

## Characteristics and Challenges of Social Enterprises in Albania

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**Abstract** –A social enterprise (SE) is an operator in the social economy whose main objective is to have a social impact rather than making a profit for their owners and shareholders. It operates by offering goods and services to the market in an entrepreneurial manner and uses its profits to achieve its social purpose. Decision-making in social enterprises is based on involving employees, customers and stakeholders. Social enterprises embody both the social and the economic dimension through commercial activities to achieve a common social goal. The limitation of non-distributive profit guarantees the social purpose of the social enterprise (Deforny and Nyssens 2012). The purpose of the paper is to present the enterprises created in Albania, their characteristics, the needs and trends of the sectors in the future. Most social enterprises in the sample have 1-5 full-time employees. The results show that in Albania social enterprises apply four main strategies: a) integration at work; b) fair trade enterprise; c) bottom of the pyramid; d) others that operate in the field of tourism and cultural heritage using social innovation in accordance with the main groups identified by the European Commission in 2011. Social enterprises that provide services rely mainly on the workforce, while other industries such as tourism, manufacturing etc. invest more in machinery, equipment and require more capital compared to other industries. From the sources of income, unlike other countries, social enterprises in Albania rely on few sources such as sales, grants, membership quotas.

*Keywords* –Social Enterprise, Challenges, Characteristics, Legal Frame Work, Strategy

### I. INTRODUCTION

Social enterprises have gained increasing attention globally for their role in solving social and economic challenges. In Albania, social enterprises represent a developing but critical sector with the potential for significant social impact. However, the literature on this subject within the Albanian context is sparse. This article aims to fill this gap by providing an overview of social enterprises in Albania, exploring the existing legal frameworks, operational models, and challenges, as well as suggesting areas for future research.

### II. BACKGROUND

The term 'social enterprise' in Albania is relatively new and not fully understood by the general public or even among academic circles. The concept is primarily recognized and employed by Non-Profit

Organizations (NPOs), social enterprise practitioners, and some institutional actors.

### III. METHODOLOGY

This article employs a qualitative research approach, drawing data from academic literature, policy reports, and legal documents to provide a comprehensive overview of social enterprises and other active enterprises in Albania.

#### *Research questions:*

1. What are the key characteristics of social enterprises operating in Albania?
2. What are the predominant strategies and business models adopted by social enterprises in Albania?
3. What types of social impacts are social enterprises in Albania primarily aiming to achieve?

#### IV. FINDINGS

##### **Main Characteristics of Social Enterprises in Albania**

The main characteristics of social enterprises (SEs) in Albania are multi-faceted and can be divided into several key dimensions<sup>1</sup>:

###### Legal Form and Development Stage

- The majority of SEs in Albania are registered as non-for-profit organizations (76%), followed by for-profit entities (17%) and cooperatives (7%).
- A significant proportion (81%) have already set up a social enterprise, while 19% are still in the idea stage.

###### Year of Establishment

- Most SEs (67%) were founded relatively recently, between 2011 and 2019. The rest were established between 2001 and 2010 (19%) and between 1994 and 2000 (14%).

###### Workforce

- A majority of SEs have a small number of full-time employees, with 57% employing between 1 to 5 people.
- Regarding part-time employment, 60% of SEs also have 1 to 5 part-time employees.
- Volunteers play a role in about half of the SEs, with 52.5% having 1-10 volunteers.

###### Social Dimension

- The primary goal for 55% of SEs is to achieve social aims, while 33% attempt to balance both social and economic objectives.
- Most SEs believe in their ability to bring about social change and attract investors for social problems.

###### Economic Dimension

- SEs operate across a variety of sectors, with the hotel/food service and manufacturing sectors being the most prevalent (21% each), followed by social, healthcare, and educational services (18%).
- Revenue mainly comes from sales and grants, with little to no utilization of state subventions, public procurement, or business angels.

###### Issues

- Employment of marginalized groups (62%), economic empowerment (50%), and social protection of marginalized groups (33%) are the top issues addressed by SEs.

