



Albania
Investment
Council

Improving Transparency and Investment Climate

Survey Findings “Impact of the coronavirus pandemic on the Business in Albania”

Secretariat of Albania Investment Council

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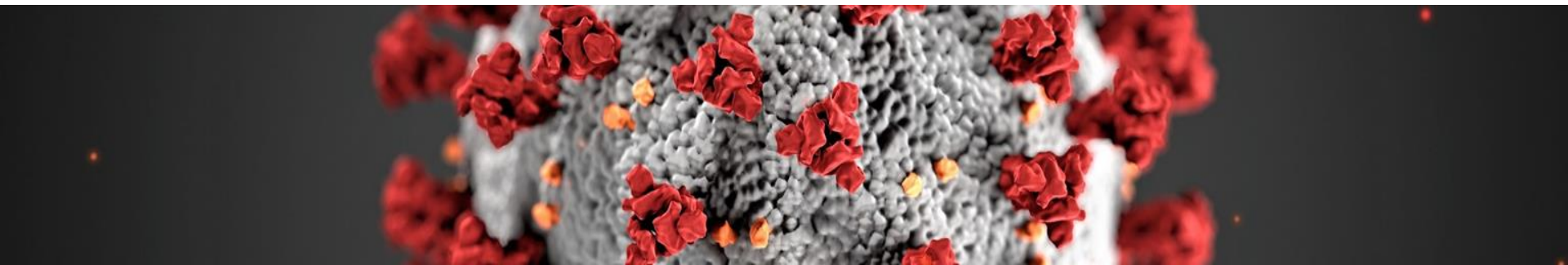
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Introduction

After the spread of COVID-19 in Albania, the Council of Ministers decided to declare a state of natural disaster throughout the Republic of Albania. In response to the emergency situation, the Secretariat of the Investment Council in close cooperation with the Ministry of Finance and Economy (MFE), launched a survey on “Assessing the Impact of the Consequences of the COVID-19 Pandemic on Business Activity in Albania”, in order to identify key issues and suggestions for dealing with the situation from a business perspective.

This report presents the results of the survey that started on March 28 and continued until May 5, 2020.





Purpose

- The survey on **"Assessing the Impact of the Consequences of the COVID-19 Pandemic on Business Activity in Albania"** is an initiative of the IC Secretariat in cooperation with the MFE. This survey aims to identify information about the potential effects of the COVID-19 pandemic on business activities.
- Since 2015, the IC Secretariat has continuously undertaken surveys in order to design dynamic analyses to assess fiscal measures and anti-informality in the investment climate in the country. Survey findings are always the subject of discussion at Investment Council meetings. The recommendations approved by the Investment Council are submitted to the Albanian government for further analysis, a process which is expected to bring about changes or possible legal and regulatory reviews affecting the investment climate.

Methodology

01



Data Collection

Online questionnaires were used for data collection, as the most cost-effective methods as well as to reach the maximum number of companies.

03



Data Analysis

The simple random sampling method was chosen. Random sampling is the purest form of probability where each member of the population has an equal chance of being elected.

02



Participation

The questionnaire was answered by 833 companies distributed in all 12 regions of Albania.

Key Facts and Findings





Key Facts

97%

Of companies expect their activity to be “negatively” and “very negatively” affected by the spread of COVID-19

86%

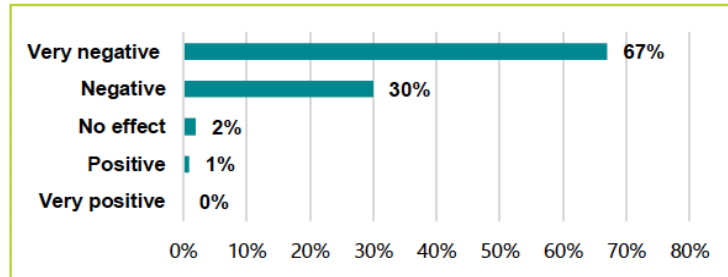
Of companies state that they do not have an approved emergency plan

80%

Of companies estimate that they will have more than 20% decrease in their annual turnover

