



PROJECT:

**Support the Civil Society
Organizations to develop
Social Enterprises in Albania**

REPORT

ASSESSMENT OF POTENTIALITIES FOR DEVELOPMENT SOCIAL ENTERPRISES IN ALBANIA

March 2019



QENDRA PER PROMOVIMIN E
KONKURRUESHMERISE
CENTRE FOR COMPETITIVENESS
PROMOTION

This project is financed by EU funds



IPA Civil Society Facility and Media Programme 2016- 2017

Support to Civil Society Organizations capacities

Reference: EuropeAid/138384/ID/ACT/AL

**Project Title: “Support the Civil Society Organizations
to develop Social Enterprises in Albania”**

Contract Number 2018/396114

REPORT

on

**“ASSESSMENT OF POTENTIALITIES FOR DEVELOPMENT
SOCIAL ENTERPRISES IN ALBANIA”**

March 2019

*This publication was produced with the financial support of the European Union.
Its contents are the sole responsibility of Centre for Competitiveness Promotion and
does not necessarily reflect the views of the European Union*

Author:

ALIDA KONDI

Experts:

OLTION HYSO

EVA DHIMITRI

TABLE OF CONTENT

1. EXECUTIVE SUMMARY 4

2. INTRODUCTION..... 7

3. RELEVANT STRATEGIC FRAMEWORK ON SOCIAL INCLUSION..... 8

4. SOCIAL ENTREPRENEURSHIP AN INSTRUMENT TO SOCIAL INCLUSION AND EMPLOYMENT 9

 4.1. Legal framework on Social Entrepreneurship 9

 4.2. Some Comments on the Law on Social Enterprises11

5. AN OVERVIEW ON THE SECTOR OF CIVIL SOCIETY ORGANISATIONS 13

 5.1 Situation of CSOs in Albania 13

 5.2 An assessment on CSOs developments and growth trends 16

 5.3 Perception on SE concept, characteristics, benefits and barriers 18

 5.4 Perspective of SE development, challenges and capacities of CSOs 23

 5.5 Assessment of SE’ needs and support for sustainability and growth 26

 5.6 Encouraging and promoting Social Enterprises/Entrepreneurship 28

6. POTENCIAL SECTORS FOR SE DEVELOPMENT AND GOOD EXAMPLES 30

 6.1 Developed sectors and good examples 30

 6.2 Some considerations for development of potential activities in different areas 34

 6.3 Some of potential geographic areas with potentiality for development37

 6.4 Other relevant forms of organisation for social entrepreneurship 38

 6.5 Proposals for other forms of supports or interventions 39

 6.6 Cooperation with local authorities 39

7. MAIN CONCLUSIONS AND RECOMMENDATIONS..... 40

ANNEX 1 – QUESTIONNAIRE 44

ANNEX 2 – LIST OF INTERVIEWEES52

ANNEX 3: LIST OF FOCUS GROUP PARTICIPANTS55

LIST OF ABBREVIATIONS

CSO	Civil Society Organisation
GDP	Gross Domestic Products
HR	Human Resources
HRM	Human Resources Management
INSTAT	Institute of Statistics
MFE	Ministry of Finance and Economy
MHSP	Ministry of Health and Social Protection
NESS	National Employment and Skills Strategy
NPO	Non Profit Organisation
NUIS	Unic Number of Identification of Subject
SME	Small and medium-sized enterprises
SE	Social Enterprise
V.A.T	Value added tax

1. EXECUTIVE SUMMARY

- The report “**Assessment of potentialities for development of social enterprises**” is prepared within the framework of the Project “Support the Civil Society Organisations to develop Social Enterprises in Albania”, which is implemented by “The Centre for Competitiveness Promotion in cooperation with Regional Development Agency in Tirana, within the timing period from April 2018-September 2020.
- This assessment report was part of the project, financed by European Union aiming at encouraging and supporting the Civil Society Organisations (CSOs) considering the development of social enterprises and collective cooperatives for ensuring financial stability of their activities, as new business model for business development of the Albanian economy and social inclusion of vulnerable and marginalised groups.
- The report was prepared after a field survey on the situation of the social enterprises in the CSOs’ sector aiming at identifying the most possible fields to develop social enterprises, understanding the CSOs needs and capacities to manage the social enterprises and identifying of good practices, which can drive in designing the proper actions to assist sector development.
- The survey methodology is based on a qualitative and quantitative analysis by collecting primary data from at least 16 different cities of Albania. The methodological approach for this assessment is based on the main instrument that is a structured questionnaire. Eighty (80) resource-intensive face-to-face interviews, emails or phone calls are conducted. Also, focus group discussions with organisations from the regions of Shkodra, Fier, Vlora and Tirana were held.
- The desk research mainly was focused on previously conducted studies for Social Enterprises in Albania and the recent report on Social Economy in Eastern Neighbourhood and in the Western Balkans, Country Report – Albania (January 2018). The aim was to differentiate the contribution of this report by others produced so far by looking at the sector from a different point of view compared to the previous reports.
- The data collected from the questionnaires are processed and are an integral part of this report. The report is structured in different topics. In the end, it draws the conclusions resulting from this assessment and gives some recommendations.

