



This fiche is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Albania based on available information as of July 2019. It describes the roots and drivers of social enterprises in the country as well as their conceptual and legal evolution. It includes an estimate of the number of organisations and outlines the policy framework as well as some perspectives for the future of social enterprises in the country.

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# SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

Country fiche  
**ALBANIA**

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This fiche provides an overview of the social enterprise landscape in Albania based on available information as of July 2019. It is one of the seven fiches covering non-EU countries in the study “Social enterprises and their ecosystems in Europe” included in a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Ariola Agolli, Eriola Haska and Juliana Hoxha from Partners Albania for Change and Development were responsible for producing the fiche.

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Countries included in the three social enterprise mappings by the European Commission

No	Country	TYPE	2014	2016	2018-19
1	Albania	Fiche	-	-	✓
2	Austria	Report	✓	-	✓
3	Belgium	Report	✓	✓	✓
4	Bulgaria	Report	✓	-	✓
5	Croatia	Report	✓	-	✓
6	Cyprus	Report	✓	-	✓
7	Czech Republic	Report	✓	-	✓
8	Denmark	Report	✓	-	✓
9	Estonia	Report	✓	-	✓
10	Finland	Report	✓	-	✓
11	France	Report	✓	✓	✓
12	Germany	Report	✓	-	✓
13	Greece	Report	✓	-	✓
14	Hungary	Report	✓	-	✓
15	Iceland	Fiche	-	-	✓
16	Ireland	Report	✓	✓	✓
17	Italy	Report	✓	✓	✓
18	Latvia	Report	✓	-	✓
19	Lithuania	Report	✓	-	✓
20	Luxembourg	Report	✓	-	✓
21	Malta	Report	✓	-	✓
22	Montenegro	Fiche	-	-	✓
23	The Netherlands	Report	✓	-	✓
24	North Macedonia	Fiche	-	-	✓
25	Norway	Fiche	-	-	✓
26	Poland	Report	✓	✓	✓
27	Portugal	Report	✓	-	✓
28	Romania	Report	✓	-	✓
29	Serbia	Fiche	-	-	✓
30	Slovakia	Report	✓	✓	✓
31	Slovenia	Report	✓	-	✓
32	Spain	Report	✓	✓	✓
33	Sweden	Report	✓	-	✓
34	Switzerland	Report	✓	-	-
35	Turkey	Fiche	-	-	✓
36	United Kingdom	Report	✓	-	✓

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## List of acronyms

- > **ASD** Autism Spectrum Disorder
- > **AAPSK** Agency for the Administration of the Sequestered and Confiscated Assets
- > **AIDA** Albanian Investment Development Agency
- > **ALL** Albanian lek
- > **ASCS** Agency for Support of Civil Society
- > **CBC** Cross Border Cooperation
- > **EBRD** European Bank for Reconstruction and Development
- > **EC** European Commission
- > **EIDHR** European Instrument for Democracy and Human Rights
- > **EIF** European Investment Fund
- > **EU** European Union
- > **IPA** Instrument for Pre-accession Assistance
- > **IPARD** Pre-Accession Assistance in Rural Development
- > **NPO** Non-Profit Organisation
- > **OSFA** Open Society Foundation Albania
- > **PA** Partners Albania
- > **SBI** Social Business Initiative
- > **SCF** Strategic Coherence Framework
- > **SME** Small to medium-sized enterprise
- > **TACSO** Technical Assistance for Civil Society Organisations
- > **UN** United Nations
- > **UNDP** United Nations for Development Program
- > **USAID** United States Agency for International Development
- > **VAT** Value Added Tax
- > **WISE** Work Integration Social Enterprise
- > **YAPS** Youth Albania
- > **YSB** Yunus Social Business (Balkans)





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  - > **Table 2.** Estimated number of social enterprises and their workforce



## Executive summary

### Background

**'Social enterprise' is a relatively unfamiliar term in Albania that is still in its initial developmental phase.**

The country's history of social enterprises dates back to the emergence of cooperatives during the communist regime when cooperative activity focused on agricultural production and husbandry. As everything was state owned, these cooperatives had no autonomy nor rights of ownership to capital, land and production. Long after its demise, communism has continued to have a negative impact on the public perception of cooperatives.

**Albanian social enterprises in a democratic context are closely linked with initiatives that have evolved from the non-profit sector mostly with the support and guidance of foreign donors.** The majority of these social enterprises focus on social service delivery and inclusion, filling the gap in public service delivery. However, the last two decades, other kinds of social enterprises have also started to flourish in Albania.

In 2016 parliament passed the Law On Social Enterprise which recognises the non-profit organisation (NPO) as a legal form of social enterprise yet excludes other existing typologies. **The challenge for the future lies in taking a broader view of the legal framework, fiscal incentives and financial support for all social enterprises types that operate in the Albanian ecosystem.**

### Concept and legal evolution

The concept of social enterprise is still unclear and far from being fully acknowledged in Albania. Based on the EU operational definition, **Albanian social enterprises exist in various legal forms: associations, centres and foundations (i.e., those carrying out economic activity); agricultural cooperatives; and limited liability companies.**

In terms of legal framework, the 2016 Law On Social Enterprises restricts the sector to the NPO legal form. The law, which combines work integration with social services provision, stipulates that social enterprises have to provide a restricted list of social services to marginalised groups and simultaneously employ a considerable number of people from marginalised groups. It also presents other restrictions in terms of economic and social criteria. However, as certain orders and instructions that should

have been issued are still pending, the law has not yet been put into effect. Therefore, no organisation has yet received its social enterprise status.

## Mapping

As the Albanian social enterprise sector is as yet unregulated and no organisations have received their social enterprise status, there are no official sector data. **Estimates show that social enterprises registered as NPOs (associations, centres and foundations) represent the most numerous group in absolute terms (around 319).** The estimated number of other legal forms is significantly lower.

Social enterprises registered as NPOs mainly operate within social services, vocational training and youth career counselling. Cooperatives operate within agriculture. Limited liability companies engage in a diverse range of activities commonly associated with the delivery of innovative and eco-friendly products and/or services.

The most common social enterprise target groups are people with health disabilities, youth and unemployed people. Commonly, social enterprises registered as NPOs engage volunteers, whereas other legal forms generally do not have volunteers.

## Social enterprise policy framework

No special policy nor support structure exist for social enterprises. They are only superficially recognised in two Albanian government policy documents. The Law On Social Enterprise No. 65/2016 provides a narrow view of the sector and underestimates *de facto* social enterprises. The Ministry of Health and Social Protection is responsible for implementing the law.

The lack of national networks for social enterprises that could promote their role and advocate developmental needs is a significant issue. Specific funding for social enterprises has mainly come from foreign donors. Although a few funding schemes exist, most social enterprises are either in an initial or growth stage of their business lifecycle and therefore do not have enough financial or human resources to access these opportunities. In general, public schemes and sources of public procurement are unavailable to Albanian social enterprises.

## Perspectives

So far, the concept of social enterprises has currency among social entrepreneurs, some public institutions and donors but has not yet reached the public. The Albanian government considers social enterprises as an opportunity for social inclusion and employing people from disadvantaged groups rather than as a means to boost a spirit of entrepreneurship and encourage social innovation. Social enterprise practitioners

have stressed that current legislation overlaps two different types of activities: social services and work integration. Interviewed stakeholders and practitioners consider that **the law's main weakness is its failure to include all existing legal forms of social enterprises such as those operating as limited liability companies and agricultural cooperatives.**

Social enterprises suffer from unfair competition associated with administrative burdens and bureaucracy, which reduces their chances of creating consistency and financial sustainability. Another challenge is raised by the need to acknowledge and find support for the entire social enterprise spectrum.

