

THE IMPACT OF COVID-19 ON BUSINESSES IN ALBANIA

Table of Contents

EXECUTIVE SUMMARY AND METHODOLOGY	3
INTRODUCTION	4
SURVEY RESULTS	6
Question 1: Business Size	6
Question 2: Do you export?	6
.....	7
Question 3: Have you stopped your activity as a result of Covid-19?.....	7
.....	7
Question 4: How do you assess the impact of COVID19 on your company's annual revenue (turnover)?.....	8
Question 5: What are the main problems that your company is currently facing?.....	8
Question 6: What measures did your company take to address the lack of workforce?	9
Question 7: What are the measures you will take to ensure the continuity of your business?	10
Question 8: Which of the measures presented by the government do you think will have the most positive impact on your company?	10
ADDITIONAL COMMENTS AND RECOMMENDATIONS.....	11
APPENDIX 1 - QUESTIONNAIRE	13

EXECUTIVE SUMMARY AND METHODOLOGY

The “**Impact of Covid-19 on Business in Albania**” survey was implemented with active contribution by Investment Department staff at the Albanian Investment Development Agency (AIDA).

It aims to define the situation created as a result of COVID-19, to the foreign and domestic businesses in Albania with annual turnover <14 million ALL and > 14 million ALL. These businesses were directly assisted and asked through phone calls conversations in terms of how are they managing the situation, problems encountered, as well as the collection of recommendations they might have for central and local government. The phone calls conversations were made on the basis of some structured questions.

The methodological approach towards the assessment is based on the action plan undertaken by Investment Department at AIDA, to first directly contact businesses affected by the COVID-19 situation, which have been assisted by the after-care sector and expand the list to 200 businesses in accordance with the sectors supported by the government packages. The surveyed companies represent sectors of manufacturing and processing industry (*facon*), such as textiles, leather, footwear, automotive, agro-processing, mining, service sector, ICT, telecommunications, tourism, etc.

The first step consisted of businesses being notified via email about supportive financial packages designed for the situation, making categories according to the classification of the annual turnover and by allowed or prohibited activity. Follow-up via phone calls has been carried out continuously. Of greatest interest, according to almost ½ of the sample, is the Sovereign Guarantee and its support package. The main suggestions were financially based. Most companies reported difficulties in covering worker wages in conditions where production has been stopped or reduced. As for future measures, the entrepreneurs will use revenues from their previous period in order to ensure the continuity of the activity, most of them do not envisage the same positive development but nevertheless businesses noted that they would extinguish the continuation of the situation and depending on further developments.

INTRODUCTION

The main target of the questionnaire were 200 companies from different industries. The companies that we targeted are located in several cities in Albania. Most of them are located in Tirana but also Durrës, Elbasan and Lezha have large number of industries, as; textile manufacture, tourism or agro-processing. As shown in Table 1.1, industries vary from different sectors such as; construction, agro-processing, ICT, manufacturing textile, footwear, automotive, retail, tourism, etc. In Durrës, most businesses were textile manufactures and automotive industries. In Elbasan the main industry surveyed was from the agro-processing industry. In Lezha there were mostly companies in the agro processing and manufacturing sector. Meanwhile in Tirana it was a combination of several different industries such as retail clothing, ICT, automotive sector and energy.

