

# 2018 SBA Fact Sheet

## Albania

### Key points

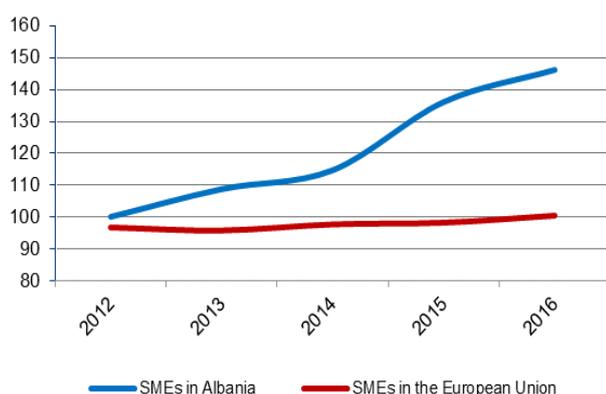
**Past & future SME performance**<sup>1</sup>: SMEs in Albania account for about 67 % of total value added and more than 80% of all jobs, well above the respective EU averages of 57 % and 66 %. In 2012-16, the value added by SMEs increased by 12 %, while employment grew by almost 50 %. The number of SMEs stagnated in the period 2012-2013, but only started to increase in 2014-2016 by about 25 %. While the number of the persons employed has increased by almost 50% since 2012, the increase of the value added by SMEs has been much smaller at about 13%. In the next years, SMEs are expected to continue to contribute to economic growth. However, the main challenge for SMEs will be catching up with European productivity levels.

**Implementing the Small Business Act for Europe (SBA)**: The overall SBA profile of Albania continues to show a mixed picture. In the principle of 'second chance' Albania score above the EU average; while for other principles it is below EU average, scoring poorly particularly for Internationalisation, pointing to significant room for policy improvements. Given the paucity of data, information regarding Albania's SBA profile should be interpreted with caution.

**SME policy priorities**: The SME policy framework for Albania is given by the 2014-2020 business and investment development Strategy, which covers all enterprises and formulates the strategic approach to industry and competitiveness. A number of key components of an SME-friendly business environment are missing, such as fostering the entrepreneurship in the school curriculum, setting up regulatory impact assessment procedures, developing alternative sources of finance besides traditional bank lending, and setting up fast-track and specific bankruptcy procedures for SMEs, especially with regard to the issue of non-performing loans.

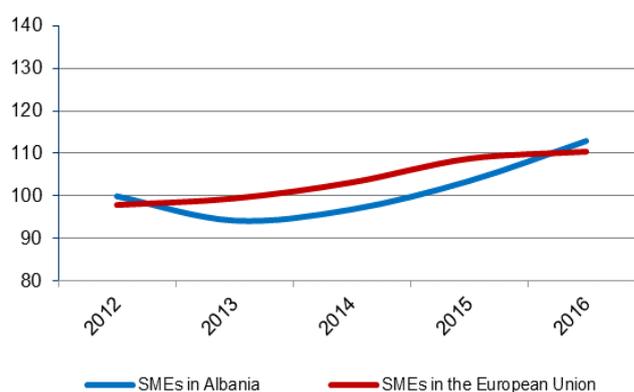
**Number of persons employed in SMEs**

(Index: 2012=100)



**Value added of SMEs**

(Index: 2012=100)



### About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

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## 1. SMEs — basic figures

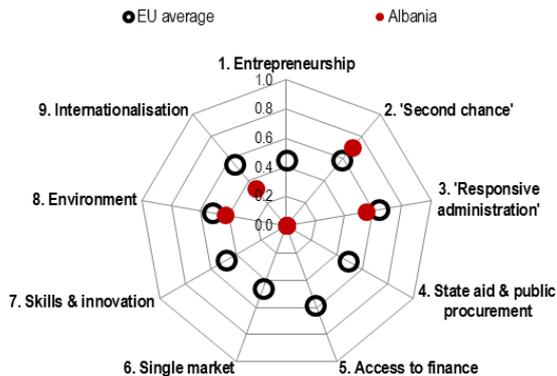
Class size	Number of enterprises			Number of persons employed			Value added		
	Albania		EU28	Albania		EU28	Albania		EU28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	90 430	94.5 %	93.0 %	173 646	40.4 %	29.2 %	786.4	23.3 %	20.4 %
Small	4 163	4.4 %	5.9 %	82 401	19.2 %	20.1 %	758.7	22.5 %	17.8 %
Medium-sized	936	1.0 %	1.0 %	93 048	21.7 %	17.0 %	719.4	21.3 %	18.4 %
<b>SMEs</b>	<b>95 530</b>	<b>99.9 %</b>	<b>99.8 %</b>	<b>349 095</b>	<b>81.3 %</b>	<b>66.4 %</b>	<b>2264.5</b>	<b>67.1 %</b>	<b>56.6 %</b>
Large	141	0.1 %	0.2 %	80 501	18.7 %	33.6 %	1109.2	32.9 %	43.4 %
<b>Total</b>	<b>95 671</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>429 596</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>3373.7</b>	<b>100.0 %</b>	<b>100.0 %</b>