###### Summary

Social enterprises in Albania are primarily small, non-profit entities that focus on social aims. They operate in diverse sectors, including but not limited to hotel/food service, manufacturing, and social services. Most have been recently established and employ a small number of full-time and part-time staff. While they are mission-driven, aiming to bring about social change, they face challenges such as a lack of diverse revenue sources and rely primarily on sales and grants.

These findings offer a snapshot of the current landscape, capturing the diversity, and multi-dimensionality of social enterprises in Albania.

Unlike other countries, Albanian social enterprises rely on few sources of income such as sales, grants, and membership quotas.<sup>2</sup>

###### Strategies and Issues Addressed

Work integration is the most common strategy (40%), followed by fair trade (31%) and bottom of the pyramid approaches (24%).<sup>3</sup>

Based on a European Commission report in 2019<sup>4</sup>, social enterprises in Albania predominantly adopt strategies and business models that focus on addressing social needs and inclusion, particularly filling gaps in public service delivery. Here are the predominant strategies and business models observed:

###### 1. Social Service Delivery:

- Many social enterprises in Albania focus on delivering social services to marginalized groups, aiming to fill the gap in public service delivery. They work in areas such as vocational training, youth career counseling, and support for people with health disabilities.

###### 2. Non-Profit Organizations (NPOs):

- The majority of social enterprises are registered as NPOs, including

<sup>1</sup>Partners for Change and Development, (2020). Characteristics and Challenges of Social Enterprises in Albania.

<sup>2</sup> Partners for Change and Development, (2020). Characteristics and Challenges of Social Enterprises in Albania.

<sup>3</sup> Partners for Change and Development, (2020). Characteristics and Challenges of Social Enterprises in Albania.

<sup>4</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

associations, centers, and foundations. They mainly operate within social services and are engaged in activities that serve people with health disabilities, youth, and unemployed people. According to the General Directory of Taxes, 679 NPOs (associations, foundations and centres) undertake economic activity; however, the institution does not provide any data on economic activity types. (General Directory of Taxes, 2018). Among the total number of NPOs, 319 have a license to offer social and educational services according to the National Business Centre register. (National Business Center, 2018)

### 3. Agricultural Cooperatives:

- Some social enterprises operate as agricultural cooperatives, focusing on agricultural production and husbandry. These cooperatives are linked to the country's history during the communist regime. e. According to data obtained from the Ministry of Agriculture and Rural Development, Albania has 58 agricultural cooperatives with a total 1,000 employee. (2018)

Table 1. Estimated number of social enterprises and their workforce

Type of SE	Estimated number of SEs	Estimated number of employees
Non-profit organisations	319	-1000 -1500
Agricultural cooperatives	58	1000
Limited liability companies	At least two	N.A.

Source: European Commission, (2019). *Social Enterprises and their ecosystems in Europe*

### 4. Limited Liability Companies:

- A few social enterprises operate as limited liability companies, engaging in a diverse range of activities associated with the delivery of innovative and eco-friendly products and/or services.

### 5. Work Integration:

- Several social enterprises integrate marginalized groups into the labor

market, providing employment opportunities to individuals such as the Roma community, orphans, unemployed women and youths, ex-prisoners, and people with physical disabilities.

### 6. Revenue Generation for Social Causes:

- Some social enterprises, like Te Xhoni café, generate revenue to support pro bono therapies and other services for specific communities, such as children and youths with Down syndrome.

### 7. Engagement with Large Companies:

- Some successful social enterprises, like YAPS, have engaged large companies in their governance, serving as loyal customers and mentors, and focusing on high-quality, competitive services.

### 8. Foreign Donor Support:

- Specific funding for social enterprises has mainly come from foreign donors, as most are in the initial or growth stage of their business lifecycle and lack enough financial or human resources to access other opportunities.

### 9. Focus on Untapped Sectors:

- There is potential for social enterprises to explore untapped sectors like agriculture and tourism, leveraging the country's natural resources, unique traditions, and government's focus on these sectors.

