### 4.3.2. European Union funding

The EU is and will continue to be a critical source of funding for CSOs and by extension the SE sector. The EU, via the various IPA programmes, has been a key supporter of the establishment of social entrepreneurship, primarily through co-financing initiatives focused on the provision of social

<sup>31</sup> Law 04/L-080 on Games of chance, Assembly of Kosovo

<sup>32</sup> Law on Vocational Training, Re-training and Employment of People with Disabilities (No. 03/L-019), Government of Kosovo

<sup>33</sup> <https://kiesa.rks-gov.net/>

<sup>34</sup> <https://mti.rks-gov.net/page.aspx?id=2.1>

<sup>35</sup> <http://www.mkrs-ks.org/?page=2.1>

<sup>36</sup> The cost of free money, Lens, December 2016



services, active employment actions for vulnerable groups and SE support and policy infrastructure. Furthermore, beyond IPA, other EU funding mechanisms such as Civil Society Facility (CSF), Cross Border Cooperation (CBC), EIDHR etc. have provided grant funding to the emerging social enterprises and SE infrastructure. Several of the EU-supported projects are further outlined in the next sections of this document.

As outlined in the previous section, the EU has been supporting the implementation of the Strategy for decentralisation of social services and licensing of CSOs as service providers. Two models for community-based service provision were supported through the IPA 2012 project “*Provision of social services for children, persons with disabilities and elderly persons in Kosovo*”<sup>37</sup>. CSOs HandiKOS and One-to-One Children’s Fund received grants to establish day-care centres for children with disabilities and at-home services for PwDs and the elderly. As part of IPA 2014-2020 the Ministry of Labour and Social Welfare receives EU support for the project “*Support for better social services for the most vulnerable groups*” which targets improvement in the delivery of social services through the registration and licensing of social service providers, social NGOs and social enterprises, particularly those services benefiting vulnerable groups such as the elderly, PwDs, victims of domestic violence, children with disabilities and children in need of family care. The project, launched in mid-2017 until September 2019, is implemented by Save the Children International in Kosovo in partnership with the European Centre for Social Welfare Policy, based in Vienna, Austria.

The EUR 2 million budget, co-funded by the Swedish International development Cooperation Agency, will be partly used to establish a Social Service Grant Scheme to provide funding to at least 25 qualifying organisations. It is expected that around EUR 1.5 million will be disbursed as direct grants of up to EUR 60,000 to CSOs, which are licensed or in the process of licencing for a period of up to 16 months. The project will also provide technical support to strengthen capacities of the institutions and organisations to provide higher quality social services and to provide an evaluation and monitoring mechanism to measure the impact of the licencing and the funds activities.

EU support to social entrepreneurship is also available through the programmes that target labour market measures and development. The IPA 2012 Project “Enhancing the employment of vulnerable groups”<sup>38</sup> included Project Grant Scheme totalling EUR 1 million for active employment measures targeting the most disadvantaged and vulnerable groups. The grant scheme supported nine projects among which were some of the emerging social enterprises. Under *IPA 2016*, there is a provision for the allocation of grant funding to SEs, but this is conditioned on adopting the law for Social Enterprises. Once a programme implementation partner is selected to deliver the technical assistance, its focus will be on increasing internal capacities of the MLSW and the State Employment Agency to implement active labour market measures.

Under the IPA Civil Society Facility (CSF) 2015 an action is dedicated to improve the legal framework for public service delivery by NGOs with a focus on social services. The IPA Civil Society Facility 2018-2019 will include a component of SE and social innovation. Furthermore, there is a planned call under IPA CSF 2017 for thematic coalitions and networks with a budget of EUR 4.7 million that will seek to support approximately 8 coalitions/networks covering various sectors of high importance for the country on its EU integration path and the long-term sustainability of CS (one of which will likely be SE). The aim being to have at least one network of CSOs with a focus on social

<sup>37</sup>[https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2011/11\\_psd\\_social\\_welfare\\_and\\_community\\_stabilisation\\_111006.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2011/11_psd_social_welfare_and_community_stabilisation_111006.pdf) and [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2015/15\\_ipa\\_2014\\_partnerships\\_between\\_csos\\_and\\_govt\\_20141027.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2015/15_ipa_2014_partnerships_between_csos_and_govt_20141027.pdf)

<sup>38</sup> [http://www.eevg.eu/?page\\_id=8](http://www.eevg.eu/?page_id=8)

economy and enhanced cooperation with commercial entities that can provide technical assistance in setting up viable SE operations. This is seen as potentially strengthening the sustainability of the beneficiary SEs. According to interviews with EUD representatives there is as much as EUR 7 million per year cumulative donor funding for CSOs in Kosovo. Organisations such as Lens and Create Foundation have also received grants related to SE and social innovation through the Regional Civil Society Facility.

The EU has provided significant funding to programmes supporting SMEs that were implemented by a range of organisations, including the International Organization of Migration (IOM) office in Kosovo. The project *Support to Micro Small and Medium Enterprises in Kosovo (MSME Grants) Project*<sup>39</sup> was operated with co-funding from the EU and the Ministry of Trade and Industry. A total of EUR 4 Mil was used to support 21 micro enterprises and 15 SMEs who received funding ranging from EUR 10-25,000 (for Micro Enterprises) to co-finance up to 85% and up to EUR 200,000 for SMEs to finance up to 75% of project costs. The IOM has reported that working in the field, directly with the beneficiary MSME, has helped them identify potential for involving vulnerable groups into supply chains and expanding the social impact of the small enterprises which they aim to explore in their future programs.

Under the recent call on Regional Civil Society Facility and Media Programme 2016-2019 – Consolidating Regional Thematic Networks of Civil Society Organisations, the EU has awarded a grant focused on youth employment through social entrepreneurship where the lead partner is Create Foundation from Kosovo (more info in 4.4.1). At the same time Create Foundation<sup>40</sup> was also awarded a CBC grant focusing on social entrepreneurship in the cross-border area of Macedonia-Kosovo.

