



Research Report

Social Economy in Albania-A Survey on Social Enterprises

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Table of Contents

Topics	Page
Foreword (I. Margariti, G. Pasko)	4
1. Introduction - An Overview of Social Economy (F. Marzocchi and S. Rago)	5
1.1 Fundamental Principles and Models of Social Economy-Multiple Definitions of Social Economy.....	5
1.2 The Identity of the Social Economy	7
1.3 European Vision on Social Economy and Social Entrepreneurship.....	9
2. The Relevance of Social Enter. as a Policy Instrument in Albania (D. Zampini)	19
2.1 Social Enterprises and Key Policy Objectives.....	20
2.2 Specific Policy Challenges in Albania.....	21
2.3 Planning a Policy Response and Selecting a Policy Instrument.....	28
2.4 Some Preliminary Conclusions.....	31
3. Survey on Social Enterprises in Albania (A. Asmundo, C. Paladini, N.Luli)	34
3.1 Objectives of the Survey and Methodology.....	34
3.2 Results of the Survey.....	39
3.2.1 Evidence from the Survey Data.....	39
3.2.2 Evidence from Direct Interviews.....	57
3..3 Tentative Conclusions.....	61
4. Instruments for the Development of Social Enterprises in Albania (A. Gugu, E. Kaçaj, S. Xhepa)	68
4.1 Necessary Changes in the Legislative Framework to Accommodate Specific Needs of Social Enterprises.....	68
4.2 Work Integration through Social Enterprise in Albania.....	76
4.3 Financial Instruments to Support Social Enterprises.....	79
5. Conclusive Remarks and Policy Implications. Suggestions for Further Debate (A. Asmundo, D. Zampini, F. Marzocchi)	81
5.1 Profiling the Albanian Social Enterprises.....	81
5.2 Policy Changes Implications for the Future.....	82
Bibliography	83

Foreword

This research study has the advantage of coming out from an evident reality - the establishment and functioning, although at an embryonic stage, of social enterprises in Albania. Even in the absence of legal recognition, many Albanian Civil Society Organizations (CSOs) have set up real social enterprises, with all the features outlined in the recent European Documents¹.

The social enterprise is part of a broader framework of social economy which involves the civil society in creation of economic and social value. The relevant framework and data are not yet revealed by the public institutions and does not appear in official statistics, however, the government has recognized the contribution of CSOs, especially those providing quality social, or education services. In this sense, there are many examples of public - private partnership that, with the strengthening of local autonomy, are expected to increase in volume and importance.

This research highlights how social enterprises are able to provide innovative answers to social the needs, for they feel free from bureaucratic constraints and closer to the people. These establishments have strong roots in their local community and provide an added value to the community through offering of services and production of goods. We talk about those isolated areas with few resources, which are transformed into small development centers, thanks to the small but intense works of enterprises taking the role of promoters and supporters of various social and economic processes.

Social enterprises operate with particular attention to environmental protection, through the safeguarding and educating the young people accordingly. Mostly, they are very active in the preservation, activating opportunities of recycling and systems for waste management. This contributes to a sustainable and responsible economic growth at local level.

Another important dimension of this research lies in the ability of social enterprises to create job opportunities for disadvantaged people and in particular young people, giving them the opportunity to make use of their natural creativity and enthusiasm.

Even though the present Albanian social enterprises are stronger on their social component, their real potential lead to think on a rapid growth and increasing autonomy.

We sincerely hope this study will be useful to those interested in the wide theme of the social economy, which can creates a favourable environment to social entrepreneurship thus boasting production of goods and provision of services with equal dignity to the economic and financial market of Albania and of the Region.

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¹ http://ec.europa.eu/internal_market/social_business/index_en.htm

1. INTRODUCTION - AN OVERVIEW OF SOCIAL ECONOMY

1.1 Fundamental Principles and Models of Social Economy-Multiple Definitions of Social Economy

The concept of *social economy* encompasses a variety of socio-economic actors that operate in pursuit of objectives other than mere profit (*not-for-profit*). They are instead driven by principles such as reciprocity and democracy (Bruni and Zamagni, 2009).

Currently, no single definition can be applied to the many diverse contexts in which these entities operate. This multiplicity derives from the different interpretations given to the adjective “social”, as commonly understood in the literature.

First, the term “social” refers to an instance of substantive equality among those making economic decisions for the enterprise. In this context, a “social” economy would include enterprises that operate based on the democratic participation of workers in the oversight of the management and in the distribution of the surplus (such as in the cooperatives).

Secondly, “social” refers to the independence of the civil society, once it is structured and organised in such a way that it can, in accordance with its statute, provide informed views also on issues purely of economic nature. In this framework, the social economy comprises of all the organizations whose guiding principle is not profit maximization but reciprocity. They produce goods and services that neither the *for-profit* economy nor the *public* sector would be able or interested to produce. According to this view, the social economy would then correspond to the *third sector*. Finally, the term “social” may refer to an inclusive notion of the economy, whereby virtually all citizens are concerned with the production of wealth. Thus, a “social” economy would have the primary objective of correcting market distortions related to the distribution of wealth. This understanding is embodied in the German model of “social market economy”.

Despite the differences among countries with regard to the entities included in the notion of social economy (Table 1), recently, a shared definition has emerged (Ciriec-International, 2012):

“The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organised organisations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them”.

Table 1 – Social economy models in the European Union member states

	<i>Cooperatives</i>	<i>Mutuals</i>	<i>Associations</i>	<i>Foundations</i>	<i>Others</i>
Austria	x	x	x	x	Social enterprises
Belgium	x	x	x	x	Sociétés à finalité sociale
Denmark	x	x	x	x	Social enterprises

Finland	x	x	x	x	-
France	x	x	x	x	Comités d'entreprise, voluntary social protection
Germany	x	-	x	x	Volunteer services and agencies; social firms for disadvantaged people; alternative enterprises of the women's and environmental movement; self-help organisations; socio-cultural centers; work integration companies; local exchange and trading systems; neighbourhood and community enterprises
Greece	x	x	x	x	Popular companies
Ireland	x	x	-	-	Credit unions
Italy	x	x	x	x	Volunteering organisations; specific types of associations such as associations of social promotion and family associations; community foundations; non-governmental organizations; IPAB: Istituzioni di Pubblica Assistenza e Beneficienza, Social Enterprises
Luxembourg	x	x	x	x	-
Portugal	x	x	x	x	Misericordias; IPSS (Instituições Particulares de Solidariedade Social)
Netherlands	x	x	x	x	-
Spain	x	x	x	x	Sociedades Laborales, Empresas de Inserción, Centros Especiales de Empleo, specific groups such as ONCE, Sociedades Agrarias de Trasformación
Sweden	x	x	x	x	-
United Kingdom					-

New Member States

Bulgaria	x	x	x	x	-
Cyprus	x	n.a.	n.a.	n.a.	-
Czech Republic	x	-	-	-	Association of Common Benefits
Estonia	x	n.a.	x	x	-
Hungary	x	-	x	x	Non profit enterprises
Latvia	x	x	x	x	-
Lithuania	x	-	-	-	Credit unions and social enterprises
Malta	x	x	x	x	-
Poland	x	-	x	x	BandClub
Romania	x	x	x	x	Center of Socio-Economic Integration
Slovakia	x	x	x	x	Unitati Autorizate Proteiate (Authorized Proteced Units)

Slovenia	x	x	x	x	-
Candidate Countries					
Croatia	n.a.	n.a.	n.a.	n.a.	n.a.
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.

Source: *Ciriec-International, 2012*

According to this definition, the market-specific *sub-sector* of the social economy comprises of cooperatives and mutual, groups of enterprises controlled by cooperatives, mutuals and other entities, as well as no-profit institutions that provide services to the enterprises in the social economy. There are also other enterprises in the social economy, such as social enterprises, where some of the members share the social objectives without being permanent members. This could apply also to some voluntary activities. Nevertheless, the key elements are the reciprocity and the stable relationship between the enterprise and members who participate in its activities with relative continuity, sharing risks and receiving a form of compensation linked to the membership.

On the other hand, the debates at European level still highlight the *non market sub-sector* of the social economy, mostly made up of associations and foundations, together with a variety of other legal forms. This sub-sector includes all entities in the social economy which produce goods not for sale and provide their goods and services for free or at a nominal price.

1.2 The Identity of the Social Economy

The social economy is a set of private entities within the socio-economic system, situated in between the state and the market, and oriented towards the production of goods and services for a social purpose (Bruni and Zamagni, 2009).

A common, though limited, theory about the generation of entities belonging to the social economy refers to the occurrence of two events: the failure of the *state*, described in Burton Weisbrod (1977 and 1988), and the failure of the *market*, described by Henry Hansmann (1980).

According to the state failure theory, the provision of goods and services in the social economy is a response to the impossibility by the state to address the overall demand for *public goods*², particularly in relation to underserved satisfied minorities.

According to the market failure theory, the social economy is a response to the inability of *for-profit* enterprises to exercise full control over suppliers through ordinary market mechanisms (such as contracts) due to asymmetric information. In this respect, the social economy can exercise such control through an alternative mechanism, i.e. the linkage created by the non distribution of the surplus.

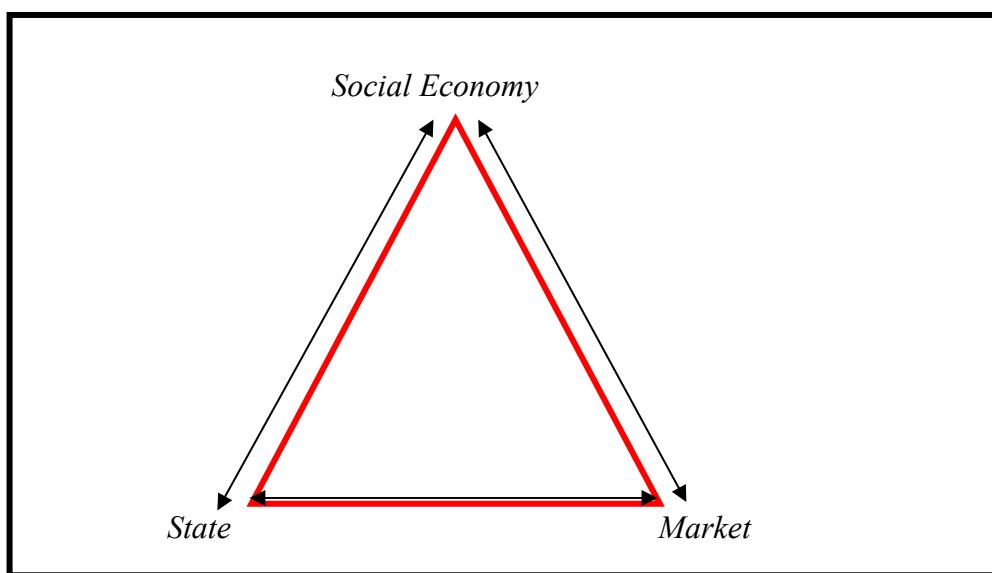
2In economic theory, a public good is a good (or service) that is simultaneously *non-rivalrous* in consumption and *non-excludable* with regard to use. With reference to a group of agents A, B, C and D, a good is non *non-rivalrous* in consumption when the contemporary consumption of the good by B,C, D does not reduce the utility of consumer A (and it is the same for the three other consumers, always assuming the simultaneous use of the good). A good is *non-excludable* when it is not technically possible and/or economically advantageous to exclude certain subjects from accessing the good.

The main challenge that the social economy faces today is the strengthening of its identity. This relates to the wide and diverse range of actors currently looking for solutions to emerging social development problems, such as increased inequalities, the “happiness paradox”, the challenge with common goods, the widening divide between market and democracy (Zamagni, 2011a).

In this sense, the social economy interacts with the notion of *no-governmental public* intervention (Rasimelli, 2011). This intervention is not marginal or residual, rather complementary to the governmental public, i.e. the functions that are necessary to guarantee the fundamental rights of citizens through direct transfers and service provision, and the regulatory functions of the new social market. The actors in the social economy have the ultimate objective of achieving *public utility* (Giusti, 2011) and the relative contribution to the common good. Moreover, their existence is hinged on the application of the principle of reciprocity (Zamagni, 2011b), as a social norm. Reciprocity is one of the three principles that should co-exist in order to regulate contemporary societies, together with the principle of equivalent exchange (typical of the capitalist market) and of re-distribution of wealth (the basis of a state action).

Therefore, the reciprocity principle is a cornerstone of the social economy (Figure no.1), defined as a cultural perspective through which the whole economy can be interpreted. As an alternative to the capitalist economic theory, the social economy can provide a framework in which the social dimension unfolds within the ordinary economic life and not outside of it.

Fig. no. 1– Representation of the paradigm of social economy



The social economy is on all accounts a market economy. It applies the following principles:

- *Division of labour*; specialization leads to “endogenous” exchanges (as opposed to “exogenous” exchanges resulting from the existence of surplus), which increase the overall productivity of the system where they are inserted;
- *development*; it is linked to inter-generational solidarity, i.e. the commitment of the present generation towards the future one, as well as to accumulation of resources;
- *freedom of enterprise*; those who have entrepreneurial skills should be free to start a business. Entrepreneurial skills include risk-prone behaviour (i.e. the impossibility to guarantee the results from the entrepreneurial activity); innovation or creativity (the capacity to progressively add knowledge to the product/process); the *ars combinatoria* (i.e. ability to combine inputs in order to achieve the best result);
- *purpose*, i.e. the objective to be attained through the product (good or service).

This last principle differentiates the social market economy from the *capitalist market economy*. If the latter assumes the achievement of the total good, as the sum of individual wealth, the social economy pursues the common good, or the result of multiplication of individual wealth. These are different notions in that, in the first case, if one’s wealth is reduced to zero, the final result may not change, while in the second case even if one of the levels is reduced to zero, the overall wealth will be zero.

Within this socio-economic perspective, the intervention of suppliers from the social economy is therefore necessary. They operate according to *relationality*, and can provide a structure where demand is not determined by supply, as in fact demand determines supply.

In particular, the last few decades of our history have witnessed more and more *new social needs* that are not taken into account by the public sector or the traditional capitalist economy. These are a concern for many groups at risk of social exclusion (Ciriec-International, 2012). Currently, the main priority is to build a people-centred welfare system, able to cater to those new categories of *vulnerable*³ individuals with whom social policies are not used to deal (Venturi and Rago, 2012).

The inclusion of these individuals and the establishment of a new *welfare* system are feasible only through *co-production*, i.e. the participation of citizens and social economy entities in the provision of public services (Pestoff, 2008). This calls for rethinking the relationship between state, market and social economy, as the only means to build a social and enabling economic system. The latter should aim not only at economic growth, but also at the development of opportunities for citizens to expand their economic and social capabilities, thereby reducing the levels of personal and territorial inequality (Sen, 1999).

³These are people who, even though they have more or less extensive cultural and economic resources, are in a condition of "vulnerability" as poorly inserted in networks and, therefore, more easily exposed to poverty and social marginalization.

1.3. European Vision on Social Economy and Social Entrepreneurship

The growing importance and size of the social economy, equal to 10% of the European economy (in terms of GDP) and 6% of employment (Table2) - is confirmed in recent documents issued by the European Union. These relate mostly to the demand for a new welfare system and alternative and strategic modalities of intervention for the actors in the social economy (Lippi Bruni *et al.*, 2012).

Entitled "Resolution on the Social Economy 2008/2250 (Ini)"⁴, the first document was voted in 2009 by the European Parliament's Committee on Employment and Social Affairs. It defines the notion of social economy in the European context, emphasizing its contribution towards the achievement of the main objectives of EU policy in the field of employment⁵. With this document, the European Parliament requested the European Commission to recognise the role of social economy's enterprises and organizations in the market, given their focus on the integration of production processes and social welfare objectives. This process is also functional to the consolidation of the values associated with the European social model, together with the different legal forms of social economy, through the implementation of a European statute for associations, foundations and mutuals⁶.

Further evidence of the importance of the social economy appears in the "Single Market Act" of the European Commission (2010). Actors in the social economy are described as a pillar of the single market, based on the concept of sustainable economic and social behaviour. The European Commission's proposals for this objective refer primarily to human resources, particularly the possibility to "free reserves of talent and financial resources in the Member States, reconciling management and financial experts with the innovative entrepreneurs in the social and growth arena".

Table 2 – Data on European Social Economy (2009-2011)

<i>Countries</i>	<i>Cooperatives</i>	<i>Mutuals</i>	<i>Associations</i>
<i>Austria</i>			
<i>units</i>	1,860	59	116,556
<i>paid employment</i>	61,999	1,416	170,113
<i>Belgium</i>			
<i>units</i>	166	26	18,461
<i>paid employment</i>	13,547	11,974	437,020
<i>Denmark</i>			

⁴Approved on February, 19, 2009.

⁵These objectives are basically four: improving the employability of the workforce; promoting entrepreneurship, for instance through the creation of jobs at the local level; improving the adaptability of businesses and their workers, notably by modernizing the structure organization; strengthening the equal opportunities policy in particular through the development of public policies to reconcile family life and professional life.

⁶ Please refer to the following European Parliament Declaration of March 10, 2011 on establishing European statutes for mutual societies, associations and foundations, where it is noted that (paragraph no.1) « a need to create a 'level playing field' that provides associations, mutual societies and foundations with instruments and opportunities equivalent to those available to other organizational legal structures [...]», and it (paragraph no.2) Calls on the Commission to take the necessary steps to introduce proposals for European statutes for associations, mutual societies and foundations, to propose a feasibility study and an impact assessment for the statutes for associations and mutual societies [...].

<i>units</i>	523	53	12,877
<i>paid employment</i>	70,757	4,072	120,657
Finland			
<i>units</i>	4,384	106	130,000
<i>paid employment</i>	94,100	8,500	84,600
France			
<i>units</i>	24,870	6,743	160,884
<i>paid employment</i>	320,822	128,710	1,869,012
Germany			
<i>units</i>	7,415	328	505,984
<i>paid employment</i>	830,258	86,497	1,541,829
Greece			
<i>units</i>	7,197	11	50,600
<i>paid employment</i>	14,983	1,140	101,000
Ireland			
<i>units</i>	509	100	25,000
<i>paid employment</i>	43,328	650	54,757
Italy			
<i>units</i>	71,578	1,428*	26,121
<i>paid employment</i>	1,128,381	n.d.	1,099,629
Luxembourg			
<i>units</i>	56	n.d.	664
<i>paid employment</i>	1,933	n.d.	14,181
Netherlands			
<i>units</i>	677	124	60,000
<i>paid employment</i>	184,053	2,860	669,121
Portugal			
<i>Units</i>	2,390	95	45,543
<i>paid employment</i>	51,391	5,500	194,207
Spain			
<i>Units</i>	44,333	428	156,007
<i>paid employment</i>	646,397	8,700	588,056
Sweden			
<i>Units</i>	12,162	128	18,872
<i>paid employment</i>	176,816	15,825	314,568
United Kingdom			
<i>Units</i>	5,450	105	870,000
<i>paid employment</i>	236,000	50,000	1,347,000
New Member States			
Bulgaria			
<i>Units</i>	2,016	11	22,315
<i>paid employment</i>	41,300	12,525	80,000

Cyprus			
<i>Units</i>	620	n.d.	3,516
<i>paid employment</i>	5,067	n.d.	n.d.
Czech Republic			
<i>Units</i>	3,058	7	98,693
<i>paid employment</i>	58,178	5,679	96,229
Estonia			
<i>Units</i>	1,604	n.d.	32,000
<i>paid employment</i>	9,850	n.d.	28,000
Hungary			
<i>Units</i>	2,769	13	58,242
<i>paid employment</i>	85,682	6,676	85,852
Latvia			
<i>Units</i>	74	n.a.	n.a.
<i>paid employment</i>	440	n.a.	n.a.
Lithuania			
<i>Units</i>	490	-	n.a.
<i>paid employment</i>	8,971	-	n.a.
Malta			
<i>Units</i>	57	n.a.	693
<i>paid employment</i>	250	n.a.	1,427
Poland			
<i>Units</i>	8,823	22	86,100
<i>paid employment</i>	400,000	2,800	190,000
Romania			
<i>Units</i>	1,747	897	23,100
<i>paid employment</i>	34,373	18,999	109,982
Slovakia			
<i>Units</i>	382	10	26,210
<i>paid employment</i>	26,090	2,158	16,658
Slovenia			
<i>Units</i>	77	3	21,000
<i>paid employment</i>	3,428	476	3,190
TOTAL	EU-27	4,548,394	362,632
		14,128,134	9,217,088

Source: Ciriec-International (2012)

* Lippi Bruni *et al.* (2012)

In recent years, numerous studies have been published on social enterprises, although there are no homogeneous criteria for a common definition. It is possible to distinguish at least two main approaches to social entrepreneurship: the Anglo-American approach and the European approach.

