SOCIAL ENTREPRENEURSHIP IN THE WESTERN BALKANS:
STATE OF PLAY

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Acronyms and Abbreviations

CEDRA – Cluster for Socio-Economic Innovation and Development (Croatia)
CRNVO - Centre for Non-Government Organisations
CSO – Civil Society Organisation
DG Growth – European Commission Directorate General for Internal Market, industry, Entrepreneurship, and SMEs
EBRD – European Bank of Reconstruction and Development
EC – European Commission
EU – European Union
EUR – Euro Currency
FIQ – Forum for Civic Initiatives (Kosovo)
NGO – Non-Governmental Organisation
SE – Social Enterprise
SEs – Social Enterprises
SMEs – Small and Medium Enterprises
TACSO - Technical Assistance for Civil Society Organisations
UNDP – United National Development Programme
USAID – United States Agency for International Development
Acknowledgements

This report would not have been possible without the time and insights from the people interviewed. Many thanks to everyone who gave their time to answer questions and provide observations for the study; a full list of local expert interview participants can be found in Table 1.
Introduction

Study Purpose

Social enterprises (SEs) are businesses that combine the sale of products and/or services with achieving wider social, environmental, and community objectives. SE models are typically hybrid business forms - using a modification of commercial operations, such as sharing financial profits with co-owners, staff or other social ventures, paying above-market prices to suppliers or wages to staff, cross-subsidising core businesses to achieve social aims, or seeking long-term partial subsidy (Smith and Darko, 2014; in British Council 2015). In Europe, SEs typically operate in the fields of:

- Work integration - training and integration of people with disabilities and unemployed people.
- Personal social services - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people.
- Local development of disadvantaged areas - remote rural areas, neighborhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries.
- Other - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports.

(European Commission, DG Growth)

As such, SEs have a potentially significant role to play in sustainable and inclusive socio-economic growth at local, national, and international scales, and SEs have been the subject of growing interest in the field of social finance (also referred to as social investment or impact investing) around the world (e.g. Rockefeller Foundation; Yunus Social Business).

The European Commission’s (EC) ‘Map of Social Enterprises and their Eco-systems in Europe’ estimates that SEs represent a very small portion of the EU business landscape, below 1% of the total in most EU countries (ICF BWB 2015). However, SEs are growing at a very fast rate and becoming increasingly sustainable, especially in the UK and some central and southern European countries. Working to support these SEs through financial and non-financial support, investment readiness, and capacity building is key to advancing the SE agenda towards its potential positive social, economic, and environmental impacts.

This also applies to the countries of the Western Balkans – Albania, Bosnia and Herzegovina, Croatia, Kosovo\(^1\), the former Yugoslav Republic of Macedonia (FYROM)\(^2\), Montenegro, and Serbia, the focus of this study. In these countries where SEs could have positive impacts, yet where the concept of SE and social investment is not widely known, often lacking a legal framework and support structures for SEs to develop and flourish.

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\(^1\) This designation is without prejudice to positions on status, and is in line with UNSCR 1244, the ICJ Opinion on the Kosovo Declaration of Independence and the EU terminology.

\(^2\) This designation is in line with the EU terminology. In the study, the authors will refer to it as “Macedonia”.
This paper seeks to outline the SE landscape in the Western Balkans i.e. the state of play, addressing a lack of consolidated and up-to-date empirical information on the SE sector in the region. It is not within the scope of this paper to focus on the theoretical or socio-political dimensions of SE in the Western Balkans. Instead, the aim is to contribute state-of-the-art empirical data and analysis that can be used by all stakeholders – including entrepreneurs, financial intermediaries, support organisations, policymakers, and researchers – to help advance our understanding of the SE sector in the Western Balkans, with the long-term goal of achieving positive societal impacts for people and their environments through social entrepreneurship.

Methodology

The research generated state-of-the-art knowledge from desk research and interviews with 7 local experts engaged in SE support in each of the countries of the Western Balkans. A summary of the selected local expert is provided in Table 1 below.

Table 1 – Local Expert Interview Participants

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>LOCAL EXPERT</th>
<th>ROLE / POSITION</th>
<th>ORGANISATION</th>
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</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Genci Pasko</td>
<td>Freelance Consultant</td>
<td>Resident Advisor of Technical Assistance for Civil Society Organisations (TACSO) Albania Office</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Vesna Bajšanski-Agić</td>
<td>Executive Director</td>
<td>Mozaik Foundation, Bosnia and Herzegovina</td>
</tr>
<tr>
<td>Croatia</td>
<td>Ranko Milić</td>
<td>Co-founder</td>
<td>Social Entrepreneurship Forum; CEDRA HR / CEDRA Split (Cluster for Socio-Economic Innovation and Development)</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Kushrim Puka</td>
<td>Programmes Manager</td>
<td>Forum for Civic Initiatives (FIQ)</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Branko Dokuzovski</td>
<td>CEO</td>
<td>Horus</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Bosko Nenezic</td>
<td>Freelance consultant</td>
<td>Previously Executive Director at Centre for Monitoring and Research (CeMI)</td>
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<tr>
<td>Serbia</td>
<td>Ivana Stancic</td>
<td>Programmes Manager</td>
<td>Smart Kolektiv</td>
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</table>
In order to generate state-of-the-art knowledge on the SE sector in each country, and in line with the approach followed in the Commission’s ‘Map of Social Enterprises and their Ecosystems in Europe’, interviews with local experts were structured around 3 key themes:

i. Market overview, including SE sector definitions, size, legal frameworks, impact assessment.

ii. Funding and finance, including SE grants, loans, or equity.

iii. Capacity building, including non-financial support, training, information, research, networks for SEs\(^3\).

