

## The SME in a Globalized Economy. Challenges of the Albania's SME in the Optic of Small Business Act

Eralda Xhafka

<sup>1</sup>Department of Production and Management,  
Faculty of Mechanical Engineering, Albania, [exhafka@fim.edu.al](mailto:exhafka@fim.edu.al)

Elidon Avrami

<sup>2</sup> Bank branch manager, [evavrami@yahoo.com](mailto:evavrami@yahoo.com)

### Abstract

*In the context of globalization, SMEs tends to consolidate and the question of how SMEs manage the competition is intriguing. Besides larger competitors with visible, physical premises, other processes related to globalization are presenting SMEs with both opportunities and threats. The next 5 years are an important benchmark for a number of EU political processes that indirectly effect the well-being of the SME's. SBA is a bright idea how to follow-up and reinvigorate the Lisbon Strategy so that the continuing efforts of Entrepreneurs are focused on the real reforms that they desperately need to implement. All SME face rigid labor markets that keep a large part of the work-force outside the labor market. They have tax systems that not only discourage innovation and creativity but also actually destroy incentives and risk-taking. Entrepreneurs need secure and stable rules. Otherwise they might become disillusioned about the European project as a whole. They know that closer integration can give them increased competitiveness, growth and jobs. They must therefore be able to continue to believe in Europe as their natural platform for trade and investment. The Small Business Act, launched by the European Commission, identifies the right priorities to unleash the potential of the SME. This paper analysis the characteristic of the Albania SMEs, advantages and disadvantages in relation to Globalization and present the solution of the ten principles of SBA as a way forward to improve their performance.*

**Keywords:** Globalization, SME, Small Business Act, European Commission, Albania

### 1. The Small Medium Enterprises in a globalized economy

The importance of SMEs lies in the key role they have in the growth of the states (Feeney and Riding, 1997), the large number of people who rely directly or indirectly on them (Fida, 2008), the contribution they have in achieving certain socio-economic objectives, including poverty reduction (Cook and Nixon, 2000).

Peter Drucker asserted in respect of SMEs that "small businesses represent the main catalyst of economic growth". Entrepreneurship, flexibility and responsiveness to change are attributes of SMEs and are real driving forces of economic development. We can also say that SMEs contribute largely to the increasing standard of living and prosperity. The main reasons of this paper for the impact of the SME in the economic growth are connected with the following factors:

- SME are the 99 % of the active enterprises
- Turnover of SMEs constitute about 71% of the total
- SMEs provide the majority of employment
- SMEs are the most dynamic enterprises

Micro, small and medium-sized enterprises (SMEs) represent an overwhelming proportion of the entrepreneurial structure of the EU. They contribute in large measure to the economic growth, job creation and innovation (essential

for the competitiveness of European companies). In the European Union about 20,70 millions of small and medium-sized enterprises (SMEs) ensure around 2/3 of the jobs in the private sector and represent 99,80% of the total enterprises<sup>1</sup>.

Small and medium enterprises contribute raising the living standards of society by stimulating the economic activity, the diversity of products offered to consumers and creating new jobs.

According Graham Bannock (2005) small and medium enterprises have always played a very important role in economic and social life of any country, being the basis of the development of the economy. Dynamism, flexibility, adaptability, mobility and their innovative potential are considered to be essential for the harmonious development of the economy of any Member State, and may ensure the cohesion of the economic structure, good economic growth and, of course, creation of new jobs.

The globalization process for SMEs can be realized through cross border activities, including trade, international investment, and participation in strategic alliances, partnerships and networking arrangements. The globalization of business has increasingly drawn SMEs, especially those in sectors subject to strong globalization forces, into global value chains through different types of cross-border activities. There is evidence that a group of SMEs with high-growth potential require early access to international markets to ensure their development and growth. Generally SMEs evidence suggests that the contribution they make to local and national economies remain underrepresented in the international economy but this situation is changing.

Those SMEs which are internationally active tend to be larger than the average SME. The average SME employs less than 10 people, whereas the bulk of SME exports and international investment comes from SMEs which employ more than 50 or 100 employees. Most net job creation and wealth creation seems to come from either fast growth firms or from net startups and large firms are net destroyers of jobs. Therefore, only if the globalized economy is conducive to the startup and growth of entrepreneurial SMEs then the process of globalization will be seen as a positive force of net job.