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 addition, the EBRD provides support to SMEs through financial (on average EUR 250,000) and microfinance partners (smaller sums) in Kosovo, however the available interest rates are not viable for SEs.

In addition to the above, the EBRD partnered with NESsT<sup>41</sup> in 2012 to pilot a social enterprise development programme for inclusion and social entrepreneurship development of PwDs through its Small Business Support Programme. The outcome was a research document<sup>42</sup> on the basis of which a capacity building and award programme was designed. As a result, three social enterprises were awarded best business planning.

One additional initiative from the EBRD and EDIF provides loan financing with a structured incentive for the beneficiaries in which once they have fully serviced the debt they are able to choose between debt forgiveness of 15% or to utilise the funds to purchase additional assets for the business. This model not only reduces the net cost of the debt facility but also encourages financial discipline amongst SMEs and may prove to be a sensible model for helping SEs migrate to longer term financing solutions for sustainability.

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

Given the very early stage of development in which social enterprises find themselves and the wide spread availability of various forms of grant funding, the general conscientious of stakeholders interviewed for this research is that Kosovo SEs have limited internal capacities, low asset basis and little incentive to seek debt finance solutions.

<sup>39</sup> <http://kosovo.iom.int/support-microsmall-and-medium-enterprises-kosovo-msme-grants-project>

<sup>40</sup> <http://www.createfoundation-ks.org/>

<sup>41</sup> <https://www.nesst.org/>

<sup>42</sup> Varga, E., Villanyi, V., Social Enterprises as a Strategy to Provide Economic Opportunities for People with Disabilities in Kosovo. NESsT, 2011

Yunus Social Business Balkans (YSB)<sup>43</sup> is the only specialised fund operating in Kosovo. YSB is a non-profit venture fund (part of Yunus Social Business) based in Tirana. Initially open to social businesses in Albania, it has expanded its activities throughout the Western Balkans region. YSB provides financing as well as business support to SE. The financing instrument consists of flexible loans with no collateral. An 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 an 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. Most of the SEs operating in Kosovo are registered as CSOs and therefore do not have the prerequisite legal form to take advantage of the YSB financing, one exception is agricultural SE “Rizona”.

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 an LLC.

The European Fund for South East Europe (EFSE) aims to foster economic development and prosperity in the Southeast Europe region and in the European Eastern Neighbourhood region through the sustainable provision of additional development finance, notably to micro and small enterprises and to private households, via qualified financial institutions.

#### 4.3.4. Private sector

Generally, there is little private sector strategic involvement in the activities of SEs and corporate sponsorship and donations are primarily targeted at cultural and sport beneficiaries in line with companies’ Corporate Social Responsibility (CSR) strategies. Although there are tax incentives providing relief of up to 10% on the amount donated, very few private donors take advantage of this benefit. The tax incentives are available for donations to CSOs and other non-commercial entities limited to several areas of work such as health, education, humanitarian aid, religious purposes, science, environmental protection, culture and sports<sup>44</sup>. Thus, even though the incentives could be applied to donations to SEs, the limitation of the areas excludes some of the typical SE fields such as social protection, employment of vulnerable groups etc. According to the Kosovar Civil Society Index 2016, a rather surprising 12% of CSO funding came from corporate and private donations in 2015. Beyond the CS Index, there is little available insight into the private sector funding of the SE sector.

Some support to the social enterprises in Kosovo comes through the CSR platforms. The Kosovo Corporate Social Responsibility Network (CSR Kosovo)<sup>45</sup> was established in 2011 under the umbrella of the American Chamber of Commerce and became an independent legal entity in 2013. CSR Kosovo is a network of companies committed to employing socially responsible business practices. The primary focus is the creation of youth employment and human rights considerations in business. Beyond its core mission, CSR Kosovo provides in-kind counselling and advice, networking, promotion of goods and services and facilitating access to markets for social enterprises. CSR Kosovo applies several criteria in the selection of qualifying social enterprises: it must serve a social cause; have the potential to become self-sustainable; provide benefits to as large a group of beneficiaries as possible; have transparent policies and practises and publish reports on its activities

<sup>43</sup> <http://www.ybbalkans.com/>

<sup>44</sup> Hoxha T. and Elezaj E, The Kosovar Civil Society Index 2016, Kosovar Civil Society Foundation, October 2016

<sup>45</sup> <http://csrkosovo.org/>

and finances; and is open to cooperate with the business sector. To date the network has already supported six social enterprises<sup>46</sup>.

The banking sector has no engagement with the SE sector for a number of reasons, amongst which is the fact that the SEs which have available sources of grant funding do not have the capacity to absorb debt funding. The SMEs have also reported that they did not utilise bank loans due to unfavourable terms and conditions<sup>47</sup>. However Raiffeisen Bank's H. Stepic Fund Charity<sup>48</sup> does private grant funding as part of its involvement in the CSR Kosovo.

As for non-banking finance, *Kosovo Business Angels Network*<sup>49</sup> was established in 2014 by domestic and investors from abroad (mostly diaspora) to support start-up enterprises in Kosovo. There is no record that they have supported any social enterprise nor it is formally declared as the focus of their work.

#### 4.3.5. Microfinancing

Microfinance constitutes a significant part of the debt financing available to SMEs in Kosovo and could be considered as a potential source of funding for the social enterprises. There is no sectorial legislation to govern the sector due in part to a lack of understanding of the sector within the government. Consequently the majority of these microfinance institutions are registered as CSOs. There are about 14 microfinance institutions operating in Kosovo, however relevant analysis<sup>50</sup> has pointed out that their capitalisation is low and that they tend to predominately rely on donor funding.