Local expert interviews lasted up to 1 hour. Due to time and budget constraints, interviews were conducted remotely via Skype, at participants’ convenience. Local expert interview data were supplemented by secondary data from PlusValue’s desk research, and the most relevant secondary sources (reports, websites, etc.) are included in the data analysis (Table 2 sources/references), presented in the following section: state of play.

**State of Play**

PlusValue’s analysis of the SE state of play in each country of the Western Balkans is presented in Table 2 below, according to the 3 key themes of: market overview; funding and finance; capacity building. The main conclusions from this analysis are presented in the final section.

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\(^{3}\) PlusValue’s local expert interview guide is included in the Appendix.
### Table 2: Social Enterprise State of Play in the Western Balkans

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>MARKET OVERVIEW</th>
<th>FUNDING AND FINANCE</th>
<th>CAPACITY BUILDING</th>
<th>SOURCES / REFERENCES</th>
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<tbody>
<tr>
<td><strong>Albania</strong></td>
<td><strong>Definition:</strong> No legal definition for SEs in Albania. As an operational definition, the EU-funded Technical Assistance for Civil Society Organisations (TACSO) has used “businesses providing social services and/or goods to vulnerable persons; and/or businesses with a method of production of goods/services with a social objective”.</td>
<td><strong>Grants:</strong> grants are the main source of funding for SEs in Albania. In terms of revenue, the TACSO survey (2013) points out SE’s dependence on grants and donations. The survey found 42% of SEs obtained revenue from service fees, among which 63% did not cover their start-up or management costs annually. For example, Yunus Social Business (YSB) Albania funded and supported the launch of 3 social businesses in 2013 with more than 260,000 USD in financing, with a further 34,000 USD mobilized from YSB’s co-financers (BM).</td>
<td><strong>Partners Albania</strong> is working to encourage the development of SE through seed funding support for startups; exchanges and cooperation among organizations and entrepreneurs, investors and private sector at national and international level; facilitation of dialogue with state actors to encourage incentives for development of SEs; networking and promotion of best practices through media programs and articles. The work is focused in three pillars: Education and Public Awareness, Research, Collaboration Platforms to Support SE.</td>
<td>Local expert interview with Genci Pasko, TACSO - Technical Assistance for Civil Society Organizations. <strong>EFESIIS</strong> Albania National Report on Social Entrepreneurs hip  \hspace{1mm} TACSO Research Report (March 2013) ‘Social Economy in Albania – A Survey on Social Enterprises’  \hspace{1mm} Social Innovation Europe: Yunus</td>
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<td><strong>Legal framework:</strong> No official policy measures recognising social enterprise. The main legal forms of SEs identified by Partners Albania are: Non Profit Organisations, sole proprietorship, savings credit associations and mutual.</td>
<td><strong>Vodafone Foundation</strong> allocate grants (and donations in kind e.g. mobile technologies) to local organizations, including nonprofit organizations and other CSOs to respond to community needs. <strong>USAID</strong> offers some supporting grants and subventions to different categories of businesses (including SEs) from time to time.</td>
<td><strong>TACSO</strong> (Technical Assistance for Civil Society Organisations) is also providing capacity building (e.g. training, information, support and research) on SE among CSOs. The leading 20 Albanian CSO proponents of social enterprise have established a network to promote its practice - the Social Enterprises Forum.</td>
<td><strong>EFESEIIS</strong> Albania National Report on Social Entrepreneurs hip</td>
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<tr>
<td><strong>Market size:</strong> TACSO’s 2013 survey identified 80 organisations that fit the criteria for ‘potential social enterprises’. A select number of civil society organisations (around 30) have been long-term partners of Italian development NGOs working in Albania.</td>
<td><strong>Main activities:</strong> TACSO survey finds non-profit SEs focused on a range of services: social, health, education, tourism,</td>
<td><strong>The Government of Albania and Yunus Social Business signed a joint agreement to implement the Social Business Movement in Albania, a national programme of activities for the promotion, support, and financing of social businesses in Albania, which began in April 2012. From 2015, this expanded into YSB Balkans, focusing on: social business</strong></td>
<td><strong>EFESIIS</strong> Albania National Report on Social Entrepreneurs hip  \hspace{1mm} TACSO Research Report (March 2013) ‘Social Economy in Albania – A Survey on Social Enterprises’  \hspace{1mm} Social Innovation Europe: Yunus</td>
<td></td>
</tr>
</tbody>
</table>

Local expert interview with Genci Pasko, TACSO - Technical Assistance for Civil Society Organizations. **EFESIIS** Albania National Report on Social Entrepreneurs hip  \hspace{1mm} TACSO Research Report (March 2013) ‘Social Economy in Albania – A Survey on Social Enterprises’  \hspace{1mm} Social Innovation Europe: Yunus
domestic violence victims, and cultural heritage. Larger CSOs focus on providing community social services to the socially excluded and disadvantaged, while a much smaller number are pursuing a work integration mission. They have all been operating, independently or within the aegis of foreign development projects, for up to around 10 years, and in this time have developed into mature and relatively large-scale operations in the context of Albanian civil society. A number of Albanian CSOs engaged in social economy, while still in receipt of foreign grants for the foreseeable future, are attempting to develop new profit-making services, in fields such as catering or house cleaning, with which to eventually fund their core services to the community.

