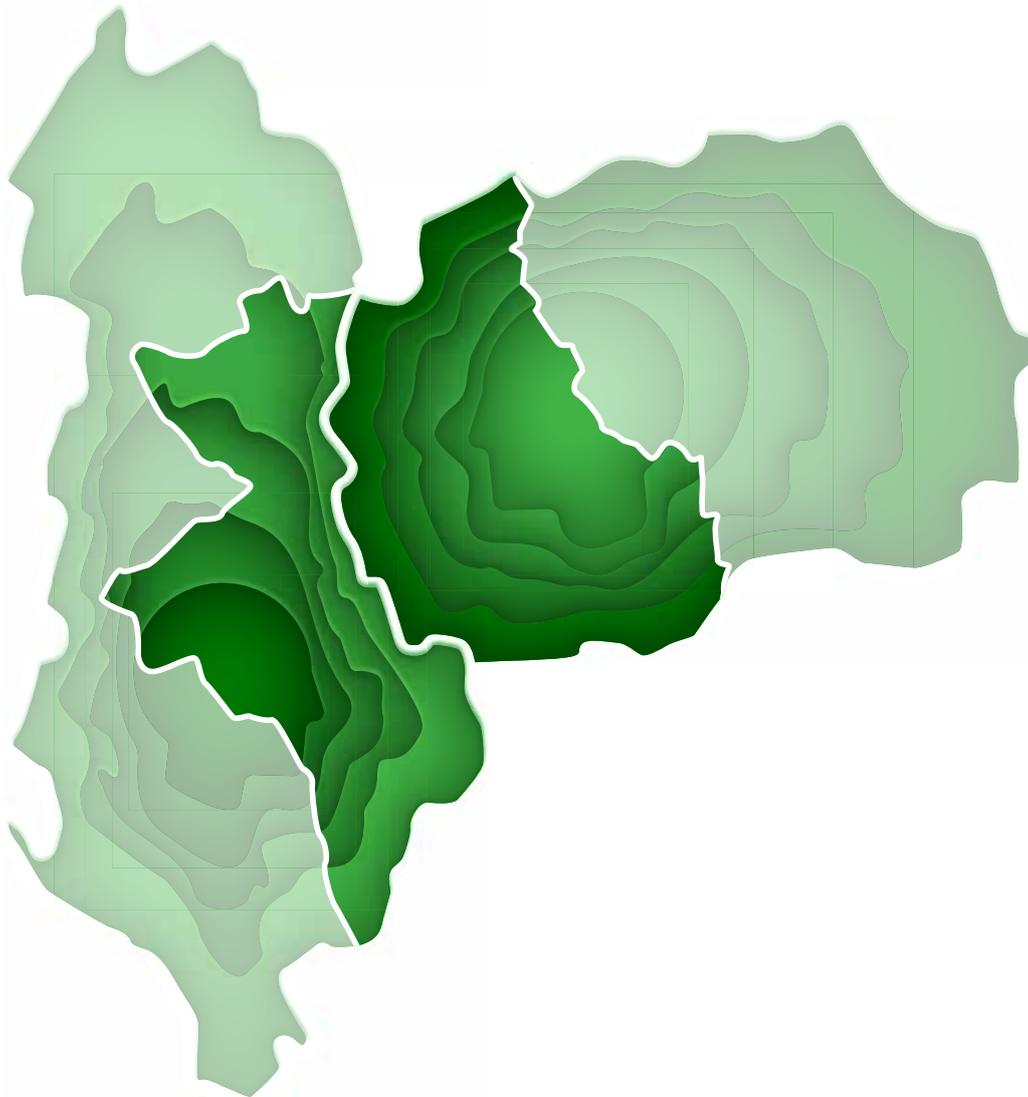




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Can social enterprises from the cross-border regions of North Macedonia and Albania respond to the challenge of work integration of vulnerable people and unemployment?



