

The Rise of Future Leaders: Social Enterprise in Kosovo



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Date: November 2017

Research commissioned by:



SDC EYE Project is implemented by Helvetas Swiss Intercooperation and MDA

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ACKNOWLEDGEMENTS

We would like to thank the work of all participants in this study. This publication is a summary and interpretation of the findings from interviews with social enterprises in Kosovo and international country experts.

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PREFACE

It has been more than 18 years since the end of war in Kosovo and although there have been significant improvements, many societal challenges, political instabilities and environmental problems remain. We are not unique in this. Many other countries face similar challenges, as we see from the UN Sustainable Development Goals (SDGs) adopted in 2015 by 193 nations.

One of the most effective responses to these challenges in recent years has been the development and growth of social enterprises (linked to social innovation and social entrepreneurship). As professionals and researchers deeply concerned about the future of Kosovo, we have been inspired to see how this global movement is having an impact around the world, not only in developed countries, but in developing and emerging nations as well.

This trend was already recognised by the government of Kosovo in 2011 and has resulted in the current draft legislation on social enterprise. However, the social enterprise movement is evolving rapidly around the world, with many changes having occurred in the just past few years – not only in emerging legal structures, but also in practical applications and tools. We see this as a great moment for Kosovo – to build on the progress we have already made and to learn from the experiences of social enterprise experts and practitioners around the world.

Happily, this task is made easier by our increased global connectivity, which David Bornstein (2007), in his book *How To Change the World*, sees as one of the main drivers of the social enterprise movement. This is because, on the one hand, our global inequities and environmental impacts are more visible and more widely shared; and on the other hand, we are able to connect more easily with solution creators, problem solvers and social innovators, wherever they may be.

With this study, therefore, we have a dual goal: we want to increase our understanding of the existing social enterprise trends, practices and policies in Kosovo; and based on insights from global trends, we want to challenge and ‘*disrupt*’ some of the traditional (and often less effective) approaches to doing business and tackling societal problems in Kosovo.

We are excited to discover that Kosovo’s millennial generation – one of the key targets of the current draft social enterprise legislation – is enthusiastic to join and drive the social enterprise movement in our country. However, in order to do this, some barriers and restrictions need to be addressed, especially in terms of the way social enterprise is currently defined, structured and incentivised.

We believe that Kosovo is ready to align more closely with the latest trends in social enterprise within Europe and around the world. When it does, this will be a great source of energy to accelerate sustainable development.

We are proud that, through this research, we will contribute in some small way not only to the on-going policy debate and practical implementation of social

enterprise, but also to a change in national attitudes, shifting Kosovo from a crisis- and problem-focused country to one that is values- and solutions-driven.

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November 2017

EXECUTIVE SUMMARY

This research report was commissioned by LENS and EYE (Enhancing Youth Employment) with the aim to: 1) map out the entities operating as social enterprises in Kosovo; 2) identify key societal and environmental challenges in Kosovo; 3) review international legislative and market-based models for social enterprises; and 4) propose a definition of social enterprises.

The research was conducted by Indira Kartallozi and LENS over the period July to November 2017, using a combination of primary and secondary research methods. First, a global review of social enterprise definitions was conducted in order to arrive at suitable criteria for identifying and mapping social enterprises in Kosovo.

Next, during the national mapping phase, the Kosovan experience of social enterprise was studied, including its socio-economic context and the existing draft law on social enterprise. From a database of identified social enterprises, 26 representatives from across different regions in Kosovo were interviewed to determine their legal structure, business model (funding sources) and challenges.

A key finding from this research phase was that most social enterprises operating in Kosovo are registered as NGOs, with social enterprise programs set up on the side to assist with financial self-sufficiency. These NGOs nevertheless remain dependent on grants or donations for most of their income. As a result, social enterprise is approached with a charity mind-set, rather than in a commercial spirit.

The second key finding from the national mapping phase was that existing social enterprises are finding the current legal definition of social (in the draft legislation) extremely narrow and restrictive, thus limiting their creativity for using business to help address Kosovo's social and environmental challenges.

The next phase was to conduct an international mapping exercise, during which we reviewed the legal and practitioner models for social enterprise around the world. Detailed profiles, informed by desktop research and expert interviews, were created for the UK, USA, India, Malaysia, Ecuador and South Africa, representing a cross section of developed and developing countries, as well as different stages of social enterprise adoption and implementation.

A key finding from this phase was that social enterprises are typically defined as businesses having a social mission that contributes to any of a wide array of issues, but commonly covering governance, workers, community and environment. Unlike in Kosovo, social enterprises are not typically *required* to target disadvantaged communities, or to employ people from disadvantaged groups, although they may choose to do so.

A second key finding from the international research is that most social enterprises around the world have a business (for-profit), rather than an NGO (non-profit), legal structure and mind-set. In many cases, having a specific hybrid

legal structure was not seen as necessary, i.e. social enterprises can be registered as normal companies, but with a publicly declared social mission. They are differentiated therefore by their actions and by certification schemes (such as the B Corp / B Lab movement).

A third key finding from our global research was that the growth in social enterprise has been driven more from the needs of the society, market opportunities and the entrepreneurial spirit of its people than from the existence of social enterprise legislation. Structures (such as business associations for social enterprise) and incentives (such as voluntary certification schemes like B Corp/B Lab) have also been very effective drivers.

The main conclusion from our research is that a bottom-up, rather than a top-down, approach is most effective in growing the social enterprise movement. Most notably this includes giving choice in the types of structures that can operate as social enterprises and designing incentives that deliver economic and reputational benefits for organisations that choose this form.

Our two main recommendations are that: 1) the current draft legislation should be revisited to take into account the findings of this research (and global trends in this field more generally); and 2) there should be investment in more capacity building (education and training) among existing and potential social entrepreneurs in Kosovo.

1. INTRODUCTION

1.1 Background to the research

The emergence of new business structures beyond the traditional model are increasingly responding to societal and environmental needs for sustainable development. The way these new enterprises are described vary and include *sustainable enterprise, social enterprise, social business or business for good*.

Despite this variation, however, the primary objective of these enterprises is similar: to pursue a societal purpose in alignment with sustainability concepts such as environmental responsibility, social equity, and respect for people and nature. For the purpose of our research, we will use the term *social enterprise*.

Academia and economists agree that social enterprises are becoming important drivers for socio-economic development and the creation of healthy societies. Whether these activities are practiced in factor-driven, efficiency-driven, or innovation-driven economies (Porter, 2002), they continue to show impacts by: 1) lowering unemployment rates; 2) increasing innovation; and 3) accelerating economic transformation.

Social enterprises are becoming a popular business form around the world, but different regions and countries are at different stages of maturity in this movement. Some, like the United States and the UK, are already well established, while others, like India, Malaysia, South Africa and Ecuador, are more emergent. We review all of these in detail under the international research chapter.

Key research on social enterprises in Europe includes two recent reports: *Policy Brief on Social Entrepreneurship: Entrepreneurial Activities in Europe* (EC and OECD, 2013); and *Social Enterprise in Europe: Developing Legal Systems which Support Social Enterprise Growth* (ESELA, 2015). Together, these reports show that the social enterprise movement is already well established (and legally supported) in many parts of Europe (see Table 1).

Table 1: ESELA European Social enterprise legal

| EU Countries | Social Enterprise Law |
|-----------------------|---|
| United Kingdom | Community Interest Companies (CIC) |
| Denmark | Law No. 711 of 25/06/2014 on Registered Social Enterprises |
| Luxemburg | Société d'impact Sociétal (SIS)(under development) |
| France | Société Co-operative D'interet Collectif (SCIC) |
| Italy | Social Co-operatives as per Law No. 381/1991 Law on social enterprises (155/2006) |
| Portugal | Social solidarity Co-operative under Co-operative Code (Law No. 51/96) |
| Belgium | Social purpose company |

| | |
|-----------------------|--|
| Czech Republic | Social Co-operatives under Commercial Corporations Act no. 90/2012 Coll |
| Spain | Social initiative Co-operative under National law 27/1999 and regional laws |
| Finland | Act on Social Enterprise (1351/2003) |
| Latvia | LATVIA Law on Social Enterprises (under development) |
| Slovakia | Act No. 5/2004 on Employment Services |
| Slovenia | Act on Social Entrepreneurship (20/2011) |
| Croatia | Social Enterprises under Co-operatives Act (OG 34/11, 125/13) |
| Lithuania | Social Enterprises (Law X-2251) |
| Poland | Social Co-operatives as per Act of 27 April 2006 Act on Social Enterprises (under development) |
| Hungary | Social Co-operatives under Act no. X of 2006 on Co-operatives |
| Greece | Limited Liability Social Co-operatives (Koi.S.P.E.) as per Law 2716/1999 Social Co-operatives Enterprises (Koin.S.Ep) as per Law 4019/2011 |
| Malta | Social Enterprise Act (under development) |

Recent research by NESsT (2017) suggests that the Balkan region (and more specifically the Western Balkans: Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia) are still in the early stages of maturity in adopting the social enterprise model. The level of their development was assessed based on the life cycle of social enterprises which includes four phases: blueprint, validate, prepare to scale and scaling.

The report highlights that most social enterprises in the region are at the early stages of blueprinting and validating. Amongst these Balkan countries, only the Croatian government has a social enterprise strategy. The rest see social enterprise development as part of their social inclusion strategy or a policy that will benefit people with disabilities. Other challenges are related to the existence of social enterprise laws that tie these entities to a specific legal form.

Kosovo is similarly at a fairly early stage in the development of social enterprise and the nature of social enterprises is often still widely misunderstood. In 2016 the Ministry of Labour and Social Welfare in Kosovo proposed draft legislation¹ in which social enterprise is described as:

“A legal person irrespective of the manner of its establishment, which contains social objectives in its charter, conducts economic activities, carries out production of goods and services in the general interest of society and integrates people from vulnerable working groups”.

According to this draft law, the activities of a social enterprise are defined as:

¹ Article 65 (1) of the Constitution of the Republic of Kosovo - Draft Law on Social Enterprises

“Activities that serve general social interests, in the form of delivery of goods and social services that enhance quality of life, strengthen social co-operation and encourage integration of vulnerable groups”.

This draft legislation, especially the definitions and principles under which social enterprises will be required to operate, raised concerns among a range of stakeholders in Kosovo. This initiated the creation of a Working Group by LENS and EYE, comprising a number of organisations including government representatives, with the aim to highlight and respond to key issues and concerns about this proposed law (See Box 1).

Box 1: Key issues and concerns about Kosovo’s draft social enterprise law

- 1) This law limits the activities of social enterprises, although it is understandable that these limits were created to prevent misuse of generated profit;
- 2) This law should be based on the experiences and insights from existing enterprises operating as social enterprises in Kosovo;
- 3) This law appears to support non-governmental organisations more than social enterprises. Social enterprises should be seen more as using a business-led approach toward social problems;
- 4) Social enterprises should not be required to include marginalised groups, although this is one strategy they can adopt. The main purpose of the social enterprise remains solving a societal problem (which may or may not be about a particular marginalised group);
- 5) There is confusion on what are considered to be marginalized groups;
- 6) There may be unexplored implications of this law for the law on pensions for disabled people;
- 7) The proposed restriction against non-governmental organizations or associations having ownership of social enterprises is a concern and inconsistent with international best practice;
- 8) The proposed restriction against social enterprises transferring money to a related (invested) organization in order to full fill its mission is a concern;
- 9) The bureaucratic procedures in order to obtain the status of a social enterprise will likely discourage the practice and make it less viable;
- 10) The proposed restriction against existing businesses converting into social enterprises, and also the unclear explanation for existing non-governmental organizations becoming social enterprises, is a concern;
- 11) The specific target of including 30% of employees from marginalized groups may not be appropriate (see point 4 above) and may not be viable, as many social enterprises start their operation with smaller groups of people;
- 12) There appear to be unnecessary procedures to control social enterprises, which could have been addressed through existing Tax Administration structures of Kosovo, rather than creating another administration.

The Working Group quickly concluded that a clearer understanding of how social enterprises are defined, operated and supported internationally, together with an assessment of local social enterprise activities and needs, will provide more clarity for enterprises and governmental institutions in Kosovo that wish to support the development of social enterprises.

Using these concerns as a starting point, the Working Group led by LENS and Enhancing Youth Employment (EYE) embarked on the current study with the following **research objectives**:

- a) *Map out the entities operating as social enterprises in Kosovo*: including enterprises that are characterized by their provision of commercial products and services to deliver social impact.
- b) *Identify key societal and environmental problems in Kosovo*: including those issues that social enterprises may be well suited to help address.
- c) *Review international legislative models and practices for social enterprises*: including the legal frameworks, definitions and market mechanisms to support social enterprises in a variety of countries.
- d) *Propose a definition of social enterprises*: taking into account the national social, economic and environmental conditions and priorities of Kosovo and the national labour market.

1.2 Defining social enterprise

Most international definitions of social enterprise include terms such as *social objective*, *social impact*, *financial sustainability* and *scalability*. Social enterprise is considered to encompass an innovative activity with a social objective and commercial purpose (Dees & Anderson, 2003; Emerson & Twersky, 1996), or the merging of for-profit and non-profit approaches through a hybrid structure (Austin, Leonard, Reficco, & Wei-Skillern, 2004).

One commonly cited definition of social enterprise is ‘*an entity with an objective to create social value rather than personal or shareholders wealth*’ (Zadek & Thake, 1997) with its activities being the creation of ‘*innovative solutions addressing social or environmental problems*’.

Table 2 shows a broader selection of definitions of social enterprise around the world, taken from the international literature and the expert interviews we conducted in these countries.

By extracting key words from these definitions – like social change, social mission, environmental change, social business, innovation, business, income generating, reinvesting – we see that they fit in well with the European Union definition which describes social enterprises as

“entities that seek to serve the community’s interest (social, societal, environmental objectives) rather than profit maximization”.

We will use this definition for our research. The EU goes on further to describe that these entities also have:

“an innovative nature, through the goods or services they offer, and through the organisation or production methods they resort to”, adding that they may also “employ society’s most fragile members (socially excluded persons)”

and “contribute to social cohesion, employment and the reduction of inequalities”².

Table 2: Country participants’ definitions

| Country | Definition |
|----------------|---|
| United States | Organizations that address a basic unmet need or solve a social problem through a market-driven approach |
| United Kingdom | A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners |
| India | Institutions applying the principles of entrepreneurship for achieving a social change |
| Ecuador | Companies with an economic purpose which, through their products and services, help to solve a social issue |
| Malaysia | A non-dividend, non-loss company that is driven by a social mission to solve urgent problems |
| South Africa | Organisations (encompassing small community enterprises, co-operatives and NGOs) where social entrepreneurs have put their innovations into practice, using income generating strategies to become more sustainable, social businesses or companies that are driven by their desire to bring social or environmental change |

The report proceeds with a description of the research methodology, followed by an exploration of the Kosovo context and the international experience of social enterprise (including national country profiles), before drawing conclusions and making recommendations.

