



The Contribution of SMEs to the Economic Growth (Case of Albania)

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Abstract : Small & Medium Sized Enterprises have an important place in the economical development of Albania. They already consist of the majority of private business and they are the main source of employment generation, innovation and productivity growth. In this context an important determinant of the Albanian economy development lies in the development of small and medium enterprises, which is not based only on the number of start-ups but also on the positive change of business environment and entrepreneurial skills.

The aim of the research is to examine the contribution of SMEs to the economic growth of the country through employment generation, building of added value, GDP, export activities etc., and the changes in entrepreneurial skills of Albanian SMEs to foresee the ways of improvement and enterprise development.

The methods of research are: analysis and synthesis of the scientific literature discussing the problems SMEs are facing and the environmental changes; the systematic statistical data analysis of Albanian entrepreneurial skills of small and medium-sized enterprises.

The analysis shows that from the weakest dimensions of SME sector in Albania are entrepreneurship education and training and the promotion of innovation and use of new technologies.

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Keywords: SMEs, economic growth, Albania

JEL CLASSIFICATION: O10, L29

1. INTRODUCTION

Small & Medium Sized Enterprises have an important place in the economical development of Albania, they already consist of the majority of private business which operate and are widespread from the biggest cities to the remote areas of the villages. They are dynamic and flexible and can afford the changes in the business environment and economical fluctuations. By the same time they are the main source of employment generation, innovation and productivity growth.

Albania passed from a centrally planned to a well functioning market oriented system. In the last years, Albanian government has introduced many policies aiming to promote entrepreneurship through SME development. The main weaknesses of the SME sector in general are limited access to finance, a low degree of professionalism, difficulties in recruiting qualified personnel, and the absence of economies of scale and it is these areas which may require special attention. By understanding the problems faced by SMEs in Albania it could be provided the necessary background to develop policies for their support.

Increasing the number of enterprises and entrepreneurs will not have an impact on the economy; if there will not be considered quality measures such as growth, innovation and internationalization. Economies

need to enable people to start businesses when it is necessary; but they also need to encourage those attracted by opportunity to venture into entrepreneurship, even when they have other work options (Kelley at al., 2011, p.10).

The approach taken in this paper analyses effects SMEs have in terms of innovation, technological development and economic growth. After the introduction part, a survey on enterprise situation in Albania takes place. The third chapter of the study is related to the weaknesses SMEs are facing, while in chapter four are discussed the obstacles of doing business in Albania. After an analysis of the competitiveness of the economy in Albania the conclusions part takes place.

2. A SURVEY ON ENTREPRISE SITUATION IN ALBANIA

Albania as a country attempting to become member of EU, amended the law no. 8957, date 17-10-2002 “On Small and Medium Enterprises” on 29-10-2008 with the new law *no.* 10183 in order to bring the SME definition closer to EU standards. The definition is stated in article 4 of this law:

- Micro, small and medium enterprises (SMEs) includes those entities which employ fewer than 250 people and have an annual turnover that does not exceed 250 million Albanian Lek.
- Small enterprises are those entities which employ less than 50 persons and have an annual turnover that does not exceed 50 million Albanian Lek.
- Micro enterprises are entities which employ less than 10 persons and have an annual turnover that does not exceed 10 million Albanian Lek.

Despite the fact that the law on small and medium enterprises has changed since October 2008, the last survey relating to the structure of economic enterprises for the year 2009 published by the Albanian Institute of Statistics (INSTAT) in 2011, relates to the enterprise classification stated by the former law no. 8957. The criterion adopted by this law is only according to the employee number, annual turnover is not taken into consideration. 56

According to this survey total number of enterprises for the business sector (Table 1 & 2), for the year 2009 is 73,702. Enterprises with 20 and more employed are only 2% of total number of enterprises. Although small in number, they dominate the economy by employing 45% of total number of labor and by realizing 28% of total turnover and 66% of total investments. These enterprises are dominant in the sectors of industry and construction.

Enterprises with 1-4 employed represent 92% of total enterprises, but their effect on Albanian economy is opposed to their number. These enterprises are dominant in service producers and for the year 2009 they have realized 19% of total turnover and 14% of total investments. Although their realized turnover and investments are low considered to other size enterprises, they employ a considerable percentage of the labor force, 39%.

Enterprises with 5-9 employed represent 6% of total enterprises, employing 16% of total labor force and realizing 24% of total turnover and 20% of total investments. These enterprises are dominant in trade and construction companies.

For the year 2009, trade sector represents 48,4% of total enterprises, 26.8% of total employed and has realized 46,7% of total turnover and 14,4% of total investments. The industry sector represents a significant value of investments (38,5% of total investments) and employed labor (30,8% of total employed). High investments are also realized in the transportation and communication sector by 24,4% of the total value.