The first includes a variety of definitions: i) social enterprises as the business equivalent of private no-profit organizations with a social purpose, ii) social enterprises as vehicles for social innovation and response to social needs, regardless of the legal form (public, private capital or falling within the European notion of "social economy").

According to the tradition of continental Europe, the social entrepreneurship approach is synthesized in studies and proposals of the EMES network. In this respect, these companies are the result of the collective entrepreneurship in the social economy and are defined by three groups of indicators: economic, social, and participatory *governance* (Defourny and Nyssens, 2012).

The first group of indicators considers: a) production of goods and/or services on a continuous and professional basis b) founders and owners take on a significant level of economic risk; c) the presence, alongside volunteers or beneficiaries, of a certain number of paid workers.

Social indicators include: a) the explicit goal to produce benefits for the community as a whole, or for disadvantaged groups, b) being a collective initiative, that is promoted not by a single entrepreneur, but by a group of citizens c) no or, at most, limited distribution of surplus, which is normally assigned to an indivisible fund that belongs to the owners, both during the activity of the company and in case of its dissolution.

Finally, the third group of social indicators are designed to verify the existence of a participatory *governance*, or: a) a high degree of autonomy in both the constitution and the management, b) governance entrusted exclusively or mainly to stakeholders other than owners of capital, c) enlarged participation in decision making, which can involve all or most of the interest groups in the business.

Among the countries that have institutionalized social enterprises, some have recognised them as a *welfare* actor that interacts in a structured manner with the public sector to meet an increasing and diverse social demand (Galera and Zandonai, 2012). Despite the differences in welfare state model and the role of sectoral organizations, these countries include Italy in the first place, but also Belgium, Finland, the United Kingdom (Figure 2), Portugal, Spain, France and, recently, Poland and Slovenia.

Fig. 2 – European Legislation on Social Enterprises

Country	Legal forms used	Profit distribution	Governance	Entrepreneurial model	Definition of social aim
Belgium Law of April 13, 1995	Limited company Limited liability cooperative society Private limited liability society	Redistribution of profits is possible, but limited	Participatory nature		Activities that are aimed at pursuing a social goal. What constitutes a social goal results from constitutive elements foreseen by the legislation
Italy Law No. 118 of June 13, 2005	Associations Foundations Co-operatives For-profit enterprises	Direct and indirect distribution of profits prohibited	Participatory nature	Collective	Production or exchanges of services in the sectors of social and training, environmental protection, social tourism, cultural services or work integration of disadvantaged persons independently from the field of activity of the enterprise
Finland Law No. 1351/2003	All enterprises regardless of their legal form and ownership structure	Distribution of profits allowed with no constraints	Participatory governance not envisaged	Not relevant	Social enterprises have to employ at last 30 percent of people with disabilities and long term unemployed
UK CIC regulation 2005	Enterprises regulated by Companies ACT of 1985	Partial distribution of profits allowed	Participatory nature	Collective and individual	Wide range of activities that correspond to the needs of communities. Social definition assessed by the regulator

Source: Galera and Borzaga (2009)

The Italian model, often indicated as the traditional example of social entrepreneurship, dates back to the 70s and 80s, in conjunction with specific macro-level conditions (Marzocchi, 2012). At that time, economic constraints and structural limitations of the public administration pushed toward the rationalization of public spending on social assistance in the aftermath of the oil crisis. At the same time, the cultural orientation shifted away from the provision of services by the public sector. The social landscape was rapidly changing under the pressure of momentous reforms, such as the

closure of asylums and orphanages, and the increased demand for more tailor-made and higher-quality services. In reaction to these demands, a new reality was born, not always aware of the rapid changes occurring in Italy, including the acceptance of civil rights, such as the right to work for all, changes in family law, as well as in health and social rights.

In this framework, the Italian law on social cooperatives was passed (Law 381/1991, "Regulation of social cooperatives"). The first paragraph of the Law defines the scope of social cooperatives, i.e. to "contribute to the pursuit of the general interest of the community in order to promote human and social integration of citizens". Unlike what happens in for-profit companies and non-social cooperatives, the interest pursued by social cooperation is directed not only within the company (so-called "internal mutuality"), but also outside, and it is aimed specifically at people in need or to the entire population of the territory in which the cooperative operates (the "mutuality scope").

The *social cooperatives* are divided into two basic types (Pirone, 2012): social cooperatives "type A", for the social services, health and education's management, social cooperatives "type B", for the development of productive activities aimed for the labour insertion of the so-called subjects with physical and/or mental disabilities. The "type A" of social cooperatives deals with home care for the elderly, sick and psychiatric patients, and can manage accommodation communities and/or day care centers for children and handicapped person; as well as it deals with childcare (nurseries and kindergartens) and offer educational and recreational services for children at risk.

The "type B" social cooperatives may engage in any business activities: agricultural, industrial, commercial, trade, services, with the specificity of allocating some of the jobs created in this way(at least 30%) to disadvantaged persons, otherwise excluded from the labour market.

In addition to the two basic types, there are cooperatives defined as "mixed type" (B/A), which perform both activities on the provision of health and social services and education, and activities aimed at providing employment for disadvantaged people, social and consortia ("type C"), which are groups set up as cooperative societies with the social base represented by no less than seventy percent, from social cooperatives.

More recently, the Italian legal framework has introduced the civil status of the *social enterprise* (Law 118/2005 et seq. Decrees). This "label" has been applied to a plurality of companies, whether not-for-profit or of a commercial nature (Venturi, Zandonai 2009).

The new legislation allows carrying out business activities for the production of "goods of social value" with the purpose of "general interest". In order to assume the status of a social enterprise, it is necessary to take into consideration some important restrictions: the area of intervention (between "matters of particular social importance" such as social services, culture, education and training, social tourism, etc.); the information and the involvement of different *stakeholders* (employees and beneficiaries of the activity), the allocation of profits not to the shareholders but to the investment for the company's development; the economic and social statement of the activity.

In Belgium, the law of April 13, 1995 defined a *society for social purposes* (SSP) as a trading company that is no profit. SSPs are managed and organized as a company, develop investment plans in high-quality sectors and create jobs.

The SSP is not a new form of a commercial company, since all the existing societies can be transformed into SSP adding to their statute an extra part that contains the following additional conditions: the absence of profit; the social aim of all the company's activities; the distribution of profits in accordance with the purposes of the company; when the company brings to the

shareholders a direct benefit asset, it should not exceed the rate of interest established by law (currently 6%); each year managers should draft a report on the way the company achieved its goal (this ratio will determine whether the costs of investment, production and remuneration served to favour the achievement of the corporate purpose). The SSP, as commercial enterprises, have access to a wide range of support for economic growth, investment, innovation, research and development, as well as tax incentives.

In the year 2002, France introduced a new legal form called *cooperative society of collective interest* (CSCI). These are private individuals who work for a public/collective interest in a cooperative way that can bring together workers, users, volunteers, local and regional authorities and other partners to work together in the creation of a local development project. The goal is to produce or provide goods or services of collective interest, which area matter of social utility (the notions of public interest and social utility are not defined by law). There are at least three categories necessary to be represented in the CSCI: the worker-members, members-users and a third category defined by the cooperative according to the purpose of the project.

Introduced in Spain by the National Law no. 27 of 1999 (and Regional Laws in 12 autonomous regions between 1993 and 2003), the *social initiative cooperatives* implement two different and distinct activities: provide services in the field of health, education, culture or other activities with "social nature"; realize economic activities with the goal of providing work to integrate people who are victims of any kind of social exclusion and, in general, to satisfy social needs that are not taken into account by the market.

According to the Cooperative Code of Portugal (Law no. 51/1996) *social solidarity cooperatives* are those that, through the mutuality of their members in compliance with the co-operative principles, non-profit to the satisfaction of their social needs and their promotion and integration, thus in the following areas:

- a. support to vulnerable groups, specifically children and young people, people with disabilities and the elderly;
- b. support for families and socially disadvantaged communities looking for an improvement in their life's quality and socio-economic integration;
- c. support for Portuguese citizens living abroad during their time outside the country and after the return, in a situation of economic insufficiency;
- d. development of supportive programs aimed at target groups, or who find themselves in situations of illness, old age, disability and severe economic shortages;
- e. promoting access to education, training and professional update of socially disadvantaged groups.

In reference to the Law no. 1351/2003, Finland considers *the social enterprise*:

1. An enterprise established for the employment of people with disabilities or long-term unemployed;
2. An enterprise directed to the market with its products and/or services;
3. Must be an operator registered in the social enterprises register set up by the Ministry of Labour;
4. At least 30% of the enterprise's workers must be disabled and long-term unemployed or only disabled;

5. Wages must be paid to all workers, disadvantaged or not, according to the agreement of the general business sector to which they belong.

All businesses regardless of their legal form or ownership structure, can subscribe to this register if already registered as an enterprise in the Enterprises Register of the Ministry of Industry and Trade. Even the associations that have permanent offices and at least one employee, and they are already present in the abovementioned register may apply.

The companies admitted in the register should specify promptly in their rules of procedure, the purpose of employment of people with disabilities and long-term unemployed. Every social enterprise subscribed in the registry must take at least one disabled person. With the exception of the subscribed companies, no-one else should use the term "social enterprise" for marketing activities or in its name.

In Poland, the Law of 5 June 2006, introduced the *social cooperative*, considered a legal object focused on the social and professional reintegration of unemployed and/or disabled people through social and educational activities. Initially, members of these cooperatives had to be unemployed or for 80% disadvantaged, while the remaining 20% could be composed by other people with skills needed for the realization of the cooperative's work, part of public and private agencies and non-profit organizations (if provided in the Articles). In addition, the cooperative cannot have less than 5 and no more than 50 members (this rule is not applied for cooperatives with blind people). In 2008 it was introduced an amendment to the law that permitted to lower the percentage of disadvantaged workers in the total labor force, thus passing from 80% to 50%.

In conclusion, the European Commission, based on the initiative for social entrepreneurship (*Social Business Initiative*, 2011), has recently defined the social enterprises as a social economy's subsector (*social economy's operator*) (Ciriec-International, 2012).

Although there is no similarity in reference to the terminology between the figure of the social enterprise and what the European Commission document has defined as a *social business* (or an enterprise which has as its main objective not its owners or shareholders' profit generation, but the social impact; allocates its profits primarily to the realization of social objectives; is managed by social entrepreneurs in an accountable, transparent and innovative way, involving in particular the employees, customers and stakeholders interested in its economic activities, this does not reduce the recognized importance on the European level of the main forms of business enterprises aiming the generation of a significant impact on society, environment and local communities, in the construction of a new *welfare* and a new economic system of the Member States. The importance is confirmed, in fact, through the priorities set by the *Initiative on social entrepreneurship* (Figure no. 3): a) measures to improve access to finance for social enterprises; b) measures to improve the visibility of social enterprises; c) measures to improve the legal framework for social enterprises.

Fig. 3 – Primary Measures for Social Entrepreneurship on a European Level

Measures improving access of social enterprises to funding:

1. Develop a European legal framework on European Social Entrepreneurship Funds (adopted by the Commission 07.12.2011).
2. Support the development of microcredit in Europe (work in progress by the European Commission).
3. Create a European financial instrument of 92,8 million euro to facilitate access to funding for social enterprises (proposed by the European Commission in October 2011; will be operative from 2014).
4. Introduce an investment priority for 'social enterprises to be expressly introduced in the ERDF (European Regional Development Fund) and ESF (European Social Fund) regulations from 2014 (proposed by the European Commission in October 2011).

Measures increasing the visibility of social entrepreneurship:

1. To identify best practices and replicable models by developing a comprehensive map of social enterprises in Europe. (work in progress by the European Commission)
2. To create a public database of labels and certifications applicable to social enterprises in Europe to improve visibility and comparison (work in progress by the European Commission).
3. To promote mutual learning and capacity building of national and regional administrations in putting in place comprehensive strategies for support of social enterprises (work in progress by the European Commission).
4. To create a single, multilingual electronic data and exchange platform for social enterprises and their partners (work in progress by the European Commission).

Measures improving the legal environment of social enterprises:

1. To propose a regulation for a European foundation statute (proposed by the European Commission in February 2012) simplification of the regulation on the Statute for a European Cooperative Society in 2012. A study on the situation of mutual societies is already under way from February 2012).
2. In the sector of public procurement, propose a specific regime concerning social services: greater attention into further enhancing the element of quality in awarding contracts; possibility to taking into account, during the process of awarding contracts, of working conditions of persons involved in production of goods and services, and further enlargement of procurement options for social enterprises (proposed by the Commission in December 2011).
3. To simplify the implementation of rules concerning State aid to social and local Services (in particular by proposing a *de minimis*) (the new rules will be adopted by the Commission before the end of 2011).

Source: *Social business initiative (2011)*

2. THE RELEVANCE OF SOCIAL ENTERPRISES AS A POLICY INSTRUMENT IN ALBANIA

Given Albania's application for European Union (EU) membership, it appears reasonable to make reference, throughout this paper, to the EU framework for social entrepreneurship. The European Union actively promotes social enterprises as part of the fight against poverty and exclusion under the Europe 2020 strategy⁷. According to the European Commission's Communication on the Social Business Initiative, approximately one in four businesses founded in Europe is a social enterprise. This figure rises to one in three in Belgium, Finland and France⁸.

In an effort to include a multiplicity of country experiences and approaches, the Commission has therefore decided to opt for a set of "defining" criteria, which belong to the realms of economic, social, and governance structures⁹. Similar definitory approaches have emerged from the avalanche of empirical studies and mapping exercises that has accompanied the various attempts at documenting and bringing evidence of the economic and social potential of social enterprises in their respective region or country. The results were a wide range of cross-country perspectives with at times very little comparability, not even across Europe.

Thus, according to the European Commission, should be considered as social enterprises:

- “• businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or
- businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services”¹⁰.

Needless to say, the process of identifying a local definition and relevant entry points for social enterprises in Albania - to which this research volume is also a contribution, is an important first step towards understanding the relevance of the policy instrument to the Albanian context. As such, the research questions of this paper could be put in more simple terms, mainly revolving around the

⁷ European Commission (2011), Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation, COM(2011) 682 final, at <<http://eur-lex.europa.eu>>.

⁸ Ibid., p.3. Reference is made to a study. Terjesen, S., Lepoutre, J., Justo, R. and Bosma, N. 2011. Global Entrepreneurship Monitor Report on Social Entrepreneurship.

http://www.gemconsortium.org/about.aspx?page=pub_gem_special_topic_report

⁹ European Commission (2011), Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation, COM(2011) 682 final, at <<http://eur-lex.europa.eu>>. “The Commission uses the term 'social enterprise' to cover the following types of business:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.”

¹⁰ Ibidem.

specific socio-economic challenges that have emerged in Albania and which have pointed coherently in the direction of social enterprises as a potentially relevant and articulated solution.

2.1 Social Enterprises and Key Policy Objectives

Traditionally, social enterprises have proven an effective tool to deliver policy objectives in two key areas of social and economic policy, namely social inclusion and service delivery.

Social enterprises can facilitate social inclusion through workforce and labour market integration of marginalised individuals (eg. long-term unemployed, disabled, minorities, people with disabilities, returnees, former convicts, etc.) by combining market-oriented training and skills development through temporary and/or permanent employment in a business with a social objective that trades on the market.

With regard to their contribution to service delivery, social enterprises often operate in the provision of welfare/social and other¹¹ services to specific groups of individuals or within spatially defined regions and communities. According to the existing literature on this topic, the participatory nature of social enterprises presents distinctive advantages in relation to stakeholders' engagement in and ownership of design and delivery of these services. Their approach may offer a comparative advantage in terms of effectiveness, customer satisfaction, contribution of non-monetary resources by stakeholders and other beneficiaries, identification of gaps in service provision and piloting of innovative services that contribute to social cohesion and other policy objectives.

This explicit reference to a function and role for social enterprises in spatial development, and territorial and social cohesion justifies the legitimacy of using this policy instrument in a third important policy area, complex and multifaceted, but which could be summarized under label of "local economic development".

In the context of the negotiations around the EU accession process, such as in the case of Albania, policy instruments in support of local economic development become topical in the negotiations around Chapter 11 (Agriculture and Rural Development) and Chapter 22 (Regional Policy and Coordination of Structural Instruments) of the *acquis*. The typologies of goods and services that they provide often make social enterprise relevant to local development and to the objective, foreseen in the EU initiatives, to reinforce territorial coherence and synergies between social, economic and environmental measures. Social enterprises are often networked and interlinked in the territory and they generate positive externalities at the local level. Some of these services may be produced by other organisational forms (traditional enterprises and public sector), but often at higher costs or in a less effective ways due to contract and market imperfections (such as for instance in the case of social finance). In this context, social enterprises are characterized by multiple institutional features that are simply efficient and cost-effective in alleviating the shortcomings of public and standard business provision.

The proposed approach allows for an analysis of the role and functions of social enterprises in

¹¹ These other services are clearly identified in the relevant legal framework and vary considerably from country to country.

Albania not only within the two traditional policy dimensions (social protection/service delivery and social inclusion) but also in the framework of the discourse on place-based policies¹². Perhaps the best-known of the reports advocating place-based strategies has been the independent Barca (2009) report¹³. Naturally, social inclusion, welfare and employment policies have explicit spatial effects, even though they may be designed in a spatially-neutral manner. What is being argued in emphasizing the place-based function of social enterprises is that underdevelopment traps that limit and inhibit the growth potential of regions or perpetuate social exclusion are the result of a failure of local actors to act socially and economically in an organized manner. In other words, since most groups of stakeholders are embedded at the local level, social enterprises are better positioned to meet localised needs. They are able to increase social welfare provision at the local level through actions which increases income and employment, and promotes redistributive activities. Because of the “embeddedness” of personal linkages, the satisfaction of localised needs and of the asset lock, the activities undertaken by social enterprises are often relatively immobile. Hence they represent a more rooted and permanent source of development, which are less at risk of delocalisation compared to other traditional business activities that are more integrated in broader production systems and value chains.

2.2 Specific Policy Challenges in Albania

The table and the considerations made below look at the specific challenges that Albania faces in the three policy areas that we have identified in the previous section and that are consistent with the assessment of the relevance of social enterprises as a policy instrument. The main reference for the establishment of a benchmark is the Stabilization and Association Agreement with Albania and the Commission Opinion on Albania's application for membership of the European Union¹⁴, and the subsequent assessments that appear in the Progress Reports (2011 and 2012).

In 2009, Albania submitted its formal application for EU membership. In its Opinion on Albania's application (in 2010), the Commission assessed that before accession negotiations could be formally opened, Albania still had to achieve a necessary degree of compliance with the membership criteria and in particular to meet the 12 key priorities identified in the Opinion.

With regard to social inclusion and service delivery, the Commission's Opinion noted that:”

- Gender equality is not fully guaranteed in practice, in particular in the field of employment;
- The Roma minority faces very difficult living conditions and limited access to employment, education and social services;
- The existence of widespread informal work arrangements continues to severely distort the labour market and unemployment remains high and stood at 13.8% in 2009.”