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The purpose of this policy brief is to offer recommendations to policy makers for implementing appropriate measures and strategies to promote local development by promoting social entrepreneurship in the border regions of North Macedonia and Albania. The analysis, on the one hand, gives an overview of the existing local challenges and opportunities in particular regions, and on the other hand, maps the capacity of existing social enterprises to develop as sustainable business models in addressing local challenges.



INTRODUCTION

The development of social enterprises in both North Macedonia and Albania is just at its beginning. In North Macedonia, the development is linked to the developments in the third sector, such as the limited financial support for CSO services, the decentralization of the social protection system and the increased impact and financial support available from the donor community. In Albania too, the social enterprises have emerged within the civil society sector and are projects supported by foreign donors (Partners Albania, 2016). As in most Western Balkan countries, the civil sector is a leading factor in the development of social enterprises.

The entities that make up the spectrum of social enterprises in both countries are diverse. There is no legal framework explicitly regulating social enterprises in North Macedonia. Despite the absence of specific institutional forms for social enterprises, some of the existing laws provide for the establishment of entities that may be partially or wholly recognized as social enterprises, such as civil society organizations and foundations, cooperatives, protection companies, chambers of craftsmen, agricultural cooperatives, and the informal waste collection sector which has the potential to be transformed through social entrepreneurship. In the country, for the first time in its work program (2017-2020), the government has introduced social entrepreneurship by enacting a law on social entrepreneurship that will facilitate the access to the labor market for the socially vulnerable categories of citizens.

It also gives an opportunity for vulnerable groups to manage the enterprise, make decisions for managing their generated revenue and invest in social goals. In the official government strategies, however, the concept of social enterprise was first introduced in the broader strategies for cooperation with the civil sector (2012-2017) where a more general measure is foreseen to develop a broader concept: the social economy. The measure foresees activities that explicitly target the CSOs with economic activities, while omitting other models that form the spectrum of social enterprises. The same vision is also present in the

current strategy (2018-2020), in which social enterprises are seen only as a mechanism for providing financial sustainability for the civil sector.

The existing social enterprises in Albania, on the other hand, are registered as: 1) non-profit organizations (associations, centers and foundations), 2) sole proprietors or limited liability companies; 3) reciprocal cooperation companies and cooperatives. A Law on Social Enterprises was adopted in 2016, but the implementation of the adopted legal framework has been delayed and so far no entity has been granted social enterprise status. The purpose of the law is to regulate the work of social enterprises, with a focus on the protection and social inclusion of vulnerable persons through: 1) employment, while recognizing the basic rights of the individual to have access to basic dignified living resources; 2) providing employment opportunities for persons whose age, health status and family status do not allow active participation in the open labor market; 3) providing goods and services, providing appropriate opportunities for people with disabilities, and providing support to women in the labor market; and 4) economic and social integration of groups in need, promoting social responsibility, solidarity and community cohesion.

In the course of 2018, the public policy making process affecting social enterprises in Albania was restored. Several bylaws were adopted: 1) List of activities carried out by social enterprises; 2) Defined list of vulnerable categories of citizens; 3) Decision on establishing a fund for social enterprises; and 4) Description of the procedure and documentation required to obtain the status of a social enterprise.

In 2014, the European Commission adopted an indicative strategy (2104-2020) to support Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia and Turkey, setting the priorities for horizontal and regional EU financial assistance for the period 2014-2020. In the area of competitiveness and growth, the report identifies job creation as a major challenge in all countries. The greatest potentials were identified in the agricultural sector and in food production, primarily due to access to land, human resources, location and climate, which can satisfy domestic, regional and European markets. On the other hand, the growth and the development prospects of the countries are under serious threat from their vulnerability to climate change and from their dependence on fossil fuels. Facing unemployment is one of the key priorities of the Western Balkan countries. Countries face a significant challenge in creating new and sustainable jobs that support economic growth.

