



SME POLICY INDEX

WESTERN BALKANS AND TURKEY 2022

ASSESSING THE IMPLEMENTATION OF THE SMALL BUSINESS ACT FOR EUROPE

Launch of the publication Albania

15 September 2022

Presentation outline



Key features of the SME Policy Index 2022 publication

SME sector in Albania


Overview of SME Policy Index 2022 assessment for Albania






Main objectives and key features of the SME Policy Index 2022 publication

SME Policy Index objectives:


 provide **inputs for national SME development strategy and other national development strategies** (e.g. innovation, education, environmental protection) as well as **guide the ERPs,**

 **monitor alignment in enterprise policy with the EU *acquis*,** especially with respect to Chapter 20.

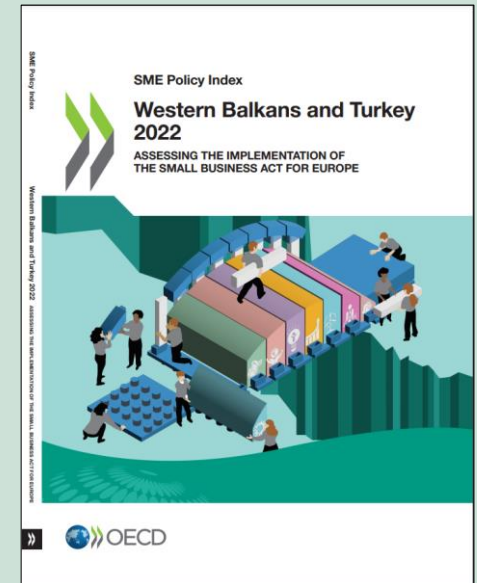
Key features of 2022 edition:

 increased focus on **analysing the implementation of the policy recommendations** provided in the 2019 edition,

 analysis of the impact of the **COVID-19 pandemic** on policies,

 horizontal approach to **the themes that are becoming of increasing importance for the region** (e.g. greening, digitalisation),

 examples of the **latest OECD and EU policy trends,** instruments, tools and good practices.



Presentation outline



Key features of the SME Policy Index 2022 publication

SME sector in Albania

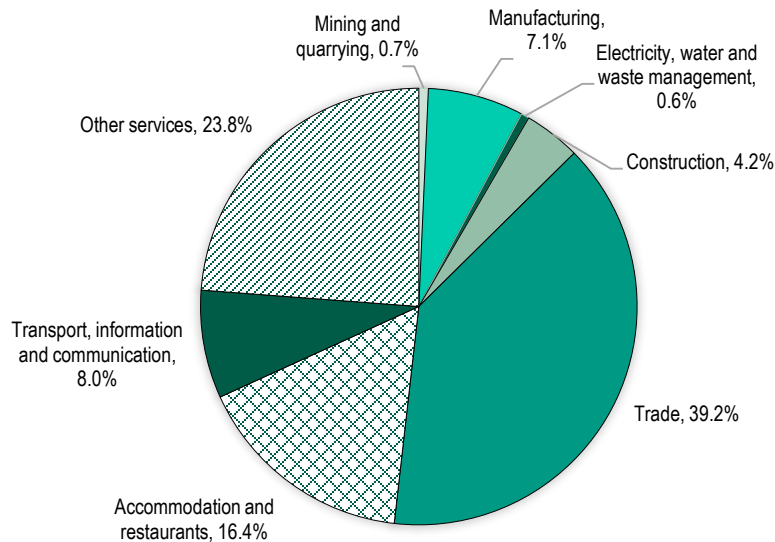
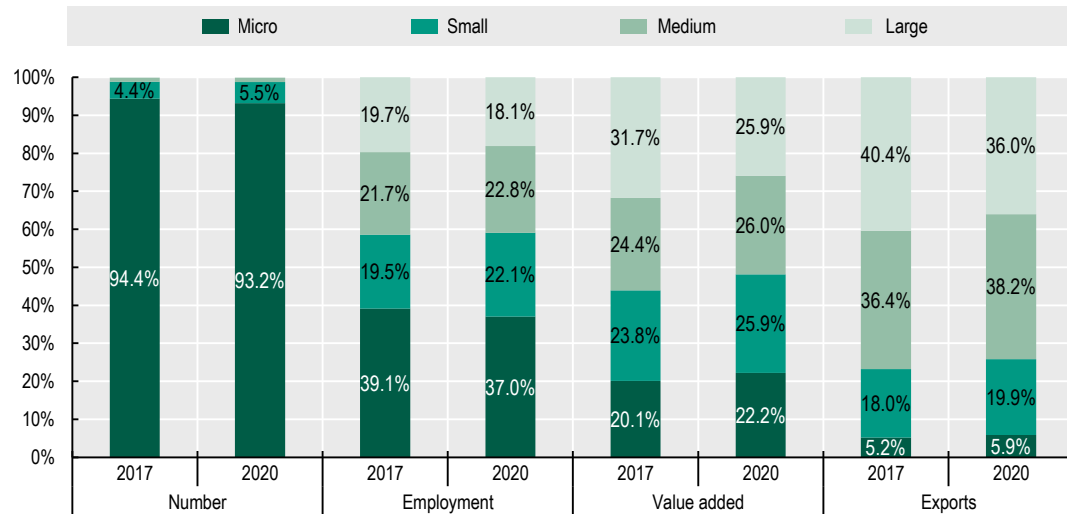
Overview of SME Policy Index 2022 assessment for Albania