### 10. Advocacy for Legal Recognition:

- Social enterprises are advocating for a broader legal framework, fiscal incentives, and financial support to recognize and support all types of social enterprises operating in Albania.

These strategies and business models are reflective of the social enterprises' commitment to social inclusion, service delivery, and addressing the existing gaps in social service delivery in Albania.

### Impact and Social Goals:

They aim to achieve social inclusion, employment for marginalized groups, and delivery of social

services where there are gaps. Here are the types of social impacts they are primarily aiming to achieve<sup>5</sup>:

**1. Social Inclusion:**

- Social enterprises aim to foster social inclusion by providing services and support to marginalized and vulnerable groups, such as people with health disabilities, the Roma community, orphans, and unemployed individuals.

**2. Employment Opportunities:**

- By integrating marginalized groups into the labor market, social enterprises create employment opportunities for individuals like unemployed women and youths, ex-prisoners, and people with physical disabilities.

**3. Enhanced Quality of Life:**

- Through the provision of social services, vocational training, and youth career counseling, social enterprises seek to enhance the quality of life for individuals in need, contributing to their personal and professional development.

**4. Support for Specific Communities:**

- Some social enterprises focus on supporting specific communities, such as children and youths with Down syndrome, by generating revenue for pro bono therapies and creating environments that facilitate interaction and learning.

**5. Promotion of Social Causes:**

- Social enterprises raise awareness and promote social causes, attracting clients and supporters who are sensitive to these causes, thereby fostering a ‘solidarity culture’ in the marketplace.

**6. Delivery of Innovative and Eco-friendly Products/Services:**

- Some social enterprises engage in delivering innovative and eco-friendly products and services, contributing to environmental

sustainability and the development of sustainable business practices.

**7. Filling Gaps in Public Service Delivery:**

- By focusing on social service delivery and inclusion, social enterprises fill the gap in public service delivery, addressing the needs of individuals and communities that are underserved by public institutions.

**8. Economic Sustainability:**

- Social enterprises aim to achieve economic sustainability, which in turn strengthens their capacity to meet social criteria and increases their social impact.

**9. Advocacy and Legal Recognition:**

- Social enterprises advocate for broader legal recognition and support, aiming to create a conducive environment for the development and sustainability of diverse social enterprise models in Albania.

**10. Exploration of Untapped Sectors:**

- By exploring untapped sectors like agriculture and tourism, social enterprises aim to leverage Albania’s natural resources and traditions to create innovative solutions and opportunities for social impact.

These impacts are aligned with the overarching goals of social enterprises in Albania to address societal challenges, promote social innovation, and encourage the spirit of entrepreneurship for social good.

**Employee and Stakeholder Involvement:**

Some social enterprises, like YAPS, employ inclusive governance principles involving all board members in decision-making.<sup>6</sup>

**Investment and Capital:**

Social enterprises in Albania face daily survival challenges and lack access to public procurement and adequate funds.<sup>7</sup>

<sup>5</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>6</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>7</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

### **Sources of Income:**

Sales, grants, and membership quotas are the main sources of income for Albanian social enterprises. The reliance on limited sources of income and lack of access to public procurement and adequate funds pose challenges to their sustainability and resilience.<sup>8</sup>

### **Sector Needs and Trends:**

There is a need for a conducive legal framework, more coordinated attempts to create a network, and boost lobbying power for social enterprises.<sup>9</sup>

### **Comparative Analysis:**

Albanian social enterprises face challenges related to legal recognition, access to funding, and public recognition, which may be more pronounced compared to well-established ecosystems in other European countries. The experience of Albanian social enterprises highlights the importance of a supportive legal framework, public recognition, and access to funding and resources.<sup>10</sup>

### **Policy and Regulation:**

The existing legal framework is restrictive and does not recognize all forms of social enterprises, hindering their development. There is a need for a broader and more inclusive legal framework, fiscal incentives, financial support, and access to public procurement for all types of social enterprises.<sup>11</sup>

