

Republic of Albania

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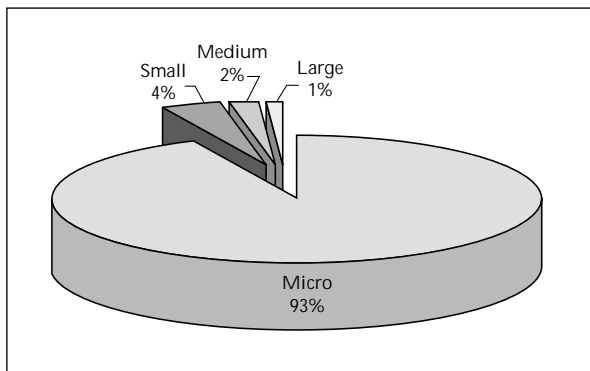
The substance of the important measures undertaken by the Albanian Government remains the reforms for the development of the private sector, especially for the SME. 2005 was characterized by a stable development of the Albanian economy. The private sector contribution is estimated around 80% of the GDP, while in employment is over 70% of the general number of the employees. Within the private sector the SME sector plays an important role for an economic stable development. The SME sector contribution is estimated around 64% of the GDP and 66% in employment.

SME progress for 2004-2005

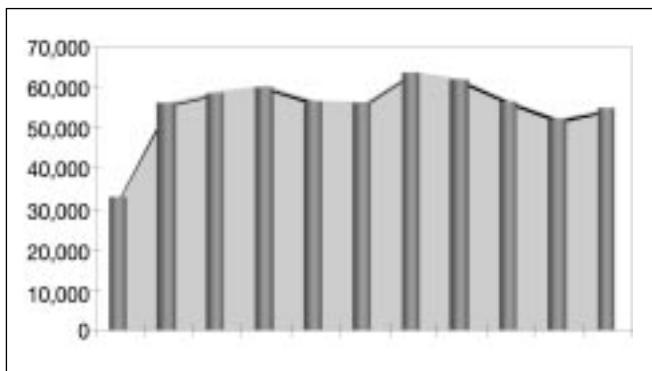
Until the end of 2004 the number of the registered private companies

reaches the figure of 54909 enterprises and compared to 2003 there is an increase by 6%. 99 % of the active enterprises in Albania are composed by SME-s (from 1-80 employees).

Nr. of enterprises according to the size, 2004

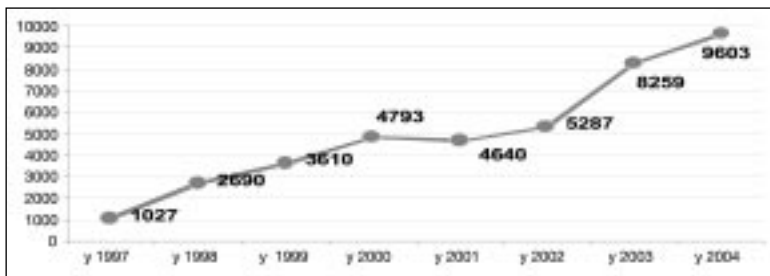


Nr. of active enterprises though the years

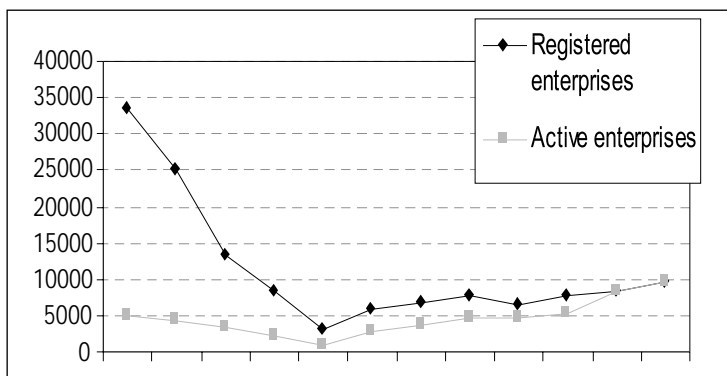


Along 2004 is noticed an increase of the new freshly setup enterprises by 9600 enterprises, 31% higher than in 2003. 8,5% compared to 2003 increased the number of employees in the private sector. Even for 2005 the number of the new enterprises is estimated to be approximately in the level of the 2004, so about 9000 enterprises.

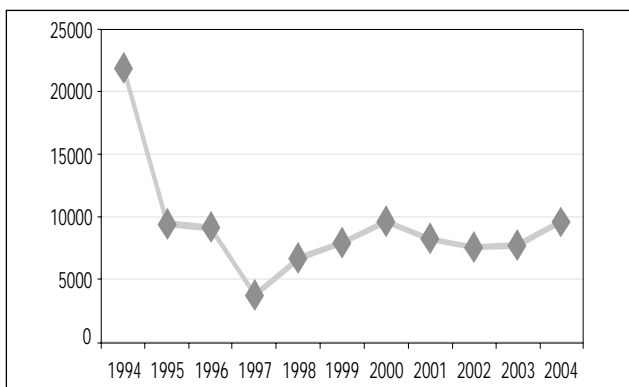
Active enterprises for 2004 according to the year of establishment



Number of registered and active enterprises through the years



Number of new enterprises by year



The economic sectors in which the private business is more active are trade (with 48%), services (with 24%), industry (with 11%) and trans-

port (with 10%). Along 2003- 2004 can be noticed a light decreasing trend of the specific weight occupied by the private businesses operating in the trade field and an increase of those operating in services and industry. Along 2004 the figure of turnover provided by the trade and services sectors is about 63,7 % of the total turnover, while the turnover provided by the production and construction sectors is about 36,3 % of the total turnover which itself is 4% higher compared to 2003.

As above mentioned, along 2004 and 2005 can be noticed a high increase of the new enterprises entered in the market, a trend which is further increasing even during the first quarter of 2006 where is noticed an increasing flow of new enterprises registered in the tax offices and is foreseen that only in Tirana during 2006 the number of new enterprises registered will be doubled for the small business. The large number of new enterprises is noticed mostly in trade and services sectors because the cost of opening a business in these sectors is lower, the investment capital required is low, the number of permissions required is lower and the taxes are lower too.

The increasing the number of enterprises entered in the market is due to the Policies undertaken for improving the business climate like:

- Reducing the profit tax from 25% to 23% to 20% during 2006
- Increasing the microcredit fund
- Reducing the small business tax from 3% to 1,5%
- Removal of VAT for books in publishing houses
- Removal of VAT for advertising.
- Increasing the value of credit for private sector and increasing the medium term credit. In 2005 credit for private sector is 12,5% of GDP. The value of credit in 2005 is much more then in year of 2004.
- Reducing the time and cost to register of enterprises, from 30 days to 10 days