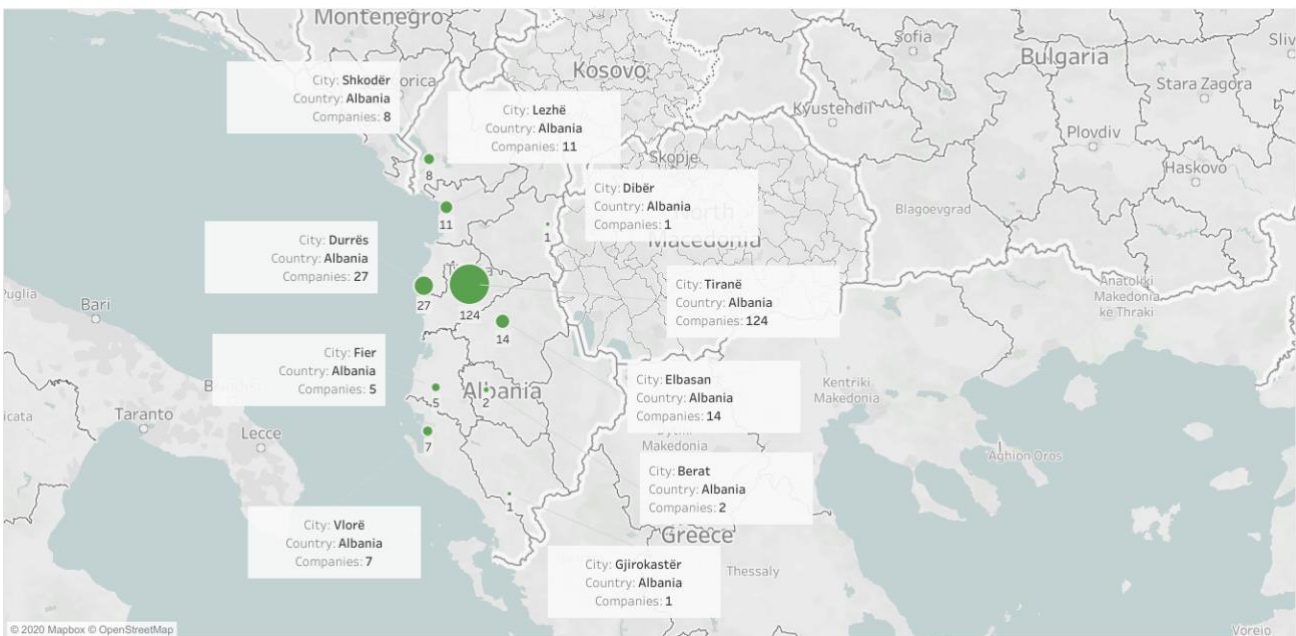
Sector by location

Sector	City										Companies		
	Berat	Dibër	Durrës	Elbasan	Fier	Gjirokastrë	Lezhë	Shkodër	Tiranë	Vlorë			
ICT			1	1				1	1	47		1	47
Manufacture (textile)	1		10	2				1	1	23	1		
Manufacture	1		6	1	1			2	3	9		3	
Accommodation/Tourism			1			1		1		4		3	
Automotive			3	1						5			
Agro processing				4	3			2					
Retail of clothing industry								1		6			
N/A			1						1	2			
Energy										4			
Construction					1					2			
Scaffolding production										2			
Petroleum										2			
Mining/Energy				2									
Insurance										2			
Import/Export								1		1			
Import-Export			2										
Health										2			
Footwear										2			
Food industry			1							1			
Wholesale of temperatur..										1			
Water system trade										1			
Textile										1			
Production of medical pro..										1			
Production of electrical p..										1			
Processing of fish products								1					
Processing industry										1			
Plastic industry			1										
Metalmechanical				1									
Metal production										1			
Household goods and furn..				1									
Furniture trade								1					
Fason		1											
Driving school										1			
Dental clinic										1			
Consulting										1			
Coffee trade								1					
Agroprocessing, Fishing				1									
Agroprocessing			1										

Table 1.1.

The questionnaire was based all around Albania. Tirana, the capital city, has more companies and the business life is more active compared to other cities therefore, from our targeted companies 99 of them were based in Tirana. The second city with the highest number of companies was Durres with 22 companies and it followed by Elbasan, Lezhe, Vlore, Fier, Shkoder, etc. Please see the map below for a better understanding.