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 have all been started with microloans. In many neighbouring countries microloans have been the single biggest source of investment funding for many women, especially those in remote areas or those that have been victims of violence.

The lack of formal legislation to govern the sector also means that there is no formal official information available about their activities. As such it is difficult to ascertain whether microfinance institutions have considered or offered any targeted support to social enterprises in the country.

#### 4.3.6. Development Aid Agencies

International donors and agencies have played a crucial role in supporting the development of Kosovo, although given the geopolitical issues that the country faces the bulk of that aid has been directed at the governmental and institutional level. Significant support has been given to support the creation of a vibrant SME sector and by extension the SE sector, with key players such as USAID, United Nations Development Program (UNDP), International Office of Migration (IOM), Swiss Development Cooperation, the Austrian Development Agency, Danish Refugee Council, and foreign Embassies in the country.

UNDP, the EU, the Austrian Development Agency and the Swiss Development Cooperation all provide funds to the Kosovo Investment and Enterprise Support Agency to support the development of SMEs, including a credit guarantee scheme that may prove useful for SEs to obtain debt financing when they are ready to move into a sustainability phase.

<sup>46</sup> 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

<sup>47</sup> Oberholzner T., Report on SMEs in Kosovo 2014, Kosovo SME Promotion Programme, 2014

<sup>48</sup> <https://www.stepiccecharity.org/en>

<sup>49</sup> <https://www.facebook.com/KosovoBAN/> ; <http://www.kosban.org/>

<sup>50</sup> SME Policy Index: Western Balkans and Turkey 2016, *Assessing the Implementation of the Small Business Act for Europe*, OECD, 2016

UNDP Kosovo<sup>51</sup> was one of the first supporters of the establishment of social enterprises in the country. Its support includes technical assistance to the Ministry of Labour in the development of the Law on Social Enterprises. With social inclusion and access to services as two of its main priorities, UNDP's efforts have been focused around policy reform and various direct programme interventions. In 2013, the UNDP supported the establishment of five of the earliest social enterprises that focused on the employment of vulnerable groups and offered either general service provision (cleaning, maintenance etc.) or in agriculture (green jobs). A number of social entrepreneurs were assessed as having the potential and interest to develop entrepreneurial activity. The programme then supported their projects with direct technical support in developing their business plans, as well as grant support of EUR 15,000 – 25,000. Through the INTERDEV project, financially supported by the Austrian Development Agency (ADA) since 2014, UNDP Kosovo has supported three social enterprises in the municipalities of Shtërpçë/Štrpce and Dragash/Dragaš to bring added-value through secondary production and commercialization to the local primary producers<sup>52</sup>. One of the SEs is women's cooperative Dragash Women in Business which produced textile clothing and supplies for local schools while the other two are focused on production of local fruits jams and ajvar (Mladi na selu) as well as juices and compote from raspberries (Association of Raspberry Producers - Sušice). UNDP reports that 40 people from vulnerable groups were able to find employment through the SEs. In the next phase of the project opts to include third municipality of Viti/Vitina.

The USAID<sup>53</sup> mission in Kosovo has focused its support on economic development and the SME sector. Even though the offered support could be beneficial for the social enterprises, the projects do not tend to include SEs in their beneficiary portfolio. *Advancing Kosovo Together Local Solution*<sup>54</sup>, a grant-funding vehicle which among other things offers grants for start-ups and established businesses to promote self-sustainability through self-employment amongst women and youth. Funding is combined with capacity building to bridge the skills gap. *Empower Private Sector*<sup>55</sup> is a joint financing project with SIDA designed to offer direct support to companies to improve access to market, provide financial support and improve productivity. The intended primary beneficiaries are women, youth and ethnic minorities. Project activities are focused in Northern Kosovo where it offers five different but complimentary services. 1) Facilitating access to finance, 2) Providing cost sharing grants of up to EUR 75,000 (maximum 70% of project cost) 3) Business facilitation through access to market and participation in fairs, 4) technical assistance for quality improvement and 5) Promoting the creation of enabling business environments. The project has successfully supported more than 200 SMEs, generating over 1,300 jobs (50% for women and 50% for youth). *Empower Credit Support Project* targeted underserved SMEs, supporting them by establishing the Kosovo Credit Guarantee Fund (KCGF)<sup>56</sup> to help provide access to finance. The scheme tries to encourage private banks, microfinance institutions and non-banking institutions to provide debt financing to SMEs by reducing their risk exposure. KCGF provides securitisation for 50% of the risk. In agriculture, the project Agriculture Growth and Rural Opportunities (AGRO)<sup>57</sup> provides support in sustainable agriculture growth. The project also provides grants to agricultural producers and other entities in the value chain and could be an opportunity for the SEs in this field.

Besides the EU funded project Support to Micro, Small and Medium Enterprises in Kosovo outlined above, IOM Kosovo has also implemented a project funded by the British Embassy which focused on socio-economic inclusion of minority communities. The project provided direct social inclusion grant funding of up to 30.000 EUR for 6 months to social enterprises and local initiatives. The funds were targeted at purchasing equipment machinery for start-up and existing SEs to support their growth. The project also provided grants to small businesses.

<sup>51</sup> <http://www.ks.undp.org/>

<sup>52</sup> <https://undpkosovo.exposure.co/social-entrepreneurship-in-southern-kosovo>

<sup>53</sup> <https://www.usaid.gov/kosovo>

<sup>54</sup> <http://www.kcdf.org/AKT-LS/index.php/en/>

<sup>55</sup> <http://empowerkosovo.org/>

<sup>56</sup> <http://fondikgk.org/en/kosovo-credit-guarantee-fund>

<sup>57</sup> <http://www.tetrattech.com/en/projects/agricultural-growth-and-rural-opportunities-activity-in-kosovo>

The *Enhancing Youth Employment Project (EYE)*<sup>58</sup> funded by the Swiss Development Cooperation (SDC) is implemented by Helvetas Swiss Intercooperation and MDA-Management Development Associates. While the project's primary focus is to provide employment opportunities for young graduates and support them in the transition to labour market, EYE has supported the *NGO LENS*<sup>59</sup> to conduct research on SE in Kosovo which includes analysis of the draft Law on social enterprises as well as to facilitate debate and consultations among CSOs on the SE legislation.