It is suggested that to a number of factors such as rapid changes in ICT and access to the worldwide web which appear to make it easier for SMEs to move across borders, are added other factors at play which may be contributing to impede SME access to the global economy. Another factor that continue to hurdle the SMEs contribution to the global economy is the complexity and differences in the regulatory systems and business environment between countries. The success and growth of international SMEs will be enhanced by a more internationalized infrastructure oriented to the smooth growth of firms across borders. This have to be applied to the infrastructure for financial markets, advisory services, information access, telecommunications, intellectual property rights markets and regulation, dispute resolution processes, etc. they all need to be internationalized. All of this requires active collaboration between governments, international agencies and the private sector to address these issues with the view of reaping the significant potential benefits that should accrue from the creation of a simpler, more business friendly, and more integrated economy at international levels.

This paper highlights the need for a more comprehensive approach to SME development in Albania, combining on going reforms to improve the general business environment with targeted interventions to support specific segments of the enterprize population, such as innovative enterprises, start-ups or export oriented enterprises.

The recommendations of this article go to the government action to create a level playing field for all SMEs, through the regulatory reform and administrative simplification, as well as investments in human resources, provision for better services in business development, better access to finance and stimulating the technological transfer.

## **2. The Characteristics and the obstacles in the international performance of SME**

### **2.1. Features of SMEs**

The concept of the SME seems at first glance to be a clear notion. However, after following a review of the literature, it reveals that researchers do not agree on a single definition of SMEs. Diversity is reflected also in the market occupied by SMEs, making a distinction between SMEs activating in the field of artisanal and those working in high-tech sectors. The

---

<sup>1</sup> EU SMEs in 2012: at the crossroads Annual report on small and medium-sized enterprises in the EU, 2011/12

legal status of SMEs is also very diverse. SMEs can be incorporated as limited liability partnerships, stock companies and limited liability companies. In a single market such as the European Union, where there are no internal borders, it is clear that measures to encourage SMEs should be based on a common definition, in order to increase their efficiency, for comparability of data released and in order to limit distortions. This is absolutely necessary due to the alignment of national measures with those required by the European Union to support SMEs in areas such as regional development and finding funds. The current definition is contained in the Recommendation No. 2003/361/EC which was adopted by the European Commission on 6 May 2003. In accordance with that recommendation, the classification of SMEs is based on staff levels, turnover or total balance sheet. According to EU definition, SMEs are made of firms that employ less than 250 people and that have an annual turnover of no more than 50 million Euros and/or a total balance sheet that does not exceed 40 million Euros. The identification of SMEs in Albania is regulated by law (Law Nr. 1042, dated 22. 12. 2008). According to this law, the identification of small and medium enterprises is made by taking into consideration the number of employees and annual turnover or balance sheets of their assets. These indicators for each category are defined as below.

**Table 1.** SME Definition according Albanian Legislation

	<b>No. of employees</b>	<b>Annual Turnover or Balance Sheet</b>
<b>Micro enterprises</b>	0 to 9 persons	<b>0 -10 million ALL</b>
<b>Small enterprises</b>	10 to 49 persons	<b>50 million ALL</b>
<b>Medium enterprises</b>	50 to 249 persons	<b>250 million ALL</b>

**Source:** Adapted from Albanian Legislation (Law Nr. 1042, dated 22. 12. 2008)

Another distinct difference between Albania and the EU is the importance of the different SME size categories. The services and trades sectors are dominated by micro-enterprises, while industry and construction sectors are dominated by medium enterprises. In 2012, about 90. 2 percent of enterprises were with 1-4 employed. The most part, 67%, have only 1 self-employer<sup>1</sup>. Therefore we can say that the structure of enterprises in Albania is based on micro enterprises.

An important aspect of the development of Albanian economy is the size of the companies operating in the market. As it has been shown by the past and current studies, the main percentage of the companies operating in the Albanian market are micro firms, small and medium enterprises, with only a number of companies, which can be categorized as large companies.

During 2010 - 2012, around 95% of these employees work in micro enterprises. According to Albanian Ministry of Economy during the period of 2008-2020 the contribution of SME sector was 73% of GDP. As a result, it can be said that the SME sector continues to play an important role in the economy of the country. Unfortunately, the companies operating in this sector are the ones that face the most challenges and obstacles during their daily operation.

The share contribution of agriculture sector is 21% of GDP in 2010. The rest of GDP, is covered by industry approximately 20% and 59% services. During the three years 2009-2011, the Albanian economy was increased with an average estimated at 3. 4% of GDP, inflation 2 - 4%. Unemployment rate has shown decline, reaching 13. 3% from 13. 5% in 2010. Exports of goods increased by 23%.

