

MATRIX OF RECOMMENDATIONS

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

INVESTMENT COUNCIL SECRETARIAT

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Matrix of recommendations “*INNOVATION IN ENTREPRENEURSHIP AS A CHALLENGE FOR INCREASING COMPETITIVENESS AND THE ENGINE OF ECONOMIC GROWTH*” aims to summarize the recommendations and solutions proposed in the Technical Note and serves as an Internal Plan for monitoring from AIC secretariat team in order to follow up their implementation.

The following recommendations are product of the analyses and consultation of IC Secretariat with a large number of stakeholders and experts both in private and public sector. (nevertheless, they don’t provide exhausting solutions to the problems and issues raised herein). Given that there are already several strategic initiatives in process, both national and regional - the main objective of the study was (in the short term) - to accelerate the national agenda for entrepreneurship innovation in order to maximize the impact of strategic initiatives and of the support that the country has. In the medium term, it aimed to stimulate attention and debate among stakeholders on how Albanian businesses can be not only "consumers" of innovation, but also "producers" in the context of the digital economy where innovation can bring market dynamics, especially after COVID19. In order not to be repetitive, we have not included in this section other recommendations approved in the past IC Meetings, some of which remain still coherent and relevant.

INTERVENTION / RECOMMENDATION	RESPONSIBLE INSTITUTION	TERM
1. GOVERNANCE - LEGAL AND REGULATORY FRAMEWORK		
Recommendation 1: Empowering of the innovation ecosystem and linkages among stakeholders through a comprehensive legal and regulatory framework consisting in: A. Speeding up the approval of the draft-law “<i>For Protection and Development of Innovative Start-Ups</i>” that enables: <ul style="list-style-type: none"> a consolidated list of non-discriminatory administrative and financial incentives available to foreign and domestic investors as a prerequisite for fair competition. a self-regulatory governance regime of ecosystem based on structures like Evaluation Board on Innovative Start-Ups with majority members from the private sector. an online, open, transparent and easily accessible electronic portal on Innovative Start-Ups. 	KM/MFE/ MSEP	Short term

<ul style="list-style-type: none"> establishment of a National Fund on Innovation that supports access to credit through guarantees on bank loans for certified incubators and innovative start-ups. 		
<p>Recommendation 2: Consolidation and harmonization of government initiatives related to digital, technological and innovation transformation by a leading institution responsible for the coordination of sectoral policies to foster:</p> <p>A. Demand-side innovative solutions to Government problems¹:</p> <ul style="list-style-type: none"> via Pre-Commercial/Innovation Procurement mechanisms that enable the public sector to purchase research and development (R&D) services for practical and/or sectorial problems². The recently approved Law no.162/2020 “On Public Procurement” endorses the <i>partnership for innovation</i> concept introduced and endorsed earlier by EU Directives. For more information on successful pre-commercial procurement models at the EU level click here. via sustaining of projects that enable smart solutions for example on waste management, green economy (through energy innovation, including but not limited to the following activities LED lighting, solar installation, Electric Vehicle (EV) charging stations, smart outlets, variable frequency drives and building analytics) ICT industry³ and Agro projects⁴ creating local and international market expansion and added value. Further enlarging the number and quality of digitalized public services through Government platforms. (e.g. Real-time and coherent exchange of data among institutions that enable real-time information to the users.) Enforcing the use of electronic documents, electronic and digital signature in commercial/administrative activities in line with strategies for paperless administration including executive agencies and judiciary system. <p>B. Supply-side innovative solutions by businesses⁵:</p>	<p>KM</p> <p>Middle term</p> <p>KM/ MFE/APP/UCCIAL</p> <p>Middle term</p> <p>KM/MFE/ MIE/ MSEP/MARD/MTM/ AIDA</p> <p>Middle term</p> <p>KM/NAIS</p> <p>Middle term</p> <p>KM/NAIS</p> <p>Middle term</p>	

¹ The launching of fiscalization process by the government is an example of initiatives that foster the demand-side for innovative solutions by fostering the market through the need of the government to address informality, managing of taxes, etc. As of today, have been certified by 29 companies for providing innovative solution tools related to fiscalization process.

