

## Social Enterprises like the Right Step for Economic Development for Kosovo

**Prof. Asoc. Dr. Afrim LOKU**

Assistant Professor at University of Applied sciences in Ferizaj, Kosovo

**Prof. Msc. Fatlum GOGIQI**

Professor/Lecturer at European Collage of Kosovo, Kosovo

**Mr.sc. Vesë QEHAJA**

Teaching Assistent at University of Gilan "Kadri Zeka", Faculty of Economics, Kosovo

### Abstract

Over the last few years, social enterprises have created a new social and developmental concept with a rapid growth seen by Kosovar society as a new form of doing business, but rather well organized and contributing to economic and social development, as one of the most fair forms for society in equitable capital use that provides opportunities to all individuals, groups and communities regardless of their needs and capabilities. How we should conceptualize social enterprises, they are enterprises that combine social purpose with the spirit of the entrepreneur. Social enterprises are enterprises that provide profits, but entrepreneurs make this profit and re-invest in products and services they provide to achieve a wider social impact in the community they serve and act. The activity of social enterprises is diverse, contributing to the social inclusion of the marginalized groups of the society in order to increase employment and increase the incomes. Therefore in Kosovo, the development of social enterprises is still in its initial stage of development. The first social enterprises have started their activities recently with the help of donor organizations. In the absence of a law on social enterprises, they operate with a non-profit, less lucrative status. For the promotion and creation of social enterprises, especially at this stage, we aim at sustainable economic and social development, where as part of this it can play the role of supplier in the in Kosovo's internal market. The purpose of this paper is to shape the theories and best practices of social enterprises as one of the main goals of development and creation of a better economic environment for the disadvantaged society for employment in these social enterprises. In Kosovo, as in many countries in Southeast Europe, there is an increase in the involvement of non-profit organizations in economic activities, which aim at integrating disabled persons as well as providing services to the benefit of society.

**Keywords:** Social Enterprises, Economic Development, Market, Employment, Kosovo

### Introduction

Social enterprises development has come day by day, and now in Kosovo are more familiar with these initiatives, originating from several years ago, by fruitful cooperation with European and world institutions. The Law on social enterprises in Kosovo has been done to promote the employment of these categories based on the practices of the Croatian state as well as Scandinavian countries that financially supports the European Union. The adoption of the Law on Social enterprises will reduce unemployment in the country. It will have a direct impact on "Fighting Poverty and Women's Employment" as it has affected even some other countries through this Law.<sup>1</sup>

Responsible institutions such as universities, research institutes should initiate social initiatives as much as possible, and express concern about the creation of appropriate legislation in this area in Kosovo. Therefore, the academy has the task not only to focus on contributing to scientific knowledge, but to identify tools to apply to concrete initiatives in the market.

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<sup>1</sup> Koncept dokument për ndërmarrjet Sociale - [http://www.kryeministri-ks.net/repository/docs/KD\\_rregullimi\\_i\\_fushes\\_per\\_ndermarrjet\\_sociale\\_-\\_MPMS.pdf](http://www.kryeministri-ks.net/repository/docs/KD_rregullimi_i_fushes_per_ndermarrjet_sociale_-_MPMS.pdf) (02.04.2018).

And, the better we are in the business sector, the more we give the spirit of economic development. The development of social enterprises in Kosovo is seen as a potential for job creation for disadvantaged groups, so this initiative aims to provide a very good opportunity for the development of social enterprises in our country as well as their impact on social development and economic, identify the characteristics that bring development and assessment of the capacities of these vulnerable groups, given that Kosovo is still in the development phase and suffers from the high number of unemployed in the country.

One of the opportunities that may be in social enterprises is that of the Creative Economy, generally from young people or women, girls with craftsmanship or other creative ideas, made by themselves. Social enterprises in Kosovo are seen as a stimulating mechanism for employment of marginalized groups, those with disabilities, individuals in remote rural areas, women, girls with no problems.

### **1. A general concept of social entrepreneurship development**

Social economy and especially social enterprises as part of it have an important function as suppliers in the market. They contribute to the reallocation of resources and to the favorable transformation of the social welfare system. Moreover, social enterprises help to fight social exclusion and support local economic development. This sector is recognized in Europe as one of the important sectors that provide employment. In Europe there are over 160,000 social cooperatives with about 5.4 million employees (European Commission, 2013). The creation of new jobs by social enterprises provides in the first place the integration of different groups of society into society and, secondly, diversified services.