Table 1: Enterprises, Employed, Turnover, and Investments by size of Enterprises, 2009

Size of Enterprises	Enterprises		Employed		Turnover		Investments	
	Number	%	Number	%	mil ALL	%	mil ALL	%
Total	73.702	100	251.000	100	1.149.470	100	93.601	100
1 - 4 employed	67.471	92	97.317	39	214.557	19	12.988	14
5 - 19 employed	4.746	6	40.825	16	270.351	24	18.493	20
20+ employed	1.485	2	113.658	45	664.562	58	62.121	66

Source: INSTAT (2011), "Results on Structural Survey of Economic Enterprises, 2009", p. 7

Table 2: Enterprises, Employed, Turnover and Investments by Activity, 2009

Economic Activity	Enterprises		Employed		Turnover		Investments	
	Number	%	Number	%	mil ALL	%	mil ALL	%
Total	73.702	100	251.000	100	1.149.470	100	93.601	100
Goods Producers	11.760	100	16	114.419	100	45	434.274	100
Industry	8.468	11,5		77.642	30,8		225.062	19,6
Construction	3.292	4,5		36.777	14,6		209.212	18,2
Service Producers	61.942	84	137.381	55	715.196	62	48.162	51
Transp.&Comm.	8.125	11		23.924	9,5		114.365	9,9
Trade	35.642	48,4		67.548	26,8		536.625	46,7
Services	18.175	24,7		45.909	18,2		64.206	5,6

Source: Ibid, p. 8

The total number of enterprises by year of formation according to their economic activity including also some other sectors such as agriculture & fishing, hotels, coffee, restaurants and other services is shown in table 3. Apart from private enterprises, it includes also the public ones. For the year 2009 the total number of these enterprises results 106,477, with an increase in 12,823 from the year 2008. The year 2008 results with the highest number of enterprise formation, 17,028 enterprises, from 2003 to 2009.

Table 3: Active enterprises by year of formation and economic activity, 2009

Year	Total	Producers of goods	Agriculture & Fishing	Industry	Construct.	Prod. of services	Trade	Hotels, Coffee, Restaurants	Transp. & Comm.	Other Services
Total	106,477	16,164	1,283	9,939	4,942	90,313	50,197	15,712	10,229	14,175
2009	12,823	1,841	251	1,049	541	10,982	5,214	2,356	1,391	2,021

2008	17,028	2,598	384	1,570	644	14,430	7,620	2,740	1,639	2,431
2007	11,835	1,784	156	998	630	10,051	5,248	1,342	1,436	2,025
2006	11,981	1,671	92	978	601	10,310	5,918	2,235	743	1,414
2005	8,174	1,158	50	648	460	7,016	3,825	1,477	573	1,141
2004	7,776	908	59	569	280	6,868	4,378	1,072	699	719
÷2003	36,860	6,204	291	4,127	1,786	30,656	17,994	4,490	3,748	4,424

Source: INSTAT (Albanian Institute of Statistics), Enterprise Economic Indicators

SMEs are mainly concentrated in Tirana (Table 4), the capital of Albania and also in the coastal areas such as Durres, Vlore. On the Tirana-Durres corridor are concentrated more than half of enterprises employing more than 50 employees. Other prefectures with a high number of enterprises are Fier and Korca, Elbasan. In the northern prefectures of the country Kukës, Diber, business activity is very low.

Table 4: Geographical Distribution of Enterprises, 2009

Prefecture	Total	Grouped by the number of employed			
		1-4	5-9	10-49	50+
Total	106,477	97,900	4,539	3,238	800
Berat	4,146	3,893	112	114	27
Dibër	1,945	1,762	84	85	14
Durrës	12,609	11,590	561	363	95
Elbasan	7,095	6,554	290	210	41
Fier	9,435	8,804	304	279	48
Gjirokastër	3,008	2,726	148	100	34
Korçë	7,812	7,350	220	201	41
Kukës	981	851	69	54	7
Lezhë	2,990	2,725	139	103	23
Shkodër	6,483	6,012	219	204	48
Tiranë	41,007	37,332	2,001	1,295	379
Vlorë	8,966	8,301	392	230	43

(Source: Ibid)

3. WEAKNESSES OF SME-S

The main weaknesses of SMEs are generally related to a higher or lower degree of accessibility to the main resources: finance, technology, knowledge. On one hand, financial limitations often result from the owner-manager's unwillingness to diversify the ownership structure. On the other hand, access to the international financial market is limited due to informational asymmetry, lack of security and reputation.