- The report reviews the relevant laws, strategies and policy documents that create the frame of the legal documents, affecting the unfavorable groups of the society. An overview of the “Law on Social Enterprises” and the complementary laws is described, with some comments and considerations collected from the organisations that are in the early stage of implementing a Social Enterprise.
- This report aims at identifying mechanisms or solutions for orientating CSOs in developing other forms of financing their activities orientated to the provision of services, employability for the most vulnerable families’ members and empowering the women for equal orientation on the job market.
- The report will serve to national and local authorities and other actors in a local level, CSOs, donors community, businesses, or business organisations, crafts associations, to consider the support on this sector in institutional level, legislative, regulatory, programmes, measures and concrete actions.
- The report shed lights on the situation of the CSO’ sector in Albania regarding the size, forms of organisations and income earned annually. The results show that the sector is relatively small in numbers, with an average of 2-4 employees, in a full-time position, for the income that ranges from Eur 20-50 thousand. But, high optimism was expressed about the perspective of sector development, on increasing the number of employees and the diversification of services.
- Financial resources in 80% are generated through projects and donors. 12% from the profitable activities, membership and rent and only 4% of the public funds. Only in some cases, the organisations possess machinery and equipment for production, store, workshop and land.
- The concept of social enterprises was not well understood by NPOs. Only 31% were very familiar, 42% were partly informed and 27% have no information and less in percentage know the legislation and the procedures for receiving status.
- The SE sector is at the early stage of development. Out of NPOs that declared starting a SE, 58% of the organisations were in the first year of implementation. The initial investment value ranges from Eur 2,000-10,000 for nearly 79% of the cases that logically demonstrate that the SE sector has the characteristics as a small business. Through an assumption, the SEs’ sector in Albania might have the size of 175 organisations, with an investment value in Euro of 1,7 million.
- The NPOs believe that SE status will give them more space to explore for diversification of the profitable activities, better access to public funds a higher recognition by the communities, increase in the number of membership, as well, stemming great possibility for organisations to accomplish the social objectives.
- On the other side, the sector in 80% considers not easy starting a SE. The lack of funds and opportunities to receive funds, a friendlier institutional environment, supportive legal framework, lack of awareness and recognition on SE’role and the lack of education with a spirit of solidarity are some of the barriers identified. Besides, the need for the qualified managers and human resources capable to manage business activities from production, delivering and selling are other constraints that might hinder the SEs’ development.

- The report received opinions, as well, from other potential NPOs planning to start SE in the future and the results are optimistic. In 48% of cases, they plan to start a SE within a year and 35% within 2 years. Through assumption, the report concludes that an investment value in the range of Euro 1500-3000 can generate 1

2. INTRODUCTION

- Albania, as a country that aspires EU membership is making efforts to achieve standards, comparable to the other European countries, at all fields, ranging from legislation, economic development, and particularly, in the human rights field for achieving social cohesion in the society.
- However, despite economic growth, macroeconomic stability and social policies undertaken and implemented by the Government, still Albania continues to face troubling problems of poverty, unemployment and inequality, especially in certain areas.
- Based on INSTAT for quarterly GDP, by production approach, the rate is for T3 4.48%, a percentage higher than 2017 of 3.84%.
- Again, based on the INSTAT figures for the year 2017, Albanian government supports through economic aid scheme 80,964 families for 1-over 6 members, which result to 365,108 family members with a total of ALL4 billion or around (€32,7 million). From the last estimation of January 1st 2018, the Albanian population is 2.870.324 inhabitants, which means that 12.7% of the population is leaving on the extreme conditions, only through the economic aid scheme. The unemployment rate in Albania in the 3rd trimester of 2018 for the group of ages 15-64, is 12,7%. (INSTAT)
- On the other side, the economic aid scheme, in some cases, has negatively influenced that attitude toward work, because the economic aid and donor packages are considered the way to survive. Given that, the attitude towards work is a social-psychological issue, it is negatively reflected the people with low-income level. Therefore, solving economic problems should be hand by hand with addressing psycho-social problems of vulnerable families.
- Different categories of target groups, persons with disabilities, old persons, orphans, single mothers, violated victims, long-term unemployed, people from rural and remote areas, young people from poor families, Roma and Egyptian communities demonstrate the diversity of needs and problems based on demographical, geographical, capabilities, social and economic factors. Lack of communication skills in work and society, lack of the family's authority and the communication between family's members, feeling of inferiority, complexities segregation and discrimination are characteristic features which should be addressed along with the approach to job finding.
- In addition to the role of national and local government in addressing the social and economic issues, it is appreciated also the involvement of the Civil Society Organisations (CSOs) as contributors in mitigating the critical problems facing Albanian society. In particular, in fulfilling the objectives of the government to address the social issues, in regard to their