² European Commission 2017

2. RESEARCH METHODOLOGY

A qualitative research study was undertaken using semi-structured interviews and questionnaires. The research activities were divided into two categories:

1. *National mapping*– including interviews with organizations operating as social enterprises in Kosovo; and
2. *International mapping* – including interviews with country experts based in the United Kingdom, United States, Malaysia, India, Ecuador and South Africa.

2.1 National mapping

We started by mapping out our stakeholders using pre-assessment and assessment questionnaires (see Appendix 1 and Appendix 2). This helped us to identify businesses and organisations that operate as social enterprise in Kosovo.

The questionnaires were formulated based on international sustainable business expert, Prof. Wayne Visser's (2017)³ 'Integrated Value' framework (see Figure 1), which shows how business can address the five main systemic forces of fragmentation (or breakdown) in society through innovation and transformation. This aligns well with the UN Sustainable Development Goals⁴ and mission of social enterprises, which are solutions-driven businesses focused on tackling societal challenges.

The Integrated Value framework is a way of distilling the purpose of social enterprises into five areas of societal impact, each of which represents a pathway to innovation that tackles a fundamental source of breakdown in society (called "the five forces of fragmentation" in the framework). This solutions-driven framework aligns with the five positive economic trends that are countering the destruction of value in society, namely the resilience, exponential (or digital), access (or sharing), circular and wellbeing economies.

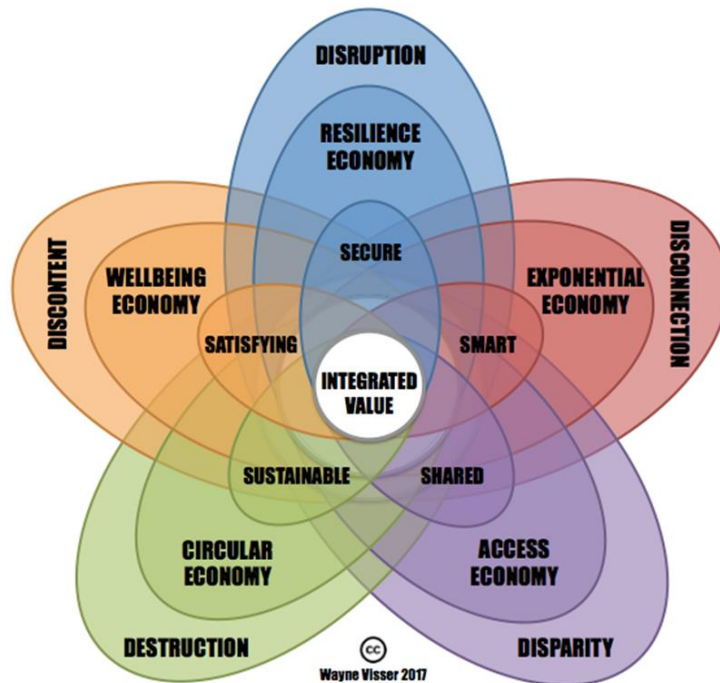
In each of these areas, there are breakthrough business models, practices, products and services that are building, rather than destroying, societal value. Within these business models, the social enterprise model fits well, as its *modus operandi* is to use innovation to solve systemic societal problems. Visser's Integrated Value model describes the pathways to innovation as '*focused on the desired future state they are trying to advance, which is a society that is more safe,*

³ Dr. Wayne Visser is Professor of Integrated Value and holds the Chair in Sustainable Transformation at Antwerp Management School, as well as being Fellow, Lecturer, Head Tutor and former Research Director at the University of Cambridge Institute for Sustainability Leadership.

⁴The Sustainable Development Goals (SDGs), set out in *Transforming our world: the 2030 Agenda for Sustainable Development*, is a set of 17 "Global Goals" with 169 targets. Spearheaded by the United Nations through a deliberative process involving its 193 Member States, as well as global civil society, the goals are contained in paragraph 54 United Nations Resolution A/RES/70/1 of 25 September 2015.

smart, shared, sustainable and satisfying’.

Figure 1: Visser’s (2017) ‘Integrated Value’ framework



2.2 International mapping

Our international research began by identifying a range of countries to represent both developed, emerging and developing nations and various stages of maturity in the adoption of social enterprise. These included: United States, United Kingdom, Malaysia, South Africa, India and Ecuador.

In order to profile these countries’ economic and social progress, we used their GDP PPP per capita and Social Progress Index rankings. Desk research was also conducted to identify and compare social enterprise trends in each country.

We then carried out international interviews via skype, conference calls and expert questionnaires, with social enterprise experts from each country (see Appendix 3). The purpose of these interviews and the questionnaires was to gather country information on the following:

- *Social enterprise definitions* – including from official government sources, social enterprise associations, legal documents, or the expert interviewees;
- *Social enterprise trends* – including from desktop research, expert interviews and existing social enterprise legal frames;
- *Legal maps for social enterprises* – including from existing national legal sources, or in the absence of this, from questionnaires and interviews with country experts;

- *Social enterprise incentives* – including from country policies, legislation and expert interviews; and
- *Challenges and barriers* – including from expert interviews and expert questionnaires.

All this data was analysed and is presented in detail in the International Context chapter. A brief summary is included in Table 3 below.

Table 3: Countries profiled in the international research

| Indicator | Ecuador | India | Malaysia | South Africa | United Kingdom | United States |
|-------------------------------|----------|----------|----------|--------------|----------------|---------------|
| Social Progress Index | 55 | 93 | 50 | 66 | 12 | 18 |
| GDP PPP per capita | 60 | 88 | 33 | 64 | 17 | 5 |
| Social enterprise definition | None | Yes | Yes | Yes | Yes | Yes |
| Social enterprise trends | Emerging | Emerging | Emerging | Emerging | Advanced | Advanced |
| Social enterprise legal forms | None | None | None | None | Yes | Yes |
| Social enterprise incentives | Emerging | Emerging | Emerging | Emerging | Yes | Yes |
| Challenges & barriers | Yes | Yes | Yes | Yes | Yes | Yes |

3. KOSOVO RESEARCH FINDINGS

3.1 Introduction to national labour market

Kosovo is the youngest country in Europe, since it declared independence in 2008. It has a population of 1.8 million, with a high proportion of young people, which can be an advantage for future economic development. People of working age (15-64) account for around 68% of the total population (World Bank, 2017). The political system in Kosovo is a parliamentary republic.

Kosovo has designed its strategy, legislation and policy reforms to align with European Union policies, since joining the EU in future is a government priority (MLSW, 2014). This implies that the approach to regulating socio-economic issues is in many cases based on the best practices of other European developed countries.

Kosovo is a developing country with GDP PPP per capita of \$9,142 (ranked 75 out of 128 countries, according to the SDG Index) and an average GDP growth rate of 4%. The country has a high rate of unemployment and low skilled workforce. By the end of 2016 the total number of registered unemployed, according to the Ministry of Labour and Social Welfare (2016), was 101,773 (44% females, 66% males).

According to data from the Labour Force Survey of the World Bank (2017), 58% of the working age population in Kosovo is inactive. The main reasons for this inactivity are, for men, low market demands, lack of education and training and a belief that there is no work available, and for women, family commitments.

The labour market is dominated by micro firms, consisting of 1-9 employees. Together with start-ups, these micro firms account for around 40 % of job creation. However, only 4% grow beyond 9 employees within five years (MLSW, 2016). The private sector is concentrated only in a few sectors, with commerce and services being the strongest forces for job creation. The level of innovation and exports among these firms is very low. Business registration forms are divided into 9 categories, as illustrated in Box 2.

Another relevant form of organization are nongovernmental organizations (NGOs). According to the Ministry of Public Administration of the Republic of Kosovo, the number of registered NGOs in 2017 is around 8,500. This comes as a result that every person living in Kosovo has the right to establish an NGO based on the Law Nr. 4/L-57 of Republic of Kosovo (Assembly of the Republic of Kosovo, 2011). And the trend of registered NGO's is around 500 new NGO's per year. However, despite the large number of NGO's, the number of active NGO's in Kosovo is estimated to be around 1,500. Less than 1,000 have had any financial or employment activity during 2015, and most of the sector is dominated by small NGO's in terms of funds and staff. (KCSF, 2016)

Box 2: Legal business registration forms in Kosovo

1. **Individual business.** The owner has unlimited responsibility for all debts of the organization. The organization has an official name or it includes the lawful surname of the owner, and it includes the acronym "B.I."
2. **General partnership.** All partners are responsible without limitation and with liability for debts of the organization. The collective organization has a name which may include the name of one of the partners followed by the acronym "O.P."
3. **Limited partnership.** Partners are responsible for the obligations of the company only up to the limit of the value of their capital contributions. The partnership has a name, which may include the name of one or more of the partners followed by the acronym "SH.K.M."
4. **Limited Liability Companies (L.L.C).** Those organizations established by one or more founders, who are responsible only to the level of their capital contribution and asset value. The LLC has a name followed by the acronym "SH.P.K.". KBRA may register a LLC company without the need to provide proof for payment of the capital.
5. **Joint Stock Companies (J.S.C.).** Those organizations with capital divided in shares, with shareholders responsible only to the level of the value of their contribution. The organization can be established and have one or more shareholders. It has one name followed by the acronym "SH.A.". The amount of the charter capital for these organizations is at least 10,000 Euros.
6. **Foreign companies.** Business organizations that are registered and considered as a branch in Kosovo, but do not have the identity of a legal person. After registration, they enjoy all rights and obligations established based on the applicable law. After the name must be written "Dega Në Kosovë" ("Kosovo Branch").
7. **Socially owned enterprises.** A legal person most of whose assets and capital are socially owned. These enterprises are monitored and registered by the Kosovo Privatization Agency according to Law No.02/L-123 on Business Organizations.
8. **Public enterprises.** Enterprises that perform activities that support the public interest and are established by the state. Public enterprises are monitored by the Government and are organized as Joint Stock Company in accordance with applicable Law on Business Organizations. All property interests in a public enterprise will be represented with shares and all these shares must be registered.
9. **Agricultural cooperatives.** Business organizations created by natural or legal persons, all of whom should be farmers that contribute with their own private property to the shared capital. Agricultural cooperatives are established from at least five (5) farmers that share the same legal obligations. The cooperative cannot be established or exist without capital. The capital is divided into shares of equal value with a minimal value of 10 Euros. The director may not be a member of the cooperative. These entities are regulated under Law No 2003/9 on Agricultural Cooperatives and Law No.03/L-004 on Amending and Supplementing Law on Agricultural Cooperatives Nr-2003/9.

NGOs can be registered as:

1. *Association*. Organizations with membership that can be established only from 3 and more people if one of the persons is living in Kosovo.
2. *Foundation*. Organizations without membership, usually established to manage property and wealth. One or more persons are able to establish a Foundation (Assembly of the Republic of Kosovo, 2011).

3.2 Development of social enterprise in Kosovo

Kosovo is still at an emergent stage, with social enterprises appearing in Kosovo only in recent years. Typically, social enterprises in Kosovo are very small entities, most commonly non-profit organizations that have been operating with a social mission, which have created commercial programs to aid financial self-sufficiency. Despite their existence, social enterprises remain relatively unknown and their focus has been mainly to provide services for the community.

In 2016, the Ministry of Labour and Social Welfare proposed a Draft Law on Social Enterprises to the government. The Government of Kosovo approved this draft law, but around the time that it went to the Parliamentary Commission for overseeing of implementation, the Government of Kosovo was disbanded. Hence, responsibility for the Draft Law returned to its main initiator, the Ministry of Labour and Social Welfare. At the beginning of 2017, the new Government of Kosovo sent the Draft Law again to the Parliamentary Commission of Kosovo for approval.

The history of how this social enterprise legislation came into being dates back to 2011, when representatives from the Ministry of Labour and Social Welfare of Kosovo took part in the First Annual Convention of the European Platform against Poverty and Social Exclusion, held in Poland. During this conference, the European Union 2020 Strategy was discussed, including the emerging practice of social entrepreneurship in participating countries (MLSW, 2015).

The advantages of social enterprise as a hybrid organizational form, combining traditional private sector and public institutions, was discussed, including their focus on employment creation, economic inclusion and capacity building. Furthermore, social enterprises were described as reinvesting profits towards furthering their social mission, rather than distributing these to owners or shareholders.

In 2011, the Social Business Initiative (SBI) was also launched by the European Commission to support the development of social enterprises. As a result of these two initiatives (the Convention and the SBI), in 2012 the Ministry of Labour and Social Welfare organized workshops on social enterprise in Kosovo, proposing this new organizational form as a response to unemployment, social exclusion, decentralization and the ability to provide effective social services (MLSW, 2015).

In 2014, together with United Nations Development Program, the Ministry of Labour and Social Welfare commissioned a social enterprises expert, Aida Gugu Bushati, to conduct research that resulted in a report entitled “Development of Social Enterprises in Kosovo – Legal Review” (MLSW, 2015). This report, based largely on the experiences of Italy, Germany and Slovenia, divided social enterprises laws into 2 main categories:

1. Laws which regulate the integration of vulnerable groups throughout social entrepreneurship activities (often called WISE, or Work Integrated Social Enterprises); and
2. Laws which cover organizations that focus on community concerns, such as cooperation for development, education, environment and advocacy for social issues (Bushati, 2014).

This was considered by the Ministry of Labour and Social Welfare as an appropriate approach for the national labour market and became the basis for the Draft Law on Social Enterprises in Kosovo, which aims to regulate all aspects of social enterprises, including funding, registering, operations and support.

The development of social enterprises in Kosovo is also seen as a way for the Ministry of Labour and Social Welfare’s to align with the European Union’s 2020 Strategy. This strategy includes support on five targets: employment, innovation, climate change and energy, education and combating poverty (European Commission, 2010).

3.3 Definition of social enterprise in Kosovo

A social enterprise is currently viewed in Kosovo as an entity that supports the socio-economic development of vulnerable groups in the labour market. It is typically associated more with organizations that deal with social issues, like NGOs. The definition of social enterprises in Kosovo according to the Draft Law on Social Enterprises 05-L-148⁵ is as follows:

A social enterprise is a legal person irrespective of the manner of its establishment, which contains social objectives in its charter, conducts economic activities, carries out production of goods and services in the general interest of society and integrates people from vulnerable working groups.