**Impact assessment:** no accepted standard for social impact measurement.

**Loans/equity:** The government has established and is operating the Albanian Fund for Social Enterprise, which is designed to be a financial institution in support of micro lending for SE. This fund can be restructured to serve as an “umbrella” fund for all types of social business organisation. 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 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.

accelerator; social business fund; social business idea generation (events and workshops across Albania); social business policy/advocacy in Albania; social business hub in Tirana (office space, infrastructure, equipment); public awareness raising (e.g. media activities, marketing, social business ambassadors); international exchange and investment (leveraging through the Grameen/Yunus network).

The Albanian Investment Development Agency provides some capacity building support to boost investment for SMEs (e.g. identifying properties/locations, new/existing products to invest in).

**Education:** private universities have been the first to show interest in developing curricula on Social Business (e.g. draft programmes, post-graduate research). However, the education system has so far had little/no contribution to the SE sector, and social enterprise/innovation is not taught in schools (EFESEIIS).

**The Balkans**

**EBRD Draft Strategy for Albania (2015)**

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**Bosnia & Herzegovina**

**Definition:** there is no accepted definition of SE, and overlap in definitions between ‘social’ enterprise associated with welfare, and ‘societal’ enterprise associated with a broader set of cultural and ecological values.

**Legal framework:** no specific legal framework for SE, as the notion of SE is still new. But the existing legal framework

**Grants:** The most common funding tool for SEs is grants (90%), and SEs struggle to transition from grant dependency to financially sustainable trading activities. Mozaik has a 40 000 EUR grant fund for SEs, and Unicredit Foundation has a grant fund of up to 100 000 EUR for SEs.

The main capacity building stakeholders (e.g. funding, training, advice, mentoring) are:
- Mozaik - Mozaik is the national leader in capacity building. They have developed a 10-year strategy (2014-2024) with the aim to create a new generation of SEs, help tackle 63% unemployment in the country, and make Bosnia Herzegovina a hub for impact investing. Their MStream programme funds

**Local expert interview with Vesna Agic, Mozaik Foundation**

**Mozaik factsheet**
does not prevent SEs, they can have legal form as a traditional/mainstream enterprise and operate as a SE. Legal framework seen as potentially problematic if (i) SE becomes a ‘tactical’ label to exploit funding opportunities rather than a way of operating; (ii) if legislation is not underpinned by sound business support competency for SEs.  

**Market size:** around 50 SEs (estimate due to lack of data)  
**Main activities:** the majority of SEs have been established by NGOs as a mechanism for financial self-sustainability. Main activities include service providers, clothing/textiles (e.g. employing people with disabilities, refugees, women, vulnerable groups).  
**Impact assessment:** no standardised or widespread impact assessment for SEs.

**Equity:** From 2016 onwards, Mozaik is switching to equity instead of grants, taking an equity share of 26-49% negotiated with individual SEs. No other experiences of equity have emerged so far.

**Loans:** SEs are not considered as a separate market by financial intermediaries for loans. Typical loans for SMEs (not SEs but can include them) are around 7%. Mozaik is currently negotiating with Unicredit Foundation to scale up SE loans through local municipalities who would pay for the loans on behalf of SEs (subsidised loans to boost local development). There is growing demand for all types of funding from SEs. Impact investing currently only considers enterprises with over 500,000 EUR turnover, and no SEs meet this criterion yet.

**Education:** There is nothing in the formal education system that speaks about entrepreneurship or SE. Mozaik has applied for EU funding to make collective impact on SE development, including a basic training course on SE to be offered in 3 universities. School system is identified as more rigid and less likely to include SE in the curriculum currently (PlusValue interview, Mozaik Foundation).