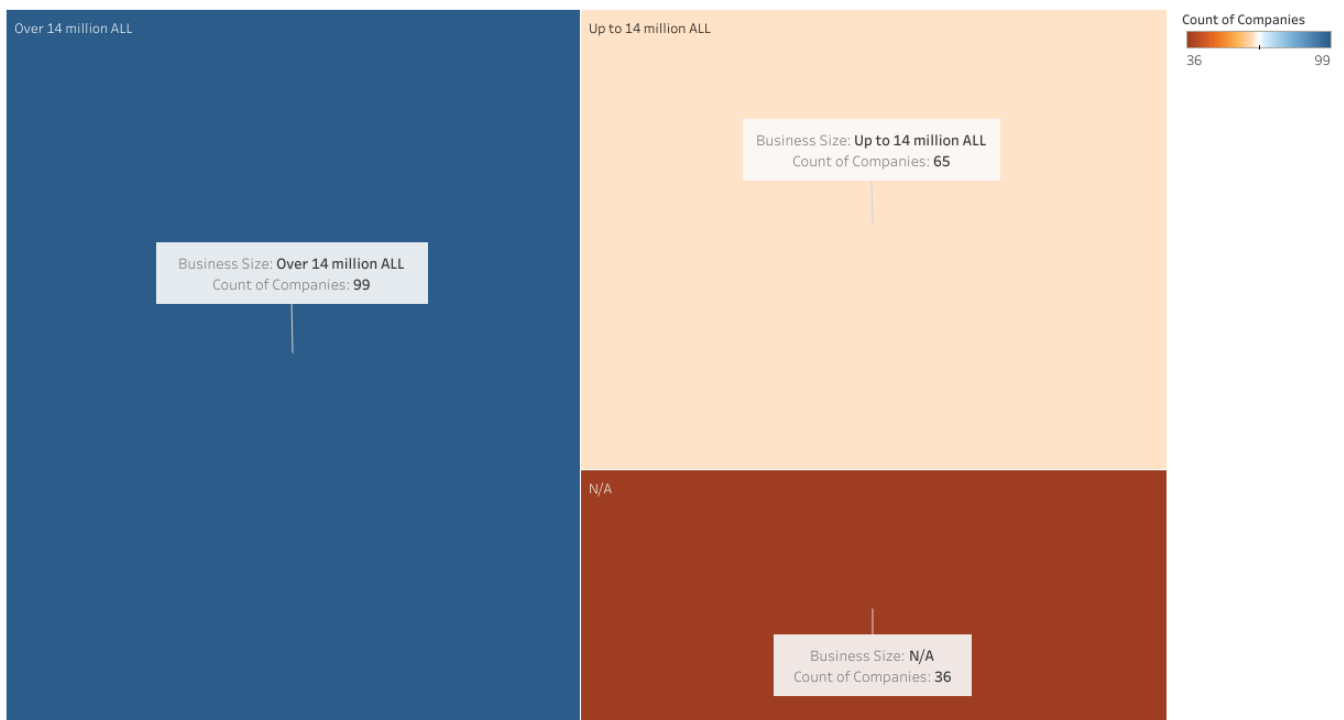
Locations



SURVEY RESULTS

Question 1: Business Size

Business Size

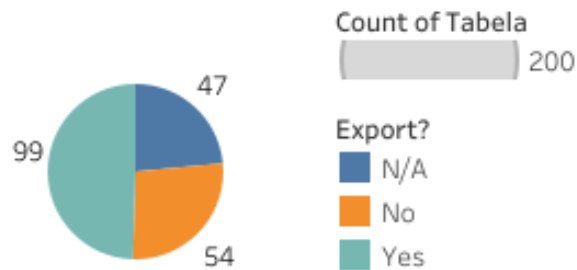


In the context of the situation created as a result of COVID-19, the Staff of the Investment Department has directly contacted and assisted foreign and domestic businesses with annual turnover <14 million ALL and > 14 million ALL. In Albania the Businesses that have an annual turnover <14 million ALL are considered as small enterprises and the businesses with a turnover > 14 million ALL are considered as large enterprises. From this survey, we did 200 questionnaires from a wide range of businesses. 99 of them belonged to the large business category, 65 of them were small businesses and unfortunately 36 of them did not answer this question.

Question 2: Do you export?

Out the 200 companies that responded to the questionnaires, 99 were companies that exported products to different countries. 54 companies did not export and 47 of them refused to respond. This value is partially explained by the distribution of values for Business Size.