<sup>1</sup> INSTAT 2012, Business Register 2012

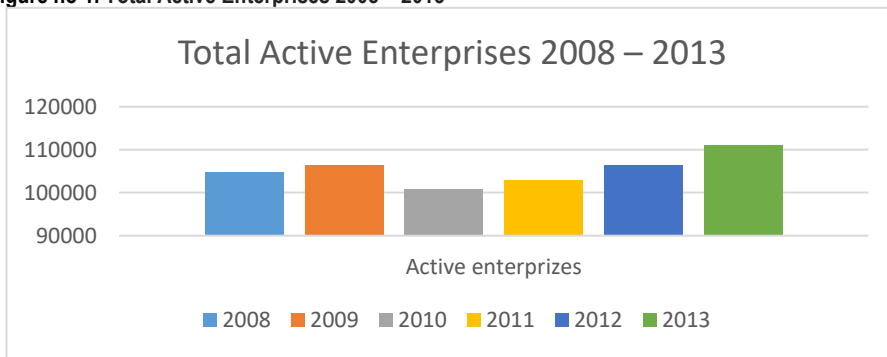
Number of active economic enterprises in 2013 was 111. 083, which increased 4,41percent compared with 2012. By economic activity, enterprises that operate in trade sector comprise 43. 3 percent, while enterprises with 1-4 employed are those which prevail with 89. 4 percent where services producers dominate with 78. 9 percent.

**Table 2.** Total Active Enterprises 2008 – 2013

	2008	2009	2010	2011	2012	2013
Active enterprises	104750	106477	100687	103038	106387	111083

**Source:** Adapted from INSTAT Albania, Business Register 2013

**Figure no 1.** Total Active Enterprises 2008 – 2013



**Source:** Adapted from INSTAT Albania, Business Register 2013

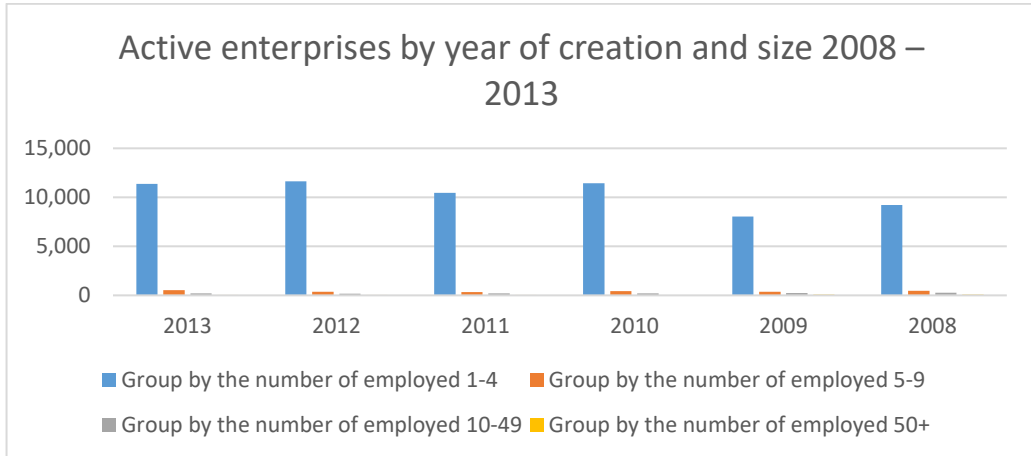
In 2013 the number of new enterprises is 12,131 while in 2012 it was 12,248, 36. 9 % of new enterprises carry out trade economic activity. In trade group “wholesale trade, except of motor vehicles and motorcycles” dominate by 72. 5 %;

**Table 3.** Active enterprises by year of creation and size 2008 – 2013

Year of Creation	Total	Group by the number of employed			
		1-4	5-9	10-49	50+
<b>Total</b>	<b>66. 198</b>	<b>62. 139</b>	<b>2. 507</b>	<b>1. 271</b>	<b>281</b>
2013	12. 131	11. 358	539	196	38
2012	12. 248	11. 644	369	183	52
2011	11. 033	10. 458	349	190	36
2010	12. 091	11. 436	430	193	32
2009	8. 685	8. 032	365	225	63
2008	10. 010	9. 211	455	284	60

Source: Adapted from INSTAT Albania, Business Register 2013

Figure no 2. Total Active Enterprises 2008 – 2013



Source: Adapted from INSTAT Albania, Business Register 2013

Among other specific characteristics of SMEs there is identified the vulnerability to losing customers. Furthermore, SMEs are usually reluctant to adopt regulations and are less sensitive to institutional pressures as large companies are (H. Jenkins, 2004).

## 2.2. The Limitations of SME access to international markets

In addition to opportunities, globalization can also pose challenges and threats for SMEs which from a resource viewpoint, are less well-equipped than larger firms to confront. These challenges can expose them to heightened international competition from foreign firms, and may result in the loss of traditional markets to lower-priced competition from overseas. Challenges and threats can concern the following: standards and international compatibility issues; intellectual property protection; political risks, corruption; and rule of law issues.