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

##### 4.4.1. Business Development Services

There have been several initiatives for establishing hubs and incubator facilities in Kosovo including those focusing on social entrepreneurship. As part of its commitment to support SE infrastructure, the EU has funded two social business incubators in Mitrovica and in Gracanica. The incubators initially had promising starts, however, while the incubator in Mitrovica maintains a certain level of activity, the SE incubator in Gracanica seems to have lost its momentum and did not sustain operations beyond the project funding.

The *Social Business Incubator Foundation Mitrovica*<sup>60</sup> was established by the Danish Refugee Council DRC in the predominantly Roma neighbourhood in Mitrovica. The incubator seeks to support business that actively employ Roma, Ashkali and Egyptians (RAE) and which provide services to their communities. Unemployed from the RAE community also receive skill and qualification courses in various vocations (hairdressers, carpentry, welding etc).

The second EU-supported incubator is the *Social Enterprise Management/Incubator Facility in Gracanica*<sup>61</sup>, which seeks to support the business activities of vulnerable groups and entrepreneurs predominantly in arts and crafts. The incubator was founded in 2014 by Pristina REA (which provides advisory and capacity building services to SMEs and entrepreneurs) in partnership with the municipality of Gracanica. In addition to providing office space, the incubator provides business advisory services, technical assistance, networking, market linkages, fundraising, product and service development, promotion and IT services and organisation of festivals and other promotional events. Some of the beneficiaries of its services include projects created by Serbian women entrepreneurs.

The *Innovation Centre Kosovo (ICK)*<sup>62</sup> was established with financial support from The Norwegian Ministry of Foreign Affairs. ICK was initiated in June 2012 as a project of Athene Prosjektledelse, Norway and the Kosovo Association of Information and Communication Technology (STIKK) with Crimson Capital LLC Kosovo being the main cooperating partner. According to its website, ICK will create new jobs through the businesses that it supports and train young people for jobs in the broader marketplace. ICK offers incubator services, mentoring, consulting and training to entrepreneurs and managers in business planning, accounting, finance, product/service development, marketing/ sales, human resources, technology development. It also provides co-working space and supports transfer and matchmaking with local, regional and international businesses.

*Create Foundation*<sup>63</sup> is committed to support the development of social entrepreneurship as one of the two pillars of their work (the other one being minority community building). As a legacy organisation of Mercy Corps in Kosovo and a member of Global Social Entrepreneurship Network (GSEN)<sup>64</sup>, Create Foundation's plans include establishing a social enterprise "Create Investments" which would serve as an outsourcing company for design and software development for mostly

<sup>58</sup> <http://www.helvetas-ks.org/eye/>

<sup>59</sup> <http://www.ngolens.org/en/home-3/>

<sup>60</sup> <http://sbifm.org/#home>

<sup>61</sup> <https://www.facebook.com/Socijalno-preduzece-Gracanica-Gracanica-Social-Enterprise-342745172516553/>

<sup>62</sup> <https://ickosovo.com/>

<sup>63</sup> <http://www.createfoundation-ks.org/>

<sup>64</sup> <http://www.gsen.global/>

foreign companies while the profits will be invested in the programs of the foundation. To support SE development, Create Foundation has successfully fundraised from EU CSF and CBC grants schemes to develop infrastructure for start-up and growth of SEs in the country as a way to encourage youth employment. The funding will be used for establishing social innovation hubs, vocational education for students including internships, forums on IT technology and sustainable development, regional platform for education on social innovation to network and exchange as well as grants of up to 10,000 EUR for young social innovators and entrepreneurs. The foundation also holds a franchise for social entrepreneurship academic courses from the Portland State University.

*Forum for Civil Initiatives (FIQ)*<sup>65</sup> is a CSO support organisation where one of the focus areas is sustainable development and philanthropy development. In these lines, within their projects, FIQ provides small grants and technical assistance to CSOs to implement ideas related to sustainability including social entrepreneurship. FIQ runs the calls for green and innovative business ideas where they award a grant of up to 5,000 EUR for the best environmentally friendly and sustainable solutions. This call is supported by the Rockefeller Brothers Fund.

The *EBRD* addresses the needs of the SME sector via its *Advice for Small Business* 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 facilities are open to SEs performing registered commercial activities. The EBRD also operates the *Women in business programme* which offers targeted support to businesses owned and or managed by women. This programme is focused on providing coaching and mentoring for the strengthening of business management and entrepreneurial skills.

#### 4.4.2. Local/national and/or Regional Networks

At present, there is no existing network of social enterprises or any other SE-related networks in Kosovo. Organisations such as LENS and Create Foundation are part of regional and global networks and through their activities enable transfer of knowledge and best practice in Kosovo. The initiative of LENS to organise stakeholder dialogue about the draft Law on social enterprises might serve as a good starting point in creating a core of CSOs and SEs that join forces in developing one voice for the sector and advocating for improved policies and infrastructure.

CSO networks such as CiviKos<sup>66</sup>, which has 207 members, could serve as a platform to exchange information and knowledge related to the legal framework and SE support opportunities among CSOs. The Kosovo Women's Network (KWN) can also facilitate exchange of experience in setting up social enterprises among women-focused CSOs which are already one of the most active actors in the SE sphere.

#### 4.4.3. Academia

Social entrepreneurship is not part of the formal education system. Although Kosovo adopted the National Strategy for Entrepreneurial Education and Training and integrated entrepreneurial learning in higher education, disappointingly social entrepreneurship was not actually addressed in the strategy.