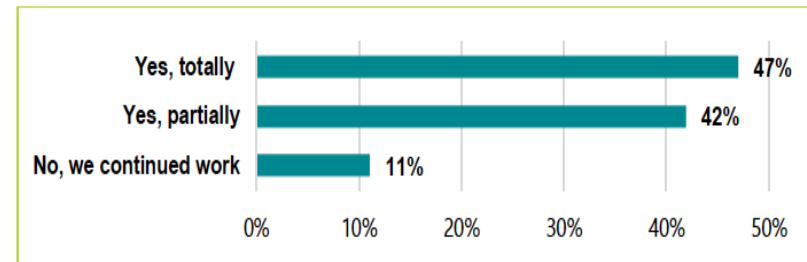
COVID-19 Impact

COVID-19 has negatively impacted businesses in every sector of the economy. The question “How do you assess the impact of COVID-19 on your activity?” gave the following conclusions:



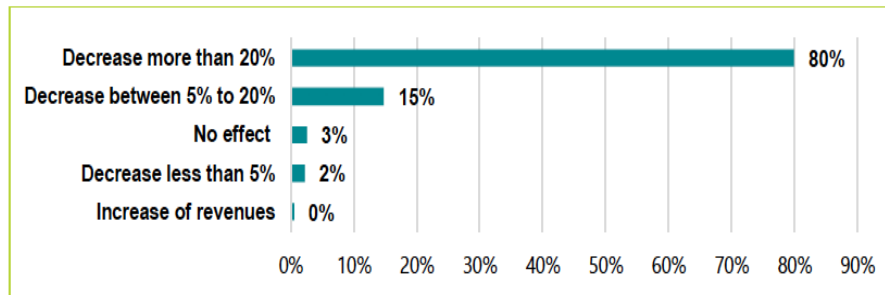
The service sector and the tourism sector had the highest percentage of responses of “negative / very negative impact”.

COVID-19 forced almost half of the Albanian economy to shut down. The question “Did you stop your activity as a result of COVID-19?” gave the following conclusions:



Most affected by the closure are the tourism sector where 94% of the sector stopped working completely or partially. In contrast, the agricultural sector appears less affected, more specifically 24% of companies completely shut down.

COVID-19 drastically lowered companies' expectations in terms of their annual turnover



Companies with an annual turnover of up to **14 million ALL** estimate a **greater** loss due to the pandemic situation compared to companies with a turnover greater than 14 million ALL.

In terms of different sectors of the economy, expectations generally converge. **Agriculture** is the sector with the least negative expectations towards lower incomes.

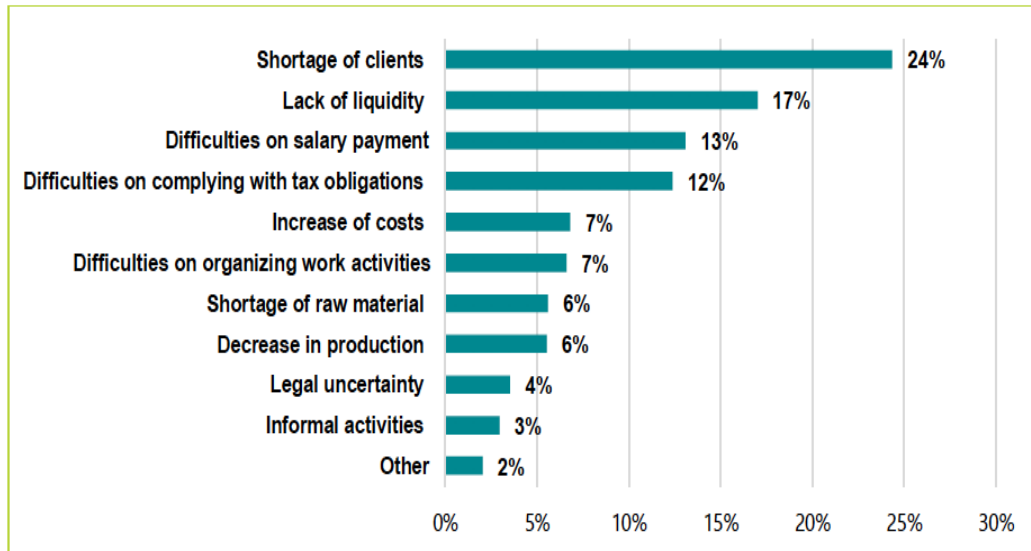


COVID-19 Implications for Businesses

Lack of customers and Lack of liquidity due to the emergence of COVID-19, turned into the most problematic issues faced by all companies **regardless of their size**.