possibilities for social inclusion, access to better services, health care, employment, training and qualification, gender equality, economic empowerment.

- In this regards, the Government has approved the legal framework to regulate the organization, operation and activity of social enterprises, as well as promote and revive the CSOs, to create social enterprises. Hence, Social enterprises in Albania, although still not widely applicated are considered important structures in fighting against poverty, poverty alleviation and for integration in the labour market of disadvantaged groups and have considerable development potentials.
- In contrast to the rate of development of social entrepreneurship in Europe, the concept of social enterprise in Albania remains relatively unknown, except for a relatively small number of organizations that apply business practices to social purposes during the performance of their mission.
- For the Albanian CSOs, the primary motivating principle for the adoption of a social enterprise approach is to ensure long-term sustainability by diversifying the funding base of income from economic activity.
- The challenges they face are associated with the traditions and the still fragile development of the sector, the weakness of private sector development and ongoing institutional reforms that are being carried out in Albania for years.

3. RELEVANT STRATEGIC FRAMEWORK ON SOCIAL INCLUSION

In Albania, it is in force a broad legal framework that defines the strategic priorities and objectives, reforms and policies aiming at addressing the social inclusion of the specific target groups of vulnerable families, against the violence in families and gender-based violence, social protection, youth, Roma and Egyptian communities. A number of actions plans are approved, which undertake measures to integrate them through social services, qualification to employment or self-employment.

National Employment and Skills Strategy (NESS) 2014-2020

Albania's National Employment and Skills Strategy (NESS) 2014-2020, approved by the Decision of CoM No. 818, dated 26.11.2014, is the main document that encompassed the comprehensive reforms on employment and development of skills at all levels, which is underpinned on the National Strategy for Development and Integration (NSDI) 2014-2020) of Albania. The Strategy determines actions needed in order to foster decent job opportunities improve the skills of the labour force, promote social inclusion and territorial cohesion, and increase employment opportunities particularly for youth, women and vulnerable groups. The employment growth through participation on the employment programmes, especially for women and the beneficiaries from the economic aid, the establishment

of a quality TVET system, based on the dual approach are some of the strategic priorities identified in this strategy.

National Strategy for Social Protection 2015-2020 and its Action plan

The Strategy's vision is building a social protection system to combat socio-economic inequalities, by establishing a system that has policies and mechanisms to protect all individuals in need or excluded through prevention programs and support social reintegration alternated with employment schemes. The strategy addresses the issues with regard to economic aid scheme and disabilities, services of social care and all other problems on social protection. The strategy reaffirms the commitment to create synergy between active employment policies of and social inclusion, so that all population is protected from the risk of falling into poverty along active and inactive periods of life.

The Policy Document on Social Incusion 2015-2020

Approved by Decision of Council of Ministers No. 87, on 3 February 2016, Social inclusion actions in Albania have been targeting the empowerment of vulnerable groups and overall the reduction of poverty. The Policy Documents' vision seeks for an inclusive society, to enable all Albanian citizens to have unrestricted access to high quality public services in order to facilitate and support their active participation in society regardless of income level, gender, age, disability, ethnic origin, sexual orientation and identity, place of residence or religious convictions.

The Policy Document on Social Incusion 2015-2020 targets the most vulnerable groups with objective to improve the social status of vulnerable groups with access to employment and labor markets; to education system; access to health services; access to social housing and access to legal aid.