¹² See for instance Fabrizio Barca & Philip McCann & Andrés Rodríguez-Pose, 2012. "The Case For Regional Development Intervention: Place-Based Versus Place-Neutral Approaches," *Journal of Regional Science*, Wiley Blackwell, vol. 52(1), pages 134-152, 02

¹³ Barca, F. 2009. An Agenda for A Reformed Cohesion Policy: A Place-Based Approach to Meeting European Union Challenges and Expectations, Independent Report Prepared at the Request of the European Commissioner for Regional Policy, Danuta Hübner, European Commission, Brussels

¹⁴ {SEC(2010) 1335} Brussels, 9.11. 2010; COM(2010) 680.

Policy areas relevant to SOCIAL ENTERPRISES	Recommendation in the European Commission's Opinion (2010)	EU Progress Report (2011)	EU Progress Report (2012)
Social Inclusion	<p>Gender equality is not fully guaranteed in practice, in particular in the field of employment;</p> <p>The Roma minority faces very difficult living conditions and limited access to employment, education and social services;</p> <p>The existence of widespread informal work arrangements continues to severely distort the labour market and unemployment remains high and stood at 13.8% in 2009.</p>	<p>Progress as regards the employment of persons with disabilities has been limited, particularly in the context of labour market measures to be implemented by the National Employment Service at central and local levels. Implementation of the national strategy on persons with disabilities continues to be inadequate and employment quotas are not enforced. A working group led by the Ministry of Labour, Social Affairs and Equal Opportunities is preparing a law on persons with disabilities.</p> <p>The lack of access to equal rights resulting from the differentiated status for certain groups still persists. Individuals with mental disabilities still do not have an official status.</p> <p>Unemployment affects primarily those with lower skills, young people and those in remote regions. Although Albania has continued to implement a range of active labour market measures, there are still concerns over reported abuses of the subsidised employment programmes, and expenditure for active labour market measures remains low. Informal work arrangements continue to be widespread.</p> <p>The first monitoring report on the national strategy on social inclusion 2007-2013 reflects the progress in assessing and</p>	<p>No progress was made regarding employment of people with disabilities. The Law on Employment Promotion has not been properly implemented and the employment quota has not been enforced. The framework Law on the Rights of People with Disabilities is awaiting adoption.</p> <p>There has been limited progress in the implementation of policies targeting the socially vulnerable and/or persons with disabilities, which falls under the key priority on antidiscrimination.</p> <p>An action plan for youth employment is being implemented but no action plan for employment has been adopted yet. As regards the labour market situation, the level of inactivity remains high, especially among women, as does the official unemployment rate, although it decreased slightly in 2011, to 13.3%. The actual level of unemployment is however distorted by the importance of subsistence agriculture.</p> <p>Unemployment primarily affects youth, vulnerable groups and also, as a new trend, returnee emigrants.</p> <p>Measures were taken to promote first employment of job-seekers and employment of women from vulnerable groups.</p>

		<p>addressing risk factors that accompany economic growth.</p> <p>Little progress has been made in the concrete implementation of the Strategy for the improvement of the living conditions of the Roma minority.</p>	<p>However, the total budget for employment promotion programmes in 2012 was decreased by 40% compared with 2010, leading to a reduction in the number of participants. In 2011, 4,880 people received public vocational training that is 3.5% of the total number of unemployed officially registered. Currently, there are nine vocational centres in big cities, plus a mobile vocational training centre in North Eastern Albania.</p> <p>Some efforts have been made to fight informal employment which continues to make up a substantial share of employment in Albania.</p> <p>There has been little progress in the area of social inclusion. The mid-term evaluation of implementation of the Strategy for Social Inclusion for 2007-2013 has not been finalised yet.</p> <p>No recent data exist on the level of poverty.</p> <p>Very little progress has been made on implementation of policies targeting Roma inclusion, partly due to the lack of financial and human resources allocated at the level of local government units. Roma unemployment, which was already high, has further increased.</p>
Service Delivery	The Roma minority faces very difficult living conditions and limited	In April 2011, a group of persons with disabilities staged a hunger strike to demand better conditions and increased welfare	There continues to be unequal access to rights due to the differentiated status of certain groups and the lack of official status for

	<p>access to employment, education and social services;</p> <p>The education system remains unable to equip the labour force with the skills needed by the changing job market.</p>	<p>payments. Furthermore, the system of indexing the disability allowance has been changed, resulting in decreased living standards.</p> <p>There has been some progress as regards social protection. The Law on Social Assistance and Services has been amended, expanding the categories that are eligible for economic aid.</p> <p>However, implementation of the Strategy on improving Roma living conditions continues to be slow, due to inadequate resources and insufficient coordination of institutions involved at local and central level. Local level action plans for implementing the strategy have not been developed and responsibilities have not been clearly devolved. There have been no specific budgetary allocations for the provision of critical social services for Roma and there is excessive reliance on civil society and international donors in this field. The resources of the Roma Technical Secretariat at the Ministry of Labour, Social Affairs and Equal Opportunities have not been increased. Although registration campaigns and awareness raising activities have been held, a number of Roma still lack official registration. The Roma still face very difficult living conditions and frequent discrimination, particularly regarding access to education, social protection, health, employment and adequate housing.</p>	<p>certain disabilities. Some associations of disabled persons have protested against the introduction of new criteria and procedures for disability benefits related to energy, public transport and telephone bills that were prompted by previous abuses of the scheme. The amendments to the Law on Social Assistance and Services led to the revision in February 2012 of the decision defining criteria, procedures and amounts of general social support payments, thus excluding persons with disabilities from benefiting at the same time from the economic aid and disability allowances. The Law on Pre-University Education adopted in June provides for assistant teachers in classes with children with disabilities. Until now, many children with disabilities have not been integrated into the public education system. The Law on the status of blind persons and the Law on the status of paraplegics and tetraplegic persons were amended in March 2012.</p> <p>Very limited progress was made as regards Roma inclusion, which is part of a key priority of the Opinion. The government has approved administrative decisions to facilitate birth registration procedures; however, there continues to be insufficient coordination between different institutions involved in the registration of births. Roma have benefited from the distribution of free textbooks for compulsory education but financial constraints lead to continued high rates of</p>
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Local Economic Development/Place-		There has been some progress in poverty reduction, however, pockets of persistent	Technical working groups on Roma are established in 10 regions to monitor, evaluate

based policies	<p>poverty remain in rural and mountainous areas. Unemployment affects primarily those with lower skills, young people and those in remote regions.</p> <p>There were some developments in local government legislation. In November 2010, Parliament approved amendments to the Law on Local Government Taxes, giving local government units a mandate to reimburse small businesses for the cost of purchasing and installing fiscal devices.</p> <p>The increasingly difficult relationship between the DP-led central government and the majority of SP-led local government units has continued to impact on the process of decentralisation reform, which had previously been successful. The management of local government taxes remains weak. Local government authorities continue to lack the administrative capacity to improve revenue collection, increase their fiscal autonomy and improve their performance accordingly. Several local government units were unable to approve the 2010 municipal budget - a situation which continued during 2011. The access of local government units to loans, as provided for by the law on local borrowing, remained limited.</p> <p>Some progress has been made in the area of quality policy, in particular regarding preparations by the authorities for the introduction and promotion of geographical indications.</p>	<p>and make plans to improve Roma living conditions. However, local government units are still insufficiently involved and aware, with critical services for Roma still being largely provided by civil society organisations and financed by international donors, which may put into question their sustainability in the medium term. The Roma still face very difficult living conditions and frequent discrimination, particularly regarding access to employment and adequate housing, leading to marginalisation. Central and local governments need to develop intervention plans to address forced evictions and ensure alternative housing for families in vulnerable situations.</p> <p>There has been some progress in the areas of regional policy and coordination of structural instruments.</p> <p>Considerable efforts are needed to establish the necessary institutional and administrative capacity at central and local levels and to develop a pipeline of mature and quality projects. Overall, preparations in this area are still at an early stage.</p>
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		<p>Overall, there has been limited progress in the area of regional development and coordination of structural funds. Considerable efforts are needed in order to establish the necessary institutional and administrative capacity and to develop a mature pipeline of projects in the area of regional development. Preparations in this area are still at an early stage.</p>	
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2.3 Planning a Policy Response and Selecting a Policy Instrument

The choice of social enterprises as a policy instrument in Albania will depend on how the specific socio-economic challenges, policy goals, targets and indicators are read by policy-makers and duty-bearers.

The European Commission's opinion and Progress Reports place a lot of emphasis on a rights-based approach to be extended from the central to the local level. Special emphasis is given to certain vulnerable groups as targets of social inclusion and employment measures, particularly with reference to active labour market programmes. Lamentable lack of progress is signalled with regard to persons with disabilities, members of the Roma community, and women. They lack access to basic services and they seek to have voice and representation into how these services are designed and administered. Main categories that appear to be underserved are young people (particularly in rural areas), long-term unemployed, and returnee migrants.

Thus, the emergence of social enterprises in Albania, and the range of goods and services they produce, is evolving against this institutional backdrop of welfare state reforms, pushed both by inefficiencies and budget constraints. Moreover, there are indications of a progressive move towards a mixed economy of private, public and third sector providers. The revision of the Law on Social Assistance and Services, enacted in February 2012, led to changes in the decision defining criteria, procedures and amounts of general social support payments, which also created a lot of resentments.

It would be fair to assume that the Government of Albania is setting specific policy targets in the area of social policy, particularly in the context of the preparation of the new National Employment Strategy (2013-2020), the new Strategy on Social Inclusion and Social Protection (2013-2020), and of the overall national strategy, which will replace the NSDI (National Strategy for Development and Integration) starting from 2014.

It is reasonable to expect that the Government will try to:

- i) Increase the overall number of unemployed job-seeker participating in active labour market measures (in 2012, 5,698 registered unemployed jobseekers participated in active measures, including vocational training. This is about 4 % of the 141,843 registered unemployed people at the end of 2012¹⁵);
- ii) Reduce the share of long-term unemployment (51% in 2012, one third of them being unemployed for more than 3 years; many of them low-skilled or unskilled and over 40 years of age);

¹⁵ There seems to be a negative trend in the number of people who can actually be covered through active labour market measures to facilitate labor market integration. In 2009, the number of people who participated to the training programmes organized by NES was approximately 6,600 at a cost of roughly US\$ 200 per person trained. This is out of a total number of registered unemployed registered of 144,766 (50.8 per cent women). Young people 15 to 24 represented 19.8 per cent of the total number of unemployed. At the end of 2009, the share of young unemployed belonging to vulnerable groups (Roma people, women trafficked, persons with disabilities and others) was 4.8 per cent of all youth registered. Data on the provision of employment services to returning migrants were not available.

- iii) Reduce the share of youth employment. Young people are twice more likely than adults to be unemployed (30.5 % according to the 2010 Labour Force Survey);
- iv) Increase women's participation in the labour force¹⁶;
- v) Reduce the share of informal employment¹⁷.

While there is a general lack of data at all levels, which makes it difficult to clearly point out and analyse specific needs of vulnerable groups, there are a number of pieces of legislation, including Laws and Decisions of the Council of Ministers, which identify very large groups of vulnerable individuals. Lack of data to assess the actual level of vulnerability and social exclusion through a composite measure prevent policy-makers and administrators from applying narrow criteria to the selection of beneficiaries of programmes. Lack of data and measures of actual vulnerability/human insecurity affect also the ability of institutions to monitor the implementation of measures and assess the impact on beneficiaries, which makes it even more difficult to maximise the use of limited resources available for programmes and support.

As a result, categories of vulnerable people to be targeted with social inclusion measures and increased service delivery will probably remain broadly defined in the policy and strategic documents under preparation. In particular:

i) People with disabilities¹⁸

The implementation of the objectives of the UN Convention requires, among other elements, investments in services, such as the reconstruction of facilities for occupational rehabilitation, the implementation of pilot social employment projects, and the efficient use of employment mediation services etc.

ii) Roma and Egyptians

Many countries, including Albania, often encourage central and local governments to establish specific budgets for Roma and Egyptians, for critical services and support facilities, mediators, etc. Some innovative approaches look more carefully into investing through the general municipal budget for guaranteeing a minimum level of services to all citizens, regardless of their "ascribed" group. Specific funding should then go into financing "additional measures" to overcome barriers that prevent certain individual citizens from

¹⁶ As pointed out also in the Commission's Opinion, there is a striking difference between men's and women's performance in the labour market. The labour force participation of women □ despite an upward trend since 2001 □ is on average several percentage points lower than men (51.8 per cent for women and 73.3 per cent for men and 59.2 for women and 72.3 for men, in 2009 and 2012 respectively). Women's employment rate is also declining (from 49.3 per cent in 2007 to 43.6 percent in 2009) and considerably lower than men's (63.5 per cent in 2009). Another key feature of the Albanian labour market is the high share of discouraged workers, which in 2009 accounted for 16.1 per cent of all inactive people. In the same year, roughly 74.3 per cent of all discouraged workers were women.

¹⁷ Engagement in the informal economy in Albania is associated with low earnings, poverty and vulnerability. The data of the LFS of 2009 indicate that approximately 55.8 per cent of all employment was in informal economy. Such figure includes all persons working as contributing family members, all wage-employees for whom social security contribution went unpaid and all the self-employed (in the private, non-agricultural sector) with less than five employees. Young employees are more exposed to informality than adults, and men more than women. In 2009, 46.2 per cent of all young male employees were informal workers.

¹⁸ The total number of people with disabilities was 142,123 in 2012.

accessing the service (it could well be the result of compounded vulnerabilities, and not only ethnicity).

- i. Vulnerable Women
- ii. In general terms, women at risk of exclusion and marginalization are those exposed to the consequences of the existing urban/rural divide, women from ethnic minorities, women head of households, and those with disabilities.
- iii. Children at risk
- iv. Among the groups at risk of social exclusion are mainly working street children, children in conflict with the law, poor children, Roma children, children who have been subject to violence and trafficking, children involved in the phenomenon of the blood feud, disabled children and children living in rural areas.
- v. Disadvantaged youth
- vi. Young people are generally disproportionately more at risk on the labour market. They need specifically targeted measures that look at the nature of the labour market disadvantage. Investment should go into the extension of programmes for young people who are drug users in order to cover all the country, and provide for the needs of youth, especially for employment and housing.
- vii. Internal migrants who moved from rural to urban areas
- viii. Despite progress made, including the creation of the legal framework, only a small number of returned Albanian citizens who registered at the Migration counters has found employment. Measures are needed to improve the provision of information and to ensure the smooth integration of migrants into the labour market. In terms of transition, a large proportion of people have moved from rural areas to urban or suburban areas. Often, these movements have forced them to face some new difficulties arising due to lack of infrastructure, housing, different services, difficulty to be included in the labour market, etc.
- ix. Elderly people¹⁹
- x. Available data indicate that many elderly people face socio-economic difficulties and live under the poverty line. Recent government policies have focused on occasional reviews of pensions (urban / rural), but they need specialized services, such as home care and health support services.

While service delivery and social inclusion remain the dominant rationales for support to social enterprise development, an enabling environment for social enterprises can represent a viable tool to contribute to social cohesion and implement place-based policies.

¹⁹ The group of people over 65 years amounts to 231,363, or 7.54% of the total population.

The European Commission's Opinion does not outline any specific priority with regard to local economic development and place-based policies. However, the approach seems to become increasingly relevant in the assessment carried out through the EU progress report, particularly with regard to increasing scope and quality of service delivery at the local level and the interventions on the governance of the local labour market. The latter is revealed to require heightened attention particularly in rural and marginalized areas. With this emphasis on decentralization and combined responsibilities, social enterprises could avoid market segmentation with regard to the services extended to particular groups.

Key policy objectives under the territorial cohesion pillar would fall squarely within the purview of social enterprises. They may revolve around:

- Increase efforts and public investment to diversify economic activities in rural areas;
- Expand vocational training opportunities for low-skilled individuals in rural areas, also through the promotion of associations;
- Reduce inequalities in the access to basic services between centres and peripheries of the city, between rural and urban areas and between rural and mountainous areas;
- Establishment of integrated service systems at regional/ local level based on the social service standards for all vulnerable groups (PWD, children at risk, women in need, youth in need of social services, elderly) and to identify and address the problems and needs of social care services;
- A higher involvement of local government and civil society in the planning and delivery of social services and, in this context, strengthening the capacity of local and regional structures in areas that include the identification, management, monitoring and evaluation of the system of social services providers;
- Increasing responsibility by local government for the financing and the continuity of services, guaranteeing sustainability.

2.4. Some Preliminary Conclusions

The literature on recent approaches to the role of social protection systems within economic development shows that in medium- and low-income countries, social enterprises can be used as innovative tools for increasing the effectiveness of social and development policies. It is important to bear in mind that, in their widest sense, social protection systems can include social services, the supply of public goods, such as education and health and active labour market policies. Furthermore, as new needs and new forms of poverty have emerged, the boundaries of this area of intervention have been extended: from traditional humanitarian reasons, they have acquired more complex implications to the point where they examine how an integrated social protection system can guarantee the rights of citizenship and the empowerment of citizens²⁰.

²⁰ Stephen Devereux and. Rachel Sabates-Wheeler. (2004) Transformative. Social Protection, IDS. Working Paper 232,, Brighton: IDS. The objectives can be divided into four different areas: i) protecting against deprivation (for example, by introducing safety nets to counter poverty, by providing social services); ii) preventing poverty (for example, by providing risk insurance instruments such as unemployment benefits, health

According to some scholars, the Paris Declaration has directed research towards economic analysis of new solutions that increase the effectiveness of aid policies and combat poverty. By moving in this direction, development theory has adopted a practical approach which aims to promote economic policy measures based on the ability to provide real improvement in the lives of beneficiaries. As a result, a new generation of instruments is emerging, including social enterprises.

The choice of social enterprises as a policy instrument in Albania will naturally also depend on how different actors, public and private, read and interpret their role in responding to the policy challenges that were outlined in the previous section. Whether this debate takes place among policy-makers at the national level and/or among civil society organization seeking to offer innovative solutions to traditional problems (possibly between these two groups), the fact remains that it is the problem to drive the policy response and the predisposition of the policy instruments. The role of civil society in addressing socio-economic challenges is pretty well established in post-Communist Albania. From a policy perspective, most countries have faced a common policy impasse. The failure of neo-liberalism to address structural problems of poverty and social exclusion has led many governments to look closely to civil society initiatives as solutions to these difficulties. In many cases, these initiatives are rooted in the tradition of these societies. Albania needs to make the most out of its own tradition of cooperation and mutual support, while of course learning from some of the good practices that the process of EU integration will bring to closer reach.

The use of social enterprises as a policy instrument will also weight toward the recognition of the role of the private sector as “part of the solution” (rather than as part and cause of the problem!). Albania had already had a go at better framing the role of business in society with a stint (starting around 2004)²¹ at promoting corporate social responsibility through the Global Compact. More recently, Law no.10376 (dated 10.02.2011) on the establishment of companies “fostering social business”, provides further orientation on the public sector’s expectations²² with regard to the role of the private sector in providing solutions to societal problems. These attempts point to the need for additional policy instruments, but do they look at adequate ones? In the definition of social business, as defined in the Albanian legislation, we seem to miss the notions of democracy and participation that is inscribed in the definition of social enterprises. Social businesses still reflect a pyramidal notion of business management with a top down approach to addressing issues.

Of the three lenses that we can use: social inclusion, service delivery and local economic development (place-based), the latter seem to serve better the initial stages of social enterprise development.

insurance); iii) promoting opportunities/capabilities (for example, using microcredit, active employment policies); iv) transforming the behaviour and status of socially vulnerable groups (for example, with programs aimed at empowerment, respect for the rights of citizenship, increasing voice and accountability).

²¹ Dates here are rather arbitrary, as they refer to the launch of projects in the framework of the Global Compact.

²² The social business company is organized only in the form of Joint Stock Company with state contribution. The state as member is represented by the Ministry of Finance. Administrative council is chaired by the Minister of labor and social affairs. The administrator is appointed and dismissed with the Decision of the Council of Ministers.