SMEs also have limited access to knowledge, whether they want to attract and maintain people with special talents, develop their own educational or training systems, or have their human resources specialize within the existing organizational structure. Double capacity for individual positions is rarely provided, formal differentiation of functions are rare, and thus also specialization in specific knowledge and skills.

Lack of knowledge, considering the demands of environment and business, even when operating in the local market, can be a serious problem of small business nowadays. This refers both to formal education and to business experience in general.

The global economy has shown fast transformations based on rapid developments of technology and knowledge. Enterprises in Albania should be able to respond to the increased competition from the globalization process. In a well organized market, where SMEs are allowed to be flexible and have the possibility to adapt to the conditions of fierce competition, development of SMEs will contribute to the long-term economic stability. In February 2007, the Ministry of Economy, Trade and Energy launched the Business and Investment Development Strategy 2007-2013, aiming to establish a stable Government-business partnership and friendly environment for the application of investment and export policies through industrialization and orienting investment to high-technology branches. As it is stated : “The mission of the Strategy is to guide the Government policy toward the steady growth and dynamic development of Albanian business entrepreneurship, productivity and competitiveness, investment promotion and orientation, and better use of financial, human and natural resources, etc.” (Republic of Albania, Ministry of Economy, Trade and Energy: 2007, p.7). As it is stated in the Strategy, the priorities in the development of SMEs sector include:

- Harmonization with sector strategies that have an impact on the SME sector.
- Ensured transparency of decisions, actions and actions affecting the business environment.
- Ensured fair competition and support for the integration of SMEs in the international market.
- Development of information technologies and entrepreneurship culture. (ibid, p.17)

4. OBSTACLES OF DOING BUSINESS IN ALBANIA

The World Bank Report, Doing Business in Albania, 2011 has ranked Albania 82nd out of 183 economies for the ease of doing business, while Croatia is ranked 84th, Greece 109th and Bosnia & Herzegovina 110th. Starting a business, as shown in table below, is easier than dealing with it due to reforms undertaken to smooth the starting process in day numbers, procedures and low entry costs. Dealing with construction permits is too much costly in money and time and has a lot of procedures and Albania is ranked 170th out of 183 economies. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction (World Bank, 2011, pg. 13). Reforms are needed to be taken in lowering transfer taxes and government fees in order to make it more easier the property registration process. Protecting investors is important due to the possibility of companies to find the financial resources required to invest, grow, and innovate. Albania is facing problems in paying taxes because of the large share of informal sector activity. Compared to previous years, the government by amending several laws and reducing social security contributions, made it less costly for companies to pay taxes. Improving trade conditions across borders is an important issue for business in today`s globalization efforts. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading cost than from a similar decrease of the tariffs applied to their products in global markets (Ibid, pg. 54). Closing a business, which is ranked the last among the 183 economies, remains the hardest

part in dealing with a business in Albania. Table 5 below gives the detailed information related to the ranking of Albania beside the other 182 economies in doing business.

Table 5: Albanian`s ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	82
Starting a Business	45
Dealing with Construction Permits	170
Registering Property	72
Getting Credit	15
Protecting Investors	15
Paying Taxes	149
Trading Across Borders	75
Enforcing Contracts	89
Closing a Business	183

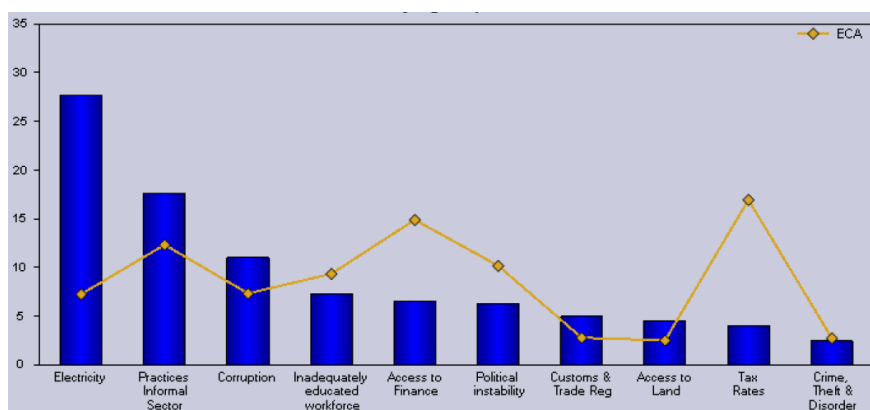
Source: World Bank Report, Doing Business in Albania 2011, p. 2

The “Albania Country Profile – 2007, Enterprise Surveys” conducted by the World Bank and the International Finance Corporation between November 2007 and March 2008, focused on the factors that have role in shaping the business environment. These factors can be accommodating or constraining for firms and play an important role in whether a country will prosper or not (World Bank, 2008, p.3). An accommodating business environment offers incentives for firms in order to be more innovative and to increase their productivity and efficiency. As productivity and efficiency are increased, employment too is expanded and the contribution to taxes is increased. Increases in taxes yields increases in public investments. While an accommodating business environment is essential for a sustainable economic development, a poor business environment becomes an obstacle for the increase of business activities and by the same time decreases employment opportunities as well as production and welfare.