*These are data for 2016 provided by the national statistical office of Albania and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.*

SMEs are highly important for the Albanian non-financial business economy. SMEs generate more than two thirds of value added and more than 80 % of employment. Micro-firms are the backbone of the Albanian economy, providing 40 % of employment compared to less than 30% for the EU. At the same time they produce more than 23% of the value added, compared to 20% average for the EU. Thus the productivity seems to be

lowest in this segment and requires significant policy efforts in order to be increased. The difference between the contribution to employment and to value added for small and medium enterprises is closer to the EU averages. In 2016 compared to 2015 the total number of SME has increased by almost 3% with biggest increase registered for the medium enterprises of more than 10%.

## 2. SBA profile<sup>2</sup>

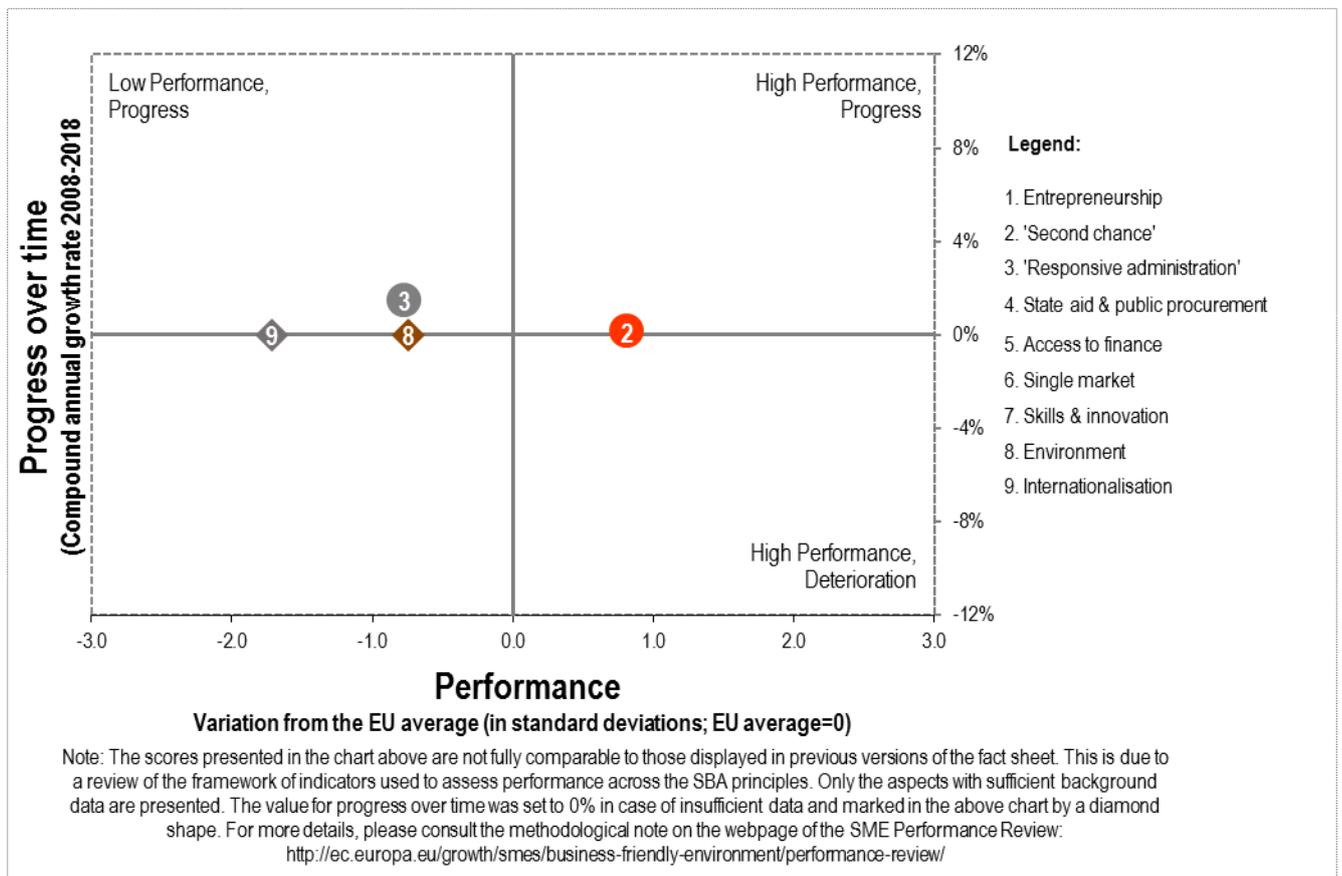