**Loans:** SEs are not considered as a separate market by financial intermediaries for loans.
| Croatia | Definition: Social enterprise is defined in Croatia’s Strategy for the Development of Social Enterprises (2015-2020) as “a business based on the principles of social, environmental and economic sustainability, in which generated profit is entirely or largely reinvested for the benefit of the community.” Legal framework: The Strategy for the Development of Social Enterprises 2015-2020 has recently been adopted by the government and stakeholders in Croatia, which identifies associations (NGOs), cooperatives, institutions and commercial (trading) companies established with the aim of employing people with disabilities as basic holders of social entrepreneurship. Market size: There are an estimated 200 SEs in Croatia. There are around 1000 cooperatives, some of which are SEs. Including NGOs and CSOs with economic activities then there are around 3000 that could be classified as SE under this broader definition. In total, the non-profit sector employs over 20,000 people, while cooperatives employ 3,800 people. Main activities: SEs provide a range of products and services, including work integration, provision of social services, agriculture (organic food production), tourism, culture, environment and waste treatment, nature conservation and protection of the environment. SEs in Croatia often employ young people. Grants: grants are the most common funding tool for SEs. Grants are mostly public, not private grants. The Ministry of Labour is the contracting authority for the European Social Fund, which launched a new programme of grants for SMEs (including SEs) in 2016 with a total value of 3.5 million EUR, with individual loans between 90,000 - 260,000 EUR. SEs generate revenues from grants, trading activities, membership fees, service fees, and donations (in the case of NGOs). The Cooperative for Ethical Financing is in the process of establishing the first ethical development bank - ebanka. SE is one of ebanka’s key target of investment policies, for which it is developing an investment framework and collecting capital to establish an investment fund. Ebanka has struggled to raise the necessary capital so far, which has delayed its opening, at least until 2017. Loans: Apart from ebanka’s proposed SE loans (planned to launch in 2017), there are no dedicated instruments for financing SEs. SEs are eligible to apply for commercial loans but these require collateral, strict repayment conditions, and high interest rates of 7-10%. There is demand for loans among a growing number for investment ready SEs in Croatia Equity: There is no equity at the moment, no impact funds, no state funding, and no specialised banks for SEs. CEDRA national network is one of the most important players for capacity building for SE in Croatia. Established by 5 regional organisations, CEDRA is working to create SE infrastructure, as well as supporting SEs through incubator and accelerator programme run in collaboration with the Zagreb Impact Hub. Lack of financial resources means that these support programmes operate on a very small scale, financed by CEDRA’s own income (from service provisions), with staff donating time/money to help SEs. On one hand social/environmental organisations need business training, while on the other hand business consultants need further training and information in order to boost the SE sector and social economy more widely. Other key stakeholders in SE capacity building are the Zagreb Impact Hub - the first social incubator in Croatia; and the Network of Support Centres for CSOs (financed by the National Foundation for Civic Society Development), which provides basic training. In addition, Social Business Award Croatia was launched in 2015, developed by Zagreb Impact Hub in collaboration with UniCredit Foundation and Zagrebacka Banka. There is a current absence of public support schemes targeting SEs. Education system: There are some first signs of introducing SE as a topic in private high education system: Social Entrepreneurship (SE) is defined in the Draft Strategy for the Development of Social Entrepreneurs in the Republic of Croatia TACSO Report (2015) ‘Development of Social Entrepreneurs hip in Montenegro’ Local expert interview with Ranko Milic, CEDRA HR and CEDRA Split (national/regional ecosystem for SE) EC’s map of social enterprises and their ecosystems in Croatia. |
women, the elderly, persons with disabilities, and often the long-term unemployed, minority representatives.

**Impact assessment:** Some experts/organisations are trained in social audit. CEDRA want to develop impact assessment further.

**Kosovo**

**Definition:** Currently no legal definition, as social enterprise as a notion is something new and emerging in Kosovo, building on a longer tradition of cooperatives. However, social enterprise is understood by practitioners as an organisation/business that is involved in economic activities and that has a primarily social objective.

**Legal framework:** There is no specific legal framework for social enterprises, SEs are officially registered as a company/business or as a non-government non-profit organisation. However, the first draft law for SEs has been launched, and is currently being processed by the Ministry of Labour.

**Market size:** Around 100 operational SEs, although this is an estimate as no comprehensive surveys have been done.

**Main activities:** 20% of social enterprises (most productive) account for 80% of the outputs. The majority work in recycling, environmental activities, and agriculture (processing, packaging, organic production, herbs) since agriculture is one of the key development sectors in Kosovo.

**Impact assessment:** some organisations conduct social impact measurement

Perceived lack of entrepreneurial capacity, technical and practical skills and market experience which can inhibit SEs from attracting mainstream commercial investors.

**Schools.** Student cooperatives and pupil cooperatives exist in secondary and elementary schools, as learning experiences with little/no money involved. Overall, the SE concept is still very underdeveloped, unknown to wider public. In civil society there is a notion of SE, but it is still a new term and needs further promotional efforts.

**Some capacity building (training, mentoring, grants)** delivered by civil society organisations and foundations. E.g. Forum for Civic Initiatives is the leader. Set up the first accelerator for SEs, first round received 450 applications, selected 100 for training, and 25 for seed grants.

The European Bank of Reconstruction and Development (EBRD) also contracted NESSt in 2011 to research, raise awareness about, and support social enterprise in Kosovo.

Other organisations operating in the ecosystem are: Innovation Centre Kosovo; Unicef Labs; Women in Business; USAID. But most are ad hoc, not specifically focused on SEs, and not providing consolidated support.

Need for statistical data on SEs, and resources for capacity building (money, staff, expertise) at startup and growth phases.