In coherence with the Policy Document of Social Inclusion 2015-2020, some action plans on target groups are drafted and approved in order to have concrete specific measures and activities in each area, focusing and addressing the recommendations of this Document, as mentioned below.

The National Action Plan for Integration of Roma and Egyptians (2016-2020)

The National Action Plan for Integration of Roma and Egyptians 2016-2020, is approved by DCM No. 1072, dated 23/12/2015. This Plan foresees specific policies and defines the tangible measures that the responsible institutions shall take in order to reach the objectives through the respective sectors and the public programmes which aim to improve the living of Roma and Egyptians in Albania.

The policy objectives are grouped according to the six policy areas such as: equal access to civil registration and justice, education and promoting intercultural dialogue, Employment and Vocational Education and Training (VET) healthcare, housing and urban integration and social protection.

With regard to the third policy objective: "Employment and Voc

Order of the Minister of Health and Social Protection on “Approval of the instruction for the promotion of SEs development” The main message of this promotion manual is: *SEs provide an alternative model of economic development and social entrepreneurship that affects poverty reduction for disadvantaged groups, discriminated individuals in the labour market, long-term unemployed and other special categories.*

- ✓ DoCM nr.16, date 12.01.2018 “For the approval of the list of activities that SEs operate”
- ✓ DoCM nr.56, date 31.01.2018 “On the definition of specific categories of disadvantaged groups”
- ✓ Instruction no.607, dated 01.08.2018 of the Minister of Health and Social Protection” On the procedures and documentation required to obtain the status of the social enterprise”
- ✓ Order no.636, date 3.09.2018 of the Minister of Health and Social Protection “On the adoption of a template regulation on the functioning of SEs”
- ✓ The instruction of the Minister of Health and Social protection no. 677, dated 29.09.2018 “On periodical reporting methods of SE”
- ✓ Government Decree no.716, dated 1.12.2017 “On defining of procedures for conducting the control of the activity of SEs”
- ✓ Government decree no.85, dated 25.06.2018 “Authorization of the state aid for the creation of the SE Fund”
- ✓ The instruction of the Minister of Health and Social protection “On creation of SEs register, detailed regulations on its format and content” Article 15, (point 2), it is not prepared, yet.

The objective of the State Aid scheme intends to support the activities of the social enterprises, through subsidies from the State budget, to develop and grow to be able to employ as much as from the individuals of the unfavorable groups. The State Aid commission makes clear that the subsidy from the state budget is 249,760,000 ALL, with a duration implementation period of 2019-2021. Assistance will cover 70 % of eligible costs but not more than 1.5 Million ALL.

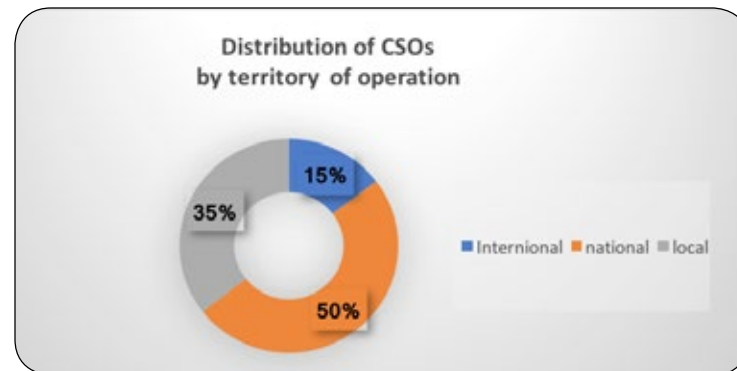
Public Agency “Promoting Social Business” sh.a.

The Agency “**Promoting Social Business**” sh.a is a state-owned joint-stock company, established by Law No. 10376, dated 10.02.2011. It aims at sustainable economic and social development through the support and promotion of social business at the national level. It was created under the former Ministry of Social Welfare and Employment till the 2017. One year now it is a structure at the Ministry of Finance and Economy, which focuses on the implementation of social policies of the Albanian Government with the aim of supporting marginalized groups experiencing difficulties to enter the labor market, as; Roma, women, young people, artisans, especially in mountainous areas, people with special needs, etc

Over the years, the success of Social Business Promotion was increased. The implementation of active policies and programmes to support individuals and groups in need has given a lasting solution to their problem, eventually drawing them out of the

under three legal forms of organization. There is no evidence on the ratios between three forms but the results from this assessment show that are Associations (61%), Centres (20%) and Foundations (19%).