Furthermore, the Draft Law states that these social enterprises shall be established and operated according to the following principles as:

- Free initiative;
- Restriction of profit distribution;

⁵ Draft Law on Social Enterprises 05-L-148 is initiated from the Ministry of Labour and Social Welfare in Kosovo, and aims to define the principles, activities and employment conditions of social enterprises in Kosovo.

- Engagement in social or other activities aimed at employment of vulnerable groups and serving the general public interest;
- Autonomous management;
- Volunteerism;
- Adherence to market rules;
- Non-discrimination in management and decision-making;
- Participation of employees and beneficiaries; and
- Transparency of control.

Consistent with the 2014 research recommendations, the Draft Law categorizes social enterprises as follows:

- *Category A*: Social enterprises engaged in the delivery of services, which guarantees the inclusion of marginalized persons and produces a positive impact on the quality of lives of those at a potential risk of social exclusion; and
- *Category B*: Social enterprises which employ at least 30% of their workforce from vulnerable groups in the population. A Type B social enterprise may also conduct the activities of a Type A.

The proposed Kosovo's draft Law on Social Enterprises under Article 5, Section 3, lists the activities allowed under this law (See Box 3).

Box 3: Category A activities of social enterprises

1. Social assistance and support for sheltering;
2. Family assistance and family care;
3. Health assistance and home nursery care;
4. Provision of daily services and home care for those with mental, sensory and physical disabilities;
5. Protection and rehabilitation of persons with disabilities;
6. Daily care services and residential care for disabled children;
7. Day-care home services and residential services for elderly persons;
8. Services provided for re-integration of victims of trafficking, abuse and domestic violence and re-integration of delinquent youth;
9. Psycho-social services and treatment of substance abuse cases or other addictions;
10. Education and vocational training and transport services for persons with disabilities; and
11. Employment, training and self-employment services for vulnerable groups.

Category B specifies that social enterprises must engage in the provision of other socially useful services, or in growing, manufacturing, producing, processing of products for sale, as described in Box 4.

Box 4: Category B activities of social enterprises

1. Cultivation and growth of spices, aromatic, pharmaceutical and medical herbs;
2. Conservation of fruits and vegetables from households that produce or cultivate these products in rural or urban areas;
3. Production and preparation of handmade products such as knitting, textiles, work clothes and other crocheted clothes;
4. Production and preparation of both hand- and machine-made products for home, public or non-governmental decoration;
5. Preparation or production, wrapping and packaging of honey, fruit, vegetables and other products of herbal or animal origin;
6. Repair and maintenance of bicycles and wheelchairs for people with disabilities;
7. Collection, disposal and treatment of non-hazardous waste and sorting or separation for recycling purposes;
8. Maintenance and care of public spaces, squares, cultural heritage monuments and memorials;
9. Maintenance and care of forests, trees along the roads and decorative plants in public spaces and different parks;
10. Services and activities of tourism, cultural heritage and the HOREC sector with the participation of different social categories; and
11. Services and activities in the treatment of animals, which are deemed a threat to public health and human life.

Article 6 of the Draft Law defines ‘disadvantaged groups’ as “*categorised persons who have increased difficulties in finding jobs*”, including unemployed youth under 25 years old, long term unemployed people registered with the Employment Office, unemployed people without qualifications, people with disabilities, families receiving social assistance (including people over the age of 55), families with young children, victims of human trafficking, exploitation and domestic violence, and people recovering from substance misuse.

According to the Draft Law, in order to operate as a social enterprise, organizations have to receive social enterprise status from the Ministry of Labour and Social Welfare. To receive and maintain this status, organizations have to meet various criteria included the Draft Law, which are mostly related to engagement of marginalized groups, the type and method of production, restrictions on profits, and inclusive participation.

3.4 Current state of social enterprise in Kosovo

To further understand the situation of social enterprises in Kosovo, this current study by LENS and EYE set out to find and map all entities that are operating according to three criteria, which are consistent with the principles of social enterprises in most worldwide definitions:

1. Mission-driven rather than solely profit-driven;
2. Focused on addressing community problems; and
3. Focused on caring for the environment.

In order to expand the list of known social enterprises in Kosovo, LENS first published a call on social media for all organizations that operate within the principles of social enterprise to identify themselves. Second, LENS collaborated with 9 organizations that have supported social enterprises to give input into the social enterprise mapping process.

As a result, during this research LENS interviewed 26 organizations operating as social enterprises from different municipalities in Kosovo. The research found that most of the organizations (81%) operate within NGOs as programs designed to ensure financial self-sufficiency. The reason for this approach is the lack of funds and the need to extend the life of the organizations.

This finding is consistent with the Ministry of Labour and Social Welfare's apparent preference for transforming NGOs into social enterprises, rather than setting up independent businesses with a social mission. Our research identified only a small number (4%) of organizations that had a clear business mind-set and were currently operating within the labour market as registered businesses.

Table 4: Legal structure of reviewed social enterprises in Kosovo

| Type of Structure | % |
|--|-----|
| Program of NGOs for financial self-sufficiency | 81% |
| Individual business | 4% |
| Unregistered organization | 3% |
| NGOs without programs financial self-sufficiency | 12% |

These 'social enterprise' NGO programs include, for example, production, packaging and training, but the organizational representatives admitted that for NGOs used to implementing projects funded by grants, it is very difficult to operate in the commercial market with a business mindset. Lack of experience and scale also means that their products and services tend to be more expensive (and therefore less competitive) than those offered by commercial entities.

Around 50% of the interviewed organizations depend on grants and profit from sales, and around 19% from private sponsorship and profit from sales. Of the organizations that have programs for financial self-sufficiency, only 35% have achieved profits from sales and services that exceed 20% of their total revenues. For the others, the profit from sales or services are very low, as shown in table 5.

Table 5: Profit from commercial sales of reviewed social enterprises in Kosovo

| Proportion of revenues from profit from commercial sales | %* |
|--|-----|
| >20% of total revenues | 35% |
| <20% of total revenues | 38% |
| N/A (very low incomes) | 27% |

* % of organisations that have programs for financial self-sufficiency

3.5 Social enterprise challenges and barriers

Our research demonstrates that still very few organizations in Kosovo have adopted social entrepreneurship principles and most of them are NGOs that depend on grant funding. The interviewed organizations identified two major challenges.

The first set of challenges has to do with their lack of business skills, commercial capacity and production equipment – and consequently lower competitiveness in the market for the products and services they are attempting to sell. Hence, they may struggle to obtain the correct machinery, to access the right raw materials at competitive prices and to complete an efficient cycle of production.

Table 6: Challenges of reviewed social enterprises in Kosovo

| Organizational challenges | % |
|--|-----|
| Lack of business experts for marketing and selling | 30% |
| Rent and operational costs | 27% |
| Machinery and expensive raw materials | 20% |
| Support from municipality and other institutions to reach the first production cycle | 23% |

The second set of challenges concern the proposed draft law on social enterprises, especially with regards to the limitations placed on legal operating forms, unclear definitions on social enterprises (especially in terms of financial self-sufficiency) and prescribed use of the organization’s profits.

3.6 Good practice case study of social enterprise in Kosovo

“Our mission is to help widowed women farmers to find paths of employment, through milk collection from these farmers and selling it to bigger companies in the nearest developed city”

Shoqata e Grave Fermere started operating when the situation in Kosovo was very difficult after the war. Most widowed women in the village of Krushë e Vogël had to start everything from the beginning in order to take care of their families. Shoqata e Grave Fermere ensured that all the help coming from international organizations would be used in a way that would support the economic development of the village.

Shoqata e Grave Fermere’s main strategy was providing cows for the village farmers, and later, they also ensured that the milk could be sold in the nearest developed city to bigger companies. The following are highlights of their operational model:

Governance: The organization is registered as an NGO in order to operate more easily according to their social mission, which is to improve the economic development of widowed women.

Workers: At the moment the organization has 2 employees and during the year 2 to 3 volunteers. The number of employees differs when the organization wins grant funding. In the near future, the organization plans to start producing milk products, therefore it will raise its capacity and number of employees.

Community: The organization's financial model is based on grants (20%) and profit from sales (80%). The sales income is based on a percentage of every litre of milk sold to the bigger companies. Therefore, the organization fulfils its community mission while creating opportunities for farmers to become self-sufficient and for the organization to survive.

Environment: The organisation is not directly focused on environment protection. However they ensure that they provide training and awareness raising about the importance of a clean farm in order to compete in the market with the best natural products.

4. INTERNATIONAL RESEARCH FINDINGS

“Social entrepreneurs are advancing systemic solutions to social problems”
– David Bornstein

4.1 History of social enterprise

In recent decades, the world has seen the emergence of a special group of individuals, people who have become popularly known as social entrepreneurs and form part of the social enterprise movement.

According to Visser (2011), there are examples throughout history of companies that have worked for social benefits – such as the credit unions started in the 1850s in Germany by Franz Hermann Schulze-Delitzsch – but the movement really only gained formal recognition in the 1980s. This was the decade in which Bill Drayton founded Ashoka in Washington, D.C., Muhammad Yunus registered Grameen Bank as an independent bank, and former Archbishop of Panama Marcos McGrath and Swiss businessman Stephen Schmidheiny set up FUNDES in Panama, all with a mission to support social entrepreneurs.

Since 1981, Ashoka has elected over 2,750 leading social entrepreneurs as Fellows, providing them with living stipends, professional support, and access to a global network of peers from around the world. Ashoka defines social entrepreneurs as

“those who have innovative solutions to social problems and the potential to change patterns across society. They demonstrate unrivalled commitment to bold new ideas and prove that compassion, creativity, and collaboration are tremendous forces for change.”

Put more simply by founder Bill Drayton, “the life purpose of the true social entrepreneur is to change the world.”

The social enterprise movement was given a boost in the 1990s with the establishment of the Schwab Foundation for Social Entrepreneurship (started by the World Economic Forum’s founder, Klaus Schwab), which supports

“pragmatic visionaries who achieve large scale, systemic and sustainable social change through new invention, a different approach or a more rigorous application of known technologies or strategies.”

Jeff Skoll, first president of eBay, also set up a fund – the Skoll Foundation – to support social entrepreneurs, saying: “I like to support causes where a lot of good comes from a little bit of good. In other words, where the positive social returns vastly exceed the amount of time and money invested.”

One of the projects supported by the Skoll Foundation was a series of studies by SustainAbility (2017) on social entrepreneurship. The first report, *Growing*

Opportunity, concluded that three different mindsets have characterized business thinking in relation to social and environmental issues: 1.0 is about compliance, 2.0 is about citizenship and 3.0 (the mind-set of social entrepreneurs) is about creative destruction and creative reconstruction.

Similarly, the social entrepreneurship movement is described by Michael Porter and Mark Kramer in their 'Shared Value Initiative' as a Trojan horse that can lead to a more 'ethical and socially inclusive capitalism' and reform the economic system to bring about positive economic and social change (Porter 2012).

For this reason, we hope that the global perspectives in this study will not only drive the development of social enterprises in Kosovo, but also prompt traditional businesses to re-think their sustainability strategies and to invest in social innovation.

4.2 Legally-driven approaches to social enterprise

One of the main conclusions of a research report on social entrepreneurship in Europe was:

Putting in place policies that provide an enabling eco-system for social enterprises, not only at start-up stage but also beyond, is crucial if these businesses are to fulfil their potential. Policies should focus on promoting social entrepreneurship, building enabling legal, regulatory and fiscal frameworks, providing sustainable finance, offering business development services and support structures, supporting access to markets and supporting further research into the sector (EC and OECD, 2013).

A more recent report on legally-driven approaches to social enterprise in Europe found that 16 European countries have some form of legislation that recognises and regulates social enterprise activity. However, in most jurisdictions, the vast majority of social enterprises tend to use and adapt legal forms, which are not specifically designed for social enterprises (ESELA, 2015).

More specifically, this research noted that in some jurisdictions, such as the UK, France and Italy, there are 'social enterprise forms', which are exclusively designed for social enterprises through the tailoring or adaptation of existing legal forms. The presence of these forms reduces transaction costs and risks for social enterprises starting up, increases the visibility of social enterprises and makes it easier to identify and support social enterprise and its growth (ESELA, 2015).

In other jurisdictions, however – such as Italy and Belgium – there are 'social enterprise statuses', which can be obtained by a number of different legal forms, which comply with a number of prescribed criteria designed to identify and define social enterprise (ESELA, 2015).

The UK was one of the first countries to introduce a separate legal structure for social enterprises (i.e. a social enterprise form), in the form of the Community

Interest Company (CIC) under the Companies Act 2004. Since 2005, 13,055⁶ social enterprises have registered under this frame.

The Small Business Service conducted a survey in 2005 and estimated 15,000 social enterprises in the UK were registered as Companies Limited by Guarantee (88%) or Industrial & Provident Societies (12%), bringing a turnover of almost 18 billion per year. Today, this number has reached 70,000 companies with a turnover of £24 billion per year.

The United States also has a legal structure for social enterprises, defined under the US Model Benefit Corporation Legislation. In Subchapter 2, Section 201, the corporate purpose is divided into two:

1. *General public benefit purpose* – A Benefit Corporation shall have a purpose of creating general public benefit. This purpose is in addition to its purpose under the section of the business corporation law on the purpose of business corporations; and
2. *Optional specific public benefit purpose* – The articles of incorporation of a benefit corporation may identify one or more specific public benefits that it is the purpose of the Benefit Corporation to create in addition to its purposes under business corporation law on the purpose of business corporations.

This definition of corporate purpose is broad and allows general public benefit, by which is generally understood the pursuit of the triple bottom-line, i.e. positive social environmental (or ecological) and economic impacts.

By contrast, the Draft Law on Social Enterprise in Kosovo, which was undertaken and approved by the Department for Social Wellbeing, has a much narrower, more restrictive scope. For example, under the Article 5 of the draft Law on Social Enterprises states that a social enterprise shall be:

“engaged in delivery of services, which guaranties the inclusion of marginalised persons and produces a positive impact on the quality of lives of those at a potential risk of social exclusion.”

Perhaps this narrow interpretation of social enterprise is because in Kosovo, the used term ‘social’ can also translate as someone ‘in need’. However, this scope is limiting the potential of social enterprises by defining its purpose as “the inclusion of marginalised persons” rather than the general public good, and it is limiting its potential impact to “those at a potential risk of social exclusion”, rather than a broader set of triple bottom line benefits.

We also see variations in legal structures. For example, in Kosovo, 80% of the social enterprises included in our study are registered as NGOs, with 50% dependent on grants and funds, and only 4% have clear business mindset. In contrast, in India 80% of social enterprises are registered as Public Limited

⁶ 13,055 Community Interests Companies registered by March 2015

Companies (PLC) and 10% are Partnerships or Proprietorships (Allen, Bhatt, Ganesh, & Kulkarni 2012).