Figure 1 below presents the main obstacles identified by the firms during the years 2007 – 2008, in the survey done by the World Bank. As the graph shows, electricity is identified as the main constraint by the firms, followed by the practices informal sector and corruption.

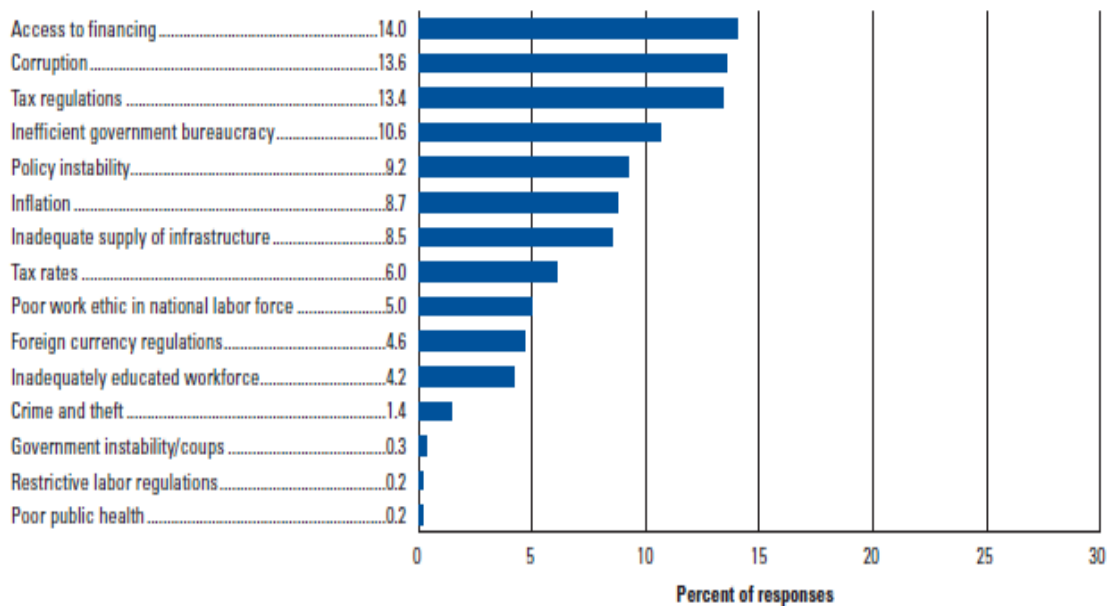
The survey conducted by World Economic Forum for the years 2010 – 2011 (figure 2), reports that electricity is not any more a constraint for the firms, and this is a big progress for the Albanian business environment, because businesses and factories are dependent on electricity supplies in order to perform their activity without interruptions and shortages. Unfortunately, the same cannot be viewed for access to finance factor, which has increased as a problem for the firms from 7.5% in 2007-2008 to 14%, while corruption continues to be one of the main obstacles with approximately the same value, 13.6%.

Figure 1: Percent of Firms Identifying the Problem as the main Obstacle, 2007-2008



Source: World Bank, 2008, p. 4

Figure 2: The Most Problematic Factors for Doing Business, 2010 - 2011



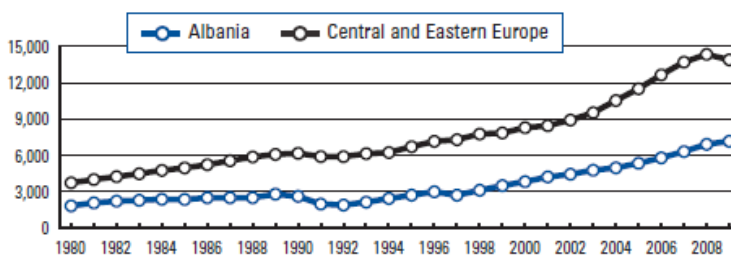
Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: World Economic Forum, 2010, The Global Competitiveness Report 2010-2011, p.74

5. COMPETITIVENESS OF THE ALBANIAN ECONOMY

During the 20 year period of democracy and open trade market, Albania has maintained a macroeconomic stability with a steady growth (figure 3), but a low competitiveness.