To date, there has been little research undertaken to quantify the amplitude of impediments to SME globalization or their economic impact, for either OECD member countries or non-member economies. While a majority of SMEs have the vocation to serve only local markets, a significant share of enterprises need to access foreign markets to ensure their survival and expansion, among which is a group of high-growth, export-oriented enterprises (OECD, 2002). Many of the barriers that SMEs can face originate at the level of the national economy, institutions, and general infrastructure. Competition policy, legislative and regulatory frameworks, telecommunications infrastructure, research and education policy contribute to SME preparedness for globalization. In particular, barriers can concern intellectual property rights; political risks; corruption and rule of law issues. They can relate to the entire range of business operations, having implications for business and organization models, managerial and technological capability; and innovative capacity. As mentioned earlier, SMEs are less well-equipped than larger firms to address these difficulties.

Owners of SMEs, more often, identify the business environment factors as factors hindering the development of their activity. Shortages and supply disruptions of the electric energy is the most important factor that inhibits the activity of SMEs.

The second factor that prevents SMEs is the unclear fiscal legislation and its incorrect implementation.

Also the consumer demand factor, is a barrier for SMEs in Albania. In terms of material supply, it is noted that the competition with the imports production, is identified as a limiting factor for the development of SME business. In the construction sector, the main obstacles for SMEs are dishonest way to implement the fiscal legislation and the procurement. Difficulties in obtaining credit and financial liquidity problems are also important for the development of SME in the building sector. The fear of an insufficient profit is the most important factor that limits the future planning of investments for SMEs. While profit is the only tool for investment in the SME sector, such results shows that during the future years the benefit of SMEs is to slow down.

One of the main challenges faced by the Albanian SME is the financing. Even though in the last years the burden of obtaining external financing, mainly bank/financial institution loan, has been reduced, yet the Albanian SME continue to be very concerned by the long, difficult and very bureaucratic administrative aspect of the lending procedures. The main problem that concerns SMEs is the collateral since the conditions required to be met by the collateral to be considered as good and acceptable collateral are heavy for SMEs. Usually, banks require that collateral is either in the form of a real estate property, or collateral may be in the form of a bank deposit. Therefore, being that most of the Albanian SMEs can hardly reach reasonable profit margin, let alone make enough profit to own various properties and bank deposits to act as collateral for a bank loan, in most of the cases many excellent business ideas do not become true due to the lack of collateral. Moreover, The Albanian SMEs find the amount of forms required to be filled in by them very excessive and time wasting.

Nevertheless, in contrast to the European SMEs, the Albanian SMEs do not have any external assistance while filling them in or to make these procedures easier for them. Additionally, the high interest rates offered by the banks are another problem encountered by the Albanian SMEs. Even though, the degree of competitiveness between the banks operating in the banking sector have increased in the last few years, yet the interest rates have not experienced a substantially decrease. Infrastructure has always been, and it continues to be a big problem for the normal development of the Albanian economy. Even though, in the last years, the infrastructure has undergone major improvements, still there are many problems with it. One of the main problems of the infrastructure worth to be mentioned is that, nowadays the rail system in Albania is badly damaged and its usage level is very small due to the lack of necessary investments. Usually, railway network is used for people transportation and not for goods transportation and as a result, nowadays the only method of transporting the commercial goods is by using the road system making the transportation process very long and expensive for SMEs.

Albania as the rest of Europe has understood the importance of the entrepreneurship in the further development of the national economy. Nevertheless, Albania in contrast to other countries in the region of Western Balkans has done little to develop the entrepreneurial attitude. Over the last years, the Albanian state has introduced entrepreneurship as a module in various educational levels with a more an academic approach of it where its basic concepts are explained. Nonetheless, the module is not taught continuously and following a logical increasing level of knowledge throughout an educational level, but it experiences gaps and the taught things may be repeated at various levels. As a result, the Albanian youngsters are not ready yet to face the challenges that comprise being an entrepreneur when they finish studies.

Even though, Albania has undertaken various measures to develop the innovation spirit among the enterprises, innovation still is not at the desired levels. Online services such as e-business and e-signature, which are commonly used in EU, in Albania exist merely as a concept and are not widely used by Albanians. The main reason for this lack of usage is that Albania does not have a proper developed infrastructure for online services. Another problem

related to innovation is that Albanian enterprises do not focus as much as they should on R&D. Usually, the Albanian enterprises focus more on increasing their profit forgetting that successful R&D ideas will help them generate more profit.

