

MATRIX OF RECOMMENDATIONS

INTERNATIONALIZATION OF ALBANIAN MICRO-, SMALL AND MEDIUM-SIZED ENTREPRISES INVESTMENT COUNCIL SECRETARIAT

November 2021

This matrix of recommendations 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). Here are covered only the challenges posed by companies related to the process of internationalization and which have not been analyzed so far in our IC Meetings. Issues related to informality, access to finance or innovation have already been addressed in our previous analyses such as (i) Informality – covered in Technical Notes: Informality in Economy, Formalization in Agriculture, Formalization in Tourism (ii) Skills – covered in Technical Note: Labor Market Skill in the BPO Sector, Innovation in Entrepreneurship (iii) Access to Finance – covered in Access to Finance in Agribusiness. The recommendations included herein should be seen in correlation with the recommendations provided by IC in “Investment Promotion in Agro-processing” and “Innovation in Entrepreneurship.”

Intervention / Recommendation	Responsible institutions/ Institutions included in implementation	Term
<p>Recommendation 1¹. <i>AIDA/MFE, in collaboration with donors, business associations, and chambers of commerce to assess exporting MSMEs and MSMEs with potentials and readiness to approach foreign markets as per priority sectors. Based on this assessment, consolidate the national/ sector databases (the database has to be updated periodically) that will help to better tailor training programs in:</i></p> <ul style="list-style-type: none"> (i) export readiness: seminars in trade regulations and standards by sector, tools for international market research, export coaching to implement an export business plan, focusing on export strategy; (ii) market readiness: export sales training and joint international workshops abroad, together with participants from other countries to enlarge the international network of colleagues and trade experts, workshops in cross-culture, managing change and international trade marketing; (iii) business meetings with potential customers for increasing exports. 	<p>AIDA/MFE</p> <p><i>(Donors / Business associations/ Chambers of commerce)</i></p>	<p>Middle term</p>

¹ The recommendation refers partially to a best practice earlier applied in Slovenia.

<p>Recommendation 2. <i>Given that the integration of MSME in the international value chain is not only related to cost or technology, but also to changing business models and organizational culture, MFE/AIDA in collaboration with business associations – should accelerate institutional support on implementing training programmes to empower Micro, Small and Medium-sized Enterprises management on internationalisation² through partnerships between government/industries/professional schools/universities/donors:</i></p> <ul style="list-style-type: none"> (i) training in internal governance, research and development structures set up and coordination (ii) dedicated training for start-ups (iii) provide training at local levels for MSMEs managers (iv) foster entrepreneurship through the general and vocational educational system and improving the "holistic" approach to entrepreneurial culture 	<p>AIDA/MFE</p> <p>(Donors / Business associations/ Chambers of commerce)</p>	<p>Middle term</p>
<p>Recommendation 3. <i>AIDA/donors- To increase competition among the MSMEs to access more available funds and to improve the coverage, effectiveness and transparency of such available funds (grants, guarantee schemes, etc.), a new component on the AIDA platform (aida-smefinance.gov.al) can be added, summarizing a nationwide database on MSMEs recipients of grants, associated with a scoring rating service and specific indicators on their credibility</i></p> <p><i>Note: The recommendation endorses partially a best practice earlier applied in Slovenia.</i></p>	<p>AIDA</p> <p>(Donors)</p>	<p>Short term</p>
<p>Recommendation 4³: <i>Supporting MSMEs market research to ease the decision and lower the entrance costs to foreign markets through grants delivered via public tender/s to support any stage of internationalization activity. This can be introduced as part of the competition fund already operating at AIDA, associated with a special dedicated budget.</i></p> <p>The goal of the initiative should be the financing of MSMEs in preparation for market researches, to achieve a breakthrough with current products/services in a new foreign market or support new products on existing or new foreign markets and thus lower their costs of entering a new foreign market or lower their risk of placing a new product on a foreign market. Goals to be achieved through the project:</p> <ul style="list-style-type: none"> (i) Identification and benchmarking of new market/product opportunities; (ii) Evaluation of the appropriateness of product according to the needs of a foreign market; (iii) Preparation of a plan to adapt products to the needs of the foreign market; (iv) Identification of suitable sales channels in the foreign market. 	<p>MFE/ AIDA</p>	<p>Middle term</p>

²Training on internationalisation and new market entry strategy; Training on smart mobility market trends and opportunities; Language and cultural training; Country-focused training (fiscal, legal); Export forums; Internationalisation/export academies; International technology transfer

³ Note: The recommendation refers partially to a best practice applied in Slovenia in the frame of: “grants to support any stage of internationalization activity”.

