

An abstract illustration of a fisherman in silhouette, standing on a wooden boat and pulling a large, white, mesh-like net. The net is filled with several large, colorful spheres in shades of yellow, orange, red, blue, and green. The background is a gradient of light yellow to orange.

# INNOVATION IN ENTREPRENEURSHIP AS A CHALLENGE FOR INCREASING COMPETITIVENESS AND THE ENGINE OF ECONOMIC GROWTH

INVESTMENT COUNCIL MEETING  
Tirana, 23 March 2021

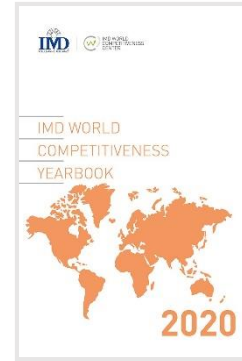
- I. OBJECTIVE AND METHODOLOGY
- II. MAIN FINDINGS
- III. RECOMMENDATIONS

# CONTEXT



## Global Innovation Index (2018-2020) –

Albania in stable position (83), no major improvements in ranking.



## Global Competitiveness Index (2020) -

low for innovation capability (110 /141) & R&D public spending (126/141):

- Capacity for research, development and innovation considered as very low (0.06% of GDP):
- 15% of companies investing in R&D, the second lowest in the region



## SME Policy Index (2019) - mid-level performer on innovation policy in the region (ranked 5<sup>th</sup> out of the 7 Western Balkans economies for this dimension).

Regional leader for the operational environment of SMEs thanks to improvements in business registration & licensing, as well as delivery of public services.



## StartupBlink (2020) - innovation ecosystem in Albania moved 13 places up.



## IC Survey on Covid-19 (April 2020):

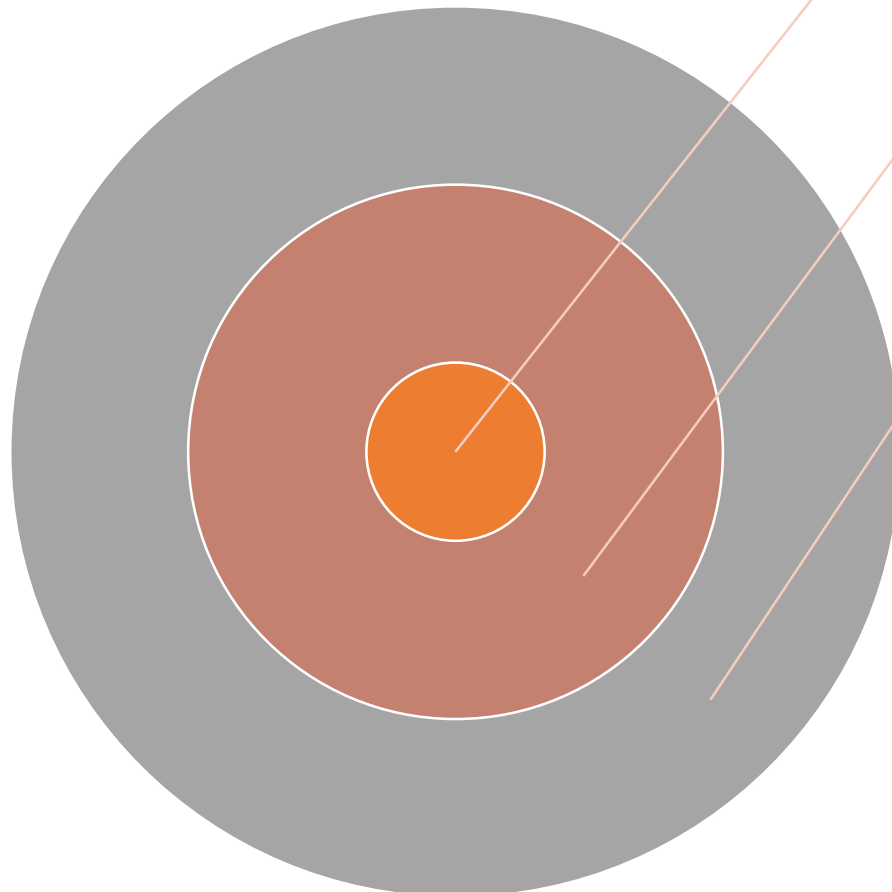
- 75% of companies declared to have used online services
- 81% of them stated that will continue to re-use them in the future
- 38% of the companies in favour to change their investment plan toward online services



## According to INSTAT (2017-2019) only 38% of companies declare to carry out an innovation activity,

- 42.2% companies operating in the service sector
- 34% companies operating in the industry sector

# OBJECTIVE



**Accelerate the speed of the national agenda on business innovation** to timely maximize the impact of the current country's intervention and received support.

**Further stimulate the debate** on how Albanian businesses (especially SMEs) can be also “producers” of innovation in the context of digital economy, and not just “consumers.”

The analysis attempts to identify main challenges and **it is based on 3 main pillars:**

1. Innovation Ecosystem
2. Business vs Innovation
3. Access to Finance for Innovation

# I. METHODOLOGY

## Desk-research

National and international analyses and reports, documents, laws and bylaws

Analysis of official information from primary & secondary source

Data from direct meetings with ecosystem innovation actors

## Consultations

40 zoom meetings (Jan-Mar) with public and financial institutions, and companies working in the area of innovation