Social enterprises are considered the best solution for addressing existing gaps in social service delivery. Other strategic sectors such as agriculture and tourism seem to be untapped potential for Albanian social enterprises. On the one hand, the introduction of social procurement and fiscal incentives would boost the financial capacities of social enterprises, particularly those which provide social services. On the other hand, a conducive legal framework and more coordinated attempts to create a network and boost their lobbying power would further advance social enterprise development.







ALBANIA



# 1

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## BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

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## 16 | Background: social enterprise roots and drivers

**Social enterprises, as innovative organisations that combine explicit social aims with economic activities, are still in their initial developmental stage in Albania.**

During the communist period, land was expropriated from groups of farmers who were forced into cooperative working to continue their agricultural production and husbandry. These involuntary cooperatives gave farmers no choice in what and where they produced nor the price of their products. **Cooperative members had no ownership rights to capital, production equipment, machinery or their products.** The state owned all land and properties that had been privately owned before the communist regime. Workers only 'owned' their manual labour, which was poorly paid.

**Despite the fact that cooperatives have completely changed since Albania's political transition to democracy in 1992, negative perceptions that emerged towards these entities under the communist regime have not fully disappeared.** In addition, the general public still links cooperative activity almost exclusively with agricultural production.

But since the turn of the century different types of social enterprises have emerged in Albania. **The first initiatives evolved from the non-profit sector, triggered and supported by foreign investment** (Partners Albania 2013). NPOs, which still constitute the vast majority of Albanian social enterprises, focus on social service delivery and inclusion that combat rising social exclusion and compensate for gaps in public agency service delivery. Social enterprises provide services to disadvantaged groups including people with physical disadvantages and disabilities, people with mental health problems, children with special needs, and woman and girls who are victims of trafficking.

**In 2016 the Law On Social Enterprise No. 65 was passed to further support social enterprise development.** However, it only recognises the NPO as a legal form of social enterprise and excludes other existing typologies such as limited liability companies and agricultural cooperatives.

**In addition, the sector still suffers from the lack of a comprehensive legal framework and fiscal incentives such as subsidies and tax exemption on profits.** Funding is scarce for most social enterprise typologies and particularly scant for newly created limited liability companies and agricultural cooperatives. Existing funding schemes do not provide fully-fledged packages combining funds for initial investments with know-how and mentoring, which could support the start-up phase. The state is still a small player in this regard and not enough incentives for national donors or tax deductions are envisaged. Thus, NPOs rely predominantly on foreign investment, aid and development programmes (Babovic *et al.* 2015).





# 2

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## CONCEPT AND LEGAL EVOLUTION

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## 2.1. Defining social enterprise borders

### 2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can combine in different ways; it is their balanced combination that matters most when identifying the boundaries of social enterprise.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined them again for the purpose of the current phase of the study (see appendix 1 for further details).

### 2.1.2. Application of the EU operational definition of social enterprise in Albania

**The concept of social enterprise is still unclear and far from being fully acknowledged in Albania.** Although the country has specific social enterprise legislation, which was introduced in 2016, it envisages the NPO as the only legal form that can obtain the status of social enterprise. In addition, the law overlaps work integration with social services provision; social enterprises have to provide a restricted list of social services to marginalised groups and simultaneously employ a considerable number of people from marginalised groups. Nevertheless, international funds have helped develop some Albanian social enterprises and contribute to the sector's recognition.

Albanian social enterprises encompass the following legal forms: associations, centres and foundations (i.e., NPOs carrying out economic activity); agricultural cooperatives; and limited liability companies. Some sole proprietors run businesses that could be considered borderline social enterprises.

### **Non-profit organisations (associations, centres and foundations)**

According to both the Law On Non-Profit Organisations No. 8788/2001,<sup>1</sup> including its latest amendments in 2007<sup>2</sup> and 2013,<sup>3</sup> and the Law On The Registration Of Non-Profit Organisations No. 8789/2001,<sup>4</sup> **an Albanian NPO can legally operate as either an association, centre or foundation.**

A NPO may conduct economic activity without establishing a separate entity provided that the undertaking is in compliance with its purposes and declared as one of its sources of income. Additionally, the NPO's non-economic activity must prevail in relation to the rest of its activities: any economic activity must not exceed 20% of its annual revenues to be tax exempt.

**An NPO's social aim is detailed in its mission statement and statute, which is explicitly expressed in all formal documents.** Its primary purpose must address a specific social issue ranging from meeting unmet needs of the local population, protecting the environment, preserving culture and traditions, and other needs in the general public's interest.

**NPOs are legally obliged to ensure that the interests of relevant stakeholders are duly represented as specified in their statute.** Profits generated from economic activity has to be used to accomplish those purposes specified in their statute and in the establishment act. NPOs must follow the non-profit distribution constraint as outlined by law.

YAPS is an example of an Albanian NPO that meets the EU operational definition of social enterprise (see illustration 1 below).

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(1) Law No. 8788, On Non-Profit Organisations, 7<sup>th</sup> May 2001. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2001/PDF-2001/28-2001.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2001/PDF-2001/28-2001.pdf).

(2) Law No. 9814, For some Additions and Amendments in the Law No. 8788, dated 7.5.2001 On Non-Profit Organisations, 4<sup>th</sup> October 2007. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2007/PDF-2007/138-2007.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2007/PDF-2007/138-2007.pdf).

(3) Law No. 92, For some Additions and Amendments in the Law No. 8788, dated 7.5.2001 On Non-Profit Organisations, 28<sup>th</sup> February 2013. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2013/PDF-2013/36-2013.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2013/PDF-2013/36-2013.pdf).

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

## Illustration 1. YAPS

Youth of Albania Professional Services (YAPS) is one of Albania's social enterprise pioneers with an incredibly successful track record. The foundation was established in 2000 by a group of donors and businesses, including Unicef, Boga associates, Ada group, Coca Cola Bottling Albania, Vodafone Albania and Albanian Children Foundation, which are also board members.

YAPS's social mission is achieved by integrating marginalised groups into the labour market: it employs 80 full-time and 12 part-time employees from the Roma community, orphans, unemployed women and youths, ex-prisoners and people with physical disabilities.

The foundation offers mail delivery and cleaning services mainly to its board members and to other corporations, hospitals and embassies. YAPS started by providing 600 services per month and today has reached nearly 100,000 per month. Currently, the foundation operates only in Tirana and its suburban areas.

Its annual turnover amounted to about 54 million ALL (about 430,000 EUR) in 2017. In previous years it reached up to 91 million ALL (about 715,000 EUR). Profits are partly reinvested and partly allocated to a guarantee fund and charitable activities. Foundation decisions are made by all board members via an inclusive governance principle and asset lock.

YAPS's success is based on high-quality, competitive services and the engagement of large companies in its governance that also serve as loyal customers and mentors.

The company's administrator is satisfied with the business' model and legal form and is not considering registering it as a social enterprise due to current legal framework restrictions.

[www.yaps.al/yaps/](http://www.yaps.al/yaps/)

Te Xhoni Café illustrates a social enterprise that provides jobs for young people with Down Syndrome and a revenue source for the Jonathan Center to continue its provision of pro bono therapies for children with the condition (see illustration 2 below).

## Illustration 2. Te Xhoni café

Te Xhoni café is a Tirana-based, NPO social enterprise founded by the Jonathan Centre. With over ten year's experience of providing social services for children and youths that have Down syndrome, the Jonathan centre aims to educate, train and serve people with the condition while finding innovative ways to help them integrate into the community. Te Xhoni café was established in March 2017 as a centre to generate revenue for pro bono therapies that support children and youths with Down syndrome. In addition, the café serves as a place where these youths can attend life skills courses, interact with other people and learn how to behave in the work environment. The café has three full-time employees, one of which is a youth with the condition.