The success of territorial measures to establish social enterprises is linked to the practical responses it can provide to two emerging important dynamics in Albania: the decentralization process and the path toward EU accession. Social enterprises can reinterpret and, to some extent, advance certain aspects of the decentralization process. They can succeed not only in putting in place local concentration, but also in giving it adequate institutional anchoring for future sustainability. They give local actors an essential role to play on the local labour market, particularly if they generate local economic development interventions that focus on productivity upgrades for small and micro-enterprises. Some regions of Albania (Kukes, Shkodra and Lezha) are already familiar with this approach as they have implemented (or are currently implementing) Territorial Employment Pacts. In a prospect of EU integration and approximation of the *acquis communautaire*, social enterprise can support the transition to formalization in agriculture. Social enterprises can respond to a real and diffused local need, by iterating their activities between two groups, the micro/small enterprises and the economy of proximity, where the needs for “decent work” for the most vulnerable people and formalization are particularly prominent. This is particularly true in the agricultural sector, but can also happen in agro-processing, handicraft, and small trade. Traditionally, instruments for local economic development and promotion of local enterprises only deal with activities that are market-oriented. They tend to overlook economic activities that normally happen in a context of survival economy but are extremely important for the community. The social enterprise model, rather innovatively, draws attention to this dimension. If policy makers would impose a market-oriented approach to all the economic activities of very marginalized areas, this would come at high financial and social (and environmental) costs. Other experiences where big enterprises were lured in to replace the actors in the economy of proximity have proven to be very costly and with a high risks of rejection. The local economic development intervention has both an economic and a social dimension and together these two build the social inclusion dimension.

As described in other parts of this volume, there are objective difficulties in Albania with regard to advancing the notion of social enterprises. Public service delivery and contracting out is not well defined at present. Some patterns of local cooperation exist between local municipalities and NGOs/social enterprises but the expectations are hard to fulfill. Some potential social enterprise may be forced to close business because of a lack of competitive strategy. As described above, government strategies and attitudes have just started to be formulated about enterprise development and vulnerable groups/service delivery, and social enterprises have not yet gotten the right place in the policy debates. A national definition will have to be inserted in the legal framework: shall it be normative or positive? Shall it describe what social enterprises should be or rather take capture the reality of what is happening already on the ground?

The results-based approach and experimental research are the recommended methods for finding out which measures work and which social innovations should be introduced. This volume goes into that direction. From the policy perspective, having looked at the relevance of this policy instrument, the next steps would want to assess feasibility, desirability, and affordability of social enterprises in Albania’s policy context. This paper has not reviewed the issue of resources and indicators related to total public spending on social protection as % of GDP or expenditures for social transfers as % of total budget. Trends in the region are not very encouraging and policy makers may decide to take them as an argument in support of social enterprises.

3. SURVEY ON SOCIAL ENTERPRISES IN ALBANIA

3.1 Objective of the Survey and Methodology

This survey aimed to identify social enterprises in Albania, their geographical location, as well as their economic and social impact, their operational model and their future perspectives. The analysis has been basically driven by available survey data. They have been collected through a structured online questionnaire in a long range survey launched in July 2012 by the Steering Group of ASE Forum.

The full text of the questionnaire is available at the end of this volume as Annex 1.

Through sections of the questionnaire used, information have been gathered about:

- the type of social enterprises: provider of goods and services, or devoted to social integration and work integration;
- areas in which social and non-social services are provided;
- beneficiaries of these services;
- the consequences of the global economic crisis on the activities of the organizations, the reduction of donations;
- contribution from the beneficiaries and the sustainability of economic activity;
- beneficiaries of social and work integration;
- organization's employees and volunteers;
- cooperation with other similar organizations and with authorities;
- the future perspectives of the organizations.

Collected data have been presented in advance at a national conference in October 2012²³

Sampling and data collection. From population definition to sampling

In statistics and survey methodology, sampling is concerned with the selection of a subset of individual cases from within a statistical population to estimate characteristics of the whole population, and successful analytical practice is based on focused problem definition. In our sampling, this included defining the population from which our sample had to be drawn.

As our study aimed to reveal the trend, status, profile, features and the role of potentials enterprises in Albania, our population of interest consisted of a set of about 900 organizations (associations, centres and foundations) exercising an economic activity of social purpose²⁴., listed in the 2010 NIPT Directory of the Ministry of Finance²⁵. Due to the scope of the analysis, Political parties, Trade Unions and Religious Administrative units were excluded from the original database, consisting of 1.651 units.

23 ASE Forum, Ndërmarrja Sociale në Shqipëri, Tirana, 23 tetor 2012

24 Law no. 8788 dated May 7, 2001.

25 Directory fully available at www.fint.gov.al.

As the survey was designed to be web-based, as a minimum requirement the research administrators insured that such organizations could be contacted – as minimum “technical” requirement – at least through email address or offer some other chance to be contacted in order to collaborate and participate to the survey. Email addresses were taken and cross-checked from the following official sources:

- AMSHC (www.amshc.gov.al);
- TACSO Albania (<http://www.tacso.org/project-org/Albania/?id=18>);
- MPÇSSH (www.mpcs.gov.al).

Along with the survey objectives, the selections was reserved to organizations matching the definition given by the Social Business Initiative²⁶: the European Commission uses the definition of “social enterprise” to identify the following types of business:

- *businesses* providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or
- businesses with a *method* of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalization) but whose activity may be outside the realm of the provision of social goods or services.

The organizations responding the questionnaire were over one hundred, eighty of which have been considered valid cases.

These choices raised many issues, ambiguities and questions that could otherwise not to be taken properly into account in the analysis.

Sampling as an outcome: from non-probability to accidental sampling

In our survey, sampling has been the outcome of different casual factors that will be illustrated in detail below. Those factors are anyway far from represent a random selection, therefore producing what has to be considered, under a statistical point of view, the result of a non-probability sampling.

Whereas in a probability sampling every unit in the population has a chance of being selected in the sample²⁷, in a non-probability sampling (our survey outcome)²⁸ some elements of the population have no chance of selection (these can be referred to as “out of coverage” or “under covered”), or the probability of selection can’t be accurately determined. The selection is based on assumptions regarding the population of interest, which forms the criteria for selection.

26 EU COM (2011) 682, 25.10.2011.

27 This probability can be accurately determined producing unbiased estimates of population totals, by weighting sampled units according to their probability of selection.

28 Non-probability sampling methods include accidental sampling, quota sampling and purposive sampling.

Hence, as the selection of elements is non-random, non-probability sampling does not allow to estimate how accurately the sample group represents the entire population. These conditions give rise to exclusion bias, placing limits on how much information a sample can provide about the population. Information about the relationship between sample and population is limited, making it difficult to extrapolate from the sample to the population²⁹.

In our survey, accidental sampling (sometimes known in statistical theory as grab, convenience or opportunity sampling) is an outcome, due to the sample being drawn from that part of the population involved in the online survey.

Moreover, as most organizations have been contacted via email and the questionnaire was web-based, diffused and responded³⁰, we can easily argue that in our analysis at least *technology* – i.e., a technology-friendly attitude of the respondents – may have determined some selection and a substantial bias in the database. Another possible bias in the participation rate might be related to the public *visibility* the organizations gained through the opportunity of participating the survey; but the research might also suffer from the opposite phenomenon, due to the natural *discretion* in which some organizations operate: our hypothesis lies in a statistically *normal* distribution of such cases, i.e, a compensation between visibility and discretion is expected.

As noted above, from a theoretical point of view the researcher using such a sample could not scientifically make generalizations about the total population from the sample because it would not be representative enough. In fact, in our analysis the resulting “technology” bias can be easily considered negligible or insignificant – for some different reasons:

1. in order to properly focus the field of analysis, there have been controls within the research design which lessened the impact of the resulting non-random convenience sample, ensuring the results are more representative of the population: direct and indirect contacts – direct encounters, interviews and phone calls – have been activated in order to properly weight the sample and minimize the risk of under coverage of the phenomena of interest;
2. according to the researcher’s experience, there is no good reason to believe that the survey resulting sample would or should respond or behave differently than a random sample from the same population; and, last but not least,
3. the questions being asked by the research could adequately be answered using a convenience sample.

29 About sampling – theory and practice – best recent references are Groves (2010), Moore and McCabe (2005), Freeman et al. (2007).

30 About a quarter of the respondents compiled the web questionnaire, while the remaining three quarters replied the email invitation to participate the survey by sending back the compiled questionnaire as an attachment.

Data and error processing

In order to minimize errors and set up a reliable and effective database for the following analysis, data collection involved four necessary elements:

- Following the defined sampling process;
- Keeping the data in time order;
- Noting comments and other contextual events;
- Recording non-responses.

Survey results are typically subject to some error. Total errors can be classified into sampling errors and non-sampling errors, the term “error” including systematic biases as well as random errors.

As concerns sampling errors and selection biases, as shown in the above paragraph they may well be considered induced by the research design itself, and therefore deliberately accepted as negligible in our analysis.

Non-sampling errors are other errors which can impact the final survey estimates, caused by problems in data collection and processing. Under a theoretical point of view, they include the items below, listed together with some indications about the way they have been faced in the analysis:

1. Over coverage (i.e., inclusion of data from outside of the population of interest): inherent to the research design itself, this risk involved surveying also organizations which could have not been considered *prima facie* as potential social enterprises. However, in line with the research objectives, it was a risk to be taken because these data could offer useful complementary information in the analysis and could represent also an implicit control group for cross-checks.
2. Under coverage (sampling frame does not include elements in the population): as noted above, this risk has been faced and virtually solved at the data collection stage, by means of sample extensions and direct interviews, the latter being also widely used in the final part of this volume in order to better clarify some qualitative aspects which could be undercovered or ambiguous in the questionnaire responses.
3. Measurement error (i.e., when respondents misunderstood a question, or found it difficult to answer): once again, assistance to the respondent organizations has been given by the researchers and the interviewers involved in the process;
4. Processing error (mistakes in data coding): data collecting, coding and encoding in this study has been a collective, verified and cross-checked work;
5. Non-response (failure to obtain complete data from all selected individuals)³¹: most cases have been addressed through follow-up calls by the survey administrators – of course, when the answers could be significantly different from zero.

³¹ There are two major types of nonresponse: unit nonresponse (referring to lack of completion of any part of the survey) and item nonresponse (submission or participation in survey but failing to complete one or more components/questions of the survey); see Berinsky (2008), Dillman (2002) and Vehovar (2002).

Database and data treatment

Survey data, collected in an effective spreadsheet reporting all available information, have finally be submitted to the research group for first preliminary evaluations.

Then they have been analyzed in terms of descriptive statistics (i.e., frequency distribution of cases and variables, percentage changes and compositions, ratios, etc.).

Evidence by descriptive statistics has been collected in friendly readable tables and graphs, which represent the statistical base of this research report and are presented and commented in the following paragraph 2.1.

The evidence from survey data has been integrated and completed by further direct interviews, reported in paragraph 2.2.

Paragraph 2.3 includes a synthetic survey overview and some tentative conclusions.

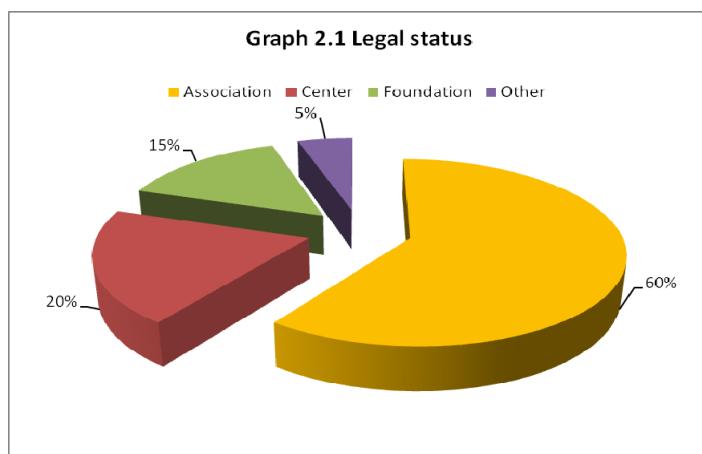
Other scientific contributions in the volume report useful evidence from this survey.

3.2 Results of the survey

3.2.1 Evidence from the Survey Data

General information and details – Profile of the respondents

One-hundred and four organizations from all over Albania responded to our questionnaire, but only eighty responses were accomplished or matched the survey criteria³² and therefore considered valid. Law No. 8788 of 2001 on “Non-profit Organizations” defines three categories of non-profit organizations: associations, centers and foundations. The main distinction between them consists mainly on how the NPO is created and structured: associations are NPOs with membership whereas foundations and centers are organizations without members created by one or more people or by testament. As shown by Table 2.1, from a legal point of view most of them are associations (48), followed by centers (16) and foundations (12). In the “other” category the organizations were included in the analyzed sample because of their activity and their field experience. Three of them are Reciprocity Cooperation Societies, SH.B.R³³, one organization has still its registration in progress.



Most of the organizations registered and therefore assumed full legal status after 2001.

Table 2.1 - Legal status	Registration Year			
	after 2001	before 2001	n.a.	Total
Association	26	22		48
Center	9	3	4	16
Foundation	10	1	1	12
Other	2	1	1	4
Total	47	27	6	80

There is not a homogeneous geographical distribution of the various organizations.

³² Public institutions were among these.

³³ Reciprocity Cooperation Societies - *Shoqëri të Bashkëpunimit Reciprok*, SH.B.R., as defined by Law no. 8088 dated 21.03.1996 modified by Laws no. 9039, dated 27.3.2003 and no. 9747 dated 31.05.2007

The following table on the distribution of potential social enterprises by region shows a strong presence of respondents from Tirana (31), Shkodër (22), followed by Elbasan (8) and Lezha (4). If the high number in Tirana region is justified from it being the economic capital of Albania and the first vehicle of innovation in the country, the relatively higher number of respondents from the Shkodra region may point out a correlation with the local mobilization, the raising awareness and sensitization interventions carried out in this area by the ACLI IPSIA and Albanian Social Enterprises Forum (ASEF). It is to be taken into account also the fact that the regions that had a larger number of participants in the survey are those in which international cooperation has heavily invested in terms of development projects, in recent years, and social entrepreneurship can be an instrument to give sustainability and continuity to the interventions designed or supported by international actors.

Table 2.2 - Regional distribution	Frequency
Berat	3
Dibër , Kukës , Tiranë	1
Durres	1
Durrës	1
Durres, Shkodër, Tiranë	1
Elbasan	8
Fier	1
Gjirokaster	4
Korçë	1
Korçë	4
Korçë, Tiranë	1
Lezhë	4
Lezhë , Shkodër	1
Shkodër	17
Shkodër, Tiranë	2
Tiranë	25
Tiranë,Lezhe, Shkoder, Berat, Vlore	1
Vlorë	4
Total	80

The organizations based in more than one city are 7, the organizations that currently extend their activity to more regions are more than 50%. These data indicate the ability of these entities to understand needs and to organize interventions even in regions away from their operating headquarters and, on the other hand, the difficulty to strengthen their structure in order to have more stable presence which can be coordinated simultaneously in multiple regions.

Table 2.3 - Geographical distribution		Frequency
The organization also operates outside of the region where the head office is located		45
The organization operates only in the region where the head office is located		33
Total		78

Mission

In an attempt to identify the Albanian model of social enterprise and to have an idea of the direction in which social entrepreneurship could move in the near future, it was asked the respondents if their mission is “social services and/or goods” or “social and work integration”. About half of respondents – 39 out of 80 – declared both missions, 30% only social services and/or goods and 24% social and work integration for categories of people considered at-risk.

Table 2.4 - Mission		Frequency
Providing social services and/or goods (Exercises a stable economic activity, having as objective the production and exchange of goods and/or services that will benefit the general interest of the entire community)		24
Social and professional integration (One of the objectives is the social and professional inclusion of disadvantaged people risking social exclusion and marginalization)		17
Both		39
Total		80

Goods and services supplied. Mission in detail, core business

Graph 2.2 shows in detail the type of services offered by the associations who declared to provide social services or goods. The question, which had the possibility of multiple choice answers, registered a high frequency of response (280). Almost all organizations declared to offer more than one kind of service. There were few exceptions in the case of associations who offered just one type of service: one who operates in the area of vocational training and the other on environmental promotion and protection services. Fifty-one associations declared to offer social services³⁴. The second most frequent service offered is “vocational training or specialization courses”, followed by other activities such as: educational services for children, complementary educational services and social and community animation services. Many of these additional educational services (post school, summer school, etc.), work against school dropout and for school integration of disadvantaged children are often organized in cooperation with local public educational institutions. Moreover, twenty-two organizations offer health care assistance (mostly home care services, elderly assistance). This could be an area where the emerging social enterprises in the future could focus more. There is an important number of organizations who offer services related to cultural naturalistic heritage promotion, thanks to partnerships with international organizations aimed

34 "Social services" are the whole range of services provided to individuals or groups in need who, with their own resources, are unable to meet their life needs in order to preserve, develop, and rehabilitate individual abilities for fulfilling emergency or Chronic needs" (Law No. 9355 of 10.03.2005 , On Social Assistance and Services, Art. 4 point 5).

at promoting local and national heritage. To a lesser but non negligible extent, there is a progressive diffusion of activities related to the care of the environment (various initiatives related to recycling, use of renewable energy, environmental education) and sustainable tourism.

Finally, nineteen organizations provide services for the recovery and integration of trafficking, exploitation and domestic violence victims.

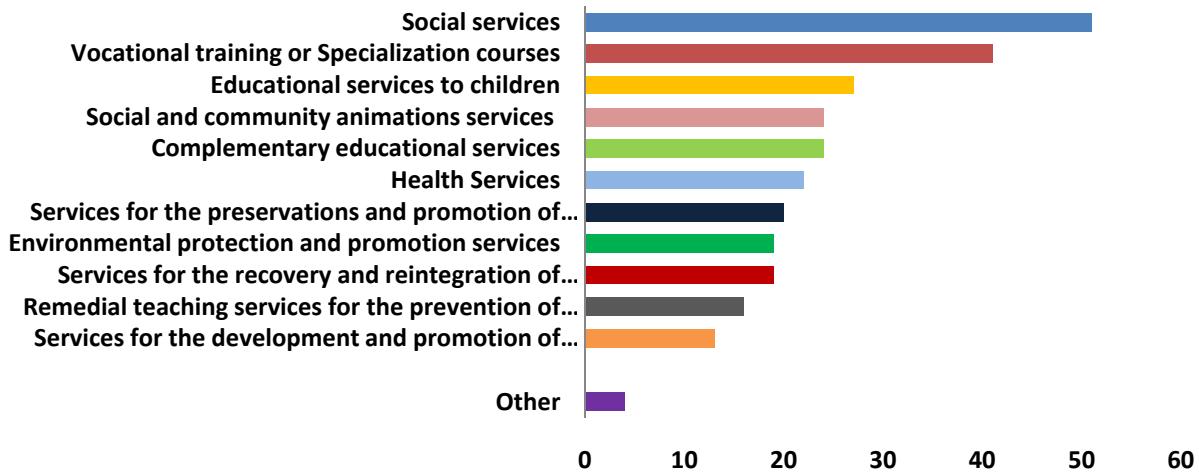
In the “other” category there are some organizations specialized in delivering technical support services consisting in empowerment, promotion and network building.

It should be noted also an organization supporting the social reintegration of persons involved in blood feuds, a phenomenon still present in some areas of the country³⁵.

Table 2.5 - If the organization's mission is providing social services and/or goods, what are these services? (MULTIPLE CHOICE)	Frequency
Social services	51
Health Services	22
Complementary educational services	24
Educational services to children	27
Social and community animations services	24
Vocational training or Specialization courses	41
Remedial teaching services for the prevention of early school leaving and school reintegration of disadvantaged children	16
Environmental protection and promotion services	19
Services for the development and promotion of responsible and sustainable tourism	13
Services for the recovery and reintegration of trafficking, exploitation and domestic violence victims	19
Services for the preservations and promotion of cultural heritage	20
Other	4
TOTAL	280

³⁵ Blood feuds could be categorized as an Albanian phenomenon. The Committee of Nationwide Reconciliation (CNR) is the national authority approved by the government and recognized by international organizations and institutions.