Feedback from IC members and partners

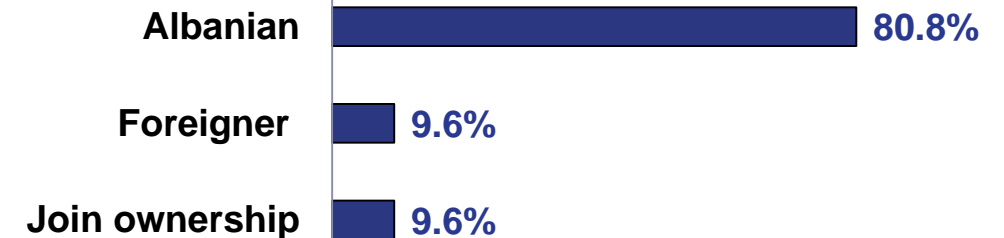
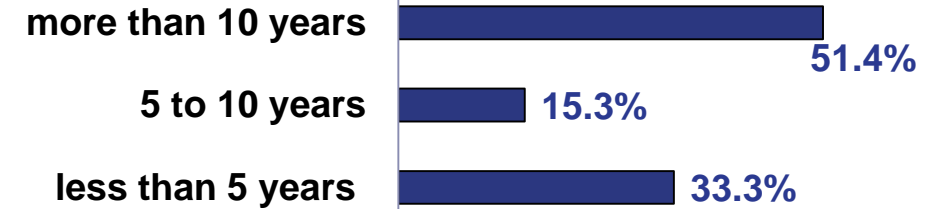
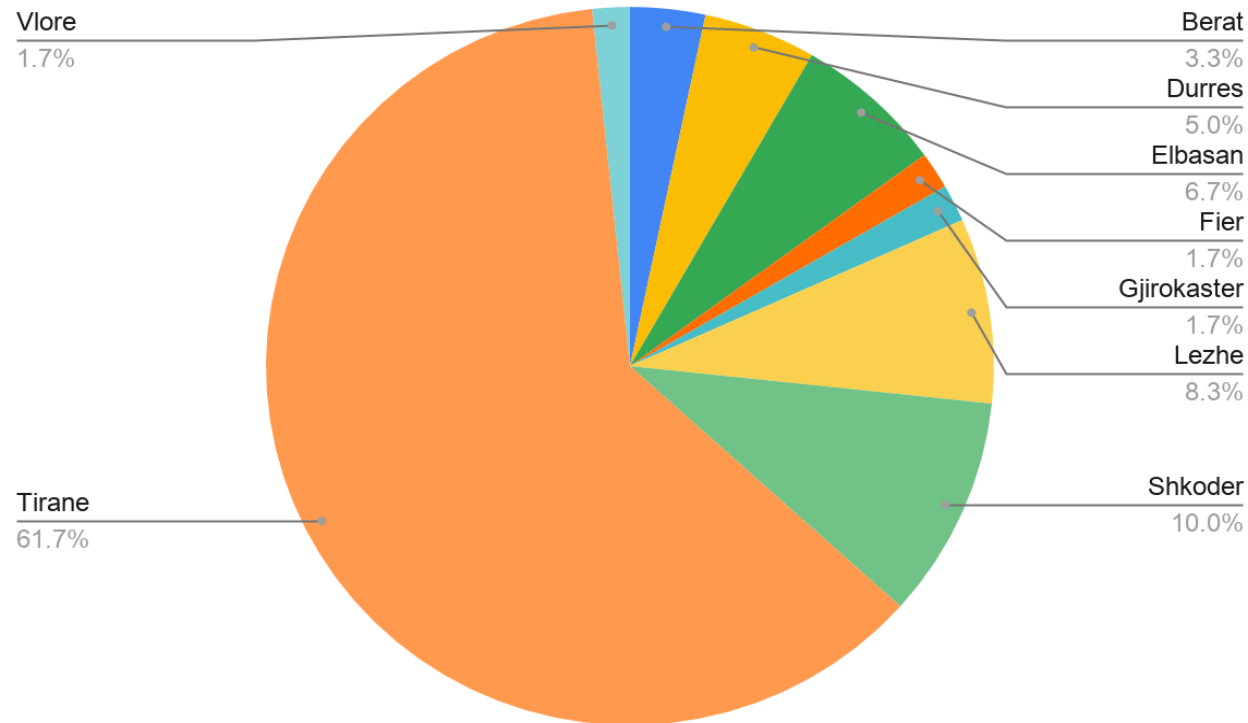
1 technical meeting with 33 participants

## Questionnaire

75 companies:

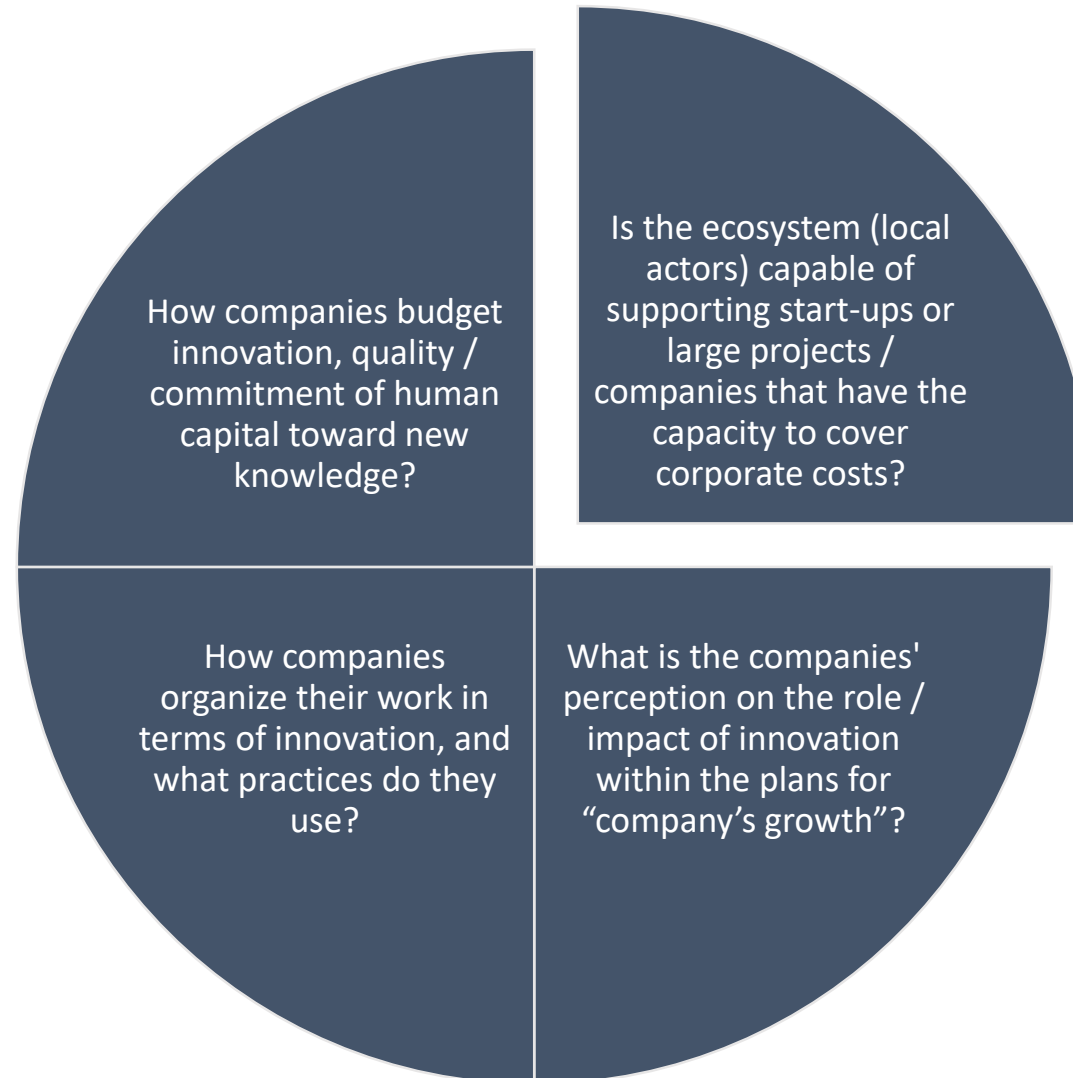
- Innovation ecosystem well-governance
- Business challenges and potentials
- Financing innovation initiatives