Besides legal structures for social enterprise, governments can also provide active support in other ways. For example, Malaysia does not have a law for social enterprises, but a government led initiative called the Malaysian Global Innovation Centre (MaGIC) has developed a *Legal Compass for Social Enterprises*. This provides clarity for existing and aspiring social entrepreneurs about the necessary governance structures, legal options, and other key requirements for setting up or operating their social enterprises effectively.

MaGIC is also driving the creation of supportive regulatory frameworks and has developed a Social Enterprise Blueprint and a guidebook called MaGIC SE 101. Their clear mission is to build a sustainable entrepreneurship ecosystem, and to catalyse creativity and innovation for long-term national impact.

4.3 Market-driven approaches to social enterprise

Legal drivers can complement market drivers for social enterprise. For example, in the United States, according to the Benefit Corporations law, social enterprises must, in their articles of incorporation, not only declare their public missions but must also go through a certification process, often administered by a third party organisation such as the B Lab. The B Lab have so far certified more than 2,240 companies as B Corporations or B Corps in more than 50 countries worldwide.

Such a certification scheme acts as a form of public recognition and creates market-based incentives for customers to support these social enterprises. Customers are learning that all B Corps are unified under one goal: to *use business for social good*. This movement is simultaneously challenging traditional companies to become more socially responsible businesses, for example by adopting fair trade or green business practices, by becoming worker-owned co-operatives, or by embracing the *triple bottom line*⁷ model of sustainable business.

Another country where social enterprise is strongly market-driven is India. This is evident in the fact that the greatest concentration of social enterprises in India are in the agriculture and energy sectors, and the growth of the social enterprise has continued even through global recession (Allen, Bhatt, Ganesh, & Kumar Kulkarni, 2012). These for-profit social enterprises are driven by a clear social mission and hold great potential for driving innovations.

Similarly, Ecuador does not have a social enterprise law, but the B Corp movement has become a popular form of business certification. For example Pacari⁸ is an Ecuadorian family-owned chocolate company that has sought out B Corp status.

⁷ The triple bottom line term was created by John Elkington in 1994. TBL is an accounting framework with three parts: social, environmental (or ecological) and economic. Many organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value.

⁸ The word Pacari means "nature" in Quechua, an indigenous language of the Andean region

Since 2002 Pacari have worked with hundreds of local cacao growers and cooperatives to preserve the native *Arriba Nacional*⁹ cacao and to create the first single-origin organic chocolate made entirely in Ecuador.

They have since gone on to develop over 40 different chocolate bars and products and won more than 180 International Chocolate Awards since 2012. The success of the company is based on their strong socially and environmentally sustainable principles, which ensures that the production of chocolate supports the wellbeing of the local community and the ecosystems of Ecuador.

Eco-tourism is another market-driven example of social enterprise in Ecuador. The need to protect and conserve the country's rich biodiversity drives the development of business practices that seek to protect the environment. For example, Yunguilla – Conservando el Bosce Nublada¹⁰ has become a fully self-sustaining community enterprise, not only committed to regenerating and conserving the forest at an altitude of 2650 m, but also to improving the quality of life for its people. They are doing this by managing their natural resources and including a variety of sustainable activities for tourists, who can not only enjoy the beautiful scenery but also buy their organic cheese, jam and handmade artisanal products.

4.4 Needs-driven approaches to social enterprise

Another driver of social enterprise (besides legal and market drivers) is the social needs of a given country or community. We see this especially in developing countries, which face the challenges of poverty, environmental degradation, poor labour conditions, inequality and corruption. This does not mean that they lack creativity when it comes to finding solutions. The necessity drives social entrepreneurs to be more innovative, not only in resolving a social or environmental problem, but also in coming up with niche business models.

In India for example, water scarcity remains one of the top challenges (World Economic Forum, 2014). This dire need for clean drinking water has driven one Indian social entrepreneur, Anand Shah to found the Sarvajal Company, which has developed a technology that cleans New Delhi's ground water and makes it available to purchase for a small fee through Water ATM's¹¹. These ATM's are now piloted in 24 locations in New Delhi. As well as tackling the lack of clean drinking water, the company has the potential to grow and expand to other regions through the ATM franchise model.

South Africa is another needs-driven country, with high youth unemployment and social disparities. Hence, it is building its social enterprise movement based on the notion of 'social entrepreneurs as organisational leaders'. For example, one social

⁹ The cacao trees are wild grown in the unpolluted natural forest garden. The irrigation source of the cacao is either rain or spring water.

¹⁰ See Yunguilla Conservando el Bosce Nublada at www.yunguilla.org.ec

¹¹ Water ATMs' deliver liquid assets in India's capital
<http://www.scidev.net/global/water/multimedia/water-atms-liquid-assets-india.html>

entrepreneur, Anne Githuku-Shongwe, has a goal to ‘gamify’ the big issues affecting young people in Africa, and emancipate them from the mental blocks that thwart their potential and stunt their self-esteem. According to Githuku-Shongwe, Africa needs reawakening, and it begins with a renaissance of imagination. She says: “*we want to create a movement of re-imaginers*”.

Happily, Kosovo’s social enterprise trends are also showing signs of this ‘reawakening of the re-imaginers’ to unleash creative potential. For example, the development of the ‘Ec-shlirë’ application led by 30 girl coders is not only helping to address women participation in the technology industry, but is also tackling sexual harassment experienced daily by women and girls in the streets of Kosovo.

Another needs-driven set of issues relates to the environmental threats that pose a danger to society and creates bigger challenges. For example, the World Health Organisation¹² reports that as the air quality level declines, the risks of strokes, heart disease, lung cancer, and chronic and acute respiratory diseases, including asthma, increases.

It is positive to see that the some environmental activities are listed under Category B in Kosovo’s Draft Law on social enterprise (see Box 4). However, this focuses on maintenance and care of forests rather than ‘conservation’ or ‘regeneration of forests’, and on ‘services and tourism activities’ rather than ‘promotion of eco-tourism’. Aligning more with the innovative spirit of social enterprise in Kosovo has great potential to transform the lives of rural communities, who can use business to manage their own resources while regenerating and protecting the country’s biodiversity.

4.5 National approaches to social enterprise

The following sections go into more detail on the specific countries that were researched. Here, we find a variety of best practices and different approaches to social enterprise, all of which can serve as inspiration and information for Kosovo’s own social enterprise movement.

4.5.1 United States

The United States (US) recorded its slowest economic growth in five years in 2016. It’s post-recession recovery remains steady and three years ahead of the UK, but the pace of acceleration has been slower than in previous recoveries. The USA ranks 18th on the Social Index Imperative (see Table 7), while ranked 5th in terms of Gross Domestic Product (GDP). Unemployment rates in July 2017 were recorded to be at 4.3% (OECD 2017).

Table 7: Social Progress Index (SPI) for the United States

¹² WHO Global Urban Ambient Air Pollution Database

| Social and Economic Indicators | Score/value | Rank out of 128 |
|--------------------------------|-------------|-----------------|
| SPI: Basic Human Needs | 98.96 | 36 |
| SPI: Foundations of Wellbeing | 84.19 | 29 |
| SPI: Opportunity | 81.68 | 13 |
| Total SPI 2017 | 86.43 | 18 |
| GDP PPP per capita | \$52,707 | 5 |

Social enterprise trends

There are two social enterprise movements in the US: the Social Enterprise Alliance (SEA) founded in 1988 and the B Corp movement established by the non-profit organisation, B Lab, in 2006.

The Social Enterprise Alliance is a national membership organisation providing social enterprises with resources to support and grow social entrepreneurship on a national scale and to serve as a voice for more sustainable social impact. The Social Enterprise Alliance defines a social enterprise as *an organisation or initiative that marries the social mission of a non-profit or government program with the market-driven approach of a business.*

The B Corp movement is built on the simple fact that “*business impacts and serves more than just shareholders—it has an equal responsibility to the community and to the planet*” (Rose Marcario, CEO of Patagonia). A B Corp is an organisation that has successfully completed the certification put forth by the non-profit organisation, B Lab. B Corps can only be for-profit organisations, and they must meet B Lab’s standards for social and environmental performance, accountability and transparency.

There is a related legal standard, which allows companies to register as a *Benefit Corporation* (see section 4.2 and below). Although Benefit Corporations and B Corps are similar, there are key differences: B Corps are for-profit, socially obligated, corporate forms of business certified by B Lab, whereas Benefit Corporations are incorporated under a state statute and are legally obligated to pursue a public benefit in addition to its responsibility to return profits to the shareholders (Hiller, 2013).

Box 5: Legal forms for social enterprise in the United States

Corporation: There are different forms of Corporation, including C corporations, S Corporations, for-profit cooperatives and Social Purpose Corporations, depending on the state.

LLC, LLP, LP (Limited Liability Company, Limited Liability Partnership & Limited Partnership): Certain clauses must be incorporated to meet the legal requirements of each.

Benefit Corporation: These companies are required to meet certain legal requirements. Registered Benefit Corporations automatically meet the requirements for B Corp certification.

Sole Proprietor: Sole Proprietors are not formally organised as a corporation and therefore have no corporate governing documents. However, they can sign the B Corporation Declaration and Term Sheet.

B Corps

According to B Lab, B Corps lead a growing global movement of people using business as a force for good. In the US, twenty-three states have enacted Benefit Corporation legislation. In contrast, B Corps are not a different legal entity, but a member of a voluntary association subject to an assessment and ratings standard. B Corps meet the highest standards of verified social and environmental performance, public transparency, and legal accountability, and aspire to use the power of markets to solve social and environmental problems (B Lab, 2017).

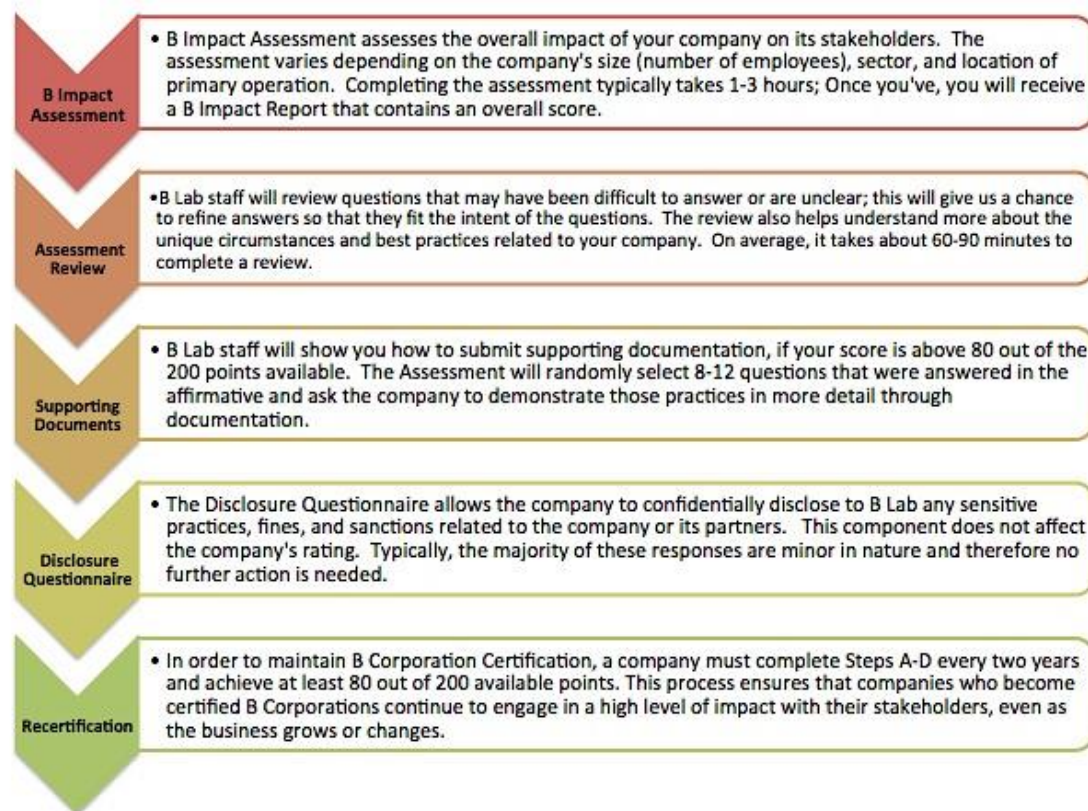
Specifically, B Corps are for-profit companies certified by B Lab, a non-profit organisation founded in 2006 in the US. B Lab has three primary aims:

1. To build a community of certified B Corps;
2. To advance public policies necessary to create the legal infrastructure and market incentives; and
3. To accelerate growth of this sector.

A B Corp's business model is similar to a traditional commercial business in the sense they sell their products in the commercial market and/or charge fees for their services to generate profits. However, the major difference is that B Corp's business models are driven by a wider purpose than profits, and underpinned by a sustainability-focused mind-set.

The first step in becoming a Certified B Corporation is to meet certain performance requirements and legal requirements. B Corps must complete a *B Impact Assessment*, which assesses the overall impact of the company on its stakeholders. The assessment varies depending on the company's size (number of employees), sector, and location of primary operation. Completing the assessment typically takes 1-3 hrs, using best estimates the first time around. Once the assessment is completed, the company will receive a B Impact Report that contains an overall score (See Figure 2)

Figure 2: B Corp certification process

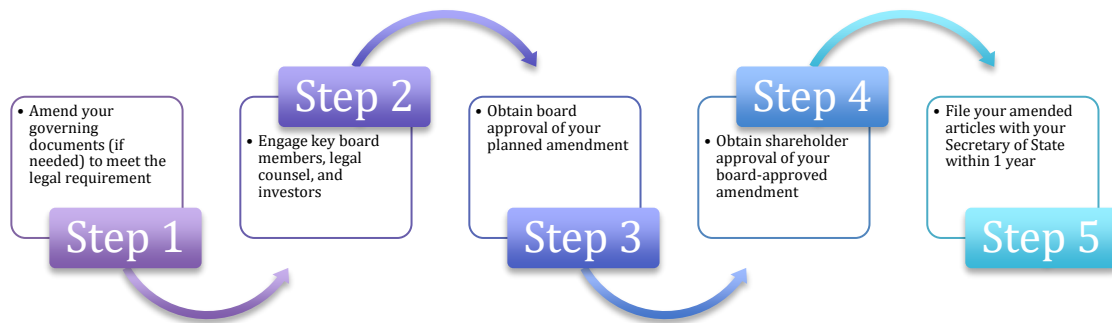


In general, companies wishing to become a Certified B Corp must have governing documents, which include a commitment to a 'triple bottom line' (integrated economic, social and environmental performance) approach to business. In practice, for a typical business, this is likely to mean having an Objects Clause, which states that it exists to promote the success of the business for the benefit of its shareholders, while having a material positive impact on society and the environment.