### 3. Challenges of Albanian's SME in the optic of Small Business Act

#### 3.1. SMEs in the Albanian economy – Key indicators

Since the place occupied by the SME-s in the Albanian market resemble that of the EU market, then it is vital for Albania to give to them the same importance and pay the same attention that it is given to the SME-s in the EU. As it can be seen, the challenges faced by the SME-s in the European Union are the same challenges faced by the SME-s in Albania. Although the Albanian economy is still an emerging economy, the severity of these challenges is higher and the measures to be undertaken should be greater.

The role of SME in the Albanian economic growth has been quite satisfactory. In particular, the progress has been more important in the construction and transport sectors. The Small and medium enterprises that operates in the industry and construction sector are the main contributors to employment growth compared to other sectors of non-agricultural. Albania is a very attractive market for the foreign investors because the country possesses the very favorable geographic position of Albania and the rich natural resources and very skilled and at low cost human resources Albania is an economy dominated by services.

There exist many important challenges to be faced by Albania in order to achieve the desired levels of economic development and become a very competitive in the regional and global market. The major part of the Albanian market that bear the most difficult challenges have result to be SMEs. Some of the SMEs challenges are financing, very excessive and time wasting the amount of forms required to be filled and the high interest rates offered by the banks. Infrastructure is another challenge due to the damaged rail system which would have resulted to be a good alternative and a cheaper way of transportation for SMEs.

In Albania the innovation spirit among the enterprises, is still not at the desired levels and online services merely exists due to the lack of proper developed online services infrastructure. Moreover, Albanian enterprises that successful R&D ideas generate more profit and focus very less on them.

In 2013, the number of total employed increased by 28,565 employed or 9. 0 percent compared to 2012. Goods and services producers have contributed respectively by 2. 1 percent and 6. 9 percent in the total increase of employed. Turnover in 2013 reached 1,637 billion ALL, which indicated an increase of 5. 8 percent compared with 2012. Turnover of services producers constitutes 65. 3 percent of total turnover for 2013 and contributed by 4. 8 percent in total increase of turnover.

In total active enterprises in 2013, were employed 344,528 persons. Enterprises with 80 and more employed have engaged 31. 5 percent of the total number of employed which have realized 38. 6 percent of total turnover and have invested 53. 9 percent of total investments. In this size class of enterprises with 80 and more employed, goods producers dominate on the number of active enterprises (57. 5 percent), employed (56. 7 percent) and investments (60. 5 percent). Enterprises with 1-4 employed engaged 34. 5 percent of the total employed and realized 15. 9 percent of total turnover. Small enterprises dominate in services producers on number of active enterprises (88. 3 percent), employed (86. 3 percent) and turnover (85. 4 percent)<sup>1</sup>.

In the below table are presented basic indicators like number of enterprises, employed, turnover and investments for 2013 by size class of enterprises.

---

<sup>1</sup> INSTAT Results of structural survey of economic enterprises, 2013

**Table 4.** Enterprises, employed, turnover, investments by size class of enterprise, 2013

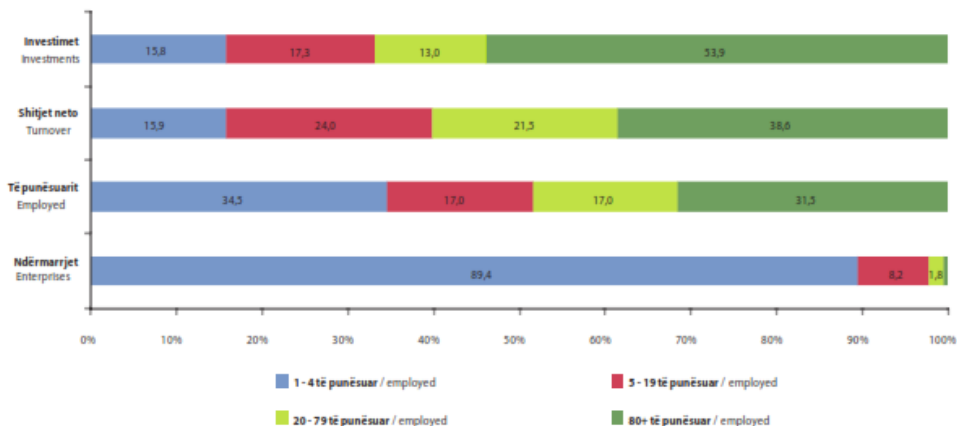
Ndërmarrjet Enterprises		Të punësuarit Employed		Shitjet neto Turnover		Investimet Investments		Size class of enterprise
nr. / no.	%	nr. / no.	%	mln Lekë/ mln ALL	%	mln Lekë/ mln ALL	%	
<b>84.790</b>	<b>100</b>	<b>344.528</b>	<b>100</b>	<b>1.637.015</b>	<b>100</b>	<b>162.899</b>	<b>100</b>	<b>Total</b>
75.823	89	118.988	35	259.485	16	25.773	16	1-4 employed
6.957	8	58.619	17	393.137	24	28.170	17	5-19 employed
1.561	2	58.427	17	352.603	21	21.165	13	20-79 employed
449	1	108.494	31	631.790	39	87.791	54	80+ employed