The SBA profile of Albania continues to show a mixed picture. In the principle of 'second chance' Albania score above the EU average; while for other principles it is below EU average, scoring poorly particularly for Internationalisation. Given the paucity of data, information regarding Albania's SBA profile should be interpreted with caution.

No comparable information is available for the principles Entrepreneurship, State aid and Public Procurement, Single market and Innovation and skills, so they are not analysed in this fact sheet.

While for the analysed principles there was no regression vis-à-vis the EU average, in recent years progress was demonstrated for the principle Responsive administration.

### SBA performance of Albania: state of play and development from 2008 to 2018<sup>3</sup>



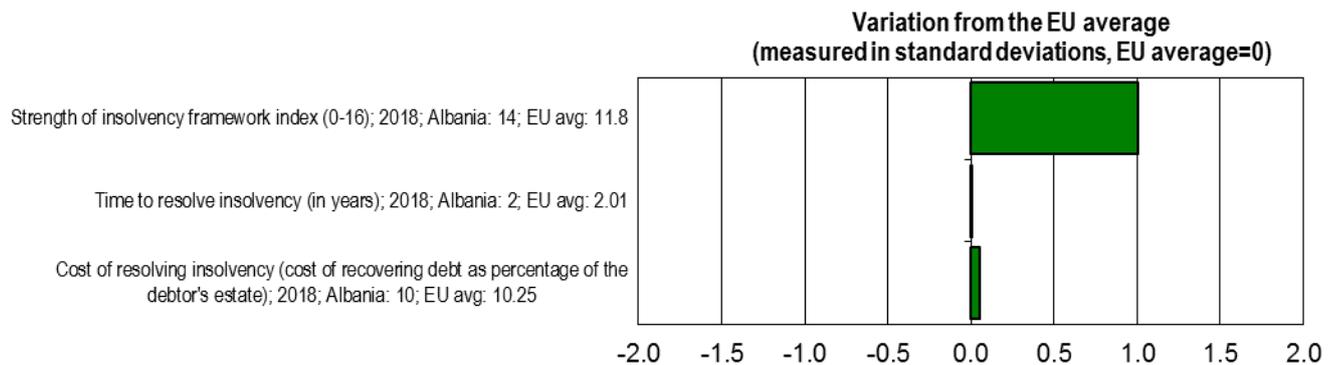
### 3. SBA principles<sup>4</sup>

#### 3.1 Entrepreneurship

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on entrepreneurship vis-à-vis the EU.