The café's range of clients is very diverse, but the most common visitor is highly sensitive to its social cause. This social enterprise serves the Down syndrome community (children and young adults) and their families directly.

The social enterprise's initial investment was about 23,000 EUR, which was raised through a fundraising campaign by Hope for Albania. Partners Albania supported the Jonathan Centre with a grant for the café's restoration, equipping it with new furniture, heating and cooling systems, etc. The café's annual turnover is about 500,000 ALL (approximately 4,000 EUR). All profits are reinvested in the Jonathan Centre for the provision of pro bono therapies. Decisions are made by the Jonathan Centre's board and its executive director. Employees with Down syndrome and the community of their parents are also involved in decision-making. The asset lock clause is ensured in the centre's statute. Any profit or property created through this social enterprise is only used for its social mission.

### Agricultural cooperatives

**Albanian cooperatives operate within a variety of sectors, including credit, insurance and construction, but the majority are agricultural cooperatives.** Agricultural cooperatives are regulated by the Law On Companies Of Agricultural Cooperation No. 38/2012,<sup>5</sup> which is based on a broader legal framework, namely the Law On Companies Of Reciprocal Cooperation No. 8088/1996<sup>6</sup> and its amendments

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

(6) Law No. 8088, For Companies of Reciprocal Cooperation, 21<sup>st</sup> March 1996. Available at [http://www.vendime.al/wp-content/uploads/2015/07/Ligj\\_Nr.8088\\_date\\_21.03.1996\\_Per\\_shoqerite\\_e\\_bashkepunimit\\_reciprok\\_941047.pdf](http://www.vendime.al/wp-content/uploads/2015/07/Ligj_Nr.8088_date_21.03.1996_Per_shoqerite_e_bashkepunimit_reciprok_941047.pdf).

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of 2003<sup>7</sup> and 2007.<sup>8</sup> Although the governance structure of companies of reciprocal cooperation is similar to agricultural cooperatives they also operate in the credit, insurance and construction sectors (Partners Albania, 2016). Based on the EU operational definition of social enterprise, only agricultural cooperatives can be considered social enterprises.

**In general, Albania's agricultural sector is fragmented and dominated by informality.** Farmers lack economic resources, purchasing power, raw materials and the option to commercialise their products in the marketplace. **Nevertheless, agricultural cooperatives support the sustainable development of their communities in terms of economic, social, cultural and environmental factors.** They are the best solution for increasing the economic power of small farmers, their families and rural areas. Consequently, the empowerment of these small communities is reflected in the country's plans for economic development.

**Cooperatives are democratically owned and governed by their members. They have membership assemblies that apply the 'one member, one vote' principle.** They are allowed to distribute profits among their members, after investing at least 15% of net profit into a reserve fund and at least 10% into a risk management fund, which covers all kinds of risks and damages. Agricultural cooperatives are subject to fiscal incentives such as exemption from Value Added Tax (VAT)<sup>9</sup> and profit tax, which has been reduced to 5%.<sup>10</sup>

### Limited liability companies

Social enterprises also operate as limited liability companies. The social mission of this type of business is often stated in its statute. In Albania, **social enterprises set up as limited liability companies predominantly operate in two main fields: social service provision and work integration** commonly associated with the delivery of innovative and eco-friendly products and/or services.

**In contrast to traditional businesses, limited liability companies that operate as social enterprises are founded by NPOs, are accountable to their parent NPO and make collective decisions.** Furthermore, they are legally bound to maintain

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(7) Law No. 9039/2003, For some Additions and Amendments in the Law No.8088 dated 21.03.96 For Companies of Reciprocal Cooperation, 27<sup>th</sup> March 2003.

(8) Law No. 9747, For some Additions and Amendments in the Law No. 8088 dated 21.03.96 For Companies of Reciprocal Cooperation, 31<sup>st</sup> May 2007.

(9) Law No. 92/2014, On Value Added Tax in the Republic of Albania, 24<sup>th</sup> July 2014. Available at <https://www.tatime.gov.al/shkarko.php?id=4455>.

(10) Law No. 8438/1998, On the Income Tax Amended, 28<sup>th</sup> December 1998. Available at <https://www.tatime.gov.al/shkarko.php?id=4518>.

an asset lock and invest profit in their social aim and reserve fund, as set out in their statute or establishment act.

While limited liability companies founded by NPOs can be considered social enterprises according to the EU operational definition, traditional businesses and sole proprietors with an explicit social aim exist within a grey area; although they might involve employees and users in the decision-making process to a certain extent, they do not meet the social enterprise governance dimension.

Design by Pana described in illustration 3 constitutes an example of a sole proprietorship pursuing an explicit social aim which has survived in the marketplace.

### Illustration 3. Design by Pana

Design by Pana was established in 2013 by Pezana Rexha, an architect by profession who had already undertaken a lot of civil society voluntary work; in creating Design by Pana, Pezana was finally able to combine both her profession and passion in one activity. The business is registered as a sole proprietorship and therefore benefits from certain taxation benefits. It is an innovative, creative, ecological and social up-cycling company—the first in Albania to work with reclaimed wood, especially pallets, and transforming the material into furniture according to specific customer requirements without felling trees. Design by Pana creates its own designs and accessories using jars, old car parts, rags and small pieces of wood. The business is distinctive because of its unique, eco-friendly products and social aim fulfilled by employing people from marginalised groups. At the moment, Design by Pana employs 18 full-time employees, out of which 12 are orphans, unemployed youth, returned emigrants, people with mental disabilities or those from Roma and Egyptian communities.

Its main customers, totalling 70%, are businesses such as bars, restaurants, offices and shops. Its remaining 30% of customers are families or individual clients. 90% of its production is handmade. The company has started exporting some of its products to Italy and Austria using its acquaintances' network. 80% of the business' activity is based in Tirana, but it also reaches Albania's other main cities.

Some of Design by Pana's key supporters are Partners Albania, Fondazione CRT, UNIDO, Changemakerxchange Ashoka, Yunus Social Business, the US Government's Ytli Fellowship and the German Marshall Fund. The start-up's initial investment totalled about 20,000 USD, which was raised through the Green Ideas competition and some of its owner's personal savings. Design by Pana has also benefited from the My Dream state fund launched by Albania's prime minister.

Its annual turnover is around 5 million ALL (40,000 EUR) with a 15% profit margin that reflects an increasing year-on-year trend. Profits are reinvested to expand the company or kept as a reserve fund serving for emergent situations and its employees' pay and bonuses. The company does not possess any asset lock clause. Staff participation is encouraged within the business' decision-making process even though its legal form does not fully guarantee democratic governance.

The company's founder is not considering registering the business as a social enterprise, because its current legal form is excluded by law.

Illustration 4 outlines the case of a limited liability company established by an NPO.

## Illustration 4. New York Tirana Bagels

New York Tirana Bagels is a social enterprise established by the centre Different and Equal, whose mission is to support vulnerable women and children in Albania. New York Tirana Bagels is registered as a limited liability company under its NPO founder. This is the first bagel shop in Albania that offers authentic American bagels, sandwiches, cookies and other confectionary, besides functioning as a coffee shop. It provides a delivery service and catering for different receptions, including business lunches, and is listed on Baboon, an Albanian food ordering and delivery app. The company currently operates in Tirana only.

