



Supporting the digitalisation of Albanian SMEs during Covid-19 crisis

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Overview

In Albania, as elsewhere, the containment measures imposed during the Covid-19 crisis led to an increase in the usage of Information and Communications Technology (ICT) among small and medium enterprises (SMEs). At the same time, the Albanian government has been keen on stimulating the process of digitalisation of SMEs, on the back of the proposed policy response formulated by the EBRD-supported Investment Council (IC). This note covers two policy engagements that followed discussions with the authorities: (1) an assessment of SME access to ICT and the resulting recommendations, and (2) the creation of an online platform containing all existing financing and support schemes for SMEs to facilitate their access to finance. An update with preliminary findings of the study will follow.

What is the context of this policy engagement?

The Covid-19 pandemic is significantly affecting the Albanian economy, and SMEs especially. The economic situation is even more complex and difficult as a consequence of a powerful earthquake that hit Albania in November 2019, causing economic damage of around €1 billion. By end-August 2020, the government had adopted two crisis-response economic support packages, worth 2.8 per cent of GDP, to support businesses and provide sovereign guarantees and one-off social transfers.

The EBRD-supported Investment Council (IC) in Albania has played a central role in helping the government formulate

business-supportive economic policy measures to combat the impact of the COVID-19 pandemic. In two dedicated meetings in April and June 2020 with all its members (government, business community, and international development partners), the IC served as a platform for discussions and consultations regarding the short-term support packages as well as the longer-term economic recovery measures. As a result, the government endorsed several proposed recommendations, among them measures to support digitalisation of SMEs and maximise their access to ICT.

What are the components of this policy engagement?

The EBRD is supporting the Ministry of Finance and Economy with the implementation of measures to support digitalisation of SMEs. This is being done through a technical assistance project, which started in September 2020. The project consists of implementing two of the proposed recommendations, both aimed at facilitating the digitalisation of SMEs as a response to the pandemic crisis:

(i) Carrying out a detailed analysis of the current level of digitalisation of SMEs, and providing recommendations, first, for the government in setting up targeted policies, and second, for private stakeholders in redirecting their investments;

(ii) Centralising and digitalising the information on existing and forthcoming financing schemes and resources under an online platform to facilitate SMEs' access to finance.

How is the current situation being assessed?

The first component of the policy engagement addresses the need of the government to prioritise support policies that facilitate the access of SMEs to digitalisation. The analytical work and research undertaken so far by the Secretariat of the IC to measure the impact of Covid-19 on businesses in Albania showed that, across all sectors of the economy, a majority of companies used online services during the pandemic lockdown and most of them intend to continue doing so in the future. Similarly, the work of the EBRD Advice for Small Business (ASB) team in Albania shows that SMEs are increasingly inclined to use ICT for their operations, whether in marketing, trade, or digitalising inventory, or connecting it with the supply chain, remote working, or adding e-commerce for their transactions.

The planned detailed assessment will be conducted through an extensive survey that should provide further insights. This deliverable will serve to identify the current status of digitalisation in Albania, as well as benchmarking Albania against other countries. As such, the survey will target 600

SMEs in all sectors and regions of the country, and, taking into consideration the European Commission's Digital Economy and Society Index (DESI)¹, will cover five dimensions: Connectivity, Human capital, Use of internet, Integration of digital technology, and Digitalisation of public services. Thus, the project will provide a similar, comparable index that could be regularly updated and remain relevant for the government when comparing Albania with other countries.

The recommendations should provide advice on concrete measures within a roadmap of actions that could be undertaken by the government. Moreover, the recommendations should offer some orientation on potential investments, interventions and services from the private (digital) sector for the further development and digitalisation of SMEs. These recommendations will be based on an overview of best experiences of other neighbouring and EU countries with regard to this topic.

What is the goal of the online platform?

The second component of the policy engagement relates to a longstanding constraint in the investment climate in Albania – access to finance for SMEs. While there are support programmes to facilitate access to finance for SMEs, both from the government and from international development partners, their take-up has been low. One of the main reasons for this is the lack of clear information about the different financing options available to entrepreneurs.

As a prerequisite to improving access to finance for SMEs, a centralised information online platform is planned. The Economic Reform Programme 2020-2022 (ERP) of the Albanian government foresees the creation of an online

platform covering the financial resources from donors and the private and public sectors. The EBRD will thus be supporting the Albanian Investment Development Agency (AIDA) in creating this online platform. AIDA will be responsible for the further management of the platform.

In light of the Covid-19 crisis, the necessity of this platform becomes twofold. First, it will highlight the role of financing schemes to help combat the disproportionate impact of the crisis on SMEs, and second, it will be a digital tool providing the necessary information and awareness in times of social distancing and limited mobility.

¹ See European Commission (2020).

References

European Commission (2020). Digital Economy and Society Index. Available at : <https://ec.europa.eu/digital-single-market/en/digital-economy-and-society-index-desi>

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