# PROFILE OF SURVEYED COMPANIES





# BUSINESS INVOLVEMENT IN INNOVATION





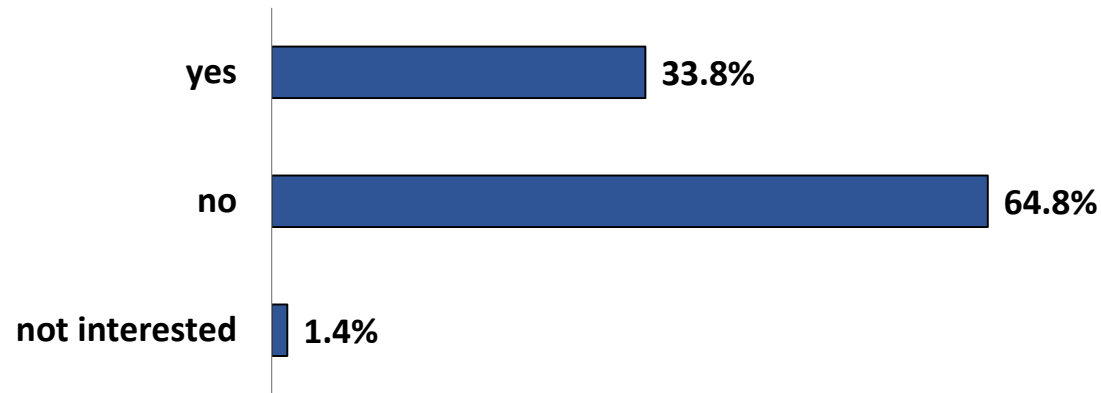
## II. FINDINGS



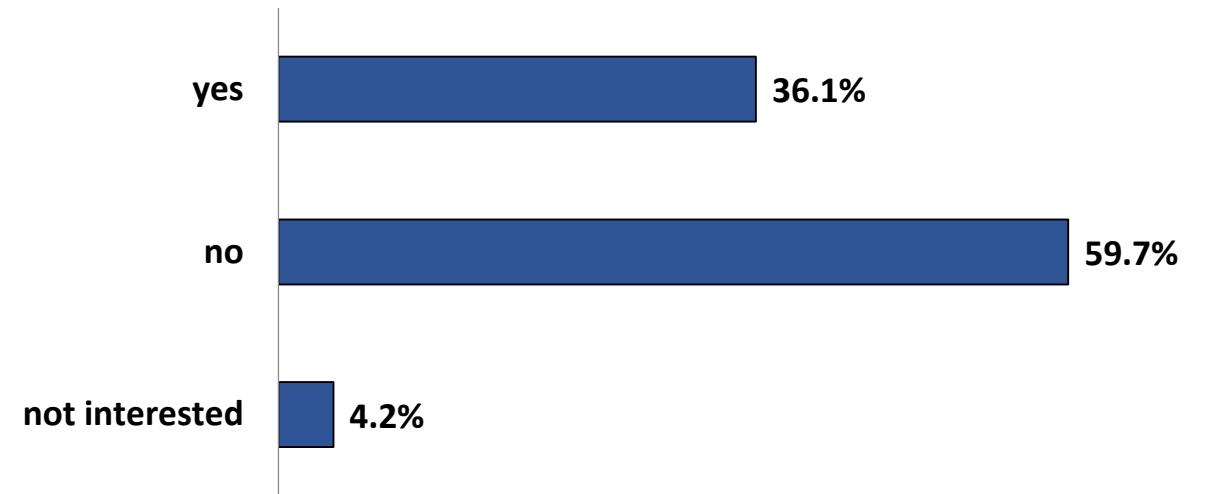
# II. FINDINGS,

## – ENTREPRENEURSHIP / INSTITUTIONS / UNIVERSITIES

*Do you know who is the institution responsible for the development of Innovation in the country?*