In the context of the EU 2020 strategy, the report recommends that the European Union provide assistance to Western Balkan countries to be able to provide more effective responses to the market signals, integrate agriculture into the expansion of regional and international markets, and improve efficiency and provide new jobs outside the agricultural sector. Regional co-operation and exchange of best practice are an effective way of promoting rural development, especially in the development of cross-border co-operation.



METHODOLOGY



This study is based on the following methods: 1) in-depth interviews with representatives of fourteen social enterprises from the South-West, Polog and Pelagonia planning regions, through qualitative research in order to gain a deeper insight into the development of their social and economic dimension and their management structure, as well as to look into the environment for their development in the country. The survey was conducted in the period from November 2017 to May 2018; and 2) desktop survey for mapping local challenges and opportunities in the South-West, Polog and Pelagonia planning regions.

RESULTS



In terms of activity, in general, most of the activities undertaken by the social enterprises in the border region are domestic food production, hand-produced handicrafts, hotel and rural tourism, which in turn offers opportunities for their association and promotion of cooperation. However, it should be noted that the social enterprises of the border region of Macedonia have a wider range of activities, which also include recycling, organizing festivals, services for developing creative campaigns, as well as renting space and providing translation services.

In terms of the **existing capacity to create jobs**, in general, the SEs in both countries are small entities with few or no employees. Only two entities have a larger number of employees - 12 and 16. What is characteristic for the border region entities in Albania is that they are mainly family-owned businesses, some of which are mainly seasonal and employ additional labor force, sometimes up to 60 persons.

In Macedonia, most of the entities are social enterprises for labor integration, but some of them do not have and do not show awareness of the need for appropriate integration programs. The cooperation of these entities with the business sector and institutions is insignificant and primarily their main supporters are external donors. In Albania, there are no social enterprises for labor integration, although there are entities that enable people with disadvantaged social status to be included, such as rural women and people with disabilities.

What is common for social enterprises in the border region is that they all have defined **social missions**, which promote the well-being of smaller communities living in less developed regions. Most social enterprises are focused on reducing



unemployment, with an emphasis on women and vulnerable categories of citizens, providing services to the elderly and vulnerable and local socio-economic development.

All social enterprises in the border region face challenges in achieving good business management. The founding acts of the social enterprises in Macedonia define the basic elements of **good management** but they are not applied in practice. The characteristic of social enterprises in Albania is that there is insufficiently developed awareness of the need and importance of good management.

In general, **social enterprises from the border region promote diversity in their operations**. From a gender perspective, it is common for all social enterprises that most of them have women in their management structures. Half of the interviewed entities in Macedonia have one or more employees from the vulnerable categories. In the Albanian border region, however, most entities are focused on the long-term unemployed persons, without skills, and they are seen as a chance to include the marginalized people in the labor market. The entities from Macedonia have a stronger focus and sensitivity to the vulnerable categories of citizens and their employment, compared to the Albanian entities.

A common challenge for all social enterprises in the border region remains **the improvement of the cooperation with the business sector, local government and the state**. The cooperation with the donor community is most developed, but this support is mainly project-related and in line with the donor program. Hence, all entities face the challenge of securing an investment or infrastructure grant.

Generally speaking, the entities generally lack vision. Most of them say they need finance to grow their business better, but lack a strategic approach to their future development. The social enterprises in Macedonia have a more sophisticated way of doing business compared to the entities in the Albanian border region. More than half of them have developed a business plan and done a market research, while half of them have prepared development strategies. In contrast to them, only four entities in Albania have a developed business plan, of which only three follow the same. The characteristic of the interviewed Albanian entities is that almost everyone states that they conduct market research about the demand for their products, often unplanned and without a defined methodology. No entity has written a development strategy. The social enterprises have no marketing strategies and generally operate spontaneously and without a plan. Some of them use the social media and web platforms to sell their services, and for some of them, only fairs and organized sales remain as sales channels.