The governing documents of B Corps will also need to state that the board members of the company will consider a range of stakeholder interests - including shareholders, employees, suppliers, society and the environment - when making decisions and, critically, that shareholder value is not the supreme consideration, but is only one factor among the many stakeholder interests which board members need to take into account when running the business.

There are five steps a company must follow before and after B Corp certification (see Figure 3). The B Corp movement is growing fast, with 2,240 companies certified in more than 50 countries worldwide. This has led to the formation of B Lab platforms around the world, for assisting companies with the certification process.

Figure 3: B Corp legal roadmap



The limitation of B Corps is that they have to develop and provide a lot of policies and procedures, which may prove difficult for small and medium size companies, which have limited resources. Being a B Corp within a larger holding company that is not a B Corp could also raise challenges for growing a business due to the lack of alignment of business values and approach.

Case study: Patagonia

“Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis”

Patagonia’s values reflect those of a business started by a group of climbers and surfers, and the minimalist style they promoted. The approach taken towards product design demonstrates a bias for simplicity and utility.

For Patagonia, a love of wild and beautiful places demands participation in the fight to save them, and to help reverse the steep decline in the overall environmental health of our planet. They donate time, services and at least 1% of sales to hundreds of grassroots environmental groups all over the world who work to help reverse the tide.

Governance: The company board includes independent members to represent the interests of the community and environment. The company works within industry to develop social and environmental standards. Managers share financial information with employees.

Workers: The company extends health benefits to part-time, retail and warehouse staff; 50% full time employee participate in external professional development; and there is >80% coverage of health insurance premiums for full-time workers.

Community: 100% of significant suppliers are made transparent on the company’s website; >40% of management are women or ethnic minorities; >25% of employees took time off for community service; and 1% of sales are donated to environmental NGOs.

Environment: 75% of materials used are environmentally preferred (organic, recycled, etc.); 30% of suppliers meet Bluesign® standards for environmentally

advanced apparel manufacturing; some facilities LEED Certified; and >5% of energy use is generated on-site.

4.5.2 United Kingdom

In the United Kingdom, living standards and population (63.7 million in 2014) have drastically increased since the World War II and today the development of technology and globalization has vividly changed the society, its expectations and the culture of living.

With industrialized agriculture, food production has increased, but biodiversity, water, soil and air quality have all declined. The country ranks 12th out of 128 countries on the Social Progress Index (2017) and 17th out of 128 on Gross Domestic Product (GDP) (see Table 8).

Table 8: Social Progress Index (SPI) for the United Kingdom

| Social and Economic Indicators | Score/value | Rank out of 128 |
|--------------------------------|-------------|-----------------|
| SPI: Basic Human Needs | 92.96 | 21 |
| SPI: Foundations of Wellbeing | 90.28 | 7 |
| SPI: Opportunity | 82.96 | 11 |
| Total SPI 2017 | 88.73 | 12 |
| GDP PPP per capita | \$38,519 | 21 |

Social enterprise trends

Box 6: Legal forms for social enterprise in the United Kingdom

Limited Companies: The most common incorporated form for business is the private company - limited either “by shares” (CLG), or alternatively “by guarantee” (CLG). Provided the business generated the majority of its income by trading in a competitive market, CLGs are eligible for B Corp certification, However, if the CLG is a charity, they will not be eligible for B Corp certification.

Community Interest Companies (CICs): A form of company specifically created for the social enterprise sector. CICs that are CLGs or CLSs are eligible for B Corp certification..

Industrial and Provident Societies (IPSs): There are two kinds, Co-operative Societies (which may be social enterprises) and Community Benefit Societies or ‘BenComms’ whose purpose must primarily be “for the benefit of the community”.

Limited Liability Partnerships (LLPs): LLPs have a separate legal structure similar to a company. Unlike a standard partnership, members of the LLP enjoy limited liability.

Co-operatives, Community Benefit Societies, Partnerships and Limited Liability Partnerships: All of these are eligible for B Corp certification as long as they are not charities.

The growth of the social enterprise sector has been attributed to many different factors, mostly due to the change in business attitudes towards social responsibility and sustainability, and post-recession unemployment rates, driving young people to seek alternative employment options. By 2014, around 70,000 social enterprises contributed £24 billion to the economy and created jobs for one million people (Social Enterprise UK, 2015).

In the UK, being a social enterprise is not in itself a formal legal structure. Social enterprises can take a variety of legal business forms and depend greatly on the intended strategy (See Box 6). However, alternative structures, such as Community Interest Companies (CIC), or B Corps are the most popular forms.

In the UK, 15,000 social enterprises are registered as Companies Limited by Guarantee (CLG) or Industrial & Provident Societies (IPS). In terms of the overall business population¹³, this means that these social enterprises account for around 1.2% of all enterprises in the UK.

Community Interest Companies (CICs)

The Community Interest Company (or CIC) is a relatively new type of company established by the Companies Act 2004 (Audit, Investigations and Community Enterprise) and regulated by The Community Interest Company Regulations 2005. The CIC model is designed to provide an effective legal form for enterprises which aim to provide benefit to the community or to trade with a social purpose rather than only to make a profit.

CICs in the UK vary in size and area of operation, from very small community organisations to multimillion-pound enterprises. Since 2005, more than 3,100 registered CICs have been resolving societal problems and operating in areas such as physical well-being, media, the arts, education, and health and social work. According to our expert interviewee in the UK:

“They’re creating jobs and opportunities for those most marginalised, transforming the communities and making the Sustainable Development Goals a reality. It’s business for good and when they profit, society profits.”
(Expert Interview)

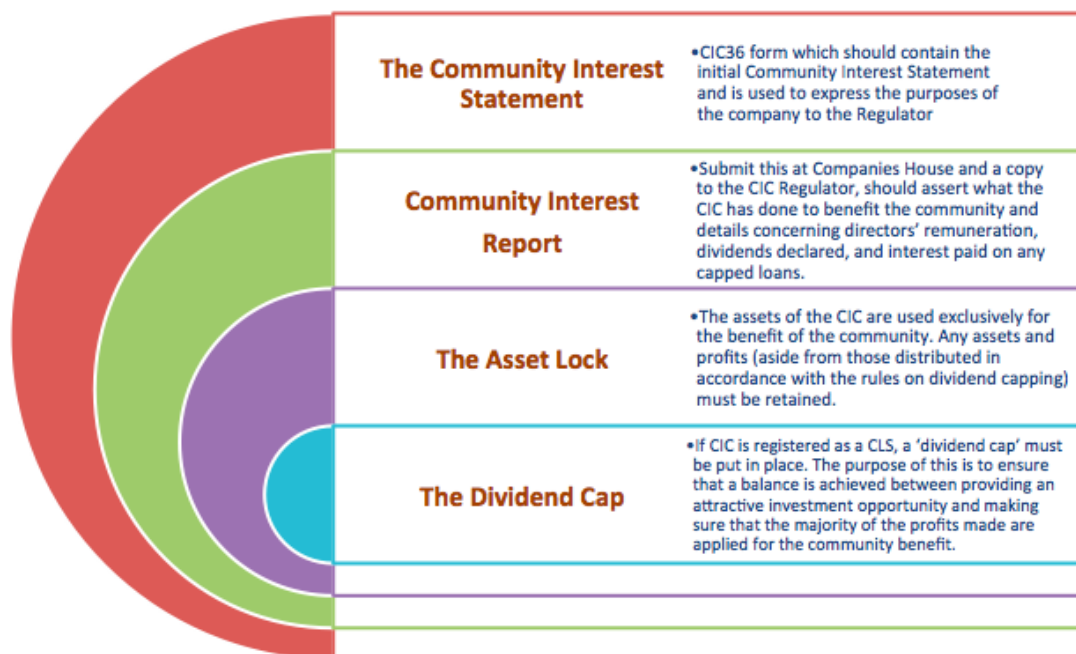
CICs are normal companies, which can be registered either as Companies Limited by guarantee (CLG) or Companies Limited by Shares (CLS). Both have some distinctive features in order to protect their social mission. All CICs are subject to a number of important legal rules set out in the Regulations (see Figure 3).

In particular, they must submit a *Community Interest Statement* and an annual *Community Interest Report*, and must also be subject to an *asset lock* and *dividend cap* when the CIC is registered as a CLS, to ensure that a balance is achieved between providing an attractive investment opportunity and making sure that the majority of the profits made are applied for the community benefit.

The dividend caps have discouraged some entrepreneurs from setting up CICs. Several respondents referred to social entrepreneurs who are seeking commercial funding steering away from CICs, fearing that the caps may make it difficult for them to attract capital. Its complex system can also discourage entrepreneurs from registering as a CIC. Also, the paucity of private profit incentive is seen by some as a failing of the CIC model.

¹³ Based on Small Business Service Analytical Unit statistics, and excluding sole traders

Figure 3: Community Interest Company (CIC) legal roadmap



The B Corp movement is also growing fast in the UK, and most businesses are likely to be eligible for B Corp certification as long as they can demonstrate that they generate majority of their revenues from trading, it cannot be a charity and not a public body owned by the state (see Fig. 2). The certification in the UK must go through a different legal test to that of the USA.

Case study: Peace Café

"We want to connect with all of Bristol's 91 language communities."

Peace Café is a small social enterprise known as 91 Ways to Build a Global City, which was started as a charity in the spring of 2015 by Kalpna Woolf. The Peace Café is a ground-breaking 'pop up' café initiative, dedicated to uniting Bristol's 91 language communities through the medium of food. At its simplest level, the Peace Café seeks to celebrate our common humanity, connecting people by bringing together Bristol's 91 language communities to share food and stories.

The first pop up café was launched in November 2015 with a group of Iranians, Russians, Eritreans, Sudanese and Somalis from Refugee Women of Bristol, who joined together to create a dazzling assortment of epicurean delights, each unique to its community and rarely found together in one place. They started by collecting recipes and food stories from many of Bristol's language communities and helped to bring together groups who have never come into contact with one another before. They has worked with schools and universities to promote awareness and launched Bristol's first International Peace Café.

The Peace Café also provided a unique opportunity for the cooks themselves to showcase their food and talk about their culture. With the help of the crowdfunding, Peace Cafe was able to create events for different communities across Bristol in 2016.

4.5.3 Malaysia

“A social enterprise is an entity that achieves a social mission by using a business model.” – Malaysian Global Innovation and Creativity Centre (MaGIC)

Malaysia is a multicultural society with a population of 28 million, comprised of Malay, Chinese, Indian and smaller ethnic aboriginal groups. The main industries in Malaysia are the production of oil, tin and palm oil and most recently the development of tourism. With a national goal to be a developed country by 2020, the Malaysian government supports the idea of the sustainable development and production. However, its economic growth has had a significant impact on biodiversity and the ecosystem.

Table 9: Social Progress Index (SPI) for Malaysia

| Social and Economic Indicators | Score/value | Rank out of 128 |
|--------------------------------|-------------|-----------------|
| SPI: Basic Human Needs | 87.53 | 46 |
| SPI: Foundations of Wellbeing | 75.59 | 54 |
| SPI: Opportunity | 50.29 | 66 |
| Total SPI 2017 | 71.14 | 50 |
| GDP PPP per capita | \$25,312 | 33 |

Social enterprise trends

The social enterprise scene in Malaysia is an emerging space. It is estimated that only 100 of these socially oriented, hybrid enterprises exist in Malaysia, tackling causes such as education, environmental sustainability, rural development and poverty.

In May 2013 the Malaysian government launched the National Social Enterprise Blueprint¹⁴ dedicating RM 20 million to the previously mentioned Malaysian Global Innovation Centre (MaGIC) in order to increase the number of social enterprises in the country. MaGIC launched its first ever accelerator program for social enterprises in 2015. These enterprises also benefit from the support of the Social Enterprise Alliance (SEA), another business incubator that helps entrepreneurs through all the stages of business development.

Legal forms for social enterprises in Malaysia

¹⁴ Malaysian Social Enterprise Blue Print is a three-year roadmap that aims to develop the Malaysian social enterprise sector to be self-sustainable, equitable and people centric in order to empower impact driven entrepreneurs.

There are no specific legal forms for social enterprises in Malaysia. However, MaGIC has developed an accreditation process for social enterprises, as a form of validation. Most social enterprises are registered the same as any other commercial/non-profit entity, depending on their preferred organisational structure (see Box 7).

Box 7: Legal forms for social enterprise in the United Kingdom

Sole proprietorship: Usually owned by one person, who is responsible for running the business.

Partnership: Two or more people share ownership of a single business.

Corporations: This type of business is owned by at least two or more people and it can be either a private limited company or public limited company.

Unlimited companies: These companies are similar to sole proprietorship and partnership business entities. The only difference is that they have special articles of association and are free to return capital to their members.

Limited liability company (LLC): The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

Depending on the organisational structure, the same existing rules would apply to social enterprises. For example, those which have applied as a non-profit still require a tax exemption registration with the tax office, and usually may not have this benefit extended to them beyond the 5-10 year mark.

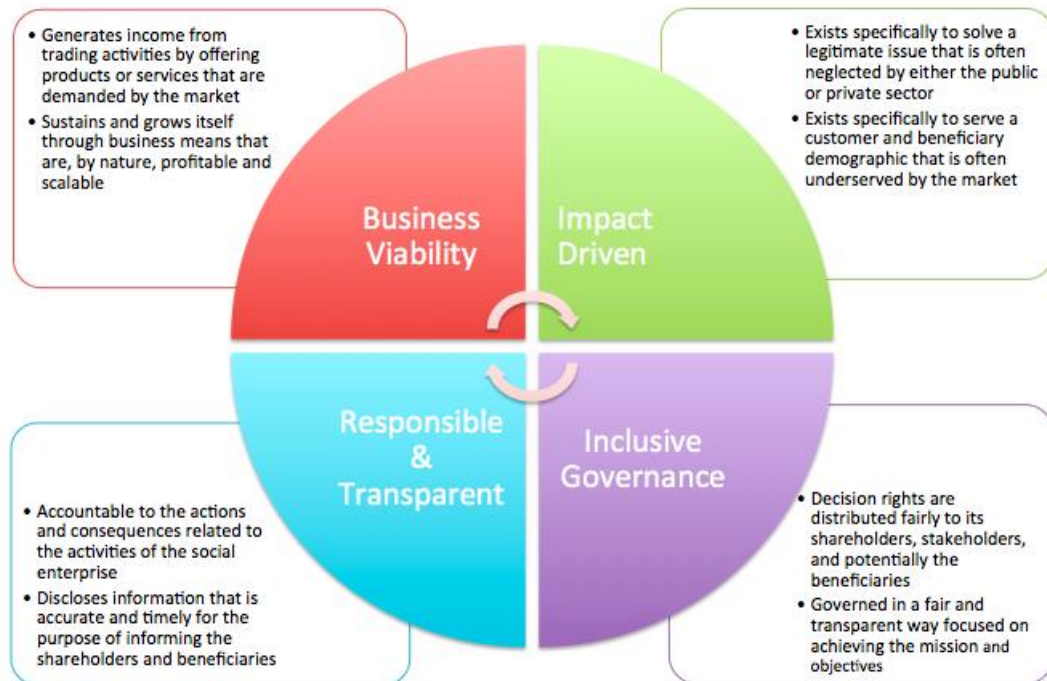
If the business claims to be a social business, it has to clearly state in their business memorandum that no dividend is to be distributed to the shareholders. For example, Arkitrek¹⁵ has incorporated as a Private Company Limited by Shares and has modified the Object Clause of its Memorandum of Association and Regulations to include social enterprise clauses.