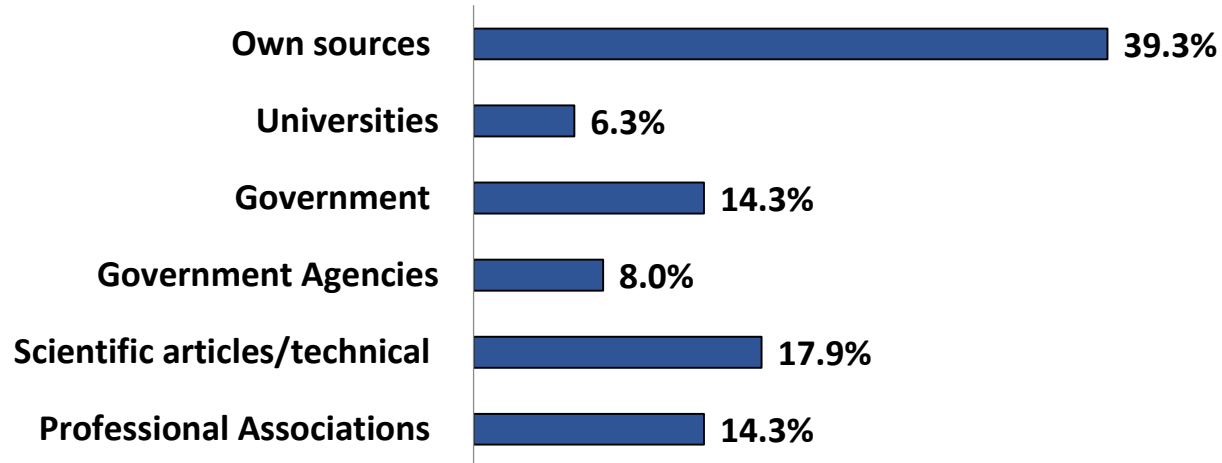
*Do you know if there is an Innovation Strategy in Albania?*



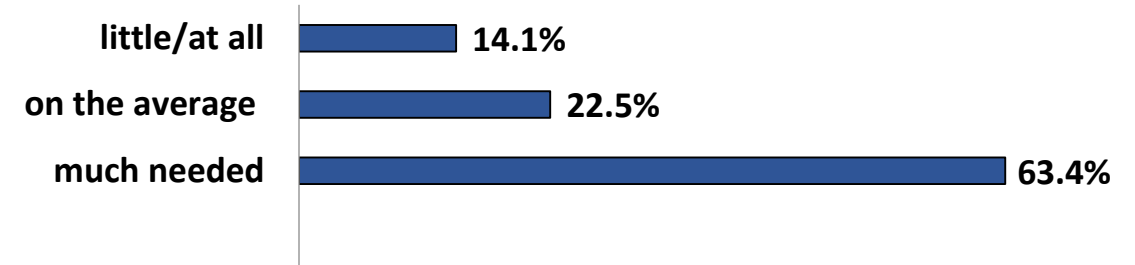
# II. FINDINGS,

## – ENTREPRENEURSHIP / INSTITUTIONS / UNIVERSITIES

*During the last three years, how important have the following sources of information been for your innovative activities?*



*Do you think that a cooperation with the academic sector is necessary in providing information on new development opportunities?*



# II. FINDINGS

## ECOSYSTEM

In spite of recent (national, regional and EU) dynamics, including fiscal stimulation efforts, **the leadership and coherent approach to innovation in the entrepreneurship ecosystem – is still perceived as limited.**

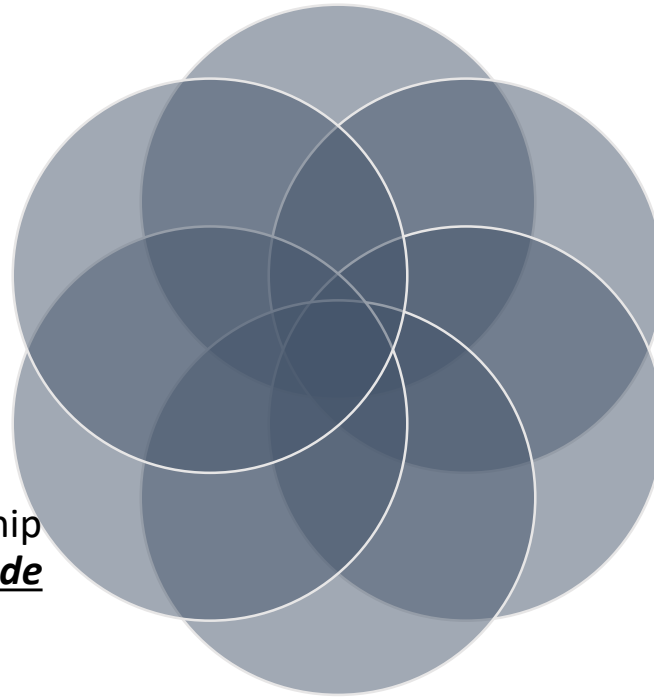
Despite some sporadic initiatives, **the Triple Helix model is not perceived as functional due to a lack of trust between universities and the private sector.**

There is **awareness about the government's significant measures and investments to digitalise public services** offered to citizens and businesses via centralized platforms.

Albanian companies and the entrepreneurship ecosystem **lack target of production of “made in Albania” innovation.**

**Lack of granulated data on innovation and start-up models.**

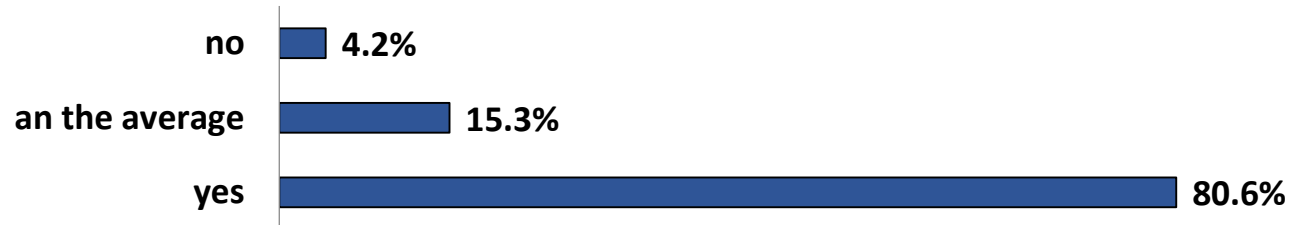
**No harmonised and simplified information on current key innovation stakeholders.**