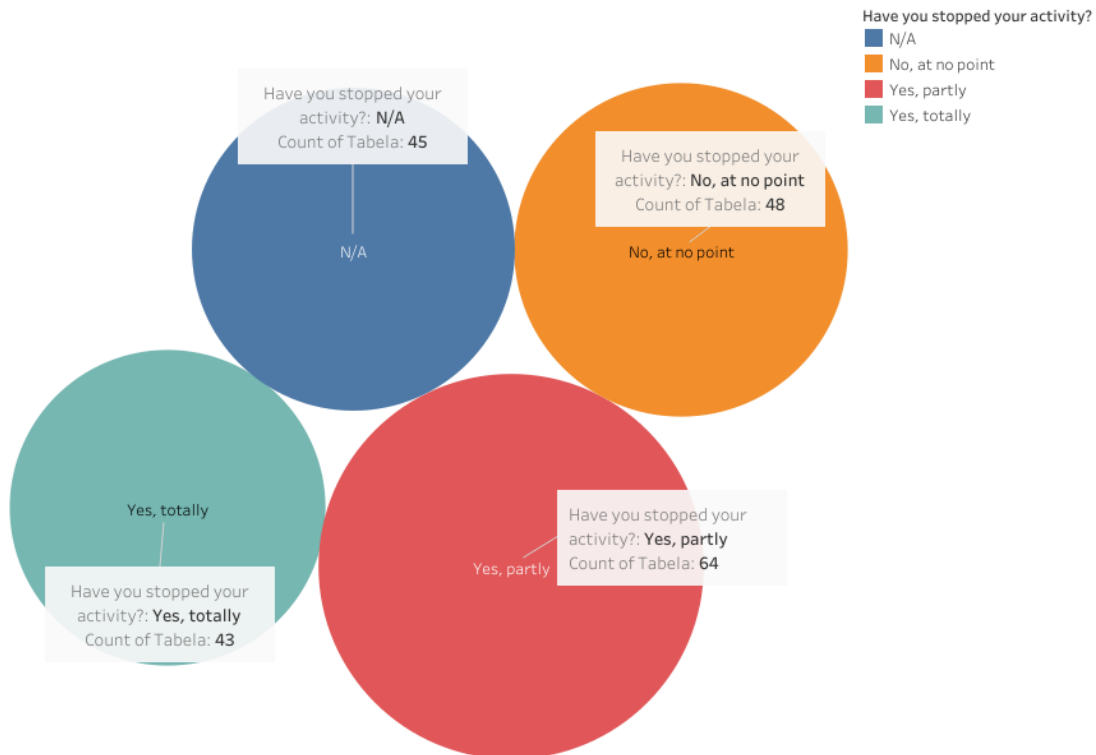
Export



Question 3: Have you stopped your activity as a result of Covid-19?

Out of 200 companies that responded to the questionnaires, 64 of them had closed their businesses partially. 43 of them had totally closed it and 48 companies didn't stop their activity at any point during the coronavirus time. These companies were from sectors such as agro processing, food export, etc.