#### 3.2 ‘Second chance’

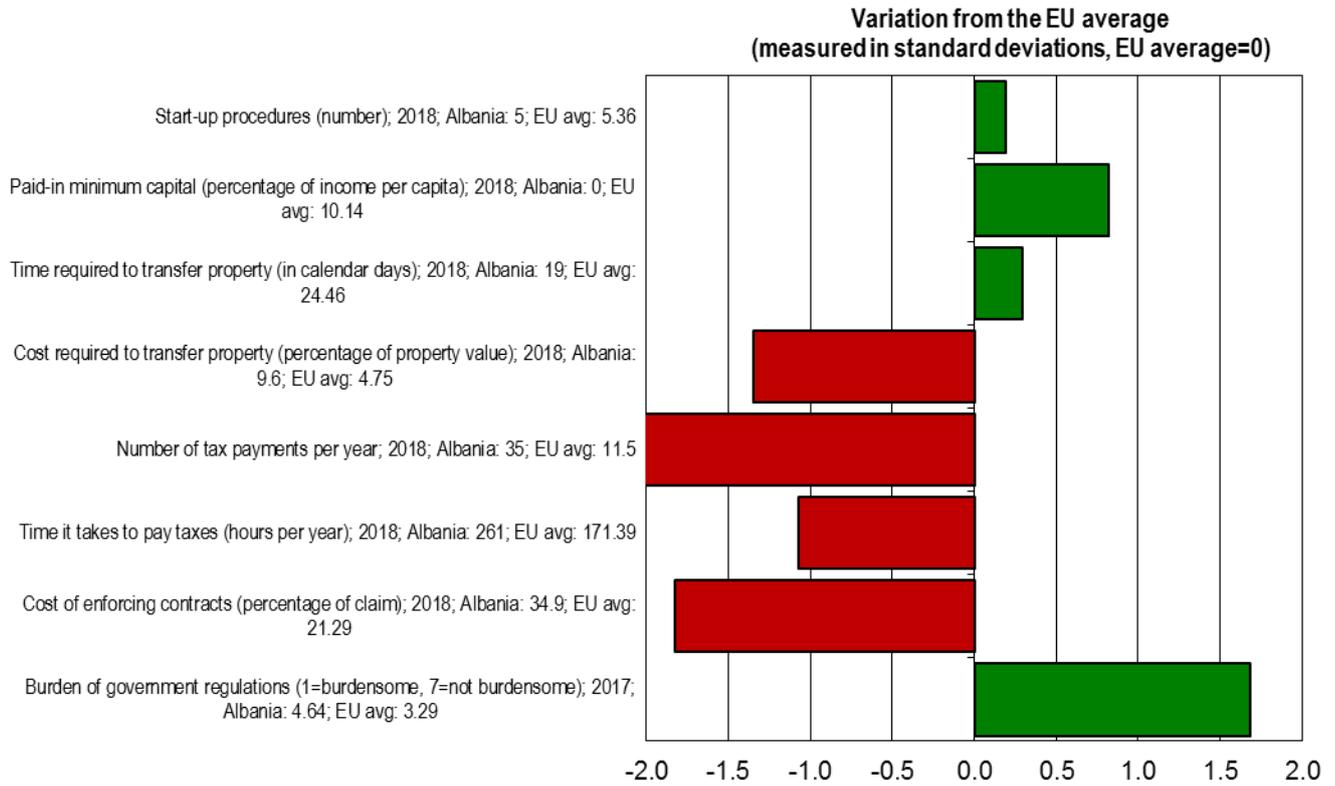


**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. On this principle, Albania performs better than the EU average, concerning the strength of the insolvency framework. Concerning time to resolve insolvency and cost of resolving insolvency,

Albania performs in line with the EU average. On other indicators under this principle, no comparable information is available. The 2018 profile is consistent with the one of the previous year. The data under this principle is not complete. Consequently the overall results need to be interpreted with caution.

### 3.3 ‘Think Small First’ and ‘Responsive administration’



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to consider SME interests at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Under this principle the performance of Albania is mixed. While start-up procedures and the time required to transfer property are in line with the EU average, Albania performs better than EU

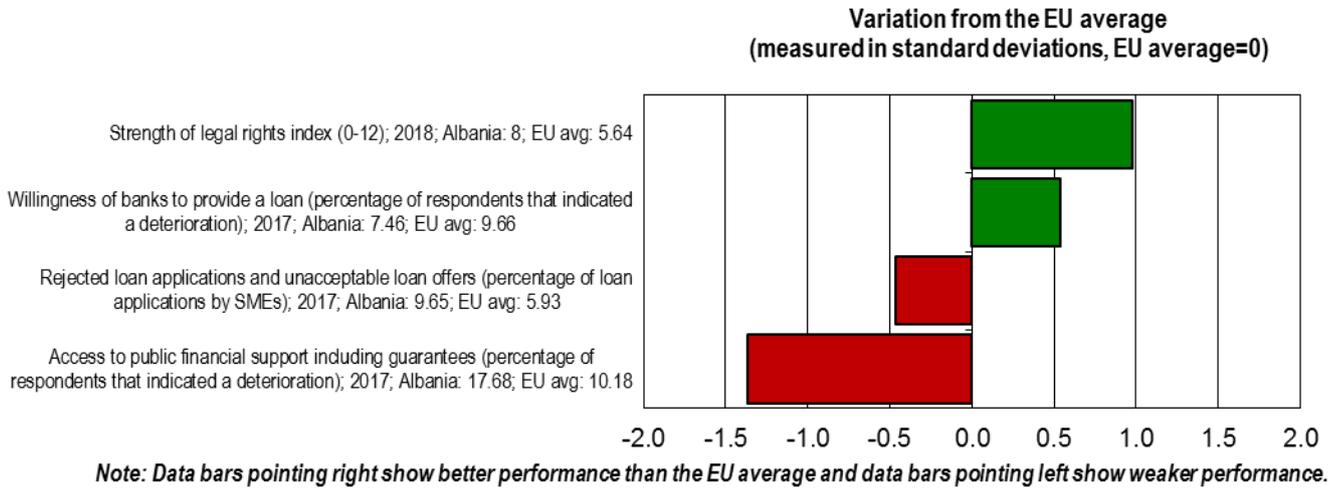
average in the paid-in minimum capital and burden of government regulations. However in the field of taxation, Albania performs significantly below the EU average in both the number of tax payments, as well as the time it takes to pay taxes. Equally, the cost of transferring property and the cost of contract enforcement remain significantly below the EU benchmark. No significant progress has been made in this principle since last year.