Source: INSTAT Results of structural survey of economic enterprises, 2013

Enterprises with 80 and more employed has contributed by 2.3 percent in total annual growth rate of turnover even they have the highest share of turnover by 38.6 percent. Enterprises with 5-19 employed have the major contribution by 2.7 percent.

In the figure no. 3 is presented the basic indicators structure by size class of enterprise. Enterprises with 5-19 employed and 2079 employed constitute respectively 8 percent and 2 percent of total number of active enterprises. The share of number of employed, turnover and investments for both groups of enterprises with 5-19 enterprises and 20-79 enterprises are similar.

**Figure no 3.** Basic indicators structure by size class of enterprise, 2013

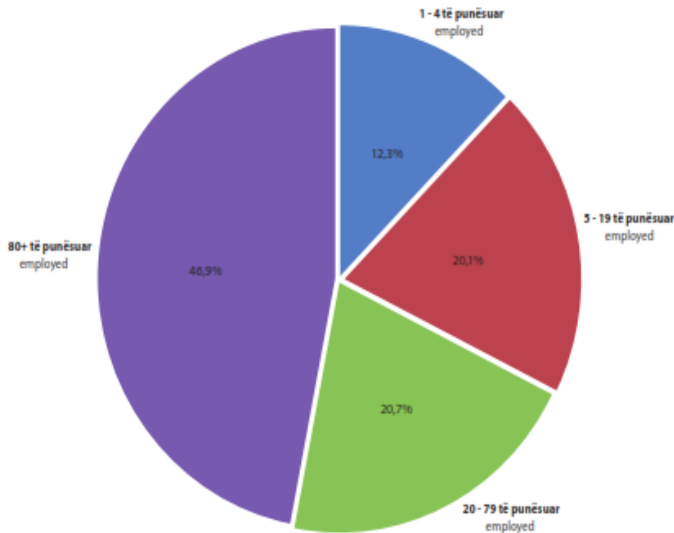


Source: INSTAT Results of structural survey of economic enterprises, 2013



Enterprises with 80 and more employed although with the smallest share (0.5 percent) in the total active enterprise population generated 46.9 percent of total production. In the below figure 4 is presented the structure of production value as a percentage of each of the enterprises size class for 2013.

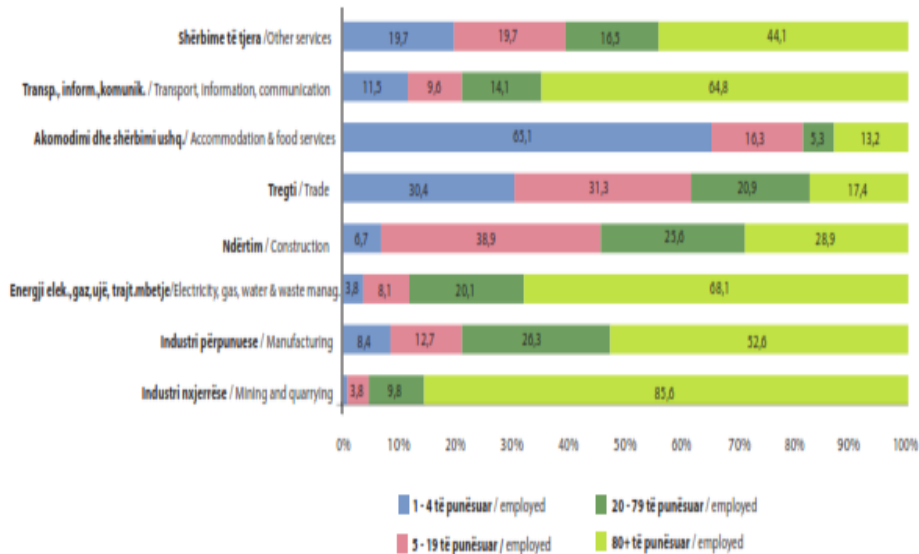
**Figure no 4. Production value structure by enterprise size class, 2013**



Source: INSTAT Results of structural survey of economic enterprises, 2013

Accommodation and food services sector is the only sector where enterprises with 1-4 employed generate the major percentage of total value added. Enterprises with 5-19 employed generate the major percentage of total value added in construction and transport, information and communication sectors. In all other sectors, the major percentage of the total value added is generated by enterprises with 80 and more employed. In the figure 4 is presented the structure of value added as a percentage of each of the economic activities and enterprise size class for 2013.