Figure 3: GDP (PPP) per Capita (int'l \$) 1980-2009



Source: Ibid, p.71

While progress is visible in restructuring economy and productivity growth, competitiveness is still low and based on factor (labor) costs rather than high value added products or services (Bahiti, R., Sahini, B., 2010, p. 12). In the ranking done from the World Economic Forum, Global Competitiveness Report 2010-2011, Albania has shown a slight improvement in competitiveness being ranked 88th with a score of 3.94 out of 139 countries, while in 2009-2010 report is ranked 96th out of 133 countries with a score of 3.7. From the 3 stages of economic development that this report has grouped the country economies, Albania is positioned in the second stage, being classified as an efficiency driven economy as shown in the figure 4.

According to the assumptions done from the Global Competitiveness Index, which are in line with the well-known economic theory of stages of development, the economies are grouped into: 1. Stage – factor driven economies; Transition stage 1-2 economies; 2. Stage – Efficiency driven economies; Transition stage 2-3 economies; 3. Stage – Innovation driven economies.

In the factor driven stage, the countries competitiveness is merely based on unskilled labor and natural resources owned, which result on low price, low quality basic products. The basic requirements to maintain competitiveness in this stage are shown in figure 5, such as public and private institutions, a developed infrastructure, stable macroeconomic environment, and a healthy workforce which have at least primary education.

In order for a country to pass from the first to the second stage, where it becomes an efficiency driven economy, it should become more competitive by increasing productivity (improving production process and quality) and wages but not prices. To increase competitiveness (shown in figure 5), they should be focused on higher education and training of employees, providing an efficient goods market and a well-functioning labor market, developing the financial market, efficiently uses the existing technologies and increases the market size.

As businesses become competitive with new and unique products, this competitiveness will be associated with an increase in the standards of living and wages of the country. At the innovation driven stage, companies must produce differentiated products by using sophisticated production processes, and increasing innovation in order to compete.

The Global Competitiveness Index defines competitiveness “...as the set of institutions, policies, and factors that determine the level of productivity of a country (Global Competitiveness Report 2010-2011, p. 4)”. It has grouped into 12 pillars of economic competitiveness many different components, each measuring different aspects of competitiveness. Table 6 shows the evaluation of Albania according to these pillars for the year 2010-2011, while the figure gives a performance comparison between Albania and the average scores across all the economies.

The institutional environment is determined by the legal and administrative framework within which individuals, firms, and governments interact to generate income and wealth in the economy (Ibid, p. 4). The quality of institutions has a strong influence in the investment decisions of the businesses. Albania is ranked 116th for the protection of property rights and 101st in the intellectual property, which negatively

effects investments in improving and up keeping the properties. Other problems which should be improved in Albanian institutions are related to: juridical independence, strength of auditing and reporting standards; problems with the organized crime and bribery should be solved as soon as possible. The scores and rankings of the global competitiveness index are given in details in the appendix.

Well developed infrastructure (2nd pillar) is critical for providing an effective functioning of the economy of a country as it reduces the distances between regions, and lowering the costs of connecting the national market with the other markets internationally. Quality of railroad and port infrastructure is very low in Albania, which forms an obstacle for the entrepreneurs to get the transportation of goods and services to market safely and on time. A well-developed transport and communication infrastructure network is a prerequisite for the access of less-developed communities to core economic activities and services (Ibid, p.5).

A stable macroeconomic environment (3rd pillar), is important for the economy to grow in a sustainable manner, although it alone cannot increase the productivity of the country. Albania has continuous budget deficits and high interest payments on debts, which become a constraint for the government for further investments in areas such as education, public health and infrastructure, which are necessary for future growth of the country.

A healthy (4th pillar) and a qualified and trained workforce with higher education (5th pillar) are crucial for an economy that wants to grow up. Poor health of employees has costs to the business due to their low level of efficiency in the work. Albania has a healthy workforce, but efforts need to be made in order to increase workers' skills and adaptability to the changing environment and the evolution of the production systems.

Having an efficient goods market (6th pillar), enables countries to produce the right mix of products and services in accordance to their supply and demand conditions. By the same time it ensures an effectively trade of these goods in the market. The best possible environment for the exchange of goods requires a minimum of impediments to business activity through government interventions (Ibid, p.5). Albania shows a low intensity of local competition and anti-monopoly policies. Time to start a business is very short, although its impact on market efficiency is low.

Efficient labor markets (7th pillar) facilitate the allocation of labors to their most efficient use in the economy, at low costs. The brain drain is one of the constraints of this pillar for Albania, due to higher wages offered from other countries abroad.