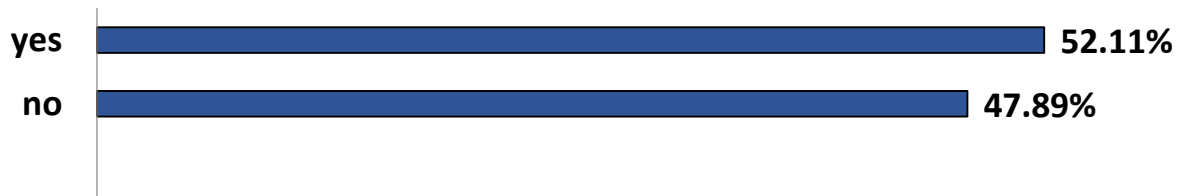
# II. FINDINGS

## - ENTREPRENEURSHIP & INNOVATION

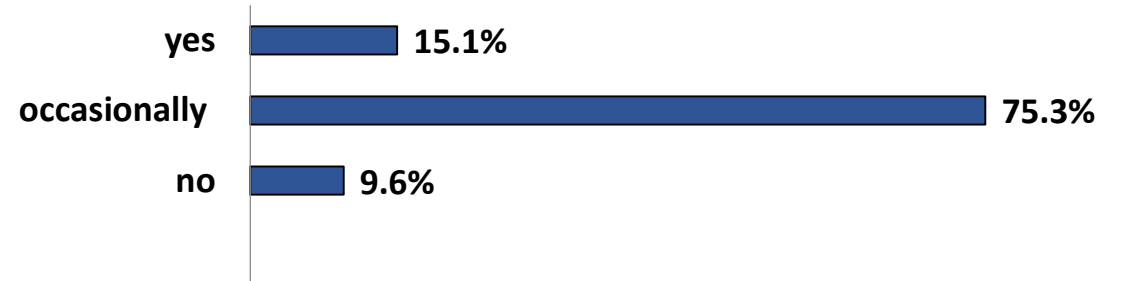
*Do you consider Innovation as a driver in increasing the company's revenue?*



*Have you developed R&D activities in the past three years?*



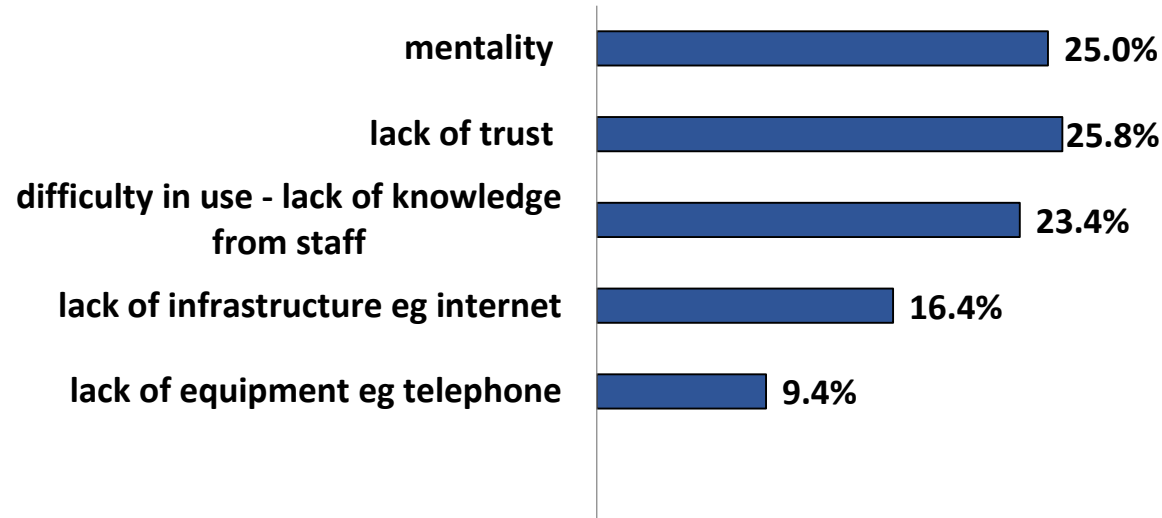
*Does your company have a dedicated R&D fund?*



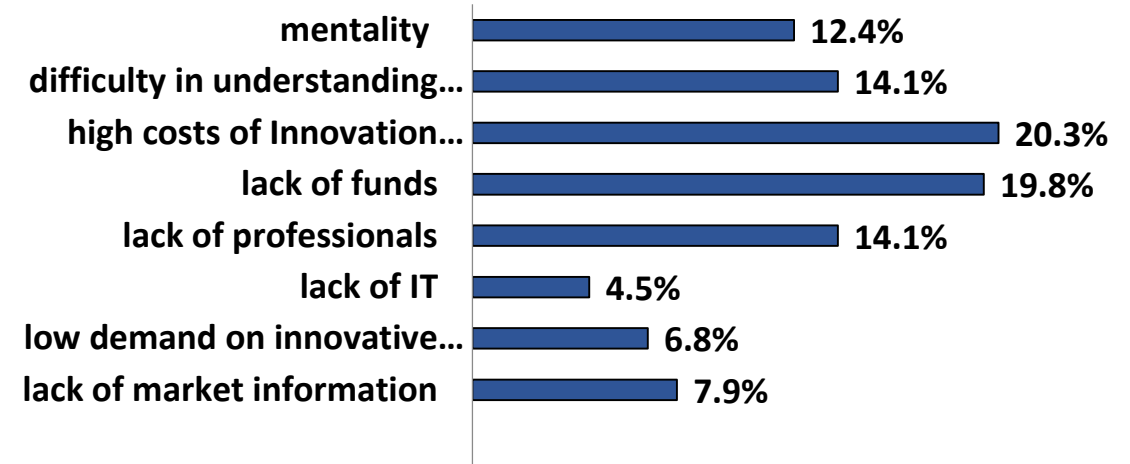
# II. FINDINGS

## - ENTREPRENEURSHIP & INNOVATION

*What do you consider to be the 3 main obstacles in using Innovative services / products in Albania?*