### **Innovation and Development:**

Some social enterprises are exploring innovative solutions in agriculture, tourism, and artisan production. Social enterprises in Albania play a crucial role in addressing social inclusion and economic growth by filling gaps in social service delivery and integrating marginalized groups into the labor market.<sup>12</sup>

### **Legal Framework and Recognition:**

The 2016 Law On Social Enterprises is restrictive, and its implementation is pending,

leading to a lack of official recognition and support for social enterprises.<sup>13</sup>

### **Challenges and Opportunities:**

Social enterprises face challenges related to unfair competition, administrative burdens, bureaucracy, and lack of public recognition and support. However, there are opportunities in untapped sectors like agriculture and tourism and potential for social procurement and fiscal incentives to boost the financial capacities of social enterprises.<sup>14</sup>

### **Future Prospects:**

There is a consensus on the state's important role in empowering the social enterprise sector, and representatives of donor agencies and the EU Delegation to Albania express interest in supporting Albanian social enterprise development.<sup>15</sup>

## **V. CONCLUSION**

The exploration of social enterprises (SEs) in Albania reveals a sector in its nascent stages, grappling with challenges yet brimming with potential to address social and economic disparities. The predominant form of SEs in Albania is non-profit organizations, focusing on achieving social aims, particularly in sectors like hotel/food service, manufacturing, and social services. These enterprises predominantly aim to foster social inclusion, employ marginalized groups, and fill the void in social service delivery, thereby acting as catalysts for social change and economic empowerment.

The historical context, marked by the remnants of communism, has left a lingering impact on the public perception of cooperatives and social enterprises, necessitating a paradigm shift to fully realize the potential of SEs in the Albanian context. The lack of a comprehensive and inclusive legal framework is a significant impediment, with the 2016 Law On Social Enterprises offering a restrictive and narrow view of the sector, excluding several existing typologies of social enterprises. The delay in the implementation of this law exacerbates

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<sup>8</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>9</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>10</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>11</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>12</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>13</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>14</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

<sup>15</sup> European Commission, (2019). Social Enterprises and their ecosystems in Europe.

the challenges, hindering the official recognition and support for SEs in Albania.

The challenges are multifaceted, ranging from unfair competition, administrative burdens, and bureaucracy to a lack of public recognition and a 'solidarity culture'. The sector is also constrained by limited access to diverse revenue sources, relying heavily on sales and grants, and faces barriers in accessing public procurement and adequate funds, which are pivotal for sustainability and resilience. The absence of national networks for social enterprises and the lack of specific policies and support structures further complicate the landscape.

However, the landscape is not devoid of opportunities. There is untapped potential in strategic sectors such as agriculture and tourism, and the introduction of social procurement and fiscal incentives can significantly enhance the financial capacities of SEs. The interest expressed by donor agencies and the EU Delegation to Albania in supporting the development of social enterprises underscores the international recognition of the sector's importance and the willingness to foster its growth.

The future of social enterprises in Albania hinges on a collective effort to overhaul the existing legal framework, broaden the understanding and recognition of SEs, and facilitate access to resources and support structures. The sector necessitates a conducive environment, marked by innovative solutions, coordinated networking attempts, and enhanced public awareness and recognition. The insights gleaned from this study underscore the urgency of fostering dialogue among stakeholders, refining legal provisions, and bolstering support mechanisms to propel the social enterprise sector to new heights in Albania.

In conclusion, while the journey of social enterprises in Albania is fraught with challenges, the resilience, innovation, and commitment exhibited by these entities illuminate the path forward. The amalgamation of concerted efforts, policy reforms, and international support can unlock the transformative potential of social enterprises, enabling them to be the harbingers of social innovation and inclusive growth in Albania. The exploration and acknowledgment of the

characteristics and challenges of SEs in this study serve as a foundational step towards a more inclusive, equitable, and sustainable future for Albania.

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