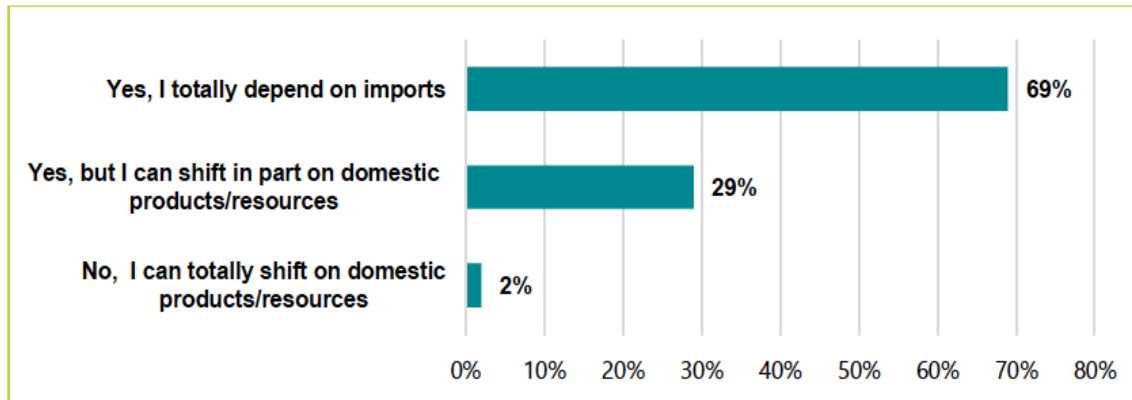
On the other hand, difficulties in meeting **tax obligations were more challenging for small companies**, while large companies had difficulties in paying salaries.

Due to the COVID-19 pandemic, companies faced unique challenges. The question "What are the three main problems your company is currently facing?" gave the following results:



Due to the COVID-19 emergency situation, companies in Albania, mainly in industry, encountered problems with the supply of raw materials from imports, while some of them are considering domestic sources as an option.

The answers of the companies confirm the greatest dependence on the imports of the industry sector where **83%** of the companies state that they depend completely on the imports, while the construction sector is the least dependent where **29%** of the companies state that they depend completely on the imports.



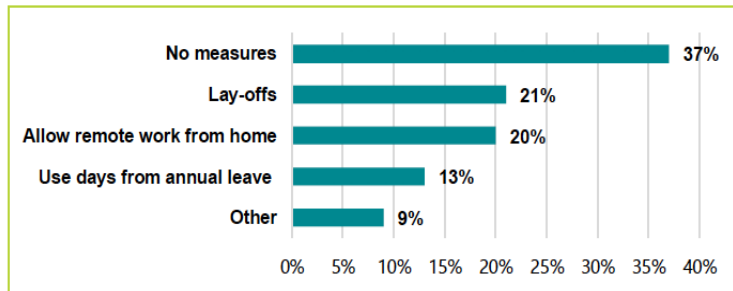
52%

Of companies have faced problems with supply from imports.

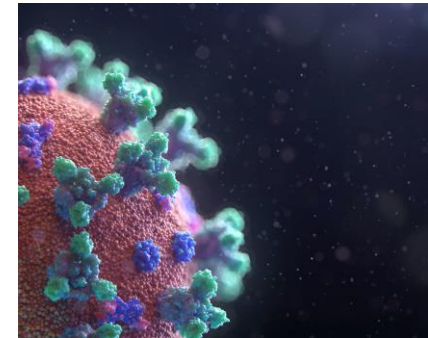
69%

Of companies stated that their business could be seriously damaged as they are completely dependent on imports.

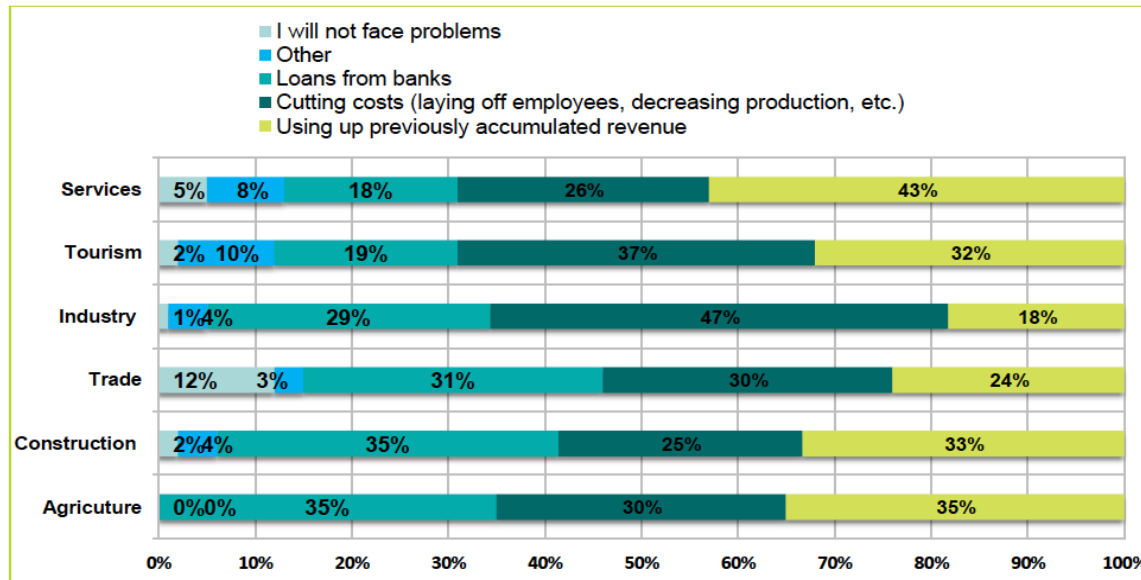
Due to the COVID-19 pandemic, the classic work routine changed drastically and businesses were unprepared for how to react. Thus, the question "What measures did your company take to address the labour shortage?" yielded the following results:



