Key points

Past & future SME performance[1]:

In 2017, SMEs in the Albanian 'non-financial business economy' played a more significant role than is average for SMEs in the EU. They created 80.3 % of all employment, corresponding to almost four out of five Albanian jobs, and generated more than two thirds (68.3 %) of total value added. SMEs in the Albanian 'non-financial business economy' achieved solid growth in 2014-2017. SME value added rose by 37.7 % and SME employment by 44.5 %. Most recently, in the period 2016-2017, SME value added grew by 11.9 %, almost three times higher than the average EU SME rise of 3.8 %. The robust growth of Albanian SME value added was accompanied by a slight increase of 4.0 % in SME employment and increased productivity of 7.5 % (which, however, did not attain its 2014 level).

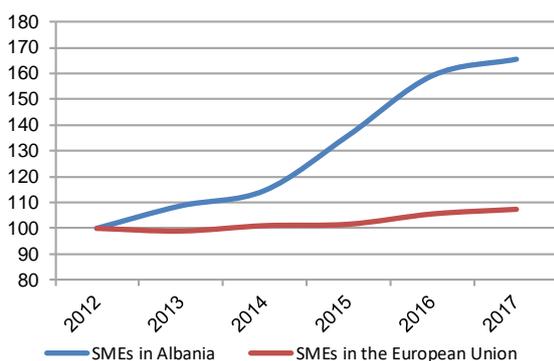**Implementing the Small Business Act for Europe (SBA)**:

The SBA profile of Albania continues to show a mixed picture. Albania's performance is in line with the EU average in 'second chance', while 'responsive administration', environment and internationalisation perform below average. Internationalisation is particularly lagging behind. Given the availability of data, information regarding Albania's SBA profile should be interpreted with caution.

SME policy priorities:

The SME policy framework for Albania is established in its 2014-2020 Business and Investment Development Strategy[2], 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 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.
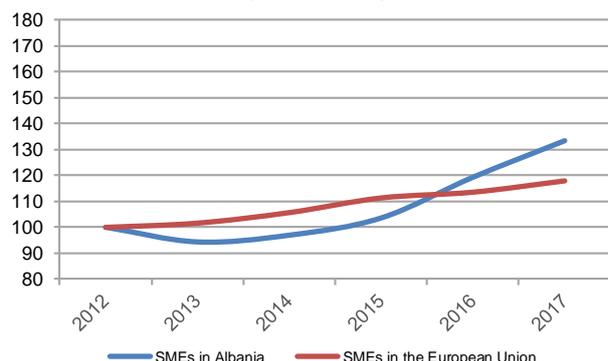
Number of persons employed in SMEs

(Index: 2012=100)

Value added of SMEs

(Index: 2012=100)

SMEs in Albania   SMEs in the European Union

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.

Table of Contents

1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Albania		*EU-28*	Albania		*EU-28*	Albania		*EU-28*
	Number	Share	*Share*	Number	Share	*Share*	Million €	Share	*Share*
Micro	101 595	94,4 %	92,9 %	192 817	39,1 %	*29,4 %*	786,9	20,1 %	*20,5 %*
Small	4 839	4,5 %	5,9 %	95 574	19,4 %	*20,2 %*	933,5	23,8 %	*17,6 %*
Medium-sized	1 077	1,0 %	1,0 %	107 171	21,7 %	*16,9 %*	955,5	24,4 %	*18,1 %*
SMEs	**107 511**	**99,8 %**	**99,8 %**	**395 563**	**80,3 %**	*66,5 %*	**2676,0**	**68,3 %**	*56,3 %*
Large	166	0,2 %	0,2 %	97 350	19,7 %	*33,5 %*	1243,5	31,7 %	*43,8 %*
Total	**107 677**	**100,0 %**	**100,0 %**	**492 913**	**100,0 %**	*100,0 %*	**3919,5**	**100,0 %**	*100,0 %*

These are data for 2017 provided by the Institute of Statistics 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.