### 3.4 State aid & public procurement

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on state aid & public procurement vis-à-vis the EU.

### 3.5 Access to finance



Concerning Access to finance, the performance of Albania is mixed. The index of strength of legal rights, as well as the willingness of the banks to provide a loan are above the EU average, while the the rejected loan applications are within the EU average values. Access to public financial support, including

guarantees is well below the EU average, which points to a possibility for policy improvements. The data under this principle is not complete. Consequently the overall results need to be interpreted with caution.

### 3.6 Single market

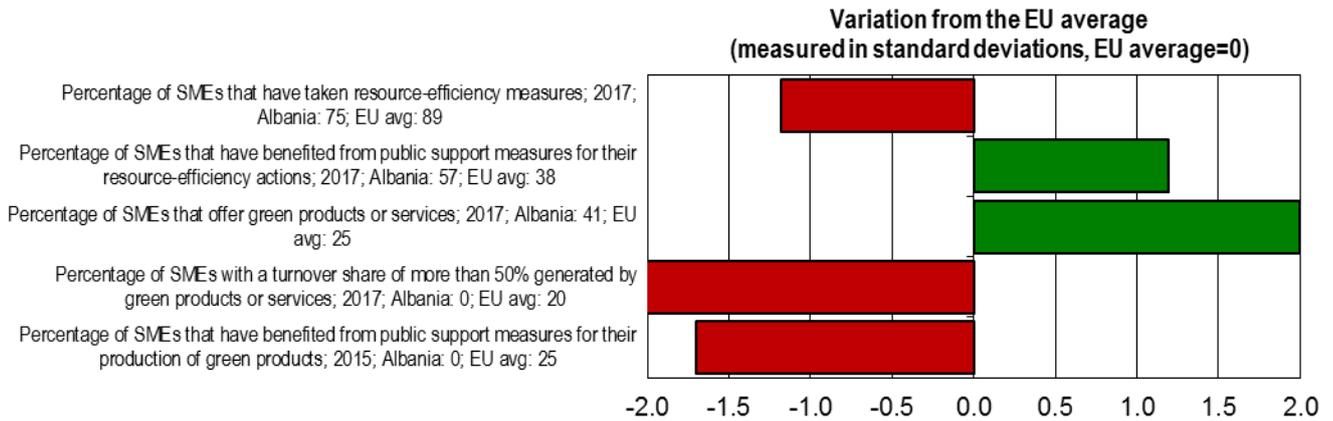
As Albania is not an EU Member State, there is no relevant comparable data regarding the single market.

### 3.7 Skills & innovation

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on skills & innovation vis-à-vis the EU.