Lay-offs were mainly implemented by industry (30%), tourism (30%) and services (28%); while work remotely from home was mainly used by Services (66%).



COVID-19 turned into a serious threat to business continuity. Due to the consequences arising from the unprecedented situation, to ensure continuity, the business had to react and guarantee the necessary financial resources. In response to the question "What are the measures you will take to ensure the continuity of your business?" It turns out that according to industries:



34%

Of companies ensure continuity through income from previous periods.

32%

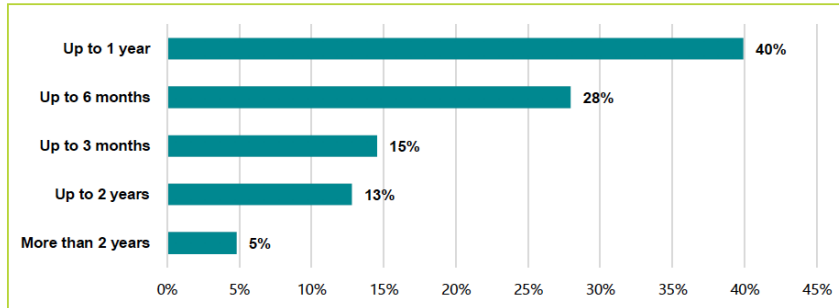
Of companies ensure continuity through cost reduction.

23%

Of companies ensure continuity through bank loans.



When asked "How long do you think the negative effects of COVID-19 will last on your business?", the businesses had almost the same expectations.

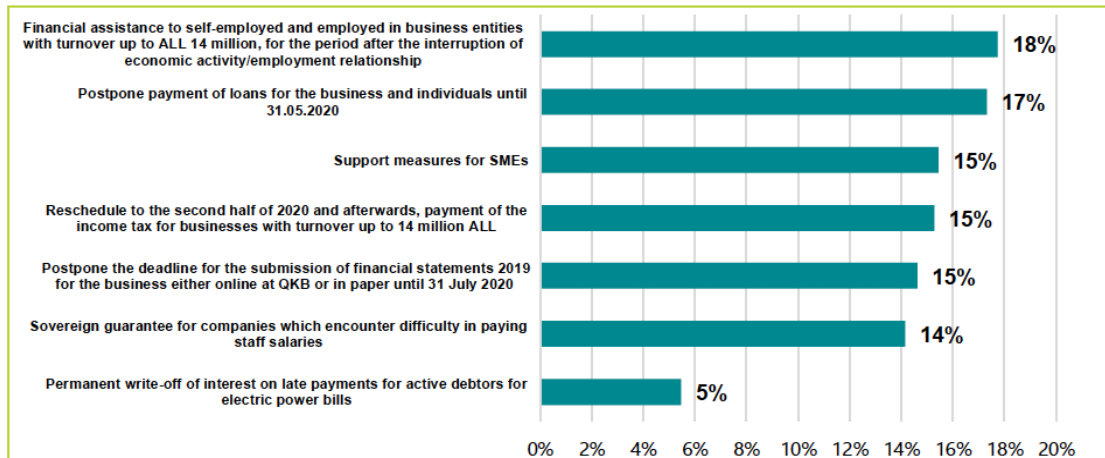


Regardless of size, most companies estimate that the COVID-19 impact will last up to 1 year. The sectors of the economy, construction, trade, tourism, services and industry estimate that the impact COVID-19 will last up to 1 year, only Agriculture estimates an impact of up to 6 months.