In 2017, SMEs in the Albanian 'non-financial business economy' played a more significant role than is average for SMEs in the EU. They created 80.3 % of all employment, corresponding to almost four out of five Albanian jobs, and generated more than two thirds (68.3 %) of total value added. In comparison, the respective averages for EU SMEs were notably lower, at 66.5 % and 56.3 %. Most Albanian SMEs (41.4 %) operate in the *wholesale and retail trade* sector. They are responsible for almost half (48.3 %) of SME employment, significantly more than the EU average of 24.6 % for SMEs in this sector. They also generate slightly more than a quarter (26.7 %) of SME value added, fairly similar to the EU SME average of 22.1 %. However, the productivity of Albanian SMEs, at only EUR 6 765, is approximately one sixth of the EU SME average of EUR 43 604.

SMEs in the Albanian 'non-financial business economy' achieved solid growth in the period 2014-2017. SME value added rose by 37.7 % and SME employment by 44.5 %. This growth was substantially higher than the averages achieved by EU SMEs, which generated increases of only 11.6 % for SME value added and 6.2 % for SME employment during the same period. However, this was accompanied by a fall of 4.7 % in Albanian SME productivity.

In 2016-2017, SME value added grew by 11.9 %, almost three times higher than the corresponding EU average of 3.8 %. The robust growth of Albanian SME value added was accompanied by a slight increase of 4.0 % in SME employment and increased productivity of 7.5 % (which, however, did not attain its 2014 level).

In terms of SME employment, *wholesale and retail trade* was the fastest growing sector in Albania in 2016-2017, generating growth of 6.6 %, significantly exceeding the average growth rate of 1.5 % for EU SMEs in the same sector.

2. SBA profile[3]
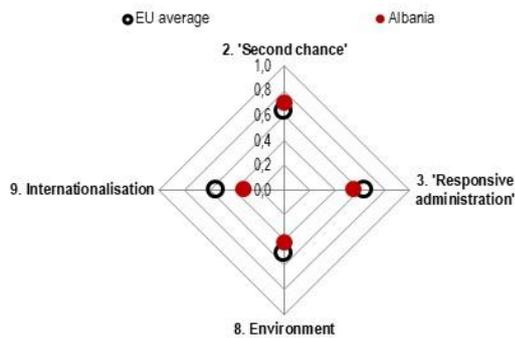
EU average   ● Albania

The SBA profile of Albania continues to show a mixed picture. Albania's performance is in line with the EU average in 'second chance', while 'responsive administration', environment and internationalisation perform below average. Internationalisation is particularly lagging behind. Given the availability of data, information regarding Albania's SBA profile should be interpreted with caution. No comparable information is available for entrepreneurship, state aid & public procurement, access to finance, single market and skills & innovation.

SBA performance of Albania: state of play and development from 2008 to 2019[4]

Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in case of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

3. SBA principles[5]

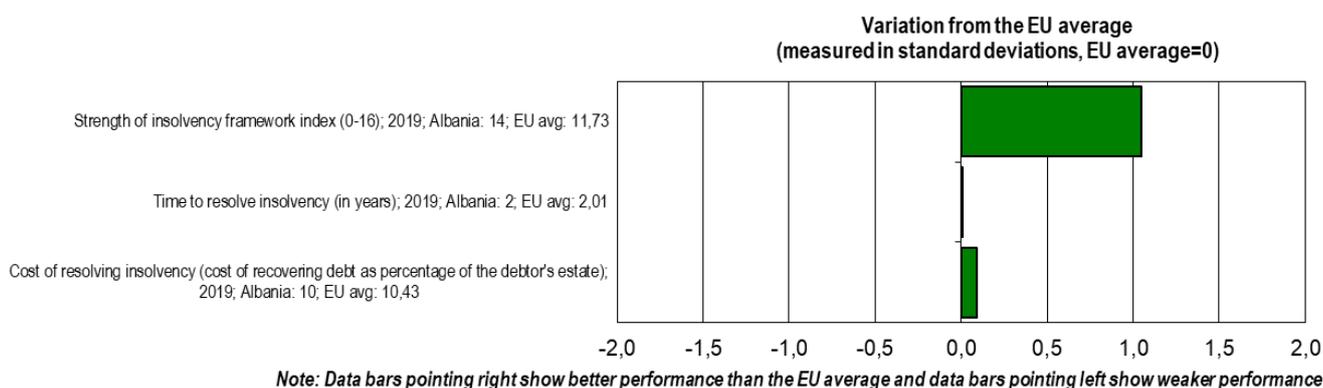## 3.1 Entrepreneurship

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 of Albania for entrepreneurship vis-à-vis the EU.

