

## Newsletter 21th edition

May 2020



### Qendra per Zhvillim dhe Promovim Social

After the steering committee meeting, IDEA partners decided to approve the business ideas presented by the candidates who took part in the application with their business ideas. The steering committee decided that for Albanian part to approve 5 ideas.

Through this newsletter edition we are going to present shortly this ideas of potential Social Enterprises.

## SUPPORT TO MARGINALISED GROUPS...

As we have put into practice the brief presentation in general terms of the social business ideas selected by the steering committee of IDEA, below we briefly present the third idea for this issue of the Newsletter.

The Center for Social Development and Promotion has decided to move to another status, that of social business, and wanting to create the most effective service in these conditions, it needs financial support to further develop its activity.

### More in this issue:

#### Legal Evolution of Social Enterprises in Albania

The article below is a summary of the legal evolution and the situation now. The study is part of the study "Social enterprises and their ecosystems in Europe".

#### Financial mechanisms

In this issue we are going to present the European Union Solutions and Innovations Guarantee (EaSI) model. The models are presented in the study prepared by the University of Ioannina.



*Invest In Social Capital*

Welcome to the next newsletter of IDEA project. The overall objective of the project is to "Improve cross border capacity to support entrepreneurship, business survival and competitiveness" regarding the social entrepreneurship sector.

The project is co funded by the European Union and National funds of Greece and Albania via the Interreg IPA CBC Programme "Greece - Albania 2014-2020"



They are grouping the Product and Services offered as follows, following the idea that there is an economic cost to developing these and they need to improve them even more.

### 1. Psychological assessment

- Psychological assessment for children and adults with mental health problems,;
- Psychological assessment of developmental disorders (various syndromes: Down, Autism, Mental retardation, Learning Disabilities, etc.);
- Psychological assessment of the placement of parental custody of children, in cases of parental divorce;
- Assessment and psychological assistance in cases of interrogation or detention of minors by the police or the prosecution;
- Assessment and psychological assistance for cases referred by the Bailiff's Office.

### 2. Psychological counseling session / Developmental therapy

- Psychological counseling sessions for children, on mental health problems, behavioral management difficulties, family communication problems, etc.;
- Psychological counseling sessions for adults, on mental health problems, stress management, difficulties in interpersonal relationships, etc.;
- Developmental therapy, focused on integrating the child's conceptual, motor, linguistic, cognitive and social emotional abilities.

### 3. Creativity / Training courses

- Courses for children of different age groups, which aim to promote children's creative skills.
- Trainings with parents, teachers, young people, where the expertise of staff in various fields is provided, according to the needs of the target groups.
- The psychological tests and assessments that they want to offer to make the most accurate assessment based on European practices, which have a high cost and not everyone can afford it.

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## Legal evolution of Social Enterprises in Albania

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

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

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

In relation to participatory governance, the law stipulates that a social enterprise should involve the collective participation of employees and other stakeholders. In December 2017 the Council of Ministers approved Decision No. 716 On Determining the Procedures for Control of Social Enterprise Activity. In December 2018 the Ministry approved Decision No. 789/2018 On the Establishment of the Fund for Support of Social Enterprises and Support Forms through Subsidiaries for Social Enterprises, which does not include any form of support from the local government nor consider public procurement among possible forms of public support.

The law foresees a fine ranging from 30,000 to 40,000 ALL (about 220 to 320 EUR) for any legal entity that calls itself a 'social enterprise' without having obtained its formal status from the

ministry. Similarly, if a legal entity violates one of the social enterprise economic or social criteria, it can be issued a fine between 20,000 and 40,000 ALL (about 160 to 320 EUR). Another dissuasive condition takes effect when a social enterprise loses its status: after the liquidation of its creditors, properties created by the social enterprise during the period in which it held its official status should be used for public interest or be transferred to other social enterprises. Furthermore, the law generates some confusion by not clarifying the separation between an NPO and its social enterprise's activities: even though 'social enterprise' status is given to an NPO that fulfils set criteria, the law presents the social enterprise as a completely new entity. According to Article 14, a social enterprise can lose its status if it interrupts its activity for more than six months or the entity is dissolved. However, even in this case, the law does not clarify whether this refers to the social enterprise or parent NPO. Finally, some rules concerning how the social enterprise functions, as in Article 3 for example, do not take into consideration the Law On Non-profit Organisations No. 8788/2001, which defines the principles for running NPOs.

In August 2018 the Ministry of Health and Social Welfare issued Order No. 602 On the Procedures and Documentation Required for Getting the Status of Social Enterprise. As a result, the minister responsible for recognising social enterprises can award or refuse their official status. Only when status has been awarded can the NPO use the term 'social enterprise' alongside the organisation's name.

However, as other instructions that should have been issued are still pending, the law is not yet functional. Therefore, no organisation has yet received its social enterprise status.

**Source:** "Social Enterprises and Their Ecosystem in Europe" fiche, country fiche: Albania



## European Union Solutions and Innovations Guarantee (EaSI)

More recently, the EaSI Guaranteed Financing Facility has been implemented by the European Investment Fund (EIF) on behalf of the European Commission. It was designed to expand access to microfinance for vulnerable groups and micro-enterprises and to expand access to finance for social enterprises. EaSI offers guarantees with ceilings and guarantees to intermediaries selected on the basis of a call for proposals and with due diligence. It allows intermediate funders to expand their target market to include companies such as startups that they would not normally fund.

The programme runs until 2023. Financial intermediaries include not only financial institutions but also "institutions, family businesses, social investment funds" that are authorized to provide loans / guarantees. Thus, groups of social investors and wealthy individuals could collectively benefit from the guarantee of balancing risks in the initial phase. New sources of finance are being created for low-income social enterprises, but the costs will be added to the cost of the loan.

It takes place at the private, institutional and EU level. There is an opportunity for social investors to invest with an established broker or use an EaSI funding instrument.

**Source:** "Presentation of the economic tools and models" study, University of Ioannina.

*"The views expressed in this newsletter do not necessarily reflect the views of the European Union, the participating countries and the Managing Authority".*

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