There is no long-term approach to education on social entrepreneurship, which given the relative youth of the Kosovo population represents a significant oversight on the part of the central government and the donor community alike. Most available education on the subject of SE is ad hoc and delivered on a project basis. Consequently, most social entrepreneurs are self-taught and or have had the benefit of participation in development programmes that offered education/training.

<sup>65</sup> <http://www.fiq-fci.org/en/>

<sup>66</sup> <http://www.civikos.net/en/Home>

As a potential indication of things to come, in coordination with ICK, the University of Pristina is starting a pre-incubator support programme, which will provide incubator services with lab/research support. Discussions are ongoing between the Ministry of Education and the University to define the relevant conditions.

#### 4.5. On-going and planned initiatives addressing social economy issues

The MLSW is looking into further developing the policies in this area. Beyond the adoption of the Law on social enterprises, the ministry also envisages drafting of a strategy for development of SEs and would encourage the other institutions to develop programs to support SEs. In addition, it is expected that the process of decentralization of social services would be completed in the following period with significant support from the EU. Besides MLSW, the Office for Good Governance - Secretariat of the Council for Civil Society Cooperation together with the Council are in the process of drafting a follow-up Strategy for cooperation with CSOs 2018-2021 which looks into promoting social entrepreneurship beyond employment of vulnerable groups.

As Kosovo accelerates in progression along the EU Accession process it will gain greater access to accession funding and as a result greater resources will become available for the development of the SE sector, in part because social inclusion is a significant chapter of the Acquis. As a result, the EU Delegation in Kosovo has already envisaged several programs related to labour market and social services which include components to support SEs as described in the previous sections. The grant schemes targeting civil society also envisage incorporating social entrepreneurship and social innovation as topics. Furthermore, the IPA CSF 2017 funding for thematic coalitions and networks also looks into supporting a SE network.

In December 2017, Kosovo joined COSME 2014-2020 the EUs Competitiveness of Enterprise and SMEs, the budget of EUR 2.298 billion will significantly benefit entrepreneurs from Kosovo because it provides access to EU funds and projects for SMEs, entrepreneurs and Kosovan citizens that want to start their own business, particularly those that come from vulnerable groups. Joining COSME affords Kosovars the same potential benefits as the counterparts in 11 other countries in the region.

#### 4.6. Best practices in the country and replicable models

Down Syndrome Kosovo<sup>67</sup> is a CSO dedicated to the support and inclusion of people with Down Syndrome through the delivery of direct services, advocacy and lobbying for better access to public services and positive policies towards this vulnerable group. It created a social enterprise that initially started by creating greeting cards but expanded to the packaging and sales of natural honey under a brand called Amë. The honey packaging services was started with the support of the American Chamber of Commerce in the form of a donation to purchase the packaging equipment for the honey. This was followed up with a second round of financing from the EU of EURO 125,000 in the form of a grant. The Amë range is sold at a premium price to restaurants, coffee shops and in gift form to companies. By the end of 2016 Amë was making net income of EUR 5,000 and provided work for seven people. At its peak Amë engaged 16 members of the beneficiary groups that were originally paid on a per diem basis. Given the challenge of sourcing a regular supply of honey, the team decided to expand the portfolio. As a result, in September 2017 Down Syndrome Kosovo started the production of raspberry jam, under the brand name XHEM21 Mjedra.

In an extension of its services portfolio and geographic footprint, Down Syndrome Kosovo opened Bistro Garden X21, at the Down Syndrome Kosovo Centre in Prizren. The project provides a training kitchen where people with Down syndrome acquire skills in preparing food and service. Bistro Garden X21 is open to the public to enjoy a coffee or tea in a friendly and quiet atmosphere. As part of its further development, Bistro Garden X21 intends to develop professional training sessions for culinary chefs.

<sup>67</sup> <http://www.downsyndromekosova.org/>



Finally, Down Syndrome Kosovo has opened Kafiteria X21 in Pristina to provide professional managerial and service training of people with Down Syndrome.

## 5. GAP ANALYSIS AND NEEDS ASSESSMENT

### 5.1. Macro-social factors determining the sector

Kosovo with its young economy and young population has tremendous human capital and subsequently potential. However, it faces very challenging geo-political and geo-social issues and ethnic issues still play a role in governance. While the economy is dominated by SMEs and micro enterprises, in general entrepreneurship is a poorly understood concept and entrepreneurial activity is low. Youth unemployment is at disturbingly high levels and women are systematically excluded from the labour market and the wider economy. The national economy has enjoyed fairly steady but unspectacular growth and consequently is unable to absorb the number of school leavers coming into the labour market. Active labour market measures are critical for social inclusion and the reduction of unemployment and would need more innovative approaches. The welfare system is weak and does not have the capacity (technical, human and or financial) to meet the needs of the most vulnerable groups. The government, with encouragement from the donor community, has sought to decentralise the management and delivery of welfare services to the municipal authorities. Mechanisms have been designed (and are being refined) to allow suitably registered and licensed CSOs and SEs to deliver social services under grant contracts from the municipalities. However, the commitment varies between the municipalities, there is a lack of proper needs assessment, thus the funding remains on the level of grants for basic services which reported by CSOs are not sufficiently covering the real costs and does not provide much needed institutional support.

As in many of the other Balkan countries, there is no clear or reliable picture of the social enterprise sector, not least because social enterprises do not yet have a legal definition nor an empowering legal or institutional framework in which to operate. Stakeholders at all levels have acknowledged the potential impact of social enterprises in the delivery of crucial social services, economic empowerment for vulnerable groups and the creation of meaningful jobs in regions of the country where poverty is damaging social cohesions. While understandable, bearing in mind the high levels of unemployment and social exclusion, this approach undermines the full potential of social entrepreneurship to innovate and provide a wide spectrum of solidarity-based goods and services. This is of particular importance for fragmented societies and communities.