**Education system:** No SE in formal school education system. Large number of students graduate from university with economics and law degrees, but entrepreneurship and SE is not included.
| Macedonia | Definition: Although legal entities that can be considered as SEs (as defined in the European legislation and practice) exist and operate in Macedonia, no officially accepted definition on social entrepreneurship or social enterprise exists in the legal framework, or in the relevant policies on national level. However, there is an ongoing initiative to draft and adopt a Law of Social Entrepreneurship. The law was drafted in November 2014 and entered into initial public debate, while progress has halted due to on-going political uncertainty. Legal framework: No specific Law on Social Enterprises exists in Macedonia. However, the existing legal framework regulates certain organisational forms that can be observed as social enterprises. Legal entity types that exist and can be considered as a part of the social economy are: (i) civil society organisations (CSOs) that engage in economic activities/social contracting; (ii) Protective companies (employment of people with disabilities); (iii) Cooperatives. Market size: 150 active entities (estimate due to lack of official data). Main activities: The existing social enterprises in Macedonia carry out their activities in the following sectors: social protection and inclusion, protection of the disabled, environmental protection and | Grants: Apart from grant schemes that occasionally have social entrepreneurship as one of the listed priorities (EU, UNDP, Swiss Development Cooperation, rarely other donors), no financial support initiatives targeting specifically SEs is available in Macedonia on continuous basis and sufficient volume. The main sources of revenue for SEs are Public (foreign) grant funding, followed by service fees, trading activities, private grant funding, donations and membership fees. Key providers of grants are the EU, Swiss Development and Cooperation, UNDP. Neither specialised banks nor impact funds that offer services to SE exist at this point in Macedonia. The concept of ethical banking is unknown in Macedonia. Obtaining financial support presents the biggest challenge and is a key obstacle for SEs. Loans: SEs can apply for a mainstream bank loan at commercial rates (average 7.5%) with a business plan, minimal investment risk, and guarantee (collateral). Financing tools for mainstream businesses could be adopted to serve SEs. 3 large banks and several medium-sized banks which are focused on financing of micro, small and medium-sized enterprises, as well as credit lines for businesses/innovation from | Several incubators offer working space, initial seed money and consultant services to start-ups (SE and mainstream) e.g. PCM business incubator, Business Incubator in Strumica and Business Development Center in Tetovo. SEAVUS (most successful IT company) has opened the first ICT incubator. Other facilities include: Impact HUB Skopje, Social Innovation HUB (supported by UNDP), New Man’s Business Accelerator, the Business Start-up Center at the Faculty of Mechanical Engineering University of Skopje, the Business Start Up Center in Bitola, and the Business Info Centres as Enterprise Europe Network (EEN) in Skopje. However, SEs often have to modify their concept to be eligible for support. At local level there are around 50 centres for local economic development established within the municipalities of Macedonia, as part of the projects supported by USAID and UNDP; centre for transfers of technology; Associations of entrepreneurs (Macedonian Chamber of Commerce, The Chamber of Commerce of the Northwest Macedonia and the Macedonian Chamber of Artisans). The Employment Service Agency of Macedonia gives 3,000 EUR grant to unemployed people with a sustainable | Local expert Interview with Branko Dokuzovski, HORUS Macedonia & SIGN Network. ZIP Institute (Dec 2013) ‘Social Business in Macedonia: Concept, Developments and Perspectives’. European Training Foundation (Nov 2014) ‘Entrepreneuri al Learning Strategy of the Republic of Macedonia 2014-2020’.
<table>
<thead>
<tr>
<th>Country</th>
<th>Definition</th>
<th>Legal framework</th>
<th>Equity</th>
<th>Education system</th>
<th>Impact assessment</th>
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<tr>
<td>Montenegro</td>
<td>The concept of SE is not well known, and generally reduced to ‘work integration of disabled persons’ (TACSO). However, “in the broadest sense, under the social entrepreneurship is considered the use of innovative practices in the sale of goods and services on the market, in order to generate income to be used for the realisation of some commonly beneficial interest.” (Strategy for development of NGOs in Montenegro 2014-2016 p22).</td>
<td>No law that regulates SEs and no strategy on social entrepreneurship, but SEs exist in practice. Failed attempt to enact a SE law in 2013.</td>
<td>There is no equity experience so far with SEs in Montenegro.</td>
<td>SE is not incorporated in the formal educational curricula in Macedonia. Trainings as extracurricular activities related to SE have been organized by several faculties and universities in Macedonia (e.g. Faculty of Economics, UKIM Skopje). Non-formal education and training programs on SE exist, mainly organized by CSOs with focus on promotion of SE as a model for improvement of CSO sustainability.</td>
<td>no accepted standard for social impact measurement.</td>