The concept of social enterprises in Europe first appeared in Italy in the early 1990s, represented by co-operatives, roughly at the same time in the United States (USA) (Defourny & Nyssens, 2008, Dees, 1998a, Dees, 1998b) and the United Kingdom (Leadbeater, 1997). The creation of social enterprises was driven by the gap that existed between the business sector that increased assets and reduced income, reduced productivity and social sector reputation (Drayton, 2002). Today, no state is attributed to the exclusivity of social enterprise creation, as they are scattered all over the world (Mair & Marti, 2006). Social enterprises are seen as hybrid entities combining non-profit purpose and social values with business practices related to the management and use of economic resources (Austin et al., 2006). This dualism was created by Dees (1998a) as "double reality". Social enterprises face two types of organizational, non-for-profit and profitable forms. These forms are conditioned by social entrepreneur motivation and institutional ambiguity over what determines the appropriate organizational form (Townsend & Hart, 2008).

There are two schools of thought on the concept of social enterprises, also defined by geographical boundaries. The European School defines social enterprises as hybrid types, combining income earned from mission-related services, philanthropic donations, and volunteering (Defourny & Nyssens, 2008). The American School sees socially-owned enterprises as exclusively non-profitable and under the conditions of limited funding sources become innovative in their revenue-generating efforts by being involved in a revenue-generating strategy.

The legal form of social enterprises may vary and is not important in its activity. As Townsend and Hart concluded (2008), socially-organized social enterprises conducted the same activities as non-for-profit activities. The legal form is only a social entrepreneur's decision based on the convention that a given institutional form provides for the fulfillment of the social purpose. Among academics and practitioners' discussions about what social enterprises are, the European Commission (2011) offers a description based on principles rather than a single, inclusive definition. According to this description social enterprises are enterprises:

for which the social or social objective for the common good is the reason for the exercise of lucrative activity, often in the form of high level social innovation,

which reinvest the profit with the goal of achieving the social objective,

and where the method of organization or ownership system reflects their mission, using democratic principles and participation or focusing on social justice.<sup>1</sup>

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<sup>1</sup> Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice*, 30(1), 1–22

Within this framework of principles, the European Commission (2011) considers social enterprises "businesses that provide social and / or good services and services to vulnerable groups ... and / or ... businesses with a production method of goods and services with a specific objective ... but whose activity may be outside the sphere of provision of goods or social services".<sup>1</sup>

## 2. Social Entrepreneurship Development in Kosovo

Generating jobs especially for certain categories that are often cost-per-country, it is difficult to fully secure from private businesses that originate from profit-making purposes. Non-profit organizations will remain limited in their role as promoters of social activity and the promotion of new ideas, as they essentially do not rely on economic activity and are often created to help the society by means and other forms. Precisely the promotion of the social economy and social enterprises is considered a necessary step for human integration and the growth of the quality of life of individuals or society. Establishing the legal and institutional framework for social enterprises can first enable this new entity to develop alongside existing entities such as businesses, NGOs or cooperatives.<sup>2</sup>

In Kosovo, the concept of social enterprise development is still in its initial stage of development. The first social enterprises have started their activities in recent years. Socially-owned enterprises that are operating today have the no-profitable, less lucrative status. Although there is no legal framework for their functioning, in recent years there are several initiatives to promote and promote the development of social enterprises.

Although there is no legal framework that specifically regulates the establishment and functioning of social enterprises, several initiatives have been undertaken in recent years to promote and promote their development. The object of society is sustainable economic and social development through the promotion of a sustainable, balanced and cohesive social business development at the national level. In the concept paper adopted by the Government of Kosovo on 23.04.2015 - nr.08/2015<sup>3</sup>, the concept of social enterprises is defined as a business that addresses a social and environmental problem where the realized profit is not distributed but reinvested in the improvement of activity within the social business or in other social businesses. Addressing social problems such as unemployment, social inclusion and the provision of various services in favor of society is a major challenge for developing countries. Currently, Kosovo suffers from high unemployment. The estimated unemployment rate in Kosovo was about 30.9% in 2014.<sup>4</sup>

Consequently, the promotion of private entrepreneurship is considered as a necessity for increasing employment and social welfare in the country. Kosovo does not yet have a specific arrangement for social enterprises and no institution dedicated to this issue. However, the various sectoral policies related to the integration of disabled persons or the provision of social goods and services to different categories have developed continuously. Kosovo has supported free enterprise and small and medium enterprises that contribute to different sectors of the economy have developed in the country.

To date, NGOs in Kosovo are based on social enterprises that have aimed at human development and social integration of citizens through the management of social activities and the general interest addressed not only to members or adherents, but to all citizens. Some of the principles that social businesses must fulfill to provide support from the Society are as follows:

The business objective is not maximizing profit, but addressing a social and environmental problem.

Social business is characterized by financial and economic sustainability.

Investors do not receive dividends, but only their investment amount in the social business.