One of the **biggest problems** they face is the **placement of their products and services**, but it can be concluded that most of them do not pay attention to perfecting their product and service, they do not recognize the importance of brand building for their social enterprise, and in terms of advertising their products and services they generally work spontaneously.

Additionally, the interviewed border region entities identify the following **obstacles to their functioning**: lack of investment, lack of interest from the state to provide benefits for the work of these entities, lack of recognition of these entities, lack of human resources, lack of marketing knowledge and sales management, trade show grants and exchange of experience, insufficient branding knowledge.

HUMAN POTENTIAL OF SOCIAL ENTERPRISES



In Macedonia, five of the analyzed organizations have their own employees, with the number ranging from one to three, and in one social enterprise the number of employees reaches 16 persons. One of the organizations has only part-time employees, and the other four mainly receive cash from the sale of their products and services, and these are organizations that unite long-term unemployed people, including people with physical disabilities.

Five social enterprises have one or more employees from vulnerable categories - persons with mental and physical disabilities, members of the LGBT community, Roma, and their salaries range from 15,000 to 17,000 denars.

Only two of the social enterprises in Macedonia used the **active employment measures** for internship and employment of a person younger than 29 years of age. One of the social enterprises urged its member - a person with disabilities to become active and get a measure of self - employment, but the move did not prove successful in the long run. Two of the social enterprises, on the other hand, were eager to use the measures, but failed because they did not meet one of the conditions, having at least one employee.

In Macedonia, seven entities are social **enterprises for labor integration**. One of them does not provide additional support for vulnerable individuals, the second reduces its assistance to technical, filling in documents, and the third attempts to give priority to the renting of tourist facilities offered to room-renters, while at the same time taking care of children with special needs. Others have their own integration programs or direct work with vulnerable individuals that facilitate their integration process, by developing their skills through training. Three of the social enterprises for labor integration do not show awareness that they need such an upgrade.

In the border region of Albania, most often there are small social enterprises with three to six **employees** (eight entities), dominated by family entities. One organization employs eight or twelve employees, while seasonal staffing dominates the entity's workforce, sometimes up to 60 employees.

Four entities are **managed by females**, and despite the many stereotypes they face, they have been able to prove to their families that they believe in their ideas and management skills. Two of them employ women only, while two are young people in general.

Many entities are seen as a chance to **include marginalized people** in the labor market. For most, it is important for the person to know the job or want to learn, and not just have formal qualifications. Only three indicate that family business management does not provide employment opportunities for people with marginalized social status. In Albania there are no social enterprises for labor integration and only one entity indicates that it offers technical assistance to people from marginalized groups, such as training.

Merging entities that could assist in the production or service provision cycle is an important segment of support for social enterprises in Albania. They indicate that they need additional knowledge about the concept of social enterprise for work integration.



RECOMMENDATIONS

Accordingly, in order to develop the potential of social enterprises to respond to the challenges of labor integration and unemployment, in particular to socially vulnerable persons:

The public policy should:

- Recognize the legal forms of SE in relation to tax policy, financing, public procurement;
- Create financial instruments to support SEs aimed at recognizing forms of public funds reserved or active employment measures that are adapted to the conditions in which SEs operate;
- Omit the “lowest price” criterion, which restricts the SEs to participate in public procurement;
- Develop credit lines for SEs, which will encourage them towards financial sustainability steps (low interest, two to five year grace period);
- Encourage partnerships and networking at the local level, municipality and SE in a particular region;
- Strive for the highest level of transparency in the public policy on SEs, including active measures aimed at SEs.