SME sector in Albania

- SMEs made up **99.8%** of all enterprises in 2020
- SMEs represented **~82% of employment** in the business sector, and **~74% of the business sector value added**, an increase in both since 2017
- SMEs accounted for **64% of exports**, a 4.4-percentage-point increase since 2017



- The **distributive trade sector** remains the overwhelming industry of SMEs in the economy at 39.2%
- **At 16.4%**, the **accommodation and restaurants** sector follows as the second-highest number of SMEs
- Most of Albania's companies (over **36%**) are located in **Tirana**



Presentation outline



Key features of the SME Policy Index 2022 publication

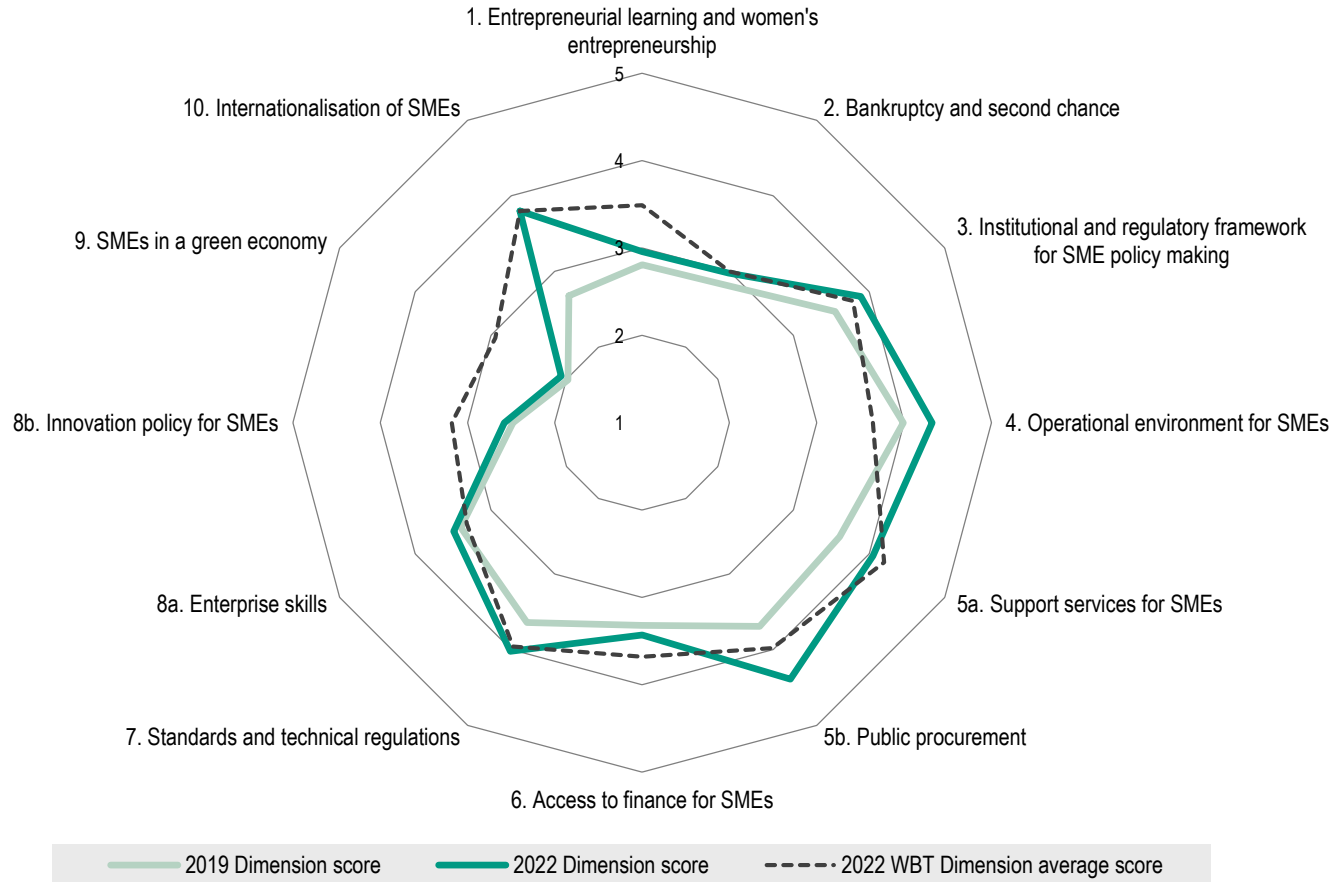
SME sector in Albania

Overview of SME Policy Index 2022 assessment for Albania





2022 assessment results show improvements across policy areas



The strongest performance is in the areas of:

- Dimension 3: Institutional and regulatory framework for SME policy making
- Dimension 4: Operational environment for SMEs
- Dimension 5a: Support services for SMEs
- Dimension 5b: Public procurement
- Dimension 7: Standards and technical regulations

The most room for improvement is in the areas of:

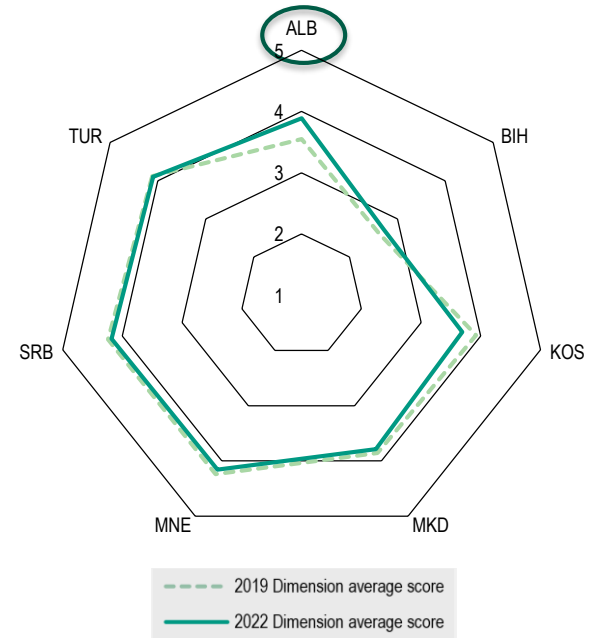
- Dimension 1: Entrepreneurial learning and women's entrepreneurship
- Dimension 2: Bankruptcy and second chance
- Dimension 8b: Innovation policy for SMEs
- Dimension 9: SMEs in a green economy