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<sup>1</sup> Social enterprise Concept – European Commission, 2011 - [http://ec.europa.eu/internal\\_market/social\\_business/docs/conference/defoumy\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/conference/defoumy_en.pdf) (02.04.2018).

<sup>2</sup> Regulation of the Field and Social Entrepreneurship in Kosovo - <http://mpms.rks-gov.net/Lajmet/Publikimilajmeve/tabid/116/articleType/ArticleView/articleId/4656/language/hr-HR/Mirepritet-Projektligji-per-Ndermarjet-Sociale.aspx> (02.04.2018).

<sup>3</sup> Miratimi i vendimit për concept-dokumentin për ndërmarrje sociale - [http://www.kryeministri-ks.net/repository/docs/KD\\_rregullimi\\_i\\_fushes\\_per\\_ndermarjet\\_sociale\\_-\\_MPMS.pdf](http://www.kryeministri-ks.net/repository/docs/KD_rregullimi_i_fushes_per_ndermarjet_sociale_-_MPMS.pdf) (02.04.2018).

<sup>4</sup> Koncept dokumenti për rregullimin e fushës për ndërmarrjet sociale, 2015, Zyra e Kryeministrit - [http://www.kryeministri-ks.net/repository/docs/KD\\_rregullimi\\_i\\_fushes\\_per\\_ndermarjet\\_sociale\\_-\\_MPMS.pdf](http://www.kryeministri-ks.net/repository/docs/KD_rregullimi_i_fushes_per_ndermarjet_sociale_-_MPMS.pdf) (15.04.2018)

Profits earned by social business remain for the expansion and improvement of activity within this business or other social businesses.<sup>1</sup>

Civil society organizations will play an important role in encouraging and public education on social enterprises.

### 2.1. Factors of sustainability and success of social enterprises<sup>2</sup>

The condition that a business needs to meet to be called social enterprise is to generate revenue to cover costs, so the business is not dependent on donations, that it is not necessary to inject liquidity from time to time, but to achieve fit. The reason for the sustainability of social enterprises, even in the conditions of a global recession, is largely related to the values that govern them, regardless of the choice of what and what people will be worked on, as well as the following factors that give priority to social enterprises vis-à-vis other private enterprises:

**Reinvestment of benefits:** Even when social enterprises operate under a "lucrative" legal form, they tend to invest much of their benefits back into the business. This gives them an edge compared to other companies that have to pay dividends to shareholders.

**Motivated workforce:** Because of the priority given to social objectives and because of the prevalence of the values of equality and justice, employees and volunteers of social enterprises are more motivated and loyal.

**Loyal Customers:** Because of the social objectives and added value of goods and services produced by social enterprises, they create a loyal customer base that is less affected by price-based competition.

**Added resources:** As socially-owned enterprises distribute benefits, this can be "sold" as an added value to funders and granting organizations. More recently, new opportunities for favorable financing have been created through social investors. Social objectives also attract a wide range of volunteers who are willing to give away their time and skills as a contribution to a cause, including the provision of a cheaper and more open government through the Volunteer Board of Directors. Communities and agencies, also based on social objectives, would gladly donate resources such as free equipment or facilities, and would be willing to contribute to raising funds for social enterprises.

**Supporting networks and cooperation:** Through the creation of networks between social enterprises, preconditions for their best development for the competitive market can be created. They contribute to many areas apart from choosing unemployment, they often have no job competition and the willingness of employees to control the community. Integrating people and enhancing the quality of life and services to society's benefit will be facilitated by the creation of social entrepreneurship. Social enterprises can also benefit from powerful regional and global networks that support third sector organizations.<sup>3</sup> Social enterprises can be developed in all municipalities of Kosovo and their activity can be extended to many sectors of education, environmental protection, social assistance and the promotion of human values in general.

### 2.2. Creating jobs

A major achievement of social enterprises has been the creation of jobs paid to those people who are usually unable to hire or undertake an income-generating activity. As noted in the foregoing section, this is partly attributed to the focus of all social enterprises on social accountability, which includes social inclusion and social justice, as well as the specific focus that most social enterprises have in creating jobs for people who would otherwise be excluded from the labor market. Over the last 20 years, governments in Europe have recognized the importance and value of social firms and cooperatives and have drafted legal frameworks to support this model.

Until today in Italy, Greece, Poland and other countries have developed very comprehensive legal frameworks that support and regulate the activity of social cooperatives. Germany and Finland have special laws that define social firms and regulate their support by the state. In Europe there are a variety of social enterprise models with different approaches to income

<sup>1</sup> Development of Socially Owned Enterprises - [http://partnersalbania.org/wp-content/uploads/2016/01/zhvillimi\\_ndermarrjeve\\_sociale.pdf](http://partnersalbania.org/wp-content/uploads/2016/01/zhvillimi_ndermarrjeve_sociale.pdf) (15.04.2018).