3.2 'Second chance'

Variation from the EU average
(measured in standard deviations, EU average=0)

Strength of insolvency framework index (0-16); 2019; Albania: 14; EU avg: 11,73

Time to resolve insolvency (in years); 2019; Albania: 2; EU avg: 2,01

Cost of resolving insolvency (cost of recovering debt as percentage of the debtor's estate); 2019; Albania: 10; EU avg: 10,43

-2,0 -1,5 -1,0 -0,5 0,0 0,5 1,0 1,5 2,0

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. Albania performs in line with the EU average in 'second chance'. The data for 2019 shows little or no change compared to the previous year. The strength of the insolvency framework is Albania's best performing indicator. With regards to the time to resolve insolvency and cost of resolving insolvency, Albania also performs in line with the EU average.

3.3 'Think Small First' and 'Responsive administration'

Variation from the EU average
(measured in standard deviations, EU average=0)

Indicator	
Start-up procedures (number); 2019; Albania: 5; EU avg: 5,39	
Paid-in minimum capital (percentage of income per capita); 2019; Albania: 0; EU avg: 9,57	
Time required to transfer property (in calendar days); 2019; Albania: 19; EU avg: 23,45	
Cost required to transfer property (percentage of property value); 2019; Albania: 9,2; EU avg: 4,89	
Number of tax payments per year; 2019; Albania: 35; EU avg: 11,39	
Time it takes to pay taxes (hours per year); 2019; Albania: 252; EU avg: 172,05	
Cost of enforcing contracts (percentage of claim); 2019; Albania: 34,9; EU avg: 20,93	
Burden of government regulations (1=burdensome, 7=not burdensome); 2018; Albania: 4,88; EU avg: 3,35	

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.

Albania performs below the EU average, with indicators showing little or no change since last year. Albania's best performing indicators are the paid-in minimum capital and the burden of government regulations. Start-up procedures and the time required to transfer property are in line with the EU average. On the other hand, the country's number of tax payments and the time it takes to pay taxes are significantly higher than the EU average. Similarly, the cost of transferring property and the cost of contract enforcement are also lagging behind.