Graph 2: CSOs by territory of operations



Graph 3: CSOs by legal forms of organisation



Regarding the size of CSOs/NPOs, the assessment is based on both criteria:

- ✓ on the revenues generated and granted, annually and
- ✓ number of employees of different contractual types

From the data collected, resulted in that out of 80 respondents, only 62 of them declared their annual revenues. Although, 18 respondents did not declare the incomes, however judging by the small number of employees declared, it is obvious that these organisations are categorised as small organisations in the income range from €1,000-20,000. It is easily understandable that most of the organisations are of small size, as 57% of them have income in the range from € 1,000-20,000. Only 10% positioned in the range from € 30,000-50,000 annually, 15% from €70,000-100,000 and 15% from €150,000-600,000 and only 3%, especially international organisation, reach the amount of over 1 million.

Graph 4: The size of organizations, represented in the sample

ANNEX 1 – QUESTIONNAIRE

Questionnaire

**“For studying opportunities for
development of Social Enterprises**

by the Civil Society Organizations in Albania”

This questionnaire was prepared in the framework of the implementation of a project funded by the European Union, aimed at promoting social enterprises in Albania. This questionnaire intends to broaden the current level of development of social enterprises and the potential for development by CSOs. The ultimate objective is to identify the needs to build on the capacity to create social enterprises and to support promising projects with funds for the initial stage of creation. Completing this questionnaire on your part will contribute to the completed study of the situation.

The information gathered from this study will be treated with confidentiality and will not be used for any other purpose.

SECTION A: GENERAL INFORMATION ABOUT THE ORGANISATION

Organisation Name _____ Address _____

Executive Director _____ Telephone No. _____

Name of Interviewee _____ Years of activity _____

Email _____ Staff No. _____

A.1 Type of organization:

- ☐ International
☐ National
☐ Local

A.2 What is the legal form of the organization?

- ☐ Foundation
☐ Association
☐ Center

A.3 What are the key areas of your activity?

- | | |
|--------------------------------------|-------------------------------------|
| ☐ Social help | ☐ Child care |
| ☐ Environment | |

A.8 What stable assets do you own (owned or rented)?

- | | |
|---|---|
| ☐ Offices | ☐ Land |
| ☐ Warehouse | ☐ Machines & Devices |
| ☐ Workshop | ☐ Vehicles |
| ☐ Others, please specify _____ | |

SECTION B. PERCEPTION AND CREATION OF SOCIALLY OWNED ENTERPRISES BY NGOS**B.1 How well is the concept of the Social Enterprise recognized by your organization?**

- ☐ Fully
- ☐ Partially
- ☐ A little bit
- ☐ Not at all

B.2 How Much is your Organization Acquired the Legislation for Socially Owned Enterprises?

- ☐ Fully
- ☐ Partially
- ☐ A little bit
- ☐ Not at all

B.3 How much are the procedures for receiving the status of Socially Owned Enterprise recognised by your organisation?

- ☐ Fully
- ☐ Partially
- ☐ A little bit
- ☐ Not at all

B.4 If you have information, what does the law on socially-owned enterprises bring about?

- ☐ Determination by law of the status of social enterprise
- ☐ Improving the fiscal regime
- ☐ Providing commercial advantages
- ☐ Others _____

B.5 Has your organization established a Social Enterprise?

- ☐ Yes <

C.5 How much is the income from social enterprise activity? (in ALL) _____

C.6 Are you thinking about expanding the activity in the future?

☐ Yes ☐ No ☐ I don't know yet

C.7 If so, you have predicted the expansion of business expansion through:

- ☐ Use of reserves created by the current business
- ☐ From the budget of the organization
- ☐ Bank loan
- ☐ Donations from the parent organization
- ☐ Private donations
- ☐ Grants from the central / local government
- ☐ Other, please specify _____

C.8 From your experience, which of the factors listed below are more determinant to the functioning of the Social Enterprise? (evaluated from 1 to 5 where 1 is less important and 5 is the most important)

- ☐ Adequate legal framework _____
- ☐ Providing funding resources _____
- ☐ Providing specialized workforce _____
- ☐ Knowledge about business planning _____
- ☐ Running the Enterprise _____
- ☐ Other, please specify _____

C.9 Do you meet the (economic and social) criteria established by the law on obtaining the status of a social enterprise?

☐ Yes ☐ No ☐ I don't know

C.10 If yes, will you apply for a social enterprise status?

☐ Yes ☐ No ☐ I don't know

C.11 What are the benefits you think your organization may have