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<td>There are “workshops” for persons with disabilities, but these are not real SEs. They can register as an NGO with commercial activity limited to 4000 EUR per year, or 20% of total donations. Any NGO can form a company and function like any other SME, but still not a real SE. No special status for commercial businesses if they invest in social benefits, or have a social purpose, except for limited tax reduction for certain philanthropic activities. Market size: Officially 0 SEs, as there is no Law, but unofficially (mainly NGOs that do some commercial work) between 30-50. 410 CSOs registered for business activity, but no research on their specific activities. 19 CSOs generated income up to 10 000 EUR; 18 over 100 000 EUR. Main activities: SE in Montenegro is usually practiced through the form of NGOs registered to perform economic activities (focused particularly on members of marginalized groups, people with disabilities, Roma population, and women victims of violence). These NGOs focus on the creation of different products by persons with disabilities, discounts on certain goods for various marginalized groups, employment of socially endangered, or marginalized groups, printing, etc. Impact assessment: no standard impact assessment framework for SEs.</td>
<td>Some general SME finance support including: co-financing and loans under favourable conditions from Ministry of Agriculture and rural development, and Investment and Development Fund of Montenegro (IDF). Supporting mechanisms for SMEs from Directorate for development of SMEs and Ministry of Economy. Technical support comes from Montenegro Chamber of Commerce and business associations for member cooperatives. CRNVO has been helping non-profits to build capacity since 1999, also working with SEs. Mozaik Foundation and Smart Kolektiv are also active in Montenegro. EBRD has provided access to consulting services in marketing, strategic planning, quality management systems, and covers part of costs of up to 10 000 EUR (see CRNVO, EBRD). Employment Agency of Montenegro facilitates implementation of entrepreneurial ideas. Centre for Civil Society Promotion is contributing to EU research project 'Sustaining civil society impact through social entrepreneurship and innovations' (2016-April 2019). 2 business incubators (general, not SE only): (i) IT Business Incubator “Inventivnost” from Podgorica. Established 2009 by Directorate for Development of SME and Capital City of Podgorica, supported by University of Montenegro; (ii) BSC Bar. Established 2010 by Municipality of Bar, supported by SPARK. 1,100 sq m space, for 3-5 years, providing training, advice, micro-loans.</td>
<td>CRNVO ‘Needs analysis of social enterprises in Montenegro’. European Movement (June 2014) ‘National Report on Social Economy in Montenegro’ NVO Juventas (2016) ‘Study on Social Entrepreneurship in Montenegro’.</td>
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| Serbia | **Definition:** No official definition of SE, but stakeholders (e.g. Smart Kolektiv) tend to use the European Commission’s definition outlined in the Social Business Initiative as an operational definition. Legal framework: No specific legal framework for SE in Serbia. 2 previous attempts to develop a SE law, both led by government, but both were seen as narrow and restrictive by stakeholders since they only recognise SE as employers of people with disabilities, rather than taking account of all forms of SE (including cooperatives, CSOs, limited liability companies, foundations, and spin-off companies) and other characteristics of SE. **Market size:** Survey issued by the Statistical Office of the Republic of Serbia (SORS 2014) states, in 2012, there were 1,196 SEs of different types operated in the Republic of Serbia; The majority were cooperatives (65.6%) and associations of citizens (23.7%); SEs achieved Gross Value Added (GVA) of 6,819.2 million dinars, which accounted for 0.2% of the Serbia’s GDP in 2012; There were 10,326 employees in the social enterprises sector, which was 0.6% of the total number of employees in the Serbia. **Main activities:** Most SEs work in the field of education and training, followed by social services, tourism (accommodation, food services), and agriculture. | **Grants** is the most common funding tool for SEs. Grant programmes (typically 3,000 - 10,000 EUR) are financed by public bodies and private foundations including: USAID, Erste Bank, UniCredit Bank and Foundation, Rockefeller Brothers’ Fund, Norwegian Ministry of Foreign Affairs, British Council and Delta Foundation (Serbian owned company that has given capacity building and grants for SEs over last 2 years). **Loans** for SEs have been piloted by UniCredit Foundation, UniCredit Bank, and Erste Bank on a small scale, provided loans up to 10000 EUR, with no collateral for loans up to 15000 EUR, and subsidised interest rates of 5-7% over 5-year repayment period. To date the pilot initiative tests have been positive. Smart Kolektiv has been one of the key organisation acting as a financial intermediary engaged in the whole process, providing non-financial support, monitoring, and evaluation of the loan process to boost investment readiness and success of SEs. **Market size:** Survey issued by the Statistical Office of the Republic of Serbia (SORS 2014) states, in 2012, there were 1,196 SEs of different types operated in the Republic of Serbia; The majority were cooperatives (65.6%) and associations of citizens (23.7%); SEs achieved Gross Value Added (GVA) of 6,819.2 million dinars, which accounted for 0.2% of the Serbia’s GDP in 2012; There were 10,326 employees in the social enterprises sector, which was 0.6% of the total number of employees in the Serbia. **Main activities:** Most SEs work in the field of education and training, followed by social services, tourism (accommodation, food services), and agriculture. | **Grants** is the most common funding tool for SEs. 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Smart Kolektiv runs an annual Smart Academy incubator/accelerator programme of financial and non-financial support for start-ups and scaling up existing SEs, funded by USAID, Erste Bank, UniCredit Foundation and UniCredit Bank. **ERSTE** Bank is also deeply involved in the development of SEs in Serbia. Delta Foundation is focused on providing both financial and non-financial support to agricultural SEs, for example incorporating SEs into their supply chain and helping them access the market. **The Responsible Business Forum (the network of CSR Companies founded and managed by Smart Kolektiv) and the Centre for Innovations also support the development of SEs through financial and non-financial | **Interview with Ivana Stancic, Smart Kolektiv**