The existing legislation, while not being overall restrictive to the functioning of SEs, does not legally recognise them. This will change once the new law is passed and the requisite bylaws are drafted. The sector relevant law on social enterprises is expected to be passed within the first quarters of 2018. It provides a flexible approach in recognising different legal forms as social enterprises. However, the predominant focus on serving disadvantaged groups and limiting the types of activities social enterprises can perform to predominantly social services provides a narrow view of the SE role and nature. It limits the opportunities for the SE actors to innovate and develop solutions for a wider range of societal challenges and needs in all economic sectors. Furthermore, the existing policies for economic development as well as the tone of the draft law on social enterprises omits the recognition of SEs as an integral part of the economic actors that contribute to sustainable and equitable development. This is much needed in order to design more horizontal policies and measures targeting long-term sustainability of social enterprises beyond grant funding.

The EU integration process is expected to improve the overall context through the prerequisite policy changes that will support a vibrant social economy in the medium term. Nevertheless, while the Ministry of Labour and Social Welfare is the designated institution for the policy in this area, there is no (nor is there envisaged by the draft law) a cross-sector horizontal body currently responsible for coordination of support infrastructure and the interaction between the public sector and SEs. Individual

ministries and municipal authorities are responsible for their engagement with the SE sector which will likely lead to inconsistencies in policy approach and the quality of interactions. However, on the municipal level it presents an opportunity for a proactive approach on the local level and building the sector bottom-up through cross-sector local partnerships.

Public support measures are still in their infancy and mostly provided through donor programmes. Some level of tax and fiscal incentives have been incorporated in the law while most of the support measures remain dependent on willingness of the institutions and as such might end up on good intentions. Above all, there is no consistent technical or financial support that is tailor made for the need of the SE sector. While legal recognition of social enterprises could provide structured approach in promoting the sector, lack of suitable incentives and support infrastructure will most likely act as disincentive for future growth in the sector.

The legislation should be seen as part of the broader eco-system for SE. It is increasingly important that any SE policies recognise three key aspects; 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

Access to finance beyond the initial grant funding is the biggest challenge for the social enterprise sector. The availability of funds aimed at the development of social entrepreneurship is very limited and can be classified as funds focused on capacity development through start-up support, technical assistance and the promotion of the SME sector as opposed to social enterprises. Since the majority of SEs are operating under the auspices of CSOs they are unable to potentially access the funding that may be crucial for long-term sustainability. Virtually all existing social enterprises have been founded and operate with grant funding. The project driven nature of the majority of these enterprises means that many of its component organisations are young and financially and technically unprepared for sustainable growth initiatives. The proliferation of donor grant funding, while valuable in initiating the social enterprises, perpetuates the project-based mentality which might stifle their development. When such project-based SEs fail, it leaves a bad image for the whole sector.

There is no robust financing model for SEs, and despite the large number of ongoing initiatives from donor groups there is no concrete model on the horizon. Microfinance has been present in the market for some time and made a significant contribution to the inclusion of vulnerable groups into the economy. However, they do not provide specialised products for SEs. Commercial banks are seriously over capitalised and risk adverse, with the single exception of Raiffeisen via its foundation, these institutions do not interact with social enterprises. The private sector via initiatives such as CSR Kosovo plays a limited role mostly with in-kind support, although they have ambitious plans to further their engagement with the SE sector. Other funding sources have for the moment shown little interest in the sector and until the legislative framework necessary to provide structure and transparency to the sector are passed, it will be difficult to properly structure funding.

Available government support funds lack transparency in the award process and serious questions have been raised about how the grant award decisions are made. There is an opportunity for municipalities and other local actors to boost their support for the social enterprises that help alleviate the donor dependency through market mechanisms.

## 5.3. Lack of relevant skills to access market

In part because of their relative age and size the majority of SE exhibit a clear shortage of business 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. Technical assistance, training and mentoring appear to be a universal need.

The technical support infrastructure which would provide much needed capacity building, peer exchange and networking is still nascent and vulnerable as it also depends on donor funding to sustain itself. The support available to SMEs, which is exactly the type of assistance and exposure SEs need, is not accessible to SEs registered as CSOs. The educational system does not create a new supply of trained SE managers. Thus there is an apparent gap in comprehensive support infrastructure that will assist emerging SEs in building their business skills to access market, sustain themselves, and scale-up.

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

Although the SE sector is in its infancy and does not yet enjoy appropriate levels of stakeholder understanding nor a ratified legal and institutional framework, significant progress is expected over the next few months as the infrastructure to support the SEs gradually takes shape. Donor organisations working with the government and through CSO actors have led the way in creating this enabling environment. However, there appears to be little coordination between the various non-institutional actors and there is no clear national strategy based on inputs from all the relevant stakeholders that all sector actors can take ownership of. The risk is that once the enabling framework is ratified it will require significant time before any reasonable level of coordination can be achieved which may significantly hinder the development of the sector and its wider social impact.

With half its population under 28 years of age, creating a spirit of entrepreneurship amongst young people and then providing the support infrastructure for that spirit to flourish must be a central pillar of governmental strategy for the medium term, as the existing business environment simply cannot absorb so many people. The CSO sector, existing SEs and the donor community need to invest in promoting the idea of social entrepreneurship and showcase wherever possible success stories. This positive PR should have the dual impact of changing the public apathy to social enterprises (with many still associating the term with former state companies) and encouraging the private sector to engage with the sector to build commercial relations.

As a positive development, emerging local actors such as Create Foundation, Forum for civic initiatives (FIQ) and Lens increasingly engage in development of social entrepreneurship. The EUD has stated intention to support the creation of an SE sector national network might initiate a more sector driven approach to SE as opposed to the fragmented interactions that currently take place between the stakeholders.