² This instrument enables the commissioning of R&D services, under a staged competitive process, to allow the development of innovative solutions that meet the needs of a Contracting Authority. This approach is based on: 1. Risk-benefit sharing according to market conditions. 2. Competitive development in phases; and 3. Separation of the R&D phase from the deployment of commercial volumes of end products.

³ ICT has the potential to develop their own sophisticated software solutions and services, due to the growing number of start-ups, entrepreneurial spirit and growing interest of young people in IT science.

⁴ Pave the way for the Albanian food products to enter advanced markets as organic, and higher local value-added, while local production turns to high-tech and eco-sustainable production.

⁵ How Can EU Legislation Enable and/or Disable Innovation-EU Commission 2014

<ul style="list-style-type: none"> • via incentives for increasing R&D investments and marketing expenditures; e.g. Government should also consider the innovation capacity of the existing firms and their need to upgrade their production and business processes and product portfolio. For example, through a guarantee fund that subsidizes 50% of the costs for research and development and research work of practical interest. • through the provision of dedicated funding in the form of debt or equity, or through exception from general rules as in the case of the technology transfer. • other means of cooperation e.g. corporate innovation initiatives (Business-Universities-Donors) that reduce costs of innovation and share the risks. 	<p>KM/MFE/MASR/ NASRI /AIDA</p> <p>MFE/KM/DONORS</p> <p>MFE/KM/DONORS</p>	<p>Middle term</p> <p>Middle term</p> <p>Middle term</p>
<p>Recommendation 3: Promoting to serious foreign and domestic investors the benefits and opportunities of the Law no. 9789 dated 19.07.2007 “On Technological Economic Development Areas” and aligning it with the ecosystem requirements for establishing dedicated “District/s on Innovation”. The latter is seen by the ecosystem actors as a mean to attracting business excellence in the area of innovation and high-tech technology, which can further serve as a benchmark for enlarging the number of innovative start-ups and businesses that endorse innovation and/or introduce high-tech. To this end, it might be worthy to explore the opportunities deriving from Law 9789/2007 in supporting the idea of creating an Innovation District and/or widening collaborations in the form of regional industrial clusters as functional and sustainable models.</p>	<p>KM/ MFE/ MASR/ Universitete/AIDA</p>	<p>Middle term</p>
<p>Recommendation 4: Targeted support to the process of internationalisation of start-ups by AIDA (or the institution in charge for innovation) including assistance in legal, corporate and fiscal activities, as well as real estate and credit matters. In addition, innovative startups can benefit from free-of-charge participation in certain international fairs and events, as well as to international initiatives aimed at favouring the matching with potential investors.</p>	<p>MFE/AIDA/ MSEP</p>	<p>Long term</p>
<p>2. QUADRUPLE HELIX COOPERATION (GOVERNMENT - UNIVERSITY –BUSINESS - CIVIL SOCIETY/MEDIA)</p>		
<p>Recommendation 5: Speed the enabling of a modern and focused education on industries that deliver high-quality and highly-skilled jobs, thus contributing to greater, sustainable and faster growth of companies. As a wide-ranging issue, it should help to better connect academia faculties, science and technology instruments (e.g. parks, hubs, etc.), through their collaboration with industry, since it aims the creation of highly skilled personnel and developing a knowledge-based society.</p>	<p>MESY /MFE/ Universities/ NASRI</p>	<p>Middle term</p>