Albania has taken strong steps to improve its institutional and regulatory framework for SME policy making

- 1 The BIDS 2014-2020 was regularly monitored, well implemented and monitoring results were integrated into the new BIDS 2021-2027**
- 2 AIDA was restructured in 2019 and increased its staffing capacity**
- 3 The use of regulatory impact assessment (RIA) has been made more consistent but could be further improved**
- 4 Monitoring and evaluation of public-private consultations (PPCs) has improved significantly**



75%

overall implementation

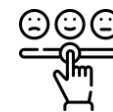
of Albania's Business and Investment Development Strategy 2014-2020



75% of OECD

recommendations from 2019

were fully implemented



32% of businesses

in Albania
**were satisfied with
PPC procedures in 2021**

(up from 27% in 2019)





Institutional and regulatory framework – Way forward

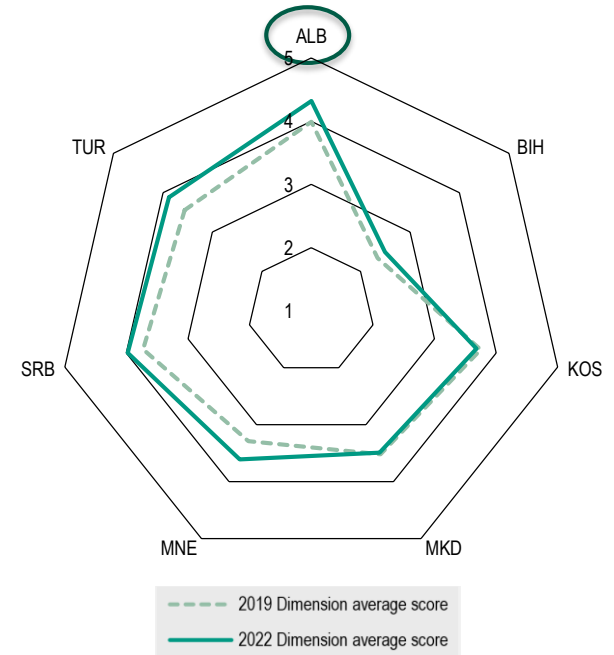
- **Develop a programme for legislative simplification and reducing administrative burdens.** Focus could also be placed on reducing parafiscal burdens on SMEs.
- **Strengthen quality control of RIA.** The quality control function of the RIA Unit of the Council of Ministers could be reinforced by making the unit's feedback on RIA produced by line ministries binding or at least mandatory for consideration.
- **Introduce regular monitoring and evaluation of RIA.** Aggregated reporting by a designated institution, including qualitative indicators, could help identify priority areas for capacity building.





Albania has shown strong performance and made important improvements in its operational environment for SMEs

- 1 **The development of digital government services has continued, under the leadership of the National Agency for Information Society (NAIS)**
- 2 **Company registration is well-designed, and digitalisation reforms are underway**
- 3 **Albania is the regional leader regarding business licensing**
- 4 **SMEs benefit from a simplified corporate income tax regime, but there are no tax-related incentives to incorporate**



66% of all forms are pre-filled

thanks to improved interoperability of government information (up from 60% in 2019)



52% of businesses surveyed in 2021

considered that availability information on business licensing was satisfactory



95% of all administrative procedures

have been made available online as of 2021, at differing levels of digital maturity





Operational environment for SMEs – Way forward

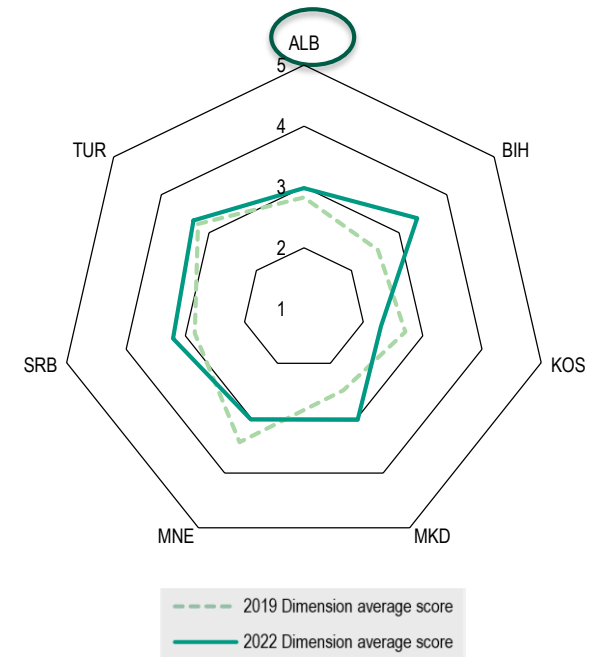
- **Introduce SME-specific monitoring and evaluation of digital services performance.**
- **Promote the reuse of open government data by SMEs.** Open government data has the potential to create significant value by SMEs, by allowing them to develop innovative products and services.
- **Evaluate the tax burdens faced by SMEs,** for instance, by using business tax returns to design a coherent simplified corporate income tax regime that incentivises businesses to operate in the formal economy and SMEs to grow into the regular CIT regime.