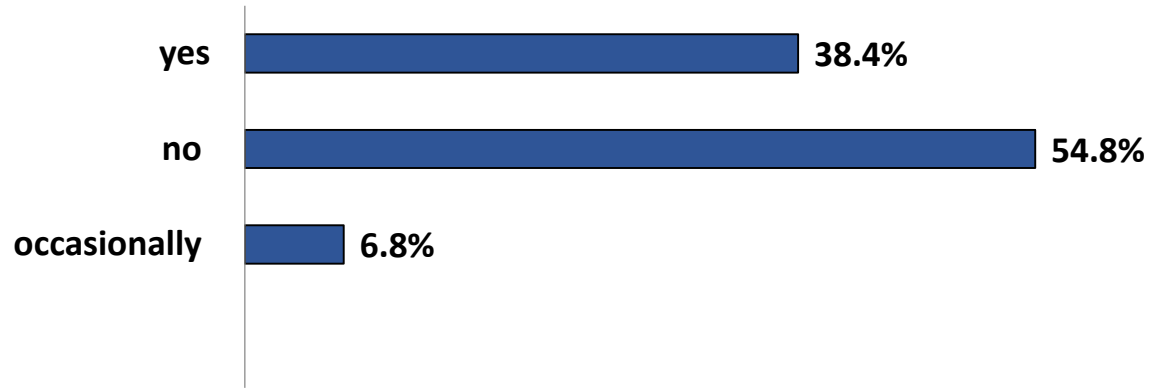
*What do you consider to be the 3 main obstacles in the development of Innovative products / services by companies in Albania?*



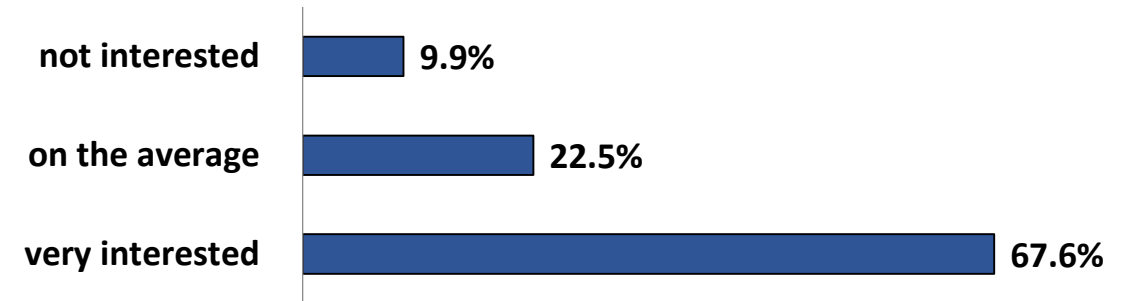
# II. FINDINGS

## - ENTREPRENEURSHIP & INNOVATION

*Does your company have a dedicated fund for employee training?*



*How do you assess your employees' willingness to acquire new skills?*





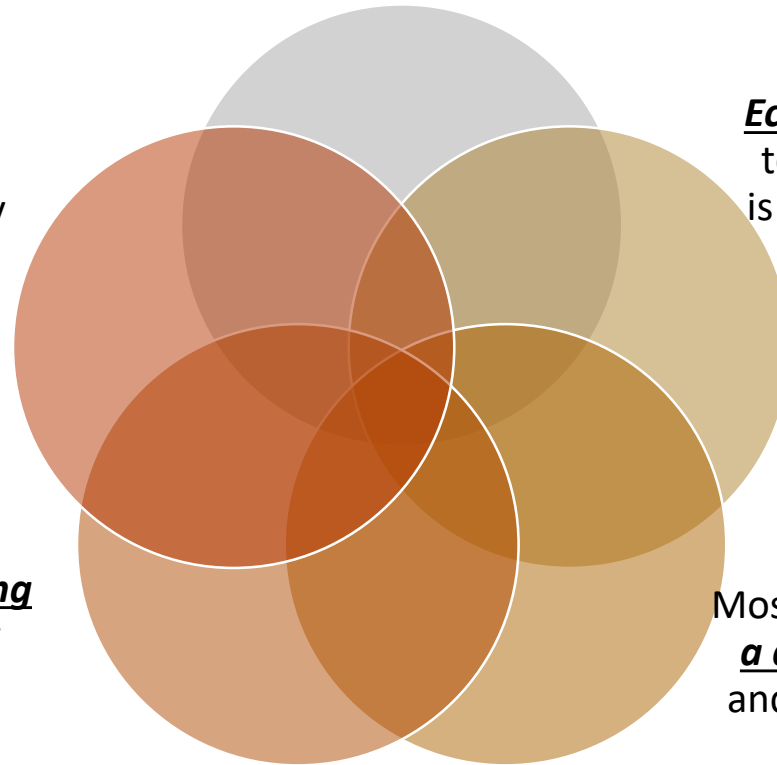
# II. FINDINGS

## Entrepreneurship and Innovation

**Mentality, lack of trust and knowledge and limited availability of funds** perceived as main business obstacles in using/producing innovation

**Leading the innovation process** – government vs private sector and timely response of online services

**Formalisation and well-functioning of markets** as a precondition for investing in innovation



**Ecosystem of start-ups is very nascent**, the use of new technologies and innovative solutions by enterprises is low, and the allocation of R&D funds is spontaneous with most of the SMEs non-allocating at all any budget

Most of companies **confirm that they do not have a dedicated fund for training their employees**, and there is a gap between students' supply and companies' demand for workforce