Graph 2.2 - If the organization's mission is providing social services and/or goods, what are these services?
 (multiple choice, absolute values)

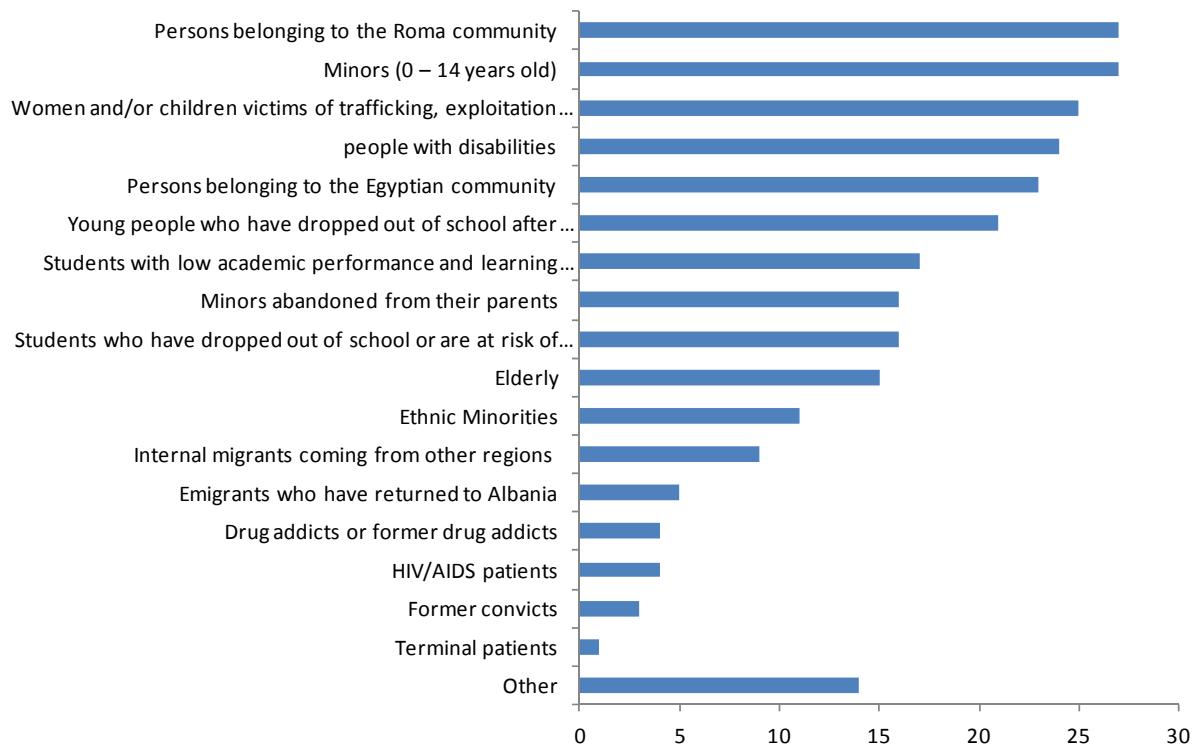


The beneficiaries of the services belong to very different categories. In the first place it is minors (27 organizations) to whom are offered various services such as animation and early schooling. Sixteen organizations having structures, mainly foster homes, shelter minors abandoned by their parents. An important percentage of beneficiaries is represented by students with low academic performance and learning problems, a phenomenon veiled by various forms of discomfort persists, especially in rural areas and large urban suburbs. where the concentration of internal migrants is higher.

Many organizations work with ethnic and linguistic minorities: 27 of them are actually working with the Roma community, 23 with persons belonging to the Egyptian community and 11 with other communities. Other 25 organizations all over the country work with women and/or children victims of trafficking, exploitation and violence; 24 organizations offer their services to people with disabilities.

Fifteen organizations have indicated “other” categories of beneficiaries; this includes organizations who offer assistance and consultancy services to farmers, artisans, small entrepreneurs, people involved in blood feud and to convicted women.

Graph 2.3 - Who are the beneficiaries of the services?
(Multiple choice - absolute values)



As by Graph 2.4 , the majority (52%) of the organizations in 2011 were offering their services to more than 100 beneficiaries. The same graph allows us to have a compared vision of the variation of the number of beneficiaries from the beginning of the international economic Global crisis (2008)³⁶. There were no major changes, although, as we shall see later, there is a reduction of funding for major donors.

³⁶ In 2008 the effects of the global crisis became more evident; for this reason this year has been conventionally chosen as reference point for the related section in the questionnaire.

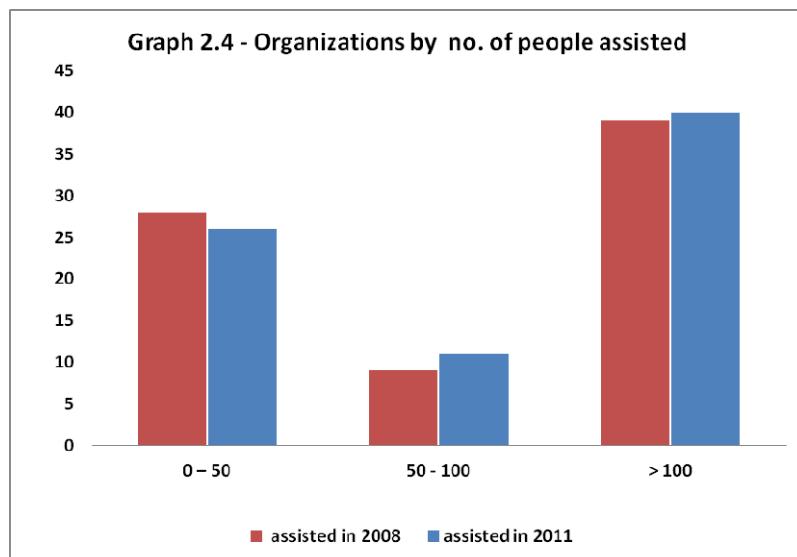


Table 2.6 reports the activity sectors of the organizations who offer other than social services and/or goods social services.

The highest frequency is shown by manual labour and crafts³⁷, i.e. traditional crafts, loom, woodworking or stone products. These activities employ a wide range of beneficiaries, mostly victims of human trafficking, ethnic minorities and people with disabilities.

The second most frequent activity resulted tourist services: eleven organisations offer this kind of services. These activities consist of managing hospitality facilities, creating itineraries for sustainable and responsible tourism, preparing turistic guides and producing informative material. Then comes microcredit/microfinance activity, providing soft loans for start-up to small economic activities or supporting local entrepreneurs.

Other organizations are active in the primary sector (14 organisations); eight of them collecting and processing of agricultural and/or sheep-breeding products and other six in collecting and processing aromatic and/or medicinal herbs. In Albania the agricultural sector has traditionally been the most important in the national economy. After the fall of the communist regime, the process of rapid and massive abandonment of arable fields and the deep fragmentation of land ownership put into great crisis this sector. Nowadays these organisations face big inherited problems when it comes to enhancing agricultural production and market. Nonetheless, these organisations are an example of how many interesting opportunities can be created by social entrepreneurship concerning networking of producers, quality certification, developing bio-products and slow food initiatives.

³⁷ This is relevant evidence, as new policies by the Ministry of Economics, Trade and Energy deal with “creative economy” as one of the most dynamic sectors in terms of local development and new jobs. According to a recent GiZ study (2011), the “creative economy” contribution to Albanian GDP amounts to 0.5 to 1%, with 3,500 jobs (0.5-1% of total employment). See <http://www.mete.gov.al/index.php?idr=19&idm=989&lang=1&mod=1>.

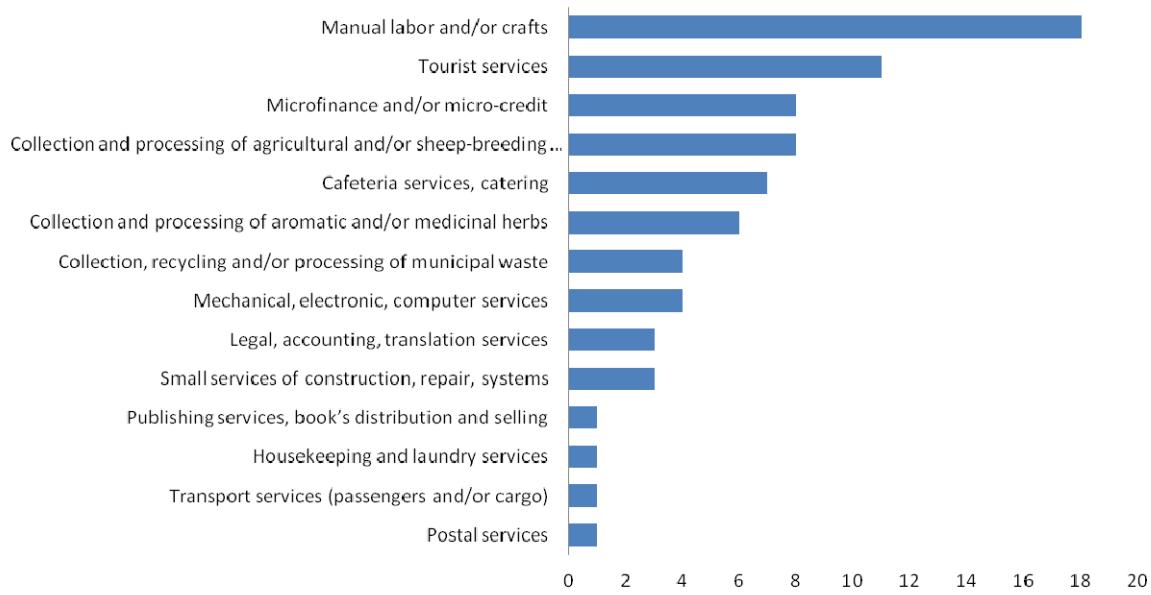
Not far from this, other frequent activities performed by seven organizations are catering services or restaurant. There are just four organizations engaged in waste recycling, this could not only be very profitable, but also a long term sustainable activity. The associations working in this area are mainly formed by ethnic minorities.

Other few cases of activities were registered such as legal assistance or translation services, passenger transport services, laundry services, postal services.

Many organizations offer vocational training courses, with productive activities or services related to the courses, especially in the field of construction or repair, computer services and catering.

Table 2.6 - If the mission of the organization is to offer other than social services and/or goods, what are these?	Frequency
Postal services	1
Transport services (passengers and/or cargo)	1
Mechanical, electronic, computer services	4
Housekeeping and laundry services	1
Collection, recycling and/or processing of municipal waste	4
Small services of construction, repair, systems	3
Manual services labor and/or crafts	18
Cafeteria services, catering	7
Collection and processing of agricultural and/or sheep-breeding products	8
Collection and processing of aromatic and/or medicinal herbs	6
Legal, accounting, translation services	3
Microfinance and/or micro-credit	8
Publishing, book's distribution and selling	1
Tourist services	11
TOTAL	76

Graph 2.5 - If the mission of the organization is to offer other than social services and/or goods, what are these? (absolute values)



Funding

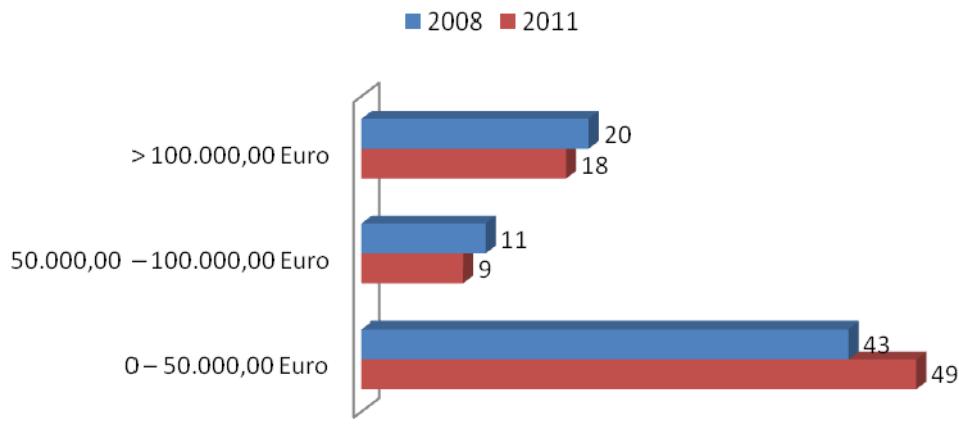
The graph gives us an idea of the amount of funding from various donors.

In an attempt to understand the impact of the global economic crisis on the level of funding received, we asked the respondents to compare the amount of donations received in 2008, the date to which we refer the beginning of the current economic crisis, to those of 2011, the last fiscal year before the submission of the questionnaire. As can be seen from the graph there are no significant changes; nonetheless there is a slight decrease in large-scale funding (greater than 100,000 Euros), whereas minor funding (under 50,000 Euros) increased in the last year. In association with a minor commitment of donors towards Albania³⁸, this may also indicate a general trend to financing smaller projects in terms of costs.

In fact, to the question concerning the possible decline in donor funding since the beginning of the crisis, 82% of the respondents (61 out of 74) answered affirmatively.

³⁸ Also due to the Stabilization and Association Agreement (SAA) of 22.05.2006, entered into force on 01.04.2009

Graph 2.6 - Amount of contributions from donors
(sample frequency)



Not all the organizations specified the percentage by which this funding was reduced 75% (45 out of 61). Among these, the majority declared a reduction of about 50% in funding compared to the amount received in 2008.

Table 2.7 - During the current global economic crisis, has there been a decline in donor contributions?

No	13
Yes	61
Total	74
In what percentage?	
n.a.	
10%	2
15%	1
20%	4
25%	1
30%	5
40%	8
50%	10
60%	2
80%	1
85%	1
90%	2
Total	45

In order to investigate in more detail some aspects of the funding system set up by these associations, we asked them if "the beneficiaries of social services provided by the organization give also some kind of contribution". This question was answered affirmatively by 42% of respondents while the majority, 58%, gave a negative answer.

The question was meant to explore other than the mere monetary contribution. In fact, half of the respondents received other kind of contribution. Seven organizations out of 34 respondents received only cash contribution from their beneficiaries. The majority of the organizations (seventeen) who responded positively received non-cash contributions from their beneficiaries, whereas other ten organizations receive a combination of cash and non-cash contribution.

The kinds of non-cash contributions are different, but in most cases the compensation has been given "making available skills or practical and/or professional expertise, as a volunteer, without compensation". Other frequent non-monetary contribution is "making available land, property, or objects and various material". Additional contribution is given by those who offer a means of transport, particularly useful in case of group activities, specialization and professional courses or animation activities requiring the move of persons or material. The contribution is often, at least at first, a way to involve the beneficiaries of services in the project; in some cases it is decisive in supporting the ongoing initiatives. This is especially true when the company has the ability to promote working networks of volunteers, supporting the creation of virtuous circles of mutual support, even if this may resemble some features of market activity.

Table 2.8 - Do the beneficiaries of social services provided by the organization, give a contribution?		Frequency
Yes		21
No		29
n. a.		1
Total - Social Services Providers		51

To the question: "Do the revenues generated from the sale of goods and services of non social nature cover the expenses for start-up/management of economic activity?" 63% replied negatively, and only 3% declared to cover operating costs by their own activities. When asked to specify in what percentage these costs were covered, answers pointed out, on average, a low co-financing percentage. In fact the amounts exceeds 60% only in three cases out of 19.

Table 2.9 - Do the revenues generated from the sale of goods and services of non social nature cover the expenses for startup / management of the economic activity?		Frequency
No		11
Yes		19
Total		30

When asked about the destination of the profit generated by their economic activity, the vast majority of the interviewed organizations declared to put them in use for the same activity or other social activities. Only one organization declared the redistribution of income among its members. Two organizations make the fund available for social activities of other organizations and three other reserve profits as emergency funds.

Table 2.10 - If the economic activity generates profit		Frequency
It is distributed to shareholders/members as a dividend		1
It is made available to other organizations as a grant to carry out social projects		1
It is reinvested to expand and improve the same activity		6
It is reinvested to expand and improve the same activity, It is made available to other organizations as a grant to carry out social projects		1
It is reinvested to expand and improve the same activity, It is used by the organization to carry out other social objectives		16
It is reinvested to expand and improve the same activity, It is used by the organization to carry out other social objectives, It is used as an emergency fund		4
It is used as an emergency fund		1
It is used by the organization to carry out other social objectives		3
It is used by the organization to carry out other social objectives, It is used as an emergency fund		2
Total		35

Hence, the majority of organizations is not capable of covering all the operating costs through their own economic activities. The debt is primarily settled by external donators and secondly by the organization's own funds, as summarized in the table below. Nine organizations sustained not to be able to cover at least part of the deficit.

This investigation on costs and incomes unveils realities still tightly dependent on donors or headquarter organizations based abroad. Many of these organizations originated from international cooperation development projects, and are slowly making their way to become independent. The lack of autonomy of these organizations may be great impediment to their further development, but they anyway need support and grants to settle in the territory.

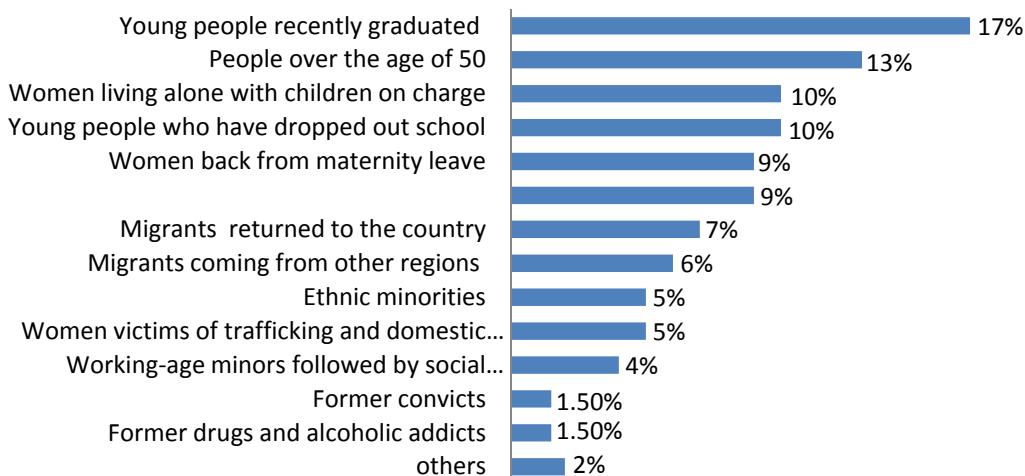
Table 2.11 - If the activity's budget runs a deficit, what kind of contribution is used to cover it?		Frequency
From external donations		16
From external donations, from proper funds of organization		5
From proper funds of the organization		14
Remains uncovered		9
Total		44

Social and work integration

The organisations involved in the survey provided us with a general picture of the categories concerned by work integration.

Twenty-three enterprises hired young people, seventeen hired men over 50, fourteen got with abandoned women or women with a high number of children on their charge and fourteen young people that have dropout school, whereas twelve hired women who returned to work after caring about their children (Graph 2.7 displays the related percentages).

Graph 2.7 - Organizations by disadvantaged people employed



The attention to the involvement of such disadvantaged categories is also testified by the search for external collaborations: 49 organisations out of 69 declare collaborators and service providers belonging to the aforementioned categories.

Tab 2.12 - Among your external collaborators and service providers, are there people belonging to the categories listed above?

No	20
Yes	49
Total	69

Sixty-six organizations specified the number of persons employed in their structure, ranging from a minimum of 1 to a maximum of 120 for an overall sample total of 800 employees.

Apart from single specific cases, most of the respondents (49 out of 66) declare a maximum of 10 employees, 30 of them less than 5. This indicates the predominance of small entities, even when different types of services are offered.