An efficient financial sector (8th pillar), channels the financial resources according to investments expected rate of returns, which is directly related to the productivity increase. Availability of financial systems is low in Albania and is one of the main constraints in doing business and development of the businesses.

The technological readiness (9th pillar), measures the ability of the market to adopt the available technology in order to increase productivity. The availability of latest technologies and the firm-level technology absorption is low in the Albanian case, leading to low competition and low productivity.

Large market size (10th pillar), leads to increased production and achievement of economies of scale from the business. Albania has a low number of populations, domestic market, and the foreign market size too is low.

Business sophistication concerns the quality of a country's overall business networks as well as the quality of a country's overall business networks as well as the quality of individual firms' operations and strategies (Ibid, p. 8). Albania needs to improve the local supplier quality and quantity and also develop clusters to offer greater opportunities of innovation.

Innovation (12th pillar) is the only factor which can increase standards of living in the long-run. Under the innovation pillar are included factors such as capacity for innovation, quality of scientific research

institutions, government procurement of advanced technological products, availability of scientists and engineers..., which are all directly related to the other pillars such as higher education and training (pillar 5), technological readiness (pillar 9), financial market development (pillar 8) and goods market efficiency (pillar 6). For Albania in order to increase innovation and so to increase its competitiveness and to grow, first of all it should other improve the factors related to the other pillars, because they are not independent from each other, they tend to reinforce or to negatively impact on each other if a weaknesses exists.

Figure 4: Stage of Development

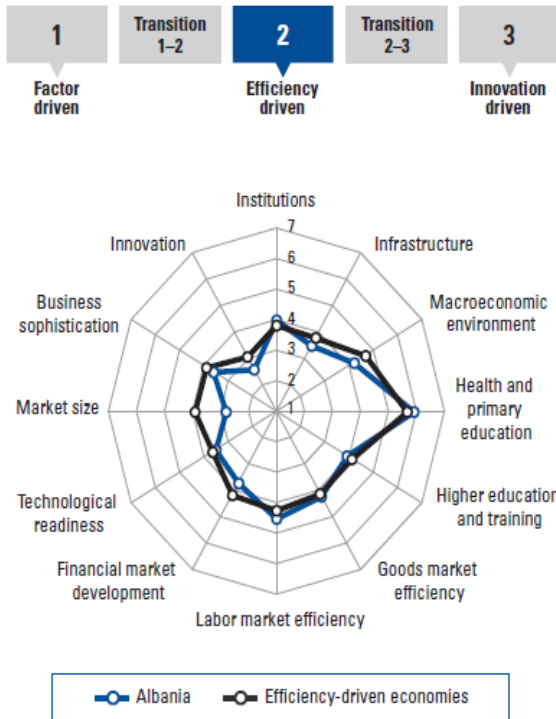
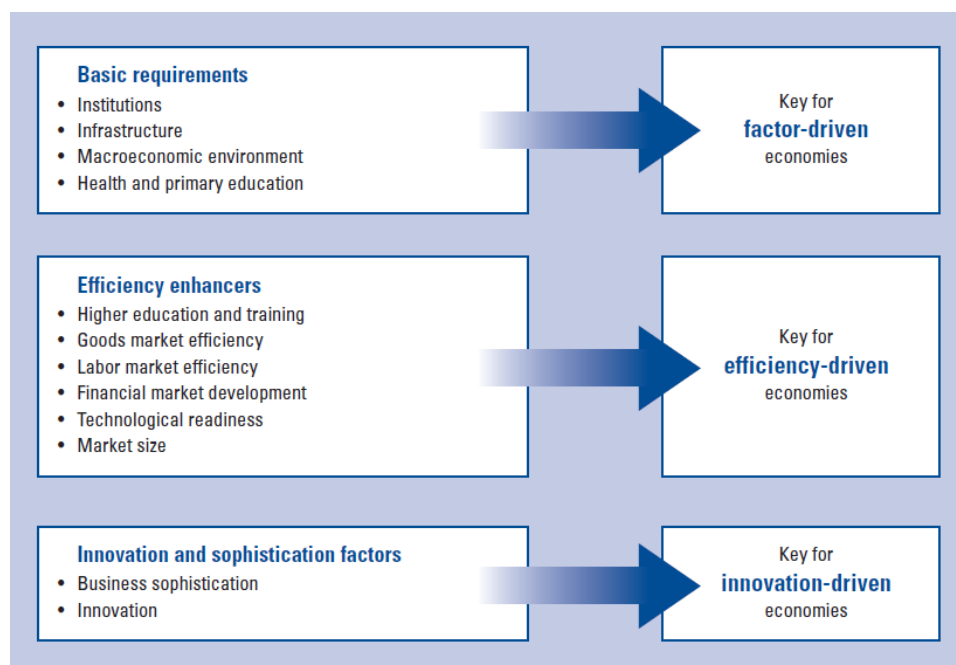