Target customers are businesses, civil society organisations, embassies and families. New York Tirana Bagels appreciates the collaboration of different businesses and organisations that are loyal customers aware of its social mission. The company employs five full-time workers and three volunteers during the end of year holidays. Employees are people from marginalised groups such as unemployed women, female victims of violence and returned emigrants.

The company's initial investment was around 25,000 EUR, which was raised through a fundraising campaign. Its annual turnover amounts to about 5 million ALL (about 40,000 EUR). The majority of profits help support female victims of violence and children in need, which is also the company's social mission, while a remainder is reinvested in the company. Decisions are made by the limited liability company's administrator and Different and Equal's members. The asset lock clause is explicitly defined in the limited liability company's founding documents.

According to the company's administrator, the Law On Social Enterprises has several restrictions. A major concern reflects the fact that social enterprises set up as limited



liability companies are not legally acknowledged as such. New York Tirana Bagels would like to be supported by the state with concrete financial incentives and soft loans to increase its chances of surviving in the marketplace.

<http://newyorktiranabagels.com/>

Illustration 5 below describes a pioneering social enterprise that aims to change the mentality of consumers by producing recycled accessories.

## Illustration 5. Recycle Jeans

Recycle Jeans is a social enterprise that was set up in 2014 by the association People and Ideas. A group of young, dynamic people founded the association to protect and promote human rights and the environment, which they aim to achieve by promoting human values and culture, and strengthening the capabilities of young people, groups with special needs and/or disabilities, children, women and people in the third age. Recycle Jeans has been operating as a limited liability company since May 2016. It produces and sells shopping and accessory bags made from recycled jeans that reduce and replace the use of plastic bags in supermarkets and shopping centres. Currently, the company employs three women and girls from families with low incomes and has about ten volunteers.

Recycle Jeans has expanded its range of products to include accessories, tablecloths, pot holders, book carrying straps, bags, etc. The company mainly serves businesses such as supermarkets, shops and NPOs that use their bags in different campaigns, as well as individuals with specific requirements. Recycle Jeans is based in Tirana and has started to export small orders abroad.

Through a wide network of volunteers, this social enterprise conducts many awareness raising activities in high schools and universities to promote the use of recycled jeans bags as an ecological and sustainable alternative to plastic.

The company's annual turnover was about 2.5 million ALL (about 20,000 EUR) in 2017. All profits are reinvested in the company.

As a start-up, Recycle Jeans received its initial capital of 800,000 ALL (about 6,400 EUR) from the Green Ideas competition and further financial support of about 10,000 USD from the World Bank. In addition, Recycle Jeans received a small public grant of 350,000 ALL (about 2,800 EUR) from the Albanian Investment Development Agency and another of 300,000 ALL (about 2,400 EUR) from the municipality of Tirana. The

## 26 | Concept and legal evolution

social enterprise received recognition from the Albanian Prime Minister when included in the Start-up Program 2017 led by the Ministry of Economy, Tourism, Trade and Entrepreneurship.

Due to ongoing, local government advocacy efforts aimed at replacing plastic bags in supermarkets, the social enterprise envisions a bright future with increased shopping centre and supermarket sales of its cloth bags. This important initiative with high environmental impact is expected to extend its coverage to a national level when legal regulations introduces a mandatory charge for plastic bag usage.

<http://recyclejeans-al.com/>

Table 1 presents Albanian legal forms that meet the EU operational definition of social enterprises.

**Table 1. Matching legal forms with the EU operational definition**

Definitional categories	NPO (association, foundation, centre)	Cooperatives	Limited liability companies
<b>Social dimension</b>	Yes	Only when operating within agriculture	Only when acting within a social field of activity or employing and integrating marginalised groups
<b>Economic dimension</b>	Only when involved in economic activity such as an income generating activity	Yes	Yes
<b>Participatory dimension</b>	Yes	Yes	Only when evidencing democratic and participatory governance (e.g., established by NPOs)



## 2.2. Legal evolution

**The Law On Social Enterprises<sup>11</sup> was approved by the Albanian government in 2016 but has not yet been applied.** Its current scope is considered to be very restrictive. Critics would say that it does not contribute to a clear definition of social enterprise in Albania. First, according to the law, only NPOs are eligible for social enterprise status. **Second, it is mandatory for social enterprises to employ marginalised groups and provide social services to disadvantaged groups.** The list of services social enterprises can provide includes social services, employment mediation, youth employment, health services, education, environmental protection, tourism, culture and cultural heritage, sport activities and local community development.

In terms of economic criteria, the law envisages that social enterprises will constantly produce goods and/or provide services. In their second and third year, at least 20% and then 30% of their income has to be generated from economic activity, respectively. Beside the involvement of volunteers, a social enterprise should employ at least three full-time paid workers. **The income derived from its economic activity should be used for the social enterprise's ongoing expansion and development, but the law does not define how it should use its profits.**

**As regards social criteria, a social enterprise should employ at least 30% of its employees from marginalised groups.** In January 2018 the Council of Ministers approved Decision No. 56 For Determining the Specific Categories of the Disadvantaged Groups<sup>12</sup> and Decision No. 16 On Approval of the List of Activities Conducted by Social Enterprises.<sup>13</sup>

**In relation to participatory governance, the law stipulates that a social enterprise should involve the collective participation of employees and other stakeholders.** In December 2017 the Council of Ministers approved Decision No. 716 On Determining the Procedures for Control of Social Enterprise Activity.<sup>14</sup> In December 2018 the Ministry approved Decision No. 789/2018 On the Establishment of the Fund

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(11) Law No. 65/2016, For Social Enterprises, 9<sup>th</sup> June 2016. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2016/PDF-2016/118-2016.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2016/PDF-2016/118-2016.pdf).

(12) Decision No. 56 of the Council of Ministers, For Determining the Specific Categories of the Disadvantaged Groups, 31<sup>st</sup> January 2018. Available at <http://qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%2015/VKM%20nr.%2056,%20date%2031.1.2018.pdf>.

(13) Decision No. 16 of the Council of Ministers, On Approval of the List of Activities Conducted by Social Enterprises, 12<sup>th</sup> January 2018. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2018/PDF-2018/3-2018.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2018/PDF-2018/3-2018.pdf).

(14) Decision No. 716 of the Council of Ministers, On Determining the Procedures for Control of Social Enterprise Activity, 1<sup>st</sup> December 2017. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2017/PDF-2017/218-2017.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2017/PDF-2017/218-2017.pdf).

for Support of Social Enterprises and Support Forms through Subsidiaries for Social Enterprises,<sup>15</sup> which does not include any form of support from the local government nor consider public procurement among possible forms of public support.

The law foresees a fine ranging from 30,000 to 40,000 ALL (about 220 to 320 EUR) for any legal entity that calls itself a 'social enterprise' without having obtained its formal status from the ministry. Similarly, if a legal entity violates one of the social enterprise economic or social criteria, it can be issued a fine between 20,000 and 40,000 ALL (about 160 to 320 EUR). Another dissuasive condition takes effect when a social enterprise loses its status: after the liquidation of its creditors, properties created by the social enterprise during the period in which it held its official status should be used for public interest or be transferred to other social enterprises. **Furthermore, the law generates some confusion by not clarifying the separation between an NPO and its social enterprise's activities: even though 'social enterprise' status is given to an NPO that fulfils set criteria, the law presents the social enterprise as a completely new entity.** According to Article 14, a social enterprise can lose its status if it interrupts its activity for more than six months or the entity is dissolved. However, even in this case, the law does not clarify whether this refers to the social enterprise or parent NPO. Finally, some rules concerning how the social enterprise functions, as in Article 3 for example, do not take into consideration the Law On Non-profit Organisations No. 8788/2001, which defines the principles for running NPOs.