Figure no 5. Value added structure by economic activities and enterprise size class, 2013



Source: INSTAT Results of structural survey of economic enterprises, 2013

### 3.2. Albanian's SME in the optic of Small Business Act

The Small Business Act for Europe adopted in 2008 and updated in 2011 reflects the Commission's political will to recognize the central role of SMEs in the EU economy. The some 21 million SMEs create 58% of the value-added, employ 87 million people and account for 85% of the net job creation. SMEs also have a central role in the Commission's overall reform strategy, Europe 2020 and its flagship initiatives, in particular on Industrial policy<sup>1</sup>.

The Commission is monitoring the implementation of the SBA in the Member States with an annual report and country-specific facts sheets<sup>2</sup> which highlight both progress as well as deficiencies.

This work tried to provide a framework to assess convergence of national SME policies with the ten principles of the Small Business Act for Europe (SBA), identifying strong and weak points in policy design and implementation of SBA in Albania, and tried to provide an updating list of priority actions for reform in Albania economy.

It is very important having a dynamic entrepreneurship and a productive industry, able to respond to the challenges of development and integration, regional and global competition. This vision should be focused on:

- a) Continuing improvement of business and investment climate, reducing administrative barriers and business costs;

<sup>1</sup> [http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm)

<sup>4</sup> SME Performance Review, see :

[http://ec.europa.eu/enterprise/policies/sme/facts-figuresanalysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figuresanalysis/performance-review/index_en.htm)

- b) Development of a productive industrial and mining sector, capable of processing raw materials in the country and increasing the added value through investments and application of new technologies, increasing professionalism and employment, which stimulates creation of a competitive industry.
- c) Creating a partnership between government and business regarding the needs for improved technology, innovation and ability to prepare "skilled workforce".
- d) Creation of a competitive and dynamic industry, foreign investment, growth and diversification of exports, and stimulating the creation of new businesses.

The challenge of this strategy is to enable and to guide investments, which will gradually transform the economic structure to an economy with sectors and products with more added value.

One of the tools to measure the impact assessment of the SBA is recommended by the EU. They talk about the "SME Test", that is the idea to analyze the effects of a legislative proposal on SMEs. It is a key action to implement the "Think Small First" principle - the core principle of the Small Business Act (SBA) for Europe.

The first step of the "SME Test" is maintaining a continuous dialogue with business community. And then according to the ten principles of SBA continuing other suggestions:

1. Entrepreneurship development; drafting and implementation of entrepreneurship and lifelong learning strategy; creative economy; the CSR program; support for start-ups, women in business and youth, expansion of micro credit in rural and urban areas;
2. Increasing competitiveness of SMEs and strengthening technological capacities: establishment of the National Competitiveness Council, the implementation of the innovation program; drafting legal framework for the creation of financial schemes for innovation like voucher, business angels, etc., strengthening the BRIC, the establishment of parks and technological incubators, clusters development, financial support for innovation etc.
3. Improve business services.
4. Improve SME lending - the extension of credit guarantee schemes, the creation of schemes to subsidize bank loan interest, the creation of venture capital schemes, etc.
5. Strengthening institutional capacities – AIDA, etc.
6. Encouraging investment in technology, modernization, diversification and specialization of industrial products in regional & global markets.
7. Manufacturing sector towards value-added products using raw materials of the country (import substitution).
8. Use of existing industrial facilities and cheap labor cost in disadvantaged areas for product development.
9. Promote and support the industry sector in terms of innovation, offering new products and services to market.
10. Enhancing professional capacity and support them in establishing joint ventures for competitive products.

There are also other strategic objectives for accessing the global market:

- ✓ Integration in regional and European markets.
- ✓ Promotion of trade mark "Made in Albania".
- ✓ Support for export product's certification.
- ✓ Promoting cooperation between manufacturers will allow the potential use of "economies of scale".
- ✓ Developing and implementing new credit support schemes for the development of exports.
- ✓ Support to business associations and exporting companies operating in sector and product base.
- ✓ Implementation of an export promotion program with the support of the Diaspora.

- ✓ The disbursement of government funds for competitiveness, ECGF, etc.

The impact assessment of the SBA should follow different steps. As mentioned below its better to start with a guidance to get information about number of business and their sized, proportion of the employment concerned in the different categories of enterprises affected, weight of the different kind of SMEs in the sectors (micro, small and medium ones). To better measure the impact on SMEs should be done an analysis qualitative and then quantitative of the distribution of the potential cost and the benefits with the respect to the business size, differentiating between micro, small medium, and large enterprise. It is important to know to which extent this policies affects the SMEs competitiveness or the business environment. After the result of this analysis, we have to consider the specific operations in order to use possible mitigating measures. The choice of specific measures to use will be made on case by case basis.