Recommendation 6: Enforce relation and format of collaboration University – Business, from the responsible institution as clearly identified in the Smart Specialisation Strategy being drafted. Some possible cooperation forms are (1) creation of an online platform where the business issues are collected and shared with universities based on their area of specialisation and Universities to orient the graduation/master or PhD thesis based on the practical issues/problems/needs for data - raised from the private sector, (2) open lessons with innovator businessmen (former students), that have proved to be successful in their professional life to be invited by universities to share their experience, challenges and success in an open discussion with students, (3) curricula update with enterprise skills starting from high schools to universities and adaptation toward market demand by expanding practical skills along with theory, (4) Regular student orientation toward the labour market, through periodic consultations with business associations, (5) Accelerator to enhance projects in innovation.	MESY /MFE/ MSEP Universities/Business Associations/ NASRI	Middle term
Recommendation 7: Stimulate the education of SMEs through media usage (visual/social) as a powerful tool to drive user's attention on relevant topics such as Innovation. Economic Programs sponsored by the government can be used to increase awareness of SMEs on Innovation and the importance of collaboration with academia as the best way to influence the future of their business.	MFE/MSHMS	Middle term
Recommendation 8: Foster cooperation between Universities by establishing a consortium based on the specific specialization field of the member universities. This expertise based consortium, will serve as a practical training centre for enterprises and will enable the sustainability of knowledge transferred from projects supporting innovation in different sectors of the economy.	MESY/MFE/ MSEP /Universities/Business Associations/ NASRI/Donors	Middle term
Recommendation 9: Establish linkages between academia/businesses and financial institutions to find ways to finance student's ideas on Start-ups based on identified SME needs. An example of facilitator agents can be Local Economic Development structures (e.g. Auleda in Vlora or Teuleda in Shkodra) that can simplify the intermediation and monitoring/follow up processes.	MESY/MFE/ MSEP /Universities/Business Associations/ NASRI	Middle term
3. ACCESS TO FINANCE		
Recommendation 10: Amplification of simplified access to credit guarantee schemes or other sources of funding for SMEs at national/international level through (1) Elaboration of state or donor guarantee funds based on risk-sharing or interest subsidised schemes, (2) Creation of Joint Innovation Fund between Public and Private to invest in innovation covering all economic sectors, (3)Promotion of these schemes through a single-window national platform.	MFE/AIDA/ MSEP Donors/ Banks Association	Long term

Recommendation 11: Provide the advisory, training, matchmaking and collaboration support for digital innovation SMEs looking for funding and increase awareness on (1) the provisions of the Law No.66/2020 “For Technology-Based Financial Markets of Distributed Registers” ⁶ (blockchain) which enables for more inclusion of potential fundings from FINTECH and using DLT technology; finding of foreign alternative financial sources and lowering payment services costs, (2) Inciting alternative funding options such as Crowdfunding as “the practice of funding a project or venture by raising many small amounts of money from a large number of people (“crowd”), typically via the internet (online platforms). Crowdfunding platforms in their different models (donation-based, reward-based, equity-based and lending-based) are a new powerful source of alternative funding that make start-ups less dependent on typical venture capital exit models and allow raising funds without material collateral that is required by banks.	MFE/ MSEP /AIDA BSH/ Donors/ Banks Association	Middle term
Recommendation 12: Enabling upon approval of the Law “For Protection and Development of Innovative Start-Ups” of a network of business angel investors and identification of potential legal initiatives which can facilitate and support their investments in innovative ideas.	MFE/ MSEP /AIDA/AMF	Long term
4. DRIVE DIGITAL ECONOMY SECTOR POTENTIALS AND CREATION OF SYNERGIES AMONG STAKEHOLDERS		
Recommendation 13: Supporting the digital economy (economy of the internet) by establishing legal & regulatory measures that facilitate doing business on digital platforms and the internet environment. Online platforms have established their presence as important economic players, connecting economic actors and boosting efficiency, through innovation and the development of new business models, especially during the Covid-19 crisis. Legal and regulatory measures should focus <i>inter alia</i> on (1) the oversight of e-commerce through a clear identification of e-commerce actors, their footprint, operations and the overall impact of digital economy in the Albania economy, (2) preparation of simple guidelines for e-commerce companies related to categorization of their services for purposes of deductible expenses (e.g. purchase of download software) and how to deal with tax and customs operations. Such measures are a means to support systemic formalization, clearance of their framework of operations and reduce red tape and uncertainty.	KM/MFE/ MSEP/MIE/GDT	Middle term
Recommendation 14: Approval of secondary legislation related to the implementation of the recent Law No. 55/2020 date 30.04.2020 “On Payment Services” that enables a larger pool of licenced institutions/agents for initiation of electronic payments; It shall increase competition and shall make the market more agile by facilitating commercial cooperation among banks and e-commerce operators in establishing user-friendly and trusty platforms of e-commerce.	MFE	Middle term