<sup>2</sup> Bostman, R., & Rogers, R. (2011). *What's Mine Is Yours: How Collaborative Consumption is Changing the Way We Live*. London: Collins. 2011. Britania e Madhe. Cabinet Office paper. (2013) Social Enterprise: Market Trends.

<sup>3</sup> These reasons for success have been put forward by Social Enterprise Europe in a series of conferences around the world this decade and last in 2012 at the Sheffield University Summer School "Cooperatives and Social Enterprises".

generation, integration and professional qualifications of disadvantaged workforce, the use of public support and funding by the government, as well as various models of ownership, decision-making and management.<sup>1</sup>

Social enterprises use a wide range of business and organizational models and it is important to understand that they can thus develop a range of employment pathways, often specifically for large groups of excluded individuals. These paths to employment are part of three main categories:

Enterprises such as social firms and social cooperatives who directly employ a particular group;

Organizations that support and help people find their own job, through direct support and training, or by providing opportunities for volunteering;

Supporting disadvantaged persons for self-employment and entrepreneurship. Social firms and cooperatives are very powerful models for job creation, empowerment of disadvantaged groups and social inclusion, but other models such as "labor market mediation" and, in particular, "self-employment supported" are thriving strongly.<sup>2</sup>

The development of social enterprises in the last 5 years has been considered as one of the key factors in responding to social, economic, cultural and environmental needs throughout the world. They are effective and innovative models for the challenges that societies face today. Acting in the public interest, social enterprises create employment opportunities, provide innovative products and services, and promote social inclusion and local economic development. In recent years, the development of social enterprises has been seen with great interest in our country as well.

Recognizing the role of social enterprises in employment and the economic development of many countries, the undertaking of this study aims to shed light on the potential of social enterprise development in Kosovo and specifically in rural areas in order to increase employment opportunities especially of groups of disadvantaged and between them women and girls. Kosovo and its elites need a greater orientation in promoting the activity of social enterprises and increasing knowledge of state institutions, businesses, NGOs and the public in general about the activity and role of social entrepreneurship in order to recognize them, increasing trust and interaction with them.

Therefore, the development of government programs, international institutions, donors and civil society organizations to strengthen social entrepreneurship capacities as well as the creation of opportunities to become familiar with business development models and in particular the success practices of social enterprises in local and international level. This would serve as a model for social entrepreneurship development and advocacy for a more enabling environment for them.<sup>3</sup>

## Conclusion

Social enterprises are associations, foundations, organizations that work for the creation of jobs for vulnerable groups, based on non-for-profit principles. Worldwide, but especially in Europe, their main achievement has been the creation of jobs paid to those people who are usually unable to hire or undertake an income-generating activity. In Kosovo, small and medium-sized enterprises are a developing reality in Kosovo in recent years. SMEs operate in different fields, yet they face some business development barriers, which are cultural, infrastructural, operational, regulatory, and internal barriers.

Lack of managerial skills, bureaucracy, lack of trust, lack of capital for new businesses and the information economy are the main obstacles to SME development. Consequently, the Kosovo Government has not yet established social inclusion as an issue that can be supported and developed within the existing business framework in Kosovo and as optional development regardless of the importance they have.

To date, NGOs in Kosovo are based on social enterprises that have aimed at human development and social integration of citizens through the management of social activities and the general interest addressed not only to members or adherents, but to all citizens. Social enterprises for Kosovo will be considered as a major achievement of creating job

<sup>1</sup> Development of Socially Owned Enterprises - [http://partnersalbania.org/wp-content/uploads/2016/01/zhvillimi\\_ndermarrjeve\\_sociale.pdf](http://partnersalbania.org/wp-content/uploads/2016/01/zhvillimi_ndermarrjeve_sociale.pdf) (02.04.2018).

<sup>2</sup> Harding's, R. (2008). Social Entrepreneurship in the U.K Report. Delta Economics.

<sup>3</sup> Anica Zeyen & Markus Beckmann - *Social Entrepreneurship and Institutional Logics* - [http://www2.leuphana.de/umangement/csm/content/nama/downloads/download\\_publikationen/Zeyen\\_Beckmann\\_Social\\_Entrepreneurship\\_and\\_Institutional\\_Logics.pdf](http://www2.leuphana.de/umangement/csm/content/nama/downloads/download_publikationen/Zeyen_Beckmann_Social_Entrepreneurship_and_Institutional_Logics.pdf) (15.04.2018).

opportunities for young people, which is also a challenge to the economic development that has been and will be one of the main conditions for Kosovo's membership in the European family. Kosovo has a suitable ground for social enterpreneur development, as there are many needs in the labor market. The role of social enterprises in socio-economic development is enormous.

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