| Impact assessment: Ivana Stancic from Smart Kolektiv is leading on developing social impact measurement tools for SEs (methodology, guide, training, support) that they intend to launch in September 2016. |
|---|---|---|
| Equity: There is no equity experience so far with SEs in Serbia. |
| support. In addition, SENS (social economy network Serbia) administered by Smart Kolektiv provides a network for SEs to exchange information, experiences, support programmes, and marketing. It has been operating for 5 years and has around 40 member organisations/social enterprises. |
| The government has a Team for Social Inclusion and Poverty Reduction, which is also active in SE support and development. The state owned Belgrade Centre for Development SE also works on capacity building topics, but it is not perceived locally as very strong in practice. |
| Social Impact Hub in Serbia works with young people and students on developing SEs (especially start-ups). There is the Social Impact Award competition for SEs. |
| In the education system, the Junior Achievement Programme has been running in some schools for 4 years, helping students to develop companies, and providing an opportunity to learn about SE. |
Conclusions

Based on PlusValue’s state of play analysis, some key findings can be highlighted and a few initial conclusions about SE in the Western Balkans can be drawn. It is important to note that these are preliminary and tentative conclusions at this stage, since further research is required to explore each of these in more depth.

Market overview:

- There is a current lack of legal definition and framework for registering SEs in 6 of 7 countries in the Western Balkans - Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia. Only in Croatia has a legal definition and framework for SE been recently adopted by the government and SE stakeholders. In Kosovo, a draft law for SEs has been launched and is being processed by the Ministry of Labour. In Macedonia, a law for SEs was drafted, but progress has halted amid political instability.
- Despite the lack of legal definitions and frameworks, SEs do operate in the Western Balkans in varied forms, including among others: civil society organisations (CSOs), non-government organisations (NGOs), non-profit organisations, protective companies (e.g. employing people with disabilities), cooperatives, sole proprietorships, savings and credit associations, mutuals, centres, and foundations.
- It is very difficult to accurately estimate the number of SEs in the Western Balkans, given the lack of official registration data, and the variety of operational definitions for ‘social enterprise’ across different countries. However, based on the operational definitions used by the local experts and relevant publications consulted in this research⁴, the estimated number of SEs in each country is shown in Figure 1:

**Figure 1 - Estimated number of SEs in Western Balkans**

![Chart](chart.png)

*Estimated Number of SEs

Source: PlusValue interviews with local experts (see Table 2)

* Estimate for Montenegro was in the range of 30-50 SEs. The median (40) has been used in Figure 1 for visual comparison across countries.

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⁴ See Table 2 for full details and sources.
SEs in the Western Balkans cover a broad range of sectors, products/services, and activities, including:
- agriculture (e.g. processing, packaging, organic food production, herbs)
- arts and crafts (e.g. production, promotion, protection of traditions)
- catering
- cleaning
- clothing/textiles
- education and training
- energy (e.g. alternative, renewable)
- employment and work integration
- environmental sustainability, conservation
- finance (e.g. ethical, alternative, inclusive banking)
- health, healthcare, health promotion
- recycling, waste treatment and management
- sports and recreation
- social services, protection, inclusion
- tourism (e.g. accommodation, food services, ecotourism), cultural heritage

SEs in the Western Balkans aim to help a diverse range of people, with a particular focus on disadvantaged, vulnerable, marginalized, or excluded social groups, including: ethnic minority groups (e.g. Roma), long-term unemployed, people with disabilities, refugees, the elderly, victims of domestic violence, women, women entrepreneurs, children and young people.

There is no standardized or widespread impact assessment for SEs in the Western Balkans. Impact assessment is not typically conducted by SEs due to resource constraints (e.g. lack of time, money, knowledge, staff). Impact assessment is therefore left out by social entrepreneurs, or completed on an individual, ad hoc basis. Some SE support organisations are trying to develop impact assessment knowledge and tools for SEs (e.g. Smart Kolektiv Serbia), but they are similarly hindered by their own institutional resource constraints.

**Funding and finance:**

- **Grants**
  - Grants are the main source of revenue and funding for SEs in all countries of the Western Balkans. Grants are given by a broad range of donors, including:
    - Corporate foundations (e.g. Delta Foundation, UniCredit Foundation, Erste Bank, Vodafone Foundation)
    - Foreign government institutions (e.g. European Union’s European Social Fund, Norwegian Ministry of Foreign Affairs, Swiss Development Cooperation, UNDP, USAID)
    - National government (e.g. Ministry of Labour)
    - Non-profit organisations, focused on enterprise support, civil society support, and NGO support (e.g. CRNVO, Juventas, Mozaik, Smart Kolektiv, TACSO)
  - In addition to grants (including monetary donations and donations in kind), some SEs obtain revenues from membership fees, service fees, and trading activities.
  - This dependency on grants raises issues about the financial sustainability of SEs in the Western Balkans, with many SEs struggling or failing to transition from grant dependency to financially sustainable commercial activities.

- **Loans:**
  - SEs are not generally considered as a separate or desirable market for loans or co-financing by mainstream financial intermediaries (e.g. banks often perceive SEs as lacking entrepreneurial,
technical, practical capacity). Typically, SEs can apply for mainstream loans aimed at all small and medium enterprises (SMEs). However, the restrictive terms of these mainstream loans – high interest rates, proven track record, credit rating, collateral required, high minimum loan amounts – often make these SME loans undesirable or unattainable for SEs in the Western Balkans.

- The nascent impact investing market typically only considers SEs with over 500,000 EUR annual turnover, which excludes the vast majority (if not all) SEs operating in the Western Balkans.
- There is growing demand for loans among an increasing number of investment ready SEs, particularly in Bosnia and Herzegovina, Croatia, Macedonia, and Serbia at present.
- There are several innovative initiatives taking place in specific countries:
  - In Croatia, the Cooperative for Ethical Financing is in the process of establishing the first ethical development bank – ebanka – that will include an investment framework and fund for SEs. The bank is expected to open in 2017, although it has already been delayed by a lack of funding.
  - Mozaik (Bosnia and Herzegovina) is negotiating with UniCredit Foundation to scale up SE loans through local municipalities, who would pay for the loans on behalf of SEs to boost local development.
  - In Serbia, Smart Kolektiv and Erste Bank plan to provide loans specifically targeted to support SEs. The aim is to provide loans up to 25,000 EUR, with affordable interest rates of 5-7% over 3 year repayment period and grace period up to 1 year. Additionally, SEs will get Smart Kolektiv support in preparation of business plan for the bank and aftercare mentorship support when they get the loan.