### 3.8 Environment



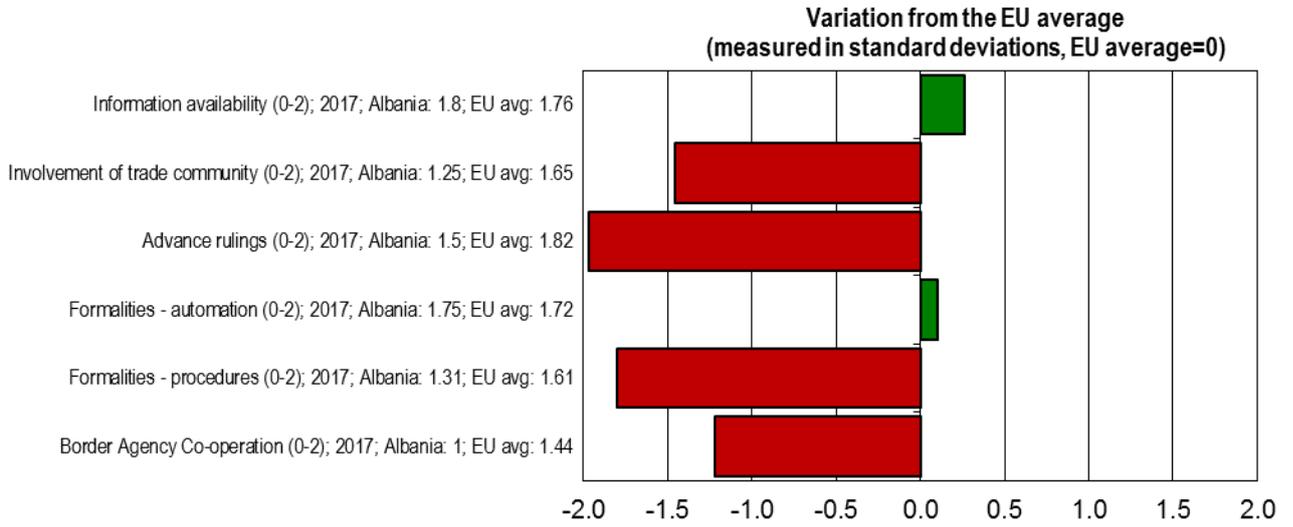
**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

The profile of Albania in the field of Environment is mixed. While there is a significant proportion of companies (41%, well above the EU average or 25%) that offer green products or services, none of them generates more than 50% of its turnover from such products, which indicates that the market for such products is underdeveloped.

In addition the profile shows that a significant number of companies, at 57% and above the EU average, benefit from public support for resource efficiency actions, while no companies benefit from public support for production of green products, which points to a need for additional policy development in this field.

Some indicators show good improvement compared to the previous year.

### 3.9 Internationalisation



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Under a number of indicators in this principle, Albania performs significantly below the EU average. Those are in particular: Involvement of trade community; Advance rulings; Formalities – procedures and Border agency cooperation. At other indicators (information availability and formalities-automation), Albania

performs in line with the EU average, but in general pointing to a lot of room for improvement in this policy area. The data under this principle is not complete. Consequently the overall results need to be interpreted with caution.



## 4. Interesting initiative

Below is an example of an initiative from Albania to show what governments can do to support SMEs:

### *100 Villages*

The Albanian Government launched in February 2018 the "100 Villages" Program, part of the Integrated Rural Development Program - a four year long initiative of providing financial support for economical, infrastructural and sustainable tourism development, mainly targeting SMEs.

The program's objectives are:

1. Improvement of the public infrastructure (Support for road infrastructure, revitalization of public/urban spaces, community infrastructure, public services, environmental and touristic infrastructure, monuments of cultural heritage, landscape, implementation of multifunctional community centers);
2. Economic development through diversification of economic activities (amelioration of the touristic potential in the rural areas, agrotourism, rural tourism, investments in the improvement of commercial services, investments in the production of traditional products, and other economic services. Support for incubators of traditional local products, promotion and marketing of rural areas, transport, fairs);
3. Development of social and human capital (support for the creation of rural networks, local action groups as well as civil society in rural areas, vocational training for women and the youth, support for cultural heritage, support for the promotion of the traditions and lifestyle in the village).

The program will support up to 50% of the investment value for the development of guesthouses, agrotouristic activities, traditional produce, and establish small working places, machinery, other equipment for the production of traditional products, as well as grants up to 500.000 ALL - towards the encouragement of Start-ups from the youth (from 22-35 years old), etc..

References: Invest in Albania; Monitor Magazine; Ministry of Agriculture and Rural Development.

## Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures considered relevant. They do not and cannot reflect all measures the government has taken over the reference period.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

[grow-spr@ec.europa.eu](mailto:grow-spr@ec.europa.eu)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008–2015 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> The 2018 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>3</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2018. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>4</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. Only those measures were selected which are expected to have the highest impact in the SBA area in question.