Albania has made some progress in its legal framework for bankruptcy, but still has room for improvement in key areas

- 1 Progress was made regarding insolvency prevention regulation**
- 2 An early warning system to prevent bankruptcies is missing**
- 3 There are no simplified or fast-track procedures for SMEs**
- 4 Policies to promote second chance for honest entrepreneurs are not in place**



 **0.15** Albania's score increase
In the Bankruptcy and Second Chance dimension from 2019 to 2022, chiefly due to improvements in insolvency prevention regulation

 **43** less bankruptcy cases
were active in Albania (both pending and new cases) in 2020 than in 2017





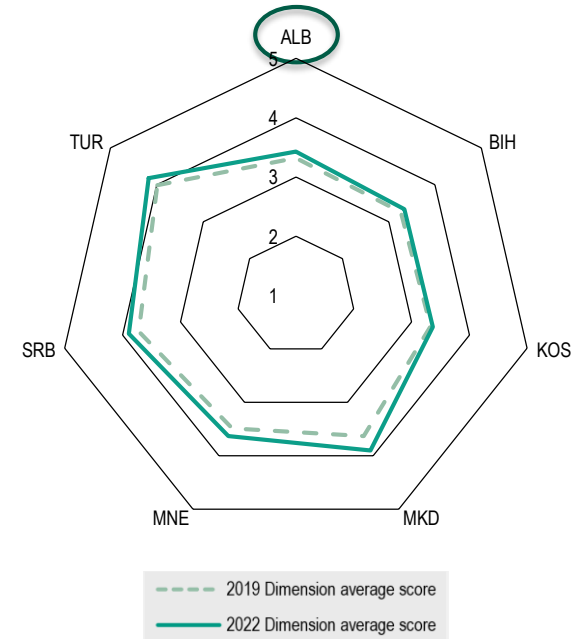
Bankruptcy and second chance – Way forward

- **Develop insolvency prevention policies, including a fully-fledged early warning system.**
- **Streamline liquidation processes by introducing digital tools.**
- **Further amend the regulation on accelerated extrajudicial reorganisation agreements.**
- **Improve formal bankruptcy reorganisation procedures.**
- **Promote second chance to honest entrepreneurs.**



Albania has made progress in supporting access to finance for SMEs by strengthening the legal framework and digitalising the financial system

- 1 **Albania strengthened the regulatory framework of its financial system but implementation remained rather ineffective**
- 2 **Despite informality's negative effect on access to finance for SMEs, financial intermediation is increasing.**
- 3 **Alternative sources of finance remain under-developed.**
- 4 **A strategic approach to tackle low levels of financial literacy is being undertaken.**



39.2% decrease

in the number of impaired loans from 2018 to early 2021 in Albania



90% absorption capacity

of AIDA implemented funds and co-financing grants to support SME access to finance in 2019



74% of the non-banking Financial institution

credit portfolio is **Microfinancing**, almost double the amount since 2017





Access to Finance for SMEs – Way forward

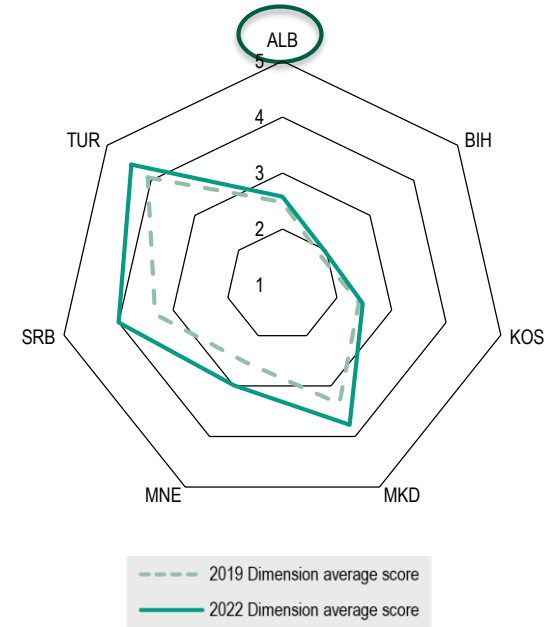
- **Strengthen capacity to guarantee creditor securities.** Swiftly adopt the forthcoming unified Law on Investments and continue the implementation of the Bankruptcy Law.
- **Increase financial support schemes for SMEs.** Revive financial support provided by AIDA to further facilitate access to finance for those enterprises needing support the most.
- **Increase awareness about non-bank financial instruments to support their uptake.**
- **Swiftly complete the Strategy for Financial Education and develop an action plan for implementing it.** The strategy should be informed by a mapping of existing initiatives, both private and public, and include lessons learnt.





Despite advancement in enhancing the framework and institutional services for innovation policy, progress remains limited

- 1 Improvements to the innovation policy framework are underway though shortcomings in co-ordination and funding limit its implementation
- 2 The creation of an innovation ecosystem has gained momentum, with the focus predominately on start-ups
- 3 Financial support for innovation remains limited but increases are planned for the coming years.
- 4 Little progress has been made in stimulating collaboration between academia and industry



€ 7.5 million

in funding made available by the EU, GIZ and Sweden to support Albania's start-up ecosystem



€ 1.25 million EUR

is planned to be allocated for AIDA's operations



Only 0.3% of GDP

was expended on R&D in Albania in 2020, below the 2022 target of 1% of GDP.