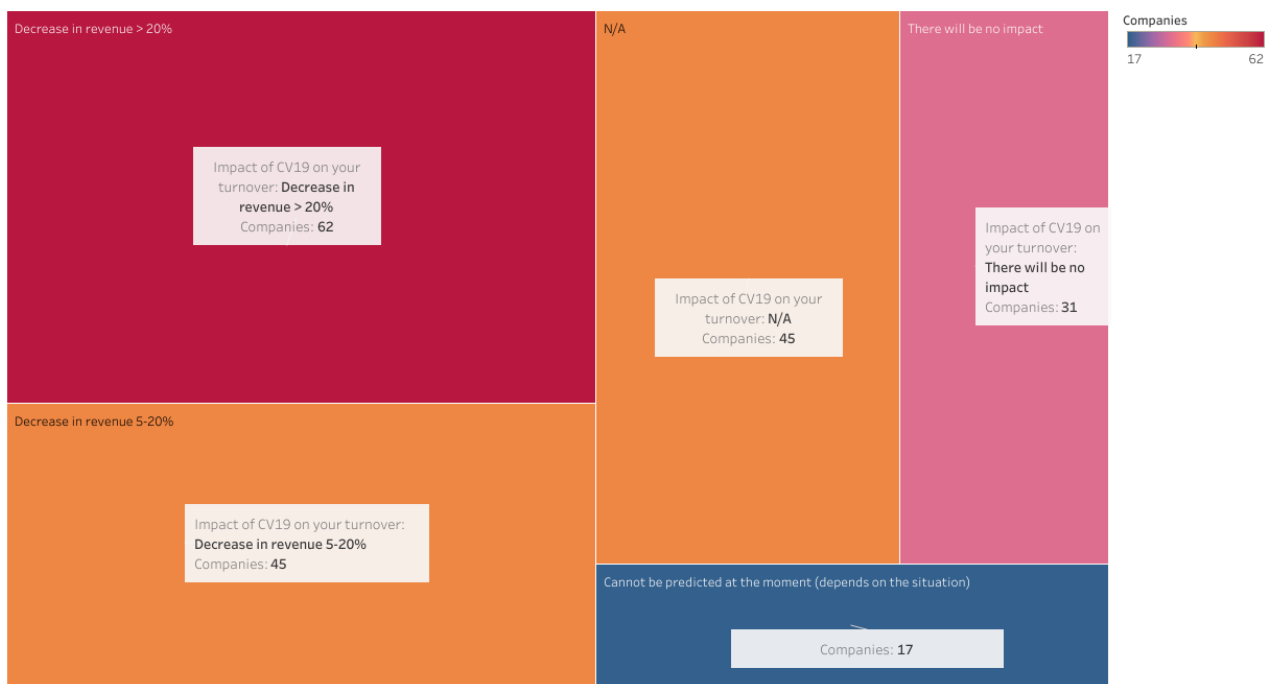
Business openings and closures



Question 4: How do you assess the impact of COVID19 on your company's annual revenue (turnover)?

Out of 200 companies, 62 of them answered that there will be an annual turnover reduction higher than 20%. 45 of companies reported that there will be a reduction of 5-20%. 31 companies claimed that this situation would not affect their work and for 17 could not predict it yet. This value is partially explained by the distribution of values for ‘Main Problems’ and ‘Sector’.

Impact of COVID-19 in annual turnover



Question 5: What are the main problems that your company is currently facing?

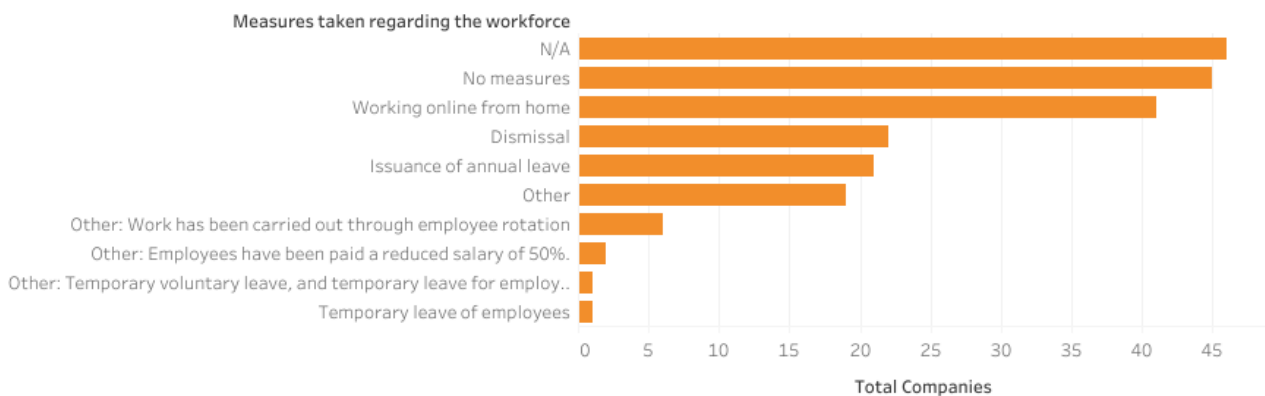
The analysis shows that enterprises are affected by the lack of customers and lack of liquidity. Most of them included both as a main problem during the COVID 19 situation. Also, for some others it has been the supply of raw materials from imports, increasing costs and salary payment. As a result of the lack of customers, a large part has decreased production. Work organization due to time limitations has also been a major factor in work problems.