Table 6: Global Competitiveness Index

	Rank (out of 139)	Score (1-7)
GCI 2010-2011	88	3.9
GCI 2009-2010 (out of 133).....	96	3.7
GCI 2008-2009 (out of 134).....	108	3.6
Basic requirements	75	4.4
1st pillar: Institutions	63	4.0
2nd pillar: Infrastructure.....	89	3.5
3rd pillar: Macroeconomic environment.....	101	4.2
4th pillar: Health and primary education	56	5.9
Efficiency enhancers	89	3.8
5th pillar: Higher education and training	84	3.9
6th pillar: Goods market efficiency.....	63	4.2
7th pillar: Labor market efficiency	63	4.5
8th pillar: Financial market development.....	100	3.7
9th pillar: Technological readiness.....	72	3.5
10th pillar: Market size.....	103	2.8
Innovation and sophistication factors	104	3.1
11th pillar: Business sophistication	87	3.6
12th pillar: Innovation.....	121	2.6

Source: Ibid, p. 74.

Figure 5: The 12 Pillars of Competitiveness



Source: Ibid, p.9

6. CONCLUSIONS

Albanian market is dominated by micro companies in number, but it is the small and medium sized enterprises that make the largest contribution to the economy. SMEs are mostly concentrated in the trade sector. Micro and small enterprises dominate in the sectors of services and trade, while medium enterprises dominate in the sectors of industry and construction.

SMEs are mainly concentrated in Tirana, the capital of Albania and also in the coastal areas such as Durres, Vlore, while in the northern prefectures of the country Kukës, Diber, business activity is very low.

The main weaknesses of the SME sector in general are limited access to finance, a low degree of professionalism, difficulties in recruiting qualified personnel, and the absence of economies of scale and it is these areas which may require special attention.

By understanding the problems faced by SMEs in Albania it could be provided the necessary background to develop policies for their support.

During the 20 year period of democracy and open trade market, Albania has maintained a macroeconomic stability with a steady growth, but a low competitiveness. A stable macroeconomic environment is important for the economy to grow in a sustainable manner, although it alone cannot increase the productivity of the country. Increasing the number of enterprises and entrepreneurs will not have an impact on the economy; if there will not be considered quality measures such as growth, innovation and internationalization. Most policymakers and academics agree that entrepreneurship is critical to the development and well-being of society (Kelley et al., 2011, p.12). The more competitive will the economies be, the higher will be the level of income produced for their citizens.

The competitiveness in Albania is improving, resulting in a small convergence in performance, from a score of 3.7, ranked 96th out of 133 countries in 2009-2010 Global Competitiveness Index, to a score of 3.94, ranked 88th out of 139 countries in 2010-2011.

The 12 pillars of economic competitiveness defined by Global Competitiveness Report are not independent, but tend to enforce each other. For example, innovation (pillar 12) will be very difficult without a well-educate and trained workforce (pillars 4 and 5) that are adept at absorbing new technologies (pillar 9), and without sufficient financing (pillar 8) for R&D or an efficient goods market that makes it possible to take new innovations to market (pillar6) (Global Competitiveness Report 2010-2011, p. 8). Albania as a country positioned in the second, efficiency driven stage, has a lot of improvements to do, especially in the inventions pillar. It must begin to develop more efficient production processes and increase quality. To increase competitiveness, they should be focused on higher education and training of employees, providing an efficient goods market and a well-functioning labor market, developing the financial market, efficiently uses the existing technologies and increases the market size. As businesses become competitive with new and unique products, this competitiveness will be associated with an increase in the standards of living and wages of the country.