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 of Albania for state aid & public procurement vis-à-vis the EU.
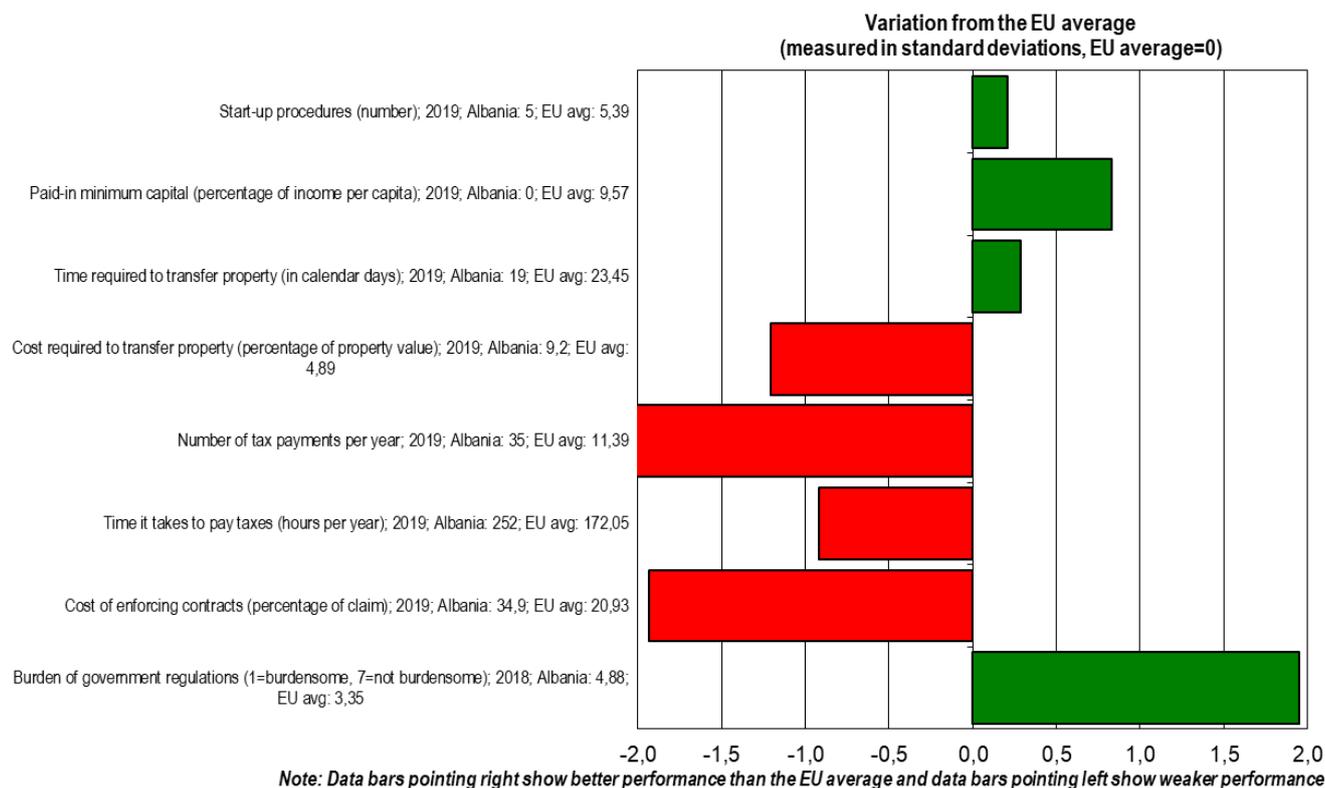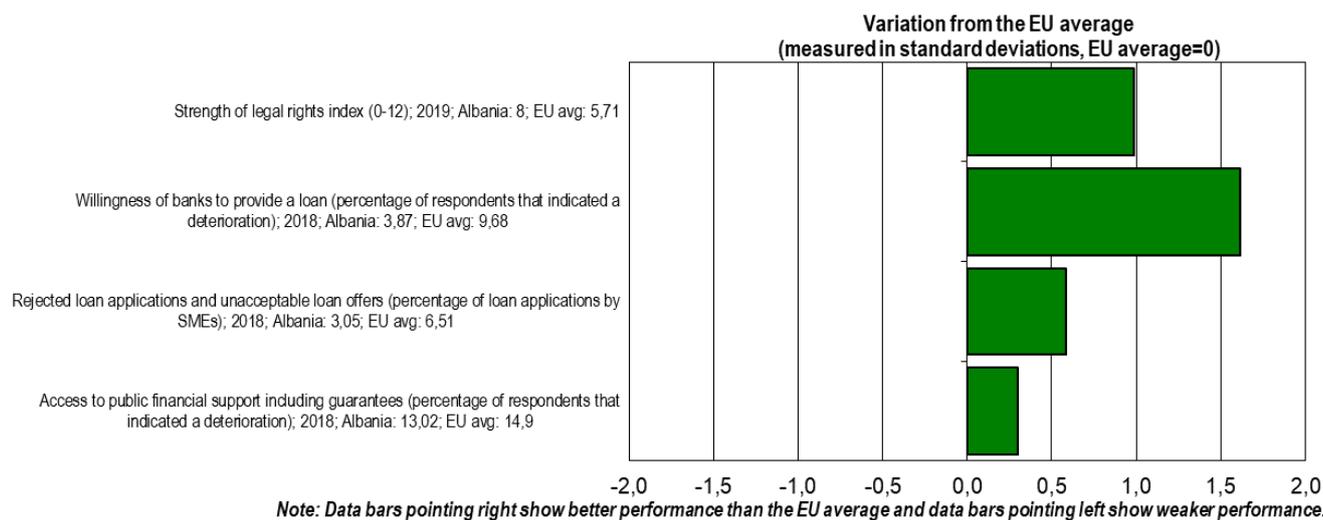
3.5 Access to finance

Variation from the EU average
(measured in standard deviations, EU average=0)

Strength of legal rights index (0-12); 2019; Albania: 8; EU avg: 5,71

Willingness of banks to provide a loan (percentage of respondents that indicated a deterioration); 2018; Albania: 3,87; EU avg: 9,68