#### 4. Conclusions

The monitoring and the coordination of the programs arising from the implementation of the European Charter of SMEs is among the most important objectives. Focusing in the improving of the legal framework will facilitate SME financing by aligning it with European standards, to increase access to more SMEs in the banking sector, the development of training programs, the reduction of administrative barriers so that will increase the competitive capacity of SMEs in international markets.

The main objective of the Government's policy for private sector development has consisted of comprehensive reform of the legal and regulatory framework in the field of business aiming prioritized improving the business climate, reducing administrative barriers, and implementation of the Small Business Act (SBA).

Improving the Business Climate and Institutional Strengthening is also another important objectives of the government. Reforming the inspection system in Albania through the consolidation of the number of inspectorates and enforcement of the Central Inspectorate is necessary to support the implementation of this programmes. Update the registry of Electronic Business Legislation now is something that it completed and amending and further improvements of laws and regulations that affect the cost reduction of doing business in Albania is in continuing progress.

#### 5. Recommendations:

Governments have a role to play in order to lower the barriers faced by entrepreneurs who wish to globalize their activities – thereby benefiting, in particular, a category of entrepreneurs whose businesses have high growth and export potential and who could develop and exploit niche markets and expand their businesses on international markets. Governments need to ensure that regulatory, administrative and policy environments do not inhibit access to global markets

- Improvement of legislation in terms of accelerating the creation of new born firms, especially for micro enterprises.
- Alignment of Albanian legislation in the field of SMEs with European standards.
- Review of fiscal legislation in terms of enhancing tax transparency and easing the tax burden, especially for micro enterprises.
- Review of legislation in terms of territorial administration and public procurement rules
- Creating support programs, particularly in terms of financial and technical assistance to increase the competitiveness of SMEs towards regional markets, European and international markets.

## References

- [1] Barro, R. J. (1991, May). Economic Growth in a Cross Section of Countries. *The Quarterly Journal of Economics*, 106 (2), 407-443.
- [2] D. Fletcher, *Learning to "think global and act local": experiences from the small business sector*, Education + Training, Volume 42, Number 4/5, 2000
- [3] European Commission. (2012, June). 2012 Economic and Fiscal Programmes of Albania,
- [4] Bosnia and Herzegovina: EU Commission's overview and country assessments.
- [5] European Commission, Directorate-General for Enterprise and Industry. (2005). *Report on the implementation of the European Charter of Small and Medium Enterprises in Moldova and in the countries of Western Balkans*, 13-16. Belgium: European Commission.
- [6] Hunjra. A. (2011). *Determinants of Business Success of Small and Medium Enterprises*. International Journal of Business and Social Science Vol. Nr 20; November 2011.
- [7] INSTAT. (2013). *Enterprises Economic Indicators*. Retrieved July 4, 2013
- [8] OECD, et al. (2012), SME Policy Index: Western Balkans and Turkey 2012: Progress in the Implementation of the Small Business Act for Europe, OECD Publishing. <http://dx.doi.org/10.1787/9789264178861-en>
- [9] PWC-Albania. (2011). *Doing Business in Albania*. Retrieved April 24, 2013, from PWC: [http://www.pwc.com/al/en/assets/Doing\\_Business\\_in\\_Albania.pdf](http://www.pwc.com/al/en/assets/Doing_Business_in_Albania.pdf)
- [10] Retrieved July 7, 2013, from EU Bookshop: <http://goo.gl/PP6QbdWorthington>, H. (2012). *The Economic Impact of the Trans-Adriatic Pipeline on Albania*.
- [11] Retrieved April 24, 2013, from The Albanian Centre for Competitiveness and International Trade: <http://goo.gl/irbCZv>
- [12] South-Eastern Europe: *Lessons from the Global Economic Crisis*, February 2010.
- [13] Xhepa, S. , & Agolli, M. (2004, September 24). *Small and Medium Enterprises Development, Albania*.
- [14] Y. Kraja (Borici), E. Osmani. (2013). *Competitive advantage and its impact in small and medium enterprises (SMEs) (case of Albania)*. European Scientific Journal Vol. 9, No. 16, June 2013.
- [15] World Bank. (2004). *Private Sector Development - the case of Albania*. World Bank.
- [16] Zef Preçi, Jonida Narazani, *Erawatch Country Reports 2013: Albania*, JRC SCIENCE AND POLICY REPORTS