⁶ Law 66/2020 “For financial markets based on distributed ledger technology”

Recommendation 15: In support of e-commerce trading, the Bank of Albania and commercial banks should consider alternative clearing forms for local EUR transfers , in order to reduce the high costs charged by correspondent banking network, for example, Clearing or Instant Payment System in Euro. A feasibility study regarding the volume of local euro transactions between customers in Albania could be helpful to understand better the market needs regarding transaction costs.	MFE/BoA/Banks Association	Middle term
Recommendation 16: Further Increase the Fight Against Informality by Limiting and Discouraging Cash Payments. The initiative must include 2 separate provisions: a) a higher limitation on cash transactions, encouraging businesses and citizens to use the formal banking system or alternative electronic payment, and b) development of legislation to ease and widen electronic payment systems at a much larger scale than now exists. The preparation of an action plan on improving financial inclusion and on how to reduce costs on access to banking, to increase the use of credit/debit cards and enlarging penetration of POS, for example, setting up a card processing and cleaning system within the country in collaboration with the Card companies (Visa/Master) can be adopted to reduce the costs and improve the usage of electronic payments means. More information on this topic is provided in the IC Recommendation 9 of the IC Meeting XIV- Informality in Tourism .	MFE/BoA/Banks Association	Middle term
Recommendation 17: In case any action plan that address findings of the WB Diagnostic Report on e-Commerce (September 2020) is approved, it should be published and distributed to the public further as a means to increase awareness about the e-commerce challenges and opportunities and monitor the implementation milestones.	MFE/AIDA	Middle term

Other Suggestions	Subject
(1) It is important for Albania to reach the rest of Europe. This means, as a first step, introducing and adapting concepts and technologies that have already worked in the most developed countries; and as a second step, to include businesses that are growing in the “consolidated economy” rather than (or at least not only) technology profile start-up companies;	FIAA- Foreign Investors Association Albania
(2) At the central level, should be considered fiscal policies incentives for those enterprises that have a dedicated budget and a certain number of employees working on R&D.	Bank of Albania
(3) The "EU for Innovation" project should be oriented also toward the universities to engage them in the right direction, both in terms of generating curricula but also cooperation.	MESY

Abbreviation:

KM- Council of Ministers
MFE- Ministry of Finance and Economy
MSEP – Minister of State for Entrepreneurship Protection
MARD- Ministry of Agriculture and Rural Development
MTM – Ministry of Tourism and Environment
MESY- Ministry of Education, Sports and Youth
MIE – Ministry of Infrastructure and Energy
NASRI- National Agency for Science Research and Innovation
AIDA – Albanian Investment Development Agency
NAIS – National Agency for Information Society
BoA – Bank of Albania
FIAA- Foreign Investors Association Albania
APP –Agency of Public Procurement
UCCIAL – Union of Chambers of Commerce and Industry Albania
AMF – Financial Monitoring Authority
GDT – General Directorate of Taxes

Term:

Short term- period from 1 to 6 months.
Middle term – period from 6 month to 1 year.
Long term – period over 1 year.