According to the MaGIC's Blueprint, the social enterprise's definition should be based on the business's features, and it reaffirms the need for a definition in order to provide the legal context. The Blueprint identifies key components of social enterprises and divides them into two: *primary*, including business viability, impact driven, inclusive equity, and inclusive governance; and *secondary*, including responsible business, transparency, and fair compensation and returns (see Figure 4).

With the accreditation by MaGIC, companies that claim to be a social enterprise need to be transparent on their social/environmental mission, undertake audits (financial and impact), meet the criteria set depending on their impact scope (such as inclusive supply chain, market wages for employees, green credits, etc.) and must not be dependent on grants or donations.

¹⁵Arkitrek is an experiential learning program that inculcates values of sustainability, community engagement and resource conservation. Participants gain skills, knowledge and confidence by building what they design. Camps are open primarily to architecture and engineering students, graduates and professionals.

Figure 4: Social enterprise 'blueprint' characteristics in Malaysia



According to the Malaysian Social Enterprise Blueprint, more than 21% of social enterprises lack adequate funding. And those that have access to funding risk losing their creative independence to match the investor’s demands. The lack of a legal definition of a social enterprise is one issue that has been a persistent source of confusion, since they are often falsely perceived as charities. Social enterprises have difficulty raising capital, either in the pilot or the growth stage. And while older social entrepreneurs can at least draw on the networks they’ve built in the course of their careers, younger entrepreneurs who are fresh out of university struggle to find financing.

Case study: Biji-Biji

“We merge the sciences behind sustainability with our passion for design and art”

The Biji-Biji initiative is a social enterprise that aims to share progressive ideas with everyone. They champion sustainable living, reuse waste creatively and love collaborative production. By using discarded materials, basic electronics and passive building techniques they aim to inspire their surroundings with fresh and fun approaches to sustainable living.

Biji-Biji charges clients for three services: sustainable builds, product design and workshops. Their builds include self-watering vertical garden installations, bamboo structures, and furniture made from discarded materials. Every project or product conceived at Biji-Biji is a brainchild of various different departments coming together and sharing their creative and technical knowledge. The following summary highlights their team structured approach.

Education: They teach everything that they have learnt over the past few years, from initial brainstorming and design, to marketing and social entrepreneurship.

Sustainability: This team is the driving force and foundation of Biji-Biji. Collecting data, researching suppliers, and looking at global developments in sustainable consultancy and events is their forte.

Fab! A strong team full of highly talented and determined ladies and gentlemen that will turn any crazy idea into a reality. This team builds with most materials (notably wood and metal) and creates the best art installations, event props, furniture and more.

Technology Given any interactive effect, machine or build, they do not say no to the challenge. Highly curious and committed, this team will deliver something exciting every time.

Ethical Fashion: This ethical fashion team is steadily building its brand and making strides in the ethical fashion space. Composed of great fashion designers and social entrepreneurs, this team help to design any upcycled items.

4.5.4 South Africa

“Social entrepreneurs are passionate people who are committed to deliver sustainable solutions to social challenges in South Africa” (UnLtd SA, 2012)

South Africa is one of the world’s most unequal countries, with 31% of the population living below the national poverty line, unemployment at 25%, low education, high HIV/AIDS, lack of basic service provision such as clean drinking water, and high crime rates (CIA World Fact Book, 2014). It has been over 20 years since the end of the *apartheid*¹⁶ and South Africa’s first democratic elections, when the current African National Congress government committed to the social, economic and political transformation and development of South Africa, especially addressing the imbalances of the previous apartheid system.

Table 10: Social Progress Index (SPI) for South Africa

| Social and Economic Indicators | Score/value | Rank out of 128 |
|--------------------------------|-------------|-----------------|
| SPI: Basic Human Needs | 88.64 | 83 |
| SPI: Foundations of Wellbeing | 69.79 | 78 |
| SPI: Opportunity | 64.50 | 34 |
| Total SPI 2017 | 67.25 | 66 |
| GDP PPP per capita | \$12,393 | 64 |

Social enterprise trends

¹⁶ Apartheid is a discriminatory policy based on racial segregation and discrimination, particularly used to refer to the policy used by South Africa between 1948 and 1990.

Being one of the largest economies in Africa, there is a high interest in progressing the social economy in South Africa in order to build up the economy and tackle key social challenges. The developmental growth path announced by the government of South Africa in October 2010 identified the social economy as a key 'jobs driver'. The emergence of new forms of social enterprise started to appear as the unemployed and younger generation saw this as a viable career pathway.

The government of South Africa has engaged in developing this sector and incentivizing change using different policies and initiatives such as the Broad-Based Black Economic Empowerment (B-BBEE)¹⁷ regulations formed in 2003 with the objective to address inequality and economic transformation. In addition, the Bertha Centre for Social Innovation and Entrepreneurship was founded in 2013 as one of the first academic centres in Africa dedicated to advancing social innovation and entrepreneurship. The B Corp movement has also been recently introduced to South Africa and is at a very early stage of development.

Legal map for social enterprises

South Africa does not have a dedicated legal structure for social enterprises (see Box 8). However the existing legal structures provide significant flexibility, especially since some social enterprises rely on both donations and sales income for their revenue, while some may generate all their income through the sale of goods or services.

Box 8: Legal forms for social enterprise in South Africa

Non-profit companies: Voluntary associations, trusts, Section 21 companies or non-profit companies (NPC);
For-profit companies: including co-operatives and private companies; and
Hybrid structures: where social enterprises divide their mission and activities between two or more legal entities, e.g. combining a for-profit private company with a not for-profit organisation like a trust.

For example, the social enterprises with a non-profit legal form have flexibility with fundraising and business activities, number of shareholders and benefits from tax reliefs (see Figure 5). Sole proprietorship and partnership structures are not as suitable, as the single trader will own all the assets and is liable for debt and business liabilities.

Section 21 companies, on the other hand, are business-oriented (for-profit) in their legal structure, but do not have share capital and cannot distribute shares or pay dividends to their members. They are 'limited by guarantee', meaning that if the company fails, its shareholders will be liable to pay a stated amount to its creditors.

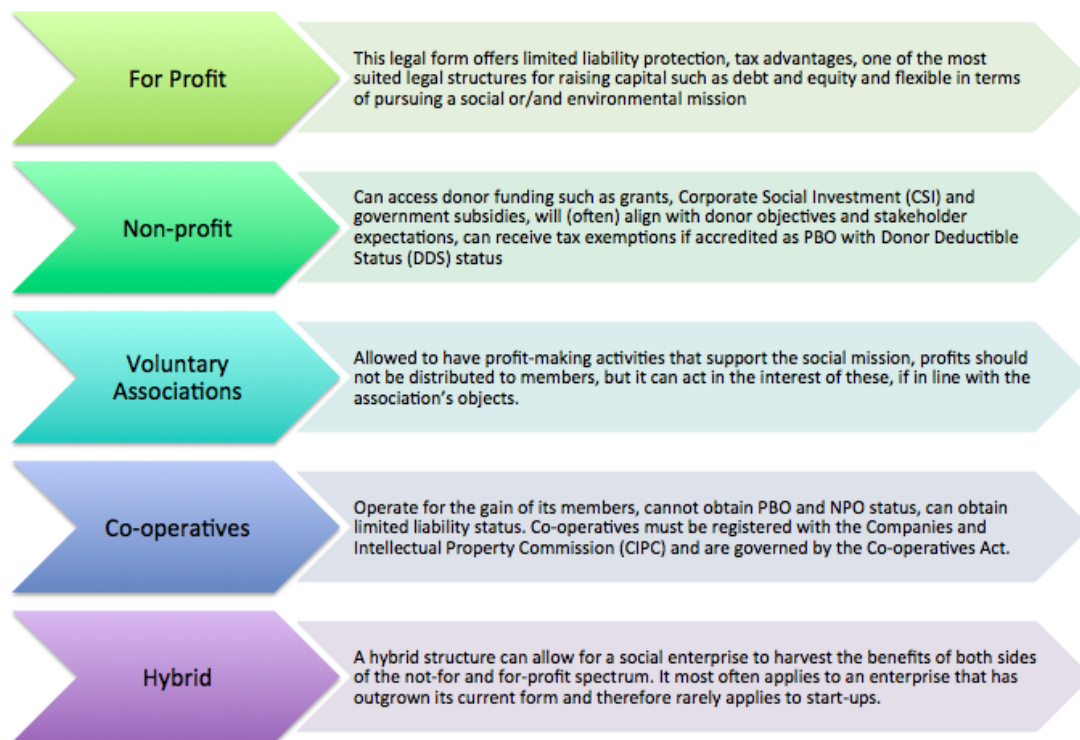
¹⁷ Broad-Based Black Economic Empowerment Act 2003 strategy is South African government intervention to address the systematic exclusion of the majority of South Africans from full participation in the economy.

Cooperatives and hybrid legal forms are the most preferred forms in South Africa. Cooperatives are membership based and non-profit but are governed by the Co-operatives Act ¹⁸. The hybrid model provides dual benefits, allowing the not-for profit entity to receive income from for-profit entity.

One of the key challenges for the South African social enterprise environment is the imbalanced distribution of skills, knowledge, and financial and social capital often needed for start-up ventures. Most ventures are concentrated in urban areas and tackling local challenges. Lack of startup funding is also a key issue; it is also often imbalanced and does not reach rural economies.

¹⁸ The Co-operatives Act, No 14 of 2005 provides for the formation and registration of co-operatives, the establishment of a Co-operatives Advisory Board, the winding up of co-operatives and matters connected therewith.

Figure 5: Social enterprise legal roadmap in South Africa



Case study: REDISA

REDISA (Recycling and Economic Development Initiative of South Africa) has an Integrated Industry Waste Tyre Management Plan (IIWTMP) that supports and promotes tyre recycling, providing the collection and depot infrastructure required to collect waste tyres from across the entire country and deliver them to approved recyclers.

Tyre producers (manufacturers and importers) are charged a waste management fee of R2.30 + VAT on every kilogram of new tyre rubber produced. The funds collected are then applied to developing and supporting the collectors, storage depots, recyclers, and secondary industries that make products from recycled output.

As of January 2015, 77 614 tonnes of tyres had been collected, REDISA had opened 34 depots across the country and had serviced 1,648 dealers. REDISA is currently building a Product Testing Institute (PTI) in COEGA with the purpose to facility a capable of performing tyre testing to the necessary standards, and to develop an Environmental Rating System for tyres.

4.5.5 India

'Business operations directly improve the lives and livelihoods of those residing at the Bottom of the Pyramid' – Intellectap 2012

India is a middle-income country with an average GDP per capita of \$5,730 where agriculture represents 17.6% of GDP, employing 49% of the working population. With a population of 1.3 billion people, almost 65% are under 35 years old and there is a workforce of 502.2 million. India's Gross Domestic Product (GDP) grew at an impressive 7.4% in 2014/15, and 8% in 2015/16.

Although India has seen significant economic transformation in the last few years it remains a country with almost 30% of the population living below the poverty line, and with deeply embedded societal challenges such as inequalities, poverty, unemployment, corruption, low education and poor health standards. In spite of being an economic powerhouse, its social progress has been slow and challenging.

Table 11: Social Progress Index (SPI) for India

| Social and Economic Indicators | Score/value | Rank out of 128 |
|--------------------------------|-------------|-----------------|
| SPI: Basic Human Needs | 66.74 | 93 |
| SPI: Foundations of Wellbeing | 61.15 | 100 |
| SPI: Opportunity | 47.29 | 81 |
| Total SPI 2017 | 58.39 | 93 |
| GDP PPP per capita | \$5,730 | 88 |

Social enterprise trends

India's social enterprise environment has grown in the past few years, especially with the emergence of social businesses, which are officially defined as Micro, Small and Medium Sized Enterprises (MSMEs). Usually, the social enterprises are incorporated as a business with a social mission, providing goods, services, and opportunities for those at the bottom of the economic pyramid. These forms of social enterprises are often associated with transformative innovation induced from emerging sustainability risks and opportunities aimed in shaping the future of India.

The biggest step towards engaging the private sector in social development has been the amendment to the Companies Act, 2013. The Act made it mandatory for companies (depending on their net worth) to commit 2% of their average annual profit to expenditure on the Corporate Social Responsibility (CSR) projects and activities. This mandate increased the funds available for approximately 2 million non-governmental organisations (NGOs) in India (*Times of India*, 2014). While this has pushed large companies towards a philanthropic model, it has also opened up the possibility for corporations to redirect their CSR spending towards supporting social enterprises.

Legal map for social enterprises

Box 8: Legal forms for social enterprise in India

Trust: A public charitable trust is usually used when there is property involved, especially in terms of land and building.

Society: Charitable societies include, for example, military orphan funds or societies established for the promotion of science, literature, or the fine arts, for instruction, the

diffusion of useful knowledge, the diffusion of political education, the foundation or maintenance of libraries or reading rooms for general use among the members or open to the public, or public museums and galleries of paintings and other works of art, such as collections of natural history, mechanical and philosophical inventions, instruments or designs (Societies Registration Act 1860).

Section 8 Non-profit Company (formerly Section 25): A Section 8 company can be established 'for promoting commerce, art, science, religion, charity or any other useful object', provided the profits, if any, or other income is applied for promoting only the objects of the company and no dividend is paid to its members (Section 25 Indian Companies Act, 1956).

A Private Limited Company: An independent legal entity with between two and 50 shareholders who have limited liability in the company.

Public Limited Company: An entity similar to a Private Limited Company with the difference that the number of shareholders in a Public Limited Company can be unlimited (minimum of seven).

Sole Proprietorship: A business owned fully by a single person who has unlimited liability for the business, and sole control of profits and decision-making.