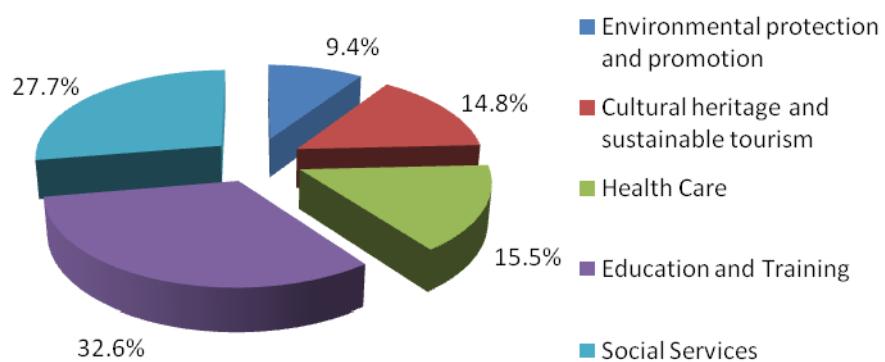
Table 2.13 - How many employees are there in the organization?

no. of employees	Organizations	Total
0	1	0
1	3	3
2	5	10
3	8	24
4	7	28
5	6	30
6	3	18
7	5	35
8	2	16
9	3	27
10	6	60
11	3	33
13	2	26
16	1	16
18	2	36
22	1	22
25	1	25
26	1	26
27	1	27
36	1	36
39	1	39
63	1	63
80	1	80
120	1	120
Total	66	800

Graph 2.8 reports the percentage of employees by sector of activity. Social services are followed by education and training, health care, cultural heritage and environmental protection.

Graph 2.8 - Paid employees by sector of activity

(sample data)



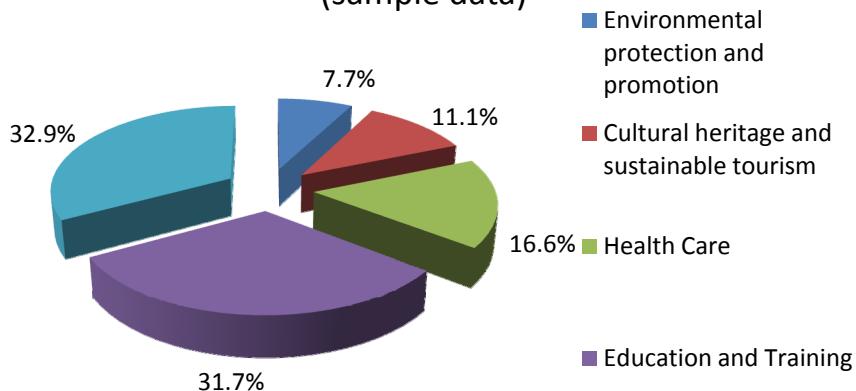
The following Table 2.14 helps us comprehend the fundamental role of volunteers in the organizations. There is a total of 1863 volunteers working in the 66 enterprises that have also replied to the previous question. Apart from a few cases who involve high numbers of people, the distribution of volunteers in the organizations is rather homogeneous, especially in the 5-10 and 11-20 classes, and integrates the structural lack of regular paid employees.

Table 2.14 - How many people provide unpaid volunteer work in your organization?

no. of volunteers	Organizations	Total
0	3	0
1	2	2
2	8	16
4	4	16
5	6	30
6	3	18
7	2	14
8	1	8
9	1	9
10	11	110
12	2	24
14	2	28
15	4	60
17	3	51
20	4	80
30	2	60
35	1	35
50	1	50
55	1	55
80	1	80
90	1	90
100	2	200
800	1	800
Total	66	1836

Graph 2.9 illustrates the distribution of volunteers by sector of activity, which is almost symmetrical to the one of paid employees, with a prevalence in social and educational services.

Graph 2.9 - Volunteers by sector of activity
(sample data)



Most people in thirty-three organizations are also employed in production of non social nature (Table 2.15); as this data correspond to the average employee number in Albanian micro-business, and given the extended nature of their production, these organizations might easily be considered as potential social enterprises.

Table 2.15 - How many employees of the organization are employed in the field of social services and production of goods and services that are of non social nature?

Percentage of employees	Organizations
> 50%	10
20 – 50%	6
5 – 20%	17
Total	33

Cooperation with local and international actors

Networking capability is an element of special interest in the observation of developing Albanian civil society. Seventy-one out of eighty organizations assert to work with organizations that offer similar or complementary services in the territory.

Table 2.16 - Do you cooperate with organizations that offer similar/complementary services in the territory?

No	9
Yes	71
Total	80

The cooperation with other associations seems to be quite common for most of the organizations, especially when they operate in the same region. To a less extent appears cooperation with public national or local institutions; moreover, contacts with international organizations who often helped or supported the activity start-up are more frequent.

Table 2.17 - Do you cooperate with...

	LOCAL authorities	NATIONAL authorities	INTERNATIONAL authorities
No	4	7	15
Yes	73	70	60
Total	77	77	75

Perspectives for the future

Regarding how these organisations foresee themselves after three years, most of them anticipate an expansion of their activities.

Table 2.18 - How do you foresee your organization in three years, regarding the fields of social services and goods or services of non social nature?	Organizations	
	Providing social services and/or goods AND social and professional insertion	Providing social services and/or goods
Expansion	20	6
Ordinary activity	3	2
Transformed in social enterprise	13	0
Total	36	8

Innovation

**Table 2.19 - In your areas of intervention, in the region
and beyond, did you bring some innovation?**

	Frequency
No	6
Yes	69
Total	75

Almost all organizations declared to have brought some kind of innovation in the territory where they are active. Such innovation lays in the way they respond to the social problem they meet. It is a matter of process and proceedings, often in quality terms. Although they may seem ordinary responses to ordinary needs, some of the ongoing innovations are mentioned below:

1. Developing and promoting the volunteer work experience in Albania as a tool to raise the feeling of solidarity towards society and strengthen the idea of belonging to a community and sharing common goods.
2. There is a project called “The school comes to me” which is intended for children who suffer the isolation consequences of the blood feud phenomenon. Hundreds of children are obliged to never leave their homes under death threat, according to the blood feud laws and traditions.
3. First female football team in Albania.
4. A musical band for people with disabilities.
5. A consortium type of organisation that puts together agricultural producers, tourist operators and other small local economic activities in order create a comprehensive approach for increasing and promoting tourism in the region where it operates.
6. Setting up laboratories producing handicraft objects that combine traditional and contemporary themes in order to make them more appealing to tourists but also to foster creativity of young artistic talents.

Table 2.20 - Would the following services be of any use to for your organization?	No	Yes	Total
Vocational training	5	71	76
Management training	11	63	74
Supporting through researches and studies in order to have a greater impact in the market of services	2	67	69
Supporting in the writing and implementation of common	1	74	75

The table above indicates the urgent need for these organizations to benefit from training activities and other expertise support. The service organisations expressed to be most needed was the strengthening of project writing skills and of project implementation capacities.

3.2.2 Evidence from direct interviews

By these interviews we wanted to have a closer look and to further understand some issues that couldn't come out only from the questionnaires. As it was mentioned in the introduction there were a set of direct interviews taken to 7 organizations randomly chosen, who participated in the survey by responding to the questionnaire. These interviews were taken after the receiving the questionnaires distributed and after a first analysis of the data gathered. A meeting was arranged for the interviews and they were recorded having obtained beforehand their consent.

We focused on five main issues (see annex 2 *sample of the interview questions in Albanian*):

1. Getting more background information on how the organization was born and how its internal organization functioned and evolved over time;
2. Outlining main difficulties encountered during the organization's activity;
3. Explaining the reason for their activities to continue existing;

4. Investigating the scale of involvement of the beneficiaries within the organizations they benefit from, considering the highest form of involvement, getting hired by the origination itself in its executive body;
5. Having a more precise picture of the availability and the usage of technical assistance i.e. specialized studies and publications; or professional consultancies by external experts or agencies, moreover, having also information on the network building capacities of the organization.

Background information on the birth of the economic activity & internal structure

Almost all organizations declared either that they were created with strong support of a foreign NGO or the international NGO itself decided to enlarge its activity to Albania.

Although we have noticed that this remains the dominant trend, there was one exception of an organization established by a group of Albanians who has returned from abroad. They started organizing cultural events such as, concerts, art exhibitions, which were very much cost efficient because of the great numbers of volunteers who supported them. Profits from these activities are used to sustain initiatives that serve the community, such as environment protection and creating laboratory for handcrafts.

Furthermore, there we have encountered examples of economic activities that in most cases serve as financial sustain to the organization. A music lab that generates revenue to support a whole center; small grants started a restaurant that generates employment and finances cooking lessons to women victims of human trafficking; mobilizing a great number of volunteer work to organize concerts in order to finance sustainable and responsible tourism initiatives: have been the starting points from which economic activities started developing.

As concerning internal structure all organizations adopt the NGO structure (General Assembly /President/Executive Board) but they vary on the number of project managers (who often are part or become part of the organization itself) or volunteers engaged.

Most of the economic activities are followed to a programme manager who operates within the structure of the organization itself.

Main difficulties encountered:

The interviewees shared with us a number of difficulties they faced mostly when they engage in economic activity.

Changing mentality

One of the biggest difficulties encountered during the organization's activities is dealing with changing “people's mentality” and shattering society misconceptions and prejudices. This was especially underlined by those organizations working with women and roma minorities.

- For the organizations working mainly with women, continuous effort was made to fight male chauvinist mentality still present in Albanian society, about women's place and role, their right and freedom to work, to equally profit from opportunities and to create their own opportunities in life. They have witnessed and suffered from different

treatment and discrimination that has happened against violated women who engage in the association's work.

- For other organizations working with roma minority was continuously facing discriminatory attitude and actions during the work integration process of their beneficiaries.

Another crucial challenge pointed out by these organizations was related to changing social attitudes within the members of the organization. They have encountered great difficulties in creating and fostering a group spirit.

There is great work to do in strengthening the sense of ownership i.e. sharing the vision and principle of the organization and realizing that everyone's work affects not only themselves but also the group. The majority of the members saw themselves not as part of a group that works and shares their common goals but more as employees. It is still very hard to escape the narrow thinking of seeing the organization only as a mean to find a job.

Lacking skills

The interviewees observed that the acquisition of a satisfactory level of competences and skills is usually a long process which takes years to achieve. This difficulty concerned mostly organizations whose mission is social and work integration. It presented itself on two levels, for the association itself and for the enterprise that eventually employed people assisted by the organization and belonging to disadvantaged categories risking social exclusion and marginalization.

The founder of one of the interviewed organizations said: "Often, we had persons with a positive attitude, but who lacked the needed skills to work. We strived finding the fit person for the job rather than finding a job for a person".

The same difficulty was encountered when these people got employed by the organization they benefited from. In the case of one organization who strived in forming social workers and community leaders, for them it was hard to find the person who had the capacities to perform some specific tasks.

Another non negligible difficulty within the organization itself is achieving technical skills in writing projects and business plans ranked first in the difficulties faced.

Funding and access to market

All the interviewees receive external funding to finance their economic activity which at this stage strives to be auto sufficient and economically viable. Organizations continuously strive to find monetary resources to support their projects. In most cases, they consider this to be a precondition for the project to continue its existence.

Furthermore, organizations outline also the lack of an initial funding for small enterprises made available during the start-up phase.

Time and money consuming was considered all the logistics in preparing i.e. concretely setting up the economic activity, this linked also to the deficiency in expertise and know-how in this area. An addition to this, other difficulty is access to market. This due to the peculiar characteristic of a not well regulated market, the lack of marketing studies and surveys and also the skills to operate.

Legal and bureaucratic procedures

Another difficulty encountered is at the legal level and this concern was raised by more than half of the interviewed organizations. The lack of a clear legal framework on non for profit organizations that have an economic activity pushed towards searching alternative paths, e.g. to register as a small enterprise, or to continue keeping the economic activity for as long as possible on the informal level.

Moreover, other gaps and ambiguities in Albanian legislation, for example on tender rules for social services. Municipalities and other local authorities organize tenders on social services that only concern the utilities involved, they do not take into account guaranteeing the quality of the service offered.

Lastly, bureaucratic procedures are also a difficulty when interacting with public institutions in some cases the hardships to get recognition by them for the services organizations offer to the community.

Reasons for the economic activities to continue

The most recurrent answer was the acknowledgement that the services these organizations offer would not be satisfied if they would close the activity, since in many cases the State can't afford or has not all the needed capacities to offer assistance through these kinds of services.

Two organizations working in the field of providing social services, declared that their economic activity working well and covers its costs.

All of the interviewed organizations agree on the fact that the more consolidated and independent their economic activity is, the more sustainable effective and durable their intervention becomes. Half of the interviewees have clearly declared that creating a social enterprise would be the best form to maintain their economic activities that have a social purpose.

The other half has not a clear vision of the future possible transformations of their organization, mostly because of the fact that their economic activity is strongly tied and functions according to the logic of their organization as an association that is not supposed to generate profit.

Organizations, while not against participating to the market, they declared to appreciate a legal framework that creates a more positive climate for the economic activities of future social enterprises.

Because of the nature of their activities and in areas they intervene in some cases they lighten the burden of social protection that the State has. Finally this is a very good solution also from an economic point of view; taken as a whole, it reduces the State's budget part and expenditures on social protection. Especially under the economic crisis conditions it is also an intelligent economical solution, because you offer at the same time services in general that generate profit and social services, hence the revenue generated from the first kind of economic activity help supporting the social activities and services.

Involvement of the beneficiaries in the organization

From ground observation, an overall consideration the current structure of the interviewed organizations makes it very unlikely the involvement of the beneficiaries, as economic activity is not separated from the organization itself.

As an example, an organization has declared to have 22 staff members half of them being employed on a full-time basis and the others on a part-time regime on service/consultancy contracts. The majority of the working staff is also registered members of the association and those are the one who follow, implement and supervise also the specific programmes and economic activities. Finally, there is barely any involvement of ex-beneficiaries on the organization's executive boards.

Technical Assistance and external cooperation

All the organizations pointed out that there are no specialized studies and publications in Albanian in the field of social entrepreneurship. In general, there is a lack of precious information on social enterprises "success stories" and innovative entrepreneurship ideas; studies on the legal framework and sustainability of management, on marketing strategies, for which most of the interviewees have shown great interest and consider them a necessity.

Most of cooperation between these organizations occurs on informal level generally through connections established through friendship. Regarding the question asking during which phase of their life social enterprises need external support, all the interviewees outlined that this was most necessary during startup for setting a business plan and marketing strategy.

One interviewee underlines the importance of having a good idea that responds to the targeted needs, that fits to the market logic and that is innovative.

3.3 Tentative Conclusions-Social Economy in Albania

According to the definition of social economy given in Chapter 1, involving civil society organizations characterized by:

- Social scope; and a
- Democratic governance.

In 2011, the gross ratio of the third sector to the total of active enterprises in Albania could be estimated over 1.6%. Although this data may appear rather low, it should be taken into account that it represents the third largest set of enterprises by legal status in the country (Table 2.21); moreover, this set reported a 9.4% birth rate in 2011, slightly below the general average at 11.8%.

**Table 2.21 - Active enterprises by legal form, 2011
(end of year)**

	Total	New in 2011	percentage
Total	109,039	12,905	100.0
Birthrate, %		11.8	
Physical person	85,675	10,713	78.6
Limited Liability Companies	18,539	1,849	17.0
<i>Non Profit Organizations</i>	1,745	164	1.6
Public Enterprises	940		0.9
Joint Stock Companies	791	88	0.7
Public Administration	760		0.7
Others	589		0.5
Total excluding Public Adm., NGO, Int.Org.	106,503	12,733	97.7

Source: *Instat, Ndërmarrjet aktive sipas formës ligjore, 2011*

Statistics, of course, do not say too much about the underlying structure and dynamics of the sector, but our direct survey has supplied a wide range of interesting information and results.

In fact, most of the *Non Profit Organizations* listed by *Instat* cannot strictly be considered *non profit*, as we have seen in our survey: they have a social scope and sometimes earn revenues whom, though may not be considered profits, ensure the operational existence of the organization and enforce its capability of producing goods or services over time.

Recent European surveys (first of all *Ciriec-International, 2012*) note that *the social economy in Europe is very important in human and economic terms, as it involves over 14.5 million paid employees, equivalent to about 6.5% of the working population of the EU-27 and about 7.4% in the 15 'older' European Union Member States. In countries characterized by high welfare levels such as Sweden, Belgium, Italy, France and the Netherlands it accounts for between 9% and 11.5% of the working population*³⁹.

The social economy appears relatively smaller in the new European Union member countries, with certain exceptions, compared to the 15 “older” members. Under this respect, the quoted report recommends that in order to reach its full potential in new member, acceding and candidate countries, the social economy needs to gain at least the same levels as in other European Union countries.

Although the statistical information provided should be treated with caution⁴⁰, especially at the micro level, the overall impact of social economy is nevertheless crucial and the estimates underline the fact that this is a reality which cannot be ignored by society and its institutions⁴¹.

39 See *Ciriec-International (2012)*, Chapter 6.

40 Due to the difficulties of comparing certain variables internationally, the questionable reliability of the data for certain countries, the risks of double accounting among 'families' within a single country, the different years to which they refer and the different sources for the same 'family' and country for the two periods (2002-03 and 2009-10), linked in the latter case to the availability or otherwise of data. *Ciriec-International, cit.*, p. 45.

41 *Ciriec-International, cit.*, p. 46.

Can our data tell us something about the current situation in Albania? A projection of our sample estimates to the whole set of non profit organizations active in Albania shows an even higher relevance of the sector in the country: in fact,

- a weighted average of about 12 paid employees per organization (see table) would implicate an overall paid employment of over 20,000 people in the sector;
- a volunteer-to-paid employment ratio of 2.3:1 would implicate a total of over 46,000 volunteers in the sector.

Table 2.22 - Average employees in the organization	Albania			UE 27
	sample units	average employees	total (estimate)	average employees
Association	48	9.77	468.96	3.59
Center	16	6.64	106.29	n.a.
Foundation	12	16.00	192.00	n.a.
Other (cooperative, mutual society)	4	20.67	82.67	22.74
TOTAL	80	12.121212	969.7	5.1

Therefore, paid and volunteer workers sum up to over 66,000 jobs and this estimate might account for 7.3% of total real employment in the country⁴².

Official statistics about active enterprises show that only between 2010 and 2011 the social economy (non profit organizations) has increased in Albania by 10.4%; all other things being equal, such annual rate of increase would imply a 6-7 thousand units absolute increase in employment; at the same time, the related phenomena have to be regarded also in terms of production (goods and services offered), i.e. under a welfare and well-being perspective.

Welfare, well-being and social services

In November 2012 the Boston Consulting Group issued a study (BCG, 2012) providing a dynamic perspective on the well-being of populations in 150 nations by assessing a broad range of social and economic dimensions over three time horizons: current level of development, recent progress, and long-term sustainability. The BCG Sustainable Economic Development Assessment (SEDA) scores can be used to measure how well a country translates its wealth, or income, into the overall well-being of its population; the methodology offers a way of assessing how successfully a country has converted its wealth, measured in per capita GDP, and its economic growth into broad-based socioeconomic development, or well-being.

Taking into account ten dimensions⁴³, the SEDA methodology takes more than one perspective on socioeconomic development: Current level, Recent progress, Long-term sustainability, Wealth to well-being coefficient, Growth to well-being coefficient.

42 As calculated on an overall average total employment of 922 thousand persons (third quarter 2012; source: Instat). Paid employees alone represent 2.3% of official employment. For official employment see UE definition, at <http://epp.eurostat.ec.europa.eu/tgm/web/table/description.jsp>.