Main problems caused by COVID-19



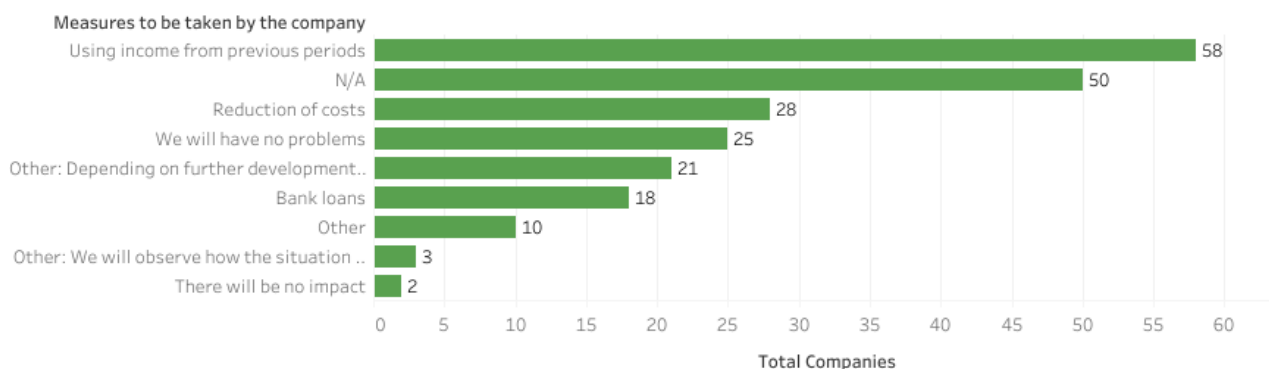
Question 6: What measures did your company take to address the lack of workforce?

Of the 200 companies, 45 of them had not taken any action regarding the workforce. 42 companies, applied the working online from home strategy for their employees, 21 of them applied issuance of leave and 23 reported they had to fire employees. Some other measures were taken such as; employees who vulnerably did not show up at work or temporarily laid off, temporary leave, etc.



Question 7: What are the measures you will take to ensure the continuity of your business?

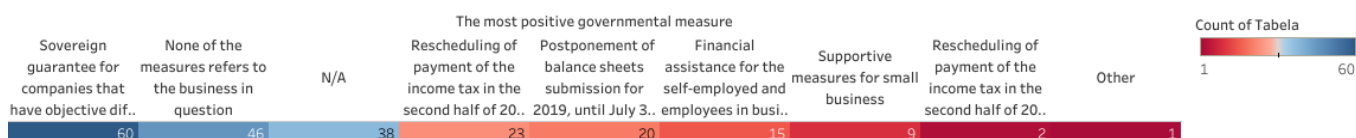
Of the 200 companies, regarding the measures to be taken to ensure continuity, 58 responded that they would use revenue from the previous period. 28 companies reported that they will reduce the costs by firing employees or reducing production, or in some cases both. Meanwhile, 25 of them stated that they won't have any problems. For 18 of them will take bank loans. 21 businesses noted that they would extinguish the continuation of the situation and depending on further development.



Question 8: Which of the measures presented by the government do you think will have the most positive impact on your company?

Regarding the question on the measures presented by the government, 60 of the companies said that the sovereign guarantee was the most positive measure that the government has taken and 46 others noticed that none of the measures affected their business. The businesses with annual turnover below 14 million ALL, were very positive regarding the support measures taken for small businesses. While the rest, 25 of the companies, believed that rescheduling of payment of the income tax in the second half of 2020 is the most positive, 15 believed that the financial assistance for the self-employed benefits better their business, and 20 companies thought that the postponement of balance sheets submission measure had a positive impact for their business.

Most Positive Governmental Measures



ADDITIONAL COMMENTS AND RECOMMENDATIONS

Results of the data analyzed show that the most enterprises in the sample rated the situation created by Covid-19 as a negative impact that will impact their economic performance and for the most of them will be an annual turnover reduction higher than 20%.