Government Intervention

COVID-19 proved that government support is irreplaceable in unfamiliar situations to ensure business continuity. When asked "Which of the measures introduced by the government do you think will have the most positive impact on minimizing the negative effects?", the results were as follows:



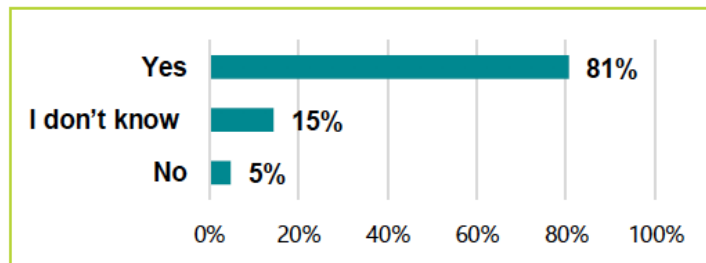
Companies with a turnover over **14 million ALL** estimate that loan repayment will have the most **positive** impact;

Businesses with a turnover of **up to 14 million ALL** estimate that financial support for employees will have a **positive** impact.

COVID-19 – Technology and Business

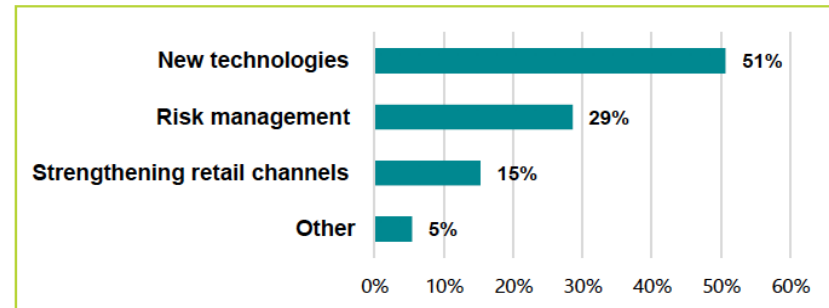
COVID-19 made companies aware of the efficiency of online services. When asked "Did you use electronic services during this period?", 75% of companies stated that they used online services.

Furthermore, when asked, about 81% of companies admitted they would reuse them in the future.



Regarding future investment plans in innovation, the answer to the question "In the future, do you think your investment plans will change, towards the provision of online services?" had a total of 38% positive response.

Investments will mainly focus on **new technologies**.



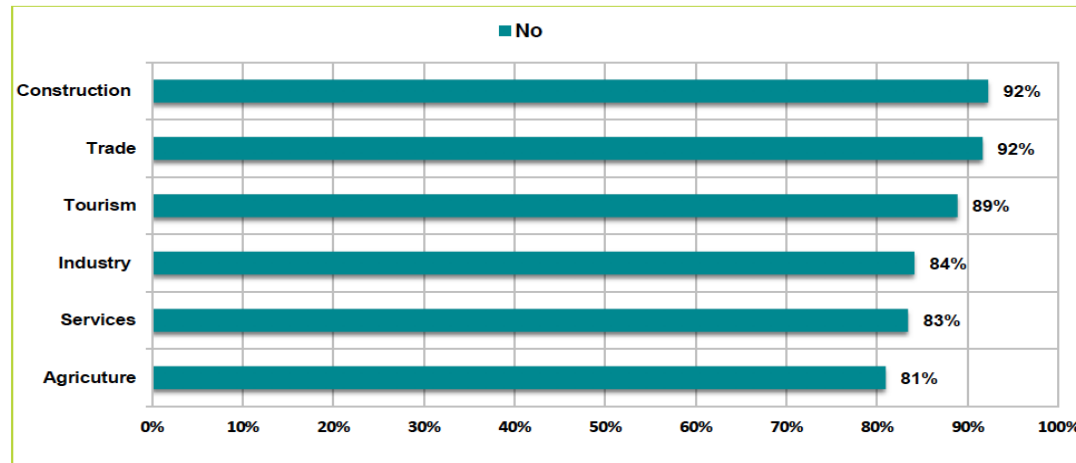
Emergency Plan

Companies operating in Services and Industry are better prepared to deal with emergencies.

Construction and trade companies are less prepared.

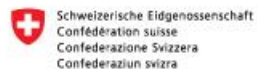
COVID-19 proved that Albanian companies are seriously unprepared to face unforeseen situations.

Companies in Albania do not have an emergency plan (86% of companies do not have an approved emergency plan). The behaviour is the same regardless of size or economic sector.





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Sekretariati i Shtetit për Çështjet Ekonomike SECO