43 BCG SEDA Report (2012), pp. 8-13.

The SEDA evidence is interesting for Albania. In fact, although current per capita GDP level may not be considered high or satisfactory for the related population,

- “clusters of Eastern European countries, as Albania and Romania, in terms of current SEDA score also stand out as having translated income into higher living standards⁴⁴; this evaluation depends largely on the particular indicators adopted in the definition of living standards, including the widening of supply and demand for personal well-being consumption goods (*material wealth*); in association with a sufficient standard of public services (health, education, etc.) in terms of quality and population served and with other economic and social stability indicators, the indicators raise the score above the general (international) average; at the same time,
- “only a few countries excel at converting GDP growth into well-being⁴⁵ and within a number of eastern European countries Albania scores particularly high” (in the top 20, together with Poland, *Ed.*);

In this case again, the evidence can widely be led by a catch-up effect due to the early stage of economic development of the country, traditionally related to a higher level of mass consumption. Under a qualitative perspective, a faster and wider diffusion of material well-being has to be considered a positive issue anyway, but of course private well-being and overall quality of life may be also far apart: the SEDA current level and sustainability indicators both score 44.1⁴⁶ (compared to Norway, scoring 100), showing that a long way has still to be done in terms of development.

There is anyway an intrinsic link between a country’s economic opportunity and the overall quality of life it offers residents, and the biggest leaps in this dimension come from countries with emerging markets.

In its latest *Country Brand Index Report*, Future Brand (2012)⁴⁷ emphasizes how *Quality of Life* and *Value System* are also linked, showing results almost opposite the above quoted BCG study.

In fact, “the majority of [country] brands with declining scores in *Quality of Life* are Eastern European nations, with Albania, the Czech Republic, Romania, Serbia and Greece suffering falls between twenty six and forty five places in the dimension: public spending cuts paired

44 The wealth to well-being coefficient compares a country’s current-level SEDA score with the score that would be expected given its per capita GDP and given the average worldwide relationship between current-level score and per capita GDP, as measured in terms of purchasing power parity. A coefficient greater than 1 (1.28 for Albania) indicates that a nation’s living standard is higher than what would be expected given its per capita GDP. See BCG, *cit.*, p. 11; p. 15, Exhibit 4; and p. 37, Table 1.

45 The growth to well-being coefficient compares a country’s recent-progress SEDA score over the most recent five years for which data are available with the score that would be expected given its per capita GDP growth rate and given the average worldwide relationship between recent-progress score and per capita GDP growth rate during the same period. A coefficient greater than 1 (1.35 for Albania) indicates that a country has improved the well-being of its population more than would be expected given its GDP growth rate. See BCG, *cit.*, p. 11; p. 37, Table 1.

46 See again BCG, *cit.*, p. 11; p. 37, Table 1.

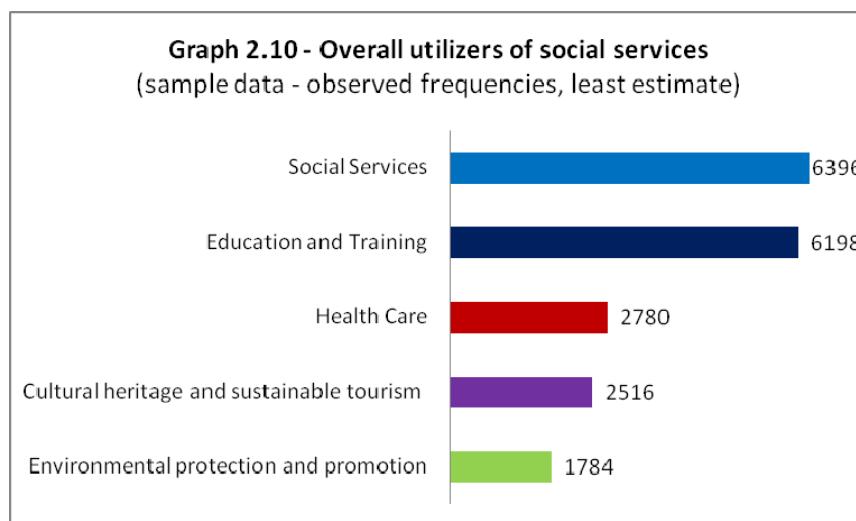
47 FutureBrand (2012). The Country Brand Index is the FutureBrand global study of country brands. One of the respected and well established reports in its field, the CBI is released annually and is now in its 8th year.

with slow progress on pensions, healthcare, wages and unemployment have left many citizens without vital services that contribute to overall quality of life”⁴⁸. (...)

At the same time, “the weakest-performing country brands for *Heritage and Culture* are Afghanistan, Somalia, the Philippines, Qatar and Albania. Every country in the world – including these – has its own unique heritage and culture to express: the challenge is turning real assets into perceived strengths through clear and consistent communications. As such, *Heritage and Culture* is the dimension in CBI where every country has an opportunity to change”⁴⁹.

Our survey is largely investigating and demonstrating that quality of life and value system are linked in Albania, assessing how new focus on sustainability and the resulting jump in quality of life for its citizens is needed. In fact, between state and market failure the social economy is rapidly and naturally gaining a major role in facing the increasing demand for services and assistance by large layers of population – not only the most vulnerable ones, as our survey assessed.

In terms of services offered, Graph 2.10 below shows how widespread and intensive is the action of the organizations involved in the analysis: in terms of final utilizers, only eighty organizations provide services or goods to several thousands of people⁵⁰, and this impressive data. In association with the increasing demand for social economy which is implicit in the birth rate of Non Profit organizations reported in Table 2.21 above, this gives us unequivocal confirmation about the growing relevance of the sector in the Albanian society.



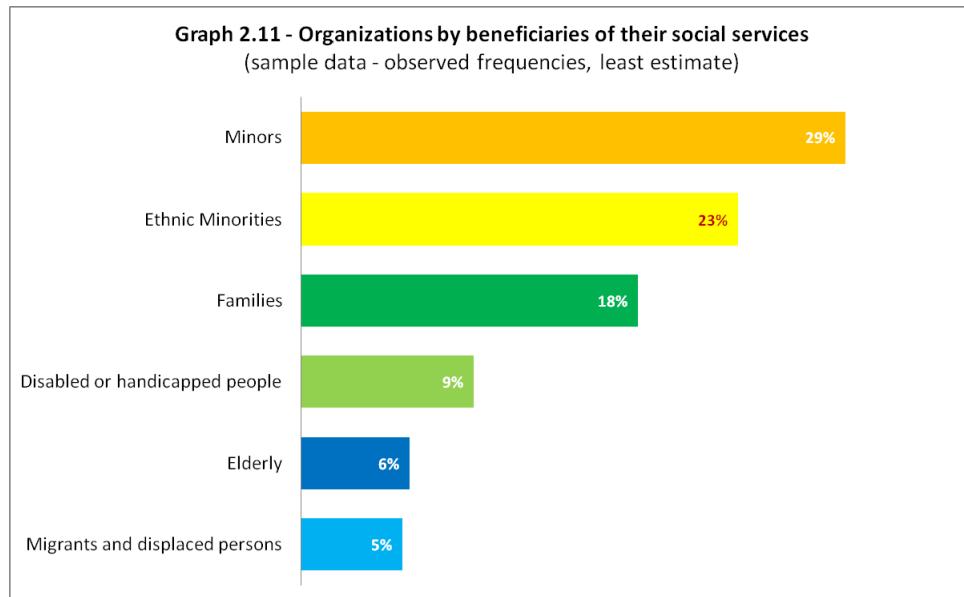
48 FutureBrand, *cit.*, p. 76. Unlike the SEDA indicators, the dimensions are here largely based on public and macro, rather than private and micro economic and social indicators.

49 FutureBrand, *cit.*, p. 84.

50 As the questionnaire allowed three ranges of response (classes 0-50, 50-100 and over 100), estimates have been obtained by multiplying the frequency responses by the median value of each class (i.e., 26, 56 and 150, the latter probably underestimated), assuming a statistically normal distribution of cases.

As concerns the beneficiaries of their services, the surveyed organizations are mainly committed to minors, ethnic minorities and families. As this was a multiple choice question, sample data have to be read according to the prevalence of frequencies and Graph 2.11, reporting the relative intensity of beneficiaries assisted by the different organizations, implicates that the third sector organizations

- offer a variety of services to a variety of subjects (individual or families)
- positively operate in order to assure a better quality of life to vulnerable and or disadvantaged categories.



Financial and economic sustainability

As seen in section 2.1 above, a decline in donor contributions in the last three years, mainly due to the current economic crisis, has not been sufficient to generate a slowdown in the development of the third sector organizations. On the contrary, the ongoing crisis may have bred:

- the demand for (and supply of) new social assistance and new welfare, for an extended wellbeing; and therefore
- the need for the services offered by Non Profit organizations, sustaining current and perspective production and employment in the sector; and
- the birth of new units in the sector (as seen in Instat official statistics).

Nevertheless, survey data confirm that funding and financing⁵¹ can be a relevant problem for the organizations in running their activities. Due to the relevance of donor contributions, their recent decrease has given special importance to the direct support from beneficiaries, but the

51 NGOs usually seek funding (providing money for some project, etc., e.g. by a sponsor or benefactor), while financing, in addition to providing funds, is different in that money provided by a credit institution in the form of loans and credit lines is charged by an interest rate.

increase of the latter can hardly cover the decrease of the former and further compensation is needed. Revenues from non social goods or services offer partial compensation as well, and the possibility of incurring – and hardly running – a deficit is always high.

Under this revenues and expenses (rather than profit and loss) respect, our survey anyway points out that there are also some interesting cases of direct, non-monetary compensation by the beneficiaries for the services received, and this may positively ease the financial difficulties of the organizations. At the same time, it is worth noting that any form of involvement or participation of the beneficiaries to the development of services may increase their responsibility and enforce the social nature of the initiative.

Evidence concerning profit distribution has been nevertheless collected through the survey and this is no surprise, due to the extended nature of the sample, including also cases and experiences of *social business*, which, as specified in the introduction of this study, is fairly different from *social enterprise*.

With regard to economic sustainability, moreover, it is to be borne in mind that the concept of enterprise itself conveys a wide range of values and capabilities, not only of financial or budgetary nature: motivation, creativity, flexibility, innovation, responsibility, accountability or relationship building have very often little or nothing to do with money and involve any role and any level in the organization. All these resources are present in individuals and society, but have to be supported, trained and strengthened in order to become valuable assets and new potential for development.

4. INSTRUMENTS FOR DEVELOPMENT OF SOCIAL ENTERPRISES IN ALBANIA

4.1 Necessary Changes in the Legislative Framework to Accommodate the Specific Needs of Social Enterprises

Albanian Constitution provides a solid legal ground for the Albanian state to develop different social objectives. Article 59 of the Albanian Constitution foresees that the state within its constitutional powers and means will supplement the private actions with employment of people, education of children and young generation, fulfillment of housing needs, provision care for elder and people with disability and so forth. These overall objectives have to be further developed by laws and other administrative actions. The establishment of the legal framework for the development of the social enterprises serves to these constitutional social objectives.

The existing Albanian legislation does not recognize and does not regulate the notion of social enterprises. Other similar legal forms which can potentially develop as social enterprises such as NGOs or Cooperatives are in general well regulated by the Albanian legislation. On the other hand the law on work integration no. 7995 dated 20.09.1995 amended with law no. 9570 dated 3.07.2006 contains several measure which need to be taken by the state institutions in order to support the work integration of different categories of people. It provides that every employer that employees more than 24 persons is obliged to employ one person with disability for every 25 employees. The states provide support for the creation of proper work condition for such categories of persons and it also can exempt from taxes the salaries paid to such employees. The law provides a definition of people with disabilities defending them as persons whose possibilities to keep or find a proper work are tremendously reduced due to his/her incapability to work which has to be determined by a medical commission based on the criteria set by the legislation in force (art. 14 and 15). The law on state aid (law no. 9374 dated 21.04.2005) in article 10 (employment aid) among other things stipulates that state aid is given for the employment of people with disabilities and in difficulties which intensity does not go beyond the 60% of the costs for the salaries of person with disabilities and 50% of the costs for the salaries of persons in difficulties.

However in order to transpose the best European standards, Albania have to adopt a separate law which will regulate the internal organization, the activities and other aspects needed for the well functioning of Social enterprises. As explained in other part of this study, social enterprises might have different legal forms and as consequences different legal models have been developed in Europe to regulate them. The recent European trend is to adopt a social enterprise law which does not limit either the legal form or the activities to be carried out by the social enterprises. If Albanian policy option would be the open legislative model, the following legal elements must be taken into consideration to accommodate the social enterprises in Albania.

Social Enterprises in the form of NGOs

a. Economic activities of NGOs

The non for profit organizations are regulated by the provision of the Albanian Civil Code and the Law on non for profit organizations 8878/2001 amended with the law no. 9814/2007. The Albanian Civil Code and the law on non- for- profit organization allow the engagement of civil society organizations in economic activities providing that the profit is entirely used for objective of the organization. Articles 39/1 and 56/1 of the Civil Code (Associations) stipulate NGOs have the right to own movable and immovable property, to generate income through the management of these assets and to conduct other activities, in accordance with law and its charter and use these incomes only for accomplishment of its objectives. Article 36 of the law on no for profit organizations states that: “No for profit organization, to achieve the purpose and scope of its activity has the right to exercise economic activities. Nonprofit organizations may conduct economic activity without having to create a separate entity for this purpose, provided that this activity is in accordance with the objectives and goals of the organization, be considered as a source of income and provided that *this activity is not the primary purpose of the activity of the organization*”. If nonprofit organizations, through economic activity, generate profits, they should be used to fulfill the goals set out in statute and in the act establishing the organization.”

The economic activity of a non for profit organization is further regulated by the Council of Minister Decision no. 1679 of 24.12.2008. According to this Decision of the Council of Ministers, the NGOs can be granted a status of “public benefit organization (PBO)”⁵² which allows them to carry out *as their primarily activity, economic activities in the fields of education and health and economic development*. The status of the public benefit organization is given by the Minister of Finance. These organizations should provide their services and offer their goods at a price lower than 50% of the market price. In order to get PBO status the organization should submit the necessary documents to the General Directorate of Taxes and the authorization given by Ministry of Finance is valid for 3 years and can be renewed after this period.

Social enterprises even in form of NGOs should be allowed to carry out economic activities as they primarily activity and this can be either specified by the SE law, or be introduced as an amendment to the law on non for profit organizations.

b. Fiscal regime

For the time being the law on Non for profit organization (art. 40) exempts NGOs even those which carry out economic activities from income taxes⁵³. The income generated by the

52 Public benefit status of non for profit organization is a known legal concept used in different EU countries. It refers to a special status that usually association or foundations get after they are registered as legal entities, for the purpose of promoting public benefit activities or fulfilling social needs. See David Moore, Katerina Hadzi-Miceva and Nilda Bullain (European Center for Not-for-Profit Law). A comparative overview public benefit status in Europe, 2007.

53 The law on for profit organization is under revision and article 40 is going to be amended and qualifying the NGOs engaged in economic activities to be subject of income taxes.

economic activities should only be used for the purpose of the organization otherwise they will be qualified as for profit activities and will be subject to taxation. On the other hand the VAT law no. 7289/1995 as amended, provides that supplies of services against a reduced price is exempt from VAT when it is supplied by religious and philosophical organizations aiming at spiritual wealth; by non for profit organization having a public benefits status and when it is evident that their goods and services are sold in a lower price than the market price (art. 24).

If Albanian wants to incorporate the best European practice in the future SE law, it is important to determine in the future SE law or in the law for non for profit organization that Social Enterprises have to be exempted from income taxes. With regard to VAT changes, VAT exemption or reduction can be directly introduced in the current VAT law.

c. Registration

According to the Albanian law no. 8789, dated 7.5.2001 “On the registration of non for profit originations”, the NGO can obtain the legal status after being registered in Tirana District Court in the NGO Register. The law specifies the necessary documents and the procedures to be followed before the court for the registration. The Social enterprises regardless their legal forms have to be registered also in a special register for Social Enterprises which in our case might be the special register within National Registration Center.

The social enterprise law, or the law on National Registration Center should include the provisions for the registration of social enterprises and foresee for the creation of a social enterprise register within the NCR.

Social Enterprises as Cooperatives

a. Economic activities of Cooperatives

The law no. 38\2012 on foresees that a agricultural cooperation companies can be established by 7 legal or natural persons on a voluntary basis and it can pursue different type of economic and trade activities on the benefit of its members. However the economic activities of the Cooperatives are limited only in the field of agriculture.

If the SE have to be established in the form of cooperative and wants to pursue activities beyond the agriculture field, this has to be specified as an exemption either in the SE law or in the Law of cooperatives.

b. Fiscal regime

The new law on agricultural cooperation companies stipulates that (art. 3) agricultural cooperation companies are subject of fiscal incentives and other state aids according to the legislation in force.

SE law might specify the respective fiscal incentives which might be suitable for the SE in a form of cooperatives.

c. Registration

According to the law on agriculture cooperation companies (art. 40) the agricultural cooperation companies must be registered at the National Registration Center in order to obtain their legal status.

The SE Law must emphasize the need for the SEs even in a form of cooperatives to be registered at the register for social enterprises. This special register and the procedure of registration can be introduced as an amendment to the National Registration Center.

Social enterprises in form of commercial company

a. Legal forms

The social enterprise can be established in the form of commercial company under the law no. 9901 dated 14.04. 2008 which means that can have the form of:

- *General partnership companies (art. 22-55)*

Definition: A company is a general partnership if it is registered as such, conducts its business under a common name and the liability of partners towards creditors is unlimited. Initial contribution of partners may be in cash or in kind (property, rights, labour and services).

Capital contribution: Partners' contributions shall be equal. At the end of each business year the annual statement of accounts is prepared. There is no figure or value foreseen as an initial capital.

Profit sharing: Each partner is entitled to an equal share of any profits and shall contribute equally to any losses resulting from the partnership.

Liability: Partners shall be personally, jointly and severally liable for the commitments of the partnership to the total extent of their assets. Agreements to the contrary are ineffective as against third parties

Managing organs: All partners shall have the right to manage the business of the partnership as Managing Directors. Managing directors are not coming from outside, but this role is performed by one or more partners with one exception the transfer of a partner's right of management to a third party if all the other partners give their approval.

- *Limited partnerships (art. 56-67)*

Definition: partnership is a limited partnership, if at least one partner's liability is limited to the amount of his interest (limited partner), while the liability of other partners is not limited (general partners). General partners have the status of partners in a general partnership.

Capital contribution: Partners' contributions shall be equal. At the end of each business year the annual statement of accounts is prepared. There is no figure or value foreseen as an initial capital (as long as the law foresees that a provision of general partnership applies also for limited partnership if it is not otherwise provided).

Profits: Each partner is entitled to an equal share of any profits and shall contribute equally to any losses resulting from the partnership.

Liability: Limited partners are personally liable towards the partnership's creditors only up to the outstanding portion of their contributions to the partnership's capital.

Management: One or more general partners shall manage the business of the limited partnership as Managing Directors. Limited partners are excluded from management.

- *Limited liability companies (art. 68-104)*

Definition: A limited liability company is a company founded by natural or juridical persons who are not liable for the company's commitments and which personally bear losses only to the extent of any unpaid parts of stipulated contributions. Members' contributions constitute the company's basic capital

Capital contribution: Members contribution can be in money and in kind (immovable or movable properties, or rights). The basic capital shall not be less than 100 Lekë.

Managing organs: General meeting, administrators.

Voting rights: Unless otherwise provided by the statute each share carries one vote.

Profit distribution: Members are entitled to a share in the profit declared in the annual profit and loss account, unless otherwise provided by the Statute. The profit shall be distributed among the members in proportion to their shares, unless otherwise provided by the Statute.

Liabilities: They are characterized by the absence of personal liability of the members vis à vis the company's creditors. This is what "limited liability" means. However, members must pay up their contribution in order to benefit from limited liability.

- *Joint stock company (105-189)*

Definition: A Joint Stock Company is a company the basic capital of which is divided into shares and subscribed by founders. Founders are natural or juridical persons, which are not liable for the company's commitments and which personally, bear losses only to the extent of any unpaid parts of the shares in the basic capital they subscribed.

Capital and contributions: The basic capital of a Joint Stock Company with private offer shall not be less than 3.500.000 Lekë The basic capital of a Joint Stock Company with public offer shall not be less than 10.000.000 Lekë. Shareholders' contributions may consist of cash or property and rights expressed in money. They may not consist of labour or services.