In August 2018 the Ministry of Health and Social Welfare issued Order No. 602 On the Procedures and Documentation Required for Getting the Status of Social Enterprise.<sup>16</sup> As a result, the minister responsible for recognising social enterprises can award or refuse their official status. Only when status has been awarded can the NPO use the term 'social enterprise' alongside the organisation's name. **However, as other instructions that should have been issued are still pending, the law is not yet functional. Therefore, no organisation has yet received its social enterprise status.**

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(15) Decision No. 789/2018, On the Establishment of the Fund for Support of Social Enterprises and Support Forms through Subsidiaries for Social Enterprises, 26<sup>th</sup> December 2018. Available at <http://www.botimezyrtare.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%20192/VKM%20nr.%20789,%20date%2026.12.2018.pdf>.

(16) Order No. 602 of the Ministry of Health and Social Welfare, On the Procedures and Documentation Required for Getting the Status of Social Enterprise, 1<sup>st</sup> August 2018. Available at <http://www.qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%20121/UDHEZIM%20nr.%20602,%20date%201.8.2018.pdf>.



# 3

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## MAPPING

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## 3.1. Measuring social enterprises

**Albania lacks quantitative and qualitative data** regarding its social enterprises, especially in terms of organisation and employee numbers, contribution to GDP, the scope of their services and impacts generated.

### Non-profit organisations (associations, centres and foundations)

According to the General Directory of Taxes, 679 NPOs (associations, foundations and centres) undertake economic activity; however, the institution does not provide any data on economic activity types.<sup>17</sup> No information is available about the sector's income generated from the sale of goods and services as a percentage of total income. **Among the total number of NPOs, 319 have a license to offer social and educational services according to the National Business Centre register.**<sup>18</sup>

### Agricultural cooperatives

Data about the characteristics of agricultural cooperatives and their total income are scarce. According to the latest data obtained from the Ministry of Agriculture and Rural Development, **Albania has 58 agricultural cooperatives with a total 1,000 employees.**<sup>19</sup> The smallest cooperative has seven members, while the largest has 61 members (Partners Albania 2016).

### Limited liability companies

Albania has 160,624 small to medium-sized enterprises (SMEs), equivalent to 98.8% of its total number of enterprises. **However, no measured data exist about the number of social enterprises amongst Albanian SMEs** (INSTAT 2017); therefore, two social enterprises operating as limited liability companies have been identified and interviewed within this study's framework.

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(17) Data obtained on request from the General Directory of Taxes, 2018.

(18) Data obtained on request from the National Business Centre, 2018.

(19) Data obtained from the Ministry of Agriculture and Rural Development, 2018.

**Table 2. Estimated number of social enterprises and their workforce**

Type of SE	Estimated number of SEs	Estimated number of employees
Non-profit organisations (associations, centres, foundations)	319	~1000-1500
Agricultural cooperatives	58	1000
Limited liability companies	At least two	N.A.

Source: Authors' calculations.

## 3.2. Social enterprise characteristics

### Non-profit organisations (associations, centres and foundations)

**Social enterprises registered as NPOs mainly operate within social services** such as therapies, psychological counselling, daycare centres for children and people with disabilities, vocational training and carrier counselling for youths, and soft skills training for children and youths (Partners Albania 2018).

Their activities mainly target no and low income groups, including unemployed women, children, youths and people with disabilities (Partners Albania 2016).

70% of this typology of social enterprise employs up to five full-time employees. Women dominate the full-time and part-time workforce. Social enterprises registered as NPOs work with volunteers, but there are no official data of volunteer numbers.

A significant number of these social enterprises have assets and income of up to 50,000 EUR. **Albanian social enterprises can be considered small entities based on their human resources and financial capacities.** Income from philanthropy and grants represents a significant contribution to NPO financial structures in particular. Main philanthropic sources come directly from local citizens, NPOs and private entities. The majority of social enterprises receive support in kind for their workspaces, equipment / machinery and computers from businesses and donors (ibid.).

## Agricultural cooperatives

Agricultural cooperatives that could be considered as social enterprises are small organisations with an average of 10 to 14 members.<sup>20</sup> The majority of farmers are male with primary and secondary level education.

According to INSTAT, agriculture constitutes the second largest social enterprise sector (INSTAT 2018). **Most cooperative farmers are self-employed and largely rely on seasonal workers**; therefore, it is difficult to define the exact number of employees engaged in the agricultural social enterprise sector. The majority of agricultural cooperatives operate in Vlora, Shkodra, Lezhe, Lushnje, Durres and Elbasan.

## Limited liability companies

Limited liability companies that operate as social enterprises engage in various activities including trade, crafts, food, ecological products, tourism, clothing / accessories, cultural events, daycare centres, and community services. **The social aim of each limited liability company is directly related to the social mission of its parent NPO.**

In general, all of these businesses employ people from marginalised groups such as female victims of trafficking, long-term unemployed women, new graduates, people with physical disabilities, those who come from poor and rural families, etc. **Usually, these businesses have no volunteers.**



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(20) Data obtained from the Ministry of Agriculture and Rural Development, 2018.





# 4

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## SOCIAL ENTERPRISE POLICY FRAMEWORK

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**Social enterprises are recognised in two of the Albanian government's policy documents: the National Strategy for Employment and Skills 2014-2020 and the Investment and Business Strategy for 2020.** The former was drafted and implemented by the Ministry of Social Welfare and Youth. It acknowledges the need for social enterprise development and promotion, which are envisaged through the design and implementation of social entrepreneurship measures and the creation of conditions that would foster employment in the third sector. The second policy document recognises that ongoing dialogue amongst all stakeholders is required to develop sustainable and inclusive business models and a broader range of business forms.

**Despite progress being made to put social entrepreneurship on the political agenda, so far no policy is tailored specifically for the implementation of social enterprises.** Although the Law On Social Enterprise provides a definition of social enterprises, it takes a narrow view of the phenomenon. In particular, the law's underestimation of the extent of *de facto* social enterprises could undermine their future potential.

After the 2017 parliamentary elections, some key ministries were reorganised; as a result, certain ministry roles and responsibilities have become ambiguous. The Ministry of Health and Social Protection is now responsible for implementing the Law On Social Enterprise. The Minister of State for Protection of Entrepreneurship was appointed to play an intermediary role between the government and business community.

Albania does not have a national network promoting and advocating the developmental needs and concerns of its social enterprises, which hinders their growth and is considered one of the main challenges to their further development.

## Funding schemes addressed to non-profit organisations

**NPOs primarily rely on grants from foreign donors as any financial support from the Albanian business sector is sporadic and restricted.** Statistics from the latest monitoring report of philanthropic activity show that NPOs only received support from individual and corporate donors in 57 cases (Partners Albania 2018). Sponsorship is the only type of recognised donation in Albania, which is regulated by the Law On Sponsorship. The country's taxation system permits donations between 3% and 5% (depending on the type of activities sponsored) calculated on the profit before tax of any entity that is a merchant, a natural or juridical person, and a local, foreign or joint venture. However, the list of deductible activities only includes those that are humanitarian, cultural and artistic or those involving sport, education, the environment, works of literature, science and research. It excludes democracy and human rights. Donations in kind, corporate gifts and individual giving are not recognised as deductible expenditure. Donations should be supported by a sponsorship contract and proof of execution. As tax inspectors lack clarity on how to verify donations, they are often

considered as an attempt at tax evasion. As a result, many businesses do not apply for tax deductions. However, as donations are only evidenced in business accounts and are not reported separately, tax authorities have no record of such activity.