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, the building of social capital which will positively impact social cohesion and inclusions and of course through work integration. The improvements made through wide ranging and ongoing institutional reforms can and likely will positively contribute to the environment for social entrepreneurship.

## **6. CONCLUSIONS AND GENERAL POLICY RECOMMENDATIONS**

The social enterprise sector is in the early stages of development including the eco-system needed for nurturing and growing the existing potential. While the legal framework is evolving, the sector still enjoys inadequate institutional support, a total dependence on grant funding, limiting incentives and a lack of clear nationwide coordination or a defined agenda to develop the social economy among the key stakeholders (relevant ministries at all levels, CSOs, cooperatives, donors).

The social economy as a whole faces serious challenges related to its over dependence on grant funding. This prevents long-term practise competence on key social economy needs and ultimately means that donors with limited understanding of local needs and issues are driving the SE agenda. Most of the existing SEs are in their start-up stage and are still heavily dependent on their mother organisations and infrastructural and financial support from the CSO sector.

With its young institutions, the geopolitical challenges in integrating all regions of the country and a relatively limited understanding of the social economy, significant technical support is necessary to build the institutional capacities as well as targeted support of crucial policy initiatives. Social inclusion will inevitably take a greater priority within the acquis as Kosovo makes greater progress in the accession process. Along these lines, while specific policies related to creating an enabling environment for social enterprises should be considered a priority given the very poor state of delivery of social services, the policies need to consider the potential of the SE sector on the medium and long-term horizon beyond the social sphere. 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 various instruments in the civil society and social inclusion spectrum. A horizontal approach by incorporating the issue in the economic development sphere should be considered as well.

- **Legislation and policy framework**

With the imminent passing of the Law for Social Enterprises and envisaged follow-up strategy for SE development, steps will be made on creating frameworks necessary to create, nurture and sustain an environment of entrepreneurship and social inclusion. The draft law is somewhat limiting as it considers social enterprises as an instrument of social policy rather than a bridge between charity-based organisations and mainstream businesses which operate on the principles of the solidarity economy and sustainable development. This might jeopardize the proper recognition of the sector and growth of the existing initiatives leaving the sector dependent on donations and public funding. Along these lines, the legislation would benefit from strengthening the entrepreneurial and innovation dimension of SEs and alleviate limitations to the range of activities and social purposes the SEs can engage in. Administrative burden and controls have to be balanced with the tax incentives and public funding that will be introduced. While provisions for simplified procedures in public procurement from SEs by the municipalities have been envisioned by the draft law, unless the public procurement law is revised it will most likely not be implemented. In line with the EU directives, public procurement legislation should be revised to introduce reserved contracts for CSOs and SEs and social/environmental criteria to facilitate SEs' access to market leveraged by societal benefits.

It is also advised that the cooperative legislation is revised to allow cooperative organizing beyond agriculture thus to encourage the emergence of social cooperatives which would be integrated in the SE policies.

The decentralisation of delivery of social services to licensed CSOs and SEs is a plausible and pioneering effort in the Western Balkans. However, while likely providing a more locally relevant approach, it may have the unexpected impact of removing social welfare from the central government agenda and leave it underfunded by the weak municipal structures. The funding structure should be revised from typical grant project funding to a more service-oriented comprehensive structure of cost recovery that will include a combination of: a) basic institutional funding for basic operations and capacity building and b) payment per beneficiary served. As a result of the delay in the enactment of the Law for Social Enterprises, crucial funding under IPA 2016 that had been allocated for the support of SEs was held back at a time when social service quality was continuing to deteriorate. The EUD is advised to consider building greater flexibility into funding allocations to ensure that the intended local beneficiaries are not disadvantaged because of delays in the adoption of central government policies in critical areas such as the delivery of social services. While pending legislation, the EU funding can be

utilised to test the SE criteria and conditions under the draft law and thus further assist in fine-tuning the policies. Furthermore, the EUD may consider reviewing its prioritisation of SE support and more horizontally drive the SE agenda at the political stakeholder level in all sectors including economy, sustainable development, agriculture etc.

Public policy stakeholders would benefit from investment in technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite to effect institutional support of the social economy. The positive experiences at municipal level should be acknowledged, supported and promoted to other municipalities. Policymakers need exposure to relevant EU and regional experience and best practice. The EU can play a crucial role in strengthening the Government's commitment to the principles of social entrepreneurship as developed by the EU's Social Business Initiative (SBI).

- **Access to finance**

The SE sector is dependent on donor financing and has made little attempt to adapt itself to the building of a sustainable operating model. This is not helped by the project rather than cause driven focus of most SEs, which is in turn driven by a search for further grant funding. Donors are therefore advised to jointly finance a full countrywide needs analysis that will highlight the critical short term, medium term and long-term financing needs and then redesign their calls for proposals accordingly.

Grant funding mechanisms need to be adjusted to encourage even early phase SEs to build sustainability into their project plans. Very few of the existing SEs have the operational scope necessary to scale up, nor can they absorb the financial resources necessary to attain sustainability. The domestic private sector social investment market is minimal and the debt-financing sector has little engagement with the SE sector. Thus, all future calls should either include a requirement for a clear and achievable roadmap for sustainability, or outline specific measurable impact objectives. In these calls for proposals, social entrepreneurs could be rewarded for successful project completion with priority access to funding for their future projects that meet funding criteria.

It is clear that SEs lack the technical capacity to design sustainability into their project proposals, it is recommended therefore that donors consider funding for technical support for project owners to design sustainability into their project proposals prior to their final approval for funding by donors.

The EBRD piloted a mechanism for reimbursing or forgiving 15% of debt funding for projects that are successfully implemented. Although the results from this pilot have not been publicly published, consideration should be made for creating a new funding mechanism for SEs that maps these lending principles. It will have the dual benefit of rewarding project success as well as making debt financing more affordable. Convertible loans could also be considered. In the next phases, low interest debt financing for growth and sustainability phases should be also introduced.