Rejected loan applications and unacceptable loan offers (percentage of loan applications by SMEs); 2018; Albania: 3,05; EU avg: 6,51

Access to public financial support including guarantees (percentage of respondents that indicated a deterioration); 2018; Albania: 13,02; EU avg: 14,9

-2,0   -1,5   -1,0   -0,5   0,0   0,5   1,0   1,5   2,0

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

Albania performs above the EU average in nearly all the indicators with available information. Only in access to public financial support, the score is in line with the EU average. Some indicators have significantly improved since 2017. The share of rejected loan applications and unacceptable loan offers has dropped by less than 7 percentage points and now performs above the EU average. The access to public financial support has also significantly improved – with around 5 percentage points fewer respondents that indicated a deterioration. Additionally, the score on willingness of banks to provide a loan is better than the EU average.

The data, however, is not complete. Consequently, the overall results need to be interpreted with caution.
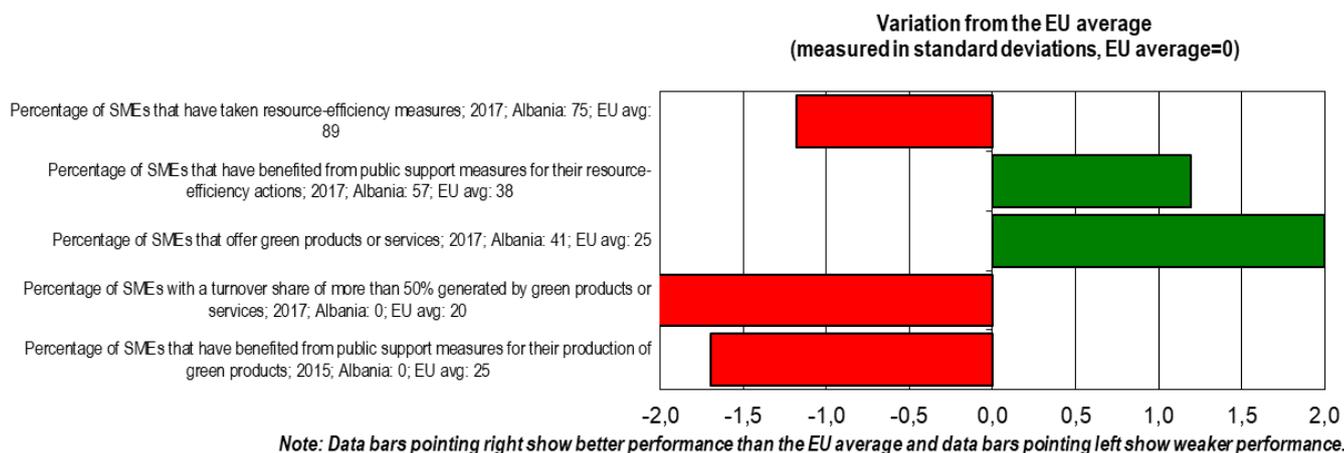
3.6 Single market

As Albania is not an EU Member State, there is no relevant comparable data regarding this principle.

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 of Albania for skills & innovation vis-à-vis the EU.
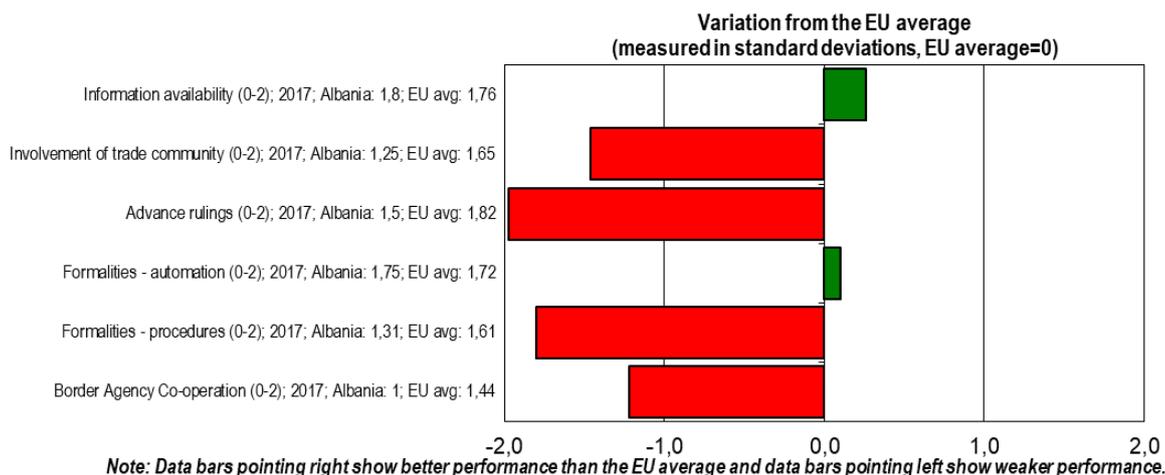
3.8 Environment