The companies considered as large businesses, with over 14 million ALL annual turnover, reported almost the same problems and similar answers with each other. Meanwhile, the small businesses who had a very small part in this survey, had totally closed their businesses and they benefited only from the supportive measures for small business taken from the government, such as minimum wages for the employees.

In practice, as a result of the phone calls, there have been reported problems that have been assisted directly from aftercare staff outside the questionnaire such as:

- obtaining authorization for employee movement;
- obtaining authorization for the realization of online sales;
- obtaining a certification permit for opening activity by entities with a foreign administrator;
- confirmation of the activity allowance permit from the *e-albania* portal;
- assistance for obtaining the financial assistance for employees;
- assistance for working permit for vehicles outside the allowed specified schedule;
- applications assistance for work permit for employees with foreign citizenship;
- assistance for problems related the realization of transport of employees in compliance with the new rules regarding the protocol of protective measures.

The recommendations given were financially based and mostly addressed to the central government asking for:

- Full or partial support for employee payments;
- Postponement of payment of profit tax for large business;

-
- Postponement or forgiveness of payment of employee contributions insurance;
 - Announcing an emergency fund of interest to businesses to achieve payment for suppliers;
 - Soft loans and lower interest rates for the business;
 - Reassessment of closed activity categories;
 - Full or partial support for the payment of employees who are assisted due to this situation;
 - Including at least financial assistance and for those employees that companies are still hiring despite the difficulties created;
 - Reduction of fiscal pressure from taxes;

Recommendations for the local government have been relatively low. However, one of the suggestions received is related to the request for support from the local government regarding the public transport of company employees. This is due to the problem created from businesses regarding the transportation of their employees as a result of the implementation of new rules regarding the protocol of protective measures such as maintaining physical distance within the means of transport. This has led to a reduction in the number of employees who can transport businesses themselves, resulting in a reduction and obstruction in the performance of work as well as an increase in transport costs, which businesses have difficulty coping with.

APPENDIX 1 - QUESTIONNAIRE

Questionnaire on the Impact of COVID-19 on Businesses

Subject

Sector

County.....

Nr. of employees.....

1- Business size

- Up to 14 million ALL
- Over 14 million ALL

2- Do you export?

- Yes
- No

3- Have you stopped your activity as a result of Covid-19?

- Yes, totally
- Yes, in part
- No, at no point

4- How do you assess the impact of COVID19 on your company's annual revenue (turnover)?

- Decrease in revenue 5 - 20%
- Decrease in revenue > 20%
- Increase in revenue
- There will be no impact

5- What are the main problems that your company is currently facing?

- Lack of raw material
- Supply of raw materials from imports
- Lack of customers
- Lack of liquidity
- Decreased production
- Increase in costs
- Problems with salary payment
- Problems in work organization
- Legal uncertainty
- Inability to pay tax liabilities
- Other

6- What measures did your company take to address the lack of workforce?

-
- Issuance of annual leave
 - Working online from home
 - Dismissal
 - No measures
 - Other

7- What are the measures you will take to ensure the continuity of your business?

- Using income from previous periods
- Bank loans
- Reduction of costs (removing employees, reducing production, etc.)
- We will have no problems
- Other

8- Which of the measures presented by the government do you think will have the most positive impact on your company?

- Sovereign guarantee for companies that have objective difficulties in paying employee salaries
- Supportive measures for small business
- Permanent deletion of late payment interest rates on debtors of energy bills
- Financial assistance for the self-employed and employees in business entities with annual income up to 14 million ALL, for the period after the interruption of economic activity
- Rescheduling of payment of the income tax in the second half of 2020 and onwards, for all businesses with annual income up to 14 million ALL
- Postponement of balance sheets submission for 2019, until July 31, 2020 for businesses that submit balance sheets to NBC online or directly
- Postponement of the deadline of loan instalment payments until 31.05.2020
- None of the measures refers to the business in question

9- What other measures would you suggest to be taken by the central government to help you cope with this situation?

10- What would be the other measures that the local government can take to help you cope with the situation?