Profit sharing: only profits declared in the annual accounts of the company may be distributed out of the company's assets to the shareholders.

Managing organs: General meeting, board of directors (one tier system), managing directors, board of supervisors and managing directors (two tier system).

Liabilities: founders are not liable for the company's commitment.

Voting rights: Each ordinary share carries voting rights in proportion to its par value.

The Albanian social enterprises can make reference to the provisions of company laws as long as they do not contradict with the essential elements of the social enterprises such as the:

- The lack of profit distribution
- The limited liability for the obligations towards the creditors
- The involvement of works in the managing organs of the company
- Internal control from controllers (Revizor)
- Tax exemptions and other forms of state support.

The necessary derogations/exceptions from the general rules of the company law should be included in the new Albanian law of social enterprises.

Employee participation

The Albanian company law has not reintroduced any obligation for the employees to be elected as board members. The law has only foreseen the establishment of the employee council with corresponding information and consultation rights (art.19, 29). At the time the company law was drafted it was argued that it would be difficult to introduce the models for the representation of the employees. However the law includes the clause under which it is possible that company management and the employee representatives may establish employee participation on board level by negotiation (art. 21). In addition, in cases of joint stock companies the statute may provide from the beginning (or by later amendment) that one or more Supervisory Board members shall be appointed and dismissed by employees (art.167 par. 4).

Registration

The social enterprise law or the law on National Registration Center should include the provisions for the registration of social enterprises and foresee for the creation of a social enterprise register within the NCR.

The social enterprise law should also indicate specific requirements for the establishment acts of NGO or companies which are slightly different from the establishment acts of the traditional NGO or commercial companies.

Forms of support

There are several forms of supports for social enterprises. The practice of other European countries shows that state support can be provided through:

- Exclusion from income / profit taxes;
- Reduction of the value added taxes for goods and services provided by Social Enterprises;
- Funds from state budget that is offered for the payment of social contribution of certain categories of disadvantaged people employed by the social enterprises, or and support for the establishment and the activity of social enterprise in general;
- Derogations from the general rules of public procurement in order to provide facilities to the social enterprises to be granted public contracts for the provisions of services and goods.

The exemption from income taxes is not a new practice in Albania. The current legislation regulating the activities of the NGOs stipulates that the NGOs are exempt from income taxes and for particular services they are also exempt from VAT. Thus for such an exemption can also be used for social enterprises.

The support of social enterprises to participate in the tender proceedings is also a practice that is developed in Europe. In the EU Directive 2004/18/CE there are several provisions stating that contracting authorities can impose conditions in order to promote social issues, as long as those conditions respect the EU laws. This compatibility depends on the fact that “Contract performance conditions are compatible with this directive provided that they are not directly or indirectly discriminatory and are indicated in the contract notice or in the contract documents. They may, in particular, be intended to favour on-site vocational training, the employment of people experiencing particular difficulties in achieving integration, the fight against unemployment and the protection of the environment. For instance, it can be mentioned amongst other things, the requirements –applicable during performance of the contract – to recruit long-term job-seekers or to implement training measures for the unemployed or young persons, to comply in substance with the provisions of the basic International Labour Organization (ILO)⁵⁴”

The Italian law (social cooperatives 381/91) allows public authorities to award contracts for services directly (or through a public evidence procedure applicable to B-type social cooperatives only), when their value, in compliance with the European Community regulation, is under the relevant threshold. A useful tool to promote social economy and work integration of disadvantaged people: direct award to social cooperatives as an exception to the rules governing public administration contracts “*Public authorities may, even though this departs from the normal regulation of contracts of the public administration, sign agreements with social cooperatives carrying out activities defined in article 1, paragraph 1, indent b), regarding the supply of goods and services other than social, health care and educational services, in order to create employment opportunities for disadvantaged people defined in article 4, paragraph 1*”.

⁵⁴ See Francesco De Rosa (2008), *The social economy public procurement and public social partnership in Europe*, DIESIS, March.

As long as our law for public procurement no. 9643, dated 20.11.2006 "On public procurement" is in line with the directive 2004/18 EC on public procurement, it should not be a problem that the Albanian law on social enterprises contains provisions on derogation from the general public procurement rules. The Italian model can be a good example to be followed. Details about the procedures for contract awarding to social enterprises can also be included in the CoM decision no. 1, dated 2007 as amended.

Social Business and Social Enterprises

Social business v. social enterprise

Social enterprise and social business determined also by the Albanian law (law no.10376 dated 10.02.2012 on the establishment of the company "fostering social business") have some common features which include sharing common social goals and serving to the benefit of the public and not of those who have created them. However they differ in many other aspects:

- social enterprise normally represent an initiative of group of people developing a business plan and engaging in business activities (normally trading services and goods) which take the economic risk of their undertaking and are independent governance from the state or trade companies. A social enterprise may also be used to provide supported employment to those with barriers to work;
- social enterprises are not limited in form and they are organized with deferent philosophy and principles. Social enterprise is undertaking quite developed in western world and it is not necessary linked with the economic development of a country.

On the other hand social business (Charities) may engage in social enterprise in order to generate funds. Social business is therefore a subset of social enterprise, with the specific characteristic that, whereas a social enterprise can be funded by philanthropy or government grant, a true social business should be self-sufficient.

The organization of social business company

Legal form: The social business company is organized only in the form of Joint Stock Company with state contribution. The state as member is represented by the Ministry of Finance.

Capital Contribution: The initial declared and register capital is 2.000.000 (two million) lekë. *Profit distribution:* the income and the dividend of the company is not distributed but reinvested in the company.

Managing bodies: General assembly, administrative council and administrator. Administrative council is chaired by the Minister of labor and social affairs. The administrator is appointed and dismissed with the Decision of the Council of Ministers.

As a conclusion one may say that Social enterprises are neither defined nor regulated by the current Albanian legislation. However the existing law on non for profit organizations or the law on agricultural cooperatives provides some legal grounds for a potential transformation

of a non for profit organization or an agricultural cooperative into a form of social enterprise. In order for this transformation to occur further legal amendments are needed in order to better define the economic activities of the NGOs or cooperatives pursuing social objectives, their registration as Social Enterprises, their internal and external control which will observe the implementation of social objectives, their financial preferential treatment and other forms of state or private supports.

In any case the development of dedicated law for social enterprises in Albania might be a better approach, for avoiding any confusion with existing legal forms and for the incorporation of the fundamental principles that govern social enterprises.

4.2. Work Integration through Social Enterprise in Albania

Social enterprises have played an important role in the labour market during the past decades. In fact, the so-called social economy has generated millions of jobs by providing a wide range of products and services in the European Union. Figures show that more than 11 million jobs are created by the social economy in the EU and more than 160 million individuals have membership within the social enterprises⁵⁵. By having employed the equivalent of 6% of the working-age population of the EU in more than 2 million social enterprises, i.e. the 10% of the Europeans businesses, the social economy has become an important reality across Europe.

The goal of social enterprises is the realization of general interest activities, human promotion and social integration, rather than profit maximization as other standard enterprises. In fact, social enterprises often employ socially excluded persons by contributing to social cohesion, employment and reducing inequalities. In this context they are an important source of work integration for these individuals.

By integrating vulnerable persons and groups into the labour market through economic activity, ratifying Member states of the ILO Convention 122 “Employment Policy Convention” observe one of its main principles:

“The said policy [i.e. employment policy] shall aim at ensuring that: (a) there is work for all who are available for and seeking work”. [...] – article 1, paragraph 2 of the ILO Employment Policy Convention.

Albania is one of the ratifying States of the mentioned convention⁵⁶. This principle, envisaged also by other international instruments⁵⁷, is part of the Albanian Constitution as well:

55 CIRIEC study 'The Social economy in the European Union', 2007, page 48.

56 Albanian ratified the ILO Convention 122 “Employment Policy Convention” with law no. 9992, dated 18.09.2008.

57 E.g.: article 23, paragraph 1 of the Universal Declaration of Human Rights: *“Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment”.*

“Everyone has the right to earn the means of living by lawful work that he has chosen or accepted himself. He is free to choose his profession, place of work, as well as his own system of professional qualification”. - article 49 of the Albanian Constitution.

So far, several initiatives have been undertaken within the Albanian legislation in order to ensure the social integration of vulnerable persons. We can mention here the following employment promotion programmes aiming work integration:

- a) Decision of the Council of Ministers nr. 873, date 27.12.2006 “On measures of financing, criteria and procedures of implementation of professional practices programme for unemployment jobseekers, which have finished higher education inside or outside the country”. According to this DCM, employers that hire students (registered as unemployed jobseekers), within 2 years from their graduation, benefit an amount of 100% of the unemployment benefit for each month of the practice (internship). On the other hand, interns benefit 100% of the unemployment benefit and are also insured for accidents at work.
- b) Decision of the Council of Ministers no. 47, dated 16.01.2008 “On employment promotion programme for unemployment jobseekers, through on the job training”, as amended. According to this DCM, employers organizing job trainings for unemployed jobseekers may benefit: 70% subvention of the costs of the training if the enterprise is a SME and 50% subvention if the enterprise is large enterprise. Once the training is completed, the employer has to hire at least 50% of the trainers with a minimum 6 months contract. Trainees, during the training, receive 50% of the minimum wage and they are also insured for accidents at work.
- c) Decision of the Council of Ministers no. 48, dated 16.01.2008 “On degree and criteria for benefiting from the employment promotion programme for unemployed jobseekers in difficulty”, as amended. According to this DCM, job seekers in difficulty are: individuals 18-25 years old entering for the first time in the labour market; persons with disabilities; persons from the Roma community; long term unemployed; persons benefiting social assistance (the so-called *ndihma ekonomike*); individuals receiving unemployment benefit; individuals over 45 years old with no university degree; returning migrants with economic difficulties. Employers that hire, with 1 year contract, unemployed jobseekers in difficulties may benefit: 100% subvention of social insurance (employer part) for 1 year; 4 minimum wages.
- d) Decision of the Council of Ministers nr. 27, date 11.01.2012 “On the employment promotion programme for females in difficulties”. According to this DCM, are considered females in difficulties: long term unemployed; victims of trafficking; females over 50 years old; Roma community females; females with disabilities; young mothers; divorced/social problems; returning migrants. Employers that hire, with 1 year contract, unemployed female jobseekers in difficulties may benefit: 100% subvention of social insurance (employer part) for 1 year; 4 minimum wages.
- e) Decision of the Council of Ministers nr. 199, date 11.01.2012 “On degree and criteria for benefiting from the employment promotion programme for unemployed jobseekers entering for the first time in the labour market”. According to this DCM, employers that hire, for at least 6 months contract, unemployed jobseekers 16-25 years old without work experience, may benefit: 100% subvention of social insurance (employer part) for 1 year.

The beneficiaries of these by-laws mainly correspond to the ones of the social enterprises: in both cases the aim is the social and professional integration via access to employment for disadvantaged people in particular the ones with lack of qualifications or social/professional problems leading to exclusion and marginalization.

Despite the fact that there are in place legal provisions aiming work integration, the official data from the Albanian National Employment Service show that only 1170 individuals participated in the employment promotion programme no. 873, no. 47 and no. 48 (the first three ones as listed above)⁵⁸. Among these 1170 beneficiaries, none were individuals with disabilities and just 6 individuals from the Roma community (362 were long term unemployed individuals).

In this context, in line as well with the Europe 2020 Strategy, it should be highlighted more the contribution that enterprises can make to build a sustainable and inclusive economy. For these reasons, efforts should be taken within the Albanian legal framework in order to make formally possible the existence of social enterprises. The experience of the EU countries shows that social enterprises can be an important factor in decreasing the unemployment rate, in particular among vulnerable and unskilled individuals.

In the work integration context, a typical social enterprise employs disadvantaged individuals, making them part of the labour market. There are several cases where social enterprises employ vulnerable individuals (e.g. individuals with disabilities, victims of human trafficking etc.) in providing mailing services, cleaning services, bakery etc. In this way vulnerable individuals gain work experience and enhance their skills so that it would be easier for them to be part of the labour market since their employability is increased.

Another way of work integration is the subsidized employment. Due to the fact that the vulnerable individuals, being unskilled, may be not competitive in the labour market, public subsidies are granted to the social enterprise in order to cover the lack of productivity in the initial stage. After the subsidized period (generally from 3 to 6 months), the enterprise, from their own resources, pays the workers in integration.

These modes of work integration have been combined in Italy and may be a good practice for the Albanian model of social enterprises. Despite the fact that in the legal framework it is not yet envisaged the regulation of social enterprises, there are different entities in Albania that successfully operate on the model of the social enterprise. Even though legislation it's a need to better regulate the internal and external implications of these entities, practice suggests to us that however it has been possible to operate *de facto* as social enterprise despite the lack of legal provisions. Once the legal regulations will be in place, the process of establishing the social enterprise may differ from one case to another: transformation of non-profit organizations into social enterprises; transformation of commercial businesses into social enterprises; or the establishment of a new entity as a social enterprise in order to respond to identified community needs.

It is important to highlight that despite these ways and factors involved, the first step to take in order to establish social enterprise is to define the social problem that will be addressed

58 Albanian National Employment Service, Official Bulletin 2011; <http://www.kerkojpune.gov.al/>

and find ways how they will do so. By as well having an internal democratic organization founded on the element of participation.

4.3 Financial Instruments to Support Social Enterprises in Albania

The greatest invention of the capitalist society, the corporation, remains the main institution of our economic system. It is behind all the economic transformation of the humankind and the driving force of the progress made. But there are some shortcomings too, which were magnified by the recent financial crisis, in particular the inappropriate incentive system for the managers, or the principal-agent problem, a well studied phenomenon. While reforming the corporation is a matter of urgency now, a complementary form of business organization, the social business is emerging as a powerful institution to address social problems of ‘market failures’. It is an enhancement of the concept of democracy in the control of economic resources and as such it is getting a higher attention at global level.

However, those involved in such business enterprise, lack an important element the modern enterprise needs to generate the start up financing and raise capital in the financial markets – the collateral. People involved in this business lack the resources needed to start up and do not have access to bank finance or other forms of capital investments by financial markets. Therefore, innovative financing instruments shall be devised for this type of innovative business organization. I am providing some potential alternatives of financing the social enterprise which needs to be explored further in consultation with other interest groups and government agencies.

The government has established and it is already in operation the Albanian Fund for Social Enterprise⁵⁹, which is devised to be a financial institution in support of micro lending for social enterprise. This fund can be restructured to serve as an “umbrella” fund for all types of social business organization. The fund can provide the needed start up financing, based on the proposed business plan, under relaxed rules regarding the collateral. It can hold an equity participation in the enterprise for a limited time, say a five years, to make sure the enterprise is healthy and that business is sustainable. After that period the fund can be disinvested and the enterprise can go on its own.

During the operation phase, the social enterprise will continue to need more finance, either to increase and diversify its operations or to cover temporary liquidity needs. Therefore, access to bank finance will remains important in providing continuous finance for the enterprise. It is therefore recommended that banking system legislation shall be amended to contain some provisions with regard to making it compulsory to banks that some part of its finance shall be allocated to this kind of enterprise. This kind of administrative rules have been a practice for many countries, including the USA banking law up to end of ‘80s. Banks, in return, shall get some form of compensation for this operation, which may include some deduction from taxes of the amount of credit allocated to social enterprise, or other alternative ways to compensate for the missing profits.

59 Law no. 10376 of 10.02.2011; this law properly refers to the same subjects – commercial business societies – as -Law no. 9901 of 14.04.2008 (on entrepreneurs and companies) (Ed.).

When these two options are explored, then fiscal regime for the social enterprise shall also be reviewed. This business organization does not operate as traditional corporation works, in many ways, most importantly in terms of main goal and objectives and profit distribution. Social enterprise does not distribute profits or dividends and therefore, it makes sense that they shall be tax exempt. Profits made by the activity can be used by the social enterprise to expand the business, upgrade technology and for other social purpose.

This institutional design of financing and tax treatment of social enterprise can also be complemented with some forms of donor finance, in particular from the European funds available for such types of activities.

This brief note on the three proposed changes or innovations on financing the social business can serve as platform for discussion with government and banking community to make further refinements and draft a work plan to make it work.

5. CONCLUSIVE REMARKS AND POLICY IMPLICATIONS - SUGGESTIONS FOR FURTHER DEBATE.

5.1 Profiling the Albanian Social Enterprises.

Traditional enterprises are for profit. They organize the factors of production in order to maximize sales and profits and expand their markets.

Social enterprises are different: they are *non profit* and *non for profit*; they have social, cultural, environmental and productive purposes, ambitions and goals; they have democratic governance and social responsibilities.

Under all these respects, investigating in deep a wide number of Third Sector⁶⁰ organizations our survey provided unequivocal evidence, finally testifying that there is wide room for the development of social entrepreneurship in the country. Although all the cases analyzed have the potential of turning into social enterprises, over 40% of the sample displays a variety of activities with a downright chance of becoming social enterprises at hand.

As seen in detail in Chapter 2, the Albanian potential social enterprises are:

- *young*, as most of them were born after 2001, due to a favourable legislation, and often run by young people, whose energy, motivation and educational level is a fundamental asset for future development;
- *located in areas* in which the demand for goods and services of social nature hasn't yet expressed its full potential: not only urban and suburban areas, but also small towns and remote villages;
- *committed to welfare and well-being*: their “customers” – not only disadvantaged categories – need or are anyway in search for a better quality of life;
- *multi-specialized*, as beyond their “core business” they very often supply a varied range of goods and services; sometimes their production is traditional, sometimes various forms of innovation make that production definitely competitive;
- *competitive*: sometimes competitiveness is assured by the specialization itself⁶¹ or the particular localization of the organization, sometimes it comes from a special mix of tradition and innovation (there can be nothing new in education or health care, for instance, but the way they are provided, for instance in terms of organization or technology applied);
- *flexible*, as in most cases people care requires consolidated human virtues, but above all special skills, to be reached through appropriate learning processes;
- *cooperative*: cooperation – which means not only the capability to dialogue, but also to positively deal with other institutional or informal actors – is a dominant solution: our survey revealed a high propensity to cooperate in the sector;

60 The voluntary or non-profit sector of an economy, or the segment of the economy that is made up of neither public nor business concerns.

61 As the Third Sector traditionally acts in substantial subsidiarity to the general Government action, usually compensating or solving systemic (state or market) failures.

- *relatively dependent on donor contributions*: over 50% of respondents have declared a relative dependence from external financial aid (the donation percentage goes from 10 to over 80%, with a very varied distribution of frequencies), and this is one main critical issue for the survival of the related organizations, their efficiency, their chances of success and expansion;
- *needing for more resources to growth*: beyond funding, our survey revealed a widespread awareness of non-financial needs among the organizations: vocational and managerial training, research and project support are commonly regarded as necessary to the development of activity.

5.2 Policy implications. Suggestions for Further Debate

In order to improve its impact capacity on the social and economic conditions of individuals, communities and territories, every organization requires some direct or indirect Governmental support. At the same time, every Government is expected to maximize the social and economic effects of its action.

Under this respect, our survey suggests that favourable conditions for development can be clearly boosted by some dedicated governmental initiatives:

- firstly, an *effective legislative framework* is required: social enterprises need legitimacy; they need to be given appropriate legal status and force;
- secondly, social enterprises need a *special financial scheme*, providing no general incentives or subsidies, but specific grants, suitably differentiated by typology and by beneficiary (according to sector and/or enterprise dimension or localization);
- thirdly, *fair, transparent and non discriminatory market regulations* have to be set up and implemented to ensure a level playing field for competition to all the social enterprises involved in market production;
- finally, Government and Public Administration can play a major role in supplying *non financial services*: networking, facilitating network or technology transfer/services and qualified administrative assistance are very often low-cost and easily available, efficiency in public action is essential to productivity and welfare.

All these initiatives require time consistency and coordination and have the ultimate goal of enforcing trust, which is the central asset of an accomplished democracy.

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