- Equity:
  - Equity financing for SEs is not developed or readily available in the Western Balkans,
  - Two innovative initiatives can be mentioned in the field:
    - Mozaik Foundation (Bosnia and Herzegovina) is switching from grants to equity finance for SEs from 2016 onwards.
    - In Albania the government has set up a mixed debt/equity financing instrument for SEs - the Albanian Fund for Social Enterprise.

- In many cases, obtaining financial support represents the biggest challenge and is the key obstacle for the growth of SEs. Creating new financial products for SEs and/or adapting existing products for SMEs to make them more appropriate for SEs could be the most effective way to scale up loan financing for SEs in the Western Balkans.

Capacity building:
- There are several non-government organisations that are actively supporting the start-up, capacity building, and growth of SEs in the Western Balkans, including:
  - British Council
  - Cluster for Socio-Economic Innovation and Development (CEDRA)
  - Centre for Non-Government Organisations (CRNVO)
  - Forum for Civic Initiatives (FIQ)
  - Horus
  - Juventas on behalf of the CSO Coalition for Social Changes
  - Mozaik Foundation
  - Partners Albania
  - Social Entrepreneurship Forum
  - Smart Kolektiv
  - Technical Assistance for Civil Society Organisations (TACSO)
National government authorities can also play an important role in support for SEs and SMEs, including government ministries, agencies, chambers of commerce, task forces, teams, offices, and local authorities.

- Taken together, government and non-government organisations are working to provide SEs (and SMEs) with a range of financial support (e.g. grants, loans, impact funds, equity) and non-financial support (e.g. advice, advocacy, collaboration, consultancy, education, equipment, events, exchange, facilities, information, infrastructure, mentoring, networks, public awareness, research, training, work space).

- The most successful support organisations combine financial and non-financial support into a holistic capacity building approach, delivered online and offline, for example through accelerator programmes, co-working spaces, fab labs, and impact hubs (typically led by NGOs).

- NGOs supporting SEs rely on public and private funding (especially grants from banks, corporations, and government agencies), given that their support services are typically non-fee paying services. In order to increase support organisations’ capacity and, in turn, scale-up support for SEs in the Western Balkans, these organisations require greater and more secure, flexible, and long-term resource allocations (e.g. money, staff, knowledge).

- The formal education system has so far made little or no contribution to the SE sector in the Western Balkans. In rare cases, elementary and secondary school students have the opportunity to gain experience of SE through student cooperatives or achievers programmes. However, private high schools and universities have been the first to show interest in developing curricula on SE (e.g. draft programmes, post-graduate research, student networks). Greater reform within the education system is required to inspire and develop young social entrepreneurs.

Overall, the hope is that the empirical data and analysis presented above can be used by all stakeholders – including entrepreneurs, financial intermediaries, policymakers, support organisations, and researchers – to help advance our understanding of the SE ecosystem in the Western Balkans, with the long-term goal of achieving positive societal impacts for people and their environments through social entrepreneurship.
References

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- Social Investment Business & UnLtd (June 2015). ‘Campus Communities: A framework for universities to foster a more social economy.’
• TACSO (March 2013). Social Economy in Albania – A Survey on Social Enterprises.
• ZIP Institute (December 2013). Social Business in Macedonia: Concept, Developments and Perspectives.
Appendix - Local Expert Questionnaire on Social Enterprise Sector

General

1. Is there an accepted definition of social enterprise in your country?
2. Is there a specific legal framework for social enterprises in your country? What legal forms can social enterprises adopt?
3. How many social enterprises there are in your country?
4. What are the main activities carried out by social enterprises in your country?
5. Who are the main stakeholders in the social entrepreneurship ecosystems? (e.g. networks, support organisations, foundations, funders etc.). Could you please nominate 5-6 experts, including at least 2 people providing finance to social enterprises, that we should interview for this study?
6. Is there an accepted standard in terms of social impact measurement in your country?

Funding and finance

7. Is there any public or private financial support initiatives targeting social enterprises in your country? Please describe it briefly.
8. What are the main sources of revenues for social enterprises in your country? (e.g. public or private grant funding, trading activities, membership fees, service fees, donations...)
9. What are the most common funding tools for social enterprises in your country (e.g. grant funding, equity, loans)? Is there any specialised financial intermediary (e.g. impact funds, specialised banks)? Are there specific financial facilities available for social enterprises at different stages of development (e.g. seed funding, growth capital, working capital...)? What’s the typical interest rate on a loan for a social enterprise? How are social enterprises perceived by financial intermediaries?
10. Do you think there is a demand for funding from social enterprises in your country? What kind of funding (grant, equity, semi-equity, loans)? What are the main barriers in terms of access to finance for social enterprises?

Capacity building

11. Human capital: how and to what extent do the current education system and vocational training offer in your country foster social entrepreneurship as a career option?
12. Is there any public or private support initiatives targeting social enterprises in your country aiming at building capacity on the ground? Please describe it briefly.
13. How would you improve the existing capacity building initiatives in your country?
About PlusValue

PlusValue (PV) is a hybrid organisation that brings together experimental research and policy with hard-nosed consultancy. Our mission is to align public and private interests for the common good. Our ambition is to find a new deal between public and private interests, turning private investments for social outcomes into a source of competitiveness and wealth creation (beyond philanthropy and CSR).
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