Partnership: A business owned by two or more persons where at least one person has unlimited liability, and profits and decision-making authority are shared among the owners.

Limited Liability Partnership (LLP): A new form of business entity established by an Act of the Parliament. LLP allows members to retain flexibility of ownership (similar to Partnership Firm) but provides a liability protection.

Producer Company: Established in 2012 this legal form is an alternative to the cooperative model common in the agriculture and livelihood development sectors. It provides a for-profit model for aggregating producers that gives the producers full ownership over the company so that they benefit directly from the company's profits.

Hybrid for-profit/nonprofit: In the hybrid structure, a for-profit entity is responsible for core business operations while a sister nonprofit organization provides support services.

As previously noted, 80% of social enterprises in India are registered as PLCs (Public Limited Companies) and only 10% are Partnerships or Proprietorships (Intellect, 2012). This is partially due to the PLC structure having flexibility and growth opportunities. However, hybrid for-profit and non-profit structures are also very popular with the social enterprise sector as it adds the ability to fundraise (see Box 9).

Section 8 Companies / Non-Profit Organisations (NPO)

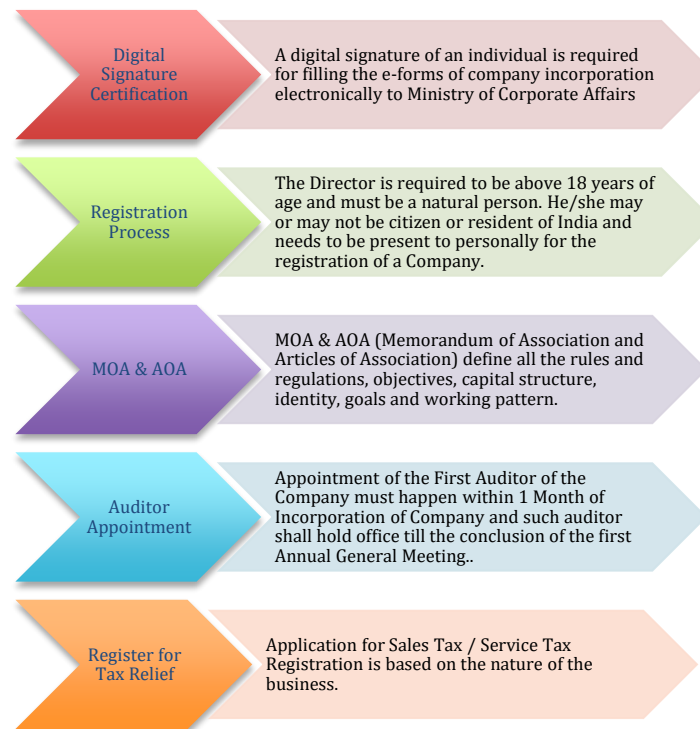
Although Section 8 is the closest form to the social enterprise definition, it is not seen as a useful legal form as it does not have tax exemptions and the route to registering as a non-profit entity is complex and challenging.

A Section 8 company can only be registered by a maximum of two people, and since the company has limited liability, members of the company are only liable for unpaid shares held by them. One of the benefits of registering as a Section 8 company is that they are required to perform less legal formalities compared to a public company.

One of the most important components is the description of the Memorandum of Association (MOA) and Articles of Association (AOA) which together define the

company's objectives, capital structure, identity, goals and working pattern. Once the company is registered and receives the certificate of the corporation an auditor should be assigned.

Figure 6: Social enterprise legal roadmap in India



In spite of the growth of the social enterprise environment in India, and extensive funding schemes, there isn't enough training programmes and tailored support for social entrepreneurs. Often, choosing the path of social entrepreneurship means going against the grain, and being associated with a 'charity worker'. There is a lack of introductory programmes to introduce social entrepreneurship as a career path and in some cases the award competitions fund the 'idea' rather than a robust business plan and a strategy to make the business self sustaining and impactful.

There was also a concern expressed by our expert interviewee about all the social enterprise awards: "I have seen that there is a lot of ego inflating, awards, people wanting prestige. But I don't think that there is enough focus on quality support for these entrepreneurs. The awards can distract from the work that needs to be done."

Case Study: Barefoot College

'First they ignore you, then they laugh at you, then they fight you, then you win' – Mahatma Gandhi

For more than 40 years, The Barefoot College has had the motto *built by the poor, for the poor*. This has inspired them to design new ways to nurture and support a journey to empowerment, one village at a time, one woman at a time. They work

in ways to demystify and decentralise technology and put new tools in the hands of the rural poor with a singular objective of spreading self-sufficiency and sustainability. With a geographic focus on the Least Developed Countries, they train women worldwide as solar engineers, innovators and educators, who then return to their villages to bring light and learning to their community.

The Barefoot College's exceptional work is a direct result of their approach, adapted from the principles of Mahatma Gandhi. The Barefoot College is one of the few places in India where Gandhi's spirit of service and thoughts on sustainability are still alive and respected. Since its foundation, the Barefoot Approach has spread to more than 70 countries, expanding with regional facilities in Africa, Latin America and Southern Asia.

Barefoot College's approach includes the following non-negotiable values:

Equality: Every member of the team is equally important and respected. An individual's education, gender, caste or class does not make her or him any less or more valuable.

Collective decision-making: The structure of the organisation is largely flat, encouraging a free flow of information and giving voice to the concerns of all the groups, making everyone accountable to each other.

Decentralisation: Decentralisation of planning and implementation at the grassroots levels enables and empowers individuals to articulate their needs.

Self-reliance: The College was born out of the belief that when people develop self-confidence and join together to solve problems, they learn that they can depend on themselves.

Austerity: Austerity in thoughts and actions, as well as a lack of barriers and levels that prevent direct interaction, has resulted in a sense of ownership towards the College.

4.5.6 Ecuador

Ecuador is a country with a great social, cultural, ethnic and geographic diversity. It is home to 17 different ethnicities and nationalities and it is one of the top 12 most mega-diverse countries in the world.

Agriculture is one of the main industries, 88% of which is controlled by small and medium-size producers, who are responsible for 64% of the agricultural production of the country. In 2011 the UN stressed that agro-ecology is the key to increase and sustain productivity of wholesome foods, reduce inequalities and tackle climate change. Tourism is also a growing source of income for the country bringing in over \$1.2 billion of annual revenue to the country, contributing 1.8% to the GDP (World Tourism and Travel Council, 2011).

Between 2006 and 2014, GDP growth averaged 4.3%, driven by high oil prices and substantial external financing. This stimulus enabled increased social spending and important investments, especially in the energy and transportation sectors. However, the declining oil prices and the devastating earthquake in April 2016 has affected development and added to social pressures. Between 2014 and 2016, urban unemployment rose from 4.5% to 6.5% percent and urban underemployment increased from 11.7% to 18.8% (World Bank, 2017).

Table 12: Social Progress Index (SPI) for Ecuador

| Social and Economic Indicators | Score/value | Rank out of 128 |
|--------------------------------|-------------|-----------------|
| SPI: Basic Human Needs | 79.15 | 67 |
| SPI: Foundations of Wellbeing | 77.99 | 45 |
| SPI: Opportunity | 52.77 | 60 |
| Total SPI 2017 | 69.97 | 55 |
| GDP PPP per capita | \$10,777 | 60 |

Social enterprise trends

Our expert interviewee defined social enterprise in Ecuador as including “companies with an economic purpose who through their product and services help to solve a social issue.”

A good example of a driving force for social entrepreneurship movement is the Ecuadorian Movement of Social and Solidarity Economy (MESSE), a social platform, founded in 2006 by the International Federation for Alternative Trade (IFAT). Whereas, the social innovation is promoted mostly by the NGO’s and social innovation award schemes such as El Premio Inspira¹⁹

With the help from the NGOs and Ecuadorian fair trade actors (MCCH and RELACC) this platform attracted over 1,300 memberships (individual and collective enterprise) located in the 24 Ecuadorian provinces. Members included organic food producers, artisans, fisheries, eco-tourism, cooperatives, and NGOs.

Legal map for social enterprises

Most businesses in Ecuador prefer corporations to the other forms of legal business structures (see Box 9). There is no legal structure for formalization of social enterprises, however the B Corp movement is slowly gaining popularity and is being promoted by organizations such as ImpaQto - a community hub of entrepreneurs and social innovators offering co-working space, capacity building and membership.

¹⁹ El Premio Inspira (Inspira Award) is a joint initiative between IMPAQTO and the Chamber of Industries and Production created to recognize the work of innovation companies in Ecuador.

Box 9: Legal forms for social enterprise in Ecuador

Corporation (*compañía anónima or sociedad anónima*): This structure is preferred by large and financially secure entities.

Company (*compañía limitada*): this is the second most common business structure; owners are described as shareholders who bear limited liability.

Partnership (*sociedad colectiva*): an entity of two or more partners.

Limited partnership (*sociedad en comandita*): this has unlimited liability for partners.

Joint venture (*sociedad de rriesgo*): these are ad hoc organisations, formal joint ventures based on mutual contracts.

Mixed economy company (*compañía de economía mixta*): in this form, private investors, state, provincial or municipal governments, and autonomous government agencies may contribute capital and share managements.

Although there are no specific legal forms for social enterprises in Ecuador, the tourism sector has set up its own market-based certification. The Ecuadorian NGO Conservación y Desarrollo²⁰ has a program called Smart Voyager, aimed at training and certifying operations in sustainable tourism. The Smart Voyager program increases efficiency and profitability by certifying the tourism operations. This certification helps to ensure that growth in tourism has a positive impact on the environment, workers, communities and the fight against poverty.

Smart Voyager considers rigorous environmental, social and security standards that, when completed, guarantee a decrease in the environmental impacts that a tourist operation may generate, ensuring direct benefits to the local population and an active participation by the tourist in the conservation of natural resources. The certification process is based on the 12 sustainable development principles that cover social responsibility and environmental protection.

Key challenges of social enterprise development in Ecuador are closely related to the unclear definition of social enterprise, lack of incentives and guidance. Although most ventures are spread amongst urban and rural areas, most social enterprises are at the emerging stage and rely on international and government grants.

Case study: Yunguilla Cloud Forest

Yunguilla Cloud Forest is a community led organisation and is located one-hour northwest of Quito at an altitude of 2,650 meters above sea level. Their mission is to work collaboratively, with a clear environmental conscience, to protect the area's biodiversity by cultivating sustainability values and to improve the quality of life by generating their own sources of work and production of goods.

In 2013 Yunguilla Cloud Forest (3,000 hectares) was declared a protected area by the Environmental secretary of the municipality of Quito. Since then, the community has been working towards expanding this protection to 5,000 hectares. There are a number of key features to their form to social enterprise:

²⁰ www.ccd.ec

Community tourism: The community opens its doors to daily visitors, or long term visitors who can live and stay with the local families. During their stay they are expected to participate in a choice of daily task and activities.

The Yunguilla Conservation and Sustainable Use Area: This is a community environmental conservation project which began in 1995, with the support of international organizations and national NGOs. Initially from 1995 to 2000, it focused on large training processes in order to change the way natural resources are used, as well as the organizational strengthening of the community.

Yunguilla Microenterprise Corporation: This is a legal entity that makes it possible to continue with the work and is committed to a community self-management system, with the development of sustainable productive activities.

Flora, fauna and spectacled bears: Through eco-tourism activities the community has been able to study its rich biodiversity and has identified 44 spectacled bears living in the area of the forest.

5. CONCLUSIONS & RECOMMENDATIONS

Based on the findings of our research, we are able to reach the following conclusions:

Conclusion 1: Bottom-up approach – The main conclusion from our research is that a bottom-up, rather than a top-down approach is most effective in growing the social enterprise movement. Most notably this includes choice in the types of structures that can operate as social enterprises and incentives that deliver economic and reputational benefits for organisations that choose this form.

Conclusion 2: Non-commercial mindset – Our national research phase concluded that most social enterprises operating in Kosovo are registered as NGOs, with social enterprise programs set up to assist with financial self-sufficiency. These NGOs nevertheless remain dependent on grants or donations for most of their income. As a result, social enterprise is approached with a charity, rather than a commercial mind-set.

Conclusion 3: Narrow legal definition – Another conclusion from the national mapping phase was that existing social enterprises find the current legal definition of social (in the draft legislation) extremely narrow and restrictive, thus limiting their creativity for using business to solve Kosovo's social and environmental challenges.

Conclusion 4: Different stages of maturity - Our conclusion from the international mapping phase, which reviewed legal and practitioner models for social enterprise, is that there is a cross section of developed and developing countries, as well as a different stages of maturity of social enterprise adoption in countries participant UK, USA, India, Malaysia, Ecuador and South Africa.

Conclusion 5: Business with a social mission – Our international research concluded that social enterprises are typically defined as businesses having a social mission that contributes to any of a wide array of issues, but commonly covering governance, workers, community and environment. Social enterprises are not typically required to target disadvantaged communities, or to employ people from disadvantaged groups, although they may choose to do so.

Conclusion 6: For profit structure - Most social enterprises around the world have a business (for-profit), rather than an NGO (non-profit), legal structure. In many cases, having a specific hybrid legal structure was not seen as necessary, i.e. social enterprises are registered as normal companies, but with a publicly declared social mission. They are differentiated therefore by their actions and by certification schemes (such as the B Corp / B Lab movement).

Conclusion 7: Needs vs market driven – Globally, the growth in social enterprise has been driven more from the needs of the society, the market demand and the entrepreneurial spirit of its people than from the existence of social enterprise legislation. Structures (such as business associations for social enterprise) and

incentives (such as voluntary certification schemes like B Corp/B Lab) have also been very effective drivers.

Following on from our conclusions, we have two main recommendations:

Recommendation 1: Invest in social enterprise capacity building – There should be an increase in investment towards more capacity building (education and training) among existing and potential social entrepreneurs in Kosovo, specifically to:

- Provide social entrepreneurs with training options such as business accelerator programs, education on social enterprise global trends, and workshops on the UN Sustainable Development Goals and sustainable business more generally;
- Develop and distribute clear legal mapping guides for social enterprises, from the ideation to growth and maturity, i.e. the typical life cycle of social enterprise development, with tips and tools for ensuring success at each stage.
- Increase awareness about the business case (including financial incentives and benefits) for driving social enterprise development through the stages of incubation, to growth and maturity.

Recommendation 2: Improve the Draft Law on Social Enterprise - The current draft legislation should be revisited (see Table 13 below) to take into account the findings of this research (and global trends in this field more generally), specifically to:

- Expand the current legal definition of social (in the draft legislation) in order to unleash the creativity and innovation for using business to solve Kosovo’s social and environmental challenges;
- Broaden the scope of social enterprise to match to the current social enterprise operations in Kosovo;
- Align with global trends by including choice in the types of structures that can operate as social enterprises; and
- Provide incentives that deliver economic and reputational benefits by supporting market based mechanisms such as B corp certification;
- Offer flexible pathways and clear guidance for converting from an NGO or business structure to a social enterprise.