Albania's Ministry of Culture and Ministry of Finances and Economy provide financial support to NPOs via public institution grant schemes. The National Lottery Fund, established through a special law in 2013,<sup>21</sup> also supports NPOs, as the law foresees that an obligatory 2.2% contribution of the licensed company's annual turnover should be dedicated to 'good issues'. The Council of Ministers-established Board for Good Issues selects projects, organisations or events that benefit from the fund. It is composed of four representatives from the Ministry of Finance and three representatives from the licensed company. Decisions are based on procedures and criteria established through the Decision of the Councils of Ministers No. 192/2015<sup>22</sup> and a Directive of the Minister of Finance. So far, the National Lottery has opened four rounds of calls in total. From 2015 to 2017 eight projects benefited from the fund, but no information is available on the amount of grants given to each project.

**The Agency for Support of Civil Society (ASCS) is the only state-funded body that supports NPOs through grants that draw on the state budget.** From 2010 to 2016 the agency distributed 631,638,840 ALL (4.7 million EUR) that supported 383 NPOs (ASCS 2015, 2016). In 2017 a total 101 million ALL (754,000 EUR) was awarded to 35 NPOs (Partners Albania 2018).

**The European Commission (EC) is currently the biggest and most important funder of Albania's non-profit sector.** The EU's total contribution to the country's non-profit sector from 2009 to 2013 was 12,691,478.72 EUR, which was delivered through various grant schemes, including: the IPA/CSF National Grant Scheme, Instrument for Pre-accession Assistance (IPA), Strategic Coherence Framework (SCF), Regional Grant Scheme (2012-2014), IPA Cross Border Cooperation (CBC) Program, and the European Instrument for Democracy and Human Rights (EIDHR) (2010-ongoing) (Babovic, *et al.* 2015). The EU<sup>23</sup> introduced the concept of social economy under the IPA/CSF's 2016-

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(21) Law No. 95, For the Approval of the Licensing Agreement for the National Lottery between the Ministry of Finances, as the Authorizing Authority, and the 'OESTERREICHISCHE LOTTERIEN', GMBH Company, through 'OLG Project' SHPK, 4<sup>th</sup> March 2013. Available at <http://open.data.al/opencorporate/agreements/LotariaKombetare.pdf>.

(22) Decision No 192 of Council of Ministers, Defining the Procedures and Criteria for the Selection of Projects, Organizations and Events by the Board for Good Issues of National Lottery, 4<sup>th</sup> March 2015. Available at [http://www.qbz.gov.al/botime/fletore\\_zyrtare/2015/PDF-2015/34-2015.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2015/PDF-2015/34-2015.pdf).

(23) Indirectly, social entrepreneurship is also promoted under the IPA Cross Border Cooperation Program. Albania is also eligible for the EaSI (Employment and Social Innovation) and COSME (Competitiveness of Enterprises and SMEs) programmes that support social enterprises.

2017 programme.<sup>24</sup> The US Embassy meanwhile supports certain social enterprise and NPO capacity building through a two-year programme. Other donors such as the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) are indirectly tackling social entrepreneurship through broader thematic areas such as economic empowerment. Other funds come from development agencies, the United Nations (UN), the World Bank, the United States Agency for International Development (USAID), Open Society Foundation Albania (OSFA), governments such as Denmark and the Netherlands, and private donors. **Although almost none of Albania's public actors have social enterprises embedded in their financial schemes, some international donors have recently included social entrepreneurship or related thematic areas in their programmes.**

**Partners Albania (PA) is a research-based NPO aimed at developing social entrepreneurship by better understanding social enterprise features, models and developmental challenges.** It assists social enterprises with capacity building and financial support. Green Ideas is a PA programme which provides start-up support for new, environmentally sound initiatives that utilise local resources and revitalise disappearing traditional production chains and community-based markets. It is a combined fund that receives contributions from businesses and international institutions. PA supported 20 start-ups registered either as limited liability companies or NPOs from 2012 to 2018 with a total of 133,000 EUR (about 17 million ALL).

**In 2016 an innovative initiative began procedures for allocating confiscated NPO assets to social enterprises.** The initiative, which is funded by the EU and implemented by PA in cooperation with the Agency for the Administration of Sequestered and Confiscated Assets (AAPSK),<sup>25</sup> has already supported the establishment of a social enterprise from confiscated assets of 150,000 EUR for a period of at least five years. In 2019 two other NPOs benefitted from a grant totalling 140,000 EUR. These initiatives serve as a model for the agency's transformation of confiscated assets from organised crime committed by NPOs into spaces for social, cultural and rehabilitation purposes that benefit the entire local community.

In addition, PA has allocated 101,000 EUR (about 12.6 million ALL) through its EMBRACE programme that financially supports NPOs aiming to establish a social enterprise. So far, the programme has supported five NPOs that operate in the field of tourism, social services and artisan products. It is anticipated to fund nine other NPOs during its second round of sub-granting.

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(24) Lot 2 of IPA CSF 2016-2017 describes its aim to “promote civil society capacities and support initiatives on social economy fostering inclusive development”. The EU contributes about 400,000 EUR for capacity building programmes and social enterprise establishment and development grants.

(25) AAPSK administers seized and confiscated assets to increase their value by generating revenue through storage, use and renting. The agency operates under the Ministry of Finance.

## Funding schemes for cooperatives

**The EU's Instrument for Pre-Accession Assistance in Rural Development (IPARD) is an important support mechanism for Albanian agricultural cooperatives.** The country's first call for proposals under an IPARD-like scheme took place from December 2012 to February 2013 and was followed by two other calls in April 2013 and March 2014. The grant scheme's overall indicative budget is around 8 million EUR of which about 6 million comes from the EU and 2 million EUR is a national contribution (European Union 2014). No data are currently available regarding the number of agricultural cooperatives that have benefited from IPARD I programme funds, but reports show that so far only eight tractors have been allocated.<sup>26</sup> IPARD II grants are expected to total 94 million EUR. The scheme will support farms, processing activities, dairy, meat, fruit and wine production, and business development in rural areas. The Ministry of Agriculture and Rural Development's representative has declared that cooperatives will be advantaged with higher scores than other businesses that apply for the scheme.

The National Scheme of Support for Agriculture and Rural Development 2018 managed by the Agriculture and Rural Development Agency is another support mechanism for the sector. However, no data are currently available that reveal whether agriculture cooperatives have benefited from this scheme.

**Cooperatives benefit from fewer financial scheme opportunities when compared with other established forms of business.** They experience difficulties in accessing funds from IPARD and the national scheme as their cooperative members are generally not highly skilled in preparing funding applications.

## Funding schemes addressed to businesses

The Albanian Investment Development Agency (AIDA) is a public agency that aims to support SMEs through several funding programmes, including the Competitiveness Fund, Creative Economy Fund, Enterprise Support Fund for Start-up Initiatives and the Innovation Fund. **From 2014 to 2017, AIDA supported 291 enterprises by allocating 134,685,202 ALL in total, equivalent to about 1 million EUR.**

In 2015 the Start Up fund was launched under the directive of the Economic Development, Trade, Tourism and Entrepreneurship minister. **From 2015 to 2018, the respective ministry financed 76 start-ups with a total sum of 25,484,184 ALL (about 205,000 EUR).** The total, available budget was 31,000,000 ALL (about 250,000 EUR).<sup>27</sup>

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(26) Interview with a Ministry of Agriculture and Rural Development representative.

(27) Data obtained on request from the Ministry of Finances and Economy, 2018.