Given the potential for private sector organisations to engage with the social enterprise sector on similar lines to those proposed by Kosovo CSR, the introduction of broader tax benefits and financial incentives for private sector organisations providing direct support or trade opportunities for SEs could significantly increase the level of engagement of the private sector.

- **Other support infrastructure**

The donor community should leverage its influence across all stakeholder groups in order to create a robust national coordinating body (National council or similar) that will coordinate policies, monitor progress, advocate for the universal adoption of best practises and increased transparency from state institutions both on their strategy and budget planning related to SE policies and support measures. Such a body would allow the promotion of successful models of social enterprises in their entire spectrum. The coordinating body should include designated institutions, the academic community, representatives of SEs and SE support organisations, the private sector, and donor community. This will lead to a better understanding of the concept of SE among key stakeholders in order to create an appropriate definition and guidelines for the development of this field.

The interest of the EU Delegation in Kosovo to support a network of social enterprises is plausible as it will help build the identity of the SE sector, will help them to articulate their needs and advocate in front of the authorities. Nevertheless, it is important that this networking is built bottom-up based on the need of SEs themselves rather than available funding.

Positive visibility of the SE actors and their achievements will help to raise awareness of the social and economic contribution that SEs can make. This in turn should encourage central governments keen to further their political agendas to leverage the positive news from SEs. As a secondary impact, positive SE news will also encourage private sector actors to actively seek engagement with SEs and where appropriate reconsider the narrowness of their CSR activities. 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. to stir interest among the municipalities.

Similar to the other Balkan countries, to bridge the entrepreneurial skills gap and strengthen management capacity the SEs require ongoing technical assistance. The support centres, incubators and acceleration programs should be encouraged to incorporate sound self-sustainability strategies as part of their donor-funded projects. Furthermore, the support infrastructure has to be decentralized, closer to local municipalities with significant field outreach to map and tap into the full SE potential. It should also look into the needs of the diverse group of SEs, not only those that provide social services and employ vulnerable groups. The EU can provide valuable input through direct support to sustainable intermediary organisations as well as through encouraging public-private-CSO partnerships in building SE support infrastructure throughout the country.

### 6.1. Priority sectors for country level interventions

The priorities in each area of support below are listed in such a way so as to show the urgency and the 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. With regards to this the 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 modality of support.

Areas of intervention in order of importance	What needs to be covered - priority areas	Modalities of support
<u>First area of intervention:</u>  <b>Policy, legal and institutional framework</b>	<p><i>Priority area 1:</i> Technical assistance to develop the policy positions, procedures and human capacities that are a prerequisite to effective institutional support of the social economy.</p> <p><i>Priority area 2:</i> Revision of the Law and policy documents.</p> <ul style="list-style-type: none"> <li>• Revision of the Law on public procurement.</li> <li>• Revision of the cooperative legislation.</li> </ul>	Bilateral envelopes (technical assistance, grants, CFP, twining, direct award etc.)

	<p><i>Priority area 3: Awareness and visibility</i></p> <ul style="list-style-type: none"> <li>• Acknowledgment and promotion of positive experiences at municipality level.</li> <li>• Study tours for policymakers to expose them to relevant EU and regional experience.</li> <li>• Raise visibility of SE actors.</li> </ul>	Regional programmes (technical assistance, grants, etc.)
<p><u>Second area of intervention:</u></p> <p><b>Coordination</b></p>	<p><i>Priority area 1: Support coordination of state institutions by creation of the national coordination body and support donor coordination.</i></p>	Regional programmes (technical assistance, grants, etc.)
<p><u>Third area of intervention:</u></p> <p><b>Skills and access to market</b></p>	<p><i>Priority area 1: Technical assistance</i></p> <ul style="list-style-type: none"> <li>• Enable further technical assistance, training and mentoring for SEs using existing state infrastructure.</li> <li>• Enable further technical assistance, training and mentoring by donor organizations, including EU funding.</li> </ul> <p><i>Priority area 2: Create support system for SEs (intermediary organizations that would combine funding with capacity building support).</i></p>	<p>Bilateral envelopes (technical assistance, grants, CFP, twining, direct award etc.)</p> <p>Regional programmes (technical assistance, grants, etc.)</p> <p>Other support schemes (indirect management)</p>
<p><u>Fourth area of intervention:</u></p> <p><b>Funding</b></p>	<p><i>Priority area 1: Coordination with financial institution to introduce new funding mechanism.</i></p> <p><i>Priority area 2: Open new donor funding scheme after SE networking initiative has been launched by the SEs.</i></p> <p><i>Priority area 3: Introduction of tax benefits and financial incentives to private sector.</i></p>	<p>Regional programmes</p> <p>Other support schemes (indirect management)</p>

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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
<b>Group 1</b>			
1	Ministry of Labour and Social Welfare	Mr. Mentor Morina	Head of Division for Planning and Social Inclusion
<b>Group 2</b>			
1	European Union Office in Kosovo	Ms. Dario di Benedetto Mr. Miha Pezelj	Programme Officer- Civil Society/ Cooperation Section Task Manager
2	International Organization of Migration (IOM) Mission in Kosovo	Ms. Tajma Kurt Mr. Igor Rasic	Chief of Mission Project Assistant
3	Create Foundation	Mr. Arsim I. Nimanaj	Executive Director
4	NGO LENS	Ms. Bardha Ahmeti	Executive Director

5	Fund for Civic Initiatives (FIQ)	Ms. Adelina Nitaj	Executive Assistant
<b>Group 3 – Consultations with social enterprises</b>			
1	Down Syndrome Kosova	Mr. Engin Avci	Project Manager
2	Open Door	Ms. Majlinda Ruhani	Project Manager

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