Table 13: Recommendations on Draft Law on Social Enterprise

| Kosovo Law on Social Enterprise | Proposed changes or clarifications |
|---------------------------------------|---|
| Article 1 Law Purpose | Remove reference to “employment conditions” |
| Article 2 Scope of the law | Apply to all the companies that explicitly have a social or environmental purpose, i.e. a mission to create general public benefit. |

| | |
|--|--|
| <p>Article 3 (1.1) Definitions</p> | <p>A social enterprise is a purpose driven corporation set out to benefit the general public through their activities to enhance the quality of life, social cohesion and sustainability of the society.</p> <p>Remove the implicit requirement to “integrate people from vulnerable working groups”.</p> |
| <p>Article 3 (1.2) Activities of Social Enterprise</p> | <p>Activities and innovations that serve the general public interest through delivery of products or services that have a positive impact in at least one of the following areas of breakdown in society²¹:</p> <ol style="list-style-type: none"> 1. <i>Disruption</i>: Activities and innovations that reduce risk and improve resilience in responding to crises in society. 2. <i>Disconnection</i>: Activities and innovations that increase empowerment through education and enabling technology. 3. <i>Disparity</i>: Activities and innovations that reduce inequality and socio-economic exclusion (especially of vulnerable groups). 4. <i>Destruction</i>: Activities and innovations that reducing waste, pollution and environmental damage and protect and restore ecosystems. 5. <i>Discontent</i>: Activities and innovations that improve health, wellbeing and happiness in society. |
| <p>Article 4 General principles</p> | <p>Additional or change general principles of social enterprise should include the following:</p> <ol style="list-style-type: none"> 1. <i>Purpose</i>: There must be a transparent, public benefit mission or purpose. 2. <i>Compliance</i>: There should be compliance with all legal and market rules, regulations and standards. 3. <i>Governance</i>: There should be a transparent governance structure, autonomous management and no conflicts of interest. 4. <i>Profits</i>: The enterprise should be profit-making, and profits should be directed or reinvested towards furthering the public benefit mission. 5. <i>Inclusion</i>: Participation of employees in decision-making, non-discriminatory practices and encouragement of diversity and volunteerism. 6. <i>Transparency</i>: There should be an annual financial and benefit impact report stating: a) the ways in which the social enterprise has pursued the general public benefit during the year; and b) the extent to which the general public benefit was created. |

²¹ Based on Prof. Wayne Visser’s *Integrated Value Framework (2017)*

| | |
|---|---|
| | 7. <i>Performance</i> : There should be an independent assessment of the overall social and environmental performance of the social enterprise. |
| Article 5 Social Enterprise | Remove Category A and B. The social enterprise should not specify any conditions on the targeting or employment of vulnerable groups. A social enterprise may choose to adopt this approach, but may also choose other ways to make an impact for the public benefit. As per the principles in Article 4 (above), social enterprises should be encouraged to have a diverse workplace that ensures equal opportunities ²² . Equal opportunities refers to non-discrimination in terms of: age, gender, race, disability, pregnancy, marital status, sexual orientation, gender reassignment, religious background. |
| Article 5 Social Enterprise Activities | Activities should not be specified in detail beyond the general categories of activity in Article 3 (which are based on the principle of addressing breakdown areas society). Making a specific list will limit the creation of innovative solutions to the local and regional problems. |
| Article 6 Disadvantaged groups | Remove the specific section on disadvantaged groups. A list of vulnerable could be included under Article 3 (1.2) Disparity, perhaps as a footnote. |
| Article 10 Social enterprise charter | Modify profit restriction clause as per the recommendation under Article 4 (Profits). |
| Article 15 Participation of employees and persons who benefit from social activities | Remove specific requirements to employ disadvantaged groups. Rather focus on the requirement for a public benefit mission and social and environmental performance assessment, which may include benefit to employees and disadvantaged groups, but may also focus on other forms of social and environmental impact (see Article 4 General Principles) |
| Article 18 Reporting requirements | In addition to standard financial reporting requirements, there should be annual performance reporting to include an assessment of: <ol style="list-style-type: none"> 1. The ways in which the social enterprise and pursued the general public benefit during the year; 2. The extent to which the general public benefit was created; and |

²² The term “equal opportunities” upholds the idea that all workers within an organisation should be entitled to and have access to all of the organisations facilities at every stage of employment, including the pre-employment phase

| | |
|--|--|
| | 3. An assessment of the overall social and environmental performance of the social enterprise. |
| Article 20 Control bodies | Remove the requirement for control bodies, which may be too onerous and bureaucratic for small social enterprises. The requirement to report annually (Article 18) should be sufficient. Encouraging the establishment of an independent certification body for social enterprises may also address the need for oversight, advice and transparency. |
| Article 21 Mergers and demergers of social enterprise | Add a section to allow any business or NGO that wishes to change from purely 'charity driven' or 'profit driven' to a social enterprise (profit-with-purpose mission) to obtain the necessary status. |
| Article 24 Promoting employment of vulnerable groups | Remove this section |
| Article 26 Fiscal incentives | Add that social enterprises may also benefit from positive fiscal incentives, such as government subsidies of public benefit goods and services. The specific subsidies are for the government to decide, but examples may include subsidies for renewable energy, fair-trade or organic products. |

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APPENDICES: RESEARCH QUESTIONNAIRES

Appendix 1: Pre-Assessment Phase Questionnaire

Private & Confidential

Participants: All identified organisations operating as social enterprise

| | |
|---|--|
| Date: | |
| Name of the organisation: | |
| Location/address: | |
| Contact name & job role: | |
| Founding date: | |
| Date registered: | |
| Legal structure (e.g. NGO, charity, limited company etc.) | |
| Number of staff (full time equivalent): | |
| Number of volunteers: | |
| Business mission (including social purpose): | |
| List of services (if any): | |
| List of projects (if any): | |
| List of products (if any): | |

A. Do any of the listed services, products or projects support people or the environment?

| Which services, products & projects | People (e.g. human rights, health & wellbeing, education, economic inclusion) | The environment (e.g. resource conservation, biodiversity & ecosystem protection) |
|-------------------------------------|---|---|
| | | |
| | | |
| | | |
| | | |

B. What is the organisation's business or financial model?

| | Percentage per year | List major sources |
|---|---------------------|--------------------|
| Grants | | |
| Private sponsorships | | |
| Profit from sales of products or services | | |
| Business loan | | |

If the answer is yes to any of the A questions and the organisation is fully or partially self-sufficient (i.e. not totally dependent on grants, donations or sponsorships) please continue to the next phase using the Questionnaire 2.

Appendix 2: Assessment Phase Questionnaire

Private and Confidential

In this phase, we request more detailed information about your organisation's activities, performance and economic social and environmental contributions and impacts.

PART A – Getting to know your business or organisation

| <i>About your business</i> | |
|---|--|
| What are your key activities? | |
| Do you have a board of directors or advisors? | |
| What is your definition of a social enterprise? | |
| What is the societal or environmental problem you are trying to resolve? | |
| Who is the target group you are trying to help? | |
| Who are your key partners? | |
| What are the products or services you offer? | |
| Are your customers different from your target group and if so how do you create value for them? | |
| Did you plan a financial strategy prior to setting up your organisation, NGO or business? | |
| Besides finances what are the key resources you require to deliver value in society? | |
| Have you approached any financial institutions (e.g. micro finance, banks) for a business loan? | |
| Can you tell us about the key challenges that you face? | |
| Have you read the current social enterprise legislation proposed by the government? | |
| What are your thoughts about the social enterprise legislation proposed by the government? | |

| <i>About your finances</i> | |
|--|--|
| What are your key revenue streams? (Grants, private sponsorships or profit from the sale of services or products) | |
| What is your annual turnover? (revenues) | |
| What percentage of your annual turnover is from the sale of services or products? | |
| What percentage of your annual turnover is from grants or private sponsorships? | |
| What are your biggest costs and what percentage of your turnover do they account for? | |
| Do you have a financial plan for investments and projected turnover for the next 1-5 years? | |
| Do you disclose your annual financial performance publicly? | |

PART B – Your social and environmental impact

| <i>About your business/organisation's impact assessment</i> | |
|---|--|
| Do you measure your business/organisation's impact on society and/or the environment? | |
| How do you measure your business or organisation's impact on society and/or the environment? | |
| How often do you measure your business/organisation's impact on society and/or the environment? | |
| Can you share with us the data of your impact on society and/or the environment? | |

Q1 - Does your business/NGO offer products/services or support organisations/projects to keep society within the limits of the planet by radically changing resource consumption patterns & ecosystem impacts, shifting to renewable energy & resources, closing the loop on production and moving to a low carbon society?

Yes/No

(If yes fill in below)

| |
|---|
| SUSTAINABLE |
| Sustainable solutions include all expenditures, investments, products and services that decouple economic growth from environmental impact by |

| 'closing the loop' on resource and energy flows, from waste recycling and biodegradable plastics to renewable energy and bio mimicry designs | |
|--|--------|
| 1. Protecting animals, biodiversity and natural habitats | Yes/No |
| 2. Supporting the expansion of renewable energy (e.g. solar, wind, hydro) | Yes/No |
| 3. Reducing, reusing and recycling waste and up-cycling waste into new products | Yes/No |
| 4. Reducing resources (e.g. water, energy & raw materials) | Yes/No |
| 5. Reducing carbon intensity especially the use of fossil fuels or fossil fuel derived products | Yes/No |

Q2 - Does your business/NGO offer products/services or support organisations/projects to help people prepare for and respond to emergencies and catastrophes allowing communities to survive and thrive through periods of breakdown, uncertainty and volatility?

Yes/No

(If yes fill in below)

| SECURE | |
|---|--------|
| Secure solutions include all expenditures, investments, products and services that lower risks in society, from property insurance and health and safety controls to flood defences and emergency response training | |
| 1. Enabling emergency response and resilience support during and following natural disasters (e.g. earthquakes, floods, droughts) | Yes/No |
| 2. Reducing risks and responding to health epidemics and pandemics (e.g. various mutant flus, ebola virus) | Yes/No |
| 3. Preventing and responding to industrial accidents (e.g. explosions, oil spills, large scale accidents) | Yes/No |
| 4. Promoting peace and ensuring humane policies that will prevent human displacement | Yes/No |
| 5. Reducing financial market risks and helping people recover from market crises | Yes/No |

Q3 - Does the business/NGO offer products/services or support organisations/projects that ensure our health as well as enabling a lifestyle and culture that value quality of life, happiness and other indicators of wellbeing?

Yes/No

(If yes fill in below)

| SATISFYING | |
|--|--------|
| Satisfying solutions include all expenditures, investments, products and services that increase human health and happiness in society, from stress-relief practices and life coaching to plant-based diets and solutions to social diseases (like crime, inequality, suicide, domestic violence) | |
| 1. Minimising exposure to toxins, sickness and disease (e.g. pollution, carcinogens, chemical additives) | Yes/No |
| 2. Enabling lifestyles and cultures that value quality of life (e.g. happiness, nutrition, active living) | Yes/No |
| 3. Promoting psychological wellbeing and positive attitudes (e.g. stress relief, meditation, life coaching) | Yes/No |
| 4. Promoting physical health (e.g. plant based foods, sport, fitness, spa therapies) | Yes/No |
| 5. Caring for people with special needs, disabilities or mental health needs (e.g. children, elderly, vulnerable adults) | Yes/No |

Q4 - Does the business/NGO offer products/services or support organisations/projects that address issues of equity and access by being transparent about the distribution of value in society, working to ensure that benefits are fairly shared and that diversity is respected?

Yes/No

(If yes fill in below)

| SHARED | |
|--|--------|
| Shared solutions include all expenditures, investments, products and services that increase efficient utilisation of assets, resources and capacity, from car-sharing and “couch surfing” to entertainment streaming and crowdfunding. | |
| 1. Ensuring that products and services are accessible to all groups in society (e.g. low income, ethnic, rural, disabled, elderly, women) | Yes/No |
| 2. Transparency about the distribution of value in society (e.g. benefits to various stakeholders like customers, communities, suppliers) | Yes/No |
| 3. Sharing economic benefits fairly amongst all (e.g. rural-urban divide, gender pay gap, youth unemployment, CEO-worker pay gap) | Yes/No |
| 4. Promoting social cohesion, respect for diversity and eliminating discrimination (e.g. racism, homophobia, sexism) | Yes/No |

| | |
|--|--|
| 5. Creating services for community sharing of assets, resources and education (e.g. transport sharing schemes, equipment rentals, skills and knowledge exchange, open source software) | |
|--|--|

Q5 - Does the business/NGO offer products/services or support organisations/projects to better connect communities and marginalised groups and facilitate more democratic governance by allowing people (as customers or citizens) to participate in political decision-making.

Yes/No

(If yes fill in below)

| | |
|---|--------|
| SMART | |
| All the technological expenditures and investments that increase connectivity and intelligence in society, from high-speed internet and The Internet-of-Things to MOOCs and artificial intelligence | |
| 1. Improving digital connectivity in rural and marginalised communities (e.g. free or affordable internet, mobile health, mobile finance) | Yes/No |
| 2. Creating platforms which enable access to education, knowledge, skills development and economic opportunities (e.g. professional networks, online courses, job search boards) | Yes/No |
| 3. Spreading smart technologies that reduce environmental impacts and increase resource efficiency (e.g. energy meters, motion sensitive lights, thermostat apps) | Yes/No |
| 4. Promoting transparency and democratic governance through online platforms and apps (e.g. reporting bribery/corruption, mobile voting) | Yes/No |
| 5. Developing artificial intelligence and the internet-of-things to tackle health, societal and environmental problems (e.g. medical diagnoses, fitness wearables, GIS mapping) | Yes/No |

Other comments

We thank you for your cooperation and should you wish to provide any additional information please let us know.

Appendix 3: International Expert Interview Questionnaire

Private & Confidential

| | |
|------------------------|--|
| Date: | |
| Name: | |
| Country: | |
| Business/Organisation: | |
| Email: | |

Q1 What is the definition of social enterprise in your country?

Q2 What is the role and scope of social enterprises in your country?

Q3 Does your country have a legal structure that regulates the operation of social enterprises? If so, is it used by most/all social enterprises?

Q4 Do social enterprises have any rules or requirements in relation to their assets, dividends and taxation?

Q5 Are there any supporting networks, platforms and awards that promote and empower social enterprise development in your country?

Q6 Can you tell us about any barriers and challenges that social entrepreneurs face in your country?