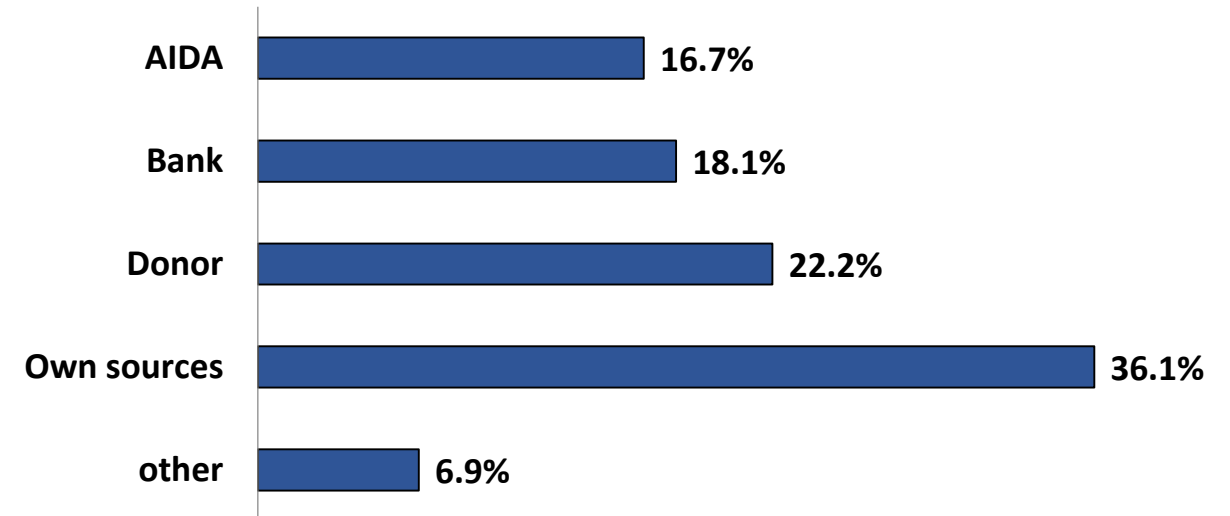
# II. FINDINGS

## – ACCESS TO FINANCE FOR INNOVATION

*Do you have information about funds available to support Innovation?*



*If you were to seek funding for Innovation where would you head first?*



# II. FINDINGS

## – ACCESS TO FINANCE FOR INNOVATION

### Access to Finance for Innovation

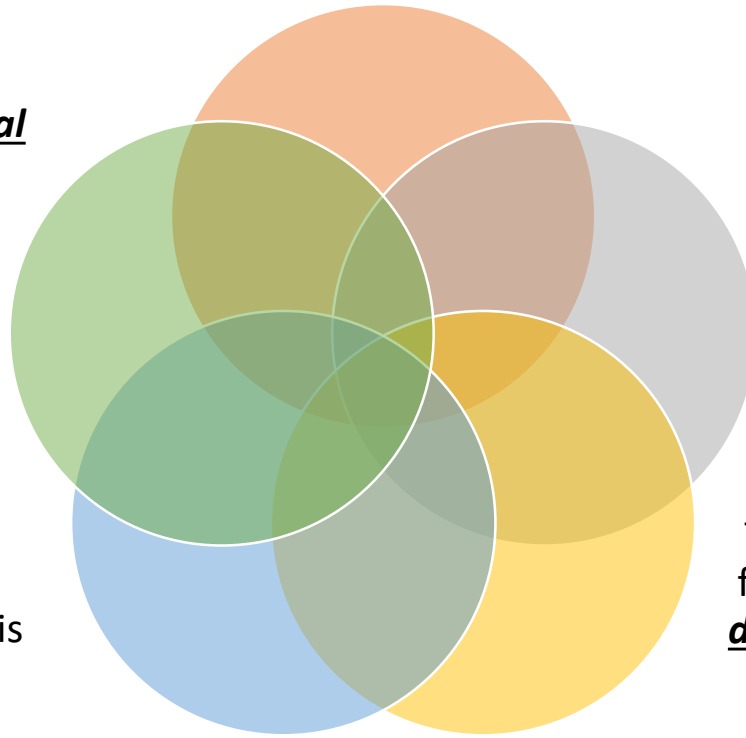
Low absorption level of available innovation funds

Existence of several instruments not integrated into a well-functioning instrument and establishment of a national or regional innovation fund – identified during Secretariat's consultations

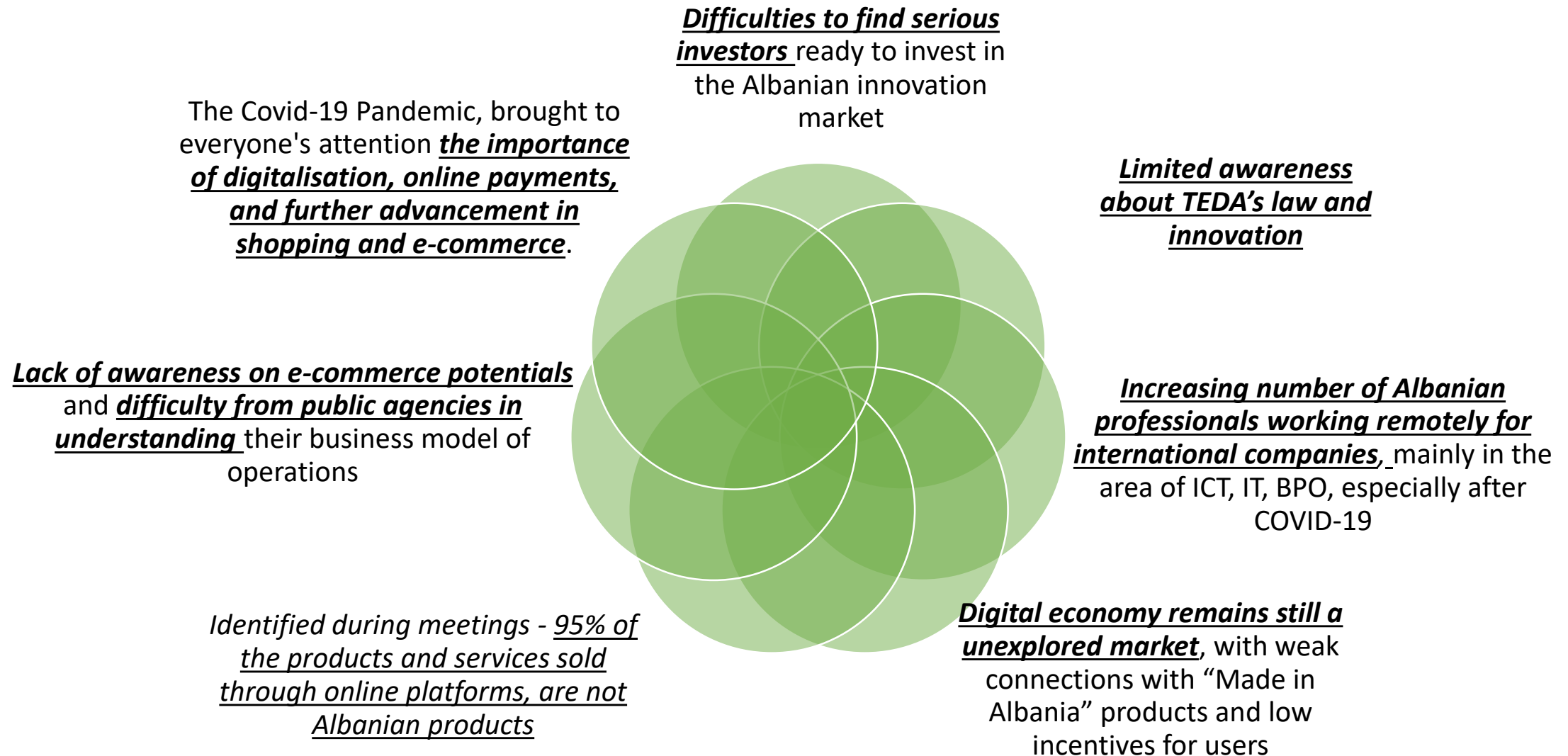
Limited public incentives to increase the involvement of Universities in R&D – also, not clearly specified in the ERP 2021-23 on how this target would be achieved (1% of GDP)