Innovation Policy – Way forward

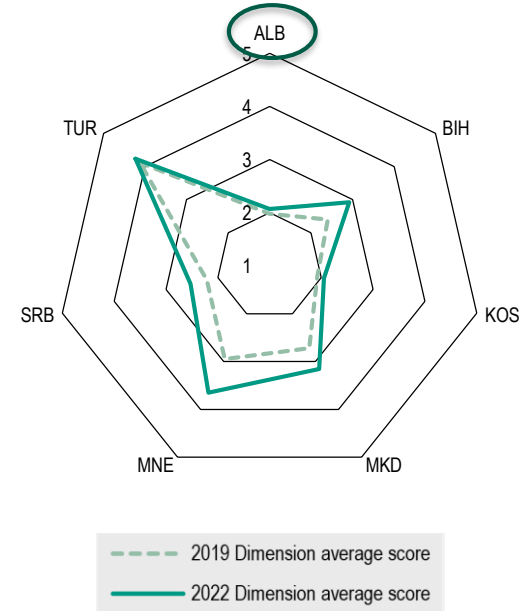
- **Further strengthen data collection to support evidence-based policy making.**
- **Boost financial support to encourage investments in innovation and research.** Full resumption of AIDA's financial support programmes for SMEs and reaching pre-pandemic operational capacity levels should be a priority.
- **Continue building momentum to create an ecosystem conducive to innovation,** with a focus on institutional support beyond start-ups and incubation services.





While green SME policies are mostly well designed, they rarely translate into concrete actions

- 1 Environmental policies targeting SMEs are included in Albania's newest SME strategy
- 2 Poor co-ordination of measures and budgets hampered implementation of greening measures
- 3 Despite a few guarantee funds that cover green investments, limited financial incentives are available for SME greening
- 4 Some information-based tools are available to encourage greener practices



21% of SMEs

offered green products or services in 2021 in Albania, two times less than in 2017 (41%)



23% of SMEs

undertook measures to save energy in Albania in 2021, compared to 61% in the EU





SMEs in a green economy – Way forward

- **Ensure the effective implementation and monitoring of SME greening measures through cross-sectoral co-ordination.**
- **Enhance financial support for SME greening**, such as direct subsidies to SMEs or favourable tax policies.
- **Support SMEs' transition to a circular economy** by creating an appropriate policy framework and building on existing support programmes.



Supporting SMEs' transition to a circular economy

The Glasgow Chamber of Commerce hosts “**Circular Glasgow**” to build best practices and capacity on the circular economy across businesses.

Its aim is to facilitate partnerships and peer-to-peer learning between businesses of all sizes to encourage SMEs to engage in circular practices.

Following each edition, ways to turn the winning ideas into pilot projects are explored.

Its work has been used to develop Glasgow's Circular Economy Route Map (2020-2030) to reflect and shape a circular economy approach.



Circular Glasgow raises awareness on the **£18 million** Circular Economy Investment Fund dedicated to SMEs

Activities part of Circular Glasgow

- 1 **Workshops and events** – a series of knowledge-sharing business-to-business networking events
- 2 **Circle Assessment** – an online tool which helps businesses understand opportunities to become more circular
- 3 **Circle Lab** – an online hackathon event to find a circular solution to local challenges



>> What can Albania learn from this example?

Relevance for Albania

- **Building on enhanced co-operation with business associations**, the government could facilitate circular economy initiatives, such as Circular Glasgow.
- **Improved access to green finance** envisaged by the new BIDS could boost eco-innovation and resource efficiency.
- This can be the basis upon which further, **more targeted circular policies** can be built.
- **These activities could create the basis for drafting the strategic documents** required to promote and implement efficient circular economy policies

In the Western Balkans, only **Serbia** (2020) and **Montenegro** (2022) have prepared Roadmaps for the Circular Economy, important documents which set the guidelines to draft relevant strategies.

SMEs are important for achieving objectives regarding the circular economy, both by making their business operations more circular and by contributing to the innovation that can strengthen circularity across economies.

The Green Deal and the new **Circular Economy Action Plan** are the EU's guidelines on this topic.



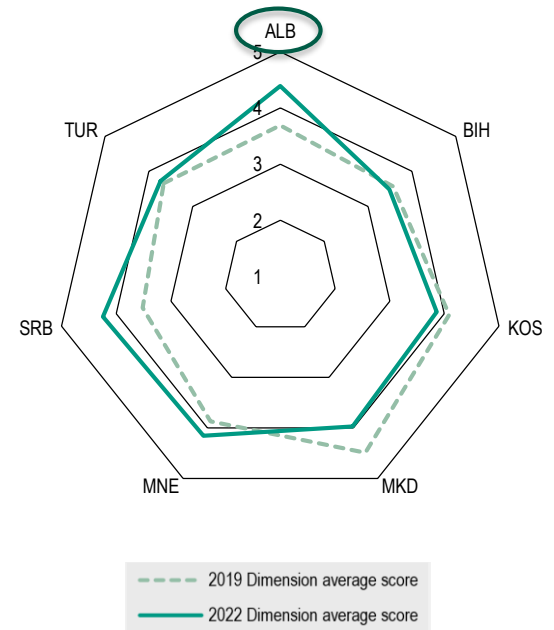
More information is available on the [EU Green Deal](#) and the [EU Circular Economy Action Plan](#)





Great progress was achieved to strengthen the public procurement framework

- 1 The regulatory framework has improved considerably to comply with EU requirements
- 2 The new PPL has measures to increase SME participation, while others create barriers to access to the public market
- 3 The e-procurement system has reduced procedures and costs and improved data collection
- 4 Data on SME participation is not collected