## 38 | Social enterprise policy framework

The European Investment Fund (EIF) and BESA Fund, a non-bank microfinance institution, has set up an employment and social innovation microfinance instrument intended to support around 5,000 Albanian micro enterprises. EBRD's Advice for Small Business is another actor that provides support to SMEs, which has provided support to over 630 SMEs so far (Varga 2017).

In 2016 USAID announced its 3.02 million EUR partnership with Yunus Social Business Balkans (YSB Balkans).<sup>28</sup> This public-private partnership project aims to support micro, small and medium-sized enterprises, especially Albanian social enterprises. In 2014 YSB Albania launched its Accelerator Programme. **Based on obtained data, YSB Albania has so far supported about 32 social enterprises with a total \$ 1.3 million (about 142 million ALL).**<sup>29</sup>

The National Employment Service has implemented a self-employment programme in collaboration with the United Nations for Development Program (UNDP) and the Ministry of Finances and Economy, which is financed by the Swiss government. **The programme aims to support youths who want to create their own businesses by providing training on self-employment, ongoing mentoring and seed funding throughout the entire programme.**<sup>30</sup> During the first two calls managed by UNDP, 84 start-ups were supported, out of which 76 enterprises became active. Meanwhile, during the last call managed by the National Employment Office in collaboration with UNDP, 43 enterprises each received support in kind valued at 500,000 ALL (about 4100 EUR).<sup>31</sup>

**From 2015 to 2017, the European Bank for Reconstruction and Development (EBRD), an important investor in Albania, in collaboration with Intesa Sanpaolo Bank, financed 147 SMEs led and owned by women with a total 2 million EUR (about 250 million ALL).** The programme intends to improve access to finance, loans and packages, including a bundle of everyday products and services, and expert EBRD know-how. The new agreement signed by EBRD and Intesa Sanpaolo that supports the second Western Balkans Women in Business programme has allocated a total of 5 million EUR (about 620 million ALL).<sup>32</sup>

**At a local level, the municipality of Tirana allocated 11,123,782 ALL (about 89,500 EUR) from 2015 to 2018.** So far, it has supported 31 start-ups led by youths and women in need with an average grant of 360,000 ALL.<sup>33</sup>

(28) Available at [http://yunussb.al/wp-content/uploads/2015/08/TWO-PAGER\\_YSB-Balkans.pdf](http://yunussb.al/wp-content/uploads/2015/08/TWO-PAGER_YSB-Balkans.pdf) (Last accessed on 30<sup>th</sup> October 2015).

(29) Data obtained on request from Yunus Social Business Balkans, 2019.

(30) Available at <http://aftesi.info/2017/07/25/sipermarresit-e-programit-te-vetepunesimit/>.

(31) Data obtained on request from National Employment Service, January 2018.

(32) Data obtained on request from the European Bank for Reconstruction and Development, 2018.

(33) Data obtained on request from the Municipality of Tirana, 2018.

Overall, Albanian SMEs absorb fewer funds, particularly from EU programmes, than any other country in its region, due to a lack of information and staff capacities to chase funding opportunities.

In general, most social enterprises are either in an initial or growth stage of their business lifecycle and therefore do not have enough financial or human resources to apply for funding. **Beyond grant funding, social enterprises tend to be reluctant to apply for new financial instruments such as loans or equity funding and do not have the capabilities and know-how to do so.** Few are considering tapping into alternative funding instruments such as business angels, patient loans, crowdfunding, etc. Albania is amongst few countries without any crowdfunding platform, which is otherwise seen as a good, potential opportunity for social enterprise fundraising. Overall, Albanian social enterprises are adverse to taking financial risks.







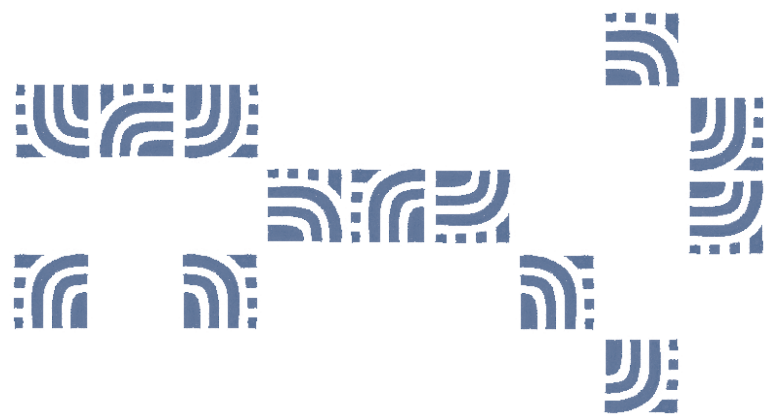


# 5

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## PERSPECTIVES

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## 5.1. Overview of the social enterprise debate at the national level

**The Albanian social enterprise debate has not yet reached the general public.**

Neither have academic institutions begun researching the topic. For now, the concept is predominantly understood and used by NPOs, social enterprise practitioners and some institutional actors.

In 2010 the state began discussing a potential law on social entrepreneurship with the aim of orienting social enterprises towards social protection and inclusion systems.

**The primary rationale for both the current law from 2016 and this subsequent proposal, as qualified when interviewing public actors, is to reduce the amount of people on social welfare;** the state considers social enterprises as an opportunity for social inclusion and employing people from disadvantaged groups. The National Strategy on Social Protection 2015-2020 identifies the need for legislation and recognition of social businesses and social enterprises engaged in the social and labour integration of vulnerable groups.

**The Ministry of Health and Social Welfare's responsibility for the implementation of the Law On Social Enterprises No. 65/2016 is indicative of the government's vision of social entrepreneurship as a social welfare system solution rather than being based on entrepreneurship itself.** The ministry's representative outlined the government's strategy as one that aims to encourage sustainable, progressive social enterprises by defining penalties and provisions such as sequestration of property / equipment for those that are not financially viable within three years. However, the ministry is considering other innovative forms of subsidy such as using the social fund that was created in 2018 to improve social policies, involving better standards of social care mechanisms or developing collaborations with local government to financially support social enterprises.

## 5.2. Constraining factors and opportunities

Five key interviewees representative of social enterprises, the donors' community and public institutions were canvassed for the purpose of this study to provide their views on social enterprise issues.<sup>34</sup> In their opinion, existing gaps in social service delivery can only be fulfilled by social enterprises. **They consider that the introduction of social procurement as part of public procurement would boost the financial capacities**

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(34) Appendix 4.

**of social enterprises, particularly those which provide social services.** Other sectors that represent significant potential for social enterprises are agriculture, tourism and artisan production, which are already explored by some social enterprises. Indeed, when taking Albania's natural resources into consideration, the government's increasing focus on tourism and agricultural sector policies and strategies, and the country's unique tradition of handcrafted products made by expert artisan workers, there does still appear to be significant untapped potential for innovative social enterprises to develop.

**While a significant step has been made by introducing a law on social enterprises, the sector's representatives are not pleased with its scope and have advocated amendments.** But very few changes have been affected; the law remains largely the same. Its field of reference is limited to the provision of services that are predominantly related to social inclusion. Its most significant weakness is the omission of many existing social enterprise players such as those operating as limited liability companies and agricultural cooperatives. Interviewed practitioners suggested that the law should include a wider range of services / products as an opportunity to tackle other societal challenges and encourage social innovation. They referred to the legislation of EU countries (e.g., Italian social cooperative law) and that further a field where social enterprises are focused not only on social protection and social inclusion activities but also on social services, education and the development of other agricultural, industrial, commercial activities, etc.