<p>Recommendation 5⁴: MFE/ AIDA- Financing “Network Contracts for Internationalisation” models with the goals of establishing business networks in specific sectors (e.g. in garment military industry) through horizontal clusters and reaching the foreign market with a consolidated offer.</p> <p>The purpose of companies belonging to the network is to improve their competitive positioning through the implementation of integrated services for the development of internationalisation activities of their products and services, increasing production standards (eg "anchor investors", large investors in a value chain after which other investors can be linked in the form of "cluster", MSME as a partner) and sophisticating their offer towards higher-value markets.</p>	<p>MFE/ AIDA</p> <p><i>(Business associations/ Chambers of commerce)</i></p>	<p>Middle term</p>
<p>Recommendation 6⁵: MFE/ AIDA - Establishing the Sectoral Export Portal in the frame of the upcoming Export Strategy.</p> <p>A tool that should provide to the members of a business community⁶, the following:</p> <ul style="list-style-type: none"> (i) information for foreign markets; (ii) guidelines for export and marketing on foreign markets; (iii) access to contact network of international organizations; (iv) commercial counsellors abroad, distributors and wholesalers; (v) architects and designers; (vi) trade representatives; (vii) inquiries and offers from foreign companies; foreign trade and economic statistics. <p>The ultimate goals of the measure should be:</p> <ul style="list-style-type: none"> (i) Providing information on advanced materials, technology, equipment and innovations in the agro-processing; (ii) Providing information on the state of international markets and opportunities to establish business relations and cooperation; (iii) Providing information on programs to support small and medium enterprises; (iv) Provide information on changes in the regulations of the activities in the sector. 	<p>MFE/ AIDA</p>	<p>Middle term</p>
<p>Recommendation 7: AIDA- Increase the participation rate of MSMEs vs corporates in trade missions, business forums and other promotional events such as trade fairs, as clients and as participants by assisting them to establish new business contacts, partnerships and penetration or entrance to the international supply chains, through:</p>	<p>AIDA</p>	<p>Middle term</p>

⁴ Note: The recommendation refers partially to a best practice applied in the region of Abruzzo-Italy which was finalized with the establishing of “SIMUL - Multitask System for Industrial Automation” a business network in industrial automation. The measure funded at 50% the eligible costs for carrying out “promotional” and “organisational” activities for internationalisation process.

⁵ Note: The recommendation refers partially to a best practice applied in Bulgaria and Slovenia.

⁶ IC Secretariat proposal for agro-processing.

<ul style="list-style-type: none"> (i) The organisation of event Suppliers days, in particular in manufacturing and agro-processing, to enable access to the supply chains; (ii) Participation and implementation of B2B events in Albania and abroad to support the establishment of business contacts/new business partners; (iii) The organisation of inward and outward economic delegations, presentations of Albanian industry/ companies, conferences and other business events; (iv) Organise inward missions bringing in experts and buyers from overseas markets to enable companies to meet new contacts and learn about new markets. 		
<p>Recommendation 8: <i>The above interventions should be supported by MFE with sustainable and harmonized policies, in order to attract local and foreign investments but also to stimulate the interaction between foreign / local companies and MSMEs. For this we would recommend:</i></p> <ul style="list-style-type: none"> - <i>undertaking a preliminary assessment on the impact of specific incentives offered to date under previous fiscal packages (2014-2021), the strategic investment law (e.g. how strategic investors have affected local MSMEs) in priority sectors such as tourism, IT, agro-processing. Its publication not only would increase transparency regarding the use of public funds to support the private sector competitiveness, but also will be used as an analyses basis of the public policies in favour of specific sectors / products for export.</i> - <i>Assessment of possible links between supply chain firms (MSME / Corporation / FDI) in specific sectors, consideration of a "holistic" approach to the policy and standards framework (macro level) with the aim of providing support functions that facilitate compliance financing (traceability) with international standards, to be determined in coherence with the roles, rules and interaction of the actors. In this process, consider addressing the issues related to the "gap" between "skill supply" and the needs of the industry that seeks to integrate into the global chain. To clearly define in which direction human capital will be oriented in certain areas of the economy that have different requirements for the type and quality of labor force as e.g. tourism requires other skills than transportation.</i> - <i>Suggestions to be consulted with key stakeholders to ensure engagement, support and cooperation in the implementation and monitoring process of public policies in joint technical and specific business -government working groups.</i> 	<p>MFE, AIDA (Donors / Chambers of commerce)</p>	<p>Middle term</p>
<p>Recommendation 9: <i>Considering the momentum and the unique EU policy commitment, but also the Albanian Government's efforts under green deal initiatives, available donor instruments and relevant Albanian unique potentials in regard, MFE&MIE&AIDA&donors, the Local Government should set up tailored MSME's advocacy instrument for energy efficiency and waste management options (focus production industries, tourism sector, etc.). Goals to be achieved:</i></p> <ul style="list-style-type: none"> (i) propose new incentives that would foster the MSMEs green focus and involvement; (ii) aim to raise SME entrepreneurs awareness on cost/benefit in using alternative energy options; 	<p>MFE, MIE, AIDA, (Donors/ Local Self-Government units)</p>	<p>Middle term</p>

(iii) better prepare to mitigate any future energy crises; (iv) evidence key concerns to better access and benefit from green deal instruments.		
Recommendation 10: <i>AIDA in collaboration with MFE/MSHMS/UCCIAL/donors and business associations) - Set up and promote in a sustained national advocacy format/s the recognition/acknowledgement of responsible MSME businesses conduct and practices as MSMEs “Best Practice” cases, where one company’s success promotes a public benchmark example for other companies (ex. annual prize for businesses compliant with eco/ environmental standards) to stimulate the transition from company “directors” to “model entrepreneurs”. As well as, increase awareness of entrepreneurs that without a certification and increase of standards, they can not be competitive and export their products to new European and world markets.</i>	AIDA (MFE/MSHMS/ UCCIAL/ Donors/ Business associations)	Middle term

Other Suggestions	Subject

Abbreviation :

MFE- Ministry of Finance and Economy

MSEP – Minister of State for Entrepreneurship Protection

MIE – Ministry of Infrastructure and Energy

AIDA – Albanian Investment Development Agency

BoA – Bank of Albania

FIAA- Foreign Investors Association Albania

UCCIAL – Union of Chambers of Commerce and Industry Albania

Term :

Short term- period from 1 to 6 months.

Middle term – period from 6 month to 1 year.

Long term – period over 1 year.