1.75 billion EUR

was the **market for public contract** in 2020, double the amount of 2019



2% bid security

is **obligatory for contracting authorities** in all procedures above the low monetary threshold





Public procurement – Way forward

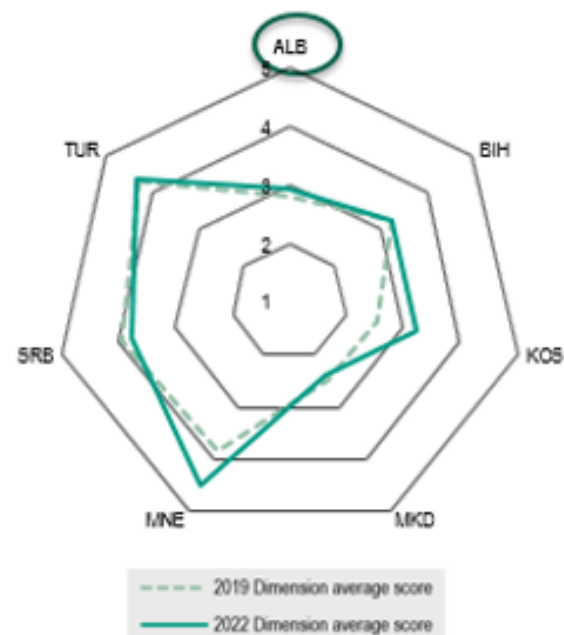
- **Amend certain provisions of the Public Procurement Law to align with EU standards**, related to the mandatory disqualification of economic operators/
- **Monitor SME participation in public procurement procedures.**





Inter-agency co-ordination of entrepreneurial learning is still lacking despite a strong strategic framework

- 1 Despite a relatively strong strategic framework for entrepreneurial learning, a coherent approach across government agencies is missing
- 2 Entrepreneurial learning remains under-developed in terms of co-ordination, curriculum and assessment
- 3 Women's entrepreneurship is included in mainstream policy through concrete actions including graduate placements and additional funding
- 4 Progress can be seen in raising awareness and co-ordination between different organisations working in women's entrepreneurship



75% of OECD recommendations

have been partially implemented in Albania since 2019



20% of GDP is lost due to gaps in the participation of women entrepreneurs

is lost due to gaps in the participation of women entrepreneurs



49.9% of women participate in the labour force in Albania

participate in the labour force in Albania





Entrepreneurial learning and women entrepreneurship – Way forward

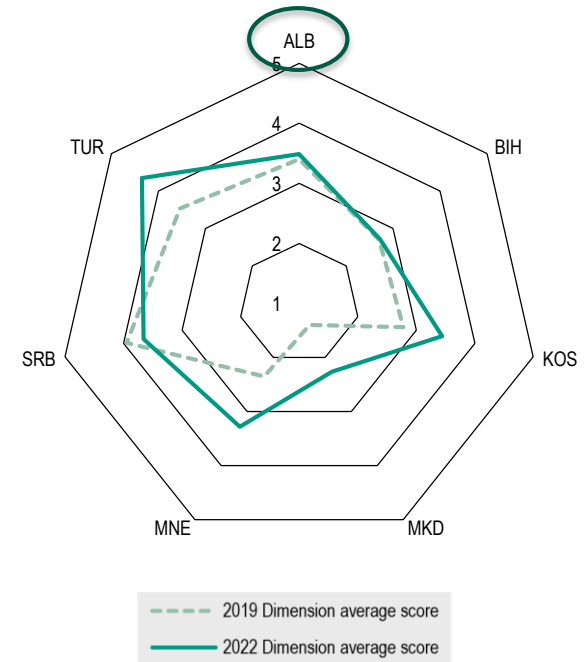
- **Establish a national partnership for entrepreneurial learning** or identify a relevant multi-stakeholder partnership body to take lead responsibility and coordinate and guide implementation, monitoring and evaluation
- **Prioritise the harmonisation of university teacher training programmes** with training content to support teacher awareness and knowledge of how to embed entrepreneurship key competence.
- **Strengthen transparency and visibility on the progress and support of actions for women's entrepreneurship**





Skills development has been strengthened despite limited progress in coordinating information

- 1 There is a commitment to develop a system-level skills intelligence framework
- 2 A budget has been allocated to develop and implement a national skills intelligence framework
- 3 Support and training available SMEs' skills development opportunities has increased
- 4 Information and guidance on available training is available but fragmented



10.2% of SME value

was *lost* in 2019-20 in Albania, highlighting *skills gaps*



6 new programmes

Funded by international partners have been introduced to *provide SME support and training*





Enterprise skills – Way forward

- **Prioritise efforts to establish sector skills committees**, as a pathway to support greater understanding of labour market skills needs and encourage co-operation between education and business.

- **Design and implement a comprehensive approach to SME skills intelligence.**



Strengthening skills intelligence through statistical barometers

A set of statistical barometers has been developed in Kosovo to strengthen the skills agenda.