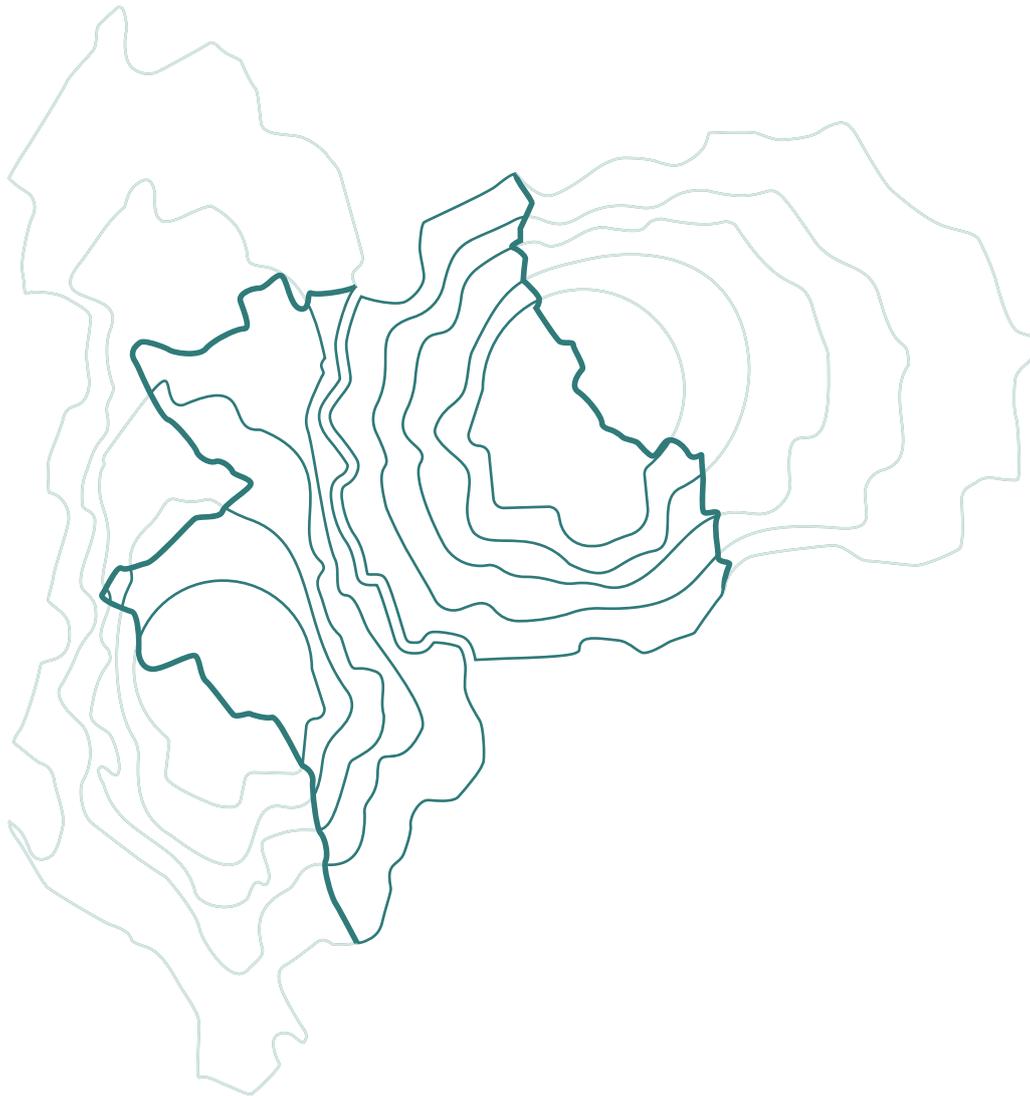
The traditional business (oriented only towards profit) should:

- Include SEs in their own system of procurement of raw materials, parts processing, outsourcing, transport, etc.;
- Encourage the exchange of experience with SEs in business planning, branding, conquering markets;
- Encourage partnerships with SEs and traditional businesses to develop innovation.

Social Enterprises should:

- Be encouraged to create an internal operating system;
- Develop services in social areas where there is a need and space for private operators;
- Be encouraged to use financial instruments (active measures, loans) that are tailored to the conditions of their operation in the country;
- Develop a mentoring system, especially in the initial period of operation.





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