

2021 SME COUNTRY FACT SHEET

ALBANIA

Brief introduction

- The COVID-19 pandemic, combined with the policy decisions taken in response to it, have significantly impacted Albania's economy. Small and medium-sized enterprises (SMEs) in the *accommodation and food services* sector and in the *professional, scientific and technical activities* sector were badly affected in particular, with value added dropping by 14.9% and 12.2% respectively. In contrast, SME value added in the *real estate activities* sector grew by 8.0%.
- SMEs are particularly important for the Albanian 'non-financial business economy'. In 2018, they generated 68.7% of total value added and 80.0% of total employment, significantly more than the respective EU averages of 52.9% and 64.9%. They employed an average of 4.0 people, slightly more than the EU average of 3.7. SME productivity, measured as value added per person employed, was EUR 7 600, significantly lower than the EU average of EUR 41 600.

SME DEVELOPMENT 2019-2020



The data are estimates produced by DIW Econ, based on 2012-2018 figures from national and Eurostat databases. GDP is based on forecast data produced by the European Commission. Total employment data are based on estimates produced

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
SMEs (0 -249 persons employed)	94 558	99.8%	377 966	80%	2.865	68.7%
LARGE ENTERPRISES (250+ persons employed)	172	0.2%	94 470	20%	1.305	31.3%

The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from national and Eurostat databases.

SME-RELATED STRENGTHS AND CHALLENGES

KEY STRENGTHS

- In 2020, the government drafted a new law on start-ups, which is expected to close the legal gap in the start-up ecosystem in Albania. Support for start-ups will include not only new policies and fiscal incentives, but also the creation of a friendly ecosystem for innovative start-ups in key sectors and fields, with the support of key stakeholders including mentors, incubators and investors. An autonomous agency 'Start-up Albania Agency' will also be created (Ministry of Finance and Economy).
- The national government portal e-Albania enables individuals and businesses to easily access public services through a single platform on the internet. Offering a total of 591 e-services, there were 726 280 registered users in 2018, while in 2019 this number rose to 1 028 348 (ICEDA project).
- The government has taken steps to reskill or upskill Albanian citizens. One priority of the National Employment and Skills Strategy 2014–2020 is to offer quality vocational education and training by e.g. promoting entrepreneurial learning.

KEY CHALLENGES

- Ranking 76th on SME financing and 81st on venture capital availability out of 141 countries (World Bank, Ease of Doing Business 2020), Albania's financial sector is dominated by banks that are reluctant to lend to SMEs – they perceive the sector to be risky, seek high collateral and have high interest rates.
- Albania ranks particularly low in innovation capability (110th out of 141 in 2019) and R&D (126th) in the World Economic Forum's Global Competitiveness Index. Its innovation system is highly fragmented, with few linkages between academia, science and the private sector, and a weak innovation support infrastructure (despite the emergence of incubators, accelerators and innovation centres in recent years).
- In the World Bank's Doing Business Report, Albania ranks 123rd out of 190 countries on the burden caused by tax payments. The heavy administrative burden characterised by complex procedures and frequently changing tax rules leads to a sizeable informal economy (between 25-50% of GDP).

OTHER KEY SME-RELATED BRIEF INSIGHTS



IMPACT OF COVID-19 CRISIS ON SMES

47% of companies stopped working altogether during COVID-19, while the other 53% have continued to operate normally or in part. Among all economic sectors, tourism was the most affected with a 75% activity closure. In contrast, the agriculture sector continued to operate normally or in part (81% activity). The most common challenges faced by companies were a shortage of clients, lack of liquidity, difficulties with paying salaries and complying with tax obligations (Albanian Investment Council).

In December 2020, the European Bank for Reconstruction and Development stepped up its efforts to support companies in Albania impacted by the coronavirus pandemic. It provided a EUR 10 million loan to a second tier bank in Albania (ProCredit Bank Albania) to help Albanian companies invest in modern technology, participate in energy efficiency projects, and expand their market share.



GREEN TRANSITION OF SMES



SOCIAL ASPECTS OF SUSTAINABILITY

The National Strategy for Development and Integration 2015–2020 (NSDI II) is the main policy document that outlines Albania's development vision, with all its components directly related to achieving specific UN sustainable development goal targets.



MARKET ACCESS

The percentage of firms created by women increased from 13.1% in 2013 to 20.7% in 2019, while the proportion of female permanent full-time workers increased from 45.4% in 2013 to 52.8% in 2019.

Albania made some progress on market access by endorsing the Investment Policy Reform Action Plan as part of the Multi-annual Action Plan for a Regional Economic Area (MAP-REA) efforts on investments. This involves maintaining incentives to stimulate investment in the tourism sector and implementing an innovation support programme.