Variation from the EU average
(measured in standard deviations, EU average=0)

Percentage of SMEs that have taken resource-efficiency measures; 2017; Albania: 75; EU avg: 89

Percentage of SMEs that have benefited from public support measures for their resource-efficiency actions; 2017; Albania: 57; EU avg: 38

Percentage of SMEs that offer green products or services; 2017; Albania: 41; EU avg: 25

Percentage of SMEs with a turnover share of more than 50% generated by green products or services; 2017; Albania: 0; EU avg: 20

Percentage of SMEs that have benefited from public support measures for their production of green products; 2015; Albania: 0; EU avg: 25

-2,0   -1,5   -1,0   -0,5   0,0   0,5   1,0   1,5   2,0

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

Albania performs below the EU average. No updates have been made since last year's fact sheet. While 41 % of companies offer green products or services – well above the EU average of 25 % – none of them generate more than 50 % of turnover from such products or services. The number of companies that benefit from public support measures for their resource efficiency actions is above the EU average. By contrast, no companies benefit from public support for the production of green products, which suggests room for policy developments in this particular area. The data, however, is not complete. Consequently, the overall results need to be interpreted with caution.

3.9 Internationalisation

Variation from the EU average
(measured in standard deviations, EU average=0)

Information availability (0-2); 2017; Albania: 1,8; EU avg: 1,76

Involvement of trade community (0-2); 2017; Albania: 1,25; EU avg: 1,65

Advance rulings (0-2); 2017; Albania: 1,5; EU avg: 1,82

Formalities - automation (0-2); 2017; Albania: 1,75; EU avg: 1,72

Formalities - procedures (0-2); 2017; Albania: 1,31; EU avg: 1,61

Border Agency Co-operation (0-2); 2017; Albania: 1; EU avg: 1,44

-2,0   -1,0   0,0   1,0   2,0

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

Albania performs significantly below the EU average in most indicators under internationalisation. No updates have been made since last year's fact sheet. Albania performs in line with the EU average in information availability and automation formalities. The data, however, 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.

EU FOR INNOVATION

Innovation is an essential driver of economic progress that benefits consumers, businesses and the economy as a whole. Making use of citizen's creativity will benefit not only the individual, but the whole society.

Funded by the European Union, and with additional support from the German Federal Ministry for Economic Cooperation and Development (BMZ) as well as the Swedish International Development Cooperation Agency (Sida), the "EU for innovation"-project aims to strengthen the eco-system for innovation and start-up promotion in Albania. Interventions will support the capacity for innovation among the innovation ecosystem actors (start-ups, innovation support providers and policy-makers), build linkages within the Albanian innovation ecosystem and internationally and fund innovative startups and innovation support providers. The project will run until September 2021 and is implemented by GIZ and the Swedish Embassy Tirana. The project has a budget of up to 7.539.238 EUR (EU contribution: 6.600.000 EUR, German contribution: 719.238 EUR; Swedish contribution: 220.000 EUR).

The project aims to achieve the following results:

i)   Strengthening capacity for innovation among the innovation system actors (start-ups, innovation support organizations and policy-makers);

ii) Building linkages within the Albanian innovation system and internationally Result Area;

iii) Funding innovative start-ups and innovation support organizations through the Challenge Fund.

References:

www.euforinnovation.al

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. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en

Small Business Act:

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

[1] 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 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 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/

[2] http://www.seecel.hr/UserDocsImages/Documents/Business_and_Investment_Development_Strategy_Albania.pdf

[3] The 2019 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.

[4] 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. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. 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/

[5] The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question.