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APPENDIX

Table 1: The Global Competitiveness Index in detail for Albania

INDICATOR	RANK/139	INDICATOR	RANK/139
1st pillar: Institutions		6th pillar: Goods market efficiency	
1.01 Property rights	116	6.01 Intensity of local competition	113
1.02 Intellectual property protection	101	6.02 Extent of market dominance	63
1.03 Diversion of public funds	58	6.03 Effectiveness of anti-monopoly policy	109
1.04 Public trust of politicians	63	6.04 Extent and effect of taxation	39
1.05 Irregular payments and bribes	68	6.05 Total tax rate*	84
1.06 Judicial independence	88	6.06 Number of procedures required to start a business*	23
1.07 Favoritism in decisions of government officials	65	6.07 Time required to start a business*	9
1.08 Wastefulness of government spending	53	6.08 Agricultural policy costs	90
1.09 Burden of government regulation	20	6.09 Prevalence of trade barriers	49
1.10 Efficiency of legal framework in settling disputes	59	6.10 Trade tariffs*	44
1.11 Efficiency of legal framework in challenging regulations	56	6.11 Prevalence of foreign ownership	66
1.12 Transparency of government policymaking	49	6.12 Business impact of rules on FDI	53
1.13 Business costs of terrorism	51	6.13 Burden of customs procedures	82
1.14 Business costs of crime and violence	56	6.14 Degree of customer orientation	62
1.15 Organized crime	82	6.15 Buyer sophistication	98
1.16 Reliability of police services	57	7th pillar: Labor market efficiency	
1.17 Ethical behavior of firms	58	7.01 Cooperation in labor-employer relations	42
1.18 Strength of auditing and reporting standards	83	7.02 Flexibility of wage determination	64
1.19 Efficacy of corporate boards	47	7.03 Rigidity of employment*	64
1.20 Protection of minority shareholders' interests	82	7.04 Hiring and firing practices	21
1.21 Strength of investor protection*	15	7.05 Redundancy costs*	89
2nd pillar: Infrastructure		7.06 Pay and productivity	16
2.01 Quality of overall infrastructure	78	7.07 Reliance on professional management	82
2.02 Quality of roads	81	7.08 Brain drain	107
2.03 Quality of railroad infrastructure	109	7.09 Female participation in labor force*	87
2.04 Quality of port infrastructure	100	8th pillar: Financial market development	
2.05 Quality of air transport infrastructure	58	8.01 Availability of financial services	128
2.06 Available airline seat kilometers*	113	8.02 Affordability of financial services	113
2.07 Quality of electricity supply	90	8.03 Financing through local equity market	137
2.08 Fixed telephone lines*	88	8.04 Ease of access to loans	90
2.09 Mobile telephone subscriptions*	22	8.05 Venture capital availability	107
3rd pillar: Macroeconomic environment		8.06 Restriction on capital flows	50
3.01 Government budget balance*	110	8.07 Soundness of banks	107
3.02 National savings rate*	106	8.08 Regulation of securities exchanges	131
3.03 Inflation*	57	8.09 Legal rights index*	6
3.04 Interest rate spread*	76	9th pillar: Technological readiness	
3.05 Government debt*	92	9.01 Availability of latest technologies	90
3.06 Country credit rating*	88	9.02 Firm-level technology absorption	92
4th pillar: Health and primary education		9.03 FDI and technology transfer	74
4.01 Business impact of malaria	1	9.04 Internet users*	55
4.02 Malaria incidence*	1	9.05 Broadband Internet subscriptions*	79
4.03 Business impact of tuberculosis	7	9.06 Internet bandwidth*	59
4.04 Tuberculosis incidence*	36	10th pillar: Market size	
4.05 Business impact of HIV/AIDS	2	10.01 Domestic market size index*	99
4.06 HIV prevalence*	1	10.02 Foreign market size index*	116
4.07 Infant mortality*	61	11th pillar: Business sophistication	
4.08 Life expectancy*	40	11.01 Local supplier quantity	112
4.09 Quality of primary education	58	11.02 Local supplier quality	109
4.10 Primary education enrollment rate*	85	11.03 State of cluster development	123
5th pillar: Higher education and training		11.04 Nature of competitive advantage	95
5.01 Secondary education enrollment rate*	91	11.05 Value chain breadth	129
5.02 Tertiary education enrollment rate*	91	11.06 Control of international distribution	52
5.03 Quality of the educational system	54	11.07 Production process sophistication	64
5.04 Quality of math and science education	62	11.08 Extent of marketing	42
5.05 Quality of management schools	85	11.09 Willingness to delegate authority	76
5.06 Internet access in schools	69	12th pillar: Innovation	
5.07 Local availability of research and training services	94	12.01 Capacity for innovation	100
5.08 Extent of staff training	55	12.02 Quality of scientific research institutions	128
		12.03 Company spending on R&D	91
		12.04 University-industry collaboration in R&D	138
		12.05 Gov't procurement of advanced tech products	63
		12.06 Availability of scientists and engineers	124
		12.07 Utility patents per million population*	90

Notes: Ranks of notable competitive advantages are highlighted. An asterisk (*) indicates that data are from sources other than the World Economic Forum. For further details and explanation, please refer to the section "How to Read the Country/Economy Profiles" at the beginning of this chapter.

Source: World Economic Forum, 2010, The Global Competitiveness Report 2010-2011, p.74