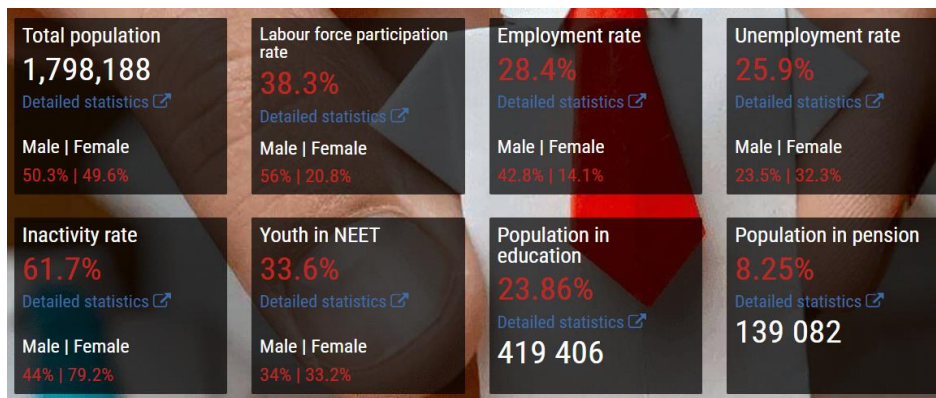
This example shows a pathway to **shaping a domestic skills intelligence framework**.

It aims at supporting evidence-based policy making using robust information on **skills mismatch** and **future skills needs**.

These initiatives have been **funded by international development cooperation partners** towards sustainable action led by a **partnership of public and private sector institutions**.

The three barometers so far established are:

- 1 Labour Market Barometer**, which collates information and analysis from 12 institutional data sources
- 2 VET Barometer**, which collates 200+ variables from 20 vocational education and training (VET) schools
- 3 Skills Barometer**, launched in December 2021, which will collate 3-5-year forecasts of skills needs from businesses in Kosovo to inform government and other institutions



Picture: Kosovo Labour Market Barometer, example of statistics collected



What can Albania learn from this example?

Relevance for Albania

- **Access to support and training remains fragmented**
- Some platforms already exist but are led by international development co-operation partners
- Kosovo's example can be used ensure **high-quality implementation** of the commitments outlined in the BIDS
- This should be **led by AIDA in co-ordination with all relevant stakeholders** (e.g. skills forecasting by the National Employment and Skills Agency)
- Skills barometers would be beneficial for Albania's **smart specialisation process**.
- They are also good practice of **ensuring sustainability for the work initiated through funding by external partners**.

For example, the Labour Market Barometer was developed with the support of **ALLED2** and is now managed by the **Employment Agency**.

Improving skills intelligence is the foundation of upskilling and reskilling for SMEs and their employees.

The European Commission has highlighted the significant **constraints in the Western Balkans to business caused by skills**; national skills intelligence must form a critical part of any solution.



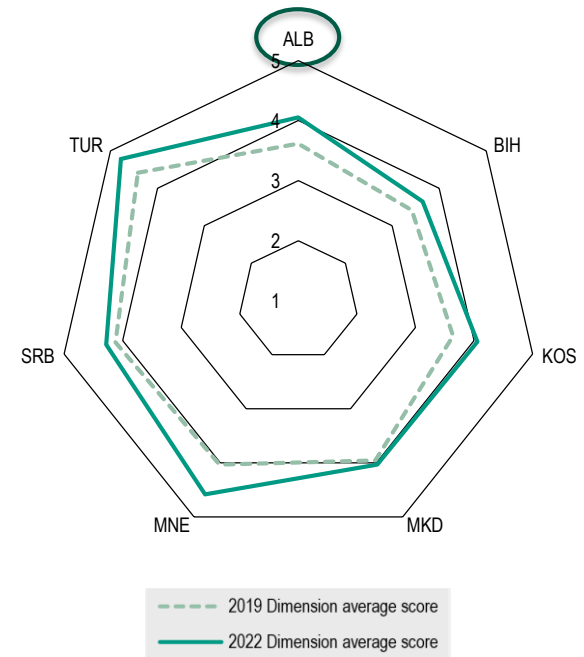
More information is available on the [European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience](#) and [skills barometers](#)







Albania has enhanced its legal framework for SME support and facilitated access to information on available BSSs

- 1 The strategic framework has been considerably improved
- 2 The government has amplified AIDA's role as a BSS provider
- 3 Access to Finance portal was launched, serving as a one-stop-shop to assist Albanian SMEs
- 4 Accreditation requirement for private-sector consultants is underway



 **2327**
support services
were provided by Albania in this
assessment cycle

 **75%** of OECD recommendations
were fully or partially implemented
since 2019

 Albania is one of the **3** WBT
economies that
centralised all information about
available BSSs by launching a dedicated
portal





Support services for SMEs – Way forward

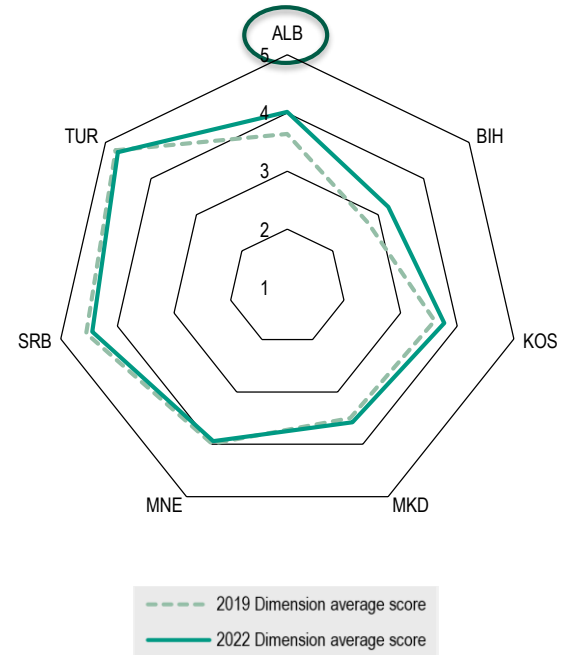
- **Further streamline and upgrade the procedures for applying for business support services.** Co-ordinating information exchange between the central AIDA office and other relevant state bodies, such as the tax office or local municipalities, could help SMEs in their application process by reducing the administrative burden they face.
- **Establish a searchable database of training and support available to SMEs on the AIDA's website**