Limited business awareness on available funds to finance innovation

The lack of awareness is also followed by the gap between demand and available type of funding supply such as for financing start-up



## II. FINDINGS – OTHER





# RECOMMENDATIONS

# III. RECOMMENDATIONS

## - WELL-GOVERNANCE OF THE ECOSYSTEM

*Empowering of the innovation ecosystem through a comprehensive legal and regulatory framework*

- Speeding up the approval of the draft-law “For Protection and Development of Innovative Start-Ups”

*Institutional coordination for an efficient harmonization and stimulation of innovative initiatives through:*

- Pre-Commercial / Innovation Procurement Mechanisms - enables the public sector to purchase research / development (R&D) services for practical and / or sectorial issues (Law 162/2020 "On Public Procurement");
- Projects that enable "smart" solutions in sectors such as waste management, green economy, agro, renewable energy, tourism, etc..
- Expansion of variety and the quality of digital public services, e.g. real-time exchange of data between different institutions, e-signature
- “Cost mitigation” for business R&D with guarantee funds or other instruments e.g. for technology, universities, etc.

*Promotion by AIDA & MFE of "serious" foreign and domestic investors:*

- Benefits and opportunities provided by TEDA Law
- “Innovation Districts” or regional industrial clusters
- Targeted support to the process of internationalisation of start-ups by AIDA (or the institution in charge for innovation)



# III. RECOMMENDATIONS

## - “QUADRUPLE HELIX”

*Speed up the structuring of modern education (as part of ecosystem input) in coherence with the demands of new “smart” industries that offer quality work and require new skills. Creation according to S3 of models of cooperation with business e.g. - online platform where business issues are deposited that are further analyzed, for example for doctorates, etc., open hours with former students who are a “model” of success, interaction with chambers of commerce, etc.*

*Stimulating business exposure to innovative ideas through education and media use*

*Promoting cooperation between universities by creating a consortium based on specific areas / expertise of member universities, for example, to support businesses in the field of law, pharmacy, certified laboratory analysis, technology, specific training centers, etc.*

*Structuring linkage between academia / businesses and financial institutions to fund start-up students’ ideas based on the identified needs of SMEs.*

# III. RECOMMENDATIONS

## – ACCESS TO FINANCE

*Facilitate access to funds (state & donor) for innovation, through:*

- Establishment of credit guarantee schemes, risk sharing and interest rate subsidies
- Promotion of schemes through a unified platform at national / international level

*Orienting and supporting SMEs on the path to digital innovation through coordination of trainings, consulting, mediation of collaborations, absorption of funds and raising awareness*

*Promoting alternative funding models such as Crowd funding*

*Establishing a network of "business angels" investors*

- Identify possible legal initiatives that can facilitate and support their investments in innovative ideas

# III. RECOMMENDATIONS

## – DIGITAL ECONOMY

*Supporting the digital economy through:*

- Legal / regulatory measures that facilitate doing business on digital platforms and the Internet, e.g. clear identification of actors in e-commerce, etc.

*Adoption of secondary legislation related to the implementation of the Law "On Payment Services"*

*In support of e-commerce, the BoA and commercial banks should consider alternative forms of clearing for local transfers in EUR.*

*Encourage formalization by restricting and discouraging cash payments*

- Increasing access to payment services -POS, Debit / Credit Cards (eg establishing an in-house card processing and clarification system)

*Approval and Publication of the e-Commerce Action Plan*

- Example: Approve and publish an action plan addressing the findings of the World Bank e-Commerce Diagnostic Report (September 2020)

# DISCUSSIONS

## Are we ready?



# DISCUSSIONS



<p><b>Ecosystem</b> - A clear vision, sustainable commitment to innovation - prerequisites for good ecosystem governance - Public Institutions / Universities / Business / Media.</p>
<p><b>Business</b> - Although they consider innovation important for revenue, and they have plans to invest in new products / services, they are reluctant to engage with a sustainable budget / investment. Why?</p>
<p><b>Access to Finance</b> – Although there are some initiatives, the level of access of SMEs to various projects or financial instruments with a focus on innovation is still low. What should be considered in support?</p>

*What will be the role and position of each in good governance? How to improve universities-business cooperation? Innovation challenges of Albanian companies - from "users" to "producers" of innovation (start-up companies and consolidated in the market).*

**THANK YOU!**  
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