**Additionally, social enterprise practitioners explained that public actors define social enterprises within a very narrow frame focusing predominantly on social criterion.** Furthermore, they stressed that current legislation overlaps two different types of activities such as social services and work integration. This approach excludes many social enterprises that either provide social services or integrate marginalised groups but conduct other economic activities. The state disregards the importance of economic aspect of social enterprises that can strengthen their sustainability and capacity to meet social criteria. "If the social enterprise is profitable, the social impact would be greater" explained one social enterprise representative. Therefore, according to some stakeholders, social enterprises should be a crosscutting issue for the Ministry of Health and Social Welfare, the Ministry of Finances and Economy and the state minister for the Protection of Entrepreneurship. These three line ministries within the current governmental structure should be directly responsible for social entrepreneurship.

Another legal issue concerns entities that fulfil social enterprise criteria according to the EU definition but are not able to associate with the sector in Albania. More specifically, entities that call themselves social enterprises that are not registered as NPOs can incur a fine of up to 290 EUR.

Since Albania's social enterprise law is not yet applicable due to the absence of complementary bylaws / acts, it is difficult to discuss the benefits ensured regarding financial incentives or any preferential treatment regarding public procurement. Practitioners expressed the benefits of the state providing social enterprises with more access to social procurement as a mechanism for enhancing their financial sustainability.

Albanian social enterprises face a daily survival challenge in an informal market where fiscal evasion and corruption still prevail. The interviewed social enterprises stressed a lack of public recognition and absence of a 'solidarity culture' in the marketplace as significant hurdles for their ability to sell products and services produced by vulnerable groups. **Social enterprises deal with unfair competition associated with administrative burdens and bureaucracy, which reduces their chances of creating consistency and financial sustainability.** Tax authority inspectors still do not understand the NPO's philosophy of reinvesting profits to support institutional aims. This is a challenge encountered even more by social enterprises registered as NPOs. In addition, social enterprises registered as limited liability companies suffer from frequent tax inspections. The Law On Social Enterprises, once enforced, will not differentiate between profit and positive balance. It presents a contradiction as to whether profits will be allowed or not. Social enterprises do not have access to public procurement, because there is not a proper procedure that facilitates their participation and that of NPOs in public procurement. So far, municipalities do not have adequate funds for social services, which further complicates public procurement. So far, the state does not provide minimum guarantees for social enterprises either in terms of infrastructural or financial support to overcome their 'break even point' in the marketplace.

### 5.3. Trends and future challenges

**Representatives of Albanian public institutions, social enterprises and donor agencies agree that the state has an important role in empowering the country's social enterprise sector. However, their views and considerations differ in relation to the sector's legal framework.** Responsible ministry representatives consider that the social enterprise law will be a very positive effort for social entrepreneurship development that recognises the economic and societal role of social enterprises. They refer to a strong sectoral future that anticipates more mechanisms and penalties that can increase the control and sustainability of social enterprise activity after Albania's accession to the EU.

**Representatives of donor agencies and the EU Delegation to Albania meanwhile clearly state their interest in supporting Albanian social enterprise development.** They recognise the essential role that social enterprises play in

simultaneously addressing social inclusion and economic growth. They are aware of the latest developments regarding the legal framework of social enterprises and its limitations. For them, no matter which legal form social enterprises have, the social aim and principles that social enterprises rely on, as well as their contribution to the economy, is considered of utmost importance.

**Sector practitioners appreciate the government's effort to provide a law on social enterprises but insist that the legal framework should be subject to extensive debate with stakeholders and interest groups in order to further advance its direction.** Interviewed stakeholders also considered that other forms of entities besides NPOs should be recognised as eligible social enterprises. Furthermore, in their view, the government should provide regulatory mechanisms and financial incentives aimed at enhancing the competitiveness of these entities. Improvements to the existing legal framework on procurement or a new law on social procurement is required so that social enterprises can gain access to these opportunities. Without access to public procurement, support mechanisms from local governments and interrelated strategies at both a national and local level, social enterprises will be unable to deliver social services that meet public demand and extend their activities. Increased knowledge on the side of state institutions, businesses, media and the public in general would help increase the chances for social enterprise development and economic sustainability.

**Some social enterprises have attempted to cooperate and network with one another, but these attempts have not yet materialised in concrete actions.** As highlighted by consulted stakeholders, social enterprises require access to capacity building programmes that help improve their entrepreneurship, governance, marketing and fundraising skills. Furthermore, they articulated the need for access to soft loan schemes, the use of crowd funding platforms and support from business angels or seed funding programmes that address social enterprises.



# 6

## APPENDICES



## Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of “social enterprises” based on the Social Business Initiative (SBI) promoted by the European Commission.<sup>35</sup>

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Entrepreneurial/ economic dimension</b>	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the <b>typical characteristics that are shared by all enterprises</b> .	<ul style="list-style-type: none"> <li>&gt; Whether the organisation is or is not incorporated (it is included in specific registers).</li> <li>&gt; Whether the organisation is or is not autonomous (it is or is not controlled by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial).</li> <li>&gt; Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers.</li> <li>&gt; Whether there is an established procedure in case of SE bankruptcy.</li> <li>&gt; Incidence of income generated by private demand, public contracting and grants (incidence over total sources of income).</li> <li>&gt; Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider.</li> <li>&gt; Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services.</li> </ul>	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> <li>&gt; We suggest that attention is paid to the development dynamic of SEs (i.e., SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).</li> </ul>

(35) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, “**an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.**”

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Social dimension (social aim)</b>	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> <li>&gt; Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members.</li> <li>&gt; Whether the product/activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions.</li> <li>&gt; Whether SE's action has induced changes in legislation.</li> <li>&gt; Whether the product delivered—while not contributing to fulfilling fundamental rights—contributes to improving societal wellbeing.</li> </ul>	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> <li>&gt; The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level.</li> <li>&gt; In EU-15 countries (especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g., from educational services to the supply of water).</li> <li>&gt; What is conceived to be of a meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what "public benefit" means in her/his country.</li> </ul>



Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Inclusive governance-ownership dimension (social means)</b>	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.</p>	<ul style="list-style-type: none"> <li>&gt; Whether SEs are open to the participation and/or involvement of new stakeholders.</li> <li>&gt; Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels that give voice to users and workers in special committees).</li> <li>&gt; Whether a multi-stakeholder ownership structure is imposed by law (e.g., France).</li> <li>&gt; Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to.</li> <li>&gt; Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE).</li> <li>&gt; Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long-term.</li> <li>&gt; Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws.</li> <li>&gt; Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).</li> </ul>	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> <li>&gt; Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time—hence giving ground to a multi-stakeholder ownership asset.</li> <li>&gt; SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency.</li> <li>&gt; Different combinations concerning limitations to profit distribution envisaged (e.g., most successful solution: capped dividends supported by total asset lock such as Italian social coops, CIC, SCICs).</li> </ul>

## Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organizations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
<b>Agricultural cooperatives</b>	List of agricultural cooperation companies Administrative register	Ministry of Agriculture & Rural Development Public institution	2018 Annually	-	-	N.A.	4 - Data were obtained on request, as they are not publicly available.
<b>Cooperatives</b>	<a href="#">Challenges and Opportunities for Employment of Marginalised Groups by SEs</a> Research report	Partners Albania NPO	2016 No updates	-	N.A.	N.A.	3 - Data collected through face-to-face interviews.
<b>Non-profit organisations</b>	List of licensed NPOs offering social and educational services Administrative register	National Business Centre Government agency	2018 Annually	-	N.A.	N.A.	4 - Data were obtained on request, as they are not publicly available.
<b>Non-profit organisations</b>	<a href="#">Challenges &amp; Opportunities for Employment of Marginalised Groups by SEs</a> Research report	Partners Albania NPO	2016 No updates	-	Partially available	-	3 - Data collected through face to face interviews.

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