Albania has continued to align with EU standards and technical regulations but would benefit from increased resources in key institutions

- 1** Albania's multilateral agreement with the European Co-operation for Accreditation was expanded, lowering barriers to exports
- 2** Progress in adoption of EU standards has been made, but the Directorate for Standardisation would benefit from increased staff
- 3** Harmonisation with the EU market surveillance regulation remains outstanding



74% of Albanian exports

go to the European Union, the second highest share in the WBT region



35% increase

in the number of accredited conformity assessment bodies in Albania compared to 2019





Standards and technical regulations – Way forward

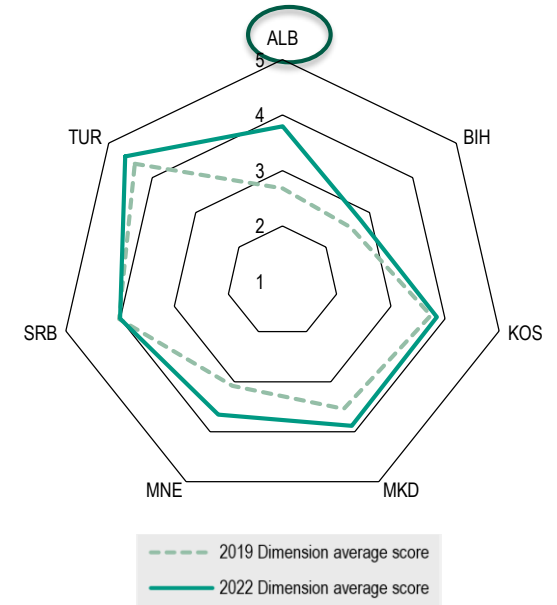
- **Improve ease of access to information on standardisation for SMEs, especially those interested in exporting to the EU single market**
- **Expand the scope of multilateral agreements in accreditation**





Albania's new strategic framework boosted SME internationalisation efforts with more support available

- 1 **Albania improved its export environment, with further actions to be taken in 2022**
- 2 **AIDA is redesigning its SME support schemes although with limited capacity**
- 3 **With the implementation of new programmes, efforts to upgrade its position in GVCs have been intensified**
- 4 **Regulatory framework for e-commerce has been reinforced, although uptake remains below par**



39% of surveyed SMEs in Albania

use e-commerce to sell their goods and services



60% of surveyed SMEs in Albania

*quote **lack of export capacity** as a major deterrent to exporting*



Albania is one of the **4** WBT economies

*implemented **cluster development** programmes since 2019*





Internationalisation of SMEs – Way forward

- **Improve the digital infrastructure for export promotion and to attract export-oriented foreign direct investment.**
- **Create a conducive business environment for SME digitalisation and e-commerce uptake.** Ensure that the regulatory framework and tax legislation are harmonised and clearly define the scope of e-commerce and e-payments.
- **Ensure effective implementation of the Business Development and Investment Strategy (2021-2027)** in the context of the internationalisation of SMEs through proper monitoring and evaluation



Digitalising export promotion support: Pro Comer

ProComer offers a broad array of information on trade facilitation, export statistics and market studies available to SMEs.

It also offers a **variety of digital tools** at their disposal. By digitalising a large majority of export promotion activities, especially capacity building and support services for SMEs, ProComer facilitated access to available programmes and became more **inclusive to microenterprises and SMEs with limited resources**, as all of ProComer's digital tools are provided free of charge.



Digital tools:

- Training modules on export readiness
- Customs facilitation
- Company registration
- Integrated logistics system

Single Window for Foreign Trade

- Customs facilitation procedures
- One-stop shop for online capacity building on customs procedures, rules of origin and sector-specific requirements

Single Window for Investment

- One-stop shop for all procedures necessary for foreign companies to establish operations in Costa Rica
- Assists companies to operate within special economic zones



What can Albania learn from this example?

Relevance for Albania

- Establishing **online platforms** enabling SMEs access to export promotion services would contribute to further boosting Albania's exports and improve SME export capacity
- Building on the digitalisation of the SME grant application and the scope of the e-Albania portal, Albania could introduce **online capacity building and guided support to incentivise FDI-SME linkages**, streamlining the process and reducing the cost for SMEs.
- Albania's **B2B match-making portal** connecting relevant suppliers with potential customers domestically and abroad is a great first step to capture the benefits of digitalisation for SMEs.
- Expanding the implementation of the Single Window initiative in Albania, the government could add capacity building features to the portal, which would enable SMEs to access export readiness training online.



OECD Findings on Productivity state that SME-FDI linkages translate into increased labour productivity and employment, further stimulating growth and development. To create new SME-FDI linkages, Albania needs to prioritise improved digital structure for export promotion and GVC integration.

Source: OECD Economic Survey of Costa Rica: Research Findings on Productivity, 2018



Thank you for your attention!

For further information please contact:

Jovana PAVLOVIC DJUKIC

*Project Manager of the SME Policy Index 2022
OECD South East Europe Division*

e-mail: jovana.pavlovicdjukic@oecd.org

Marijana PETROVIC

*Project Manager of the SME Policy Index 2022
OECD South East Europe Division*

e-mail: marijana.petrovic@oecd.org

Available on the OECD iLibrary as of 8 July

